



# Annual Report

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K&S CORPORATION LIMITED

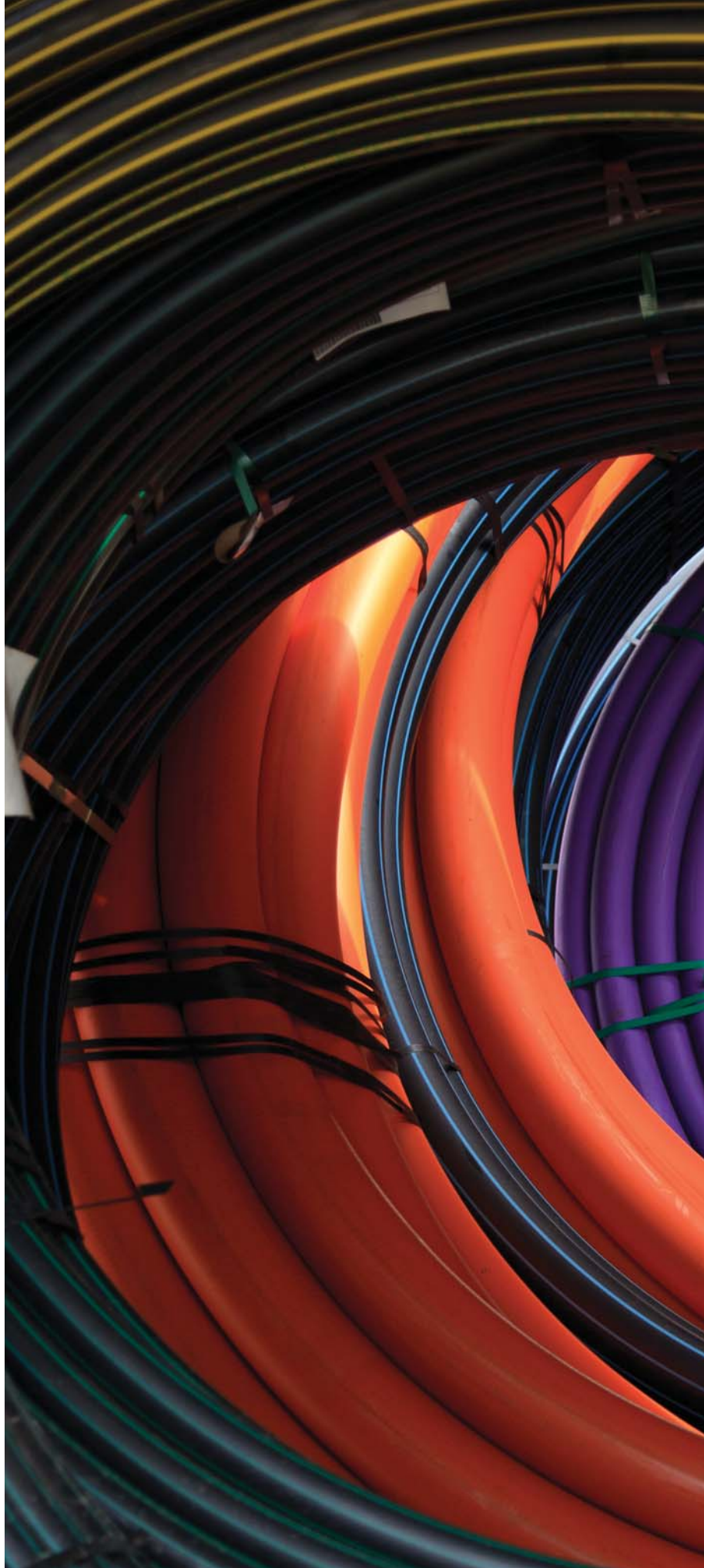
## FINANCIAL CALENDAR

|                                                        |                  |
|--------------------------------------------------------|------------------|
| Final dividend payment<br>(3.0 cents per share)        | 31 October 2014  |
| Annual General Meeting                                 | 25 November 2014 |
| Half-year results and interim<br>dividend announcement | 25 February 2015 |
| Interim dividend payment                               | 3 April 2015     |
| Full-year result and final<br>dividend announcement    | 26 August 2015   |
| Annual report mailed<br>to Shareholders                | 9 October 2015   |
| Final dividend payment                                 | 31 October 2015  |
| Annual General Meeting                                 | 24 November 2015 |

**K&S CORPORATION LIMITED**

ABN 67 007 561 837

| <b>Contents</b>             | <b>Page</b> |
|-----------------------------|-------------|
| Highlights                  | 1           |
| Chairman's Overview         | 2           |
| Financial Overview          | 6           |
| Managing Director's Report  | 8           |
| Board of Directors          | 19          |
| Five-Year Financial History | 22          |
| Directors' Report           | 24          |
| Remuneration Report         | 34          |
| Corporate Governance        | 44          |
| Financial Report            | 63          |
| Corporate Directory         | 124         |







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

# Highlights

- **Revenue increased 3.8% to \$586.2 million**
- **Profit after tax is \$8.9 million**
- **Completes acquisition of Scott Corporation Limited**
- **Operating cash flow is \$47.3 million**
- **We have significantly grown our NZ business**
- **LTIFR reduced to 5.8**

“Management is focused on finding new growth opportunities and improving yield.”

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

This year has been a difficult and challenging one for the Company. We announced a net profit after tax of \$8.9 million, a reduction of 44.0% on the previous year.

Operating revenue for the year was \$586.2 million, an increase of 3.8% on the previous corresponding period. Earnings per share were 9.0 cents per share.

This result included a number of one off items related to re-organisation costs of \$0.9 million and acquisition costs related to the merger with Scott Corporation of \$0.6 million.

Underlying profit after tax after allowing for these one off costs was \$10.4 million.

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

# Chairman's Overview

The manufacturing sector remained subdued as a result of high labor costs and the high Australian dollar. Imports are still impacting the demand for locally manufactured goods and this in turn reduces demand for long haul transport services.

The loss of the Australian Paper contract on 1 July 2013 also had a negative impact on the year. This contract traditionally generated revenues in excess of \$30 million annually and provided efficiencies in our major branches that were difficult to replace in the short term.

This loss of revenue has partially been offset with Schweppes, Norske and some synergies from the Scott Corporation merger.

The volumes from the NZ Steel contract which commenced on 1 January 2014 has exceeded our initial expectations.

On 24 February 2014, K&S completed the acquisition of Scott Corporation. This was completed by way of an off market takeover bid.

Scott Corporation is a national carrier with expertise in the transport of bulk solids,

liquids, fuels and explosives. Scott Corporation has four operating divisions being Bulktrans, Energytrans, Chemtrans and Hyde Park Tanks. The acquisition of Scott Corporation will enable K&S to grow in new markets that are not as impacted by the decline in manufacturing.

The acquisition of Scott Corporation was completed with K&S offering \$0.59 or 0.345 K&S shares for each Scott Corporation share. The transaction was completed using both debt and equity components. The majority of Scott Corporation shareholders, 95%, elected the scrip option.

Following the acquisition of Scott Corporation, we have already achieved annualized integration benefits in excess of \$3 million. These integration benefits have come from back office, administration and equipment costs.



During the difficult year, we have continually reviewed our cost base and we have reduced fixed and variable costs from operations. We have reduced subcontractor costs, labor, overtime and equipment costs as volumes have declined.

We are focused on creating positive synergies and integration benefits from the Scott Corporation merger.

Capital expenditure on equipment has been reduced significantly during the course of the year.

Operating cash flow for the year was \$47.3 million.

Our gearing at year end is 25.2%, which is well within our target range. Our net debt is \$96.0 million.

On 22 April 2014, Paul Sarant was appointed as Managing Director and Chief Executive Officer following the resignation of Greg Stevenson. Mr Stevenson held the position for approximately two years and under his leadership the Scott Corporation merger was completed. We thank Greg for his service.

With the appointment of Paul Sarant as Managing Director and Chief Executive Officer and following the merger with Scott Corporation, we have seen a number of changes to the Company's Executive Team in the last six months. The depth of the Executive Team has increased and we are excited by the collective skills, expertise and energy of our reinvigorated Executive Team.

# Chairman's Overview



We have declared a fully franked final dividend of 3.0 cents per share (last year 4.5 cents per share). This follows the interim dividend of 3.0 cents per share. The final dividend will be paid on 31 October 2014, with the date for determining entitlements being 17 October 2014.

The dividend reinvestment plan (DRP) will once again apply in respect of the fully

franked final dividend of 3.0 cents per share payable on 31 October 2014.

The terms of the DRP will remain unchanged with the issue price under the DRP based on the weighted average trading price for K&S shares in the five business days ending on 20 October 2014 (the record date of the final dividend) less a discount of 2.5%.

I would like to thank Richard Nicholson who retired from the Board in July after 27 years of service as a Director. Richard has been one of the longest serving Directors of the Company and has at various times been Chairman of the Audit Committee and of the Nomination and Remuneration Committee. We wish him well in his retirement from the Board. I am sure he will continue to take an active interest in the welfare of the Company.

Legh Winser has rejoined the Board as a Non Executive Director. Following the announcement of Legh's pending retirement as Managing Director in early 2012, we foreshadowed that we would give favourable consideration to him rejoining the Board at an appropriate time. Legh has enormous experience in transport and logistics which will greatly strengthen the Board.

I would also like to thank Bruce Grubb who retired from the Board on 22 October 2013 after six years as a Director. Mr Grubb has a vast wealth of experience in the transport industry which enabled him to make a positive contribution to the workings of the Board.

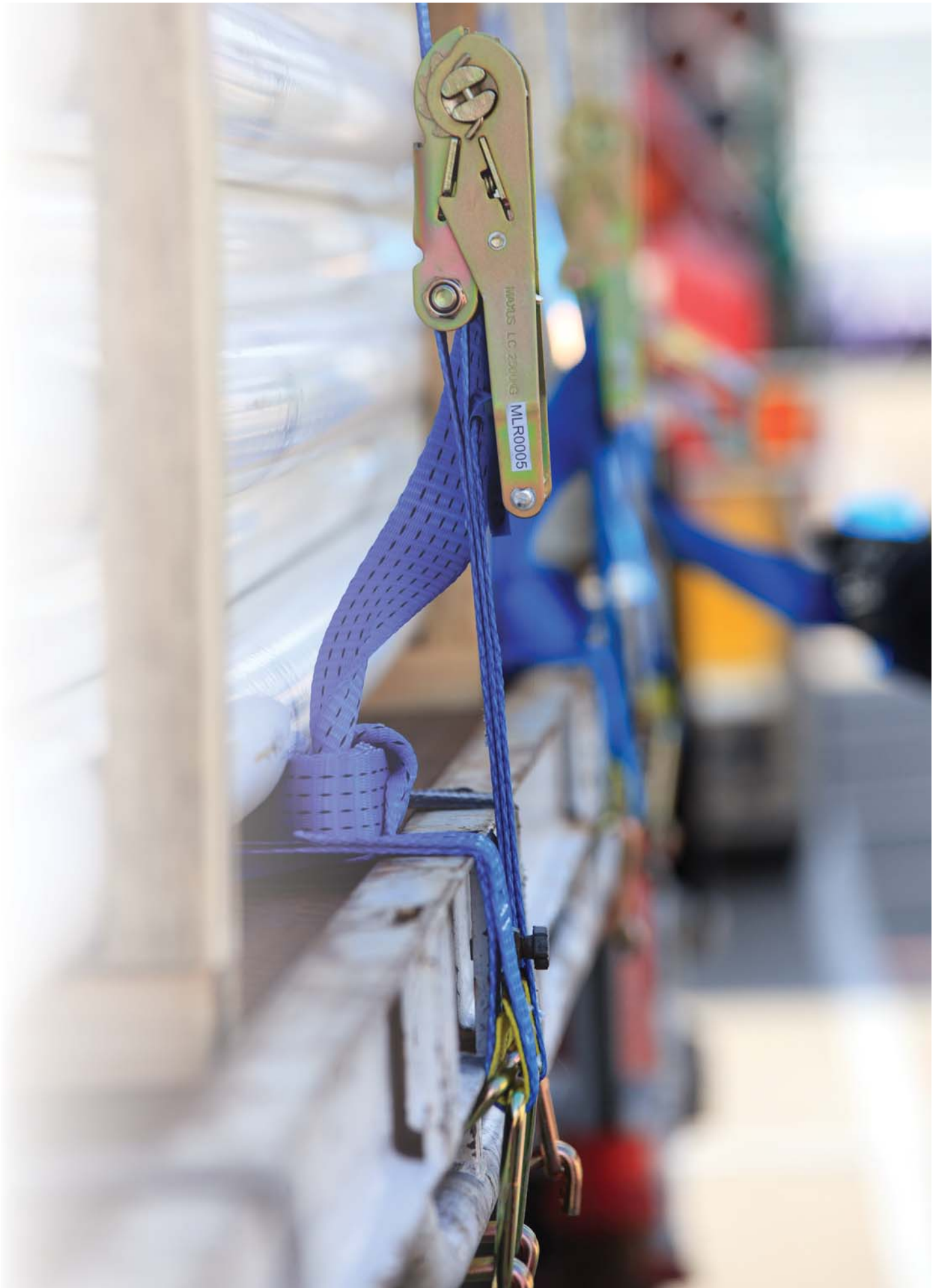


On behalf of the Board, I thank our customers, suppliers and employees, who have contributed to the continuing success of the business.

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

**Tony Johnson**  
Chairman



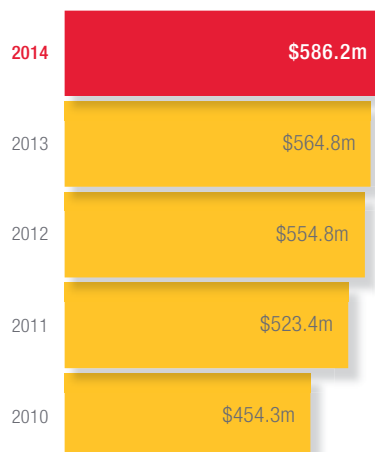


|                                                        |       | 2014         | 2013  | % change |
|--------------------------------------------------------|-------|--------------|-------|----------|
| Revenue                                                | \$m   | <b>586.2</b> | 564.6 | 3.8      |
| Operating profit before interest, tax and depreciation | \$m   | <b>43.6</b>  | 52.0  | (16.2)   |
| Operating profit before interest and tax               | \$m   | <b>18.6</b>  | 27.8  | (33.1)   |
| Operating profit before tax                            | \$m   | <b>12.4</b>  | 22.4  | (44.4)   |
| Operating profit after tax                             | \$m   | <b>8.9</b>   | 15.9  | (44.0)   |
| Dividends paid                                         | \$m   | <b>6.9</b>   | 11.3  | (38.9)   |
| Total assets                                           | \$m   | <b>540.5</b> | 403.7 | 33.9     |
| Net borrowings                                         | \$m   | <b>96.0</b>  | 51.1  | (87.8)   |
| Shareholders' funds                                    | \$m   | <b>287.2</b> | 239.6 | 19.9     |
| Depreciation and amortisation                          | \$m   | <b>25.0</b>  | 24.2  | 3.3      |
| Earnings per share                                     | cents | <b>9.0</b>   | 17.6  | (48.9)   |
| Dividends per share                                    | cents | <b>6.0</b>   | 11.0  | (45.5)   |
| Net tangible assets per share                          | \$    | <b>1.69</b>  | 1.85  | (8.6)    |
| Cash flow per share                                    | \$    | <b>0.40</b>  | 0.51  | (21.6)   |
| Return on Shareholders' funds                          | %     | <b>3.1</b>   | 6.6   | (53.0)   |
| Gearing                                                | %     | <b>25.2</b>  | 17.6  | (43.2)   |
| Employee numbers                                       |       | <b>2,050</b> | 1,751 | 17.8     |
| Lost time injuries                                     |       | <b>25.0</b>  | 47.0  | 46.8     |
| Lost time injuries frequency rate                      |       | <b>5.8</b>   | 11.0  | 47.3     |

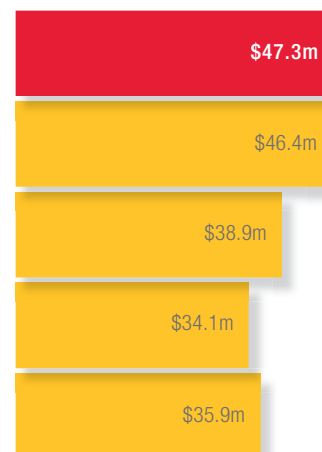
# Financial Overview



OPERATING REVENUE



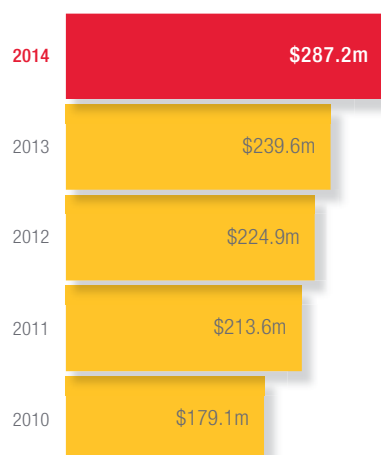
OPERATING CASH FLOW



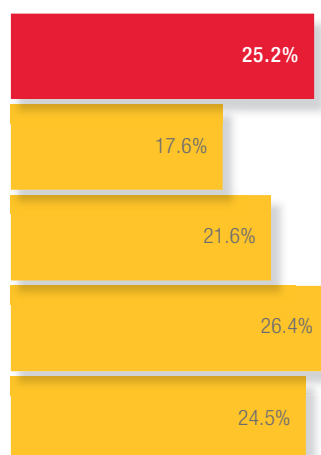




#### SHAREHOLDERS' FUNDS



#### GEARING



The 2013-14 financial year has been significant for K&S Corporation, with the merger of Scott Corporation and the introduction of a new executive management team. The merger, which was finalised in February, has created a company with annual revenues in excess of \$720 million, more than 2,100 employees and a market capitalisation that now exceeds \$185 million.

Scott Corporation has traditionally concentrated on the transport of bulk commodities, fuel and chemicals and has given K&S Corporation a scale and depth of capabilities that now rivals that of our larger competitors.

This, combined with our national facilities infrastructure expands our capability to target new market segments.

# Managing Director's Report

Sales revenues for the year reached \$586.2 million and after tax profit for 2013-14 was \$8.9 million compared with \$15.9 million last financial year.

This result was foreshadowed in April and follows continued soft domestic trading conditions and a slowdown in the mining sector that particularly impacted on our Western Australian business.

Safety performance of the domestic operations continued to improve. Our Lost Time Injury Frequency Rate reduced to 5.8, from 11.00 for the previous corresponding period.

Re-organisational costs and transaction costs associated with the merger with Scott Corporation amounted to approximately \$1.5 million on an after tax basis. Annualised integration benefits in excess of \$3 million per annum have been generated.

The integration benefits are being made in areas including back office, administrative and equipment costs. We expect to realise further savings in 2014-15 as work to streamline properties and procurement protocols continues.

“We will continue to  
implement expansion  
initiatives aimed  
at profitable growth.”



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The traditional freight business operated by K&S on the east coast of Australia remains subdued as a result of continuing slow economic conditions in the manufacturing sector.

Plant closures of major manufacturing facilities continue to dominate the economic landscape and we expect this to continue well into the new financial year.

Whilst there is a potential upside in major infrastructure spending by the Federal Government, there is by no means any certainty that these spending initiatives will be passed and approved before the end of the next financial year.

In terms of our revenue performance, the loss of Australian Paper at the end of the last financial year adversely impacted the result in excess of \$30 million. The net contribution of this has been predominantly replaced with new contracts and other site related synergies derived from the Scott Corporation merger.

The pleasing aspect this year is that we have either retained and or continued to build on our existing long term contractual arrangements with companies such as OneSteel, BlueScope, Air Liquide, Caltex, CHEP and Fletcher Building Products. These contracts place us in a good position to support increased activity expected in the latter half of the FY2015.

Norske Skog Australia and New Zealand continues to provide us with strong opportunities. Whilst volumes remain subdued consequent to the ongoing reduction of the domestic newsprint market, they invested in a major upgrade of their Boyer mill including the conversion of a paper machine to produce lightweight coated grades that are aligned to the growing promotional advertising market. We are continuing to seek new and more efficient ways of supporting the transport of these products.



## A large Western Star semi-truck is shown at night, illuminated by its own headlights and auxiliary lights. The truck is white with a prominent chrome grille and bumper. The words "WESTERN STAR" are visible on the side of the hood. The truck is parked on a dark, textured surface, possibly gravel or dirt. The background is dark, suggesting a night scene. The truck's headlights are on, casting a bright glow. The overall image conveys a sense of power and reliability.

10



## SCOTT

Scott Corporation Limited

Scott Corporation clients have generally welcomed the merger of Scott Corporation into K&S and expressed strong interest in the broader service offering that is available, along with opportunities to rationalise service supplier numbers.

In the mining sector, volumes transported have generally remained stable. Price pressures are evident when contracts are being renegotiated, which we seek to offset with innovation benefits.

Volumes in the manufacturing sector remain depressed and this continues to affect our traditional chemical and bulk liquid business.

Specifically, operations in northern Queensland in 2014 were affected by a prolonged wet season which slowed customer operations and reduced the volume of fuel and chemicals transported.

In our bulk commodities business, scheduled long wall changes to two mines

in the southern coal fields significantly reduced coal volumes in the second half of 2013-14.

Strong upside is expected in FY2015 including Northern Territory sulphuric acid transportation, two new chemical distribution contracts recently won with combined annualised revenues in excess of \$8 million, and strong coal transportation with a forecast of 9 million tonnes to be exported.

The NSW Roads Authority has approved the commissioning of a new A-double fleet for coal haulage in the Illawarra region. An application is currently before the National Heavy Vehicle Regulator for an 85 tonne gross mass permit, which is expected to come into place early in the first quarter of the new financial year.

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# Managing Director's Report

SERVICE ALL THE WAY



Regal Transport experienced a tough 12 months as a result of the downturn in the mining and resources sector in Western Australia.

Lower commodities prices have resulted in fewer new mines being developed, while existing operations have moved from infrastructure development into production.

As a result, heavy haulage activity across the state reduced significantly. We expect activity in FY2015 to improve.

Regal's ongoing work with Westrac was significantly reduced, but was balanced to some degree by work secured with a number of smaller customers.



REGAL TRANSPORT REGAL TRANSPORT REGAL TRANSPORT REGAL TRANSPORT REGAL TRANSPORT REGAL TRANSPORT

The general freight business faced similar challenges. There was minor total volume growth, offset by competitive market pressure which effectively reduced rates.

New freight contracts with Argyle Diamond and Kimberley Diamond commenced. This included the establishment of a new branch depot at Kununurra.

This will assist in the development of new business in the Darwin corridor.

Increased activity was realised in the oil and gas sector. A contract was won to service a new supply depot in Broome, while services to Onslow and the Canning Basin operations were expanded.



The DTM business continued its strong growth of previous years, adding an additional 50 vehicles to its national fleet to service new and expanded contracts.

In the past six years, DTM has organically grown revenues from \$41 million to circa \$80 million, despite tough economic conditions. Innovation continues to be a strong driver of this.

This success has been based on DTM's ability to tailor solutions based on purpose-built vehicles and incorporating the latest in track-and-trace, GPS technology, as well as strong emphasis on chain of responsibility (CoR), and health and welfare.

One of the principal areas of growth in 2014 was Western Australia, where a new distribution agreement was signed with Caltex Oil and Lubricants.



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In NSW, a new agreement was signed with Fletcher Building Limited to service iPLEX, and an extension of work was negotiated with equipment handling specialist CHEP.

The development of portable pallet repair plants in conjunction with CHEP in FY2013 has been an outstanding success, resulting in high quality outcomes and significant cost savings for the client.

DTM also increased its pallet bulk storage business for CHEP at Truganina in Melbourne and Enfield in

Sydney, and commenced storage operations in Queensland.

A new contract with Air Liquide was signed for the transport of industrial gases in metropolitan Brisbane and far north Queensland, adding to the other Air Liquide contracts already in place across Australia in South Australia, Victoria and New South Wales.

The distribution agreement with Shell in Queensland has expanded and volumes are expected to increase in the new financial year.

## Business Development

Business development activity was reasonably subdued in the first half of the financial year. There has been a strong resurgence towards the end of the year. Our sales pipeline remains strong.

In order to effectively manage our development activity and cope with the increasing task of tendering and the winning of new business, our sales team has been expanded and efforts to realise synergies between all of our operating divisions resulted in the central co-ordination of major tenders and opportunities, particularly in the small to medium business category.

Significant efforts are being made through this centralisation of business development activity to ensure that customers are fully aware of the transport solutions that K&S can offer through the imaginative use of different transport modes and specialist divisions within the Group.

By ensuring customers are fully aware of all services K&S offers, the business has been able to win new work and value-add to existing agreements.

K&S won a contract with a major provider of fast moving consumer goods (FMCG) for warehousing at Truganina, and a separate contract with another FMCG provider to transport goods between Melbourne and Brisbane. K&S has also continued to win new wharf cartage work.



In New Zealand, a new contract commenced in January with NZ Steel. It is now operating approximately 30% above initial expectations as a result of the buoyant NZ economy. This is expected to provide a strong boost to NZ results in the next financial year.

The new financial year provides many opportunities in business development. The merger of Scott Corporation with its strong emphasis on bulk logistics into K&S will provide even greater opportunities to expand services to customers of both entities. In particular, transport of ore from the mine sites to port is being targeted as an area for expansion together with the transport of bulk chemicals in the WA market.

# New Zealand

A continued strong focus on Occupational Health and Safety paid significant dividends for our New Zealand business during 2013-14. K&S has now achieved tertiary accreditation under the Accident Compensation Commission's Workplace Safety Management Practices (WSMP), providing the Company with the highest possible level of levy reduction and significant benefits for our clients.

K&S won new contracts with NZ Steel and Timberlands, with both contracts being awarded after extensive safety audits of the K&S business as part of the tender process.

The Timberlands contract, which came into effect in January, involves the cartage of approximately 200,000 tonnes of woodchip a year from the Rotorua area, with deliveries undertaken on a 24/7 basis.

New contracts were also won during the year with Miraka, which doubled the tonnage carried, and Sequel Lumber carting along the Eastern Bay of Plenty corridor to export port.

A strong focus has also been maintained on leveraging roads compliance changes, with new mass regulations allowing appropriate vehicles to carry maximum loads of 50 or 58 tonnes on specified routes, increasing from the previous 44 tonnes. Approximately 40% of our fleet now meets the vehicle design specification pertaining to this change, which has allowed us to compete more effectively with the extensive subcontractor base who predominantly still use older and less efficient vehicles. Heavier vehicles are now able to access approximately 75% of the North Island roads and 15% of the South Island roads.

We continued to expand our fleet, with it increasing almost 15% to support new contracts.

The Company has developed a strong business in the timber, steel and dairy sectors, while the kiwifruit industry has also bounced back after recovering from two years of viral infection and drought. With the planting of new G3 variety fruit, this sector is expected to grow solidly in coming years.



## K&S Fuels

Additional cartage work for Caltex for the supply of fuel to mining sites and ship refuelling bunkers as well the cartage of biodiesel have been major developments for K&S Fuels in the past 12 months.

Diesel sales to the fishing fleet along the Limestone Coast were slightly down as fishermen filled their lobster quotas earlier, while sales to farm customers were steady.

The K&S Fuels card system, which was expanded to Port Hedland, Dardanup and Newcastle last year, continues to work well. Opportunities to expand the system further following the merger with Scott Corporation will be pursued.



## Human Resources

The integration of Scott Corporation into the K&S business has been a key human resources focus during the latter part of the year. Work to merge the human resources functions of both organisations has commenced and will continue to evolve in the first part of FY2015.

The organisations share a common strong safety focus and a commitment to providing open and transparent communication across the Group and

encouraging and recognising innovation and performance.

The merger not only provides new business opportunities for the Group by expanding core competencies, but it also opens up broader prospects for employees to expand development and career opportunities.

K&S continues to benefit from its commitment to people safety through employee engagement and participation in programs and safe practices.



## Environment

K&S continues to meet its requirements under relevant environmental reporting protocols and continues to search for ways to increase overall energy efficiency.

Under the *National Greenhouse and Energy Reporting Act*, K&S reported a total of 119,000 tonnes of carbon dioxide equivalent during 2012-13, in line with the previous year's figure.

K&S also completed its compliance obligations under the Energy Efficiency Opportunities Program. This program has now been closed by the Federal Government and removes future compliance obligations.

# Safety

K&S maintained its strong commitment to safety, developing and implementing programs focussing on falls prevention, fit for work, incident reporting and investigation, manual handling and load restraint.

A Safety Operating Procedure strategy plan was also developed and has commenced operation.

The Lost Time Injury Frequency Rate (LTIFR) figure continued to improve, with a rate at June 30 this year of 5.8, compared with 11 on June 30, 2013.

On the industry front, the Truck Emergency Breakdown and Roadside Safety Program (TEBARS), of which K&S was a significant contributor, was completed and launched at Freight Week in September, 2013.

During the year, K&S collaborated with the Victorian Transport Commission and Monash University in a heavy vehicle speed variation study to determine what safety benefits may be achieved by heavy vehicles operating at different speeds.



The 22 week study, which was conducted along Princes Freeway between Melbourne and Geelong, involved four B-doubles operating at different speeds, with traffic responses being measured.

The results of the study have not yet been published.

K&S introduced safe driving plans as part of its obligations under the Road Safety Remuneration Tribunal, an independent national tribunal that has functions relating to the road transport industry.

Safe driving plans are required to be completed by long distance operators with vehicles of 4.5 tonnes or more.

Following media reports of vehicle maintenance issues by competitors, K&S undertook both internal and independent external vehicle audits to ensure vehicle compliance. This showed that the fleet is maintained at high levels.

## Compliance

K&S completed re-accreditation under the National Heavy Vehicle Accreditation Scheme, with an audit confirming the Company continues to meet required standards.

The Company remains a member of the ATA Council and on the Safety Committee and the Transport Economics Committee.

It also continues to be accredited to ISO 9001 2008 standard.



## Summary

In this, as my first year as Managing Director and CEO, I would like to take this opportunity to express my sincere thanks to all the employees and supporters of K&S that have remained steadfast through difficult trading conditions over the past 12 months. We have a safe, hands on, accountable and service orientated culture.

We will continue to focus on the improvement of our safety performance, revenue growth and reduction of our operating costs. A key component of this will include our ongoing consolidation of operating sites, rationalisation of supporting infrastructure and the exiting of leased properties in locations where synergies are possible. These predominantly currently reside on the eastern seaboard in capital cities. We have maintained a strong balance sheet with low gearing. Potential acquisition opportunities will be pursued within our strategic guidelines.

Your continued support will be critical in ensuring that we capture the benefits of our newly combined strengths and continue to expand our service offering to support new markets and to take advantage of anticipated improvements in economic activity throughout FY2015 and beyond.

A handwritten signature in black ink, reading 'Paul Sarant'.

**Paul Sarant**  
Managing Director





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 67, Director since 1986

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

Member of: 

- Environmental Committee (Chairman)
- Nomination and Remuneration Committee

# Board of Directors



**Paul Sarant** *Managing Director*

Age 45, Appointed 22 April 2014

Paul Sarant, Bachelor of Engineering (B.Eng.), has extensive experience in the transport and logistics sector. Mr Sarant has occupied the position of Executive General Manager at DTM for the last seven years at K&S Corporation. Prior to that, Mr Sarant occupied a range of senior management roles, including general management and senior logistics roles, in the course of his 15 years at Amcor Printing Paper Group/ PaperlinX and former General Manager Spicer Stationery Group.

Member of: 

- Environmental Committee



**Greg Boulton AM** *Deputy Chairman*

Age 64, Director since January 1996

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

Member of: 

- Audit Committee
- Nomination and Remuneration Committee (Chairman)

# Board of Directors



## **Legh Winsor**

Age 66, Appointed 23 August 2013

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

Member of: 

- Environmental Committee
- Nomination and Remuneration Committee



## **Ray Smith**

Age 67, Director since 2008

Ray Smith FCPA, FAICD, Dip Com was Chief Financial Officer of Smorgon Steel Group for 11 years. During that period Smorgon Steel Group was at the forefront of the rationalisation of the Australian Steel Industry. Mr Smith is a Director of listed entities Crowe Horwath Australasia Ltd, Transpacific Industries Limited and a former Director of Warrnambool Cheese and Butter Factory Company Holdings Limited. Mr Smith is a trustee of the Melbourne and Olympic Parks Trust. Mr Smith brings a wealth of corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raising.

Member of: 

- Audit Committee (Chairman)



## **Secretary**

**Chris Bright** BEc, LLB, Grad Dip CSPM, FCIS *Secretary since 2005*

Aged 43, Chris Bright has held the position of General Counsel for 12 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.

## Retired Directors

### Richard Nicholson

Age 71, Retired 23 July 2013

Richard Nicholson ACA, is a Chartered Accountant in public practice. Mr Nicholson had been a Director of the Company since 1986. He was previously the Company Secretary and Finance Officer of the Scott Group of Companies and is a former Non-Executive Director of that Group.

Member of: • Nomination and Remuneration Committee



### Bruce Grubb

Age 64, Retired 22 October 2013

Bruce Grubb has over 30 years experience in the transport industry and is the former Chief Executive Officer of Scott Transport Industries Pty Ltd. Mr Grubb was also a Non-Executive Director of the listed entity Scott Corporation Limited and a Director of Dangerous Goods Logistics Pty Ltd.

Member of: • Environmental Committee



### Greg Stevenson *Managing Director*

Age 46, Resigned 22 April 2014

Greg Stevenson AssocDip(PerAdmin), MBus(Sys), GradDip(BusSys), MBA(E) had extensive experience in the transport and logistics sector. From 2007 to 2010, Mr Stevenson was Managing Director of Kalari Pty Ltd (part of the Swire Group) during a period of significant growth and transformation.

Member of: • Environmental Committee





# Five-Year Financial History

| (\$A Millions unless<br>otherwise indicated)       | 2014   | Variation<br>% | 2013   | 2012   | 2011   | 2010   |
|----------------------------------------------------|--------|----------------|--------|--------|--------|--------|
| Group Revenue                                      | 586.2  | 3.8            | 564.6  | 554.8  | 523.4  | 454.3  |
| Operating Profit before<br>Interest and Income Tax | 18.6   | (33.1)         | 27.8   | 30.5   | 29.6   | 31.5   |
| Interest Expense                                   | 6.2    | 12.7           | 5.5    | 7.1    | 8.4    | 5.2    |
| Profit Before Tax                                  | 12.4   | (44.4)         | 22.4   | 23.4   | 21.2   | 26.3   |
| Income Tax Expense                                 | 3.5    | (45.3)         | 6.4    | 7.0    | 6.3    | 5.2    |
| Operating Profit after Tax                         | 8.9    | (44.0)         | 15.9   | 16.4   | 14.8   | 18.7   |
| Earnings per<br>Ordinary Share (cents)             | 9.0    | (48.9)         | 17.6   | 18.7   | 18.3   | 26.5   |
| Dividends per Share (cents)                        | 6.0    | (45.5)         | 11.0   | 11.0   | 10.0   | 14.0   |
| Return on<br>Shareholders Funds                    | 3.1%   | (53.0)         | 6.6%   | 7.3%   | 6.9%   | 10.5%  |
| Paid Up Capital                                    | 145.4  | 43.7           | 101.2  | 97.7   | 94.3   | 64.5   |
| Shareholders Funds                                 | 287.2  | 19.9           | 239.6  | 224.9  | 213.6  | 179.1  |
| Total Assets                                       | 540.5  | 33.9           | 403.7  | 401.0  | 388.0  | 326.1  |
| Net Tangible Assets<br>(book value) per Share      | \$1.69 | (8.6)          | \$1.85 | \$1.75 | \$1.65 | \$1.85 |







The Directors' present their report, together with the consolidated financial report of K&S Corporation Limited (the "Company") and the consolidated entity, for the year ended 30 June 2014 and the Auditor's Report thereon.

## Principal Activities

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

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

# Directors' Report

## Operating and Financial Review

The Board presents the 2014 *Operating and Financial Review*, which has been designed to provide Shareholders with a clear and concise overview of the Company's operations, financial position, business strategies and outlook. The review complements the financial report and has been prepared in accordance with recently released guidelines set out in ASIC RG247.

The consolidated profit for the year attributable to the members of K&S Corporation Limited ("K&S") is shown below, along with comparative results for 2013

| Financial Overview            |       | 2014         | 2013  | % Change |
|-------------------------------|-------|--------------|-------|----------|
| Operating revenue             | \$m   | <b>586.2</b> | 564.6 | 3.8      |
| Operating profit after tax    | \$m   | <b>8.9</b>   | 15.9  | (44.0)   |
| Net borrowings                | \$m   | <b>96.0</b>  | 51.1  | 87.9     |
| Shareholders' funds           | \$m   | <b>287.2</b> | 239.6 | 19.9     |
| Earnings per share (basic)    | cents | <b>9.0</b>   | 17.6  | (48.9)   |
| Dividends per share           | cents | <b>6.0</b>   | 11.0  | (45.5)   |
| Net tangible assets per share | \$    | <b>1.69</b>  | 1.85  | (8.6)    |
| Cash flow per share           | \$    | <b>0.40</b>  | 0.51  | (21.6)   |
| Return on Shareholders' funds | %     | <b>3.1</b>   | 6.6   | (53.0)   |
| Gearing                       | %     | <b>25.2</b>  | 17.6  | (43.2)   |



K&S is a mid-sized logistics company, recognised as a leader in customised logistics solutions for customers who demand high levels of customer service. The Group operates in Australian and New Zealand markets, our success is driven by our constant focus on service, safety and continuous improvement.

The Directors announce a net profit after tax of \$8.9 million, a reduction of 44.0% on the previous year. Operating revenue for the year was \$586.2 million, an increase of 3.8% on the previous corresponding period.

Earnings per share were 9.0 cents per share.

This result included a number of one off items related to re-organisation costs of \$0.9 million and acquisition costs of \$0.6 million.

Underlying profit after tax after allowing for these one off costs was \$10.4 million.<sup>1</sup>



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

|                                              | \$m  |
|----------------------------------------------|------|
| Statutory profit after tax                   | 8.9  |
| After tax adjustments                        | -    |
| Reorganisation costs                         | 0.9  |
| Transaction cost of Scott Corporation merger | 0.6  |
| Underlying profit after tax                  | 10.4 |

On 24 February 2014, K&S obtained control of Scott Corporation Limited ("SCC"). This acquisition was completed by way of an off market takeover bid.

SCC is a national carrier with expertise in the transport of bulk solids, liquids, fuels and explosives. SCC has four operating divisions: Bulktrans, Energytrans, Chemtrans and Hyde Park Tanks. The acquisition of SCC will enable K&S to grow in new markets that are not impacted by the decline in manufacturing.

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

## Operating and Financial Review continued

The acquisition was completed with K&S offering \$0.59 or 0.345 K&S shares for each SCC share. The transaction was completed using both debt and equity components. The majority of SCC shareholders, 95% elected to receive the scrip option.

Following the acquisition of SCC we have already achieved annualized integration benefits in excess of \$3 million. These savings have come from back office, administrative and equipment costs.

During the year our Western Australian business was impacted by the continued slowing of the resource sector with declining commodity prices the miners reduced their costs and scaled back projects.

The manufacturing sector remained subdued. Imports are still impacting the demand for locally manufactured goods and this in turn reduces demand for long haul transport services.

The loss of the Australian Paper contract on 1 July 2013 also had a negative impact on the year. This contract traditionally generated revenues in excess of \$30 million annually and provided efficiencies in our major branches that were difficult to replace in the short term.

This loss of revenues have partially been offset with Schweppes, Norske and some synergies from the Scott Corporation merger.

The volumes from the NZ Steel contract which commenced on 1 January 2014 has exceeded our initial expectations.



During the difficult year, we have continually reviewed our cost base and we have reduced fixed and variable costs from operations. We have reduced subcontractor costs, labour, overtime and equipment costs as volumes have declined.

We implemented a freeze on new employment as a measure to reduce costs.

Capital expenditure on non essential equipment has been reduced significantly during the course of the year.

Operating cash flow for the year was \$47.3 million. This was achieved by increasing the resources and focus on customer collections and working capital management.

Our gearing at year end is 25.2%, which is well within our target range. Our net debt is \$96.0 million.

On 22 April 2014, Paul Sarant was appointed as Managing Director and Chief Executive Officer following the resignation of Greg Stevenson. Mr. Stevenson held the position for approximately two years.

During the course of the year, K&S acquired prime movers and trailing equipment of \$32.5 million. Funding of this equipment was \$28.1 million via hire purchase agreements and the balance of \$4.4 million was settled from our cash balance.

On 19 August 2013, we completed the purchase of 14.6 hectares of land in Bullsbrook, Western Australia for \$13.3 million. The land on the Great Northern Highway, north of Perth, will be

developed to consolidate the Regal Transport General Haulage operation and will be a bridging depot for the Regal Transport Heavy Haulage business which encounters curfew issues at its current South Guildford location.

K&S' net asset position increased by 19.9% to \$287.2 million. The Foreign Currency Reserve also increased in value by \$1.3 million during the year. Profit after tax of \$8.9 million for FY14 was offset by dividends paid of \$6.8 million (Final FY13 and Interim FY14).

As part of the Employee Share Scheme, Dividend Reinvestment Plan and Scott Corporation merger \$44.2 million of new shares were issued in FY14.



## Dividend

We have declared a fully franked final dividend of 3.0 cents per share (last year 4.5 cents per share). This follows the interim dividend of 3.0 cents per share paid in April 2014, making a total dividend of 6.0 cents per share. The final dividend will be paid on 31 October 2014, with the date for determining entitlements being 20 October 2014.

The dividend reinvestment plan (DRP) will once again apply in respect of the fully franked final dividend of 3.0 cents payable on 31 October 2014.

The terms of the DRP will remain unchanged with the issue price under the DRP based on the volume weighted average price for K&S shares in the five business days ending on 20 October 2014 (the record date of the final dividend) less a discount of 2.5%.



## Operating and Financial Review continued

### Outlook

Providing earnings guidance going forward remains a difficult task.

We are focused on creating positive synergies and integration benefits from the Scott Corporation merger.

We are well placed with a strong balance sheet, low gearing and secure customer contracts.

Opportunities for potential acquisitions will also be closely evaluated where it makes strategic sense.

## Significant Changes in the State of Affairs

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

On 24 February 2014, the Company obtained control of Scott Corporation Limited, by way of an off market takeover bid. Scott Corporation Limited is a national carrier, specializing in the transport of

bulk solids, liquids, fuels and explosives. These operate under four divisions being Bulktrans, Energytrans, Chemtrans and Hyde Park Tanks. Scott Corporation Limited operates in different functional and geographical markets to K&S Corporation, giving us the opportunity to diversify our business.



## Environmental Regulation and Performance

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

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

### Climate Change

Reporting under the National Greenhouse and Energy Reporting Act (NGER) and the Energy Efficiency Opportunity Program (EEOP) were completed and submitted in October and December 2012. The Energy Efficiency Opportunity compliance report for June 2013 is available on the K&S website.

### Transport and Warehousing

The transport and warehousing business is subject to the Dangerous Goods Acts

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

### Fuel

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

# Dividends

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

- A final fully franked ordinary dividend (taxed to 30%) of 4.5 cents per share amounting to \$4,112,153 in respect of the year ended 30 June 2013 was declared on 23 August 2013 and paid on 31 October 2013;
- 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 2013 was declared on 23 August 2013 and paid on 31 October 2013.
- An interim fully franked ordinary dividend (taxed to 30%) of 3.0 cents per share in respect of the year ended 30 June 2014 was declared on 26 February 2014 and paid on 2 April 2014 amounting to \$2,761,385.

The final dividend declared by the Directors of the Company on 25 August 2014 and payable on 31 October 2014 in respect of the year ended 30 June 2014 comprises:

- A fully franked ordinary dividend (taxed to 30%) of 3.0 cents per share amounting to \$3,482,774 (based on the Company's current total issued share capital); and
- 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.



# Events Subsequent to Balance Date

On 25 August 2014, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$3,482,774 (based on the Company's current total issued share capital) which represents a fully franked dividend of 3.0 cents per share. The dividend is payable on 31 October 2014 and has not been provided for in the 30 June 2014 financial statements.

The Dividend Reinvestment Plan (DRP) will apply to the final dividend and the issue price for shares under the DRP will be based on the

volume weighted average price of K&S shares in the five business days ending on 20 October 2014 (the record date of the final dividend), less a discount of 2.5%.

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

## Likely Developments

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

## General Disclosures

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



## Directors

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

**Tony Johnson** (Chairman)

**Paul Sarant** (Managing Director, appointed 22 April 2014)

**Greg Boulton AM** (Deputy Chairman)

**Legh Winsor** (appointed 23 August 2013)

**Ray Smith**

**Secretary – Chris Bright**

**Retired Directors – Richard Nicholson** (retired 23 July 2013)

**Bruce Grubb** (retired 22 October 2013)

**Greg Stevenson** (Managing Director, resigned 22 April 2014)

With the exception of Mr Sarant, all Directors are Non-Executive Directors. Particulars of Directors' qualifications, experience, special responsibilities and other relevant Directorships are on pages 19 to 21 of the Annual Report.



# Directors' Interests

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

|             | Ordinary Shares |
|-------------|-----------------|
| Mr L Winser | 39,194          |
| Mr P Sarant | 40,000          |

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

|              | Ordinary Shares |
|--------------|-----------------|
| Mr T Johnson | 472,358         |
| Mr G Boulton | 266,248         |
| Mr L Winser  | 1,164,064       |
| Mr R Smith   | 38,459          |
| Mr P Sarant  | 56,603          |

# Directors' Meetings

The number of Directors' meetings (including meetings of Committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

| Director       | Directors' Meetings |          | Scott Corporation Merger |          | Audit Committee Meetings |          | Nomination and Remuneration Committee Meetings |          | Environmental Committee Meetings |          |
|----------------|---------------------|----------|--------------------------|----------|--------------------------|----------|------------------------------------------------|----------|----------------------------------|----------|
|                | No. attended        | No. held | No. attended             | No. held | No. attended             | No. held | No. attended                                   | No. held | No. attended                     | No. held |
| Mr T Johnson   | 11                  | 11       | -                        | -        | -                        | -        | 2                                              | 2        | 4                                | 4        |
| Mr G Boulton   | 11                  | 11       | 19                       | 19       | 4                        | 4        | 2                                              | 2        | -                                | -        |
| Mr R Smith     | 11                  | 11       | 19                       | 19       | 4                        | 4        | -                                              | -        | -                                | -        |
| Mr B Grubb     | 2                   | 11       | -                        | -        | -                        | -        | -                                              | -        | -                                | -        |
| Mr R Nicholson | 1                   | 11       | -                        | -        | -                        | -        | -                                              | -        | -                                | -        |
| Mr G Stevenson | 8                   | 11       | 19                       | 19       | -                        | -        | -                                              | -        | 3                                | 4        |
| Mr P Sarant    | 3                   | 11       | -                        | -        | -                        | -        | -                                              | -        | 1                                | 4        |
| Mr L Winser    | 10                  | 11       | -                        | -        | -                        | -        | 2                                              | 2        | 3                                | 4        |

All Directors were eligible to attend all meetings held, except for Mr L Winser who was eligible to attend ten Directors' meetings, three Environmental Committee meetings and two Nomination & Remuneration Committee meetings; Mr B Grubb who was eligible to attend three Directors' meetings and one Environmental Committee meeting; Mr R Nicholson who was eligible to attend one Directors' meeting, Mr P Sarant who was eligible to attend three Directors' meetings and one Environmental Committee meeting, and Mr G Stevenson who was eligible to attend eight Directors' meetings and three Environmental Committee meetings. In addition to the eleven regular meetings there were a further seven directors meetings held outside the normal monthly board meeting cycle.

# 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 \$42,986 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, G Boulton, L Winsor, R Smith, P Sarant.

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

## Indemnification of Auditors

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



## Tax Consolidation

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

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of K&S Corporation Limited support the principles of corporate governance. The Company's Corporate Governance Statement commences on *page 44* of the Annual Report.

## Rounding Off

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

## Auditor Independence and Non-Audit Services

The entity's Auditor, Ernst & Young have provided the economic entity with an Auditor's Independence Declaration which is on *page 119* of this report.

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

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

Scott Corporation Limited acquisition assistance     \$137,355



# Remuneration Report (audited)

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

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

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

## i) Directors

|                |                                              |
|----------------|----------------------------------------------|
| Mr T Johnson   | Non-Executive Chairman                       |
| Mr G Boulton   | Non-Executive Deputy Chairman                |
| Mr R Smith     | Non-Executive                                |
| Mr L Winser    | Non-Executive – Appointed 23 August 2013     |
| Mr R Nicholson | Non-Executive – Retired 23 July 2013         |
| Mr B Grubb     | Non-Executive – Retired 22 October 2013      |
| Mr G Stevenson | Managing Director – Resigned 22 April 2014   |
| Mr P Sarant    | Managing Director – Appointed 22 April 2014* |

## ii) Executives

|                |                                                                          |
|----------------|--------------------------------------------------------------------------|
| Mr B Walsh     | Chief Financial Officer                                                  |
| Mr C Bright    | General Counsel & Company Secretary                                      |
| Mr G Wooller   | Chief Operating Officer – Resigned 30 May 2014                           |
| Mr G Everest   | Executive General Manager Regal Transport                                |
| Mr S Hine      | Executive General Manager Business Development                           |
| Mr S Skazlic   | General Manager HS&E/Compliance                                          |
| Ms K Evans     | General Manager Human Resources                                          |
| Mr D Keane     | Executive General Manager Scott Corporation – Appointed 24 February 2014 |
| Mr K Cope      | Executive General Manager Commercial – Appointed 24 February 2014        |
| Mr M Kohne     | Executive General Manager DTM – Appointed 23 June 2014                   |
| Mr G Beurteaux | Executive General Manager K&S Freighters – Appointed 14 July 2014        |

\* Mr P Sarant previously held the position of Executive General Manager DTM.

## Remuneration Philosophy

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

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

## The Nomination and Remuneration Committee

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

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

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

## **Remuneration Structure**

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

### **Non-Executive Director Remuneration**

#### **Objective**

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

#### **Structure**

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

The latest determination was at the Annual General Meeting held on 20 November 2012 when Shareholders approved a maximum aggregate remuneration of \$600,000 per year, comprising an increase of \$100,000 to the cap on the maximum aggregate remuneration payable to non-Executive Directors. That previous cap on the maximum aggregate payable to Non-Executive Directors of \$500,000 had been in place since the Company's 2007 Annual General meeting.

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 2013/14. Each Non-Executive Director receives a fee for being a Director of the Company.

The Board has deferred any consideration of whether to increase the fees payable to Non-Executive Directors in the 2014/15 financial year until December 2014. If upon consideration in December 2014 the Board determines that it is appropriate to increase the fees payable to Non-Executive Directors, that increase (if any) will apply prospectively no earlier than from 1 January 2015. Pending any review in December 2014, the fees payable to Non-Executive Directors will remain at the level paid in the 2012/13 financial year, which level was frozen in the 2013/14 financial year.

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

The remuneration of Non-Executive Directors for the period ended 30 June 2014 is detailed on *page 40* of this report.

### **Executive Director and Senior Manager Remuneration**

#### **Objective**

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

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

## Executive Director and Senior Manager Remuneration continued

### Structure

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

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

For the year ended 30 June 2014, the adoption of at risk short term incentives comprising 22% and 20% of the base emolument of the then Managing Director (Mr Stevenson) and Executives respectively was approved by the Board. The payment of such short term incentives was to be 50% in cash and 50% in shares in the Company. The share component of any short term incentives was to comprise new fully paid up ordinary shares issued by the Company.

Payment of the short term incentive in respect of the 2013/14 financial year was conditional upon the achievement of several metrics.

In the case of the former Managing Director (Mr Stevenson), the metrics for his short term incentive were based upon:

- outperformance of the Company's annual budget for operating profit after tax on a normalized basis and excluding any one off or non trading items (eg, profit on the sale of real estate), with this criteria having a 36% weighting;
- growth in the average price of the Company's shares in the 2013/14 financial year by comparison to the average price of the Company's shares in 2012/13, with the weighting for this criteria being 55%; and
- the Company's lost time injury frequency rate, with this criteria having a 9% weighting.

Mr Stevenson did not qualify for the payment of any short term incentive in respect of the 2013/14 financial year. If Mr Stevenson had satisfied all of the outperformance criteria for his short term incentive, the maximum amount payable to him would have been \$102,000.

In the case of the Executive General Managers of the Company with divisional profit and loss responsibility, the metrics for their short term incentive were based upon:

- outperformance of the Company's annual budget for operating profit after tax on a normalized basis and excluding any one off or non trading items (eg, profit on the sale of real estate), with this criteria having a 45% weighting;
- outperformance of the applicable divisional budget for operating profit after tax on a normalized basis and excluding any one off or non trading items (eg, profit on the sale of real estate), with this criteria having a 45% weighting; and
- the Company's lost time injury frequency rate, with this criteria having a 10% weighting.

The Executive General Managers of the Company with divisional profit and loss responsibility did not qualify for the payment of any short term incentive in respect of the 2013/14 financial year. If the Executive General Managers of the Company with divisional profit and loss responsibility had satisfied all of the outperformance criteria for their short term incentive, the maximum aggregate amount payable to them would have been \$224,000.

In the case of other members of the Company's Executive Team who did not have divisional profit and loss responsibility, the metrics for their short term incentive were based upon:

- outperformance of the Company's annual budget for operating profit after tax on a normalized basis and excluding any one off or non trading items (eg, profit on the sale of real estate), with this criteria having a 45% weighting;
- growth in the average price of the Company's shares in the 2013/14 financial year by comparison to the average price of the Company's shares in 2012/13, with the weighting for this criteria being 45%; and
- the Company's lost time injury frequency rate, with this criteria having a 10% weighting.



The other members of the Company's Executive Team did not qualify for the payment of any short term incentive in respect of the 2013/14 financial year. If the other members of the Company's Executive Team had satisfied all of the outperformance criteria for their short term incentive, the maximum aggregate amount payable to them would have been \$145,000.

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

The Board also believes that growth in the Company's average share price was an appropriate component of the short term incentive scheme for the 2013/14 financial year. Share price appreciation is a key component of total returns to Shareholders of the Company. As a metric, share price appreciation also takes account of the potentially dilutive impact of capital raising by the Company if capital raised is not productively deployed to generate an acceptable return on equity.

The Board places a high priority on safety, and accordingly is of the view that the adoption of a lost time injury frequency rate component to the short term incentive scheme for 2013/14 was appropriate.



In the case of the Executive General Managers of the Company with divisional profit and loss responsibility, the Board believes that outperformance of divisional budgeted net profit after tax on a normalized basis comprised a key metric to underpin the attainment by the Company of the Company's annual budgeted net profit after tax for the 2013/14 financial year.

The Board is also of the view that aligning incentives with divisional financial performance provided the opportunity to motivate and reward Executive General Managers for superior financial performance within their own areas of operational responsibility at the Company.

The Company has elected to adopt a new short term incentive scheme for the 2014/15 financial year based upon outperformance by the Company of its budgeted profit after tax on a normalised basis and excluding any one-off or non-trading items (eg, profit on the sale of real estate) (but including any one-off or non-trading items that have been included in the budget).

The new short term incentive scheme is to be self funding (ie, amounts accrued to fund the payment of any short term incentives will be expensed in the Company's normalized net profit after tax) and no incentives will be payable unless at least 100.5% of the Company's budgeted net profit after tax on a normalized basis for the 2014/15 financial year is achieved. The total short term incentives payable to the Managing Director and Executives for the year ended 30 June 2015 if eligibility criteria are met will be \$73,168, up to a maximum of \$731,680 if all out-performance criteria are met.

## Employment Contracts

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

The current Managing Director, Mr Sarant, has a contract of employment, key terms of which for 2013/14 were:

- A total remuneration package of \$702,000 per annum (excluding short term incentive (STI)).
- No STI to be payable in respect of the year ended 30 June 2014, but eligible for an STI of \$120,000 (20% of base salary) against annual performance criteria set by the Board in subsequent financial years. For the year ended 30 June 2015, payment of the STI is dependent upon the achievement by the Company of its budgeted profit after tax on a normalised basis and excluding any one-off or non-trading items (eg, profit on the sale of real estate) (but including any one-off or non-trading items that were included in the budget).
- If the Board introduces a long term incentive scheme (LTI), Mr Sarant will be eligible to participate in the scheme. However, there is not presently any LTI scheme in place.
- In accordance with best practice, the Board may require Mr Sarant to repay all or part of any bonus, STI or LTI paid in circumstances where there has been a material misstatement in relation to the financial statements of the Company in any qualifying period relevant to the payment of that bonus, STI or LTI.
- Either of Mr Sarant and the Company may terminate Mr Sarant's employment on the giving of three months notice or, in the case of the Company, payment in lieu of the three months notice.

The former Managing Director, Mr Stevenson, also had a contract of employment, key terms of which for 2013/14 were:

- A total remuneration package of \$550,000 per annum (excluding short term incentive (STI)).
- Eligible for an STI of \$102,000 (22% of base salary) against annual performance criteria set by the Board. For the year ended 30 June 2014, payment of the STI was based on performance determined against three components, being the achievement by the Company of its budgeted profit after tax on a normalised basis and excluding any one-off or non-trading items (eg, profit on the sale of real estate) (36% weighting), share price appreciation (55% weighting), and lost time injury performance (9% weighting).
- If the Board introduced a long term incentive scheme (LTI), Mr Stevenson would have been eligible to participate in the scheme. However, there is not presently any LTI scheme in place.
- In accordance with best practice, the Board could require Mr Stevenson to repay all or part of any bonus, STI or LTI paid in circumstances where there had been a material misstatement in relation to the financial statements of the Company in any qualifying period relevant to the payment of that bonus, STI or LTI.
- Either of Mr Stevenson and the Company could terminate Mr Stevenson's employment on the giving of six months notice or, in the case of the Company, payment in lieu of the six months notice.

## Employee Share Plan

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

Offers were made to eligible employees on 4 September 2013 under the Plan. Acceptances under the offer were 201,000 shares at \$1.77 per share.

The issue price of the shares offered under the Plan was the weighted average price of the Company's shares on the first 5 trading days immediately following the announcement of the Company's full year results for 2012/13 on 23 August 2013.

For the 2013/14 financial year, eligible employees' annual entitlements to participate in the Plan were set by the Company Directors as follow, in line with the entitlements notified to Shareholders at the Company's Annual General meeting on 21 November 2006.

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

Directors have approved the making of offers by the Company to eligible employees under the Plan in the year ended 30 June 2015.

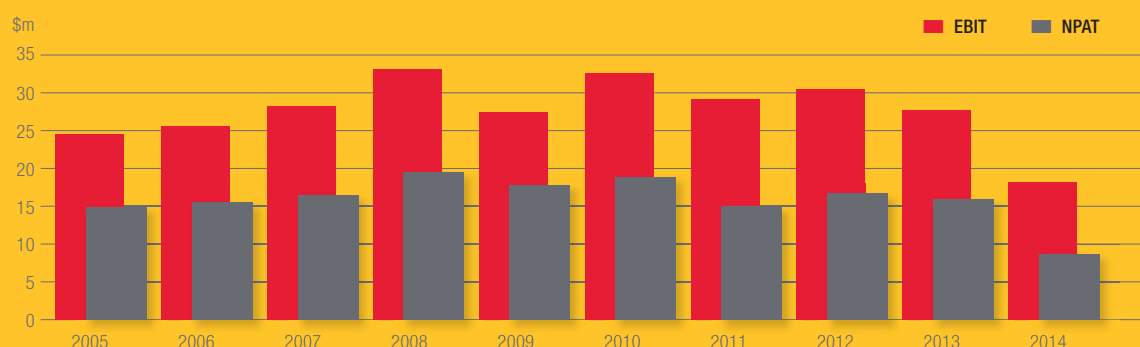
### Directors' Retirement Benefits

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. Following the retirement of Mr Nicholson on 23 July 2013, Messrs Johnson and Boulton are the only remaining Non-Executive Directors eligible to receive retirement benefits under the scheme.

The expenditure provided (not paid) during the year ended 30 June 2014 is attributable only to the method of calculation which involves the averaging of the fees paid to Directors, as per the benefits scheme in operation up to 30 June 2004.

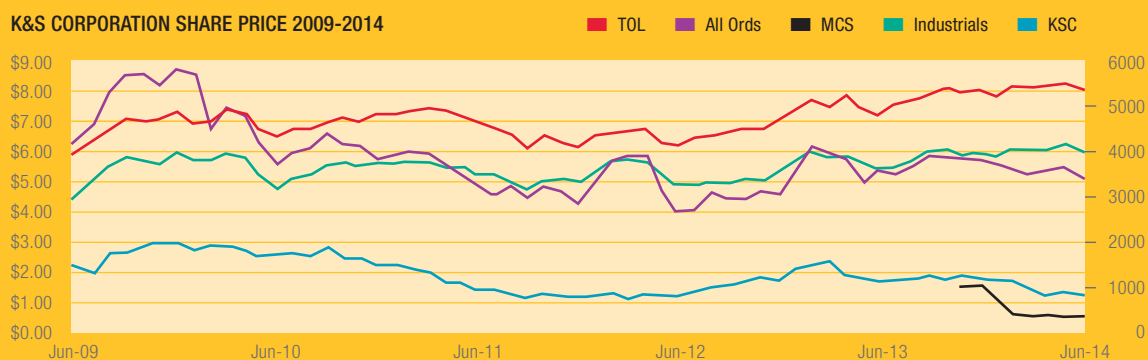
### Company Performance

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



In addition, Dividends paid to Shareholders are disclosed on page 27 of the Directors' report.

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



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



## Remuneration of Key Management Personnel of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2014

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

\* Mr Nicholson retired on 23 July 2013.

<sup>#</sup> Mr Winser was appointed Non-Executive Director on 23 August 2013.

<sup>\$</sup> Mr Grubb retired on 22 October 2013.

<sup>></sup> Mr Stevenson resigned as Managing Director on 22 April 2014.

<sup><</sup> Mr Sarant was appointed on 22 April 2014.

<sup>†</sup> Mr Wooller resigned on 30 May 2014.

<sup>+</sup> Mr Keane was appointed on 24 February 2014.

<sup>^</sup> Mr Cope was appointed on 24 February 2014.

<sup>\*\*</sup> Mr Kohne was appointed on 23 June 2014.

<sup>\*\*\*</sup> Mr Beurteaux was appointed on 14 July 2014.

Table 2: Remuneration for the year ended 30 June 2013

| Non-Executive Directors               | Salary & Fees<br>\$ | Short-Term       |                         | Other Long-Term<br>Long Service Benefit<br>\$ | Post Employment           |                           | Total<br>\$      | Performance Related<br>% |
|---------------------------------------|---------------------|------------------|-------------------------|-----------------------------------------------|---------------------------|---------------------------|------------------|--------------------------|
|                                       |                     | Incentives<br>\$ | Non-Cash Benefits<br>\$ |                                               | Retirement Benefits<br>\$ | Super Contributions<br>\$ |                  |                          |
| T Johnson                             | 118,000             | -                | -                       | -                                             | 28,000                    | 12,980                    | 158,980          | -                        |
| G Boulton                             | 70,000              | -                | -                       | -                                             | 9,000                     | 7,700                     | 86,700           | -                        |
| R Smith                               | 70,000              | -                | -                       | -                                             | -                         | 7,700                     | 77,700           | -                        |
| B Grubb                               | 70,000              | -                | -                       | -                                             | -                         | 7,700                     | 77,700           | -                        |
| R Nicholson                           | 70,000              | -                | -                       | -                                             | 18,000                    | 7,700                     | 95,700           | -                        |
| <b>Total Non-Executive Directors</b>  | <b>398,000</b>      | <b>-</b>         | <b>-</b>                | <b>-</b>                                      | <b>55,000</b>             | <b>43,780</b>             | <b>496,780</b>   |                          |
| <b>Executive Director</b>             |                     |                  |                         |                                               |                           |                           |                  |                          |
| G Stevenson                           | 480,000             | -                | 30,000                  | 7,501                                         | -                         | 25,000                    | 542,501          | -                        |
| <b>Other Key Management Personnel</b> |                     |                  |                         |                                               |                           |                           |                  |                          |
| B Walsh                               | 297,548             | -                | 27,490                  | 7,125                                         | -                         | 25,000                    | 357,163          | -                        |
| C Bright                              | 230,186             | -                | 27,952                  | 5,500                                         | -                         | 25,000                    | 288,638          | -                        |
| G Wooller                             | 428,425             | -                | 27,273                  | 6,501                                         | -                         | 25,000                    | 487,199          | -                        |
| P Sarant                              | 426,265             | -                | 27,257                  | 6,501                                         | -                         | 25,000                    | 485,023          | -                        |
| G Everest                             | 266,200             | -                | 21,063                  | 4,334                                         | -                         | 25,000                    | 316,597          | -                        |
| K Evans                               | 200,010             | -                | 18,538                  | 3,334                                         | -                         | 24,082                    | 245,964          | -                        |
| S Hine                                | 269,434             | -                | 26,865                  | 4,334                                         | -                         | 25,000                    | 325,633          | -                        |
| S Skazlic                             | 221,400             | -                | 17,579                  | 3,667                                         | -                         | 25,000                    | 267,646          | -                        |
| <b>Total Executive KMP</b>            | <b>2,819,468</b>    | <b>-</b>         | <b>224,017</b>          | <b>48,797</b>                                 | <b>-</b>                  | <b>224,082</b>            | <b>3,316,364</b> |                          |
| <b>Totals</b>                         | <b>3,217,468</b>    | <b>-</b>         | <b>224,017</b>          | <b>48,797</b>                                 | <b>55,000</b>             | <b>267,862</b>            | <b>3,813,144</b> |                          |

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

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

| Total | Balance at Beginning of Period<br>\$'000 | Write-off<br>\$'000 | Balance at End of Period<br>\$'000 | Number in Group |
|-------|------------------------------------------|---------------------|------------------------------------|-----------------|
| 2014  | 346                                      | -                   | 290                                | 6               |
| 2013  | 291                                      | -                   | 346                                | 6               |

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

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

**Table 4: Shareholding of Key Management Personnel at 30 June 2014**

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

\* Mr Nicholson retired on 23 July 2013.

# Mr Winser was appointed Non-Executive Director on 23 August 2013.

\$ Mr Grubb retired on 22 October 2013.

> Mr Stevenson resigned as Managing Director on 22 April 2014.

< Mr Sarant was appointed on 22 April 2014.

† Mr Wooller resigned on 30 May 2014.

+ Mr Keane was appointed on 24 February 2014.

^ Mr Cope was appointed on 24 February 2014.

\*\* Mr Kohne was appointed on 23 June 2014.

\*\*\* Mr Beurteaux was appointed on 14 July 2014.



Table 5: **Shareholding of Key Management Personnel at 30 June 2013**

| Shares held in K&S Corporation Limited: 30 June 2013 | Balance 1 July 2012<br>Ordinary | Net Change<br>Ordinary | Balance 30 June 2013<br>Ordinary |
|------------------------------------------------------|---------------------------------|------------------------|----------------------------------|
| <b>Non-Executive Directors</b>                       |                                 |                        |                                  |
| T Johnson                                            | 281,066                         | 18,955                 | 300,021                          |
| G Boulton                                            | 238,631                         | 16,093                 | 254,724                          |
| R Smith                                              | 35,789                          | 1,005                  | 36,794                           |
| L Winsor <sup>#</sup>                                | 1,151,199                       | -                      | 1,151,199                        |
| R Nicholson                                          | 28,955                          | 1,952                  | 30,907                           |
| B Grubb                                              | 125,205                         | -                      | 125,205                          |
| <b>Executive Director</b>                            |                                 |                        |                                  |
| G Stevenson                                          | -                               | -                      | -                                |
| <b>Other Key Management Personnel</b>                |                                 |                        |                                  |
| B Walsh                                              | 106,032                         | 14,655                 | 120,687                          |
| C Bright                                             | 31,000                          | 10,000                 | 41,000                           |
| G Wooller                                            | 49,244                          | 10,825                 | 60,069                           |
| P Sarant                                             | 84,603                          | 12,000                 | 96,603                           |
| G Everest                                            | -                               | 10,000                 | 10,000                           |
| S Hine                                               | 10,000                          | 10,000                 | 20,000                           |
| K Evans                                              | 15,000                          | 7,000                  | 22,000                           |
| S Skazlic                                            | 3,205                           | -                      | 3,205                            |
| <b>Total</b>                                         | <b>2,159,929</b>                | <b>112,485</b>         | <b>2,272,414</b>                 |

# Appointed Non-Executive Director on 23 August 2013.

#### Remuneration options: Granted and vested during the year

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

Signed in accordance with a resolution of the Directors.



**T Johnson**  
Chairman

25 August 2014



**Paul Sarant**  
Managing Director

25 August 2014

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

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



# Corporate Governance

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

**Principle 1**

Lay solid foundations for management oversight

**Principle 2**

Structure the board to add value

**Principle 3**

Promote ethical and responsible decision making

**Principle 4**

Safeguard integrity in financial reporting

**Principle 5**

Make timely and balanced disclosure

**Principle 6**

Respect the rights of shareholders

**Principle 7**

Recognise and manage risk

**Principle 8**

Remunerate fairly and responsibly

# The Roles of the Board and Management

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

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

The Board is responsible for setting and approving the strategic direction of the Company, establishing goals for Management and monitoring the achievement of those goals.

The Managing Director is responsible to the Board for the day to day management of the Company.

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

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

## Structure of the Board

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

The qualifications, experience and periods of service of each of the Directors is set out on *pages 19 to 21* of the Annual Report.

Directors are expected to bring independent views and judgement to the Board's deliberations. Consistent with the ASX Principles, the Board Charter requires the Board to include a majority of Non-Executive Directors, a Non-Executive Chairman and to have a different person filling the roles of Chairman and Managing Director. The Chairman of the Audit Committee cannot be Chairman of the Board.

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere

with or could reasonably be perceived to materially interfere with the exercise of their unfettered independent judgement. Materiality of business and other relationships held by a Director is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements.

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

## Structure of the Board continued

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

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

\* Mr Nicholson retired as a Director on 23 July 2013.

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

The Board considers the following Directors as not independent:

**P Sarant\*\*** Managing Director

\*\* Mr Sarant was appointed as Managing Director on 22 April 2014.

**T Johnson** Non-Executive Director (Chairman)

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

**B Grubb\*\*\*** Non-Executive Director

Mr Grubb is the former Chief Executive Officer of the Scott Group of Companies. Mr Grubb is a former Director of a number of other companies within the Scott Group of companies, one of which (AA Scott Pty Ltd) is the largest Shareholder of K&S Corporation Limited.

\*\*\* Mr Grubb retired as a Director on 22 October 2013.

**L Winsor** Non-Executive Director

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

**G Stevenson\*\*\*\*** Managing Director

\*\*\*\* Mr Stevenson occupied the position of Managing Director until 22 April 2014.

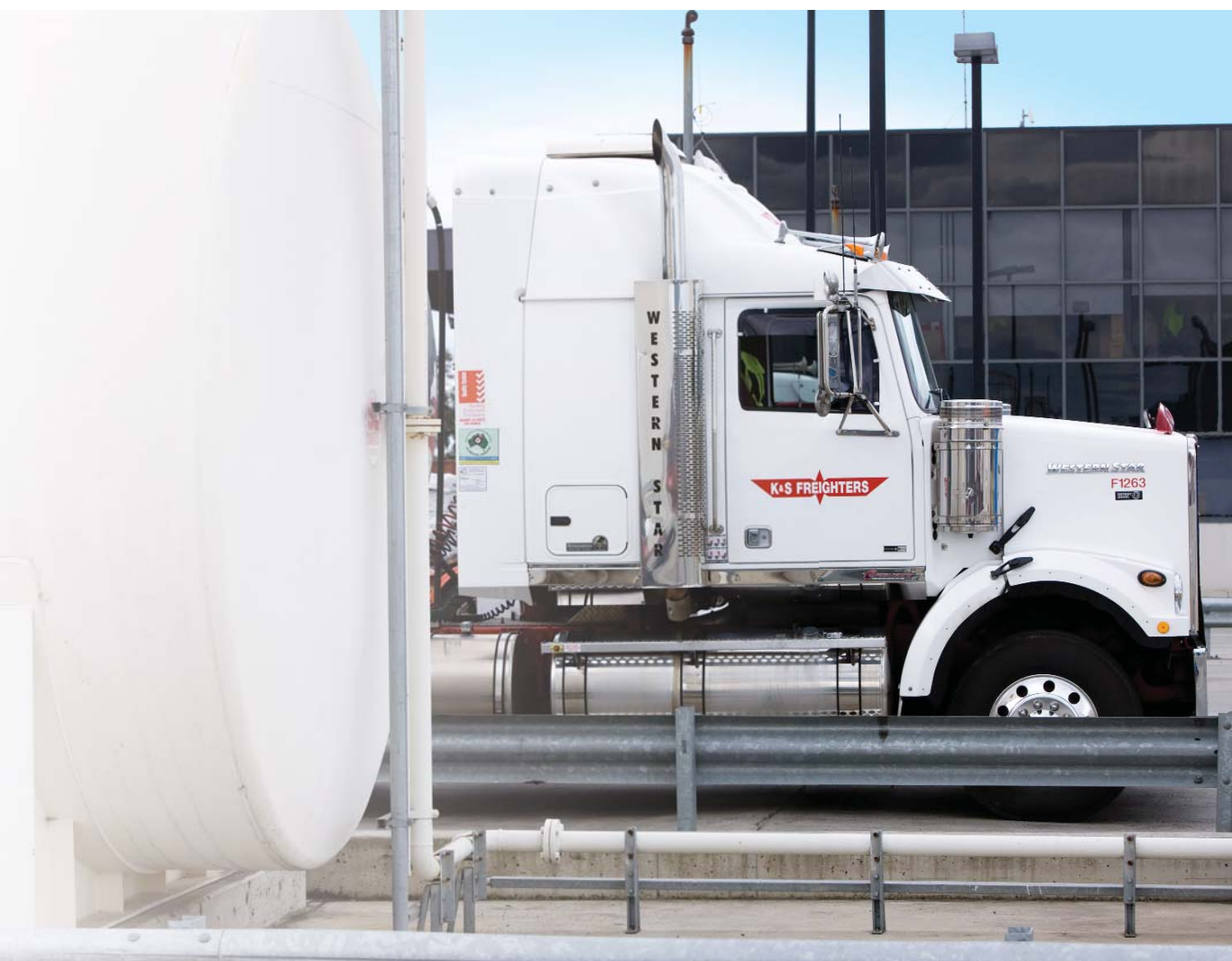
The Board structure is consistent with ASX Principle 2, with the exception of:

- Recommendation 2.1** which requires that the majority of the Board be independent Directors. The Board considers that the mix of skills and experience of and the contributions by the non-independent Non-Executive Directors offsets the benefits to the Company of having a majority of independent Non-Executive Directors. However, as part of the review of Board Performance (refer page 45), Directors have regard to the balance of independent and non-independent Non-Executive Directors.
- Recommendation 2.2** which requires that the Chairman of the Board be an independent Director. Mr Johnson is Chairman of the Board and is not considered by Directors to be independent. The Board considers that the skills and experience that Mr Johnson brings as Chairman add value to the deliberations and functioning of the Board. Further, K&S Corporation Limited's Deputy Chairman, Mr Boulton, is an experienced and independent Non-Executive Director who is able to fulfil the role of Chairman where and to the extent that any conflicts of interest arise for Mr Johnson.

The Company has a Diversity Policy which is consistent with ASX Principle 2. The objective of the Diversity Policy is to promote a corporate culture within the Company where the diverse experiences, perspectives and backgrounds of people are valued and embraced and which is conducive to the recruitment of well qualified and diverse employees, senior management and Board members.

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





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

## Retirement and Re-election of Directors

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

## Review of Board Performance

The Board has implemented a process for the regular review of its overall performance, consistent with ASX Recommendation 2.5. Regular review involves both analysis by the Board of the results of a questionnaire completed by all Directors and discussion between the Chairman and each of the Directors.

The Board's performance review departs from Recommendation 2.5 as the review is conducted by the full Board, and not the Nomination and Remuneration Committee. As the Board is comprised of only five Directors, the Board considers this the most effective way to address its own performance.



## Committees of the Board

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

These committees are:

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

In addition, a special purpose subcommittee of the Board comprised of Messrs Boulton, Smith, and Stevenson was established to preside over the merger with Scott Corporation Limited. That special purposes subcommittee met on nineteen occasions in the course of the year ended 30 June 2014. As the merger with Scott Corporation Limited is complete, this subcommittee has been disbanded.



## Audit Committee

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

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

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

The Audit Committee provides the Board with additional assurance regarding the reliability of the financial information for inclusion in the financial reports. All members of the Audit Committee are currently independent Non-Executive Directors.

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



The members of the Audit Committee during the year were:

**Mr Smith** (Chairman)

**Mr Boulton**

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

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

The ASX Council Recommendation 4.2 recommends that the Audit Committee consist of at least three members who are all Non-Executive and the majority independent. The Board is of the view that the current composition of the Audit Committee is appropriate given the size of the business, the extensive financial skills, and industry knowledge of the current members of the Audit Committee.

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

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

## Nomination and Remuneration Committee

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

Following the retirement of Mr Nicholson as a Director on 23 July 2013, the Nomination & Remuneration Committee does not comply with Recommendations 2.4 and 8.1 as only Mr Boulton is considered by Directors to be independent.

## Committees of the Board

### Nomination and Remuneration Committee continued

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

When appointing new Directors, the Board has regard to the spread of skills and qualifications, experience, and independence of both the potential appointee and the existing members of the Board. The Board is of the view that a good depth of transport industry exposure and expertise is an integral element of the skills to be represented on the Board. The Board also views accounting and legal expertise as important elements to allow it to effectively discharge its duties and responsibilities. The Board recognises that a diversity of backgrounds and experience in its members will contribute to the Board functioning at its optimum.

On 23 July 2013, the Company announced that Mr Nicholson was retiring as a Non-Executive Director. Mr Nicholson had been a Director of the Company since 1986.



The former Managing Director of the Company, Mr Winser, was appointed as a Non-Executive Director on 23 August 2013. The Board is of the view that with his extensive knowledge of the transport and logistics industry generally and of the Company specifically, Mr Winser is eminently well qualified to act as a Non-Executive Director and will bring significant value to the Board.

On 22 October 2013, Mr Grubb resigned as a Non-Executive Director. Mr Grubb had been a Director of the Company for six years. The casual vacancy created by Mr Grubb's retirement has not been filled by the Board.

On 22 April 2014, Mr Stevenson resigned as Managing Director and Chief Executive Officer. Mr Stevenson had occupied that position for approximately two years.

On 22 April 2014, Mr Sarant was appointed as Managing Director and Chief Executive Officer.

Prior to the appointment of Mr Stevenson as Managing Director and Chief Executive Officer in 2012, an extensive search process was undertaken using external recruitment consultants. The search process was rigorous and transparent, with both external and internal candidates considered by the Board. At the time, Mr Sarant was considered by the Board to be the leading internal candidate. Over the past two years, Mr Sarant's continued strong performance as Executive General Manager – DTM gave the Board confidence that he had the necessary skills and attributes to drive the Company in his new role as Managing Director and Chief Executive Officer. In those circumstances, Directors were of the view that the time, expense and potential disruption associated with engaging external recruitment consultants to oversee another executive search process was not warranted.

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



The Nomination and Remuneration Committee periodically obtains independent advice on the appropriateness of remuneration packages, as well as benchmarking comparable company remuneration data. It also plays a role in evaluation of the performance of the Managing Director and management succession planning. This role includes the responsibility for incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies, professional indemnity and liability insurance policies.

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

**Mr Nicholson\*** (Chairman)

**Mr Johnson**

**Mr Boulton** (Chairman)

**Mr Winser\*\***

\* Mr Nicholson retired as a Director on 23 July 2013.

\*\* Mr Winser was appointed as a Director on 23 August 2013.

The Nomination and Remuneration Committee meets at least twice a year and as required. The Committee met formally two times, but also informally on several other occasions during the year. Messrs Winser, Boulton and Johnson attended both formal meetings of the Committee.

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



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

An increase in the Directors' fee pool limit of \$100,000 to a total of \$600,000 for Non-Executive Directors was approved by Shareholders at the Annual General Meeting on 20 November 2012. This fee pool is only available to Non-Executive Directors. The Non-Executive Directors received \$70,000 each and the Chairman was paid \$118,000 in 2013/14, unchanged from the 2012/13 financial year. Committee membership does not entitle a Director to additional fees.

The Board has again decided not to increase the fees payable to Non-Executive Directors in the first half of the 2014/15 financial year. The Board has elected to defer any consideration of the level of fees payable to Non-Executive Directors until December 2014.

Details of the employment contracts of Mr Sarant and Mr Stevenson can be found on *page 38* of the Remuneration Report.

## Committees of the Board

### Nomination and Remuneration Committee *continued*

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

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

where

RB = retirement benefit payable to the Director on retirement

TR = the total remuneration paid to the Director in the last three years

Y = the years of service of the Director prior to 30 June 2004, provided that Y shall not exceed 15

Non-Executive Directors appointed after 30 June 2004 are not eligible to participate in the retirement benefits scheme. Following the retirement of Mr Nicholson as a Director on 23 July 2013, Messrs Johnson and Boulton are the only remaining Directors eligible to participate in the retirement benefit scheme.

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

Further details of Directors' remuneration, superannuation and retirement payments are set out in the Directors' Report on *pages 34 to 43*.

### Diversity

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

- The Nomination and Remuneration Committee must review participation rates for women across all levels of the workforce not less than annually. That review was undertaken by the Committee in 2013/14. The Company saw participation rates for women remain static at all levels of the organisation.
- The Nomination and Remuneration Committee is to review pay parity data for women and men across all levels of the workforce not less than annually to determine whether there is any unconscious bias. To the extent that the review suggests that unconscious bias may exist, Management is to investigate and report to the Committee the causes of that bias, as well as to develop recommendations to address any bias.
- The Committee reviewed pay parity data in 2013/14 and Management is currently investigating whether unconscious bias exists. As women are over-represented in some areas of the Company's workforce (eg, administration) and under-represented in other areas of the work-force (eg, operational), the data requires careful analysis.
- Management is required to report to the Nomination and Remuneration Committee not less than annually participation rates for women compared to men in externally provided training programs. A particular area of focus is management training programs (eg, Australian Institute of Management and equivalent) as it is through these training programs that the pool of future senior managers will be developed. Management has reported to the Committee on training participation rates in 2013/14. Participation rates in management training do not reveal any bias.
- The Nomination and Remuneration Committee is to review data re tenure and turnover levels for women compared to men across all levels of the Company's workforce not less than annually as part of seeking to understand the reasons for differing participation rates for women and men. Tenure and turnover data was reviewed by the Committee in 2013/14. Turnover rates for men and women were equivalent across different levels of the organisation.



The proportion of women employees across the Company for 2013/14 is set out in the table below:

| Non-Manager Occupational Categories | Employment Status   | No. of Employees |    |                 |
|-------------------------------------|---------------------|------------------|----|-----------------|
|                                     |                     | F                | M  | Total Employees |
| CEO/Head of Business in Australia   | Full-time permanent | 0                | 1  | 1               |
|                                     | Full-time contract  | 0                | 0  | 0               |
|                                     | Part-time permanent | 0                | 0  | 0               |
|                                     | Part-time contract  | 0                | 0  | 0               |
|                                     | Casual              | 0                | 0  | 0               |
| Key management personnel (KMP)      | Full-time permanent | 1                | 10 | 11              |
|                                     | Full-time contract  | 0                | 0  | 0               |
|                                     | Part-time permanent | 1                | 0  | 1               |
|                                     | Part-time contract  | 0                | 0  | 0               |
|                                     | Casual              | 0                | 0  | 0               |
| Other executives/ General managers  | Full-time permanent | 0                | 0  | 0               |
|                                     | Full-time contract  | 0                | 0  | 0               |
|                                     | Part-time permanent | 0                | 0  | 0               |
|                                     | Part-time contract  | 0                | 0  | 0               |
|                                     | Casual              | 0                | 0  | 0               |
| Senior managers                     | Full-time permanent | 0                | 29 | 29              |
|                                     | Full-time contract  | 0                | 0  | 0               |
|                                     | Part-time permanent | 0                | 0  | 0               |
|                                     | Part-time contract  | 0                | 0  | 0               |
|                                     | Casual              | 0                | 0  | 0               |
| Other managers                      | Full-time permanent | 22               | 59 | 81              |
|                                     | Full-time contract  | 0                | 0  | 0               |
|                                     | Part-time permanent | 1                | 0  | 1               |
|                                     | Part-time contract  | 0                | 0  | 0               |
|                                     | Casual              | 0                | 0  | 0               |

## Committees of the Board

### Nomination and Remuneration Committee continued

| Non-Manager Occupational Categories | Employment Status   | No. of Employees (excluding graduates and apprentices) |      | No. of Graduates (if applicable) |   | No. of Apprentices (if applicable) |    | Total Employees |
|-------------------------------------|---------------------|--------------------------------------------------------|------|----------------------------------|---|------------------------------------|----|-----------------|
|                                     |                     | F                                                      | M    | F                                | M | F                                  | M  |                 |
| Professionals                       | Full-time permanent | 12                                                     | 27   | 0                                | 0 | 0                                  | 0  | 39              |
|                                     | Full-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time permanent | 2                                                      | 0    | 0                                | 0 | 0                                  | 0  | 2               |
|                                     | Part-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Casual              | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
| Technicians and trade               | Full-time permanent | 1                                                      | 167  | 0                                | 0 | 0                                  | 26 | 194             |
|                                     | Full-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time permanent | 0                                                      | 2    | 0                                | 0 | 0                                  | 0  | 2               |
|                                     | Part-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Casual              | 0                                                      | 1    | 0                                | 0 | 0                                  | 0  | 1               |
| Community and personal service      | Full-time permanent | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Full-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time permanent | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Casual              | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
| Clerical and administrative         | Full-time permanent | 111                                                    | 23   | 0                                | 0 | 0                                  | 0  | 134             |
|                                     | Full-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time permanent | 24                                                     | 0    | 0                                | 0 | 0                                  | 0  | 24              |
|                                     | Part-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Casual              | 12                                                     | 0    | 0                                | 0 | 0                                  | 0  | 12              |
| Sales                               | Full-time permanent | 1                                                      | 2    | 0                                | 0 | 0                                  | 0  | 3               |
|                                     | Full-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time permanent | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Casual              | 9                                                      | 9    | 0                                | 0 | 0                                  | 0  | 18              |
| Machinery operators and drivers     | Full-time permanent | 10                                                     | 1059 | 0                                | 0 | 0                                  | 0  | 1069            |
|                                     | Full-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time permanent | 0                                                      | 2    | 0                                | 0 | 0                                  | 0  | 2               |
|                                     | Part-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Casual              | 5                                                      | 227  | 0                                | 0 | 0                                  | 0  | 232             |
| Labourers                           | Full-time permanent | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Full-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time permanent | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Casual              | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
| Other                               | Full-time permanent | 30                                                     | 165  | 0                                | 0 | 0                                  | 0  | 195             |
|                                     | Full-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time permanent | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Part-time contract  | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
|                                     | Casual              | 0                                                      | 0    | 0                                | 0 | 0                                  | 0  | 0               |
| Total: All non-managers             |                     | 217                                                    | 1684 | 0                                | 0 | 0                                  | 26 | 1927            |

This data is also reported by the Company under the *Workplace Gender Equality Act 2012 (Cth)* ("WGEA") and the categorizations adopted are consistent with the reporting format for the WGEA.





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

Other diversity initiatives pursued by the Company include:

- The Company is a participant in the indigenous employment program overseen by the Commonwealth Department of Education,

Employment and Workplace Relations, as well as a participant in the Australian Employment Covenant which is also designed to secure indigenous employment opportunities. In support of these programs, the Company has an Indigenous Recognition Policy which outlines the Company's commitment to build relationships with local and land-connected indigenous persons to achieve mutually beneficial outcomes.

- A number of strategic and tactical initiatives being implemented under the Company's five year strategic plan aimed at attracting, developing and retaining female employees. As part of that strategy, the Company is reviewing a range of more flexible employment practices.

## Environmental Committee

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

The members of the Environmental Committee during the year were:

**Mr Johnson** (Chairman)

**Mr Grubb\***

**Mr Winser\***

**Mr Sarant\*\***

**Mr Stevenson\*\***

\* Mr Grubb retired as a Director on 22 October 2014 and was replaced on the Environmental Committee by Mr Winser.

\*\* Mr Stevenson resigned as Managing Director on 22 April 2014 and was replaced on the Environmental Committee by Mr Sarant. The Board considers it appropriate that the Managing Director be a member of the Environmental Committee.

The Company Secretary acts as Secretary to the Environmental Committee.

## Committees of the Board

### Environmental Committee continued

The Environmental Committee is responsible for:

- reviewing and recommending, as appropriate, changes to the Company's environmental policies;
- ensuring the adequacy of environmental procedures and controls implemented by Management;
- reporting to the Board on Company compliance with environmental procedures and controls;
- reviewing the adequacy and effectiveness of resources devoted to informing employees of their environmental obligations and to training employees to operate within Company guidelines and legal requirements;
- monitoring conformance by the Company with mandatory environmental reporting and improvement regimes;
- regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis; and
- reviewing any environmental incidents that have occurred and monitoring actions taken or to be taken.

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

The Environmental Committee met four times during the year. Mr Johnson attended all four meetings of the Committee. Messrs Winsor and Stevenson (three meetings) and Mr Sarant (one meeting) attended all meetings convened while they were members of the Environmental Committee.

## Financial Reporting

Consistent with the ASX Principle 4 and Recommendation 7.3, the Company's financial report preparation and approval process for the financial year ended 30 June 2014, involved both the Managing Director and Chief Financial Officer certifying that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

In accordance with Recommendation 7.2, this sign off also includes assurances as to the Company's risk management processes and internal compliance and control procedures.

## Audit Governance and Independence

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



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

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

While the Directors had no concerns as to the independence or competence of its external auditors, Ernst & Young, the audit of the accounts of the consolidated entity for 2013/14 financial year was put out to tender as a matter of good governance. Relevant factors in the determination of the successful participant in that tender process included competence, experience, independence, ability to add value to the company, and cost.

The tender process was overseen by the Audit Committee, with the ultimate decision as to choice of external auditor made by the Board. The outcome of the tender process for the selection of external auditor for the 2013/14 financial year was to retain the services of Ernst & Young. The Board formed the view that it was appropriate to retain Ernst & Young having regard, amongst other things, to:

- past performance by Ernst & Young as auditor for the Company;
- the fact that the lead audit partner and audit review partner had recently been rotated providing a 'fresh set of eyes';
- the depth of Ernst & Young's understanding of the Company and its accounting and internal control environment; and
- value.

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

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

## Risk Management

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

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

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

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

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



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

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

The Risk Review Statement is designed to be a 'living' document and is regularly updated to address the emergence of new risks and changes to the priority of existing material business risks. The Risk Review Statement is provided to both the Audit Committee and the Board on a quarterly basis. In addition, a summary of the status of key risk items identified in the Risk Review Statement is provided to the Board at its monthly meetings.

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

## Continuous Disclosure

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

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

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

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

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

## Conflict of Interest

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

## Director Dealing in Company Shares

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

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

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





# Ethical Standards

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

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

## **Code of Conduct**

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

## **Trade Practices**

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

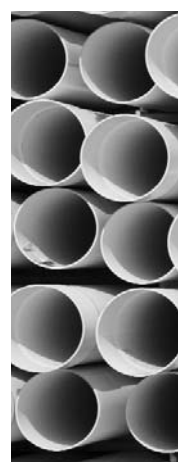
## **Other Policies**

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

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

## International Quality Standard ISO 9001

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



## Communication with Shareholders

The Company places considerable importance on communication with Shareholders.

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

General Meeting, and actively engaging the investment community.

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

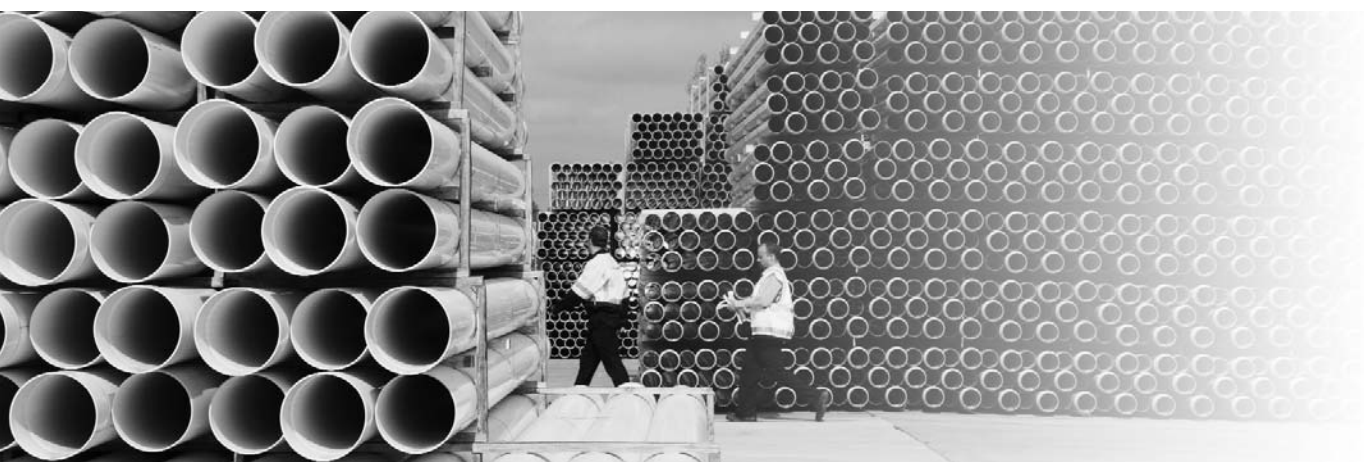
The communication strategy is consistent with ASX Principle 6.

The Company's Communication Policy is available on the Company's website: [www.ksgroup.com.au](http://www.ksgroup.com.au).



# Financial Report

FOR THE YEAR ENDED 30 JUNE 2014



## Contents

|                                    |     |
|------------------------------------|-----|
| Statement of Comprehensive Income  | 64  |
| Statement of Financial Position    | 65  |
| Statement of Changes in Equity     | 66  |
| Statement of Cash Flows            | 67  |
| Notes to the Financial Statements  | 68  |
| Directors' Declaration             | 118 |
| Auditor's Independence Declaration | 119 |
| Independent Auditor's Report       | 120 |
| Information on Shareholdings       | 122 |

# Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

|                                                                                         |             | <b>Consolidated</b>    |                        |
|-----------------------------------------------------------------------------------------|-------------|------------------------|------------------------|
|                                                                                         | <b>Note</b> | <b>2014<br/>\$'000</b> | <b>2013<br/>\$'000</b> |
| <b>Operating revenue</b>                                                                | <b>5(a)</b> | <b>586,226</b>         | <b>564,580</b>         |
| Cost of goods sold                                                                      |             | (63,545)               | (58,570)               |
| <b>Gross profit</b>                                                                     |             | <b>522,681</b>         | <b>506,010</b>         |
| Other income                                                                            | <b>5(b)</b> | <b>5,103</b>           | <b>3,922</b>           |
| Contractor expenses                                                                     |             | (151,184)              | (170,471)              |
| Employee expenses                                                                       | <b>5(e)</b> | <b>(185,218)</b>       | <b>(168,750)</b>       |
| Fleet expenses                                                                          |             | (118,008)              | (95,531)               |
| Depreciation and amortisation expense                                                   | <b>5(d)</b> | <b>(25,006)</b>        | <b>(24,166)</b>        |
| Finance costs                                                                           | <b>5(c)</b> | <b>(6,177)</b>         | <b>(5,467)</b>         |
| Other expenses                                                                          |             | (29,867)               | (23,237)               |
| Share of profits of associates                                                          | <b>13</b>   | <b>103</b>             | <b>42</b>              |
| <b>Profit before income tax</b>                                                         |             | <b>12,427</b>          | <b>22,352</b>          |
| Income tax (expense)/benefit                                                            | <b>6</b>    | <b>(3,574)</b>         | <b>(6,448)</b>         |
| <b>Profit after income tax</b>                                                          |             | <b>8,853</b>           | <b>15,904</b>          |
| Items that may be reclassified subsequently to profit or loss                           |             |                        |                        |
| Foreign currency translation                                                            |             | <b>1,315</b>           | <b>887</b>             |
| Income tax effect                                                                       |             | -                      | -                      |
|                                                                                         |             | <b>1,315</b>           | <b>887</b>             |
| Items that may not be reclassified subsequently to profit or loss                       |             |                        |                        |
| Revaluation of land and buildings                                                       |             | -                      | 8,125                  |
| Income tax effect                                                                       |             | -                      | (2,437)                |
|                                                                                         |             | -                      | 5,688                  |
| <b>Other comprehensive income for the period, net of tax</b>                            |             | <b>1,315</b>           | <b>6,575</b>           |
| <b>Total comprehensive income for the period</b>                                        |             | <b>10,168</b>          | <b>22,479</b>          |
| <b>Earnings per share (cents per share)</b>                                             | <b>7</b>    |                        |                        |
| • basic for profit for the year attributable to ordinary equity holders of the parent   |             | <b>9.0</b>             | <b>17.6</b>            |
| • diluted for profit for the year attributable to ordinary equity holders of the parent |             | <b>9.0</b>             | <b>17.6</b>            |
| Dividends per share (cents per share)                                                   | <b>8</b>    | <b>6.0</b>             | <b>11.0</b>            |

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

# Statement of Financial Position

AS AT 30 JUNE 2014

|                                       |      | Consolidated   |                |
|---------------------------------------|------|----------------|----------------|
|                                       | Note | 2014<br>\$'000 | 2013<br>\$'000 |
| <b>ASSETS</b>                         |      |                |                |
| <b>Current assets</b>                 |      |                |                |
| Cash and cash equivalents             | 9    | 23,532         | 15,935         |
| Trade and other receivables           | 10   | 82,263         | 64,076         |
| Inventories                           | 11   | 3,730          | 3,040          |
| Prepayments                           |      | 8,542          | 5,266          |
| <b>Total current assets</b>           |      | <b>118,067</b> | <b>88,317</b>  |
| <b>Non-current assets</b>             |      |                |                |
| Other receivables                     | 10   | 1,307          | 1,379          |
| Investments in associates             | 13   | 303            | 200            |
| Property, plant & equipment           | 14   | 319,515        | 234,750        |
| Intangibles                           | 15   | 90,607         | 71,176         |
| Deferred tax assets                   | 6    | 10,680         | 7,849          |
| <b>Total non-current assets</b>       |      | <b>422,412</b> | <b>315,354</b> |
| <b>TOTAL ASSETS</b>                   |      | <b>540,479</b> | <b>403,671</b> |
| <b>LIABILITIES</b>                    |      |                |                |
| <b>Current liabilities</b>            |      |                |                |
| Trade and other payables              | 17   | 70,482         | 46,840         |
| Interest bearing loans and borrowings | 18   | 36,169         | 16,332         |
| Income tax payable                    | 6    | 1,677          | 555            |
| Provisions                            | 19   | 22,704         | 16,741         |
| <b>Total current liabilities</b>      |      | <b>131,032</b> | <b>80,468</b>  |
| <b>Non-current liabilities</b>        |      |                |                |
| Other payables                        | 17   | 8,604          | 8,471          |
| Interest bearing loans and borrowings | 18   | 83,406         | 50,726         |
| Deferred tax liabilities              | 6    | 27,150         | 21,352         |
| Provisions                            | 19   | 3,129          | 3,019          |
| <b>Total non-current liabilities</b>  |      | <b>122,289</b> | <b>83,568</b>  |
| <b>TOTAL LIABILITIES</b>              |      | <b>253,321</b> | <b>164,036</b> |
| <b>NET ASSETS</b>                     |      | <b>287,158</b> | <b>239,635</b> |
| <b>EQUITY</b>                         |      |                |                |
| Contributed equity                    | 20   | 145,415        | 101,187        |
| Reserves                              |      | 32,558         | 31,243         |
| Retained earnings                     |      | 109,185        | 107,205        |
| <b>TOTAL EQUITY</b>                   |      | <b>287,158</b> | <b>239,635</b> |

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

# Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

|                                                              | Issued<br>Capital<br>\$'000 | Retained<br>Earnings<br>\$'000 | Asset<br>Revaluation<br>Reserves<br>\$'000 | Forex<br>Translation<br>Reserves<br>\$'000 | Total<br>Equity<br>\$'000 |
|--------------------------------------------------------------|-----------------------------|--------------------------------|--------------------------------------------|--------------------------------------------|---------------------------|
| <b>CONSOLIDATED</b>                                          |                             |                                |                                            |                                            |                           |
| <b>At 1 July 2013</b>                                        | <b>101,187</b>              | <b>107,205</b>                 | <b>31,948</b>                              | <b>(705)</b>                               | <b>239,635</b>            |
| Profit for the year                                          | -                           | 8,853                          | -                                          | -                                          | 8,853                     |
| Other comprehensive income                                   | -                           | -                              | -                                          | 1,315                                      | 1,315                     |
| <b>Total comprehensive income for the year</b>               | <b>-</b>                    | <b>8,853</b>                   | <b>-</b>                                   | <b>1,315</b>                               | <b>10,168</b>             |
| <b>Transactions with owners in their capacity as owners:</b> |                             |                                |                                            |                                            |                           |
| Issue of share capital                                       | 44,228                      | -                              | -                                          | -                                          | 44,228                    |
| Dividends paid                                               | -                           | (6,873)                        | -                                          | -                                          | (6,873)                   |
| <b>At 30 June 2014</b>                                       | <b>145,415</b>              | <b>109,185</b>                 | <b>31,948</b>                              | <b>610</b>                                 | <b>287,158</b>            |
| <b>At 1 July 2012</b>                                        |                             |                                |                                            |                                            |                           |
| <b>At 1 July 2012</b>                                        | <b>97,707</b>               | <b>102,549</b>                 | <b>26,270</b>                              | <b>(1,592)</b>                             | <b>224,934</b>            |
| Profit for the year                                          | -                           | 15,904                         | -                                          | -                                          | 15,904                    |
| Other comprehensive income                                   | -                           | -                              | 5,688                                      | 887                                        | 6,575                     |
| <b>Total comprehensive income for the year</b>               | <b>-</b>                    | <b>15,904</b>                  | <b>5,688</b>                               | <b>887</b>                                 | <b>22,479</b>             |
| <b>Transactions with owners in their capacity as owners:</b> |                             |                                |                                            |                                            |                           |
| Disposal transfer of land and buildings                      | -                           | 10                             | (10)                                       | -                                          | -                         |
| Issue of share capital                                       | 3,480                       | -                              | -                                          | -                                          | 3,480                     |
| Dividends paid                                               | -                           | (11,258)                       | -                                          | -                                          | (11,258)                  |
| <b>At 30 June 2013</b>                                       | <b>101,187</b>              | <b>107,205</b>                 | <b>31,948</b>                              | <b>(705)</b>                               | <b>239,635</b>            |

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



# Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

|                                                            |             | <b>Consolidated</b>    |                        |
|------------------------------------------------------------|-------------|------------------------|------------------------|
|                                                            | <b>Note</b> | <b>2014<br/>\$'000</b> | <b>2013<br/>\$'000</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |             |                        |                        |
| Cash receipts from customers                               |             | 653,983                | 634,513                |
| Cash payments to suppliers and employees                   |             | (580,471)              | (556,007)              |
| Interest received                                          |             | 263                    | 198                    |
| Borrowing costs paid                                       |             | (6,177)                | (5,466)                |
| Income taxes paid                                          |             | (2,992)                | (8,045)                |
| Net goods and services tax paid                            |             | (17,295)               | (18,767)               |
| <b>Net cash provided by/(used in) operating activities</b> | <b>9</b>    | <b>47,311</b>          | <b>46,426</b>          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |             |                        |                        |
| Proceeds from sale of non-current assets                   |             | 5,477                  | 4,636                  |
| Payments for property plant & equipment                    |             | (18,609)               | (6,737)                |
| Acquisition of business                                    |             | (4,106)                | 8,041                  |
| <b>Net cash provided by/(used in) investing activities</b> |             | <b>(17,238)</b>        | <b>(10,142)</b>        |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |             |                        |                        |
| Proceeds from share issue                                  |             | 1,177                  | 488                    |
| Proceeds from borrowings                                   |             | 19,625                 | 4,000                  |
| Repayments of borrowings                                   |             | (13,409)               | (18,843)               |
| Lease and hire purchase liability repayments               |             | (24,193)               | (18,844)               |
| Dividends paid, net of dividend reinvestment plan          |             | (5,786)                | (8,266)                |
| <b>Net cash provided by/(used in) financing activities</b> |             | <b>(22,586)</b>        | <b>(41,465)</b>        |
| Net increase/(decrease) in cash held                       |             | 7,487                  | (5,181)                |
| Cash at the beginning of the financial year                |             | 15,935                 | 21,038                 |
| Effects of exchange rate variances on cash                 |             | 110                    | 78                     |
| <b>Cash at the end of the financial year</b>               | <b>9</b>    | <b>23,532</b>          | <b>15,935</b>          |

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

## 1 Corporate Information

The financial report of K&S Corporation Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of Directors on 25 August 2014.

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

## 2 Summary of Significant Accounting Policies

### a) Basis of preparation

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

hedging instrument that is determined to be an effective hedge recognised directly in equity and the ineffective portion recognised in profit or loss.

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

### b) Compliance with IFRS

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

### c) New Accounting Standards and Interpretations

#### i) Changes in accounting policy and disclosures

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

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

| Reference | Title                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Application date of standard* | Impact on Group financial report                                                      | Application date for Group* |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------------------------------|-----------------------------|
| AASB 10   | <b>Consolidated Financial Statements</b><br>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation – Special Purpose Entities</i> .<br>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.<br>Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.                                                                                                                                                                                                                                                                                                                                                                                          | 1 Jan 2013                    | Application of the amendments has not had any impact on the Group's financial report. | 1 July 2013                 |
| AASB 11   | <b>Joint Arrangements</b><br>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly-controlled Entities – Non-monetary Contributions by Ventures</i> .<br>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.<br>Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. Amendments made by the IASB in May 2014 add guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business****. | 1 Jan 2013                    | Application of the amendments has not had any impact on the Group's financial report. | 1 July 2013                 |

| Reference   | Title                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Application date of standard* | Impact on Group financial report                                                                                                                                                   | Application date for Group*    |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| AASB 12     | <b>Disclosure of Interests in Other Entities</b><br>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.                                                                                                                                                                                                                                                                                                                                  | 1 Jan 2013                    | Application of the amendments has not had any impact on the Group's financial report.                                                                                              | 1 July 2013                    |
| AASB 13     | <b>Fair Value Measurement</b><br>AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.<br>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.<br>Consequential amendments were also made to other standards via AASB 2011-8.                                    | 1 Jan 2013                    | Application of the amendments has not had any impact on the Group's financial report.                                                                                              | 1 July 2013                    |
| AASB 119    | <b>Employee Benefits</b><br>The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.<br>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.<br>Consequential amendments were also made to other standards via AASB 2011-10. | 1 Jan 2013<br><br>1 July 2013 | Application of the amendments has not had any impact on the Group's financial report.<br><br>Application of the amendments has not had any impact on the Group's financial report. | 1 July 2013<br><br>1 July 2013 |
| AASB 2011-4 | <b>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</b><br>This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.                                                                                                                                                                                                                                                                                                                                       |                               |                                                                                                                                                                                    |                                |

**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 2014, are outlined in the table on the following pages:

## 2 Summary of Significant Accounting Policies

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

| Reference         | Title                                                                                                 | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Application date of standard* | Impact on Group financial report                                                    | Application date for Group* |
|-------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|-----------------------------|
| AASB 2012-3       | Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities | AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 1 Jan 2014                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2014                 |
| Interpretation 21 | <i>Levies</i>                                                                                         | This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1 Jan 2014                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2014                 |
| AASB 9            | <i>Financial Instruments</i>                                                                          | <p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>• The remaining change is presented in profit or loss</li> </ul> | 1 Jan 2018                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2018                 |



| Reference                           | Title                                                                                   | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Application date of standard* | Impact on Group financial report                                                    | Application date for Group* |
|-------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|-----------------------------|
| AASB 9 continued                    | <i>Financial Instruments</i>                                                            | <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p> <p>The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes:</p> <ol style="list-style-type: none"> <li>1 New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</li> <li>2 Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time.</li> </ol> <p>In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018.</p>         | 1 Jan 2018                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2018                 |
| AASB 2013-3                         | <i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i> | AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 1 Jan 2014                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2014                 |
| Annual Improvements 2010-2012 Cycle | AASB 2014-1 Annual Improvements to IFRSs 2010-2012 Cycle                                | <p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> <li>• AASB 2 – Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>• AASB 3 – Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.</li> <li>• AASB 8 – Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</li> </ul> | 1 July 2014                   | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2014                 |

## 2 Summary of Significant Accounting Policies

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

| Reference                                     | Title                                                    | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Application date of standard* | Impact on Group financial report                                                    | Application date for Group* |
|-----------------------------------------------|----------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|-----------------------------|
| Annual Improvements 2010-2012 Cycle continued | AASB 2014-1 Annual Improvements to IFRSs 2010-2012 Cycle | <ul style="list-style-type: none"> <li>AASB 116 &amp; AASB 138 – Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> <li>AASB 124 – Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                | 1 July 2014                   | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2014                 |
| Annual Improvements 2011-2013 Cycle           | AASB 2014-1 Annual Improvements to IFRSs 2011-2013 Cycle | <p>This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have been adopted by the AASB.</p> <p>The following items are addressed by this standard:</p> <ul style="list-style-type: none"> <li>AASB 13 – Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.</li> <li>AASB 140 – Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.</li> </ul> | 1 July 2014                   | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2013                 |
| AASB 1031                                     | <i>Materiality</i>                                       | <p>The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.</p> <p>AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 1 Jan 2014                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2014                 |

| Reference                       | Title                                                                                                              | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Application date of standard* | Impact on Group financial report                                                    | Application date for Group* |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|-----------------------------|
| AASB 2013-9                     | <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> | <p>The Standard contains three main parts and makes amendments to a number Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i>.</p>                                                                                                                                                                                                                                                                                                                           | ^^                            | The amendments are not expected to have any impact on the Group's financial report. | ^^                          |
| Amendments to IAS 16 and IAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)             | <p>IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p>                                                                                                                                     | 1 Jan 2016                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2016                 |
| IFRS 15                         | Revenue from Contracts with Customers                                                                              | <p>IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.</p> <p>IFRS 15 supersedes:</p> <ul style="list-style-type: none"> <li>a) IAS 11 Construction Contracts</li> <li>b) IAS 18 Revenue</li> <li>c) IFRIC 13 Customer Loyalty Programmes</li> <li>d) IFRIC 15 Agreements for the Construction of Real Estate</li> <li>e) IFRIC 18 Transfers of Assets from Customers</li> <li>f) SIC-31 Revenue – Barter Transactions Involving Advertising Services</li> </ul> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> | 1 Jan 2017                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2017                 |

## 2 Summary of Significant Accounting Policies

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

| Reference                           | Title                                 | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Application date of standard* | Impact on Group financial report                                                    | Application date for Group* |
|-------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------|-----------------------------|
| IFRS 15 continued                   | Revenue from Contracts with Customers | <p>An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>a) Step 1: Identify the contract(s) with a customer</p> <p>b) Step 2: Identify the performance obligations in the contract</p> <p>c) Step 3: Determine the transaction price</p> <p>d) Step 4: Allocate the transaction price to the performance obligations in the contract</p> <p>e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>Early application of this standard is permitted.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 1 Jan 2017                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2017                 |
| IFRS 9 Financial Instruments (2014) |                                       | <p>A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard contains requirements in the following areas:</p> <p><b>Classification and measurement.</b> Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.</p> <p><b>Impairment.</b> The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.</p> <p><b>Hedge accounting.</b> Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.</p> <p><b>Derecognition.</b> The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.</p> | 1 Jan 2018                    | The amendments are not expected to have any impact on the Group's financial report. | 1 July 2018                 |

^^ The application dates of AASB 2013-9 are as follows:

Part A – periods ending on or after 20 December 2013

Part B – periods beginning on or after 1 January 2014

Part C – reporting periods beginning on or after 1 January 2015

Application date for the Group: period ending 30 June 2014

Application date for the Group: period beginning 1 July 2014

Application date for the Group: period beginning 1 July 2015



#### **d) Basis of consolidation**

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

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;

- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

#### **e) Business combinations**

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

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

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

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

#### **f) Operating segments**

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

## 2 Summary of Significant Accounting Policies

### f) Operating Segments *continued*

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

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following aspects:

- Nature of the product or services;
- Type or class of customer for the product or services; and
- Methods used to distribute the products or provide services.

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

### g) Revenue

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

#### i) *Sale of goods*

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

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

#### ii) *Rendering of services*

Service revenue from the distribution of customer goods is recognised when goods are dispatched.

#### iii) *Interest*

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

#### iv) *Dividends*

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

### h) Cash and cash equivalents

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

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

### i) Leases

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

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

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

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

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

### j) Trade and other receivables

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

### k) Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

**Consumables** – purchase cost on a first-in, first-out basis;  
**Finished goods** – weighted average cost.

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

### l) Derivative financial instruments

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



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

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

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

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

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

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

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

#### **m) Derecognition of financial assets and liabilities**

##### **Financial assets**

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

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

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

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

##### **Financial liabilities**

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

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

**2 Summary of Significant Accounting Policies****n) Impairment of financial assets**

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

**Financial assets carried at amortised cost**

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

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

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

**Financial assets carried at cost**

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

**o) Foreign currency translation**

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

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

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

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

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

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

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

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

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

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

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

**p) Investment in associates**

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

Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the



equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment loss is recognised, the amount is not allocated to the goodwill of the associate.

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

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

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

#### **q) Income tax and other taxes**

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

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

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

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

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

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

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

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

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

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

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

#### **Other taxes**

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

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

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

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

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

## 2 Summary of Significant Accounting Policies

### r) Property, plant and equipment

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

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

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

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

### i) Impairment

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

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

### ii) Revaluations

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

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

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

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

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

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

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

### iii) Derecognition and disposal

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

### s) Borrowing costs

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

### t) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

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

**Financial assets at fair value through profit or loss**

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

**Held-to-maturity investments**

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

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

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

**Loans and receivables**

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

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

**u) Goodwill and intangibles****Goodwill**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets

acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

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

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

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 a operating segment determined in accordance with AASB 8.

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

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

Impairment losses recognised for goodwill are not subsequently reversed.

**Intangibles**

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

## 2 Summary of Significant Accounting Policies

### t) Goodwill and intangibles

#### Intangibles continued

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

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

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

#### Development costs

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

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

The estimated useful life for the current and comparative periods are as follows:

|                         |         |
|-------------------------|---------|
| Software and technology | 7 years |
|-------------------------|---------|

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

### v) Impairment of assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amounts (in which case the impairment loss is treated as a revaluation decrease).

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

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

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





#### **w) Interest-bearing loans and borrowings**

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

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

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

#### **x) Trade and other payables**

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

#### **y) Provisions**

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

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

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

#### **y) Employee leave benefits**

##### **i) Wages, salaries, annual leave and sick leave**

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

##### **ii) Long service leave**

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

##### **iii) Defined contribution superannuation funds**

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

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

##### **iv) Directors retirement benefits**

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



## 2 Summary of Significant Accounting Policies

### aa) Contributed equity

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

### bb) Earnings per share

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

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

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

- Other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

### cc) Significant account judgments, estimates and assumptions

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

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

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

**i) Significant accounting judgments**

**Recovery of deferred tax assets**

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

**Taxation**

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

**ii) Significant accounting estimates and assumptions**

**Impairment of goodwill**

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

**Make good provisions**

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

**Allowance for impairment loss on trade receivables**

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

**Long service leave provision**

As discussed in *Note 2 (j)*, the liability for long service is recognised and measured at the present value of the estimated future cash flows to be made in respect of all

employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

**Impairment of non-financial assets other than goodwill**

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

**3 Financial Risk Management Objectives and Policies**

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

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group also entered into derivative transactions, principally interest rate swap contracts. The purpose was to manage the interest rate risk arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

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

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

**Risk exposures and responses**

**Fair Value**

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

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

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

## 3 Financial Risk Management Objectives and Policies

### Risk exposures and responses continued

#### Credit risk

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

While the consolidated entity also minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various states, the Group is materially exposed to counterparty risk with several of its major customers. However, those major customers are blue chip organisations with sound balance sheets and they are not considered to comprise a significant credit risk. Concentration of credit risk on trade debtors due from customers are: Transport 94% (2013: 93%) and Fuel 6% (2013: 7%).

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

#### Foreign currency risk

The Group's exposure to currency risk is minimal.

#### Interest rate risk

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

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

|                              | Consolidated   |                |
|------------------------------|----------------|----------------|
|                              | 2014           | 2013           |
|                              | \$'000         | \$'000         |
| <b>Financial assets</b>      |                |                |
| – Cash and cash equivalents  | 23,532         | 15,935         |
| <b>Financial liabilities</b> |                |                |
| – Bank loans                 | (24,625)       | (18,379)       |
| <b>Net exposure</b>          | <b>(1,093)</b> | <b>(2,444)</b> |

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

| Judgements<br>of reasonably<br>possible<br>movements: | Post Tax Profit        |        | Equity                 |        |
|-------------------------------------------------------|------------------------|--------|------------------------|--------|
|                                                       | Higher/(Lower)<br>2014 | 2013   | Higher/(Lower)<br>2014 | 2013   |
|                                                       | \$'000                 | \$'000 | \$'000                 | \$'000 |
| <b>Consolidated</b>                                   |                        |        |                        |        |
| + 1% (100 basis points)                               | (8)                    | (17)   | (8)                    | (17)   |
| – 0.5% (50 basis points)                              | 4                      | 9      | 4                      | 9      |

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

Significant assumptions used in the interest rate sensitivity analysis include:

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

#### Liquidity risk

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

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

#### i) Non-derivative financial liabilities

The following liquidity risk disclosure reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and financial guarantees as of 30 June 2014. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

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

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



### 3 Financial Risk Management Objectives and Policies Liquidity risk continued

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

|                                       | Less than<br>1 year<br>\$'000 | 1 to 2<br>years<br>\$'000 | 2 to 5<br>years<br>\$'000 | Greater<br>than<br>5 years<br>\$'000 | Total<br>\$'000  |
|---------------------------------------|-------------------------------|---------------------------|---------------------------|--------------------------------------|------------------|
| <b>Year ended 30 June 2014</b>        |                               |                           |                           |                                      |                  |
| <b>Liquid financial assets</b>        |                               |                           |                           |                                      |                  |
| Cash and cash equivalents             | 23,532                        | -                         | -                         | -                                    | 23,532           |
| Trade and other receivables           | 82,580                        | 316                       | 632                       | 156                                  | 83,684           |
|                                       | 106,112                       | 316                       | 632                       | 156                                  | 107,216          |
| <b>Financial liabilities</b>          |                               |                           |                           |                                      |                  |
| Interest bearing loans and borrowings | (41,862)                      | (42,077)                  | (45,861)                  | -                                    | (129,800)        |
| Trade and other payables              | (70,482)                      | (8,604)                   | -                         | -                                    | (79,086)         |
| Financial guarantees                  | (19,579)                      | -                         | -                         | -                                    | (19,579)         |
|                                       | (131,923)                     | (50,681)                  | (45,861)                  | -                                    | (228,465)        |
| <b>Net inflow/(outflow)</b>           | <b>(25,811)</b>               | <b>(50,365)</b>           | <b>(45,229)</b>           | <b>156</b>                           | <b>(121,249)</b> |
| <b>Year ended 30 June 2013</b>        |                               |                           |                           |                                      |                  |
| <b>Liquid financial assets</b>        |                               |                           |                           |                                      |                  |
| Cash and cash equivalents             | 15,935                        | -                         | -                         | -                                    | 15,935           |
| Trade and other receivables           | 64,434                        | 358                       | 728                       | 50                                   | 65,570           |
|                                       | 80,369                        | 358                       | 728                       | 50                                   | 81,505           |
| <b>Financial liabilities</b>          |                               |                           |                           |                                      |                  |
| Interest bearing loans and borrowings | (19,963)                      | (34,428)                  | (18,975)                  | -                                    | (73,366)         |
| Trade and other payables              | (46,840)                      | (8,471)                   | -                         | -                                    | (55,311)         |
| Financial guarantees                  | (15,872)                      | -                         | -                         | -                                    | (15,872)         |
|                                       | (82,675)                      | (42,899)                  | (18,975)                  | -                                    | (144,549)        |
| <b>Net inflow/(outflow)</b>           | <b>(2,306)</b>                | <b>(42,541)</b>           | <b>(18,247)</b>           | <b>50</b>                            | <b>(63,044)</b>  |

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

#### ii) *Derivative financial liabilities*

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

The Group holds no derivative liabilities at balance date.



## 4 Operating Segments

### Identification of reportable segments

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

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

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

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

### Accounting policies and inter-segment transactions

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

#### Inter-entity sales

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

#### Corporate charges

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

#### Segment loans payable and loans receivable

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

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2014 and 30 June 2013.

#### 4 Operating Segments

|                                                                        | Australian<br>Transport<br>\$'000 | Fuel<br>\$'000 | New Zealand<br>Transport<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------------|-----------------------------------|----------------|------------------------------------|-----------------|
| <b>Year ended 30 June 2014</b>                                         |                                   |                |                                    |                 |
| <b>Revenue</b>                                                         |                                   |                |                                    |                 |
| External customers                                                     | 491,769                           | 68,259         | 25,935                             | 585,963         |
| Finance revenue                                                        | 251                               | -              | 12                                 | 263             |
| Inter-segment sales                                                    | 661                               | 45,164         | -                                  | 45,825          |
| <b>Total segment revenue</b>                                           | <b>492,681</b>                    | <b>113,423</b> | <b>25,947</b>                      | <b>632,051</b>  |
| <b>Results</b>                                                         |                                   |                |                                    |                 |
| Depreciation and amortisation expense                                  | (22,150)                          | (153)          | (2,703)                            | (25,006)        |
| Finance costs                                                          | (5,585)                           | -              | (592)                              | (6,177)         |
| Share of profits of associates                                         | 103                               | -              | -                                  | 103             |
| <b>Segment net operating profit after tax</b>                          | <b>7,934</b>                      | <b>642</b>     | <b>277</b>                         | <b>8,853</b>    |
| <b>Operating assets</b>                                                | <b>495,267</b>                    | <b>19,640</b>  | <b>29,160</b>                      | <b>544,067</b>  |
| <b>Operating liabilities</b>                                           | <b>217,234</b>                    | <b>6,896</b>   | <b>14,632</b>                      | <b>238,762</b>  |
| <b>Other disclosures</b>                                               |                                   |                |                                    |                 |
| Investments in an associate                                            | 303                               | -              | -                                  | 303             |
| Capital expenditure                                                    | (40,412)                          | -              | (6,794)                            | (47,206)        |
| Inter-segment revenues of \$45,825,000 are eliminated on consolidation |                                   |                |                                    |                 |
| <b>Year ended 30 June 2013</b>                                         |                                   |                |                                    |                 |
| <b>Revenue</b>                                                         |                                   |                |                                    |                 |
| External customers                                                     | 481,618                           | 63,403         | 19,361                             | 564,382         |
| Finance revenue                                                        | 181                               | -              | 17                                 | 198             |
| Inter-segment sales                                                    | 366                               | 43,062         | -                                  | 43,428          |
| <b>Total segment revenue</b>                                           | <b>482,165</b>                    | <b>106,465</b> | <b>19,378</b>                      | <b>608,008</b>  |
| <b>Results</b>                                                         |                                   |                |                                    |                 |
| Depreciation and amortisation expense                                  | (21,636)                          | (160)          | (2,370)                            | (24,166)        |
| Finance costs                                                          | (5,004)                           | -              | (463)                              | (5,467)         |
| Share of profits of associates                                         | 42                                | -              | -                                  | 42              |
| <b>Segment net operating profit after tax</b>                          | <b>15,127</b>                     | <b>756</b>     | <b>21</b>                          | <b>15,904</b>   |
| <b>Operating assets</b>                                                | <b>368,900</b>                    | <b>18,286</b>  | <b>22,237</b>                      | <b>409,423</b>  |
| <b>Operating liabilities</b>                                           | <b>137,622</b>                    | <b>6,185</b>   | <b>11,923</b>                      | <b>155,730</b>  |
| <b>Other disclosures</b>                                               |                                   |                |                                    |                 |
| Investments in an associate                                            | 200                               | -              | -                                  | 200             |
| Capital expenditure                                                    | (21,803)                          | -              | (2,195)                            | (23,998)        |
| Inter-segment revenues of \$43,428,000 are eliminated on consolidation |                                   |                |                                    |                 |

## 4 Operating Segments

|                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Consolidated</b> |               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>2014</b>         | <b>2013</b>   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>\$'000</b>       | <b>\$'000</b> |
| <b>i) Segment revenue reconciliation to the Statement of Comprehensive Income</b>                                                                                                                                                                                                                                                                                                                                                         |                     |               |
| Total segment revenue                                                                                                                                                                                                                                                                                                                                                                                                                     | 632,051             | 608,008       |
| Inter-segment sales elimination                                                                                                                                                                                                                                                                                                                                                                                                           | (45,825)            | (43,428)      |
| Total revenue                                                                                                                                                                                                                                                                                                                                                                                                                             | 586,226             | 564,580       |
| Revenue from external customers by geographical location is detailed below. Revenue is attributed to geographic location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.                                                                                                                                    |                     |               |
| Australia                                                                                                                                                                                                                                                                                                                                                                                                                                 | 560,291             | 545,202       |
| New Zealand                                                                                                                                                                                                                                                                                                                                                                                                                               | 25,935              | 19,378        |
| Total revenue                                                                                                                                                                                                                                                                                                                                                                                                                             | 586,226             | 564,580       |
| <b>ii) Segment assets reconciliation to the Statement of Financial Position</b>                                                                                                                                                                                                                                                                                                                                                           |                     |               |
| Segment assets are those operating assets of the entity that the Executive Management committee views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory, intangibles and excludes deferred tax assets.                                                                                                                                                          |                     |               |
| Reconciliation of segment operating assets to total assets:                                                                                                                                                                                                                                                                                                                                                                               |                     |               |
| Segment operating assets                                                                                                                                                                                                                                                                                                                                                                                                                  | 544,067             | 409,423       |
| Inter-segment eliminations                                                                                                                                                                                                                                                                                                                                                                                                                | (14,268)            | (13,601)      |
| Deferred tax assets                                                                                                                                                                                                                                                                                                                                                                                                                       | 10,680              | 7,849         |
| Total assets per the Statement of Financial Position                                                                                                                                                                                                                                                                                                                                                                                      | 540,479             | 403,671       |
| The analysis of location on non-current assets other than financial instruments and deferred tax assets is as follows:                                                                                                                                                                                                                                                                                                                    |                     |               |
| Australia                                                                                                                                                                                                                                                                                                                                                                                                                                 | 387,103             | 288,662       |
| New Zealand                                                                                                                                                                                                                                                                                                                                                                                                                               | 24,629              | 18,843        |
| Total assets per the Statement of Financial Position                                                                                                                                                                                                                                                                                                                                                                                      | 411,732             | 307,505       |
| <b>iii) Segment liabilities reconciliation to the Statement of Financial Position</b>                                                                                                                                                                                                                                                                                                                                                     |                     |               |
| 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. Managing Director, Chief Financial Officer and Directors review the level of debts for each segment in the monthly board meetings. |                     |               |
| Reconciliation of segment operating liabilities to total liabilities.                                                                                                                                                                                                                                                                                                                                                                     |                     |               |
| Segment operating liabilities                                                                                                                                                                                                                                                                                                                                                                                                             | 238,762             | 155,730       |
| Inter-segment eliminations                                                                                                                                                                                                                                                                                                                                                                                                                | (14,268)            | (13,601)      |
| Deferred tax liabilities                                                                                                                                                                                                                                                                                                                                                                                                                  | 27,150              | 21,352        |
| Income tax payable                                                                                                                                                                                                                                                                                                                                                                                                                        | 1,677               | 555           |
| Total liabilities per the Statement of Financial Position                                                                                                                                                                                                                                                                                                                                                                                 | 253,321             | 164,036       |



|                                                          | <b>Consolidated</b> |                |
|----------------------------------------------------------|---------------------|----------------|
|                                                          | <b>2014</b>         | <b>2013</b>    |
|                                                          | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>5 Revenue and Expenses</b>                            |                     |                |
| <b>Revenue</b>                                           |                     |                |
| <b>a) Rendering of services</b>                          | <b>517,704</b>      | <b>500,979</b> |
| Sale of goods                                            | <b>68,259</b>       | <b>63,403</b>  |
| Finance revenue                                          | <b>263</b>          | <b>198</b>     |
| <b>Total revenue</b>                                     | <b>586,226</b>      | <b>564,580</b> |
| <b>b) Other income</b>                                   |                     |                |
| – Net gains on disposal of property, plant and equipment | <b>2,927</b>        | <b>2,422</b>   |
| – Other                                                  | <b>2,176</b>        | <b>1,500</b>   |
| <b>Total other income</b>                                | <b>5,103</b>        | <b>3,922</b>   |
| <b>c) Finance costs</b>                                  |                     |                |
| – Related parties – other                                | <b>5</b>            | <b>5</b>       |
| – Other parties                                          | <b>1,991</b>        | <b>2,111</b>   |
| – Finance charges on hire purchase contracts             | <b>4,181</b>        | <b>3,351</b>   |
| <b>Total finance costs</b>                               | <b>6,177</b>        | <b>5,467</b>   |
| <b>d) Depreciation and amortisation expense</b>          |                     |                |
| Depreciation                                             |                     |                |
| – Buildings                                              | <b>2,064</b>        | <b>2,018</b>   |
| – Motor vehicles                                         | <b>19,400</b>       | <b>18,989</b>  |
| – Plant and equipment                                    | <b>2,917</b>        | <b>2,602</b>   |
| Amortisation                                             | <b>89</b>           | <b>-</b>       |
| IT Development costs                                     | <b>536</b>          | <b>557</b>     |
| <b>Total depreciation and amortisation expense</b>       | <b>25,006</b>       | <b>24,166</b>  |
| <b>e) Employee expense</b>                               |                     |                |
| – Wages and salaries                                     | <b>147,254</b>      | <b>132,210</b> |
| – Workers' compensation costs                            | <b>7,337</b>        | <b>8,645</b>   |
| – Long service leave provision                           | <b>1,110</b>        | <b>1,291</b>   |
| – Annual leave provision                                 | <b>10,057</b>       | <b>9,229</b>   |
| – Payroll tax                                            | <b>8,428</b>        | <b>7,508</b>   |
| – Defined contribution plan expense                      | <b>11,021</b>       | <b>9,812</b>   |
| – Directors retirement scheme expense                    | <b>11</b>           | <b>55</b>      |
| <b>Total employee expense</b>                            | <b>185,218</b>      | <b>168,750</b> |
| <b>f) Operating lease rental expense</b>                 |                     |                |
| – Property                                               | <b>12,592</b>       | <b>11,493</b>  |
| – Plant and equipment                                    | <b>2,095</b>        | <b>2,023</b>   |
| <b>Total operating lease rental expense</b>              | <b>14,687</b>       | <b>13,516</b>  |

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2014</b>         | <b>2013</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |

## 6 Income Tax

The major components of income tax expense are:

### Statement of Comprehensive Income

#### Current income tax

|                                                                  |       |       |
|------------------------------------------------------------------|-------|-------|
| - Current income tax charge                                      | 3,403 | 7,280 |
| - Adjustments in respect of current income tax of previous years | (214) | (327) |

#### Deferred income tax

|                                                                 |     |       |
|-----------------------------------------------------------------|-----|-------|
| - Relating to origination and reversal of temporary differences | 385 | (505) |
|-----------------------------------------------------------------|-----|-------|

Income tax expense reported in the Statement of Comprehensive Income

3,574 6,448

### Statement of Changes in Equity

#### Deferred income tax related to items charged or credited directly to equity

|                                                 |   |       |
|-------------------------------------------------|---|-------|
| - Net gain on revaluation of land and buildings | - | 2,437 |
|-------------------------------------------------|---|-------|

Income tax expense reported in equity

- 2,437

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 | 12,427 | 22,352 |
|-------------------------------------|--------|--------|

At the Group's statutory income tax rate of 30% (2013: 30%)

3,728 6,705

|                                                                  |       |       |
|------------------------------------------------------------------|-------|-------|
| - Expenditure not allowable for income tax purposes              | 60    | 70    |
| - Adjustments in respect of current income tax of previous years | (214) | (327) |

Income tax expense reported in the Statement of Comprehensive Income

3,574 6,448

|                                                            | <b>Consolidated</b> |                 |                |                 |
|------------------------------------------------------------|---------------------|-----------------|----------------|-----------------|
|                                                            | <b>2014</b>         | <b>2014</b>     | <b>2013</b>    | <b>2013</b>     |
|                                                            | <b>\$'000</b>       | <b>\$'000</b>   | <b>\$'000</b>  | <b>\$'000</b>   |
|                                                            | <b>Current</b>      | <b>Deferred</b> | <b>Current</b> | <b>Deferred</b> |
|                                                            | <b>Income</b>       | <b>Income</b>   | <b>Income</b>  | <b>Income</b>   |
|                                                            | <b>Tax</b>          | <b>Tax</b>      | <b>Tax</b>     | <b>Tax</b>      |
| <b>Recognised deferred tax assets and liabilities</b>      |                     |                 |                |                 |
| Opening balance                                            | (555)               | (13,503)        | (1,700)        | (11,494)        |
| Charged to income                                          | (3,189)             | (385)           | (6,953)        | 505             |
| Scott Corporation Limited opening balance                  | (922)               | (1,772)         | -              | -               |
| Eliminations                                               | -                   | (726)           | -              | -               |
| Charged to equity                                          | -                   | -               | -              | (2,438)         |
| Other payments                                             | 2,932               | -               | 8,045          | -               |
| Exchange rate                                              | 57                  | (84)            | 53             | (76)            |
| Closing balance                                            | (1,677)             | (16,470)        | (555)          | (13,503)        |
| Tax expense in Statement of Comprehensive Income           |                     | 3,574           |                | 6,448           |
| Amounts recognised in the Statement of Financial Position: |                     |                 |                |                 |
| Deferred tax asset                                         |                     | 10,680          |                | 7,849           |
| Deferred tax liability                                     |                     | (27,150)        |                | (21,352)        |
|                                                            |                     | (16,470)        |                | (13,503)        |

## 6 Income Tax

### Statement of Financial Position

|                                                            | 2014<br>\$'000  | 2013<br>\$'000  |
|------------------------------------------------------------|-----------------|-----------------|
| <b>Deferred income tax</b>                                 |                 |                 |
| Deferred income tax at 30 June relates to the following:   |                 |                 |
| <b>Consolidated</b>                                        |                 |                 |
| <i>Deferred tax liabilities</i>                            |                 |                 |
| – Accelerated depreciation for tax purposes                | (9,499)         | (6,146)         |
| – Revaluation of land and buildings to fair value          | (14,193)        | (13,696)        |
| – Trade and other receivables not derived for tax purposes | (2,450)         | (1,510)         |
| – Intangibles Brands and Customer Contracts                | (1,008)         | -               |
|                                                            | <b>(27,150)</b> | <b>(21,352)</b> |
| <i>Deferred tax assets</i>                                 |                 |                 |
| – Equity raising costs                                     | 34              | 68              |
| – Accelerated depreciation for accounting purposes         | 840             | 885             |
| – Trade and other payables not currently deductible        | 1,965           | 968             |
| – Trade and other receivables not derived for tax purposes | 217             | 107             |
| – Employee entitlements not currently deductible           | 7,624           | 5,821           |
|                                                            | <b>10,680</b>   | <b>7,849</b>    |

### Tax consolidation

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

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

### Tax effect accounting by members of the tax consolidated group

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

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

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

|                                                                           | 2014<br>\$'000 | Parent<br>2013<br>\$'000 |
|---------------------------------------------------------------------------|----------------|--------------------------|
| Total increase/(reduction) to tax expense of K&S Corporation Ltd          | (1,853)        | (7,079)                  |
| Total increase/(reduction) to inter-company assets of K&S Corporation Ltd | 1,853          | 7,079                    |

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2014</b>         | <b>2013</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |

## 7 Earnings per Share

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

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

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

|                                                                                             |       |        |
|---------------------------------------------------------------------------------------------|-------|--------|
| Net profit attributable to ordinary equity holders of the parent from continuing operations | 8,853 | 15,904 |
|---------------------------------------------------------------------------------------------|-------|--------|

|                                                                         |              |               |
|-------------------------------------------------------------------------|--------------|---------------|
| <b>Net profit attributable to ordinary equity holders of the parent</b> | <b>8,853</b> | <b>15,904</b> |
|-------------------------------------------------------------------------|--------------|---------------|

|                                                                                                    | <b>2014</b>      | <b>2013</b>      |
|----------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                    | <b>Thousands</b> | <b>Thousands</b> |
| Weighted average number of ordinary shares used in the calculation of the basic earnings per share | 98,275           | 90,269           |
| Effect of dilution                                                                                 |                  |                  |
| – Ordinary Shares                                                                                  | -                | -                |
| Weighted average number of ordinary shares adjusted for the effect of dilution                     | 98,275           | 90,269           |

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2014</b>         | <b>2013</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |

## 8 Dividends Paid and Proposed

### Declared and paid during the year:

#### Dividends on ordinary shares

|                                                                |              |               |
|----------------------------------------------------------------|--------------|---------------|
| Final franked dividend for 2013: 4.5 cents (2012: 6.0 cents)   | 4,112        | 5,376         |
| Interim franked dividend for 2014: 3.0 cents (2013: 6.5 cents) | 2,761        | 5,882         |
|                                                                | <b>6,873</b> | <b>11,258</b> |

### Proposed (not recognised as a liability as at 30 June):

#### Dividends on ordinary shares

|                                                              |       |       |
|--------------------------------------------------------------|-------|-------|
| Final franked dividend for 2014: 3.0 cents (2013: 4.5 cents) | 3,483 | 4,112 |
|--------------------------------------------------------------|-------|-------|

#### 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% (2013: 30%)                             | 49,170 | 47,919 |
| • franking credits that will arise from the payment of income tax payable as at the end of the financial year | 844    | 1,104  |

The amount of franking credits available for future reporting periods:

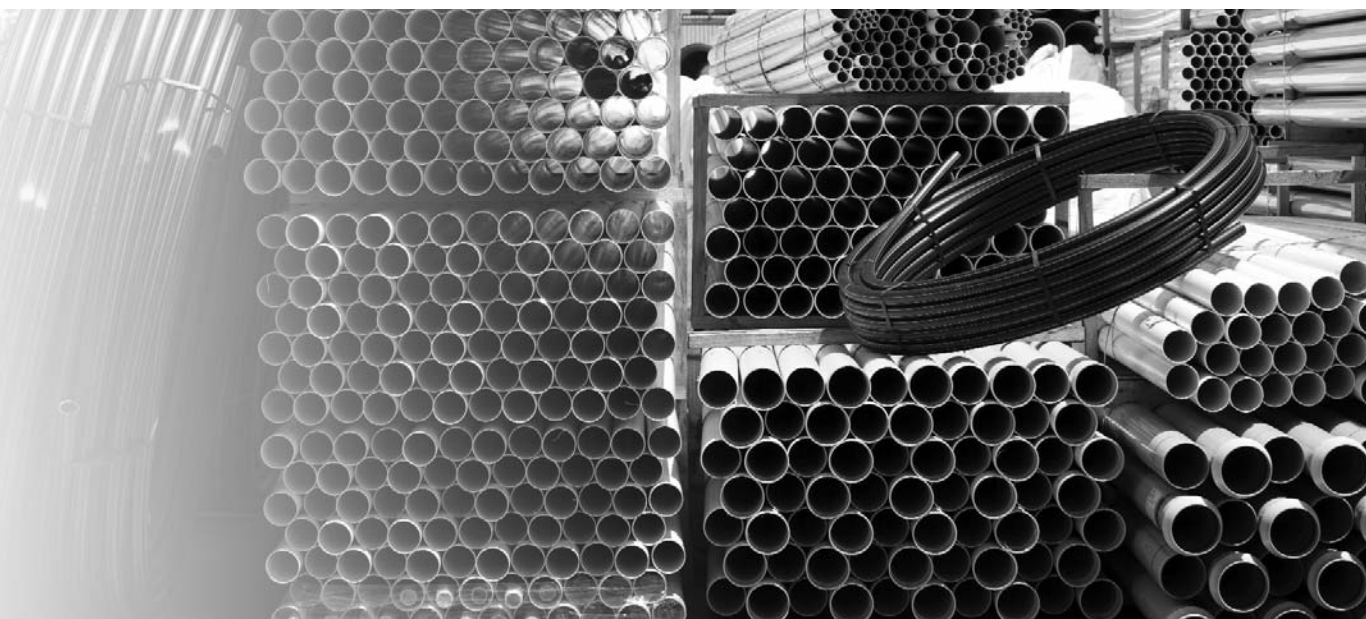
|                                                                                                                             |               |               |
|-----------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| • impact on franking account of dividends proposed but not recognised as a distribution to equity holders during the period | (1,493)       | (1,758)       |
|                                                                                                                             | <b>48,521</b> | <b>47,265</b> |

### Tax rates

The tax rate at which dividends have been franked is 30% (2013: 30%).

Dividends proposed will be franked at the rate of 30% (2013: 30%).





|                                                                                           | <b>Consolidated</b> |               |
|-------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                           | <b>2014</b>         | <b>2013</b>   |
|                                                                                           | <b>\$'000</b>       | <b>\$'000</b> |
| <b>9 Cash and Cash Equivalents</b>                                                        |                     |               |
| Cash                                                                                      | 53                  | 47            |
| Cash deposits with banks                                                                  | 23,479              | 15,888        |
|                                                                                           | <b>23,532</b>       | <b>15,935</b> |
| Cash at bank earns interest at floating rates based on daily bank deposit rates.          |                     |               |
| <b>Reconciliation of net profit after income tax to net cash flows from operations</b>    |                     |               |
| Net profit after income tax                                                               | 8,853               | 15,904        |
| Add/(less) items classified as investing/financing activities:                            |                     |               |
| – (Profit)/loss on sale of non-current assets                                             | (2,972)             | (2,422)       |
| Add/(less) non-cash items:                                                                |                     |               |
| – Amounts set aside to provisions                                                         | 366                 | 2,089         |
| – Depreciation                                                                            | 25,006              | 24,167        |
| – Share of associates' net profit                                                         | (103)               | (42)          |
| – Dividends received from associates                                                      | -                   | -             |
| <b>Net cash provided by operating activities before changes in assets and liabilities</b> | <b>31,150</b>       | <b>39,696</b> |
| <b>CHANGE IN ASSETS AND LIABILITIES</b>                                                   |                     |               |
| (Increase)/decrease in inventories                                                        | 42                  | (113)         |
| (Increase)/decrease in income tax benefit                                                 | (393)               | (843)         |
| (Increase)/decrease in prepayments                                                        | 119                 | 15            |
| (Increase)/decrease in receivables                                                        | 8,754               | 9,044         |
| (Decrease)/increase in trade creditors                                                    | 6,678               | (634)         |
| (Decrease)/increase in income taxes payable                                               | 1,266               | (1,090)       |
| (Decrease)/increase in deferred taxes payable                                             | (288)               | 347           |
| Exchange rate changes on opening cash balances                                            | (17)                | 4             |
| <b>Net cash provided by/(used in) operating activities</b>                                | <b>47,311</b>       | <b>46,426</b> |

#### **Disclosure of financing facilities**

Refer to Note 18.

#### **Disclosure of non-cash financing and investing activities**

Refer to Note 18.

|                                       | <b>Consolidated</b> |               |
|---------------------------------------|---------------------|---------------|
|                                       | <b>2014</b>         | <b>2013</b>   |
|                                       | <b>\$'000</b>       | <b>\$'000</b> |
| <b>10 Trade and Other Receivables</b> |                     |               |
| <b>Current</b>                        |                     |               |
| Trade debtors                         | 77,379              | 61,485        |
| Allowance for impairment loss (a)     | (660)               | (355)         |
|                                       | <b>76,719</b>       | <b>61,130</b> |
| Sundry debtors                        | 5,544               | 2,946         |
|                                       | <b>82,263</b>       | <b>64,076</b> |
| <b>Non-current</b>                    |                     |               |
| Related party receivables             |                     |               |
| – Employee share plan loans           | 1,307               | 1,379         |
|                                       | <b>1,307</b>        | <b>1,379</b>  |

#### a) Allowance for impairment loss

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

Movements in the provision for impairment loss were as follows:

|                     |            |            |
|---------------------|------------|------------|
| At 1 July           | 355        | 308        |
| Charge for the year | 533        | 280        |
| Amounts written off | (228)      | (233)      |
| At 30 June          | <b>660</b> | <b>355</b> |

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

| Consolidated | Total         | 0-30 days     | 31-60 days    | 61-90 days<br>PDNI* | 61-90 days<br>CI** | +91 days<br>PDNI* | +91 days<br>CI** |
|--------------|---------------|---------------|---------------|---------------------|--------------------|-------------------|------------------|
| <b>2014</b>  | <b>77,379</b> | <b>53,141</b> | <b>18,284</b> | <b>3,894</b>        | -                  | <b>1,400</b>      | <b>660</b>       |
| 2013         | 61,485        | 41,569        | 15,020        | 3,681               | -                  | 860               | 355              |

\* Past due not impaired ('PDNI')

\*\* Considered impaired ('CI')

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

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

#### b) Fair value and credit risk

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

|                                                                 | <b>Consolidated</b> |               |
|-----------------------------------------------------------------|---------------------|---------------|
|                                                                 | <b>2014</b>         | <b>2013</b>   |
|                                                                 | <b>\$'000</b>       | <b>\$'000</b> |
| <b>11 Inventories</b>                                           |                     |               |
| Consumable stores – at cost                                     | 1,071               | 795           |
| Finished goods – fuel at cost                                   | 2,659               | 2,245         |
| Total inventories at the lower of cost and net realisable value | 3,730               | 3,040         |

**a) Inventory expense**

Inventories recognised as an expense for the year ended 30 June 2014 totalled \$63,545,000 (2013: \$58,570,000) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

|                                  | <b>Parent</b> |               |
|----------------------------------|---------------|---------------|
|                                  | <b>2014</b>   | <b>2013</b>   |
|                                  | <b>\$'000</b> | <b>\$'000</b> |
| <b>12 Other Financial Assets</b> |               |               |
| Investments controlled entities  |               |               |
| – Shares – unlisted at cost      | 78,552        | 32,418        |
|                                  | 78,552        | 32,418        |

|                                   | <b>Interest Owned</b> |             | <b>Investment Carrying Amount Consolidated</b> |               |
|-----------------------------------|-----------------------|-------------|------------------------------------------------|---------------|
|                                   | <b>2014</b>           | <b>2013</b> | <b>2014</b>                                    | <b>2013</b>   |
|                                   | <b>%</b>              | <b>%</b>    | <b>\$'000</b>                                  | <b>\$'000</b> |
| <b>13 Investment in Associate</b> |                       |             |                                                |               |
| <b>a) Investment details</b>      |                       |             |                                                |               |
| Smart Logistics Pty Ltd           | 50                    | 50          | 303                                            | 200           |
| Investment in associate           |                       |             | 303                                            | 200           |

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

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

|                                         | <b>Consolidated</b> |               |
|-----------------------------------------|---------------------|---------------|
|                                         | <b>2014</b>         | <b>2013</b>   |
|                                         | <b>\$'000</b>       | <b>\$'000</b> |
| Smart Logistics Pty Ltd                 |                     |               |
| At 1 July                               | 200                 | 158           |
| Share of profit/(loss) after income tax | 103                 | 42            |
| Dividend payment                        | -                   | -             |
| At 30 June                              | 303                 | 200           |

## 13 Investment in Associate

|                                                                                                      | <b>Consolidated</b> |                |
|------------------------------------------------------------------------------------------------------|---------------------|----------------|
|                                                                                                      | <b>2014</b>         | <b>2013</b>    |
|                                                                                                      | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>c) Summarised financial information</b>                                                           |                     |                |
| The following table illustrates summarised financial information relating to the Group's associates: |                     |                |
| <b>Extract from the associates' Statement of Financial Position:</b>                                 |                     |                |
| Current assets                                                                                       | 6,429               | 5,632          |
| Non-current assets                                                                                   | 54                  | 81             |
|                                                                                                      | <b>6,483</b>        | <b>5,713</b>   |
| Current liabilities                                                                                  | (5,868)             | (5,309)        |
| Non-current liabilities                                                                              | (9)                 | (4)            |
|                                                                                                      | <b>(5,877)</b>      | <b>(5,313)</b> |
| Net assets/(liabilities)                                                                             | <b>606</b>          | <b>400</b>     |
| <b>Proportion of Group's ownership</b>                                                               |                     |                |
|                                                                                                      | <b>50.0%</b>        | <b>50.0%</b>   |
| Share of associates net assets/(liabilities)                                                         | <b>303</b>          | <b>200</b>     |
| <b>Carry amount of the Investment</b>                                                                |                     |                |
|                                                                                                      | <b>303</b>          | <b>200</b>     |
| <b>Extract from the associates' Statement of Comprehensive Income:</b>                               |                     |                |
| Revenue                                                                                              | 75,279              | 77,007         |
| Net profit                                                                                           | 201                 | 72             |

|  | <b>Consolidated</b>                |                       |                              |
|--|------------------------------------|-----------------------|------------------------------|
|  | <b>Freehold Land and Buildings</b> | <b>Motor Vehicles</b> | <b>Plant &amp; Equipment</b> |
|  | <b>\$'000</b>                      | <b>\$'000</b>         | <b>\$'000</b>                |
|  |                                    |                       | <b>Total</b>                 |
|  |                                    |                       | <b>\$'000</b>                |

## 14 Property, Plant and Equipment

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

#### Year ended 30 June 2014

|                                                |         |          |         |          |
|------------------------------------------------|---------|----------|---------|----------|
| As at 1 July 2013                              |         |          |         |          |
| net of accumulated depreciation and impairment | 104,390 | 119,595  | 10,765  | 234,750  |
| Additions                                      | 13,448  | 32,579   | 1,179   | 47,206   |
| Additions – Scott Corporation Limited          | 2,265   | 57,984   | 3,834   | 64,083   |
| Disposals                                      | -       | (3,440)  | (7)     | (3,447)  |
| Depreciation charge for the year               | (2,064) | (19,400) | (2,917) | (24,381) |
| Exchange adjustment                            | -       | 1,294    | 10      | 1,304    |

|                                                |         |         |        |         |
|------------------------------------------------|---------|---------|--------|---------|
| At 30 June 2014                                |         |         |        |         |
| net of accumulated depreciation and impairment | 118,039 | 188,612 | 12,864 | 319,515 |

#### At 30 June 2014

|                                         |         |           |          |           |
|-----------------------------------------|---------|-----------|----------|-----------|
| Cost or fair value                      | 124,781 | 386,982   | 54,742   | 566,505   |
| Accumulated depreciation and impairment | (6,742) | (198,370) | (41,878) | (246,990) |
| Net carrying amount                     | 118,039 | 188,612   | 12,864   | 319,515   |



## 14 Property, Plant and Equipment

|                                                                                         | Freehold Land<br>and Buildings<br>\$'000 | Consolidated<br>Motor<br>Vehicles<br>\$'000 | Plant &<br>Equipment<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------------------------------------------------|------------------------------------------|---------------------------------------------|--------------------------------|-----------------|
| a) Reconciliation of carrying amounts at the beginning and end of the period: continued |                                          |                                             |                                |                 |
| <b>Year ended 30 June 2013</b>                                                          |                                          |                                             |                                |                 |
| As at 1 July 2012                                                                       |                                          |                                             |                                |                 |
| net of accumulated depreciation and impairment                                          | 97,299                                   | 111,617                                     | 10,532                         | 219,448         |
| Additions                                                                               | 1,100                                    | 19,787                                      | 3,111                          | 23,998          |
| Additions – Collare Transport                                                           | -                                        | 8,388                                       | -                              | 8,388           |
| Revaluation                                                                             | 8,125                                    | -                                           | -                              | 8,125           |
| Disposals                                                                               | (418)                                    | (2,032)                                     | (11)                           | (2,461)         |
| Depreciation charge for the year                                                        | (2,018)                                  | (18,989)                                    | (2,602)                        | (23,609)        |
| Transfer                                                                                | 272                                      | -                                           | (272)                          | -               |
| Exchange adjustment                                                                     | 30                                       | 824                                         | 7                              | 861             |
| At 30 June 2013                                                                         |                                          |                                             |                                |                 |
| net of accumulated depreciation and impairment                                          | 104,390                                  | 119,595                                     | 10,765                         | 234,750         |
| <b>At 30 June 2013</b>                                                                  |                                          |                                             |                                |                 |
| Cost or fair value                                                                      | 108,981                                  | 247,732                                     | 39,719                         | 396,432         |
| Accumulated depreciation and impairment                                                 | (4,591)                                  | (128,137)                                   | (28,954)                       | (161,682)       |
| Net carrying amount                                                                     | 104,390                                  | 119,595                                     | 10,765                         | 234,750         |

### b) Capitalised borrowing costs

The Group is currently working through the planning approval process with the City of Swan in Western Australia in relation to property purchased at Bullsbrook, WA, in August 2013. We expect that the approval process should be completed by December 2014 and development would commence shortly after that date. The carrying amount of the facility at 30 June 2014 was \$13.3 million (2013: \$Nil). The amount of borrowing costs capitalised during the year ended 30 June 2014 was \$409,000 (2013: \$Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.60%, which is the effective interest rate of the specific borrowing.

### c) Revaluation of freehold land and buildings

The freehold land and buildings are included in the financial statements at fair value, except for capital expenditure subsequent to the valuation which is recorded at cost. The fair value of land and buildings in 2014 was determined based on an independent valuation undertaken in March 2013 by Jones Lang LaSalle on the basis of open market values of properties for the highest and best use. Directors have adopted this independent valuation as fair value.

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

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

## 14 Property, Plant and Equipment

|                                                                                                                     | <b>Consolidated</b>                |                                    |
|---------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|
|                                                                                                                     | <b>2014</b>                        | <b>2013</b>                        |
|                                                                                                                     | <b>Freehold Land and Buildings</b> | <b>Freehold Land and Buildings</b> |
|                                                                                                                     | <b>\$'000</b>                      | <b>\$'000</b>                      |
| <b>d) Carrying amounts if land and buildings were measured at cost less accumulated depreciation and impairment</b> |                                    |                                    |
| If land and buildings were measured using the cost model the carrying amounts would be as follows:                  |                                    |                                    |
| Cost                                                                                                                | <b>86,969</b>                      | 71,941                             |
| Accumulated depreciation and impairment                                                                             | <b>(11,656)</b>                    | (10,253)                           |
| Net carrying amount                                                                                                 | <b>75,313</b>                      | 61,688                             |

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

The carrying value of motor vehicles held under hire purchase contracts at 30 June 2014 is \$120,074,111 (2013: \$68,692,406).

Hire purchase liabilities are secured by the relevant asset.

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

### f) Depreciation charges

During the period the Company reviewed the depreciable amounts and useful lives of its prime movers and trailing equipment in line with customer demand for services and equipment utilisation. The revised estimate had the impact of decreasing depreciation expense by \$2,250,000, increasing after tax profit by \$1,575,000 and increasing net assets by \$1,575,000 in the current period.

|  | <b>Consolidated</b> |               |               |                    |               |
|--|---------------------|---------------|---------------|--------------------|---------------|
|  | IT Development      | Goodwill      | Brands        | Customer Contracts | Total         |
|  | Costs               |               |               |                    |               |
|  | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>      | <b>\$'000</b> |

## 15 Intangible Assets and Goodwill

### Year ended 30 June 2014

|                                                |              |               |              |              |               |
|------------------------------------------------|--------------|---------------|--------------|--------------|---------------|
| At 1 July 2013                                 |              |               |              |              |               |
| net of accumulated amortisation and impairment | <b>2,510</b> | <b>68,666</b> | -            | -            | <b>71,176</b> |
| Additions                                      | -            | <b>10,764</b> | <b>6,209</b> | <b>2,418</b> | <b>19,391</b> |
| Amortisation                                   | <b>(536)</b> | -             | -            | <b>(89)</b>  | <b>(625)</b>  |
| Exchange adjustment                            | -            | <b>665</b>    | -            | -            | <b>665</b>    |

|                                                |              |               |              |              |               |
|------------------------------------------------|--------------|---------------|--------------|--------------|---------------|
| At 30 June 2014                                |              |               |              |              |               |
| net of accumulated amortisation and impairment | <b>1,974</b> | <b>80,095</b> | <b>6,209</b> | <b>2,329</b> | <b>90,607</b> |

### At 30 June 2014

|                                         |                |               |              |              |                |
|-----------------------------------------|----------------|---------------|--------------|--------------|----------------|
| Cost (gross carrying amount)            | <b>4,190</b>   | <b>80,095</b> | <b>6,209</b> | <b>2,418</b> | <b>92,912</b>  |
| Accumulated amortisation and impairment | <b>(2,216)</b> | -             | -            | <b>(89)</b>  | <b>(2,305)</b> |
| Net carrying amount                     | <b>1,974</b>   | <b>80,095</b> | <b>6,209</b> | <b>2,329</b> | <b>90,607</b>  |

## 15 Intangible Assets and Goodwill

|                                                | IT Development<br>Costs<br>\$'000 | Consolidated<br>Goodwill<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|-----------------------------------|------------------------------------|-----------------|
| <b>Year ended 30 June 2013</b>                 |                                   |                                    |                 |
| At 1 July 2012                                 |                                   |                                    |                 |
| net of accumulated amortisation and impairment | 2,830                             | 68,278                             | 71,108          |
| Additions                                      | 237                               | -                                  | 237             |
| Amortisation                                   | (557)                             | -                                  | (557)           |
| Exchange adjustment                            | -                                 | 388                                | 388             |
| At 30 June 2013                                |                                   |                                    |                 |
| net of accumulated amortisation and impairment | 2,510                             | 68,666                             | 71,176          |
| <b>At 30 June 2013</b>                         |                                   |                                    |                 |
| Cost (gross carrying amount)                   | 4,190                             | 68,666                             | 72,856          |
| Accumulated amortisation and impairment        | (1,680)                           | -                                  | (1,680)         |
| Net carrying amount                            | 2,510                             | 68,666                             | 71,176          |

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

As from 1 July 2005, goodwill is no longer amortised but is now subject to annual impairment testing (see Note 16).

No impairment loss was recognised for continuing operations in the 2014 financial year.

## 16 Impairment Testing of Goodwill

### Cash generating units

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

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

|                       | <b>Goodwill</b>       |                       |
|-----------------------|-----------------------|-----------------------|
|                       | <b>2014</b><br>\$'000 | <b>2013</b><br>\$'000 |
| Australian Transport  | 73,782                | 62,929                |
| Fuel                  | 165                   | 165                   |
| New Zealand Transport | 6,148                 | 5,572                 |
|                       | <b>80,095</b>         | <b>68,666</b>         |

### Impairment testing

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

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

## 16 Impairment Testing of Goodwill

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

|                       | Discount Rate |           | Terminal Value Growth Rate |           |
|-----------------------|---------------|-----------|----------------------------|-----------|
|                       | 2014<br>%     | 2013<br>% | 2014<br>%                  | 2013<br>% |
| Australian Transport  | 13.71         | 13.95     | 3.0                        | 3.0       |
| Fuel                  | 13.71         | 13.95     | 3.0                        | 3.0       |
| New Zealand Transport | 13.38         | 13.96     | 2.5                        | 2.5       |

### Discount rate

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

### Terminal growth rate

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

#### i) Sensitivity to changes in assumptions

The recoverable amount of the Australian Transport CGU currently exceeds its carrying value by \$45.30m. This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

- Discount rate – an increase in the discount rate of over 0.85% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal growth rate – a decrease in the growth rate of over 1.20% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal cash flow – a decrease in terminal cash flow of over 16.0% would result in a reduction of the recoverable amount to below the carrying value.

The recoverable amount of the New Zealand Transport CGU currently exceeds its carrying value by \$2.06m. This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

- Discount rate – an increase in the discount rate of over 0.67% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal growth rate – a decrease in the growth rate of over 0.90% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal cash flow – a decrease in terminal cash flow of over 12.0% would result in a reduction of the recoverable amount to below the carrying value.

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2014<br>\$'000 | 2013<br>\$'000 |

## 17 Payables

### Current

|                                             |               |               |
|---------------------------------------------|---------------|---------------|
| Trade creditors and payables                | 66,881        | 43,853        |
| Self insured workers compensation liability | 3,601         | 2,987         |
|                                             | <b>70,482</b> | <b>46,840</b> |

### Non-current

|                                             |              |              |
|---------------------------------------------|--------------|--------------|
| Self insured workers compensation liability | 8,604        | 8,471        |
|                                             | <b>8,604</b> | <b>8,471</b> |

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



|                                                                            | <b>Consolidated</b> |               |
|----------------------------------------------------------------------------|---------------------|---------------|
|                                                                            | <b>2014</b>         | <b>2013</b>   |
|                                                                            | <b>\$'000</b>       | <b>\$'000</b> |
| <b>18 Interest Bearing Loans and Borrowings</b>                            |                     |               |
| <b>Current</b>                                                             |                     |               |
| Hire purchase liabilities – secured                                        | <b>36,169</b>       | 16,332        |
|                                                                            | <b>36,169</b>       | 16,332        |
| <b>Non-current</b>                                                         |                     |               |
| Non redeemable preference shares                                           | <b>60</b>           | 60            |
| Hire purchase liabilities – secured                                        | <b>58,721</b>       | 32,287        |
| Bank loans – secured                                                       | <b>24,625</b>       | 18,379        |
|                                                                            | <b>83,406</b>       | 50,726        |
| Commitments in respect of hire purchase agreements are payable as follows: |                     |               |
| Not later than one year                                                    | <b>40,976</b>       | 19,006        |
| Later than one year but not later than five years                          | <b>63,315</b>       | 35,024        |
|                                                                            | <b>104,291</b>      | 54,030        |
| Deduct: future finance charges                                             | <b>(9,393)</b>      | (5,411)       |
| Total hire purchase liability                                              | <b>94,898</b>       | 48,619        |
| Current                                                                    | <b>36,177</b>       | 16,332        |
| Non-current                                                                | <b>58,721</b>       | 32,287        |
|                                                                            | <b>94,898</b>       | 48,619        |

#### Fair value disclosures

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

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

#### Hire purchase contracts

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

Hire purchase liabilities are secured by the relevant asset.

The written down value of assets secured by hire purchase agreements is \$120,074,111 (2013: \$68,692,406).

The weighted average cost of these facilities was 5.84% (2013: 6.19%).

#### Bank loans

All bank loans are denominated in Australian dollars. Bank loans are secured by fixed and floating charges over the assets of the consolidated entity. Bank loans are also secured by registered mortgages over a number of properties of the consolidated entity to the extent of \$108,932,000 (2013: \$94,905,000). The non-current bank loans are subject to annual review.

The Group has bank loan facilities available for a period beyond June 2014. Maturity dates for the Group's facilities are:

| Facility amount (\$'000) | Expiry           |
|--------------------------|------------------|
| 25,000                   | 26 November 2015 |
| 35,000                   | 26 November 2017 |
| 40,000                   | 26 November 2016 |

The facilities bear interest at 3.60% (2013: 5.21%).

# Notes to the

# Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

## 18 Interest Bearing Loans and Borrowings

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>Consolidated</b> |                |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>2014</b>         | <b>2013</b>    |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>Financing facilities available</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                     |                |
| <b>Total facilities available:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                     |                |
| Bank overdrafts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 4,000               | 4,000          |
| Bank loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 80,421              | 84,128         |
| Standby letters of credit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 19,579              | 15,872         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>104,000</b>      | <b>104,000</b> |
| <b>Standby letters of credit</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                     |                |
| The Group has the following guarantees at 30 June 2014:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                     |                |
| <ul style="list-style-type: none"> <li>Bank guarantee of \$16,877,000 has been provided by the Westpac Banking Corporation to Comcare for the due discharge of its liabilities to pay compensation and other amounts under the <i>Safety Rehabilitation and Compensation Act 1988</i>;</li> <li>Other bank guarantees of \$1,338,250 have been provided by the Westpac Banking Corporation Limited to suppliers.</li> <li>Other bank guarantees of \$385,000 have been provided by the Commonwealth Bank of Australia to suppliers.</li> <li>Other bank guarantees of \$979,551 have been provided by Bank SA to suppliers.</li> </ul> |                     |                |
| <b>Facilities utilised at balance date:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                     |                |
| Bank overdrafts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | -                   | -              |
| Bank loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 24,624              | 18,379         |
| Standby letters of credit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 19,579              | 15,872         |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>44,203</b>       | <b>34,251</b>  |
| <b>Facilities not utilised at balance date:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |                |
| Bank overdrafts                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 4,000               | 4,000          |
| Bank loans                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 55,797              | 65,749         |
| Standby letters of credit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | -                   | -              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>59,797</b>       | <b>69,749</b>  |
| Total facilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <b>104,000</b>      | <b>104,000</b> |
| Facilities used at balance date                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>44,203</b>       | <b>34,251</b>  |
| <b>Facilities unused at balance date</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>59,797</b>       | <b>69,749</b>  |

### Bank overdrafts

The bank overdrafts within the consolidated entity are secured by a guarantee from the Company. The bank overdraft is secured by fixed and floating charges over the assets of the consolidated entity. The facilities are subject to annual review by the banks concerned and have been extended to 30 June 2015.

### Assets pledged as security

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



## 18 Interest Bearing Loans and Borrowings

|                                                                                                                 | <b>Consolidated</b> |               |
|-----------------------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                                 | <b>2014</b>         | <b>2013</b>   |
|                                                                                                                 | <b>\$'000</b>       | <b>\$'000</b> |
| The carrying amount of assets pledged as security for current and non-current interest bearing liabilities are: |                     |               |
| <b>Non-current</b>                                                                                              |                     |               |
| <b>First mortgage</b>                                                                                           |                     |               |
| – Freehold land and buildings                                                                                   | <b>107,943</b>      | 93,852        |
| – Plant and equipment                                                                                           | <b>989</b>          | 1,053         |
| Total non-current assets pledged as security                                                                    | <b>108,932</b>      | 94,905        |

### Non-cash financing and investment activities

During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of \$29,300,000 (2013: \$17,261,000) and disposed of property, plant and equipment with an aggregate fair value of \$nil (2013: \$nil) by means of finance lease or hire purchase arrangements. These acquisitions and disposals are not reflected in the Statement of Cash Flows.

## 19 Provisions

|                                 |               |        |
|---------------------------------|---------------|--------|
| <b>Current</b>                  |               |        |
| Employee benefits               | <b>22,704</b> | 16,741 |
|                                 | <b>22,704</b> | 16,741 |
| <b>Non-current</b>              |               |        |
| Employee benefits               | <b>2,261</b>  | 2,025  |
| Make good provision             | <b>419</b>    | 356    |
| Directors' retirement allowance | <b>449</b>    | 683    |
|                                 | <b>3,129</b>  | 3,019  |

No dividends have been provided for the year ended 30 June 2014. The extent to which dividends were franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in *Note 8*.

## 19 Provisions

|                                                                                                                                         | Make Good<br>Provision<br>\$'000 | Directors'<br>Retirement<br>Allowance<br>\$'000 | Total<br>\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-------------------------------------------------|-----------------|
| <b>a) Movements in provisions</b>                                                                                                       |                                  |                                                 |                 |
| Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below: |                                  |                                                 |                 |
| CONSOLIDATED                                                                                                                            |                                  |                                                 |                 |
| At 1 July 2013                                                                                                                          | 356                              | 638                                             | 994             |
| Arising during the year                                                                                                                 | -                                | 11                                              | 11              |
| Utilised                                                                                                                                | -                                | (200)                                           | (200)           |
| Scott Corporation Limited                                                                                                               | 63                               | -                                               | 63              |
| At 30 June 2014                                                                                                                         | 419                              | 449                                             | 868             |
| Current 2014                                                                                                                            | -                                | -                                               | -               |
| Non-Current 2014                                                                                                                        | 419                              | 449                                             | 868             |
| Current 2013                                                                                                                            | -                                | -                                               | -               |
| Non-Current 2013                                                                                                                        | 356                              | 638                                             | 994             |
|                                                                                                                                         | 356                              | 638                                             | 994             |

## b) Nature and timing of provisions

### i) Make good provision

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

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

### ii) Long service leave

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

### iii) Directors retirement allowance

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

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2014<br>\$'000 | 2013<br>\$'000 |

## 20 Contributed Equity and Reserves

### a) Ordinary shares

#### Contributed equity

|                                                           |         |         |
|-----------------------------------------------------------|---------|---------|
| 116,092,472 (2013: 91,180,135) ordinary shares fully paid | 145,415 | 101,187 |
|                                                           | 145,415 | 101,187 |

## 20 Contributed Equity and Reserves

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

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

|                                                                                          | Thousands | \$'000  |
|------------------------------------------------------------------------------------------|-----------|---------|
| <b>Movements in ordinary shares on issue</b>                                             |           |         |
| At 1 July 2012                                                                           | 89,274    | 97,707  |
| Issued through Employee Share Plan – 324,000 ordinary shares at \$1.51                   | 324       | 489     |
| Issued through Dividend Re-investment Plan – 899,273 ordinary shares at \$1.5683         | 899       | 1,410   |
| Issued through Dividend Re-investment Plan – 683,283 ordinary shares at \$2.3126         | 683       | 1,581   |
| At 30 June 2013                                                                          | 91,180    | 101,187 |
| Issued through Employee Share Plan – 201,000 ordinary shares at \$1.77                   | 201       | 356     |
| Issued through Dividend Re-investment Plan – 665,300 ordinary shares at \$1.6384         | 665       | 1,090   |
| Issued through Scott Corporation Limited Purchase – 23,573,818 ordinary shares at \$1.78 | 23,574    | 41,961  |
| Issued through Dividend Re-investment Plan – 433,984 ordinary shares at \$1.7345         | 434       | 753     |
| Issued through Scott Corporation Limited Purchase – 38,505 Ordinary shares at \$1.78     | 39        | 68      |
| At 30 June 2014                                                                          | 116,093   | 145,415 |

### 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 2014, the Group paid dividends of \$6,873,000 (2013: \$11,258,000).

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

|                                             | Consolidated   |                |
|---------------------------------------------|----------------|----------------|
|                                             | 2014<br>\$'000 | 2013<br>\$'000 |
| Total interest bearing loans and borrowings | 119,583        | 67,058         |
| Less cash and cash equivalents              | (23,532)       | (15,935)       |
| Net debt                                    | 96,051         | 51,123         |
| Net debt + Shareholders funds               | 383,201        | 290,749        |
| Gearing ratio                               | 25.2%          | 17.6%          |

### Nature and purpose of reserves

#### Asset revaluation reserve

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

#### Foreign currency translation reserve

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



**21 Derivative Financial Instruments****a) Hedging activities**

The Group has no interest rate swap agreements in place at 30 June 2014.

**b) Interest rate risk**

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

|                                                                                                             | <b>Consolidated</b> |               |
|-------------------------------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                                             | <b>2014</b>         | <b>2013</b>   |
|                                                                                                             | <b>\$'000</b>       | <b>\$'000</b> |
| <b>22 Commitments</b>                                                                                       |                     |               |
| The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2014 are:        |                     |               |
| <b>Capital expenditure commitments</b>                                                                      |                     |               |
| The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year | <b>16,206</b>       | 17,450        |
| <b>Lease rental commitments</b>                                                                             |                     |               |
| Operating lease and hire commitments:                                                                       |                     |               |
| – Not later than one year                                                                                   | <b>16,812</b>       | 9,900         |
| – Later than one year but not later than five years                                                         | <b>30,668</b>       | 22,349        |
| – Later than five years                                                                                     | <b>12,478</b>       | 11,844        |
|                                                                                                             | <b>59,958</b>       | 44,093        |

The consolidated entity leases property under non-cancellable operating leases expiring from one to fifteen years.

Leases generally provide the consolidated entity with a right of renewal, at which time all terms are renegotiated.

Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Finance lease commitments are disclosed in *Note 18*.

**23 Contingent Liabilities****Guarantees**

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

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

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

**Legal claim**

DTM Pty Ltd ("DTM"), a subsidiary of the Company, was served with legal proceedings out of the Supreme Court of Victoria in December 2013. Those claims relate to property damage sustained in a fire at a DTM warehouse in 2007. The quantum of the claims against DTM is \$8.65 million. Liability has not been admitted and the claims against DTM will be defended.

## 24 Deed of Cross Guarantee

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

The subsidiaries subject to the Deed are:

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

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

A consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2014 is set out below:

|                                                 | <b>Closed Group</b> |                |
|-------------------------------------------------|---------------------|----------------|
|                                                 | <b>2014</b>         | <b>2013</b>    |
|                                                 | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>Statement of Comprehensive Income</b>        |                     |                |
| <b>Profit before income tax</b>                 | <b>12,427</b>       | <b>22,352</b>  |
| Income tax expense                              | (3,574)             | (6,448)        |
| <b>Profit after income tax</b>                  | <b>8,853</b>        | <b>15,904</b>  |
| Retained profits at the beginning of the year   | 107,205             | 102,549        |
| Transfer asset revaluation reserve              | -                   | 10             |
| Dividends provided or paid                      | (6,873)             | (11,258)       |
| <b>Retained earnings at the end of the year</b> | <b>109,185</b>      | <b>107,205</b> |

## 24 Deed of Cross Guarantee

|                                        | Closed Group   |                |
|----------------------------------------|----------------|----------------|
|                                        | 2014           | 2013           |
|                                        | \$'000         | \$'000         |
| <b>Statement of Financial Position</b> |                |                |
| Cash                                   | 23,532         | 15,935         |
| Trade and other receivables            | 82,263         | 64,076         |
| Inventories                            | 3,730          | 3,040          |
| Prepayments                            | 8,542          | 5,266          |
| <b>Total current assets</b>            | <b>118,067</b> | <b>88,317</b>  |
| Other receivables                      | 1,307          | 1,379          |
| Investment in associates               | 303            | 200            |
| Property, plant and equipment          | 319,515        | 234,750        |
| Intangibles                            | 90,607         | 71,176         |
| Deferred tax assets                    | 10,680         | 7,849          |
| <b>Total non-current assets</b>        | <b>422,412</b> | <b>315,354</b> |
| <b>Total assets</b>                    | <b>540,479</b> | <b>403,671</b> |
| Trade and other payables               | 70,482         | 46,840         |
| Interest bearing loans and borrowings  | 36,169         | 16,332         |
| Current tax liabilities                | 1,677          | 555            |
| Provisions                             | 22,704         | 16,741         |
| <b>Total current liabilities</b>       | <b>131,032</b> | <b>80,468</b>  |
| Other payables                         | 8,604          | 8,471          |
| Interest bearing loans and borrowings  | 83,406         | 50,726         |
| Deferred tax liabilities               | 27,150         | 21,352         |
| Provisions                             | 3,129          | 3,019          |
| <b>Total non-current liabilities</b>   | <b>122,289</b> | <b>83,568</b>  |
| <b>Total liabilities</b>               | <b>253,321</b> | <b>164,036</b> |
| <b>Net assets</b>                      | <b>287,158</b> | <b>239,635</b> |
| Contributed equity                     | 145,415        | 101,187        |
| Reserves                               | 32,558         | 31,243         |
| Retained earnings                      | 109,185        | 107,205        |
| <b>Total equity</b>                    | <b>287,158</b> | <b>239,635</b> |

|                                                       | <b>Class of Share</b> | <b>Country of Incorporation</b> | <b>% Equity Interest</b> |             |
|-------------------------------------------------------|-----------------------|---------------------------------|--------------------------|-------------|
|                                                       |                       |                                 | <b>2014</b>              | <b>2013</b> |
| <b>25 Controlled Entities</b>                         |                       |                                 |                          |             |
| <b>Particulars in relation to controlled entities</b> |                       |                                 |                          |             |
| <b>Name</b>                                           |                       |                                 |                          |             |
| K&S Corporation Limited                               |                       |                                 |                          |             |
| <b>Controlled Entities</b>                            |                       |                                 |                          |             |
| 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                      | -           |
| Bulktrans Pty Ltd                                     | Ord                   | Australia                       | 100                      | -           |
| Chemtrans Pty Ltd                                     | Ord                   | Australia                       | 100                      | -           |
| Hyde Park Tank Depot Pty Ltd                          | Ord                   | Australia                       | 100                      | -           |
| Energytrans Pty Ltd                                   | Ord                   | Australia                       | 100                      | -           |

## 26 Related Party Disclosures

### DIRECTORS

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

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

### Other transactions with the Company or its Controlled Entities

The estate of Mr A A Scott, the major Shareholder of the following entities which provide goods and services to the economic entity are:.

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

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

First Radio Pty Ltd has an interest in a transport facility in Adelaide which the Company rents on a commercial basis. Rent in 2014 was \$402,000 (2013: \$388,350).

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

## 26 Related Party Disclosures

|                                                                                    | Purchases |           | Sales   |         |
|------------------------------------------------------------------------------------|-----------|-----------|---------|---------|
|                                                                                    | 2014      | 2013      | 2014    | 2013    |
|                                                                                    | \$        | \$        | \$      | \$      |
| The aggregate amount of dealings with these companies during 2014 were as follows: |           |           |         |         |
| Ascot Haulage (NT) Pty Ltd                                                         | 3,368,267 | 3,015,978 | -       | -       |
| Northern Territory Freight Services Pty Ltd                                        | 188,338   | 18,814    | -       | 85,033  |
| Scott's Transport Industries Pty Ltd                                               | 108,327   | 122,662   | 713,598 | 932,480 |
| Scott's Agencies Pty Ltd                                                           | 480,559   | 424,844   | -       | -       |
| The Border Watch Pty Ltd                                                           | 17,462    | 11,066    | -       | -       |

Mr Johnson has an interest as a partner in Johnson, Winter & Slattery, a firm of solicitors. This firm renders legal advice to the economic entity. The aggregate amount of dealings with this firm during 2014 was \$76,812 (2013: \$30,145) in professional service fees.

Mr R Smith has an interest as Director of Transpacific Industries Limited. Transactions with this company during 2014 were sales of \$72,788 (2013: \$310,372) and purchases of \$40,252 (2013: \$44,732).

|  | Consolidated |        |
|--|--------------|--------|
|  | 2014         | 2013   |
|  | \$'000       | \$'000 |

Amounts payable to and receivable from Directors and their Director related entities at balance date arising from these transactions were as follows:

### Current receivables (included within trade debtors)

|                                      |    |    |
|--------------------------------------|----|----|
| Scott's Transport Industries Pty Ltd | 34 | 38 |
| Transpacific Industries Limited      | -  | 56 |

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

### Current payables (included within trade payables)

|                                      |     |     |
|--------------------------------------|-----|-----|
| Ascot Haulage (NT) Pty Ltd           | 157 | 493 |
| Scott's Transport Industries Pty Ltd | -   | 5   |
| Transpacific Industries Limited      | 3   | 3   |

### Wholly-owned Group

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



## 26 Related Party Disclosures

|  | Parent |        |
|--|--------|--------|
|  | 2014   | 2013   |
|  | \$'000 | \$'000 |

Details of dealings with these entities are set out below:

### Balances with entities within the wholly-owned group

The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the Company at balance date:

|               |                |                |
|---------------|----------------|----------------|
| Receivables   |                |                |
| – Current     | 88,643         | 89,425         |
| – Non-current | 17,961         | 17,961         |
|               | <b>106,604</b> | <b>107,386</b> |

### 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.

### Dividends

Dividends received or due and receivable by the Company from wholly-owned controlled entities amount to \$15,000,000 (2013:\$10,000,000).

|  | Consolidated |        |
|--|--------------|--------|
|  | 2014         | 2013   |
|  | \$'000       | \$'000 |

### DIRECTORS' SHARE TRANSACTIONS

#### Shareholdings

Aggregate number of shares held by Directors and their Director-related entities at balance date:

|                     |           |         |
|---------------------|-----------|---------|
| – Ordinary shares   | 1,941,129 | 747,651 |
| – Preference shares | -         | -       |

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

|  | 2014   | 2013   |
|--|--------|--------|
|  | \$'000 | \$'000 |

### Dividends

Aggregate amount of dividends paid in respect of shares held by Directors or their Director-related entities during the year:

|                     |    |    |
|---------------------|----|----|
| – Ordinary shares   | 82 | 90 |
| – Preference shares | -  | -  |

### Directors' transactions in shares and share options

Purchases of shares by Directors and Director-related entities are set out in Note 27.

### Ultimate parent entity

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

## 27 Key Management Personnel

### a) Details of Key Management Personnel

#### i) Directors

|                |                                             |
|----------------|---------------------------------------------|
| Mr T Johnson   | Non-Executive Chairman                      |
| Mr G Boulton   | Non-Executive Deputy Chairman               |
| Mr R Smith     | Non-Executive                               |
| Mr L Winsor    | Non-Executive (Appointed 23 August 2013)    |
| Mr R Nicholson | Non-Executive (Retired 23 July 2013)        |
| Mr B Grubb     | Non-Executive (Retired 22 October 2013)     |
| Mr G Stevenson | Managing Director (Resigned 22 April 2014)  |
| Mr P Sarant    | Managing Director (Appointed 22 April 2014) |

#### ii) Executives

|                |                                                                          |
|----------------|--------------------------------------------------------------------------|
| Mr B Walsh     | Chief Financial Officer                                                  |
| Mr C Bright    | General Counsel & Company Secretary                                      |
| Mr G Wooller   | Chief Operating Officer (Resigned 30 May 2014)                           |
| Mr G Everest   | Executive General Manager Regal Transport                                |
| Mr S Hine      | Executive General Manager Business Development                           |
| Mr S Skazlic   | General Manager HS&E / Compliance                                        |
| Ms K Evans     | General Manager Human Resources                                          |
| Mr D Keane     | Executive General Manager Scott Corporation (Appointed 24 February 2014) |
| Mr K Cope      | Executive General Manager Commercial (Appointed 24 February 2014)        |
| Mr M Kohne     | Executive General Manager DTM (Appointed 23 June 2014)                   |
| Mr G Beurteaux | Executive General Manager K&S Freighters (Appointed 14 July 2014)        |

|                                                     | Consolidated     |                  |
|-----------------------------------------------------|------------------|------------------|
|                                                     | 2014             | 2013             |
|                                                     | \$'000           | \$'000           |
| <b>b) Compensation for Key Management Personnel</b> |                  |                  |
| Short-term                                          | 3,929,096        | 3,441,485        |
| Long-term                                           | 52,843           | 48,797           |
| Post employment                                     | 288,867          | 322,862          |
|                                                     | <b>4,270,806</b> | <b>3,813,144</b> |

## 28 Events Subsequent to Balance Date

On 25 August 2014, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$3,482,774, which represents a fully franked dividend of 3.0 cents per share. The dividend is payable on 31 October 2014 and has not been provided for in the 30 June 2014 financial statements. The Dividend Reinvestment Plan (DRP) will apply to the final dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 20 October 2014 (the record date of the final dividend), less a discount of 2.5%.

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

## 29 Business Combinations

### Acquisitions in 2014

#### Acquisition of Scott Corporation Limited

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

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

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

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

|                                                                 | Fair Value at<br>Acquisition Date<br>\$'000 | Carrying Value<br>\$'000 |
|-----------------------------------------------------------------|---------------------------------------------|--------------------------|
| Cash                                                            | 3,719                                       | 3,719                    |
| Debtors                                                         | 26,802                                      | 26,802                   |
| Inventories                                                     | 732                                         | 732                      |
| Prepayments                                                     | 3,374                                       | 3,374                    |
| Plant & equipment                                               | 64,831                                      | 64,831                   |
| Deferred tax assets                                             | 2,446                                       | 2,446                    |
|                                                                 | 101,904                                     | 101,904                  |
| Trade creditors                                                 | (16,972)                                    | (16,972)                 |
| Hire purchase – current                                         | (16,762)                                    | (16,762)                 |
| Provision for dividend                                          | (3,772)                                     | (3,772)                  |
| Provision for employee entitlements                             | (6,247)                                     | (6,247)                  |
| Provision for Income tax payable                                | (588)                                       | (588)                    |
| Hire purchase – non current                                     | (25,738)                                    | (25,738)                 |
| Deferred tax liability                                          | (5,081)                                     | (5,081)                  |
|                                                                 | 75,160                                      | 75,160                   |
| Provisional fair value of identifiable net assets               | 26,744                                      |                          |
| Goodwill arising on acquisition                                 | 10,764                                      |                          |
| Brands                                                          | 6,209                                       |                          |
| Customer contracts                                              | 2,418                                       |                          |
| Purchase consideration transferred                              | 46,135                                      |                          |
| <b>Acquisition-date fair-value of consideration transferred</b> |                                             |                          |
| Shares issued at fair value                                     | 42,029                                      |                          |
| Cash paid                                                       | 4,106                                       |                          |
| Consideration transferred                                       | 46,135                                      |                          |
| <b>Analysis of cash flows on acquisition</b>                    |                                             |                          |
| Direct costs relating to the acquisition                        | (804)                                       |                          |
| Net cash acquired with the purchase                             | 3,719                                       |                          |
| Cash paid                                                       | (4,106)                                     |                          |
| Cash outflow on acquisition                                     | (1,191)                                     |                          |

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

## 29 Business Combinations

### Acquisition of Scott Corporation Limited continued

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

The goodwill of \$10,764,000 (total less brands less contracts) comprises the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the Australian Transport segment.

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

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

### Acquisitions in 2013

#### Acquisition of Collare Transport

On 31 October 2012, K&S Corporation Limited (K&S) acquired the business and assets of Collare Transport ("Collare"). Collare is Bunbury-based with a strong focus on the timber industry in Western Australia. The cash consideration transferred was \$8,221,000. No goodwill has been recorded.

Collare has a complimentary customer profile, lane mix and equipment base to K&S Dardanup based business (formerly known as Brookes Transport) and further expands K&S' footprint in Western Australia. The acquisition gives the Group an excellent opportunity to generate operation synergies and to improve the returns of the combined Dardanup and Collare businesses.

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

|                                                          | Fair Value at<br>Acquisition Date<br>\$'000 | Carrying Value<br>\$'000 |
|----------------------------------------------------------|---------------------------------------------|--------------------------|
| Plant & equipment                                        | 8,388                                       | 8,388                    |
| Prepayments                                              | 66                                          | 66                       |
| Deferred tax assets                                      | 23                                          | 23                       |
|                                                          | 8,477                                       | 8,477                    |
| Provision for employee entitlements                      | (76)                                        | (76)                     |
| Interest bearing loans and borrowings                    | (341)                                       | (341)                    |
| Deferred tax liability                                   | (20)                                        | (20)                     |
|                                                          | (437)                                       | (437)                    |
| Fair value of identifiable net assets                    | 8,040                                       |                          |
|                                                          | 8,040                                       |                          |
| Acquisition-date fair-value of consideration transferred |                                             |                          |
| Cash paid                                                | 8,040                                       |                          |
| Consideration transferred                                | 8,040                                       |                          |
| Direct costs relating to the acquisition                 | 181                                         |                          |
| Cash outflow on acquisition                              | (8,221)                                     |                          |

As the K&S Dardanup and Collare businesses are integrated, it is impractical to segregate and isolate the revenue and profit impact of the Collare business on the Statement of Comprehensive Income for the reporting period (1 July 2012 to 30 June 2013) and the period from the date of acquisition (31 October 2012 to 30 June 2013).

Acquisition costs relating to the acquisition of Collare are reported within Other expenses in the Statement of Comprehensive Income.

|                                                          | <b>Consolidated</b> |             |
|----------------------------------------------------------|---------------------|-------------|
|                                                          | <b>2014</b>         | <b>2013</b> |
|                                                          | <b>\$</b>           | <b>\$</b>   |
| <b>30 Auditor's Remuneration</b>                         |                     |             |
| The auditor of K&S Corporation Limited is Ernst & Young. |                     |             |
| <b>Audit services:</b>                                   |                     |             |
| Audit and review of the statutory financial reports      | <b>160,000</b>      | 188,500     |
|                                                          | <b>160,000</b>      | 188,500     |
| <b>Other services:</b>                                   |                     |             |
| Other services – Ernst & Young:                          |                     |             |
| – Scott Corporation Limited acquisition assistance       | <b>137,355</b>      | -           |
| – Information Technology Review                          | -                   | 24,580      |
|                                                          | <b>137,355</b>      | 24,580      |

|                                                 | <b>Parent</b>   |               |
|-------------------------------------------------|-----------------|---------------|
|                                                 | <b>2014</b>     | <b>2013</b>   |
|                                                 | <b>\$'000</b>   | <b>\$'000</b> |
| <b>31 Parent Entity Information</b>             |                 |               |
| Current assets                                  | <b>88,643</b>   | 89,425        |
| Total assets                                    | <b>186,669</b>  | 141,477       |
| Current liabilities                             | <b>(142)</b>    | (1,104)       |
| Total liabilities                               | <b>(12,719)</b> | (19,871)      |
| Issued capital                                  | <b>145,415</b>  | 101,187       |
| Asset revaluation reserve                       | <b>161</b>      | 161           |
| Retained earnings                               | <b>28,374</b>   | 20,258        |
| Total Shareholders' equity                      | <b>173,950</b>  | 121,606       |
| Profit after tax of the Parent entity           | <b>14,993</b>   | 10,422        |
| Total comprehensive income of the Parent entity | <b>14,993</b>   | 10,422        |

#### Guarantees

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

#### Contingent liabilities

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



# Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2014

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

In the opinion of the Directors:

- a) the financial report of the Company and of the consolidated entity is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the Company's financial position as at 30 June 2014 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 2014.
- e) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in *Note 24* will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

Dated at Adelaide this 25th day of August 2014.

On behalf of the Board:



Tony Johnson  
Chairman

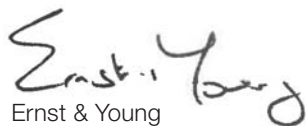


Paul Sarant  
Managing Director

# Auditor's Independence Declaration

TO THE DIRECTORS OF K&S CORPORATION LIMITED

In relation to our audit of the financial report of K&S Corporation Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Mark Phelps  
Partner

Adelaide  
25 August 2014

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# Independent Audit Report

TO THE MEMBERS OF K&S CORPORATION LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of K&S Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' Responsibility for the Financial Report

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

## Auditor's Responsibility

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

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

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

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

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## Opinion

In our opinion:

- a** the financial report of K&S Corporation Limited is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the consolidated entity's financial position at 30 June 2014 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b** the financial report also complies with *International Financial Reporting Standards* as disclosed in *Note 2*.

## Report on the Remuneration Report

We have audited the Remuneration Report included in *pages 34 to 43* of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of K&S Corporation Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Mark Phelps  
Partner

Adelaide  
25 August 2014

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# Information on Shareholdings

INFORMATION RELATING TO SECURITY HOLDERS AS AT 31 AUGUST 2014

## DISTRIBUTION OF SHAREHOLDINGS

| Ordinary Shares         | Number of Shareholders |
|-------------------------|------------------------|
| 1-1,000 Shares          | 504                    |
| 1,001 - 5,000 Shares    | 1,028                  |
| 5,001 - 10,000 Shares   | 451                    |
| 10,001 - 100,000 Shares | 598                    |
| 100,001 and more Shares | 51                     |
|                         | 2,632                  |

156 shareholders hold less than a marketable parcel (348 shares).

## TWENTY LARGEST SHAREHOLDERS

|    | Name                                                                          | Number of Ordinary Shares Held | %     |
|----|-------------------------------------------------------------------------------|--------------------------------|-------|
| 1  | AA Scott Pty Ltd                                                              | 64,935,929                     | 55.93 |
| 2  | Citicorp Nominees Pty Limited                                                 | 6,925,342                      | 5.97  |
| 3  | Bell Potter Nominees Ltd                                                      | 2,726,732                      | 2.35  |
| 4  | Ascot Media Investments Pty Ltd                                               | 2,190,877                      | 1.89  |
| 5  | JP Morgan Nominees Australia Limited                                          | 2,000,942                      | 1.72  |
| 6  | P Whitehead Nominees Pty Ltd <Peter Whitehead Fam S/F A/C>                    | 1,210,513                      | 1.04  |
| 7  | Oakcroft Nominees Pty Ltd <Oakcroft Super Fund A/C>                           | 1,124,870                      | 1.03  |
| 8  | National Nominees Limited                                                     | 1,110,152                      | 0.96  |
| 9  | Winscott Investments Pty Ltd                                                  | 1,021,438                      | 0.88  |
| 10 | Zena Kaye Winser                                                              | 922,708                        | 0.79  |
| 11 | Tribridge Holdings Pty Ltd                                                    | 750,000                        | 0.65  |
| 12 | Mr Eric Joseph Roughana                                                       | 700,000                        | 0.60  |
| 13 | Mr Barry William Page & Mrs Janice Mary Page <Ardmore Super Fund A/C>         | 594,545                        | 0.51  |
| 14 | Tirroki Pty Ltd <AF Johnson Super Fund A/C>                                   | 472,358                        | 0.41  |
| 15 | Mr John Irving Stepnell & Mrs Valerie Iris Stepnell <Stepnell Super Fund A/C> | 409,500                        | 0.35  |
| 16 | Mr William Clifton Anderson                                                   | 405,000                        | 0.35  |
| 17 | HSBC Custody Nominees Australia                                               | 368,553                        | 0.32  |
| 18 | Dixson Trust Pty Ltd                                                          | 364,430                        | 0.31  |
| 19 | Zena Winser Pty Ltd <The Zena A/C>                                            | 333,815                        | 0.29  |
| 20 | De Bruin Nominees Pty Ltd <De Bruin Super Fund A/C>                           | 320,127                        | 0.28  |
|    |                                                                               | 88,887,831                     | 76.50 |

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 76.50% 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 31 August 2014:

|                               | Number     | % of Class |
|-------------------------------|------------|------------|
| AA Scott Pty Ltd & Associates | 71,620,523 | 61.71      |

## VOTING RIGHTS

The voting rights are as follows:

|                    |                  |
|--------------------|------------------|
| Preference Shares: | Nil              |
| Ordinary Shares:   | 1 vote per share |





## HEAD OFFICE

591 Boundary Road  
Truganina, Victoria 3029  
Phone: (03) 8744 3500  
Facsimile: (03) 8744 3599

## REGISTERED OFFICE

141-147 Jubilee Highway West  
Mount Gambier  
South Australia 5290  
Phone: (08) 8721 1700  
Facsimile: (08) 8721 1799

## STOCK EXCHANGE

The Company is on the official list of the Australian Stock Exchange Limited. The Company's Home Exchange is Australian Stock Exchange (Adelaide) Limited.

## SHARE REGISTRY

c/o Computershare Investor Services Pty Ltd  
Level 5, 115 Grenfell Street  
Adelaide, South Australia 5000  
Phone: (08) 8236 2300  
Facsimile: (08) 9473 2102

GPO Box 1903  
Adelaide SA 5001

Enquiries within Australia:  
1300 556 161

Enquiries outside Australia:  
61 3 9415 5000

Email:  
web.queries@computershare.com.au

Website: www.computershare.com

## WEBSITE

www.ksgroup.com.au

## OPERATIONS

### ROAD, RAIL AND SEA

#### K&S Freighters

##### Melbourne

591 Boundary Road, Truganina  
VIC 3029  
Phone: (03) 8744 3700  
Facsimile: (03) 8744 3799

##### Portland

53 Fitzgerald Street, Portland  
VIC 3305  
Phone: (03) 5523 4144  
Facsimile: (03) 5523 5647

##### Geelong

325 Thompson Road,  
North Geelong, VIC 3215  
Phone: (03) 5278 5777  
Facsimile: (03) 5278 5230

##### Ballarat

c/o Laminex Industries  
16 Trewin Street, Wendouree  
VIC 3355  
Phone: (03) 5338 1710  
Facsimile: (03) 5338 1136

##### Sydney

1 Hope Street, Enfield, NSW 2136  
Phone: (02) 9735 2400  
Facsimile: (02) 9735 2499

##### Brisbane

34 Postle Street, Coopers Plains  
QLD 4108  
Phone: (07) 3137 4400  
Facsimile: (07) 3137 4441

##### Bundaberg

Old Quanaba Mill, Grange Road  
Bundaberg, QLD 4670  
Phone: (07) 4159 2150  
Facsimile: (07) 4159 1825

##### Perth

Lot 1 Kewdale Freight Precinct  
Off Fenton Street, Kewdale  
WA 6105  
Phone: (08) 6466 6600  
Facsimile: (08) 6466 6699

##### Bunbury

91 Moore Road, Dardanup  
WA 6236  
Phone: (08) 9725 4400  
Facsimile: (08) 9725 4949

##### Adelaide

Cnr Bedford Street &  
Kapara Road, Gillman, SA 5013  
Phone: (08) 7224 5400  
Facsimile: (08) 7224 5497

##### Mount Gambier

141-147 Jubilee Highway West  
Mount Gambier SA 5290  
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Facsimile: (08) 8721 1799

## New Zealand

##### Cambridge

3847 Te Awamutu Road  
Cambridge, New Zealand  
Phone: (07) 827 6002  
Facsimile: (07) 827 5606

##### Mount Maunganui

35 Portside Drive  
Mount Maunganui, NZ  
Phone: (07) 575 8265  
Facsimile: (07) 575 8480

##### Auckland

4 Tinley Street, Auckland, NZ  
Phone: (09) 307 0061  
Facsimile: (09) 307 0027

## DTM

##### Sydney

2 Hope Street, Enfield  
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##### Melbourne

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##### Perth

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## Regal Transport

##### Perth

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South Guildford, WA 6935  
Phone: (08) 9376 9600  
Facsimile: (08) 9376 9666

##### Broome

18 McDaniel Road, Broome  
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Phone: (08) 9192 6599  
Facsimile: (08) 9192 6588

##### Derby

23 Rodgers Street, Derby  
WA 6728  
Phone: (08) 9193 1771  
Facsimile: (08) 9191 2880

##### Karratha

Lot 102 Mooligun Road  
Karratha, WA 6714  
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Facsimile: (08) 9144 1122

##### Newman

Lot 1583 Woodstock Street  
Newman, WA 6753  
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Facsimile: (08) 9175 2878

##### Port Hedland

Lot 2521 Miller Street  
Port Hedland, WA 6725  
Phone: (08) 9140 2778  
Facsimile: (08) 9140 2740

##### Onslow

558 Beadon Creek Road  
Onslow, WA 6710  
Phone: (08) 9144 1151

##### Kununurra

33 Poinciana Street  
Kununurra, WA 6743  
Phone: (08) 9169 3333

## Scott Corporation

##### Altona

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Altona North, VIC 3025  
Phone: (03) 9282 2800  
Facsimile: (03) 9282 2810

##### Appin

West Cliff Colliery Weighbridge  
Wedderburn Road, Wedderburn  
NSW 2560  
Phone: (02) 4640 4109  
Facsimile: (02) 4640 4197

##### Brisbane

34 Postle Street,  
Coopers Plains, QLD 4108  
Phone: (07) 3718 4200  
Facsimile: (07) 3272 6760

##### Darwin

c/o Ascot Haulage  
8 College Road, Berrimah  
NT 0828  
Phone: (08) 8995 8100  
Facsimile: (08) 8984 3873

##### Lithgow

Cnr Castlereagh Highway &  
Duncan Street, Lidsdale  
NSW 2790  
Phone: (02) 6355 1202  
Facsimile: (02) 6355 1658

##### Padstow

55 Davies Road, Padstow  
NSW 2211  
Phone: (02) 9792 9400  
Facsimile: (02) 9792 9410

##### Port Kembla

Cnr King & Wattle Streets  
Port Kembla, NSW 2505  
Phone: (02) 4267 9200  
Facsimile: (02) 4267 9280

##### Newcastle

45 Greenleaf Road  
Kooragang Island, NSW 2304  
Phone: (02) 4033 7000  
Facsimile: (02) 4928 4368

##### Townsville

13 Pilkington Street, Garbutt  
QLD 4814  
Phone: (07) 4431 2000  
Facsimile: (07) 7425 1203

##### Gladstone

Lot 152 Red Rover Road  
Gladstone, QLD 4680  
Phone: (07) 4973 1700  
Facsimile: (07) 4972 6227

##### Perth

3 Central Avenue, Hazelmere  
WA 6055  
Phone: (08) 6274 9600  
Facsimile: (08) 6274 9611



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**K&S CORPORATION LIMITED**