



Financial Report as at 30 June 2022

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K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Report

The Directors present their report, together with the consolidated financial report of the Group comprising K&S Corporation Limited (the "Company") and its subsidiaries (the "Group"), for the year ended 30 June 2022 and the Auditor's Report thereon.

DIRECTORS

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

Tony Johnson Chairman

Director since 1986

Tony Johnson BA, LLB, LLM (Companies & Securities) FAICD is a lawyer and an accredited mediator. Mr Johnson is a founder and former Chairman of the national law firm Johnson Winter & Slattery. He has worked extensively in the corporate advisory and commercial disputes area.

Mr Johnson is also Chairman of AA Scott Pty Ltd, the largest Shareholder of K&S Corporation Limited and Chairman of Adelaide Community Healthcare Alliance.

Member of:

- Environmental Committee (Chairman)
- Nomination and Remuneration Committee

Paul Sarant Managing Director and Chief Executive Officer

Director since 2014

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

Member of:

- Environmental Committee

Legh Winser

Director since 2013

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

Member of:

- Environmental Committee
- Nomination and Remuneration Committee

Graham Walters AM (*Independent Director*)

Director since 2018

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

Mr Walters AM is a Director of Adelaide Community Healthcare Alliance.

Member of:

- Audit Committee (Chairman)
- Nomination and Remuneration Committee (Chairman)

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Directors' Report continued

Sallie Emmett (*Independent Director*)

Director since 2019

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

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

Member of:

- Audit Committee

Robert Dalton (*Independent Director*)

Director since 24 August 2021

Robert Dalton BA CA, has been a registered company auditor for over 25 years and is a former Managing Partner of the Ernst & Young Melbourne Accounting and Assurance Practice. Mr Dalton also has a wealth of entrepreneurial knowledge and experience having previously run Ernst & Young's entrepreneurship initiatives across the Oceania region as well as being a Regional Director of Ernst & Young's Asia Pacific Entrepreneur management team.

Mr Dalton has worked with a variety of public, private, and start up organisations advising on strategy, commercialisation, and global expansion, as well as providing audit and assurance services.

Mr Dalton is a non-executive director of ASX listed Helloworld Travel Limited. Mr Dalton is also a director of several private companies.

Member of:

- Audit Committee

Secretary

Chris Bright BEc, LLB, Grad Dip CSPM, FCIS

Secretary since 2005

Chris Bright has held the position of General Counsel for 20 years. Mr Bright was admitted as a solicitor in South Australia in 1997. He also has experience working in private practice, principally in commercial dispute resolution.

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' Meetings¹	Audit Committee Meetings	Nomination & Remuneration Committee Meetings	Environmental Committee Meetings
Number of meetings held:	12	5	2	4
Number of meetings attended:				
Mr T Johnson ²	12	1	2	4
Mr P Sarant	12	-	-	4
Mr L Winser	12	-	2	4
Mr G Walters AM	12	5	2	-
Mrs S Emmett	12	5	-	-
Mr R Dalton ³	11	4	-	-

¹ In addition to the eleven scheduled directors' meetings, there was one further directors' meetings held in the course of FY2022.

² Mr Johnson ceased as a member of the Audit Committee on 24 August 2021 and attended all meetings in respect of which he was eligible.

³ Mr Dalton commenced as a director on 24 August 2021 and attended all meetings in respect of which he was eligible.

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Directors' Report continued

PRINCIPAL ACTIVITIES

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

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

OPERATING AND FINANCIAL REVIEW

The Board presents the FY2022 Operating and Financial Review, which has been designed to provide Shareholders with a clear and concise overview of the Group's operations, financial position, business strategies and outlook. The review complements the financial report and has been prepared in accordance with the guidelines in ASIC RG247.

The consolidated profit for the year ended 30 June 2022 attributable to the members of K&S Corporation Limited ("K&S") is shown below, along with comparative results for the previous corresponding period:

Financial Overview		2022	2021	% Movement
Operating Revenue	\$'000	776,181	688,541	12.7%
Statutory profit after tax	\$'000	17,425	18,123	(3.9%)
Statutory profit before tax	\$'000	24,151	27,541	(12.3%)
Earnings before interest and tax (EBIT)	\$'000	26,844	30,917	(13.2%)
Earnings before interest, tax and depreciation (EBITDA)	\$'000	73,265	83,336	(12.1%)
Less Gain/(Loss) on Derivative Instruments at Fair Value Through Profit and Loss	\$'000	(1,565)	-	100.0%
Less JobKeeper income	\$'000	-	(16,235)	(100.0%)
Add other significant items	\$'000	680	6,001	(88.7%)
Less bad debts recovered	\$'000	(196)	(199)	(1.5%)
Underlying profit before interest, tax & depreciation ¹	\$'000	72,184	72,903	(1.0%)
Underlying profit before interest & tax ¹	\$'000	25,763	20,484	25.8%
Underlying profit before tax ¹	\$'000	23,070	17,108	34.8%
Underlying operating profit after tax ¹	\$'000	16,668	11,976	39.2%
Total assets	\$'000	601,748	525,837	14.4%
Net borrowings excluding lease liabilities	\$'000	21,361	26,566	(19.6%)
Shareholders' funds	\$'000	306,944	268,717	14.2%
Finance costs	\$'000	2,693	3,543	(24.0%)
Depreciation	\$'000	45,859	52,419	(12.5%)
Dividend per share	cents	9.5	6.5	46.2%
Net tangible assets per share	\$	2.24	2.04	9.8%
Operating cash flow	\$'000	64,702	75,454	(14.2%)
Return on assets	%	2.9	3.5	(17.3%)
Gearing ratio (excluding lease liabilities)	%	6.5	9.0	(27.8%)
Employee numbers		1,943	1,972	(1.5%)
Lost time injuries		21	22	(4.5%)
Lost time injuries frequency rate (LTIFR)		5.0	4.9	2.0%

¹ Underlying profits and earnings per share based on underlying profits are categorised as non-IFRS Financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230- Disclosing non-IFRS information issued in December 2011. Underlying adjustments have been considered in relation to their size and nature and have been adjusted from the statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments primarily include the unrealised gain on the Group's interest rate swap, which was primarily driven by the underlying market volatility in the short and mid term interest expectations and asset impairment expenses. The exclusion of these items provides a result which, in the Directors view, is more closely aligned with the ongoing operations of the Consolidated Group. The non-IFRS information has not been subject to audit or review by the auditor.

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Directors' Report continued

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

The environment for the transport and logistics sector in FY2022 remained challenging. The transport and logistics sector continues to experience high levels of competition and pressure on rates, a low growth economic environment and the concentration of bargaining power in large and sophisticated buyers of transport and logistics services.

The COVID-19 pandemic has adversely affected our workforce throughout the year, with a significant number of employees being required to isolate during the period resulting in reduced utilisation of our fleet. This situation appears likely to persist into FY2023.

The Group has also been impacted by supply chain interruptions, with the timeframes for delivery of new fleet substantially delayed in the current environment. While the Group works closely with its equipment suppliers for the procurement of new fleet assets and has been diligent to invest in fleet renewal on an ongoing basis for a prolonged prior period, sustained delays in the delivery of new fleet assets by equipment manufacturers will continue to impose some operational constraints, as well as increased fleet maintenance costs for the foreseeable future.

Operating revenues increased by 12.7% to \$776.2 million in FY2022.

The Group achieved a statutory profit before tax of \$24.2 million, a decrease of \$3.3 million or 12.3% on the prior corresponding period.

Included in the Group's statutory result for FY2022 was a \$1.6 million accounting gain attributable to the Group's interest rate swap instrument, as well as \$0.7 million of one-off costs and bad debt recovery of \$0.2m treated as significant items.

After adjusting for the above significant items, the current year underlying profit before tax was \$23.1 million, an increase of 34.8% on the prior corresponding period. The underlying profit after tax was \$16.7 million, up on the prior corresponding period by \$4.7 million.

Safety remains a key focus for the Group. The Group's lost time injury rate remained steady at 5.0 (FY2021: 4.9).

Australian Transport

The Australian transport segment provided another sound year in FY2022. While the overall result for the Australian transport segment was consistent with the previous year, the mix of contributions by the various operating divisions changed.

Full year revenue increased modestly in FY2022. The ongoing benefits from the implementation of cost reduction strategies across the business continued to contribute to underlying profit. In particular, the Group has maintained its focus on operational efficiencies, supplier renegotiations, cessation of underperforming activities, and the rationalisation and replacement of specific fleet assets that reduced operating costs.

Ongoing operational reviews and related rate changes across the division also assisted to maintain the overall underlying result for the Australian transport segment in FY2022 despite an increasing cost environment, COVID-19 impacts and supply chain disruption. Having regard to the extended timeframes to acquire new fleet assets and the contraction of the available pool of drivers and subcontractor operators in Australia, our strategy remains to improve the quality and contribution of our revenue base, rather than targeting work solely to grow top line revenue.

Intermodal steel and timber volume from our major customers remained strong, with major infrastructure projects undertaken by the various state governments underpinning ongoing activity levels.

The rail division experienced significant disruptions as a result of flooding on the eastern seaboard, as well as on the east-west lane. Our focus remains on securing accretive parcels of rail volume that improve our rail network balance and performance.

Our contract logistics business unit experienced a sound FY2022.

Chemical and energy transportation businesses in FY2022 were sound, despite both the Energy and Chemtrans businesses enduring a number of weather impacts in the second half of the year as well as minimal activity in the Hi-Ex explosives cartage division for the first half.

The Western Australia based heavy haulage business enjoyed a sound year in FY2022 despite incurring industrial activity by stevedoring workers at the Port of Fremantle, COVID-19 employee disruptions, and WA Main Roads permit bottlenecks over the course of the year.

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Directors' Report continued

We completed the construction of our new company owned facility at High Wycombe in Perth in the fourth quarter of FY2022. This has allowed us to co-locate the Heavy Haulage and Chemtrans divisions at a new state-of-the-art site that also includes a modern workshop facility, warehousing, banded chemical storage, and extensive hardstand. This also facilitated the exit of two externally leased properties and will provide a number of operational benefits.

Our specialised aviation refuelling business experienced another flat year with COVID-19 again materially impacting the demand for airport refuelling services. Fire season activity remained minimal. A focus on cost reductions and efficiencies sees this business poised for a solid FY2023 if there is a return to more normal fire season activity levels.

Fuel Agency

The fuel trading business has provided strong financial results in FY2022. The fuel retailing and wholesaling markets remain dynamic and continue to exhibit high levels of competition. We are currently undertaking several projects to enhance our retail offering, including the redevelopment of several company owned retail sites.

In FY2022, we also successfully replaced our legacy-based enterprise resource planning system with a modern ERP system.

New Zealand Transport

The New Zealand business had another strong result in FY2022, with the New Zealand economy proving resilient throughout the year despite inflationary pressures and COVID-19 related impacts. The New Zealand business continues to realise growth through the provision of its integrated and value adding service offering. We successfully extended or renewed several key customer contracts in the course of the year.

Balance Sheet and Funding

The Group has maintained a strong balance sheet in FY2022, underpinned by sound trading performance and increased property valuations, and coupled with prudent capital disciplines.

The Group's debt profile carries long maturities and the gearing ratio (excluding lease liabilities) decreased to 6.5% at 30 June 2022, compared to 9.0% in the prior year. The Group's net debt reduced to \$21.4 million at 30 June 2022 (the lowest net debt experienced since 2003), down from \$26.6 million in the prior comparative period. This is an outstanding result as, during the course of FY2022, the Group completed the \$29.3 million purchase and development of its new High Wycombe facility.

The Group also acquired other fixed assets totalling \$30.2 million, compared to \$35.1 million in the prior year and continues to invest to maintain a modern operating fleet.

Based upon independent valuations, the Group increased the carrying value of its freehold property portfolio by \$34.1 million. The Group's property portfolio consists of high-quality industrial assets.

The Group extended the maturity profile of its debt facilities and negotiated improved terms with its panel of lenders in the first half of FY2022. The Group's debt facilities now comprise funding in three-year tranches totalling \$124 million (inclusive of a \$30 million bank guarantee facility) and five-year tranches totalling \$75 million. As part of that refinancing exercise, the Group also paid out previous facilities with Bank of China and brought in ANZ as a new lender, in conjunction with existing lenders Westpac and NAB.

Safety

The Group continues to invest in our safety management system and on road compliance and the training of our employees. The Group recognises that its social licence to operate is contingent upon achieving industry leading on-road behaviours and safety outcomes.

Addressing the challenges posed by COVID-19 required considerable resourcing and remained a major area of employee welfare and safety focus in FY2022. As with the wider community, the Group was affected on an ongoing basis by employees contracting COVID-19 and/or being required to isolate as a COVID-19 close contact.

As a self-insurer for workers compensation claims under the Commonwealth Comcare scheme, the Group's safety management system was subject to external audit by our safety regulator, Comcare, in the second half of FY2022. The audit forms part of the requirements of the Group's self-insurance licence and assesses the effectiveness of our safety management system against one hundred and seven criteria. Pleasingly, the external auditor concluded that the Group complied with all one hundred and seven of those criteria. This is an outstanding achievement.

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Directors' Report continued

Dividend

The Directors have declared a fully franked final dividend of 5.0 cents per share (2021: 3.5 cents per share). This follows the fully franked interim dividend of 4.5 cents per share paid in April 2022, making the total fully franked dividend 9.5 cents per share in respect of the year ended 30 June 2022.

The final dividend will be paid on 3 November 2022, with the date for determining entitlements being 19 October 2022.

The dividend reinvestment plan (DRP) applies in respect of the final dividend. While the Group achieved record low debt levels at the end of FY2022, the Group has an extensive capital expenditure program for FY2023. Coupled with ongoing uncertainty about the economy in a high inflation and higher interest rate environment, Directors are of the view that a conservative approach to balance sheet management remains appropriate.

The last election date for participation in the DRP is 20 October 2022. The issue price of shares under the DRP will be the volume weighted average price for K&S shares in the five business days ending on 19 October 2022 (the record date for the final dividend), less a discount of 2.5%.

Board Composition

Robert Dalton was appointed as a non-executive director on 24 August 2021. Mr Dalton is considered by the board to be independent. Mr Dalton's appointment continues a process of board renewal. Following the appointment of Mr Dalton, the majority of non-executive directors on the board are considered to be independent and the audit committee is now comprised exclusively of independent non-executive directors.

Outlook

Providing earnings guidance going forward remains difficult, particularly having regard to the current high inflation and higher interest rate environment coupled with ongoing uncertainties created by COVID-19.

The Group has secure long term bank facilities and low gearing levels. We will continue to take a balanced approach to financial risk as well as maintaining a strong focus on working capital management and underlying profit improvement, and as such will continue to target the ongoing improvement of the quality of our revenue base. Our focus will be maintained on growth in market segments, be that organic or through acquisition, that will provide accretive returns on investment.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

ENVIROMENTAL REGULATION AND PERFORMANCE

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

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

Climate Change

While extreme weather events such as the floods on the east coast of Australia in the second half of FY2022 impacted on several of our operations, the geographic spread and functional mix of the Group's operations partially mitigates this risk.

Reporting under the National Greenhouse Energy Reporting regime (NGER) was completed and submitted in FY2022.

Transport and Warehousing

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

Fuel

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

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Directors' Report continued

DIVIDENDS

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

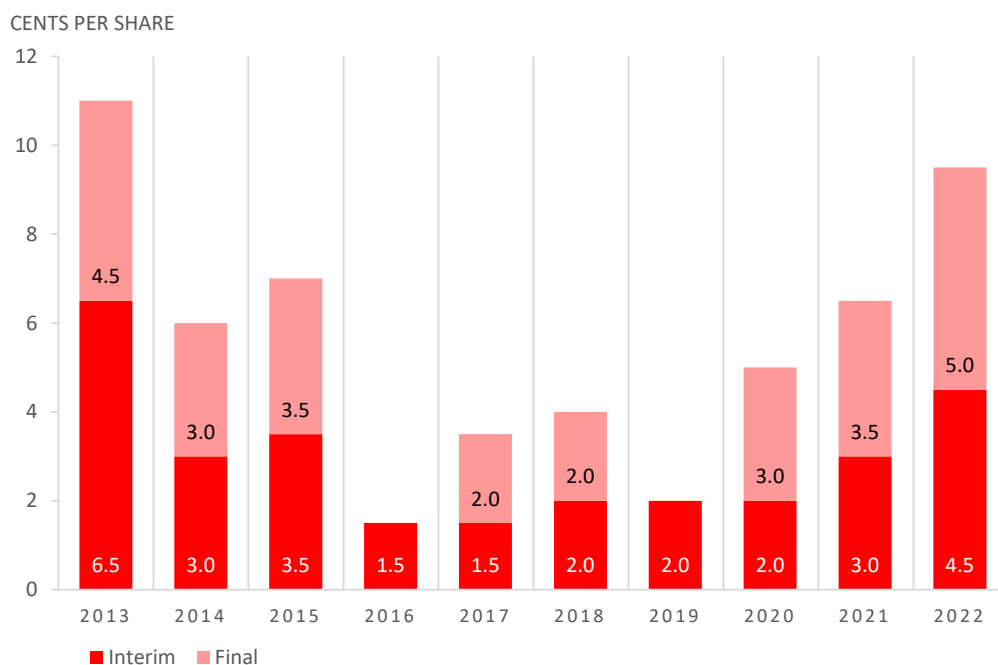
- 1 A fully franked ordinary dividend (taxed to 30%) of 3.5 cents per share amounting to \$4,507,490 in respect of the year ended 30 June 2021 was declared on 24 August 2021 and paid on 3 November 2021;
- 2 A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to \$4,800; and
- 3 An interim fully franked dividend (taxed to 30%) of 4.5 cents per share in respect of the year ended 30 June 2022 was declared on 22 February 2022 and paid on 1st April 2022 amounting to \$5,898,749.

The final dividend declared by the Company for the year ended 30 June 2022 and payable on 3 November 2022 in respect of the year ended 30 June 2022 comprises:

- 1 A fully franked ordinary dividend (taxed to 30%) of 5.0 cents per share amounting to \$6,703,633 (based on the Company's current issued share capital); and
- 2 A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to \$4,800.

The preference share dividends are included as interest expense in determining net profit.

Dividends paid to Shareholders



EVENTS SUBSEQUENT TO BALANCE DATE

On 25 August 2022, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is \$6,703,633 which represents a fully franked dividend of 5.0 cents per share. The dividend has not been provided for in the 30 June 2022 financial statements and is payable on 3 November 2022.

The DRP applies in respect of the final dividend.

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

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Directors' Report continued

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 \$280,324 in respect of Directors' and Officers' Liability insurance contracts for current and former officers, including Directors, Executive Officers and the Secretaries of the Company and its controlled entities. The insurance premiums relate to:

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

The Officers of the Company covered by the policy include the current Directors: T Johnson, L Winser, S Emmett, G Walters AM, R Dalton and P Sarant. Other officers covered by the contract are Executive Officers and the Secretaries of the Company and Directors and the Secretaries of controlled entities (who are not also Directors of the Company), General Managers and other Executive Officers of controlled entities.

Indemnification of auditors

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

TAX CONSOLIDATION

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of K&S Corporation Limited support the principles of corporate governance. The Company's Corporate Governance Statement can be found on this URL on our website: <http://www.ksgroup.com.au/corporate-governance/>.

ROUNDING

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that legislative instrument, amounts in the Financial Report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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Directors' Report continued

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The entity's Auditor, Ernst & Young have provided the Group with an Auditors' Independence Declaration which is on page 56 of this report.

There were no non-audit services provided by the entity's auditor, Ernst & Young Australia.

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	45,687
Mr P Sarant	60,000

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

	Ordinary Shares
Mr L Winser	1,311,228
Mr T Johnson	556,958
Mr P Sarant	126,603
Mr G Walters AM	5,252

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Directors' Report continued

AUDITED

REMUNERATION REPORT (audited)

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

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

For the purposes of this report, the term executive encompasses the Managing Director, executives, general managers and secretaries of the Parent and the Group. Details of the Key Management Personnel are:

i) Directors

Mr T Johnson	Non-Executive Chairman
Mr P Sarant	Managing Director and Chief Executive Officer
Mr L Winser	Non-Executive Director
Mr G Walters AM	Non-Executive Director
Mrs S Emmett	Non-Executive Director
Mr R Dalton*	Non-Executive Director

* Mr Dalton was appointed as a director on 24 August 2021

ii) Other Key Management Personnel

Mr R Parikh	Chief Financial Officer
Mr C Bright	Company Secretary

Remuneration philosophy

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

To this end, the Group adopts the following key principles in its remuneration policy:

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

The Nomination and Remuneration Committee

From time to time, the Nomination and Remuneration Committee may be delegated by the Board of Directors of the Company responsibility for reviewing compensation arrangements for the Directors, the Managing Director and executives as well as succession. However, the Company has a small Board of Directors and the review of compensation arrangements and successful succession planning can be, and is, efficiently discharged by the Board itself.

Where requested by the Board, the Nomination and Remuneration Committee will assess the appropriateness of the nature and amount of remuneration of Directors and executives 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 may review the remuneration paid to Non-Executive Directors and the Managing Director, and the aggregate remuneration paid to the executive team where requested by the Board, the Board of Directors has ultimate responsibility for determining these amounts.

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

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

The latest determination was at the Annual General Meeting held on 20 November 2012 when Shareholders approved a maximum aggregate remuneration of \$600,000 per year.

The amount of aggregate remuneration sought to be approved by Shareholders and the amounts paid to Directors is reviewed annually. The Board considers the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review, as well as periodically taking advice from external recruitment consultants. No advice was taken from external recruitment consultants in relation to the fees paid to Non-Executive Directors in FY2022. Each Non-Executive Director receives a fee for being a Director of the Company.

There was a 2.5% increase in fees payable to Non-Executive Directors in FY2022, with that increase being effective from 1 September 2021.

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 2022 is detailed on page 15 of this report.

Executive director and executive remuneration**Objective**

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

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

Structure

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

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

The Board reviews and considers the fees paid to the Managing Director and other executives of comparable companies when undertaking the annual review, as well as periodically taking advice from external recruitment consultants. No advice was taken from external recruitment consultants in relation to the fees paid to the Managing Director and other executives for the year ended 30 June 2022.

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

As the Company's annual budget for operating profit before tax is set with a view to increasing the profit generated by the Company, growing earnings per share, and improving the Company's capacity to pay dividends, the Board also believes that aligning the payment of short term incentives to the attainment of budgeted profit before tax on a normalised basis is appropriate and in the interests of Shareholders. The Board also believes that having all of the Company's executives aligned to the common goal of achieving budgeted operating profit before tax drives positive behaviours amongst the executives in maximising Group wide benefits from operating activities.

The Board also has a strong focus on working capital management. The implementation of appropriate payment terms with the Company's and the collection of amounts invoiced to customers in a timely manner is fundamental to working capital management and reducing the potential for customer default / non-payment. For the CFO and executives with responsibility for the management of trading divisions, the Board believes that a component of short-term incentives ought to be aligned to a reduction in debtor days.

For the year ended 30 June 2022, the Board approved the adoption of at risk short-term incentives of up to 30% of the base remuneration of the Managing Director and executives. The payment of such short-term incentives is to be settled in cash.

K&S CORPORATION LIMITED

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Directors' Report continued

AUDITED

Payment of the short-term incentive in respect of the 2022 financial year for the Managing Director and Company Secretary was conditional upon:

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

Underlying Profit Before Tax			Budget + 0.5% to 1.99%	Budget + 2.0% to 3.99%	Budget + 4.0% to 5.99%	Budget + 6.0% to 7.99%	Budget + 8.0% to 9.99%	Budget+ 10.0% to 11.99%	Budget + 12.0% to 13.99%	Budget + 14.0% to 15.99%	Budget + 16.0% to 17.99%	Budget + 18.0% to 18.99%
	<Budget	Budget										
STI (Short term incentive)	0%	0%	2%	4%	6%	8%	10%	12%	14%	16%	18%	20%

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

	LTI Reduction	KSG LTI's
Safety	10% Reduction	1%-2%
	20% Reduction	2%-4%
	30% Reduction	3%-6%
	40% Reduction	4%-8%
	50%+ Reduction	5%-10%
% Base Payment		

- the reduction of aged debtors balance on a sliding scale up to a maximum of 5% of base remuneration

The Company's Managing Director and executives qualified for the payment of a short-term incentive in respect of the 2022 financial year of between 5% and 20% of base remuneration based on the outperformance compared to divisional and/or Group's underlying profit before tax

This will result in the payment to the Managing Director of a total short-term incentive of \$155,754 (2021: \$206,068) and an aggregate payment to the Managing Director and executives of the Company of \$578,118 (2021: \$832,536) in respect to FY2022.

Employment Contracts

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

The Managing Director, Mr Sarant, has a contract of employment with an open term. Either of Mr Sarant 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.

Directors' Retirement Benefits

A change to the Non-Executive Directors' retirement benefits calculation was made in July 2004 to freeze accumulation of years of service of Directors as at 30 June 2004. No Non-Executive Director commencing after 1 July 2004 is eligible for any benefits under the retirement scheme. Mr Johnson is the only remaining Non-Executive Director eligible to receive retirement benefits under the scheme. At 30 June 2022, the total retirement allowance payable to Mr Johnson was \$409,016 (30 June 2021: \$404,016).

The expenditure provided (not paid) during the year ended 30 June 2022 in respect of retirement benefits is attributable only to the method of calculation which involves the averaging of the fees paid to Directors, as per the benefits scheme in operation up to 30 June 2004.

Group Underlying Performance

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

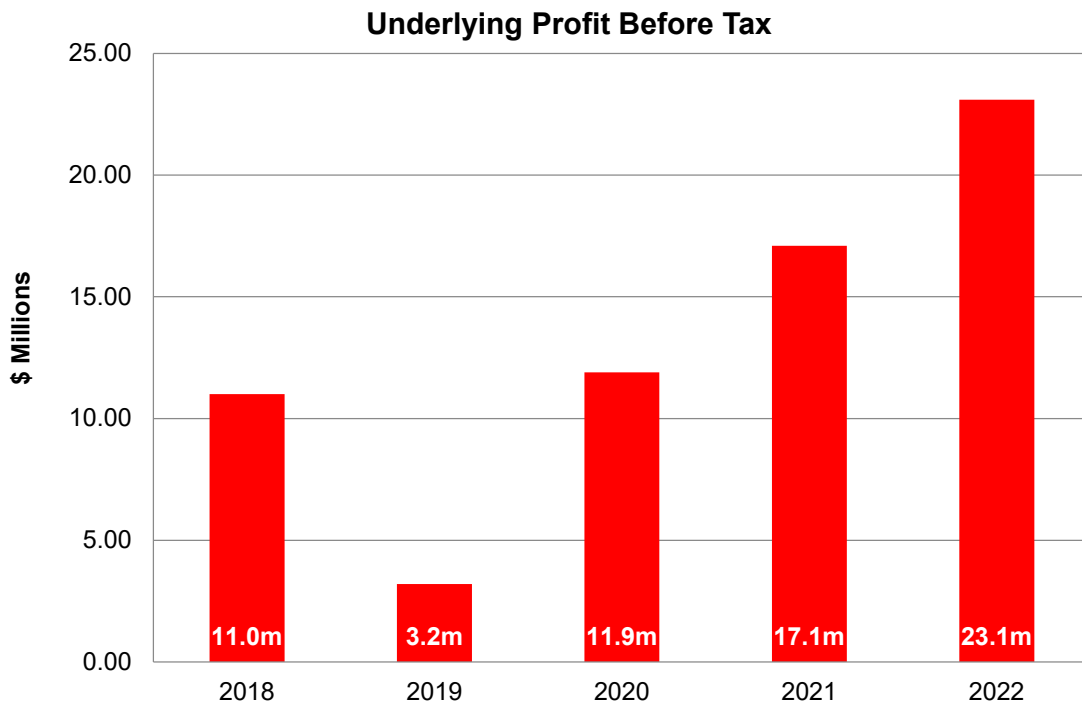
K&S CORPORATION LIMITED

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Directors' Report continued

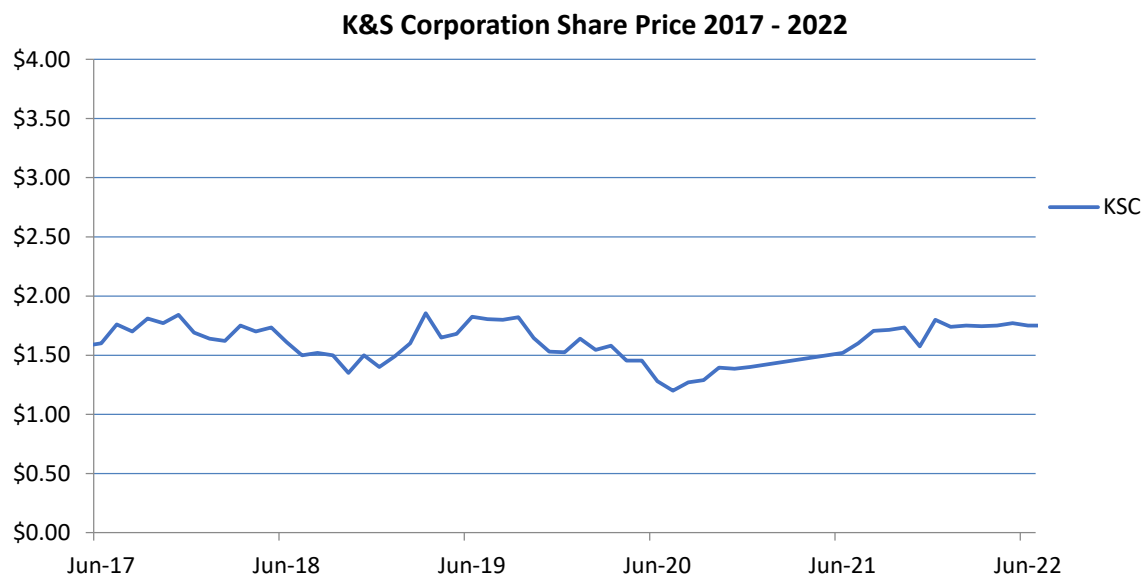
AUDITED

Underlying profit before tax



In addition, Dividends paid to Shareholders are disclosed on page 9 of the Directors' report.

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



K&S CORPORATION LIMITED

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Directors' Report continued

AUDITED

Remuneration of Key Management Personnel of the Company and the Group

Table 1: Remuneration for the year ended 30 June 2022

	Short-Term		Post Employment		Other Long Term	Total		Performance Related %
	Salary & Fees \$	Incentives \$	Non-monetary Benefit ¹ \$	Retirement Benefit \$	Super Contribution \$	Movements in leave accruals ² \$	\$	
T Johnson	139,313	-	-	5,000	15,313	-	159,626	-
L Winser	82,582	-	-	-	9,084	-	91,666	-
G Walters AM	82,582	-	-	-	9,084	-	91,666	-
S Emmett	82,582	-	-	-	9,084	-	91,666	-
R Dalton*	70,937	-	-	-	7,803	-	78,740	-
Total	457,996	-	-	5,000	50,368	-	513,364	-
P Sarant	789,666	155,754	34,012	-	27,500	87,240	1,094,172	14.2%
C Bright	296,329	63,511	25,528	-	27,500	33,377	446,245	14.2%
R Parikh	321,255	68,134	20,539	-	27,500	41,791	479,219	14.2%
Total Executive KMP	1,407,250	287,399	80,079	-	82,500	162,408	2,019,636	14.2%
Totals	1,865,246	287,399	80,079	5,000	132,868	162,408	2,533,000	11.3%

* Mr Dalton was appointed as a director effective 24 August 2021

Table 2: Remuneration for the year ended 30 June 2021

	Short-Term		Post Employment		Other Long Term	Total		Performance Related %
	Salary & Fees \$	Incentives \$	Non-monetary Benefit ¹ \$	Retirement Benefit \$	Super Contribution \$	Movements in leave accruals ² \$	\$	
T Johnson	135,922	-	-	5,000	14,951	-	155,873	-
L Winser	80,632	-	-	-	8,870	-	89,502	-
G Walters AM	80,632	-	-	-	8,870	-	89,502	-
S Emmett GAICD	80,632	-	-	-	8,870	-	89,502	-
Total	377,818	-	-	5,000	41,561	-	424,379	-
P Sarant	775,129	206,068	37,327	-	25,000	85,914	1,129,438	18.2%
C Bright	290,623	84,117	26,828	-	25,000	33,387	459,955	18.3%
R Parikh	296,634	87,894	24,042	-	25,000	27,540	461,110	19.1%
Total Executive KMP	1,362,386	378,079	88,197	-	75,000	146,841	2,050,503	18.4%
Totals	1,740,204	378,079	88,197	5,000	116,561	146,841	2,474,882	15.3%

1. Non-monetary benefits included are based on benefits paid in the form of fuel cards, tolls, memberships and motor vehicles.

2. Includes any net changes in the balance of annual leave and long service leave (i.e. leave entitlements that accrued during the year but were not used).

Remuneration of Key Management Personnel of the Company and the Group

Table 3: Loans to Key Management Personnel

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

Total	Amount at the start of the year \$	Amounts written off in the year \$	Amount at the end of the year \$	Number in Group
2022	140,220	-	131,500	2
2021	146,760	-	140,220	2

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

Loans to Key Management Personnel are made pursuant to the K&S Corporation Limited Employee Share Plan ("Plan"). As part of the Plan, loans are interest free with K&S Corporation, to fund the purchase of shares in the Company. Loans to Key Management Personnel under the Plan are required to be repaid in full upon the cessation of the employment of the Key Management Personnel with the Company. Shares issued under the Plan are subject to a holding lock until the loan is repaid in full. Non-Executive Directors are not eligible to participate in the Plan. The Plan was suspended in 2016/17 and no loans have been entered into with Key Management Personnel or employees in connection with the Plan following that suspension. No other loans are made to any Key Management Personnel.

K&S CORPORATION LIMITED

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Directors' Report continued

AUDITED

Table 4: Shareholding of Key Management Personnel

Shares held in K&S Corporation Limited: 30 June 2022	Balance 1 July 2021 Ordinary	Net Change Ordinary	Balance 30 June 2022 Ordinary
Non-Executive Directors			
T Johnson	542,967	13,991	556,958
L Winser	1,296,450	60,465	1,356,915
G Walters AM	5,252	-	5,252
S Emmett	-	-	-
R Dalton	-	-	-
Executive Director			
P Sarant	186,603	-	186,603
Other Key Management Personnel			
R Parikh	-	-	-
C Bright	51,000	-	51,000
Total	2,082,272	74,456	2,156,728

Table 5: Shareholding of Key Management Personnel

Shares held in K&S Corporation Limited: 30 June 2021	Balance 1 July 2020 Ordinary	Net Change Ordinary	Balance 30 June 2021 Ordinary
Non-Executive Directors			
T Johnson	542,967	-	542,967
L Winser	1,296,450	-	1,296,450
G Walters AM	5,252	-	5,252
S Emmett	-	-	-
Executive Director			
P Sarant	186,603	-	186,603
Other Key Management Personnel			
R Parikh	-	-	-
C Bright	51,000	-	51,000
Total	2,082,272	-	2,082,272

Remuneration Options: Granted and Vested During the Year

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

Signed in accordance with a resolution of the Directors.



Tony Johnson

Chairman

25 August 2022



Paul Sarant

Managing Director and Chief Executive Officer

25 August 2022

K&S CORPORATION LIMITED

ABN 67 007 561 837

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	CONSOLIDATED	
		2022 \$'000	2021 \$'000
Revenue and other income			
Operating revenue	5(a)	776,181	688,541
Other income	5(b)	7,500	22,591
		783,681	711,132
Expenses			
Consumption of fuel held for sale and changes in inventories		(141,197)	(87,781)
Contractor expenses		(186,944)	(173,740)
Employee expenses	5(e)	(211,183)	(217,787)
Fleet expenses		(140,173)	(117,002)
Depreciation expense	5(d)	(45,859)	(52,419)
Gain/(Loss) on derivative instruments at fair value through profit and loss	5(f)	1,565	167
Finance costs	5(c)	(2,693)	(3,543)
Impairment expense	5(f)	(562)	(4,726)
Other expenses		(32,484)	(26,760)
		(759,530)	(683,591)
Profit before income tax		24,151	27,541
Income tax expense	6	(6,726)	(9,418)
Profit after income tax		17,425	18,123
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		(1,520)	(132)
		(1,520)	(132)
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>			
Revaluation of freehold land, net of tax		23,555	19,296
Other comprehensive income for the period, net of tax		22,035	19,164
Total comprehensive income for the period		39,460	37,287
Earnings per share (cents per share)			
	7		
Basic, profit for the year attributable to ordinary equity holders of the parent		13.4	14.1
Diluted, profit for the year attributable to ordinary equity holders of the parent		13.4	14.1
Dividends per share (cents per share)			
	8	9.5	6.5

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Consolidated Statement of Financial Position

AS AT 30 JUNE 2022

		CONSOLIDATED	
	NOTE	2022 \$'000	2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	9	27,352	22,461
Trade and other receivables	10	114,660	94,181
Inventories		9,266	5,880
Assets held for sale		432	3,325
Prepayments		9,724	9,800
Derivatives		1,732	167
Total current assets		163,166	135,814
Non-current assets			
Other receivables		2,750	2,727
Property, plant & equipment	11	401,738	350,180
Intangibles	12	5,967	6,157
Right of use assets	16(a)	14,030	19,352
Deferred tax assets	6	14,097	11,607
Total non-current assets		438,582	390,023
TOTAL ASSETS		601,748	525,837
LIABILITIES			
Current liabilities			
Trade and other payables		110,957	84,054
Lease liabilities	16(b)	6,556	7,918
Income tax payable	6	1,502	1,487
Provisions	14	26,710	28,467
Total current liabilities		145,725	121,926
Non-current liabilities			
Interest bearing loans and borrowings	13	48,713	49,027
Lease liabilities	16(b)	8,662	12,494
Deferred tax liabilities	6	68,375	51,318
Provisions	14	23,329	22,355
Total non-current liabilities		149,079	135,194
TOTAL LIABILITIES		294,804	257,120
NET ASSETS		306,944	268,717
EQUITY			
Contributed equity	15(a)	173,786	164,613
Reserves		86,647	64,612
Retained earnings		46,511	39,492
TOTAL EQUITY		306,944	268,717

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserve \$'000	Forex Translation Reserve \$'000	Common Control Reserve \$'000	Total Equity \$'000
CONSOLIDATED							
At 1 July 2021		164,613	39,492	64,225	700	(313)	268,717
Profit for the year		-	17,425	-	-	-	17,425
Other comprehensive income		-	-	23,555	(1,520)	-	22,035
Total comprehensive income for the year		-	17,425	23,555	(1,520)	-	39,460
Transactions with owners in their capacity as owners:							
Issue of share capital	15(a)	9,173	-	-	-	-	9,173
Dividends paid	8	-	(10,406)	-	-	-	(10,406)
At 30 June 2022		173,786	46,511	87,780	(820)	(313)	306,944
At 1 July 2020							
At 1 July 2020		164,613	29,096	44,929	832	(313)	239,157
Profit for the year		-	18,123	-	-	-	18,123
Other comprehensive income		-	-	19,296	(132)	-	19,164
Total comprehensive income for the year		-	18,123	19,296	(132)	-	37,287
Transactions with owners in their capacity as owners:							
Issue of share capital	15(a)	-	-	-	-	-	-
Dividends paid	8	-	(7,727)	-	-	-	(7,727)
At 30 June 2021		164,613	39,492	64,225	700	(313)	268,717

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	NOTE	CONSOLIDATED	
		2022 \$'000	2021 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		855,324	771,669
Cash payments to suppliers and employees		(784,994)	(711,914)
Interest received		-	1
Government wage subsidies received		-	23,208
Lease payments (interest component)		(478)	(638)
Borrowing costs paid		(2,842)	(2,385)
Income taxes paid		(2,308)	(4,487)
Net cash provided by operating activities	9	64,702	75,454
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant, property and equipment		10,535	19,347
Payments for property plant & equipment		(59,826)	(34,287)
Net cash used in investing activities		(49,291)	(14,940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		90,605	-
Repayments of borrowings		(90,808)	(38,136)
Lease payments (principal component)		(9,035)	(9,426)
Dividend paid net of reinvestment plan		(1,194)	(7,727)
Net cash used in financing activities		(10,432)	(55,289)
Net increase in cash held		4,979	5,225
Cash at the beginning of the financial year		22,461	17,237
Effects of exchange rate variances on cash		(88)	(1)
Cash at the end of the financial year		27,352	22,461

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2022

1. CORPORATE INFORMATION

This is the financial report of K&S Corporation Limited (the “Company”) and its controlled entities (together, the “Group”). The financial report for the year ended 30 June 2022 was authorised for issue in accordance with a resolution of Directors on 25 August 2022.

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

Registered Office:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general purpose financial report for a for-profit entity, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards adopted by the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for freehold land and derivatives which has been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated, under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016. The Company is an entity to which the legislative instrument applies.

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

A number of prior year disclosures have been updated in the current year to align with the current year disclosures.

b) Compliance with IFRS

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

c) New Accounting Standards and Interpretations

There are no new or amended standards applicable for the first time for the Financial Statements for the year ended 30 June 2022 that affect the Group's accounting policies or any of the amounts recognised in the financial statements.

(i) 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 2022, outlined below:

	Effective Date
AASB 17 <i>Insurance Contracts</i> and amendments to AASB 17 <i>Insurance Contracts</i>	1 July 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 July 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 July 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 July 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 July 2023

The impact of the standards not yet effective is not expected to be material for the Group.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Basis of consolidation

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

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is lost. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Derecognises the cumulative translation differences, recorded in equity and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or transfer directly to retained earnings as appropriate.

e) Operating segments

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Executive Management Team.

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

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Revenue

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

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

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

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

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

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

g) Cash and cash equivalents

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

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

h) Trade and other receivables

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

i) Inventories

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

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

Consumables – purchase cost on a first-in, first-out basis;

Finished goods – weighted average cost.

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

j) Financial Instruments

Initial Recognition

Financial Assets

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

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

Financial Liabilities

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

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and subsequent measurement

Financial Assets

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

- (i) *Measured at amortised cost*
- (ii) *Fair value other comprehensive income (FVOCI); and*
- (iii) *Fair value through profit or loss (FVTPL)*

The following table illustrates the measurement requirements of AASB 9:

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

Financial Liabilities

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

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

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

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

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

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

Impairment

The ECL model applies to financial assets measured at amortised cost, contract assets and debt instruments at FVOCI. Measurement under ECLs is based on the anticipated impact of default events arising either in the 12 months after reporting date or the entire lifetime of the asset.

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

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

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Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

Financial Assets

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

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

Financial Liabilities

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

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

k) Foreign currency translation

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

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

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

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

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

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

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

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

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.

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.

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Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income tax and other taxes

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

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

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

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

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

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

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

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

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

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

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

Other taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

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

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

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Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Property, plant and equipment

i) Initial measurement and depreciation

Freehold buildings, plant and equipment are stated at cost less accumulated depreciation and any impairment expense.

Freehold land is measured at fair value 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 - 20% p.a.
Motor vehicles	5 - 25% p.a.
Plant and equipment	10 - 40% p.a.
IT equipment	20 - 33% p.a.

ii) Revaluations

Following initial recognition at cost, freehold land is carried at a revalued amount which is the fair value at the date of the revaluation less any accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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.

iv) Assets held for sale

When an asset is deemed to be sold it is reclassified from Property, Plant and Equipment to Assets held for sale at the lower of carrying amount and fair value less cost to sell.

n) 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.

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Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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.

o) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairment losses are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amounts (in which case the impairment loss is treated as a revaluation decrease). Fair value is determined in accordance with AASB 13 *Fair Value Measurement*.

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

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

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

p) Interest-bearing loans and borrowings

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

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

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

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Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q) 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.

r) 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.

s) Employee leave benefits

i) Wages and salaries

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

ii) Long service and annual leave

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

iii) Defined contribution superannuation funds

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

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

iv) Directors retirement benefits

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

t) 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.

u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares.

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

- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

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Notes to the Financial Statements continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

v) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

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

w) Government Grants

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

x) Significant accounting judgments, estimates and assumptions

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

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

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements. Further details on how these assumptions and estimates have been adjusted to reflect the impact of COVID-19 can be found in the relevant notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Impairment testing*

The Group determines whether goodwill and other non-current assets when there are impairment indicators, are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated or where there is an impairment trigger. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in Note 12.

Workers' compensation provision

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

Valuation of freehold land

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

Provision for expected credit loss of trade receivables

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

Leasing

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

y) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

AASB 16 Leases requires recognition of a right of use asset and lease liability based on the present value of future lease payments. For the Group's leases, the nature and structure of the lease portfolio is such that the interest rate implicit in the leases is not readily determinable and therefore, the Group uses the Incremental Borrowing Rate (IBR) for terms which approximate the lease term to discount the future value of lease payments.

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

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

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

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

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

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Notes to the Financial Statements continued

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Group's exposure to currency risk is minimal.

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

Risk exposures and responses

Credit risk

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

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

While the Group also minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various states, the Group is materially exposed to counterparty risk with several of its major customers. Concentration of credit risk on trade debtors due from customers are: Transport 89% (2021: 92%) and Fuel 11% (2021: 8%). The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

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

	2022 \$'000	2021 \$'000
Neither past due nor impaired	70,447	60,990
Past due 0 – 30 days	27,403	16,446
Past due 31 – 60 days	4,065	1,946
Past due 61 – 90 days	1,206	239
Past due 91 days	247	520
	103,368	80,141

Movements in the provision for impairment loss were as follows:

	2022 \$'000	2021 \$'000
At 1 July 2021	584	1,699
Charge for the year	487	-
Amounts written off	(135)	(1,115)
At 30 June 2022	936	584

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate. The level of debt is disclosed in Note 13. The Group manages interest rate risk by fixing a portion of its long term debt. At 30 June 2022, \$20 million of debt was fixed with an interest rate swap (2021: \$20 million).

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

Judgements of reasonably possible movements:		Post-tax Higher / (Lower)	
2022	2021	2022 \$'000	2021 \$'000
Consolidated			
+ 1.00% (100 basis points)	+ 0.5% (50 basis points)	(156)	(93)
- 0.30% (30 basis points)	- 0.15% (15 basis points)	47	28

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Notes to the Financial Statements continued

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

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

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

Exposures to liquidity risk

The following liquidity risk disclosure reflects all contractual fixed repayments and interest resulting from recognised financial liabilities as of 30 June 2022. 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.

	Less than 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	Greater than 5 years \$'000	Total \$'000
Year ended 30 June 2022					
Financial liabilities					
Interest bearing loans and borrowings	-	-	(49,606)	-	(49,606)
Lease Liabilities	(7,799)	(5,883)	(3,147)	-	(16,829)
Trade and other payables	(110,957)	-	-	-	(110,957)
	<u>(118,756)</u>	<u>(5,883)</u>	<u>(52,753)</u>	<u>-</u>	<u>(177,392)</u>
Year ended 30 June 2021					
Financial liabilities					
Interest bearing loans and borrowings	-	(29,792)	(20,000)	-	(49,792)
Lease Liabilities	(8,871)	(6,522)	(6,331)	-	(21,724)
Trade and other payables	(84,054)	-	-	-	(84,054)
	<u>(92,925)</u>	<u>(36,314)</u>	<u>(26,331)</u>	<u>-</u>	<u>(155,570)</u>

4. OPERATING SEGMENTS

Identification of reportable segments

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

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

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

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

Accounting policies and inter-segment transactions

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

Inter-entity sales

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

Corporate charges

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

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Notes to the Financial Statements continued

OPERATING SEGMENTS (continued)

Major customer

The entity has one customer which contributes greater than 10% of total revenue (\$118.7 million) and falls within the Australian Transport Segment (2021: \$96.9 million).

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2022 and 30 June 2021.

Year ended 30 June 2022	Australian Transport \$'000	Fuel \$'000	New Zealand Transport \$'000	Total \$'000
Revenue				
External customers	559,394	144,711	72,076	776,118
Inter-segment sales	-	66,059	-	66,059
Total segment revenue	559,394	210,770	72,076	842,240
Results				
Depreciation and amortisation expense	(37,635)	-	(8,224)	(45,859)
Impairment Expense	(562)	-	-	(562)
Gain/(Loss) on Derivative Instruments at Fair Value Through Profit and Loss	1,565	-	-	1,565
Finance costs	(2,442)	-	(251)	(2,693)
Segment net operating profit/(loss) after tax	6,382	6,144	4,899	17,425
Operating assets	524,582	40,188	46,128	610,898
Operating liabilities	212,864	21,954	13,356	248,174
Other disclosures				
Capital expenditure	(53,296)	-	(6,162)	(59,458)

Inter-segment revenues of 66.1 million are eliminated on consolidation.

Year ended 30 June 2021	Australian Transport \$'000	Fuel \$'000	New Zealand Transport \$'000	Total \$'000
Revenue				
External customers	534,753	92,999	60,789	688,541
Inter-segment sales	3	24,891	-	24,894
Total segment revenue	534,756	117,890	60,789	713,435
Results				
Depreciation and amortisation expense	(44,537)	-	(7,882)	(52,419)
Gain/(Loss) on Derivative Instruments at Fair Value Through Profit and Loss	167	-	-	167
Finance costs	(3,165)	-	(378)	(3,543)
Impairment expense	(4,726)	-	-	(4,726)
Segment net operating profit/(loss) after tax	12,021	1,455	4,647	18,123
Operating assets	458,404	32,942	45,011	536,357
Operating liabilities	201,774	11,805	12,863	226,442
Other disclosures				
Capital expenditure	(30,601)	-	(4,490)	(35,091)

Inter-segment revenues of 24.9 million are eliminated on consolidation.

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Notes to the Financial Statements continued

OPERATING SEGMENTS (continued)

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

Segment assets are those operating assets of the entity that the executive views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory, intangibles and deferred tax assets.

Reconciliation of segment operating assets to total assets:

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Segment operating assets	610,898	536,357
Inter-segment eliminations	(23,247)	(22,127)
Deferred tax assets	14,097	11,607
Total assets per the Consolidated Statement of Financial Position	601,748	525,837

The analysis of location of non-current assets are as follows:

Australia	404,135	358,218
New Zealand	34,447	31,805
Total non-current assets per the Consolidated Statement of Financial Position	438,582	390,023

ii) Segment liabilities reconciliation to the Consolidated Statement of Financial Position

Segment liabilities include trade and other payables and debt. The Group has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations. The Managing Director, Chief Financial Officer and Directors review the level of debt for each segment in the monthly Board meetings.

Reconciliation of segment operating liabilities to total liabilities.

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Segment operating liabilities	248,174	226,442
Inter-segment eliminations	(23,247)	(22,127)
Deferred tax liabilities	68,375	51,318
Income tax payable	1,502	1,487
Total liabilities per the Consolidated Statement of Financial Position	294,804	257,120

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Notes to the Financial Statements continued

5. REVENUE AND EXPENSES

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
a) Revenue		
Rendering of services	612,426	583,307
Sale of goods	163,755	105,114
Agency commission from fuel sales	-	120
Total revenue	776,181	688,541

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

Segments	For the year ended 30 June 2022			
	Australian Transport \$'000	New Zealand Transport \$'000	Fuels \$'000	Total \$'000
Type of service				
Transport Services	540,350	72,076	-	612,426
Sale of Fuel (including agency commissions)	19,044	-	144,711	163,755
Total revenue from contracts with customers	559,394	72,076	144,711	776,181
Geographical markets				
Australia	559,394	-	144,711	704,105
New Zealand	-	72,076	-	72,076
	559,394	72,076	144,711	776,181
Total revenue from contracts with customers				
Timing of revenue recognition				
Services transferred over time	540,350	72,076	-	612,426
Goods transferred at a point in time	19,044	-	144,711	163,755
Total revenue from contracts with customers	559,394	72,076	144,711	776,181

Segments	For the year ended 30 June 2021			
	Australian Transport \$'000	New Zealand Transport \$'000	Fuels \$'000	Total \$'000
Type of service				
Transport Services	522,518	60,789	-	583,307
Sale of Fuel (including agency commissions)	12,235	-	92,999	105,234
Total revenue from contracts with customers	534,753	60,789	92,999	688,541
Geographical markets				
Australia	534,753	-	92,999	627,752
New Zealand	-	60,789	-	60,789
	534,753	60,789	92,999	688,541
Total revenue from contracts with customers				
Timing of revenue recognition				
Services transferred over time	534,753	60,789	-	627,752
Goods transferred at a point in time	-	-	92,999	60,789
Total revenue from contracts with customers	534,753	60,789	92,999	688,541

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Notes to the Financial Statements continued

REVENUE AND EXPENSES (continued)

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
b) Other income		
- Net gains on disposal of property, plant and equipment	4,634	2,944
- Government wage subsidies received	-	16,235
- Other	2,866	3,412
Total other income	7,500	22,591
c) Finance costs		
- Interest and fees on loans (includes costs of borrowing)	2,215	2,905
- Interest on lease obligations	478	638
Total finance costs	2,693	3,543
d) Depreciation expense		
- Buildings	1,701	2,231
- Motor vehicles	31,882	36,765
- Plant and equipment	3,794	4,266
- Right of use asset	8,482	9,157
Total depreciation expense	45,859	52,419
e) Employee expenses		
- Wages and salaries	171,335	176,494
- Workers' compensation costs	5,041	7,488
- Long service leave expense	1,787	868
- Annual leave expense	11,225	10,632
- Payroll tax	8,953	9,480
- Defined contribution plan expense	12,837	12,820
- Director's retirement scheme expense	5	5
Total employee expenses	211,183	217,787
f) Individually significant items		
- Government wage subsidies received	-	16,235
- Gain/(Loss) on derivative instruments at fair value through profit and loss	1,565	-
- Bad debts recovered	196	199
- Other significant items	(118)	-
- Redundancy costs	-	(196)
- JobKeeper wage top-ups to employees	-	(344)
- Net costs relating to the sale of Regal General Freight	-	(228)
- Onerous lease provisions	-	(507)
- Impairment expense	(562)	(4,726)
Total significant items pre-tax	1,081	10,433
Tax impact on significant items	(324)	(3,130)
Total significant items, net of tax	757	7,303

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Notes to the Financial Statements continued

6. INCOME TAX

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
The major components of income tax expense are:		
Statement of Comprehensive Income		
<i>Current income tax</i>		
- Current income tax charge	2,181	3,625
- Adjustments in respect of current income tax of previous years	(131)	37
<i>Deferred income tax</i>		
- Relating to origination and reversal of Income tax expense reported in the Statement of Comprehensive Income temporary differences	4,676	5,756
Income tax expense reported in the Statement of Comprehensive Income	6,726	9,418
Consolidated Statement of Changes in Equity		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
- Net gain on revaluation of freehold land	10,095	8,269
- Adjustments in respect of income tax expense of previous years	159	-
- Sundry items	28	-
Income tax expense reported in equity	10,282	8,269
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	24,151	27,541
At the Group's statutory income tax rate of 30% (2021: 30%)	7,245	8,262
- Permanent differences	(388)	1,119
- Adjustments in respect of current income tax of previous years	(131)	37
Income tax expense reported in the Statement of Comprehensive Income	6,726	9,418

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Notes to the Financial Statements continued

INCOME TAX (continued)

Recognised deferred tax assets and liabilities

	CONSOLIDATED			
	2022 \$'000	2022 \$'000	2021 \$'000	2021 \$'000
	Current income tax	Deferred income tax	Current income tax	Deferred income tax
Opening balance	(1,487)	(39,711)	(2,032)	(25,918)
Charged to income	(2,181)	(4,676)	(3,625)	(5,756)
Adjustments in respect of current income tax of previous years	131	-	(37)	-
Charged to equity	-	(10,254)	-	(8,269)
Payments	2,308	-	4,487	-
Other movements	(273)	363	(280)	232
Closing balance	(1,502)	(54,278)	(1,487)	(39,711)

Tax expense in Statement of Comprehensive Income 6,726 9,418

Amounts recognised in the Consolidated Statement of Financial Position:

Deferred tax assets	14,097	11,607
Deferred tax liabilities	(68,375)	(51,318)
	<u>(54,278)</u>	<u>(39,711)</u>

Consolidated Statement of Financial Position

	2022 \$'000	2021 \$'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
CONSOLIDATED		
Deferred tax liabilities		
- Property, Plant and Equipment	(62,154)	(45,680)
- Trade and other receivables not derived for tax purposes	(6,221)	(5,638)
	<u>(68,375)</u>	<u>(51,318)</u>
Deferred tax assets		
- Trade and other payables not currently deductible	2,967	1,356
- Provisions not currently deductible	11,130	10,251
	<u>14,097</u>	<u>11,607</u>

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Notes to the Financial Statements continued

INCOME TAX (continued)

Tax consolidation

(i) Members of the Tax Consolidated Group and the Tax Sharing Arrangement

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

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

(ii) Tax effect accounting by members of the Tax Consolidated Group

Members of the tax consolidated Group have entered into a tax funding agreement. The tax funding agreement requires members of the tax consolidated Group to make contributions to the head company for tax liabilities and deferred tax balances arising from transactions occurring after the implementation of tax consolidation. Contributions are payable following the payment of the liabilities by K&S Corporation Limited. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities with a consequential adjustment to income tax expense or benefit. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidation Group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*. In addition to its own current and deferred tax amounts, the head entity also recognises current and deferred tax assets and liabilities arising from unused tax losses and unused tax credits assumed from controlled entities within the tax consolidated Group.

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

A Deferred Tax Asset / Liability is recognised when there is a deductible / taxable temporary difference between the tax base of an asset or liability and its carrying amount in the Consolidated Statement of Financial Position.

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

	2022	PARENT 2021
	\$'000	\$'000
Total (reduction) to tax expense of K&S Corporation Ltd	(222)	(4,612)
Total increase to inter-company assets of K&S Corporation Ltd	222	4,612

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7. EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2022	2021
	\$	\$
Basic earnings per share	\$0.134	\$0.141
Diluted earnings per share	\$0.134	\$0.141
Net profit attributable to ordinary equity holders of the parent from continuing operations	17,424,849	18,123,367
Net profit attributable to ordinary equity holders of the parent	17,424,849	18,123,367
	2022	2021
	Thousands	Thousands
Weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share	129,962	128,785

8. DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
<i>Declared and paid during the year:</i>		
Dividends on ordinary shares		
Final franked dividend for 30 June 2021: 3.5 cents (30 June 2020: 3.0 cents)	4,507	3,863
Interim franked dividend for 31 December 2021: 4.5 cents (31 December 2020: 3.0 cents)	5,899	3,864
	10,406	7,727
<i>Proposed (not recognised as a liability as at 30 June):</i>		
Dividends on ordinary shares		
Final franked dividend for 30 June 2022: 5.0 cents (30 June 2021: 3.5 cents)	6,704	4,507
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% (2021: 30%)	40,397	44,570
▪ franking credits that will arise from the payment of income tax payable as at the end of the financial year	175	258
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	(2,011)	(1,932)
	38,561	42,896

Tax rates

- The tax rate at which dividends have been franked is 30% (2021: 30%)
- Dividends proposed will be franked at the rate of 30% (2021: 30%)

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Notes to the Financial Statements continued

9. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Cash	22	23
Cash deposits with banks	27,330	22,438
	<u>27,352</u>	<u>22,461</u>

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

Reconciliation of net profit / (loss) after income tax to net cash flows from operations

Net profit after income tax	17,425	18,123
Less items classified as investing/financing activities:		
- Profit on sale of non-current assets	(4,634)	(2,944)
Add/(less) non-cash items:		
- Impairment of non-current assets	562	4,726
- Increment in right of use asset / lease liabilities	(128)	65
- Amounts set aside to provisions	(783)	652
- Depreciation expense	45,859	52,419
- Gain/(Loss) on derivative instruments at fair value through profit and loss	(1,565)	(167)
- Impact on deferred taxes associated with revaluation to land and changes to accounting policy	(10,095)	(6,994)
Net cash provided by operating activities before changes in assets and liabilities	<u>46,641</u>	<u>65,880</u>

CHANGE IN ASSETS AND LIABILITIES

(Increase) in inventories	(3,386)	(231)
(Increase)/decrease in future income tax benefit	(2,490)	1,491
(Increase)/decrease in prepayments	76	(261)
(Increase)/decrease in receivables	(20,479)	7,935
(Decrease)/increase in trade creditors	26,903	(12,260)
(Decrease)/increase in income taxes payable	(15)	(545)
Increase in deferred taxes payable	17,057	12,302
Exchange rate differences	395	1,143
Net cash provided by operating activities	<u>64,702</u>	<u>75,454</u>

10. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Current		
Trade debtors	103,368	80,141
Allowance for impairment loss	(936)	(584)
	<u>102,432</u>	<u>79,557</u>
Sundry debtors	12,228	14,624
Total trade and other receivables	<u>114,660</u>	<u>94,181</u>

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Notes to the Financial Statements continued

11. PROPERTY, PLANT and EQUIPMENT

	CONSOLIDATED				
	Freehold Land \$'000	Freehold Buildings \$'000	Motor Vehicles \$'000	Plant & Equipment \$'000	Total \$'000
a) Reconciliation of carrying amounts at the beginning and end of the period:					
Year ended 30 June 2022					
As at 1 July 2021,					
net of accumulated depreciation and impairment	112,260	42,203	180,094	15,623	350,180
Additions	14,604	15,488	23,541	5,825	59,458
Disposals	-	-	(4,420)	(98)	(4,518)
Revaluation	33,649	-	-	-	33,649
Transfers	-	909	-	(909)	-
Assets held for sale	-	-	1,134	-	1,134
(Impairment)/Reversal	491	(246)	-	(603)	(358)
Depreciation charge for the year	-	(1,701)	(31,882)	(3,794)	(37,377)
Exchange adjustment	-	-	(403)	(27)	(430)
At 30 June 2022	161,004	56,653	168,064	16,017	401,738
net of accumulated depreciation and impairment					
At 30 June 2022					
Cost or fair value	161,004	91,662	425,331	62,953	740,950
Accumulated depreciation and impairment	-	(35,009)	(257,267)	(46,936)	(339,212)
Net carrying amount	161,004	56,653	168,064	16,017	401,738
Year ended 30 June 2021					
As at 1 July 2020,					
net of accumulated depreciation and impairment	88,554	42,705	205,128	16,923	353,310
Additions	541	1,379	29,291	3,880	35,091
Disposals	-	-	(17,022)	(274)	(17,296)
Revaluation	27,566	-	-	-	27,566
Transfers	-	675	-	(675)	-
Assets held for sale	-	-	(429)	-	(429)
Impairment	(4,401)	(325)	-	-	(4,726)
Depreciation charge for the year	-	(2,231)	(36,765)	(4,266)	(43,262)
Exchange adjustment	-	-	(109)	35	(74)
At 30 June 2021	112,260	42,203	180,094	15,623	350,180
net of accumulated depreciation and impairment					
At 30 June 2021					
Cost or fair value	112,260	73,366	424,116	57,314	667,056
Accumulated depreciation and impairment	-	(31,163)	(244,022)	(41,691)	(316,876)
Net carrying amount	112,260	42,203	180,094	15,623	350,180

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Notes to the Financial Statements continued

PROPERTY, PLANT and EQUIPMENT (continued)

b) Revaluation of freehold land

The freehold land are included in the financial statements at fair value, except for capital expenditure subsequent to the valuation which is initially recorded at cost. A revaluation was performed in the current year by an independent valuer, Jones Lang LaSalle resulting in an increase to the asset revaluation reserve of \$33.6 million (2021: \$27.6 million).

Fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

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

- Rental capitalisation rates between 4.5% and 8.79%; and
- Future rental growth rates ranging from 2.3% - 3.5%.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. The rates applied are consistent with the prior year.

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

c) Carrying amounts if freehold land was measured at cost less accumulated impairment losses

If freehold land was measured using the cost model the carrying amounts would be as follows:

	CONSOLIDATED	
	2022	2021
	Freehold Land	Freehold Land
	\$'000	\$'000
Cost	47,741	33,136
Accumulated impairment losses	(12,114)	(12,605)
Net amount	35,627	20,531

Inclusive of freehold land, the total fair value of the Group's freehold property assets as determined by Jones Lang LaSalle above is \$224.6 million (2021: \$174.1 million).

One of the Group's properties in Perth, WA is leased to a third party and has a book value of \$15.3 million. The carrying value of the site as at 30 June 2022 was underpinned by an independent fair valuation report. The lease agreement fully indemnifies the Group against any damage caused by the tenant's operations.

In late FY2021, the site sustained significant damage due to a fire incident in the tenant's operations. The damage was significant and will result in the part-demolition and rebuilding of a significant portion of the asset. The rebuilding project is expected to commence in FY2023 and at that point, a significant portion of the carrying value of the building will be de-recognised and this will be offset by insurance recoveries from the tenant.

12. INTANGIBLE ASSETS

Cash generating units

For the purpose of impairment testing, goodwill is allocated to cash-generating units ('CGUs') which equate to the Group's reportable segments being Australian Transport, Fuels and New Zealand Transport. The Group's goodwill balance of \$5.9 million (2021: \$6.2 million) is solely allocated to the New Zealand Transport CGU.

Impairment testing of CGUs

Following an impairment assessment at 30 June 2022, the recoverable amount for all CGUs exceeded their carrying values and no impairment was recognised (2021: Nil). The recoverable amounts were determined through a fair value less costs of disposal calculation based on the discounted cash flow method. Key estimates and judgements included:

Cashflow forecasts

The cash flow forecasts are based on financial budgets approved by the Board for FY2022 and then projected over a five-year period using short and long-term growth rates specific to market and economic conditions. These cash flow forecasts are based on level 3 fair value inputs. The short term forecasts consider the impact of COVID-19 whereas the long term growth assumed return to pre-pandemic levels of activity.

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Notes to the Financial Statements continued

INTANGIBLE ASSETS (continued)

Impairment testing (continued)

Terminal growth rates and discount rates

The Group applied a short-term growth rate of 3% (2021: 2.5%) for the Australian Transport and New Zealand Transport CGUs and 1% (2021: 1%) for the Fuels CGU.

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

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

	Pre-tax discount rate		Terminal growth rate	
	2022	2021	2022	2021
	%	%	%	%
Australian Transport	11.78	9.98	3.0	2.5
Fuel	11.78	9.98	3.0	2.5
New Zealand Transport	11.78	9.72	3.0	2.5

Sensitivity analysis

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

13. INTEREST BEARING LOANS AND BORROWINGS

	2022	2021
	\$'000	\$'000
Current	-	-
Non-current		
Non redeemable preference shares	60	60
Bank loans – secured	49,606	49,792
Directly attributable transaction costs	(953)	(825)
	48,713	49,027

Summary of financing arrangements

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

Facility and limit	Maturity	Interest rate	Amounts drawn	
			2022	2021
			\$'000	\$'000
\$94m bank bill facility ^{1,2}	July 2024	BBSY + margin	37,000	29,792
\$75m bank bill facility ¹	July 2026	BBSY + margin	12,606	20,000
Total interest bearing liabilities			49,606	49,792

1. The bank loans are secured by fixed and floating charges over the assets of the Group. Bank loans are also secured by registered mortgages over a number of freehold properties of the Group totalling \$211 million.

2. In addition to the limit of \$94m, the Group holds a \$30m bank guarantee facility maturing in July 2024.

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Notes to the Financial Statements continued

INTEREST BEARING LOANS AND BORROWINGS (continued)

Summary of financing arrangements (continued)

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

	1 July 2021	Cash Flows	For. Ex. Movement	New Agreements	Other	30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-redeemable preference shares	60	-	-	-	-	60
Bank loans - secured	49,792	(203)	17	-	-	49,606
Total liabilities from financing activities	49,852	(203)	17	-	-	49,666

	1 July 2020	Cash Flows	For. Ex. Movement	New Agreements	Other	30 June 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-redeemable preference shares	60	-	-	-	-	60
Bank loans - secured	87,944	(38,136)	(16)	-	-	49,792
Total liabilities from financing activities	88,004	(38,136)	(16)	-	-	49,852

14. PROVISIONS

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
Current		
Employee benefits	22,744	23,241
Self-insured workers' compensation liability	3,966	5,021
Onerous lease provision	-	205
	26,710	28,467
Non-current		
Employee benefits	6,379	5,530
Make good provision	2,241	2,121
Directors' retirement allowance	409	404
Self-insured workers' compensation liability	14,300	14,300
	23,329	22,355

a) Movements in provisions

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

	Make Good Provision	Onerous Lease Provision	Directors Retirement Allowance	Self insured Workers' Compensation Liability	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
CONSOLIDATED					
At 1 July 2021	2,121	205	404	19,321	22,051
Arising during the year	384	-	5	10,104	10,493
Transfers	30	(30)	-	-	-
Utilised	(294)	(175)	-	(11,159)	(11,628)
At 30 June 2022	2,241	-	409	18,266	20,916

K&S CORPORATION LIMITED

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Notes to the Financial Statements continued

PROVISIONS (continued)

b) Nature and timing of provisions

i) Make good provision

In accordance with various lease agreements, the Group must restore leased premises to their original condition at the end of the leases.

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

ii) Long service leave

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

iii) Directors retirement allowance

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

iv) Self Insured Workers Compensation

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

15. CONTRIBUTED EQUITY AND RESERVES

	CONSOLIDATED	
	2022	2021
	\$'000	\$'000
a) Ordinary shares		
Contributed Equity		
134,072,657 (2021: 128,785,433) ordinary shares fully paid	173,786	164,613
	173,786	164,613

Effective 1 July 1998, the Corporations Legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital or par value in respect of its issued capital. Fully paid ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company and carry the right to receive dividends as declared.

	Thousands	\$'000
Movements in ordinary shares on issue		
At 30 June 2021	128,785	164,613
Issued through Dividend Re-Investment Plan - 2,297,889 ordinary shares at 1.7201	2,298	3,953
Issued through Dividend Re-Investment Plan - 2,989,335 ordinary shares at 1.7464	2,990	5,220
Total issued during the year ended 30 June 2022	5,288	9,173
At 30 June 2022	134,073	173,786

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 FY2022, the Group paid dividends of \$10,406,239 (2021: \$7,727,126).

Management monitor capital through the gearing ratio (Net debt / Net debt + Shareholders funds) excluding lease liabilities.

K&S CORPORATION LIMITED

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Notes to the Financial Statements continued

CONTRIBUTED EQUITY AND RESERVES (continued)

b) Capital management (continued)

The gearing ratios based on continuing operations at 30 June were as follows:

	CONSOLIDATED	
	2022 \$'000	2021 \$'000
Gross debt (excluding lease liabilities)	48,713	49,027
Less cash and cash equivalents	(27,352)	(22,461)
Net debt	21,361	26,566
Net debt + Shareholders funds	328,305	295,283
Gearing ratio	6.5%	9.0%

Nature and purpose of reserves

Asset revaluation reserve

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

Foreign currency translation reserve

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

Common control reserve

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

16. LEASES

a) Right of use assets

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

Year ended 30 June 2022	'000 Total
Cost	30,743
Accumulated depreciation	(16,713)
As at 30 June 2022	14,030

Movement:

Opening balances	19,352
Additions	3,841
Depreciation	(8,482)
Impairment	(204)
Modifications	(324)
Other movements	(153)
At 30 June 2022	14,030

b) Lease liabilities

Movement:

Opening balances	20,412
Additions	3,701
Interest	478
Repayments	(9,035)
Modifications	(324)
Other movements	(14)
At 30 June 2022	15,218
Current liabilities	6,556
Non-current liabilities	8,662
At 30 June 2022	15,218

K&S CORPORATION LIMITED

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Notes to the Financial Statements continued

LEASES (continued)

c) Short-term leases

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

Short term leases	10,895
-------------------	--------

a) Right of use assets

Year ended 30 June 2021

	'000
	Total
Cost	38,528
Accumulated depreciation	(19,176)
As at 30 June 2021	19,352

Movement:

Opening balances	25,708
Additions	1,698
Depreciation	(9,157)
Terminations	958
Other movements	145
At 30 June 2021	19,352

b) Lease liabilities

Movement:

Opening balances	26,606
Additions	1,698
Interest	638
Repayments	(9,426)
Terminations	(646)
Other movements	1,542
At 30 June 2021	20,412

Current liabilities	7,918
Non-current liabilities	12,494
At 30 June 2021	20,412

c) Short-term leases

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

Short term leases	7,252
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17. COMMITMENTS

CONSOLIDATED

2022 2021
\$'000 \$'000

The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2022 are:

Capital expenditure commitments

The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year

50,006 41,898

18. CONTINGENT LIABILITIES

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

K&S CORPORATION LIMITED

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Notes to the Financial Statements continued

19. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 dated 17 December 2016, the wholly owned subsidiaries disclosed in Note 20 are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports. It is a condition of the legislative instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Corporations Act 2001, the Company will only be liable in the event that after six months any creditor has not been paid in full.

The subsidiaries have also given similar guarantees in the event that the Company is wound up. The entities within the Deed of Cross Guarantee are referred to in Note 20. A Consolidated Statement of Comprehensive Income and Consolidated Statement of Financial Position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2022 is set out below:

	CLOSED GROUP	
	2022	2021
	\$'000	\$'000
Condensed Statement of Comprehensive Income		
Profit / (loss) before income tax	17,727	20,582
Income tax (expense) / benefit	(4,989)	(7,750)
Profit / (loss) after income tax	12,738	12,832
Retained profits at the beginning of the year	19,259	14,154
Transfer from reserves	-	-
Dividends provided or paid	(10,406)	(7,727)
Retained earnings at the end of the year	21,591	19,259
Consolidated Statement of Financial Position		
ASSETS		
Current assets		
Cash and cash equivalents	25,801	19,657
Trade and other receivables	101,684	84,653
Inventories	9,266	5,880
Assets held for resale	432	3,325
Prepayments	9,337	9,380
Derivatives	1,732	167
Total current assets	148,252	123,062
Non-current assets		
Other receivables	2,750	2,726
Investment in subsidiary	9,625	9,625
Property, plant and equipment	378,767	327,854
Right of use assets	9,386	15,576
Deferred tax assets	13,232	11,607
Total non-current assets	413,760	367,388
TOTAL ASSETS	562,012	490,450
LIABILITIES		
Current liabilities		
Trade and other payables	103,707	78,721
Lease liabilities	4,382	5,469
Income tax payable	349	284
Provisions	25,578	27,506
Total current liabilities	134,016	111,980
Non-current liabilities		
Interest bearing loans and borrowings	48,737	46,258
Lease liability	6,207	11,142
Deferred tax liabilities	66,879	50,397
Provisions	23,329	22,355
Total non-current liabilities	145,152	130,152

K&S CORPORATION LIMITED

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Notes to the Financial Statements continued

DEED OF CROSS GUARANTEE (continued)

TOTAL LIABILITIES	279,168	242,132
NET ASSETS	282,844	248,318
EQUITY		
Contributed equity	173,787	164,613
Reserves	87,466	64,446
Retained earnings	21,591	19,259
TOTAL EQUITY	282,844	248,318

20. CONTROLLED ENTITIES

Particulars in relation to controlled entities Name	Class of Share	Country of Incorporation	% Equity Interest	
			2022	2021
Controlled Entities¹				
K&S Corporation Limited				
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
K&S Heavy Haulage Pty Ltd	Ord	Australia	100	100
Strategic Transport Services Pty Ltd	Ord	Australia	100	100
Vortex Nominees Pty Ltd	Ord	Australia	100	100
K&S Freighters Limited	Ord	New Zealand	100	100
Cochrane's Transport Limited	Ord	New Zealand	100	100
Scott Corporation Pty Ltd	Ord	Australia	100	100
Bulktrans Pty Ltd	Ord	Australia	100	100
Chemtrans Pty Ltd	Ord	Australia	100	100
Hyde Park Tank Depot Pty Ltd	Ord	Australia	100	100
Energytrans Pty Ltd	Ord	Australia	100	100

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

K&S CORPORATION LIMITED

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Notes to the Financial Statements continued

21. RELATED PARTY DISCLOSURES

DIRECTORS

The names of each person holding the position of Director of K&S Corporation Limited during the financial year and up to the date of signing the financial report are T Johnson, L Winsler, G Walters AM, P Sarant, R Dalton, and S Emmett.

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

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

- Mr Winsler is a Director of several companies (including AA Scott Pty Ltd, Sneaths Freightliners Pty Ltd, AA Scott Jubilee Hwy (209) Pty Ltd, AA Scott Bowyer Rd (19-33) Pty Ltd, Ascot Cartage Contractors Pty Ltd, Ascot Haulage (NT) Pty Ltd, AAS Graham Road (30) Pty Ltd, AAS Graham Road (40) Pty Ltd and Northfuels Pty Ltd, The Border Watch Pty Ltd, AA Scott Francis St (Lot 514) Pty Ltd);
- Mr Johnson has an interest as a Director of AA Scott Pty Ltd; and
- Mr Dalton has an interest as a Director of HelloWorld, owners of Show Group Pty Ltd.

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

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

The aggregate amount of dealings with these companies during year ended 30 June 2022 were as follows:

	PURCHASES		SALES		RECEIVABLES		PAYABLES	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$	\$	\$	\$	\$	\$	\$	\$
AA Scott Pty. Ltd ¹	12,811	68,324	-	6,827	-	4,613	1,079	5,268
The Border Watch Pty Ltd ¹	-	1,451	2,301	9,878	-	-	-	-
AA Scott Jubilee Hwy (209) Pty Ltd ¹	754,572	638,614	-	-	-	-	66,356	54,330
AA Scott Bowyer Rd (19-33) Pty Ltd ¹	761,102	615,180	-	-	-	-	75,004	50,643
Ascot Cartage Contractors Pty Ltd ¹	1,013,563	926,540	-	-	-	-	73,815	95,437
Ascot Haulage (NT) Pty Ltd ¹	-	30,310	-	-	-	-	-	-
AA Scott Francis St (Lot 514) Pty Ltd ¹	727,366	580,635	-	-	-	-	67,273	48,384
AAS Graham Road (30) Pty Ltd ¹	3,131	3,519	-	-	-	-	-	-
AAS Graham Road (40) Pty Ltd ¹	44,750	1,575	-	-	-	-	-	-
Northfuels Pty Ltd ¹	-	2,000	-	-	-	-	-	-
Show Group Pty Ltd	-	-	83,155	-	-	-	-	-

1. These entities are related parties of the Group's majority shareholders.

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

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.

K&S CORPORATION LIMITED

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Notes to the Financial Statements continued

DIRECTORS' SHARE TRANSACTIONS

	2022	CONSOLIDATED 2021
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
- Ordinary shares	2,105,728	2,031,272
- Preference shares	-	-

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

	\$'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	198	111

Directors' transactions in shares and share options

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

Ultimate parent entity

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

Compensation for Key Management Personnel

	2022	CONSOLIDATED 2021
	\$	\$
Short-term	2,232,724	2,206,480
Long-term	162,408	146,841
Post employment	137,868	121,561
	<u>2,533,000</u>	<u>2,474,882</u>

Loans with Key Management Personnel

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

	Amount at the start of the year	Amounts written off in the year	Amount at the end of the year	Number in Group
	\$	\$	\$	
Total				
2022	140,220	-	131,500	2
2021	146,760	-	140,220	2

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

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

22. EVENTS SUBSEQUENT TO BALANCE DATE

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements continued

23. AUDITORS' REMUNERATION

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

	CONSOLIDATED	
	2022	2021
	\$	\$
Audit Services:		
Audit and review of the statutory financial reports	392,425	312,405
	392,425	312,405

24. PARENT ENTITY INFORMATION

	2022	2021
	\$'000	\$'000
Current assets	96,519	113,090
Total assets	222,696	211,025
Current liabilities	2,785	3,498
Total liabilities	(46,504)	(43,233)
Issued capital	173,786	164,613
Reserves	161	161
Retained earnings	2,245	3,179
Total Shareholders' equity	176,192	167,792
Profit / (Loss) after tax of the parent entity	9,957	9,938
Total comprehensive profit / (loss) of the parent entity	9,957	9,938

Guarantees

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

Contingent liabilities

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2022

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

In the opinion of the Directors:

- a) The financial report of the company and of the Group is in accordance with the Corporations Act 2001, including:
- i) giving a true and fair view of the Company's financial position as at 30 June 2022 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 2022.
- e) As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 19 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

Dated at Adelaide this 25th day of August 2022.

On behalf of the Board:



Tony Johnson

Chairman



Paul Sarant

Managing Director and Chief Executive Officer



**Building a better
working world**

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Auditor's independence declaration to the directors of K&S Corporation Limited

As lead auditor for the audit of the financial report of K&S Corporation Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst + Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Sanders', written over a horizontal line.

David Sanders
Partner
25 August 2022



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Independent auditor's report to the members of K&S Corporation Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of K&S Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

Impairment assessment of intangible assets and property, plant and equipment

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2022, the value of the Group's net assets exceeded its market capitalisation. This was considered by the Group to be an indicator of impairment.</p> <p>An impairment assessment of intangible assets and property, plant and equipment was carried out by the Group as disclosed in Note 12 of the financial report using a fair value less costs to sell approach. This required the Group to apply judgments in relation to forecast cash flows, long term growth rates, the allocation of corporate costs to the Group's cash generating units (CGUs) and the application of an appropriate discount rate.</p> <p>Freehold land is recorded in the financial statements at fair value. A valuation was performed in the current year by an independent valuation specialist, which resulted in an increase to the asset revaluation reserve of \$33.6 million, before tax.</p> <p>Given the uncertainties and judgements involved in the forecast of future results used in the impairment assessment and in determining the fair value of freehold land, we considered this to be a key audit matter.</p>	<p>We assessed the appropriateness of the key assumptions used by the Group in their impairment testing model.</p> <p>Specifically, we assessed the cash flow projections, discount rates, long term growth rates and sensitivities used, with the assistance of our valuation specialists where appropriate.</p> <p>We considered external market data and assessed the historical accuracy of the Group's forecasting and ensured that the forecast cash flows were consistent with the most recent board-approved cash flow forecasts.</p> <p>We considered the qualifications, competence and objectivity of the Group's independent valuation specialist.</p> <p>We assessed the appropriateness of the recognition of the increase to the asset revaluation reserve and associated disclosures at 30 June 2022.</p> <p>We also assessed the adequacy of the disclosures associated with the impairment assessment.</p>

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 16 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of K&S Corporation Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst + Young

Ernst & Young



David Sanders
Partner
Adelaide
25 August 2022