2008

annual report

K&S CORPORATION LIMITED

K&S CORPORATION LIMITED

ABN 67 007 561 837

FINANCIAL CALENDAR

Final dividend payment (8.0 cents per share)	31 October 2008
Annual General Meeting	25 November 2008
Half-year results and interim dividend announcement	25 February 2009
Interim dividend payment	31 March 2009
Full-year result and final dividend announcement	26 August 2009
Annual report mailed to Shareholders	9 October 2009
Final dividend payment	30 October 2009
Annual General Meeting	24 November 2009

Page 1 photo: Truganina post Stage 2 Development

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highlights

Operating revenues increase by 11.5% to $466 million

Profit after tax of $19.7 million

Increased dividend

Acquisition of Brookes Transport

Completion of stage 2 of Melbourne terminal

Synergies from DTM acquisition exceed $2 million

Strong performance of rail business

Obtained Tier 3 status with Comcare

It is a great pleasure to be presenting such a strong result to Shareholders. The Group's revenue and profits have once again increased.

The 2007/08 financial year has seen another outstanding result from the business with profit after tax of $19.7 million up 15.4% on the previous year.

Operating revenues for the year reached $466.1 million, an increase of 11.5% on the previous year.

The higher operating revenues were achieved from organic growth from the existing customer base and the impact of our recent acquisitions.

Earnings per share were 28.6 cents per share up 12.8%.

The normalised profit after tax after excluding non-trading items from the previous year showed underlying growth in earning of 19.2%.

The normalised earnings before interest and tax excluding non trading items reached $33.4 million, up 16.9% on the previous year.

A pleasing aspect to the result was the improvement in our overall margins.

This was driven by the increased productivity achieved by the rail freight forwarding business as a result of the increased infrastructure expenditure by Government.

The margins were also impacted by the savings that were achieved across the Group following the DTM acquisition. These annualised savings have exceeded $2 million. This followed a post acquisition review of Group operations which identified significant synergies. We have now positioned the DTM brand for growth.

On 31 January 2008 we announced that we had acquired the business of Brookes Transport Co (Brookes). Brookes has a strong focus on the timber industry in Western Australia and deals with many of the same customers as K&S on the eastern states.

We expect to achieve synergies from the Brookes acquisition once the integration process is completed.

The highly publicised increasing cost of fuel has had a negative impact on the performance of the business in both May and June as the additional costs are not fully recoverable until July and August.

The escalating cost of fuel can be expected to flow through to the ultimate consumer therefore impacting the strength of the broader economy.

Our strategy has been, and continues to be, to grow the business through carefully targeted acquisitions that will deliver benefits to Shareholders and competitively win new tenders.

Since being granted self insurance under the Commonwealth Workers' Compensation Scheme (Comcare) on 1 July 2006, K&S has transformed its culture and safety performance.

On 18 June 2008 Comcare extended K&S' licence until 30 June 2012 and upgraded our licence to tier 3 which is the highest level achievable within Comcare. This is a wonderful achievement of which we are very proud and for which management should be congratulated.

chairman's overview

It is our strategy to continue to grow the business through carefully targeted acquisitions that will deliver benefits to shareholders and competitively win new tenders.

We have declared a fully franked final dividend of 8.0 cents per share (last year 7.0 cents per share). This follows the interim dividend of 8.0 cents per share paid in March 2008, making the total dividend of 16.0 cents per share fully franked for the year.

The final dividend will be paid on 31 October 2008, (the date for determining entitlements is 17 October 2008).

The Dividend Reinvestment Plan (DRP) will once again apply in respect to the fully franked final dividend of 8.0 cents payable on 31 October 2008. The terms of the DRP will remain unchanged with the issue price under the DRP based on the weighted average trading price of K&S shares in the five business days ending on 17 October 2008 (the record date of the final dividend), less a discount of 2.5%.

The major industry sectors in which the Group operates continued to perform well during the year.

The Directors are confident that we are well placed to deal with the uncertain trading conditions in the new financial year.

We will continue to be innovative in taking the Company forward but be mindful of the risks, particularly given the state of the credit markets and the general economic outlook.

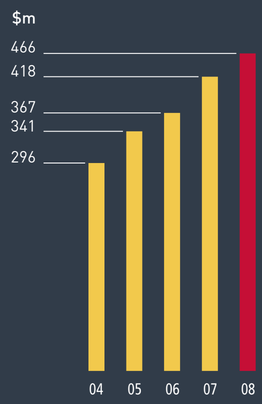
Finally, on behalf of the Board I would like to thank all customers, suppliers and employees who contributed to our continuing success during the year. In particular, I would like to thank and acknowledge our senior management team led by Legh Winser that have once again delivered a very good result.

Tony Johnson
Chairman

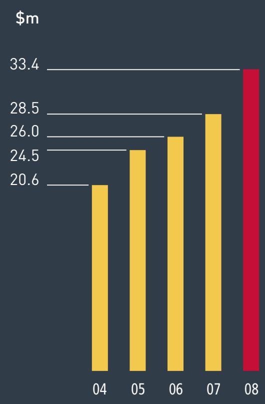
financial overview

		2008	2007	% movement
Operating revenue	$m	466.1	418.0	11.5
Operating profit before interest and tax	$m	33.4	29.3	13.8
Operating profit before tax	$m	28.0	24.3	15.2
Operating profit after tax	$m	19.7	17.0	15.4
Dividends paid	$m	10.3	9.4	9.9
Total assets	$m	297.4	281.2	5.8
Net borrowings	$m	56.8	51.4	10.4
Shareholders' funds	$m	146.5	136.1	7.7
Depreciation and amortisation	$m	19.4	19.0	2.0
Earnings per share	cents	28.6	25.3	12.8
Dividends per share	cents	16.0	14.0	14.3
Net tangible assets per share	$	1.76	1.68	4.8
Cash flow per share	$	0.45	0.47	(4.3)
Return on shareholders' funds	%	13.4	12.5	7.2
Gearing	%	46.5	44.7	(3.8)
Lost time injuries		29.0	51.0	43.1
Lost time injuries frequency rate	%	9.0	22.0	59.1

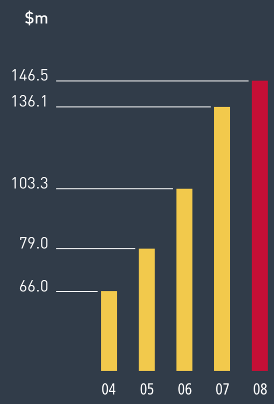
OPERATING REVENUE



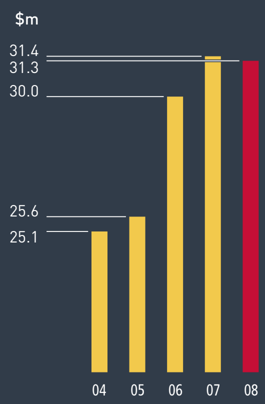
NORMALISED EBIT



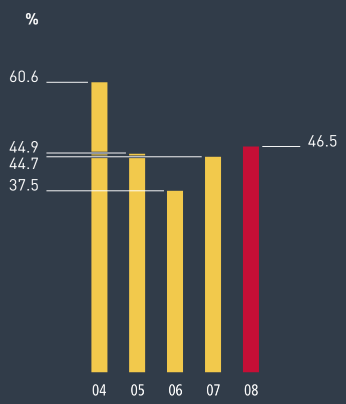
SHAREHOLDERS' FUNDS



OPERATING CASH FLOW



GEARING



K&S recorded a solid year of growth during 2007-08 and is poised for further expansion in 2008-09 despite the impact of rising fuel costs.

Organic growth across most areas of the business enabled total revenue to climb to $466 million, up 11.5% above the previous year.

Our profit after tax reached $19.7 million for the year up 15.4% on the previous year.

The improved earnings have come from synergies following the DTM acquisition in November 2006. Post the acquisition a review identified savings in the areas of fleet, facilities and cost duplications.

The synergies since the acquisition have exceeded $2 million.

K&S is actively looking for potential acquisitions where they meet our strategic goals.

Our rail freight forwarding business has had an excellent year, with productivity improvement due to growth in its customer base.

The majority of our business units performed to expectation during the year in review.

Despite the negative impact of higher fuel costs in the last quarter of the year our overall EBIT margin increased. This result continues our impressive performance over the last 5 years.

During the course of the year we completed stage 2 of our Truganina development which increased the bitumen hardstand area of the site by 30% and completed the construction of an additional 15,000m² warehouse.

While rising fuel costs will be a major challenge facing K&S and the broader economy during the 2008-09 financial year, the situation is also expected to offer a number of opportunities.

Higher fuel costs, together with tougher compliance requirements, will increase pressure on transport operators across the nation, with further consolidation expected as less efficient companies and individuals leave the industry.

Fuel makes up approximately 40% of our operating costs for road transport and up to 70% for rail. As a result, increasing fuel costs have a significant impact on the cost of business.

While we have a number of mechanisms in place to manage the situation, there is a lag in cost recovery. This has impacted on final year results in 2007-08, with the additional costs for May and June not fully recoverable until July and August.

K&S expects fuel prices will stabilise by Christmas as world oil costs reach some level of equilibrium, although there seems little prospect they will fall to any great extent in the future.

The impact of these higher fuel costs can be expected to flow through to all sections of the community during the next 12 months, with the consumer ultimately paying through increased prices for all goods.

Business Development

On 31 January 2008, K&S announced it had acquired the business of Brookes Transport Co (Brookes).

Brookes has a strong focus on the timber industry in the Bunbury region of Western Australia and has exposure to many of the same customers as K&S on the eastern seaboard.

managing director's

report

Business Development continued

At the time of acquisition, Brookes had annual revenue of $22 million and employed over 130 people. Since the acquisition we have seen continued growth in revenues from the Brookes business.

We expect to achieve savings from the Brookes acquisition as we complete the integration process and realise the purchasing benefits. The acquisition has been earnings positive for K&S.

Rail and road contracts have also been signed with Bluescope Steel and OneSteel in North Queensland for the transport of structural steel and plate, while a contract was signed late in May 2008 with OneSteel in Revesby, New South Wales, for the transport of mesh to regional areas and interstate.

Late in 2007-08, K&S won a three-year bulk and local distribution contract with Coca Cola Amatil in Brisbane. The contract, valued at around $5.5 million a year, will involve the use of three dedicated B-doubles and 15 single trailer prime movers.

K&S has also renewed the Coca Cola contract in Melbourne for another three years.

DTM

DTM Business Logistics performed strongly in 2007-08.

The company was purchased by K&S in November 2006 to increase market share in the higher-value local and captive fleet business segments.

Since its purchase, a large focus has been placed on realising business synergies. DTM has successfully integrated many of the K&S management systems and has made significant improvement in the areas of Occupational Health and Safety, Fleet Management and Information Technology (IT) Systems.

This has enabled the Company to develop more pro-active customer-focused reporting protocols.

A new IT platform is currently under development with the aim of providing an increased amount of real time data, visibility of delivery status and variations to agreed plans. This will proactively allow customers to re-adjust their schedules or inform their own downstream customers of changes.

These systems are increasingly being demanded by technologically aware customers.

Partly as a result of these changes, DTM was successful in renewing its existing contract with BP in Victoria and New South Wales and gaining the BP contract for South Australia.

DTM has also won contracts for Tyco Water (NSW) and has several other major opportunities pending. Its existing major contracts, including Kimberly-Clark Australia and Air Liquide Australia continue.

DTM's total asset base increased by almost 5% to 620 units of various sizes and configurations.

In the next 12 months, DTM plans to further grow its business and views a potential Western Australian presence as a strong opportunity, completing its nation-wide coverage.

It also plans to strengthen its presence in the Dandenong region, relocating back to the refurbished site previously destroyed by fire in January 2007. The refurbished site includes a state office, approximately 5,000m² of warehousing and a substantial equipment hard stand area.

We continue to invest heavily in new infrastructure and equipment. Our expenditure is targeted to improve the productivity of the business and underpin our future growth and profitability.

Rail

Rail freight forwarding operations performed well during 2007-08, mainly off the back of Government water infrastructure projects.

These contracts involved the transport of pipes from Tyco and Iplex Pipeline's production centres in Western Australia and South Australia to projects in Queensland. In recent months we have also transported significant volumes of pipes from Queensland to Victoria.

Projects include the construction of desalination plants to new pipeline networks enabling water to be transferred between reservoirs.

This is expected to remain a strong area of growth in 2008-09 and beyond.

Fleet

During the year, K&S ordered 40 new linehaul prime movers and 120 depot prime movers for local operations. The bulk of these orders will be delivered in the 2008/09 year and will have a significant impact on our maintenance productivity.

These vehicles all meet the new ADR80/02 (Euro IV) standards. Additional trailing equipment has also been purchased.

Vehicle Industry

Our contract with GM Holden in Adelaide continues to perform strongly. The work involves the importing and warehousing of steel coil and delivery from the warehouse to the Elizabeth plant on fixed cycles to meet Holden's demand.

The contract remains a major source of activity for K&S in Adelaide.

Timber

Activity in the timber industry was down as a result of interest rate rises and a slowing of the housing market. The purchase of Brookes is expected to help K&S increase its presence in this sector.

Paper

Operations in the paper industry were tough as a result of the high Australian dollar. However, the contracts with PaperlinX and Norke Skog remain solid with overall performance as expected.

K&S believes similar conditions can be expected during the year ahead.

Metals

OneSteel's purchase of Smorgon Steel Group in August 2007 has resulted in steady growth in the volumes for K&S. This was highlighted by our success in winning new contracts for OneSteel in Brisbane and New South Wales.

Activity in the mining sector was slightly down on previous years.

New Zealand

High interest rates and a high New Zealand dollar made for difficult trading conditions during the year, with overall sales down on previous years.

Our New Zealand business is focused predominantly on the export sector of the economy.

Revenues in the first half were down 7.8%, but after restructuring the business, returned to profitability in the second half. The New Zealand operations is expected to continue to trade positively in 2008-09.

K&S CORPORATION LIMITED

Compliance

The pending introduction of new Heavy Vehicle Driver Fatigue regulations has been a major focus during 2007-08.

The new regulations, developed by the National Transport Commission as part of the Third Heavy Vehicle Reform Package, are designed to improve road safety for heavy vehicle drivers through the implementation of new policies and practices that are due to come into force on September 29, 2008.

A key component is the broadening of the chain of responsibility for the management of driver fatigue to make it a general duty for everyone in the logistics chain, from consignees to consignors.

New driving rules will also be introduced covering such issues as driving hours, rest periods, the use of work diaries and two-up operations.

Since October 2007, K&S has been conducting training sessions for drivers and management to prepare for the new provisions.

In all, some 44 workshops have been held, 22 covering the fatigue issue with the other 22 on general compliance and enforcement matters. Some 200 supervisors and managers have undertaken the workshops.

Drivers will also be able to seek accreditation that will positively impact on driving hours.

Environment

Environmental issues have also been a major area of activity, with new regulations introduced covering greenhouse gas emissions, total energy consumption and particulate emissions.

K&S became a member of the Australian Greenhouse Challenge Plus Programme in December 2006.

Under the Greenhouse Challenge Plus Programme K&S is committed to actively reduce its carbon footprint and maintaining an inventory of our carbon emissions.

K&S has also registered as a participant in the Department of Industry, Tourism and Resources Energy Efficiency Opportunity Programme (EEOP). Under EEOP, K&S is required to report on its energy usage and to put in place strategies to reduce its energy consumption.

In both the cases of carbon emissions and energy usage, by far the single biggest contributor in K&S' business is the consumption of fuel in transport activities. K&S will continue to strive to increase the efficiency of its fuel consumption.

Included in the Company's environmental initiatives are:

- Continual modernisation of fleet assets.
- High level of fleet maintenance underpinned by accreditation standards.
- Explore latest technologies.
- Increasing vehicle capacity utilisation.
- Reducing energy consumption and cutting waste.
- Evaluation of alternative fuels where possible.
- Integration of DTM business within the K&S emissions reporting structure.

K&S' ongoing vehicle fleet upgrade program has continued heralding the arrival of new vehicles that comply with new ADR80/02 (Euro IV) diesel-emissions standards which were introduced from 1st January 2008.

These engines use Exhaust Gas Recirculation technology (EGR) to cut down on emissions.

Emission standards will be further increased when ADR80/03 (Euro V) standards are introduced from 1st January 2009 for new models and 1st January 2011 for all models.

K&S' continual commitment and industry leadership in raising Company presentation levels and image with a new and updated fleet continues with the delivery of over 50 new vehicles (ADR 80/02 – Euro IV) to replace existing units within its linehaul fleet during 2008.

The new linehaul vehicles will operate under 26 metre B-double operating conditions, allowing prime movers with longer wheelbases, facilitating large sleeper cabins, improving driver ride, comfort and vehicle handling.

Occupational Health and Safety

K&S has maintained its focus on improving injury prevention and injury management performance.

Since being granted its self insurance licence under the Commonwealth Workers' Compensation Scheme (Comcare) on 1 July 2006, K&S has continued to perform strongly in terms of safety, rehabilitation and compensation Commission indicators and various prevention, claims and rehabilitation audits.

Major OHS&E achievements over the past 12 months include:

- Completed delivery of the behavioural OHS&E program "Everybody Safe Every Day" to all managers, supervisory staff and employees. All managers and supervisory staff committed to undertaking safety leadership walks to improve the safety culture in the workplace.
- Achieved the OHS&E plan target of 90% compliance. Using the colour chart format, the Safety Programs Guide (SPG) and internal audit program finished 2007 at 96% compliance on existing safety systems.
- Senior executive management meets annually to review the OHS&E Plan for strategic direction for the following year.
- Reviewing and updating all OHS policies and procedures in 2007-08. New policies and procedures were developed where gaps were identified.
- K&S' OHS&E preventative systems were audited by SAI (for Comcare) in 2007 and 2008. In both audits, the auditor identified many strengths in leadership and commitment, responsibility and accountability for safety, training and housekeeping. Significant improvement was noted in OHS&E performance, particularly in safety systems such as traffic management and materials storage.
- Successful outcomes were achieved from major audits by external auditor BRM Risk Management in 2007 and 2008 on claims and rehabilitation. No non-conformances were reported.
- K&S' OHS&E advisor in NSW was trained and accredited as lead auditor to enable future internal audits to be conducted in conjunction with the Company accredited auditor.
- On 1 July, 2007, the Commission upgraded our Tier 1 status to Tier 2 status for the three areas of Prevention, Claims and Rehabilitation. It is recommended we move to the highest level, Tier 3 in July 2008.
- An initiative was developed where injured linehaul drivers living in remote areas can work from home where required as part of their restricted duties and the return to work program.

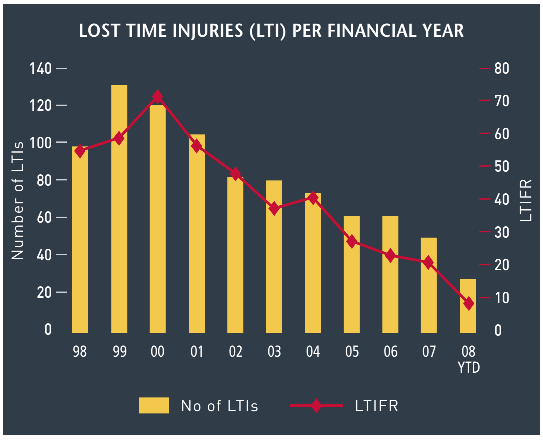
Occupational Health and Safety continued

- The OHS&E department's resources were re-allocated to include an OHS&E advisor and return-to-work co-ordinator in each state and additional valuable support staff to the injury management program.
- Improved sophisticated risk assessment tools were developed for chemical and plant (powered machinery & equipment) to meet legal expectations and obligations.
- Risk assessment for driver fatigue that involved a senior manager accompanying the drivers on all identified routes over 500 kilometres was also introduced.
- Extensive training programs on critical safety requirements were rolled out nationally for both management and employees.
- External training was undertaken for the OHS&E department & QA Auditor on Comcare tool "SafetyMap" in 2007.
- Senior executive management was provided with further OHS training by Comcare in 2007, focusing on compliance.

During the next 12 months, work will continue on improving the safety culture of the business and further tightening compliance. This will involve further training and linking salary reviews to OHS&E performance.

K&S believes its commitment and focus on compliance to existing safety systems will enable further strong improvement on safety performance and culture in all of our workplaces for this year and beyond.

This can be seen by the significant improvement in our recent journey regarding lost time injury performance, where we have seen almost a 50% improvement in the last year *(see following graph)*.



The Safety, Rehabilitation and Compensation Commission is a statutory body with regulatory functions in relation to Comcare (the Commonwealth Workers' Compensation Scheme Insurer) and Licencees (self insurers under that scheme). Its functions are set out in the Safety, Rehabilitation and Compensation Act 1988 (the SRC Act).

K&S obtained a two year licence under the SRC Act from the Commission effective from 1 July 2006.

On 18 June 2008 the Commission met and granted a renewal of self insurance licences to three companies, one of which was K&S Freighters whose licence is now extended to 30 June, 2012.

There is a three tier model used to determine the level of regulatory scrutiny required to ensure a Licencee's compliance with its licence conditions. The higher the tier, the less scrutiny required because of the Licencee's performance and compliance systems.

K&S have been given tier 3 status which is the most favourable tier that can be achieved.

A member of the Greenhouse Challenge Plus Programme, K&S is committed to increase the efficiency of its fuel consumption, which will deliver benefits to the environment.

Occupational Health and Safety continued

To get this the Commission must be satisfied that K&S have a focus on positive and material corporate change in injury prevention and injury management. It is considered that at this level K&S demonstrates a high standard of internal quality assurance as well as strong management systems and self audit capabilities. As a result of this tier 3 status, it is considered that K&S does not warrant the degree of scrutiny otherwise warranted on tier 1 and 2.

The Commission seeks improvement in OH&S in the Commonwealth jurisdiction through the setting of targets to improve health and safety standards in workplaces and monitoring performance in relation to prevention, rehabilitation and compensation.

K&S achieved the best level in all three aspects.

It is the first company in the road transport industry to be recognised as achieving this performance. It has achieved this through commitment and a demonstrated capacity to self initiate corrective actions, to influence positive material corporate change and to achieve significant continuous improvement in all aspects of health and safety in its business.

It is a sensational result by K&S after only two years under the SRC Act.

By achieving this level of excellence, K&S now has a decisive competitive edge in meeting customer expectations and requirements when it comes to OH&S, particularly given our involvement with our customers on sites where they have OH&S responsibility. More importantly it provides our employees with a much safer workplace. Injury reduction, and reduction in regulatory costs also assists in that competitive edge.

Human Resources

Training remains a key focus for K&S to ensure we continue to meet growing industry compliance and regulatory requirements.

This commitment to training was highlighted during the year by an improvement in workplace safety levels brought about by a combination of focussed leadership, cultural change, induction and ongoing training and development programs.

During the year, K&S introduced individual and branch reward and recognition programs which align business achievement and safety outcomes. This has had positive results.

The introduction of clear succession plans across the business units has also enabled us to make a number of successful appointments and retain valued employees and intellectual business knowledge.

K&S introduced an Employee Share Plan, providing employees with the opportunity to "buy in" to the ongoing success of the Company, and to contribute to this success.

By providing fair wages and conditions of employment, K&S has been able to achieve positive outcomes through the current challenges of the industrial relations turbulence. However, future wages outcomes will continue to be challenged by economic pressures, including the resources sector boom.

Future priorities continue to include the recruitment and selection of labour, and maintaining ongoing partnerships with industry training organisations to help attract and retain entrants to the industry.

The Year Ahead

It is our strategy to continue to grow the business through carefully targeted acquisitions that deliver benefits to Shareholders and competitively win new tenders. We expect further acquisitions to be completed in the 2008-09 year.

The DTM acquisition will continue to contribute positive benefits to the K&S overall performance in the coming year.

As the industry consolidation process continues we expect further opportunities to emerge.

In conclusion, I extend my thanks to management and employees for their commitment to the business and our customers.

Legh Winser
Managing Director

($A Millions unless otherwise indicated)	2008	2007	2006	2005	2004
Group Revenue	466.1	418.0	367.5	340.8	295.7
Operating Profit before Individually Significant Items, Interest and Tax	33.4	28.5	29.3	25.0	20.6
Individually Significant Items and Fraud	-	0.8	0.7	6.9	(0.2)
Operating Profit before Interest and Income Tax	33.4	29.3	29.9	31.9	20.5
Interest Expense	5.4	5.0	3.8	2.9	2.8
Profit Before Tax	28.0	24.3	26.2	29.0	17.6
Income Tax Expense	8.3	7.3	7.8	8.6	5.5
Operating Profit after Tax	19.7	17.0	18.4	20.4	12.2
Earnings per Ordinary Share (cents)	28.6	25.3	28.0	34.0	20.3
Dividends per Share (cents)	16.0	14.0	14.0	13.5	11.0
Return on Shareholder's Funds	13.4%	12.5%	17.8%	25.8%	18.4%
Paid Up Capital	55.4	52.8	44.5	28.0	28.0
Shareholder's Funds	146.5	136.1	103.3	79.0	66.0
Total Assets	297.4	281.2	217.1	182.2	154.5
Net Tangible Assets (book value) per Share	$1.76	$1.68	$1.45	$1.19	$0.95

five-year financial history


Tony Johnson


Legh Winser


Greg Boulton


Richard Nicholson

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

Tony Johnson *Chairman*

Age 61, Director since 1986
Tony Johnson BA, FAICD, LLB, LLM (Companies & Securities), is a lawyer and an accredited mediator. Tony is 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 Deputy Chairman of AA Scott Pty Ltd, Chairman of the listed entity Scott Corporation Limited and a Director of Adelaide Community Healthcare Alliance.

Member of:
- Environmental Committee *(Chairman)*
- Nomination and Remuneration Committee *(Appointed as a member 22 April 2008)*

Legh Winser *Managing Director*

Age 60, Director since December 1999
Legh Winser has more than 35 years experience in the transport industry. Prior to his appointment as Managing Director in January 1998 he previously held other executive positions within the Company.

Member of:
- Nomination and Remuneration Committee
- Environmental Committee

Laurie Ackroyd *(Resigned as Director and Chairman of the Audit Committee on 31 July 2007)*

Age 59, Director since May 2002
Laurie Ackroyd BA (Accountancy), ACA has over 17 years experience within the transport and petroleum related industries.

Member of:
- Audit Committee *(Chairman)*

Jim Osborne *(Resigned as Director on 18 December 2007)*

Age 71, Director since July 1997
Jim Osborne has extensive manufacturing and general management experience, having occupied senior executive positions with Kimberly Clark Australia before retiring in 1997.

Member of:
- Nomination and Remuneration Committee *(Chairman)*
- Environmental Committee
- Audit Committee *(Member since 31 July 2007)*

Greg Boulton *Deputy Chairman*

Age 58, Director since January 1996
Greg Boulton BA(Accountancy), FCA, FCPA, FAICD, is Chairman of private equity fund Paragon Equity Limited, Chairman of Southern Gold Limited, Director of Statewide Superannuation, President of Port Adelaide Football Club Limited and holds board positions on a number of privately owned companies. He has over 30 years experience in the transport industry.

Member of:
- Audit Committee *(Appointed as Chairman on 31 July 2007 and subsequently resigned as Chairman on 26 February 2008)*

Richard Nicholson

Age 65, Director since 1986
Richard Nicholson ACA, is a Chartered Accountant in public practice. He was previously the Company Secretary and Finance Officer of the Scott Group of Companies and is a former Non-Executive Director of that Group.

Member of:
- Nomination and Remuneration Committee *(Appointed Chairman 22 April 2008)*


Bruce Grubb


Ray Smith


Chris Bright

board of directors

Bruce Grubb

Age 58, Appointed as a Director 31 July 2007
Bruce Grubb has over 30 years experience in the transport industry and is the Chief Executive and Executive Director of Scott Transport Industries Pty Ltd. Mr Grubb is a Non-Executive Director of the listed entity Scott Corporation Limited. Mr Grubb is also a Director of Dangerous Goods Logistics Pty Ltd and Port Bonython Fuels Pty Ltd.

Member of:

- Environmental Committee
  (Member since 21 August 2007)

Ray Smith

Age 61, Appointed as a Director 15 February 2008
Ray Smith FCPA, FAICD, Dip Com was Chief Financial Officer of Smorgon Steel Group for 11 years. During that period he was at the forefront of the rationalisation of the Australian Steel Industry. Mr Smith brings a wealth of corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raisings.

Member of:

- Audit Committee *(Member since 15 February 2008 and Chairman since 26 February 2008)*

Secretary

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

Chris Bright has held the position of Group Legal Counsel for 6 years. Mr Bright was admitted as a solicitor in South Australia in 1997. He also has experience working in private practice in Adelaide principally in commercial dispute resolution.

The Directors' present their report, together with the financial report of K&S Corporation Limited ("the Company") and the consolidated financial report of the consolidated entity, for the year ended 30 June 2008 and the Auditors' Report thereon.

Principal Activities

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

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

Operating and Financial Review

The consolidated profit for the year attributable to the members of K&S Corporation Limited is shown below, along with comparative results for 2007.

Financial overview		2008	2007	% Movement
Operating revenue	$m	466.1	418.0	11.5
Operating profit after tax	$m	19.7	17.0	15.4
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Dividends per share	cents	16.0	14.0	14.3
Net tangible assets per share	$	1.76	1.68	4.8
Cash flow per share	$	0.45	0.47	(4.3)
Return on shareholders' funds	%	13.4	12.5	7.2
Gearing	%	46.5	44.7	3.8
Lost time injuries		29.0	51.0	43.1
Lost time injuries frequency rate	%	9.0	22.0	59.1

The 2007/08 financial year has seen another outstanding result from the business, with profit after tax of $19.7 million up 15.4% on the previous year.

Operating revenues for the year reached $466.1 million, an increase of 11.5% on the previous year. The higher operating revenues were achieved from organic growth from the existing customer base and the impact of our recent acquisitions.

Earnings per share were 28.6 cents per share, up 12.8%.

The normalised profit after tax, after excluding non trading items from the previous year, showed underlying growth in earnings of 19.2%. The normalised earnings before interest and tax, excluding non trading items, reached $33.4 million, up 16.9 % on the previous year. A pleasing aspect to the result was the improvement in our overall margins. This was largely driven by the increased productivity achieved by the rail freight forwarding business as a result of the increased infrastructure expenditure by Government.

directors' report

K&S CORPORATION LIMITED

Operating and Financial Review continued

Margins were also positively impacted by the synergies that were achieved across the Group following the DTM acquisition. These annualised savings have exceeded $2 million. We have now positioned the DTM brand for growth.

On 31 January 2008, we announced that we had acquired the business of Brookes Transport Co (Brookes). Brookes has a strong focus on the timber industry in Western Australia and deals with many of the same customers as K&S in the eastern states.

We expect to achieve synergies from the Brookes acquisition once the integration process is completed.

The highly publicised increasing cost of fuel has had a negative impact on the performance of the business in both May and June, as the additional costs are not fully recoverable until July and August. The escalating cost of fuel can be expected to flow through to the ultimate consumer therefore impacting the strength of the broader economy.

Our strategy has been, and continues to be, to grow the business through carefully targeted acquisitions, organic growth and competitively win new tenders that deliver benefits to Shareholders.

Since being granted self insurance under the Commonwealth Workers' Compensation Scheme (Comcare) on 1 July 2006, K&S has transformed its culture and safety performance.

A fully franked final dividend of 8.0 cents per share (last year 7.0 cents per share) has been declared by the Directors. This follows the interim fully franked dividend of 8.0 cents per share paid in March 2008, making the total dividend of 16 cents per share for the year, representing a payout ratio of 55.96% of earnings. However, this final dividend has not been provided for in the accounts as it was declared after balance date on 26 August 2008. This is in accordance with the Accounting Standard AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

The final dividend will be paid on 31 October 2008 (the date for determining entitlements is 17 October 2008).

The Company's Dividend Reinvestment Plan (DRP) will once again apply to the October 2008 dividend. The terms of the DRP will remain unchanged, with the issue price under the DRP based on the weighted average trading price of K&S shares in the five business days ending on 17 October 2008 (the record date of the final dividend), less a discount of 2.5%.

The major industry sectors in which the Group operates continued to perform well during the year. However, economic conditions that currently prevail may lead to uncertain times ahead.

The Directors are confident that we are well placed to deal with the uncertain trading conditions in the new financial year.

We will continue to be innovative in taking the Company forward while mindful of risks, particularly given the state of the credit markets and the general economic outlook.

Significant Changes in the State of Affairs

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

On 31 January 2008, K&S Corporation Limited announced that it had acquired the business of Brookes Transport Co ("Brookes"). Brookes has a strong focus on the timber industry in the Bunbury region of Western Australia and has exposure to many of the same customers as K&S on the eastern seaboard. At the time of acquisition, Brookes generated annual revenues of $22 million and employed over 130 people. The acquisition was completed on 1 February 2008.

Environmental Regulation and Performance

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

The consolidated entity has a Board Committee which monitors compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this report.

Climate Change

K&S currently participate in the Australian Greenhouse Office Greenhouse Challenge Plus Program and the Energy Efficiency Opportunities Program. The Company is complying with its assessment and reporting obligations under these programs.

Transport and Warehousing

The transport and warehousing business is subject to the Dangerous Goods Acts in Commonwealth and State legislation. The consolidated entity monitors performance and recorded two minor incidents during the year.

Fuel

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

Dividends

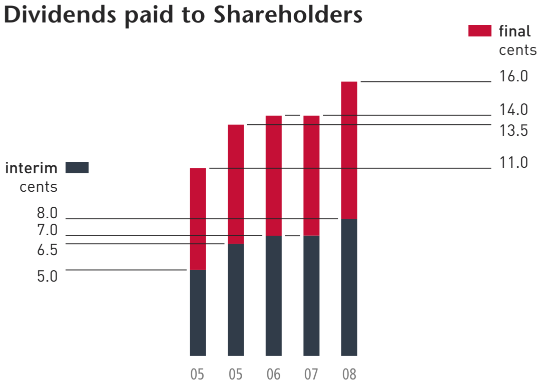
Dividends paid or declared by the Company to members since the end of the previous financial year were:

1. A final fully franked ordinary dividend (taxed to 30%) of 7 cents per share amounting to $4,810,724 in respect of the year ended 30 June 2007 was declared on 21 August 2007 and paid on 31 October 2007;
2. A fully franked preference dividend (taxed to 30%) of 4 cents per share amounting to $4,800 in respect of the year ended 30 June 2007 was declared on 21 August 2007 and paid on 31 October 2007;

An interim fully franked ordinary dividend (taxed to 30%) of 8.0 cents per share in respect of the year ended 30 June 2008 was declared on 26 February 2008 and paid on 31 March 2008 amounting to:	$5,516,436
The final dividend declared by the Directors of the Company on 26 August 2008 and payable on 31 October 2008 in respect of the year ended 30 June 2008 comprises:	
1 A fully franked ordinary dividend (taxed to 30%) of 8.0 cents per share; and	$5,529,782
2 A fully franked preference dividend (taxed to 30%) of 4.0 cents per share.	$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 26 August 2008, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2008 financial year. The total amount of the dividend is $5,529,782, which represents a fully franked dividend of 8.0 cents per share. The dividend has not been provided for in the 30 June 2008 financial statements and is payable on 31 October 2008. The Dividend Reinvestment Plan (DRP) will apply to the final dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 17 October 2008 (the record date of the final dividend), less a discount of 2.5%.

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

Likely Developments

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

Directors

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

Tony Johnson *(Non-executive Chairman)*
Legh Winser *(Managing Director)*
Laurie Ackroyd *(Resigned as Director and Chairman of the Audit Committee on 31 July 2007)*
Jim Osborne *(Resigned as Director on 18 December 2007)*
Greg Boulton *(Deputy Chairman)*
Richard Nicholson
Bruce Grubb
Ray Smith

Secretary

Chris Bright BEc, LLB, Grad Dip CSPM, FCIS

With the exception of Mr Winser, all Directors are Non-Executive Directors. Particulars of Directors' qualifications, experience, special responsibilities and other relevant Directorships are on *pages 20 and 21* of the Annual Report.

Directors' Interests

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

	Ordinary Shares
Mr R Nicholson	8,236
Mr B Grubb	14,600
Mr L Winser	316,308

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

	Ordinary Shares
Mr G Boulton	130,160
Mr T Johnson	182,631
Mr L Winser	76,634
Mr R Smith	5,000
Mr R Nicholson	5,990
Mr B Grubb	92,717

Directors' Meetings

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

Director	Directors' Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Environmental Committee Meetings	
	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held
Mr T Johnson	16	16	-	-	1	1	4	4
Mr R Nicholson	16	16	-	-	1	1	-	-
Mr G Boulton	15	16	4	4	-	-	-	-
Mr J Osborne	7	8	2	2	-	-	2	2
Mr B Grubb	14	14	-	-	-	-	4	4
Mr R Smith	6	6	2	2	-	-	-	-
Mr L Ackroyd	1	1	-	-	-	-	-	-
Mr L Winser	16	16	-	-	1	1	4	4

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, and includes the five executives in the Group receiving the highest remuneration.

For the purposes of this report, the term executive encompasses the Managing Director, Senior Executives, General Managers and Secretaries of the Parent and the Group.

Details of the Key Management Personnel (including the five executives in the Group receiving the highest remuneration):

Directors

Mr T Johnson	*Non-Executive Chairman*
Mr G Boulton	*Non-Executive Deputy Chairman*
Mr J Osborne	*Non-Executive – resigned 18 December 2007*
Mr R Smith	*Non-Executive – appointed 15 February 2008*
Mr R Nicholson	*Non-Executive*
Mr B Grubb	*Non-Executive – appointed 31 July 2007*
Mr L Ackroyd	*Non-Executive – resigned 31 July 2007*
Mr L Winser	*Managing Director*

Executives

Mr S Fanning	*General Manager K&S Freighters*
Mr G Wooller	*General Manager Full Load, Fleet & Bulk*
Mr B Walsh	*Chief Financial Officer*
Mr P Sarant	*General Manager DTM*
Mr G Price	*Commercial Manager*
Mr C Bright	*Group Legal Counsel & Company Secretary*

Remuneration Report continued

Remuneration Philosophy

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

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

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

The Nomination and Remuneration Committee

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors' shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 18 November 2007 when Shareholders approved an aggregate remuneration of $500,000 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 advice from external consultants, as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review. Each Non-Executive Director receives a fee for being a Director of the Company.

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 2008 is detailed on page 31 of this report.

Executive Director and Senior Manager Remuneration

Objective

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

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

Structure

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

For the Managing Director and the other Senior Executives, remuneration programs are balanced with a mix of fixed and variable rewards. The make up and eligibility criteria for short term incentives are recommended to the Board by the Nomination and Remuneration Committee prior to the commencement of each financial year. For the year ended 30 June 2008, the adoption of at risk short term incentives comprising 20% and 10% of the base emolument of the Managing Director and Executives respectively was approved by the Board. The payment of such short term incentives can either be as a cash bonus or superannuation contributions and is in addition to the base emolument. Payment of the short term incentive is conditional upon the achievement by the Company of budgeted profit after tax on a normalised basis and excluding any one off or non-trading items (eg, profit on the sale of real estate). Where budgeted profit after tax on a normalised basis is not achieved, no short term incentive is payable to the Managing Director and Executives.

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

For the year ended 30 June 2008, the eligibility criteria for the payment of short term incentives were satisfied.

The Board has approved the adoption of at risk short term incentives for the Managing Director and Executives for the year ended 30 June 2009 on the same basis as outlined above. The total short term incentives payable to the Managing Director and Executives for the year ended 30 June 2009 if eligibility criteria are met will be $241,000.

Employment Contracts

It is the Nomination and Remuneration Committee's policy that fixed term contracts are only entered into with the Managing Director and with no other Executives. The Managing Director, Mr Legh Winser, has a contract of employment with the Company. His remuneration comprises a salary and allowances package. On early termination, Mr Winser would receive up to 12 months salary and benefits. The contract does not contain express terms as to the duration of the contract, periods of notice and required termination details. Mr Winser is not present whilst discussions are held in relation to his performance and salary package.

Remuneration Report continued

Employee Share Plan

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

The first offer to employees was made on 5 September 2007 under the Plan. It is envisaged that offers will be made annually in September to eligible employees. Acceptances under the first offer were 397,500 at $3.36 per share.

The issue price of the shares offered under the Plan was the weighted average price of the Company's shares on the first 5 trading days immediately following the announcement of the Company's preliminary final results on 22 August 2007.

Eligible employees' annual entitlements to participate in the Plan are currently set by the Company's Directors as follows, in line with the entitlements notified to Shareholders at the Company's Annual General Meeting on 21 November 2006:

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

Directors' Retirement Benefits

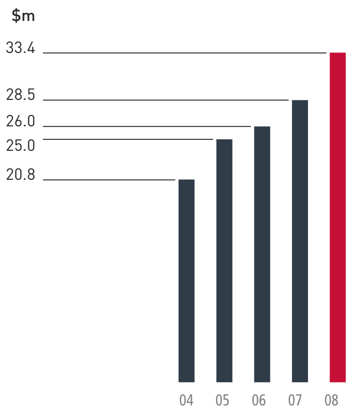
A change to the Directors' retirement benefits calculation was made in July 2004 to freeze accumulation of years of service of Directors' as at 30 June 2004. No Director commencing after 1 July 2004 is eligible for any benefits under the retirement scheme.

The expenditure provided (not paid) during the year ended 30 June 2008 is attributable only to the method of calculation which involves the averaging of the fees paid to Directors, as per the benefits scheme in operation up to 30 June 2004.

Company Performance

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

Normalised EBIT



Remuneration of Directors and Named Executives

Table 1: Directors' remuneration

Directors		Short-Term Base Emolument $	Cash Bonus $	Non-Cash Benefits $	Other Long-Term Long Service Benefit $	Post Employment Retirement Benefits $	Super Contributions $	Total $	Performance Related %
T Johnson	2008	90,000	-	-	-	45,000	9,900	144,900	-
	2007	80,000	-	-	-	45,000	8,800	133,800	-
L Ackroyd*	2008	3,750	-	-	-	-	413	4,163	-
	2007	45,000	-	-	-	1,446	4,950	51,396	-
G Boulton	2008	52,000	-	-	-	3,500	5,720	61,220	-
	2007	45,000	-	-	-	5,000	4,950	54,950	-
R Nicholson	2008	52,000	-	-	-	7,000	5,720	64,720	-
	2007	45,000	-	-	-	10,000	4,950	59,950	-
J Osborne**	2008	26,000	-	-	-	-	2,860	28,860	-
	2007	45,000	-	-	-	4,666	4,950	54,616	-
R Smith+	2008	19,575	-	-	-	-	2,153	21,728	-
	2007	-	-	-	-	-	-	-	-
B Grubb^	2008	47,667	-	-	-	-	5,243	52,910	-
	2007	-	-	-	-	-	-	-	-
L Winser++	2008	338,958	68,000	65,598	8,500	-	48,835	529,891	12.83
	2007	315,000	-	66,478	8,083	-	34,650	424,211	-
Total	2008	629,950	68,000	65,598	8,500	55,500	80,844	908,392	
	2007	575,000	-	66,478	8,083	66,112	63,250	778,923	

* Mr L Ackroyd resigned as a Director on 31 July 2007.
** Mr J Osborne resigned as a Director on 18 December 2007.
^ Mr B Grubb was appointed a Director on 31 July 2007.
\+ Mr R Smith was appointed a Director on 15 February 2008.
++ Mr L Winser qualified for 100% of the short term incentive available to him for the year ended 30 June 2008.

Table 2: Remuneration of the five named Executives who received the highest remuneration and other Key Management Personnel

Executives		Short-Term Base Emolument $	Cash Bonus $	Non-Cash Benefits $	Other Long-Term Long Service Benefits $	Post Employment Super Contributions $	Total $	Performance Related %
S Fanning	2008	290,000	29,000	72,697	4,834	40,757	437,288	6.63
	2007	270,000	-	24,183	4,475	31,971	330,629	-
G Wooller	2008	225,000	25,000	21,343	3,750	32,477	307,570	8.12
	2007	165,000	-	21,704	2,750	16,708	206,162	
B Walsh	2008	200,000	20,000	24,335	5,000	28,877	278,212	7.19
	2007	190,000	-	23,613	4,750	23,171	241,534	-
P Sarant*	2008	155,303	25,000	17,884	2,557	21,589	222,333	11.24
	2007	-	-	-	-	-	-	-
G Price	2008	185,386	-	5,910	3,090	20,644	215,030	-
	2007	178,386	-	5,771	2,973	16,260	203,390	-
C Bright	2008	150,000	15,000	17,031	3,750	21,844	207,625	7.22
	2007	130,000	-	17,031	3,250	16,173	166,454	-
Total	2008	1,205,689	114,000	159,200	22,981	166,188	1,668,058	
	2007	933,386	-	92,302	18,198	104,283	1,148,169	

* Mr P Sarant commenced employment with the company on 19 November 2007.
\+ Cash bonuses have been accrued in the accounts and will be paid in September 2008. Executives qualified for 100% of the short-term incentive available for the year ended 30 June 2008.

General Disclosures

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

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 and its Directors, Executive Officers and Secretaries, have paid insurance premiums of $34,400 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 willful breach of duty or position to gain a personal advantage.

The officers of the Company covered by the policy include the current Directors T Johnson, G Boulton, R Nicholson, R Smith, B Grubb and L Winser. Mr L Ackroyd and Mr J Osborne were also covered by this policy during their period as Directors. 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.

Tax Consolidation

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

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of K&S Corporation Limited support the principles of corporate governance. The Company's Corporate Governance Statement commences on *page 34* of the Annual Report.

Rounding Off

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

Auditor Independence and Non-Audit Services

The entity's Auditor, Ernst & Young have provided the economic entity with an Auditors' Independence Declaration which is on page 99 of this report.

Non-Audit Services

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

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

IT Security Review $26,000

Dated at Adelaide this
26th day of August 2008.

Signed in accordance with a resolution of the Directors.

T Johnson
Chairman

L Winser
Managing Director

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

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

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

Principle 1	Lay solid foundations for management oversight
Principle 2	Structure the board to add value
Principle 3	Promote ethical and responsible decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Encourage enhanced performance
Principle 9	Remunerate fairly and responsibly
Principle 10	Recognise the legitimate interests of shareholders

The Roles of the Board and Management

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

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

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

All Management, including the Managing Director, have clear statements of roles and responsibilities.

Structure of the Board

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

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

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered independent judgement. Materiality of business corporate governance

In keeping with the Australian Stock Exchange Corporate Governance Council's Principles of Good Corporate Governance, this statement outlines the Company's compliance with the ASX principles.

Structure of the Board continued

and other relationships held by a Director is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements.

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

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

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

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

The Board considers the following Directors as not independent:

L Winser *Managing Director*

T Johnson *Non-Executive Director (Chairman)*
Mr Johnson is a Director of AA Scott Pty Ltd as well as Chairman of Scott Corporation Limited (a company controlled by AA Scott Pty Ltd, the largest Shareholder of K&S Corporation Limited). Mr Johnson is also a partner of Johnson Winter & Slattery which provides legal services to K&S Corporation Limited and its subsidiaries.

R Nicholson *Non-Executive Director*
Mr Nicholson was a Director of a number of companies within the Scott Group of privately owned companies for part of the year, one of which (AA Scott Pty Ltd) is the largest Shareholder of K&S Corporation Limited.

B Grubb *Non-Executive Director*
Mr Grubb is Chief Executive and Executive Director of Scotts Transport Industries Pty Ltd, a Director of Scott Corporation Limited, and a Director of a number of other companies within the Scott Group of companies, one of which (AA Scott Pty Ltd) is the largest Shareholder of K&S Corporation Limited.

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

- Recommendation 2.1 which requires that the majority of the Board be independent Directors. The Board considers that the mix of skills and experience of and the contributions by the non-independent Non-Executive Directors offsets the benefits to the Company of having a majority of independent Non-Executive Directors. However, as part of the review of Board Performance (refer below), Directors have regard to the balance of independent and non-independent Non-Executive Directors.
- Recommendation 2.4 which requires that the Nomination and Remuneration Committee be chaired by an independent Non-Executive Director and have a majority of independent Non-Executive Directors as members. Mr Nicholson replaced Mr Osborne (retired) as Chairman of the Nomination and Remuneration Committee during the course of the year. Mr Nicholson is not considered by Directors to be an independent Director. The other current members of the Nomination and Remuneration Committee (Messrs Johnson and Winser) are also not considered by Directors to be independent.

As the Nomination and Remuneration Committee is only empowered to make recommendations to the Board, Directors are of the view that any decisions as to nomination and remuneration are still subject to an appropriate level of scrutiny by independent Non-Executive Directors as those decisions are reserved to the Board.

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

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

Retirement and Re-election of Directors

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

Review of Board Performance

The Board implemented a process for the regular review of its overall performance, consistent with ASX Principle 8. Regular review involves both analysis by the Board of the results of a questionnaire completed by all Directors and discussion between the Chairman and each of the Directors.

The Board's performance review departs from Recommendation 8.1 as the review is conducted by the full Board, and not the Nomination and Remuneration Committee. As the Board is comprised of only six Directors, the Board considers this the most effective way to address its own performance.

Committees of the Board

Three standing Board Committees assist the Board in the discharge of its responsibilities. These committees are:

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

Audit Committee

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

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguard of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as benchmarking of operational key performance indicators.

Audit Committee continued

The Board has delegated to the Audit Committee the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity, consistent with ASX Principle 4.

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

Among the specific responsibilities set out in the Audit Committee Charter, the Audit Committee reviews all published accounts of the Group, reviews the scope and independence of external audits, monitors and assesses the systems for internal compliance and control, legal compliance and risk management and advises on the appointment, performance and remuneration of the external auditors.

The members of the Audit Committee during the year were:

Mr Smith *(Chairman)**
Mr Ackroyd +
Mr Boulton **
Mr Osborne ++

* *Mr Smith became a member of the Audit Committee on 15 February 2008 and was subsequently appointed Chairman on 26 February 2008.*

\+ *Mr Ackroyd resigned as a Director on 31 July 2007.*

** *Mr Boulton served as Chairman of the Audit Committee from 31 July 2007to 26 February 2008.*

++ *Mr Osborne became a member of the Audit Committee on 31 July 2007 and subsequently resigned as a Director on 18 December 2007.*

Mr Ackroyd, as Chairman of the Audit Committee, was not considered to be independent using the ASX Council's definition of independence as he was a former officeholder and employee of companies associated with the largest Shareholder of the Group. However, the Board considered that Mr Ackroyd's extensive experience in the fields of finance, accounting, transport and management brought an appropriate level of knowledge, experience, and expertise to the role of Chairman of the Audit Committee. Mr Ackroyd resigned as a Director on 31 July 2007.

Mr Boulton was appointed Chairman of the Audit Committee on 31 July 2007 and subsequently stepped down as Chairman on 26 February 2008. The Board considers Mr Boulton to be independent using the ASX Council's definition of independence.

Mr Osborne became a member of the Audit Committee on 31 July 2007 and subsequently resigned as a Director on 18 December 2007. The Board considers Mr Osborne to be independent using the ASX Council's definition of independence.

Mr Smith became a member of the Audit Committee on 15 February 2008 and was then appointed Chairman of the Audit Committee on 26 February 2008. The Board considers Mr Smith to be independent using the ASX Council's definition of independence.

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

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

The Audit Committee met on four occasions during the course of the year.

Nomination and Remuneration Committee

Consistent with ASX Principle 9, the Board has a Nomination and Remuneration Committee with a formal Charter. The role of the Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, Senior Executives and Directors themselves.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The Nomination and Remuneration Committee obtains independent advice on the appropriateness of remuneration packages. It also plays a role in evaluation of the performance of the Managing Director and management succession planning. This role includes the responsibility for incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies, professional indemnity and liability insurance policies.

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

Mr Osborne *(Chairman)**
Mr Nicholson +
Mr Winser
Mr Johnson **

* *Mr Osborne resigned as a director on 18 December 2007.*

\+ *Mr Nicholson was appointed Chairman of the Nomination and Remuneration Committee on 22 April 2008.*

** *Mr Johnson was appointed a member of the Nomination and Remuneration Committee on 22 April 2008.*

The Nomination and Remuneration Committee meets at least once a year and as required. The Committee met formally once, but also informally on several other occasions during the year.

The Company's Non-Executive Directors receive only fees and superannuation for their services and the reimbursement of reasonable expenses. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of, those Directors. The advice of independent remuneration consultants is taken as well as benchmarking against external remuneration data for comparable companies to establish that the Directors' fees are in line with market standards. Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration.

A Directors' fee pool limit of $500,000 for Non-Executive Directors was approved by Shareholders at the Annual General Meeting on 18 November 2007. This fee pool is only available to Non-Executive Directors. The Non-Executive Directors received $52,000 each and the Chairman was paid $90,000. Committee membership does not entitle a Director to additional fees.

The Managing Director, Mr Legh Winser, has a contract of employment with the Company. His remuneration comprises a salary and allowances package. On early termination, Mr Winser would receive up to twelve months salary and benefits. The contract does not disclose the duration of the contract, period of notice and required termination details. Mr Winser is not present while discussions are held in relation to his performance and salary package.

The Non-Executive Directors' retirement benefits scheme entitlements were frozen in years of service as at 30 June 2004 and will be paid on retirement.

The structure and disclosure of the Company's remuneration of Non-Executive Directors is consistent with ASX Principle 9.

Further details of Directors' remuneration, superannuation and retirement payments are set out in the Directors' Report on *pages 22 to 33*.

Environmental Committee

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

The members of the Environmental Committee during the year were:

Mr Johnson *(Chairman)*
Mr Osborne *
Mr Winser
Mr Grubb +

* *Mr J Osborne resigned as a Director on 18 December 2007.*

\+ *Mr B Grubb was appointed a member of the Environmental Committee on 21 August 2007.*

The Company Secretary acts as Secretary to the Environmental Committee.

The Environmental Committee is responsible for:

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

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

The Environmental Committee met four times during the year.

Financial Reporting

Consistent with the ASX Principle 4, the Company's financial report preparation and approval process for the financial year ended 30 June 2008, involved both the Managing Director and Chief Financial Officer certifying the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

This sign off also includes assurances as to the Company's risk management processes and internal compliance and control procedures.

Audit Governance and Independence

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

The Company's current external Auditors are Ernst & Young. The effectiveness, performance and independence of the external Auditor is reviewed by the Audit Committee.

If it becomes necessary to replace the external Auditor for performance or independence reasons, the Audit Committee will then formalise a process for the selection and appointment of new Auditors.

Ernst & Young has a policy for the rotation of the lead audit partner for their clients. The lead audit partner and the audit review partner for the Company were rotated at the commencement of the year ended 30 June 2008.

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

Consistent with ASX Principles 6 & 10, Ernst & Young attend, and are available to answer questions at the Company's Annual General Meetings.

Risk Management

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risk in the business. The management systems in place as part of the risk management controls include:

- Capital expenditure and new revenue contract commitments above set limits obtain prior Board approval.
- Financial exposures are controlled and the use of derivatives is limited to interest rate swaps.
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations.
- Business transactions are properly authorised and executed.
- A comprehensive annual insurance programme, including external risk management survey and action plans.
- Annual budgeting and monthly reporting systems for all business units, which enable the monitoring of progress against performance targets and the evaluation of trends.
- Appropriate due diligence procedures for acquisitions and divestments.
- Disaster management systems for key IT systems and recovery plans.
- Documentation of business wide risk identification and mitigation strategies.

Management is responsible to the Board for the Group's system of internal control and risk management.

The Audit Committee through its Charter assists the Board in monitoring this role.

Continuous Disclosure

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

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

The Chairman, or in his absence the Deputy Chairman, approves all price sensitive releases to the Australian Securities Exchange prior to release.

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

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

Conflict of Interest

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

Director Dealing in Company Shares

The Constitution permits Directors and Officers to acquire shares in the Company. Company policy prohibits Directors, Associates and Officers from dealing in Company shares or Executive options:

- Except up to 30 days after either the release of the Company's half year and annual results to the Australian Securities Exchange, the Annual General Meeting or any major announcement.
- Whilst in possession of price sensitive information.
- Outside windows as stated above, except where they have obtained the approval of the Chairman.

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

International Quality Standard ISO 9001

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

Ethical Standards

The Board has adopted the Code of Conduct produced by the Australian Institute of Company Directors to guide the Directors and promote high ethical and professional standards.

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

Code of Conduct

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

Trade Practices

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

Other Policies

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

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

Communication with Shareholders

The Company places considerable importance on communication with Shareholders.

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

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

The communication strategy is consistent with ASX Principle 10.

financial report

for the financial year ended 30 june 2008

K&S CORPORATION LIMITED

ABN 67 007 561 837

Contents

income statement

for the year ended 30 june 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Revenue from rendering of services		**398,183**	366,019	**-**	-
Revenue from sale of goods		**67,908**	51,965	**-**	-
Dividends		**-**	-	**10,000**	10,000
Finance revenue		**301**	321	**9**	4
Revenue	5(a)	**466,392**	418,305	**10,009**	10,004
Cost of goods sold		**(63,162)**	(47,906)	**-**	-
Gross profit		**403,230**	370,399	**10,009**	10,004
Other income	5(b)	**2,334**	3,050	**516**	504
Contractor expenses		**(152,897)**	(139,951)	**-**	-
Employee benefits expenses	5(e)	**(106,921)**	(96,673)	**(397)**	(370)
Fleet expenses		**(80,919)**	(72,412)	**-**	-
Depreciation expense	5(d)	**(19,376)**	(18,998)	**-**	-
Finance costs	5(c)	**(5,362)**	(4,998)	**(5)**	(15)
Other expenses		**(11,939)**	(16,913)	**(28)**	(121)
2002 fraud related recoveries/(expenses), net		**(142)**	1,383	**-**	-
Share of profit/(loss) of associates	13	**3**	(568)	**-**	-
Profit before income tax		**28,011**	24,319	**10,095**	10,002
Income tax (expense)/benefit	6	**(8,341)**	(7,274)	**(16)**	69
Profit after income tax		**19,670**	17,045	**10,079**	10,071
Profit attributable to members of the parent		**19,670**	17,045	**10,079**	10,071
Earnings per share (cents per share)	7				
• basic for profit for the year attributable to ordinary equity holders of the parent		**28.59**	25.34		
• diluted for profit for the year attributable to ordinary equity holders of the parent		**28.59**	25.34		
Dividends per share (cents per share)	8	**16.0**	14.0		

The above income statement should be read in conjunction with the accompanying notes.

balance sheet

as at 30 june 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	12,855	22,280	-	-
Trade and other receivables	10	60,118	47,159	78,056	67,321
Inventories	11	3,974	1,966	-	-
Prepayments		3,805	3,459	-	-
Derivatives		194	36	-	-
Total current assets		80,946	74,900	78,056	67,321
Non-current assets					
Other receivables	10	989	232	18,831	17,961
Prepayments		-	75	-	-
Investments in associates	13	27	28	-	-
Other financial assets	12	-	-	32,418	32,418
Property, plant & equipment	14	185,113	179,921	-	-
Intangibles	15	24,636	21,289	-	-
Deferred tax assets	6	5,714	4,772	194	202
Total non-current assets		216,479	206,317	51,443	50,581
TOTAL ASSETS		297,425	281,217	129,499	117,902
LIABILITIES					
Current liabilities					
Trade and other payables	17	51,829	43,955	52,408	44,037
Interest bearing loans and borrowings	18	15,711	17,166	-	-
Income tax payable		2,479	2,286	2,801	1,903
Provisions	19	9,973	8,763	-	-
Derivatives		-	15	-	-
Total current liabilities		79,992	72,185	55,209	45,940
Non-current liabilities					
Interest bearing loans and borrowings	18	53,911	56,541	60	60
Deferred tax liabilities	6	15,215	14,716	69	69
Provisions	19	1,802	1,712	457	484
Total non-current liabilities		70,928	72,969	586	613
TOTAL LIABILITIES		150,920	145,154	55,795	46,553
NET ASSETS		146,505	136,063	73,704	71,349
EQUITY					
Contributed equity	20	55,373	52,771	55,373	52,771
Reserves		19,673	21,177	161	161
Retained earnings		71,459	62,115	18,170	18,417
TOTAL EQUITY		146,505	136,063	73,704	71,349

The above balance sheet should be read in conjunction with the accompanying notes.

statement of changes in equity

for the year ended 30 june 2008

	Issued capital $'000	Retained earnings $'000	Asset revaluation reserves $'000	Forex translation reserves $'000	Cash flow hedge reserves $'000	Total equity $'000
CONSOLIDATED						
At 1 July 2006	44,512	54,462	5,389	(974)	(132)	103,257
Revaluation of land & buildings	-	-	22,238	-	-	22,238
Deferred income tax on revaluation	-	-	(6,671)	-	-	(6,671)
Currency translation differences	-	-	-	1,182	-	1,182
Net gain on cash flow hedge	-	-	-	-	145	145
Total income and expense for the period recognised directly in equity	-	-	**15,567**	**1,182**	**145**	**16,894**
Profit for the period	-	17,045	-	-	-	17,045
Total income and expense for the period	-	**17,045**	**15,567**	**1,182**	**145**	**33,939**
Issue of share capital	8,259	-		-	-	8,259
Equity dividends	-	(9,392)	-	-	-	(9,392)
At 30 June 2007	**52,771**	**62,115**	**20,956**	**208**	**13**	**136,063**
Currency translation differences	-	-	-	(1,625)	-	(1,625)
Net gain on cash flow hedge	-	-	-	-	121	121
Total income and expense for the period recognised directly in equity	-	-	-	**(1,625)**	**121**	**(1,504)**
Profit for the period	-	19,670	-	-	-	19,670
Total income and expense for the period	-	**19,670**	-	**(1,625)**	**121**	**18,166**
Issue of share capital	2,602	-		-	-	2,602
Equity dividends	-	(10,326)	-	-	-	(10,326)
At 30 June 2008	**55,373**	**71,459**	**20,956**	**(1,417)**	**134**	**146,505**
PARENT						
At 1 July 2006	44,512	17,738	161	-	-	62,411
Profit for the period	-	10,071	-	-	-	10,071
Total income and expense for the period	-	**10,071**	-	-	-	**10,071**
Issue of share capital	8,259	-	-	-	-	8,259
Equity dividends	-	(9,392)	-	-	-	(9,392)
At 30 June 2007	**52,771**	**18,417**	**161**	-	-	**71,349**
Profit for the period	-	10,079	-	-	-	10,079
Total income and expense for the period	-	**10,079**	-	-	-	**10,079**
Issue of share capital	2,602	-	-	-	-	2,602
Equity dividends	-	(10,326)	-	-	-	(10,326)
At 30 June 2008	**55,373**	**18,170**	**161**	-	-	**73,704**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

cash flow statement

for the year ended 30 june 2008

	Note	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**516,994**	471,667	**516**	504
Cash payments to suppliers and employees		**(458,240)**	(413,724)	**(425)**	(491)
Dividends received		-	-	**10,000**	10,000
Interest received		**301**	321	**9**	4
Borrowing costs paid		**(5,362)**	(4,998)	**(5)**	(15)
Income taxes paid		**(8,609)**	(11,073)	**(8,661)**	(11,150)
Net goods and services tax paid		**(13,670)**	(12,197)	-	-
2002 fraud related recoveries		**(142)**	1,383	-	-
Net cash provided by/(used) in operating activities	9	**31,272**	31,379	**1,434**	(1,148)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of non-current assets		**4,597**	5,224	-	-
Payments for property plant & equipment		**(8,381)**	(5,535)	-	-
Acquisition of business		**(15,675)**	-	-	-
Acquisition of subsidiaries		-	(10,523)	-	-
Net cash provided by/(used) in investing activities		**(19,459)**	(10,834)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issue		**221**	-	**221**	-
Proceeds from borrowings		**16,000**	13,000	-	-
Repayments of borrowings		**(10,213)**	(5,964)	-	-
Lease and hire purchase liability repayments		**(18,170)**	(15,585)	-	-
Dividends paid, net of dividend reinvestment plan		**(9,060)**	(8,134)	**(9,060)**	(8,134)
Proceeds/(Repayment) of loans to controlled entities		-	-	**10,273**	9,282
Net cash provided by/(used) in financing activities		**(21,222)**	(16,683)	**1,434**	1,148
Net increase/(decrease) in cash held		**(9,409)**	3,862	-	-
Cash at the beginning of the financial year		**22,280**	18,349	-	-
Effects of exchange rate variances on cash		**(16)**	69	-	-
Cash at the end of the financial year	9	**12,855**	22,280	-	-

The above cash flow statement should be read in conjunction with the accompanying notes.

notes to the financial statements

for the year ended 30 june 2008

1 Corporate Information

The financial report of K&S Corporation Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of Directors on 26 August 2008.

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

2 Summary of Significant Accounting Policies

a) Basis of preparation

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

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

b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2008.

These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 Jan 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 July 2008
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 Jan 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1 Jan 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1 Jan 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 Jan 2009	These amendments AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 Jan 2009	These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

2 Summary of Significant Accounting Policies continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008–7	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 Jan 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009
AASB 2008-5 & AASB 2008-6	Amendments to Australian Accounting Standards arising from the Annual Improvements Project Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 Jan 2009 1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009

2 Summary of Significant Accounting Policies continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Amendments to International Financial Reporting Standards	Eligible Hedged Items	To clarify how the principles that determine whether a hedged risk or portion of cash flows IS eligible for designation should be applied in particular situations.	1 July 2009	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 Jan 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009

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

c) 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 consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair vale of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

d) Significant accounting judgments, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets within the next annual reporting period are:

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires

an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in *Note 16*.

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

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

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

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

e) Business combination

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in the business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unrealistic indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where the settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

f) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

g) Revenue

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

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

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

ii) Rendering of services
Service revenue from the distribution of customer goods is recognised when delivered or when services are fully provided.

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

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

h) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangements of borrowings and leased finance charges. Borrowing costs are recognised as an expense when incurred.

i) Cash and cash equivalents

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

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

j) Leases

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

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

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

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

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

k) Trade and other receivables

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

l) 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.

m) Derivative financial instruments

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

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

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

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

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

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

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

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

n) Derecognition of financial assets and liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

n) Derecognition of financial assets and liabilities continued

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

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

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

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

o) Impairment of financial assets

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

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

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

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

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

Available-for-sale investments
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the Income Statement.

Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

p) 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 balance sheet date.

All exchange differences in the consolidated financial report are taken to the Income Statement 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 the income statement.

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 Balance Sheet date and the Income Statements are translated at the weighted average exchange rates for the period.

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

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

q) Investment in associates

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

The financial statements of the associates are used by the Group to apply the equity method. The reporting dates of the associates and the Group are identical and all use consistent accounting policies. The investments in associates are carried in the consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value.

The consolidated Income Statement reflects the Group's share of the results of operations of the associates. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

r) Income tax

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. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

r) Income tax continued

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance sheet 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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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.

s) 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 Balance Sheet.

Cash flows are included in the Cash Flow Statement 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.

t) Property, plant and equipment

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

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

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

Buildings	2.5% p.a
Motor Vehicles	5% - 40% p.a
Plant and equipment	5% - 27% p.a

i) Impairment

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

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

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

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

ii) Revaluations

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

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

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Balance Sheet unless it reverses a revaluation decrease of the same asset previously recognised in the Income Statement.

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

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

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

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the Balance Sheet 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 the Income Statement in the period the item is derecognised.

u) Investments and other financial assets

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

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

Financial assets at fair value through profit or loss

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Loans and receivables

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

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

v) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit for the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

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.

w) Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

Development costs

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to the use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during the development. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

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

x) Impairment of assets

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

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

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

y) 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.

z) Interest-bearing loans and borrowings

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

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

Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

aa) 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 Income Statement 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.

bb) Employee leave benefits

i) Wages, salaries, annual leave and sick leave

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

ii) Long service leave

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

iii) Defined contribution superannuation funds

The commitment to defined contribution plans is limited to making contributions in accordance with the minimum statutory requirements.

The Group does not have any legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to current and past employee services.

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Income Statement 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.

cc) 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.

dd) Earnings per share

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

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

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

3 Financial Risk Management Objectives and Policies

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

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, principally interest rate swaps contracts.

The purpose is to manage the interest rate risk arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk and credit risk.

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

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

Fair values

Set out below is a comparison by category of carrying amount and fair values of all the Group's financial instruments recognised in the financial statements.

The fair values of financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contracted future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amount of bank loans, trade debtors, trade creditors and accruals, lease liabilities, employee entitlements and dividends payable approximate net fair value.

	Carrying Amount		Fair Value	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
CONSOLIDATED				
Financial assets				
– Cash	**12,855**	22,280	**12,855**	22,280
– Receivables	**61,107**	47,391	**61,107**	47,391
– Derivatives	**194**	36	**194**	36
Financial liabilities				
On balance sheet				
– Trade creditors and accruals	**(51,829)**	(43,955)	**(51,829)**	(43,955)
– Bank loans – secured	**(25,090)**	(19,907)	**(25,090)**	(19,907)
– Hire purchase liabilities – secured	**(44,472)**	(53,740)	**(44,472)**	(53,740)
– Derivatives	-	(15)	-	(15)
Off balance sheet				
– Contingencies	-	-	-	-

Risk exposures and responses

Interest rate risk

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

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

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financial assets				
– Cash and cash equivalents	**12,855**	22,280	-	-
Financial liabilities				
– Bank loans	**(25,090)**	(19,907)	-	-
Net exposure	**(12,235)**	2,373	-	-

Interest rate swap contracts are outlined in *Note 21*.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates.

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

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Consolidated				
+ 1% (100 basis points)	**(43)**	(2)	**94**	234
− 0.5% (50 basis points)	**21**	1	**(47)**	(117)
Parent				
+ 1% (100 basis points)	-	-	-	-
− 0.5% (50 basis points)	-	-	-	-

The movements in profit are due to higher/lower interest costs from variable debt and cash balances. The movement in equity is due to an increase/decrease in the fair value of derivative instruments designated as cash flow hedges.

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.
It is the Group's policy that customers who wish to trade on credit more than $1,000 per week are subject to credit verification procedures.

The consolidated entity also minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various states. The Group is not materially exposed to any individual customer or individual state. Concentration of credit risk on trade debtors due from customers are: Transport 90% (2007: 92%) and Fuel 10% (2007: 8%).

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

Foreign currency risk

The Group's exposure to currency risk is minimal.

Liquidity risk

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

The following table provides the remaining contractual maturities of the Group's financial liabilities:

	Carrying amount $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Non-derivative financial liabilities					
2008					
Secured bank loans	25,090	2,072	27,162	-	29,234
Trade and other payables	51,829	51,829	-	-	51,829
Financial lease liabilities	44,472	18,456	15,864	15,588	49,908
	121,391	72,357	43,026	15,588	130,971
2007					
Secured bank loans	19,907	1,434	1,434	21,341	24,209
Trade and other payables	43,955	43,955	-	-	43,955
Financial lease liabilities	53,740	20,829	16,412	23,607	60,848
	117,602	66,218	17,846	44,948	129,012

The Parent has related party loans totalling $52,408,000 (2007: $44,037,000) which are interest free and payable on demand.

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

4 Segment Information

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

The Group comprises the following main business segments, based on the consolidated entity's management reporting system.

- Transport – the provision of transportation and logistical services to customers
- Fuel – the distribution of fuel to fishing, farming and retail customers within the South East of South Australia

	Transport		Fuel		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Revenue						
Revenue from customers outside the economic entity	**398,183**	366,019	**67,908**	51,965	**466,091**	417,984
Inter-segment revenue	**1,086**	1,031	**33,572**	28,437	**-**	-
Total segment revenue	**399,269**	367,050	**101,480**	80,402	**466,091**	417,984
Non-segment revenues						
Interest					**301**	321
Total consolidated revenue					**466,392**	418,035
Results						
Segment result	**32,080**	28,813	**1,290**	1,072	**33,370**	29,885
Profit before tax & finance costs					**33,370**	29,885
Finance costs					**(5,362)**	(4,998)
Share of profit/(loss) of associate	**3**	(568)	**-**	-	**3**	(568)
Profit before income tax					**28,011**	24,319
Income tax expense					**(8,341)**	(7,274)
Net profit for the year					**19,670**	17,045
Assets and liabilities						
Segment assets	**288,091**	275,638	**9,307**	5,551	**297,398**	281,189
Investment in associates	**27**	28	**-**	-	**27**	28
Total assets	**288,118**	275,666	**9,307**	5,551	**297,425**	281,217
Segment liabilities	**141,254**	139,980	**9,666**	5,174	**150,920**	145,154
Total liabilities	**141,254**	139,980	**9,666**	5,174	**150,920**	145,154
Other segment information						
Capital expenditure	**30,270**	25,849	**84**	-	**30,354**	25,849
Depreciation	**19,085**	18,964	**291**	34	**19,376**	18,998
Fraud related (recoveries)	**-**	(1,517)	**-**	-	**-**	(1,517)
Costs relating to fraud recovery	**142**	134	**-**	-	**142**	134
Cash flow information						
Net cash flow from operating activities	**29,990**	30,439	**1,282**	940	**31,272**	31,379
Net cash flow from investing activities	**(19,375)**	(10,834)	**(84)**	-	**(19,459)**	(10,834)
Net cash flow from financing activities	**(20,024)**	(15,750)	**(1,198)**	(933)	**(21,222)**	(16,683)

4 Segment Information continued

Geographical segments

The Group's geographical segments are determined based on the location of the Group's assets.

The following table presents revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2008 and 30 June 2007:

	Australia		New Zealand		Consolidated	
	2008	2007	2008	2007	2008	2007
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Sales to external customers	**442,251**	394,030	**23,840**	23,954	**466,091**	417,984
Other revenues from external customers	**291**	297	**10**	24	**301**	321
Segment revenue	**442,542**	394,327	**23,850**	23,978	**466,392**	418,305
Other segment information						
Segment assets	**271,386**	249,096	**26,012**	32,093	**297,398**	281,189
Investments in associates	-	-	**27**	28	**27**	28
Total assets					**297,425**	281,217
Capital expenditure	**30,222**	23,873	**132**	1,976	**30,354**	25,849

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000

5 Revenues and Expenses

Revenue

	2008 $'000	2007 $'000	2008 $'000	2007 $'000
a) Rendering of services	**398,183**	366,019	**-**	-
Sale of goods	**67,908**	51,965	**-**	-
Dividends:				
– Subsidiaries	**-**	-	**10,000**	10,000
Finance revenue	**301**	321	**9**	4
	466,392	418,305	**10,009**	10,004
b) Other Income				
– Net gains on disposal of property, plant and equipment	**1,390**	2,358	**-**	-
– Other	**944**	692	**516**	504
	2,334	3,050	**516**	504
c) Finance costs				
– Related parties – other	**5**	5	**5**	5
– Other parties	**1,708**	1,473	**-**	10
– Finance charges on capital leases	**3,649**	3,520	**-**	-
Total finance costs	**5,362**	4,998	**5**	15
d) Depreciation				
– Buildings	**1,442**	1,080	**-**	-
– Motor vehicles	**15,975**	16,309	**-**	-
– Plant and equipment	**1,959**	1,609	**-**	-
Total depreciation expenses	**19,376**	18,998	**-**	-
e) Employee benefits expense				
– Wages and salaries	**85,802**	76,503	**291**	260
– Workers' compensation costs	**4,657**	4,854	**-**	-
– Long service leave provision	**651**	597	**-**	-
– Annual leave provision	**5,165**	5,016	**-**	-
– Payroll tax	**4,789**	4,360	**18**	15
– Defined contribution plan expense	**5,800**	5,277	**32**	29
– Directors retirement scheme expense	**57**	66	**56**	66
Total employee benefits expenses	**106,921**	96,673	**397**	370
f) Operating lease rental expense				
– Property	**8,609**	8,978	**-**	-
– Plant and equipment	**2,043**	3,173	**-**	-
	10,652	12,151	**-**	-

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
6 Income Tax				
The major components of income tax expense are:				
Income statement				
Current income tax				
– Current income tax charge	**8,846**	8,224	**22**	20
– Adjustments in respect of current income tax of previous years	**(96)**	(244)	**(14)**	(69)
Deferred income tax				
– Relating to origination and reversal of temporary differences	**(409)**	(706)	**8**	(20)
Income tax expense reported in the income statement	**8,341**	7,274	**16**	(69)
Statement of changes in equity				
Deferred income tax related to items charged or credited directly to equity				
– Net gain on revaluation of land and buildings	**-**	6,671	**-**	-
– Net gain on cash flow hedge	**54**	145	**-**	-
Income tax expense reported in equity	**54**	6,816	**-**	-
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	**28,011**	24,319	**10,095**	10,002
At the Group's statutory income tax rate of 30% (2007: 30%)	**8,403**	7,295	**3,030**	3,000
– Expenditure not allowable for income tax purposes	**38**	43	**-**	-
– Differential tax rate applicable to overseas subsidiary	**(4)**	10	**-**	-
– Adjustments in respect of current income tax of previous years	**(96)**	(244)	**(14)**	(69)
– Rebate on dividend income	**-**	-	**(3,000)**	(3,000)
– Share of associates' net profit	**-**	170	**-**	-
Income tax expense reported in the consolidated income statement	**8,341**	7,274	**16**	(69)

	Balance Sheet 2008 $'000	Balance Sheet 2007 $'000	Income Statement 2008 $'000	Income Statement 2007 $'000
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
– Accelerated depreciation for tax purposes	**(4,729)**	(4,297)	**432**	(28)
– Revaluations of land & buildings to fair value	**(9,255)**	(9,255)	**-**	-
– Revaluation of cash flow hedge to fair value	**(42)**	-	**-**	-
– Trade and other receivables not derived for tax purposes	**(1,189)**	(1,164)	**101**	(1)
	(15,215)	(14,716)		
Deferred tax assets				
– Accelerated depreciation for accounting purposes	**370**	307	**(63)**	(40)
– Trade and other payables not currently deductible	**966**	1,114	**148**	6
– Trade and other receivables not derived for tax purposes	**174**	188	**14**	-
– Revaluation of cash flow hedge to fair value	**-**	4	**-**	-
– Employee entitlements not currently deductible	**4,204**	3,159	**(1,041)**	(643)
Gross deferred income tax assets	**5,714**	4,772		
Deferred tax income/(expense)			**(409)**	(706)
PARENT				
Deferred tax liabilities				
– Revaluations to fair value	**(69)**	(69)	**-**	-
	(69)	(69)		
Deferred tax assets				
– Directors entitlements currently deductible	**194**	202	**(8)**	20
Gross deferred income tax assets	**194**	202		
Deferred tax income/(expense)			**(8)**	20

Tax consolidation

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

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

6 **Income Tax** continued

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 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.

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 upon leaving the Group.

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

	Parent	
	2008 $'000	2007 $'000
Total increase/(reduction) to tax expense of K&S Corporation Ltd	**(9,465)**	(7,458)
Total increase/(reduction) to inter-company assets of K&S Corporation Ltd	**9,465**	7,458

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	
	2008 $'000	2007 $'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**19,670**	17,045
Net profit attributable to ordinary equity holders of the parent	**19,670**	17,045
	2008 Thousands	2007 Thousands
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	**68,804**	67,259
Effect of dilution		
Ordinary Shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**68,804**	67,259

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

	Consolidated 2008 $'000	2007 $'000	Parent 2008 $'000	2007 $'000

8 Dividends Paid and Proposed

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Declared and paid during the year:				
Dividends on ordinary shares				
Final franked dividend for 2007: 7.0 cents (2006: 7.0 cents)	**4,810**	4,618	**4,810**	4,618
Interim franked dividend for 2008: 8.0 cents (2007: 7.0 cents)	**5,516**	4,774	**5,516**	4,774
	10,326	9,392	**10,326**	9,392
Proposed (not recognised as a liability as at 30 June):				
Dividends on ordinary shares				
Final franked dividend for 2008: 8.0 cents (2007: 7.0 cents)	**5,530**	4,810	**5,530**	4,810
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% (2007: 30%)			**31,639**	27,167
• franking credits that will arise from the payment of income tax payable as at the end of the financial year			**2,840**	2,526
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			**(2,370)**	(2,074)
			32,109	27,619

Tax rates

The tax rate at which dividends have been franked is 30% (2007: 30%).

Dividends proposed will be franked at the rate of 30% (2007: 30%).

	Consolidated		Parent	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

9 Cash and Cash Equivalents

Cash	**34**	31	-	-
Cash deposits with banks	**12,821**	22,249	-	-
	12,855	22,280	-	-

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

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

Net profit after income tax	**19,670**	17,045	**10,079**	10,071
Add/(less) items classified as investing/financing activities:				
– (Profit)/loss on sale of non current assets	**(1,390)**	(2,358)	-	-
Add/(less) non cash items:				
– Amounts set aside to provisions	**1,240**	856	**(27)**	66
– Depreciation	**19,376**	18,998	-	-
– Net exchange differences	**(109)**	39	-	-
– Share of associates net profit	**3**	568	-	-
Net cash provided by operating activities before changes in assets and liabilities	**38,790**	35,148	**10,052**	10,137
CHANGE IN ASSETS AND LIABILITIES				
(Increase)/decrease in inventories	**(2,008)**	452	-	-
(Increase)/decrease in income tax benefit	**(955)**	(1,243)	**8**	(77)
(Increase)/decrease in prepayments	**(311)**	(232)	-	-
(Increase)/decrease in receivables	**(12,062)**	4,864	-	-
(Decrease)/increase in trade creditors	**7,115**	(5,047)	-	-
(Decrease)/increase in income taxes payable	**158**	(2,959)	**(11,494)**	(11,208)
(Decrease)/increase in deferred taxes payable	**554**	408	-	-
Exchange rate changes on opening cash balances	**(9)**	(12)	-	-
Net cash provided by/(used in) operating activities	**31,272**	31,379	**(1,434)**	(1,148)

Disclosure of financing facilities
Refer to Note 18.

Disclosure of non-cash financing and investing activities
Refer to Note 14.

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000

10 Trade and Other Receivables

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Current				
Trade debtors	**56,851**	45,053	-	-
Allowance for impairment loss (a)	**(329)**	(627)	-	-
	56,522	44,426	-	-
Sundry debtors	**3,596**	2,733	-	-
Related party receivables – controlled entities	-	-	**78,056**	67,321
	60,118	47,159	**78,056**	67,321
Non-current				
Sundry debtors	**119**	232	-	-
Related party receivables				
– Employee share plan loans	**870**	-	**870**	-
– Controlled entities	-	-	**17,961**	17,961
	989	232	**18,831**	17,961

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

Movements in the provision for impairment loss were as follows:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
At 1 July	**627**	333	-	-
Charge for the year	**(69)**	68	-	-
Acquisition of subsidiary	-	357	-	-
Amounts written off	**(229)**	(131)	-	-
At 30 June	**329**	627	-	-

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

Consolidated	Total	0-30 days	31-60 days	61-90 days	+91 days PDNI*	+91 days CI*
2008	56,851	40,479	14,358	1,499	186	329
2007	45,053	33,003	10,244	777	402	627

* Past due not impaired ('PDNI')
Considered impaired ('CI')

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

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

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000

11 Inventories

	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Consumable stores – at cost	**969**	626	**-**	-
Finished goods – fuel at cost	**3,005**	1,340	**-**	-
Total inventories at the lower of cost and net realisable value	**3,974**	1,966	**-**	-

a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2008 totalled $63,162,000 (2007: $47,906,000) for the Group and $nil (2007: $nil) for the Company. This expense has been included in the cost of sales line item as a cost of inventories.

12 Other Financial Assets

	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Investments controlled entities				
– Shares – unlisted at cost	**-**	-	**32,418**	32,418
	-	-	**32,418**	32,418

13 Investment in Associates

a) Investment details

	Interest Owned 2008 %	Interest Owned 2007 %	Investment Carrying Amount Consolidated 2008 $'000	Investment Carrying Amount Consolidated 2007 $'000
Smart Logistics Pty Ltd	**50**	50	**-**	-
Dairy Transport Logistics Pty Ltd	**50**	50	**27**	28
Investment in associates			**27**	28

Both Smart Logistics Pty Ltd and Dairy Transport Logistics Pty Ltd are providers of distribution services and consultants in transport and distribution.

Smart Logistics Pty Ltd was incorporated in Australia.

Dairy Transport Logistics Pty Ltd was incorporated in New Zealand.

b) Impairment

The Group's investment in Dairy Transport Logistics Pty Ltd was not impaired during the year (2007: $nil). An impairment loss of $nil (2007: $339,000) was recognised to reduce the carrying amount of the investment in Smart Logistics Pty Ltd. This has been recognised in the Income Statement in the line item 'Share of profit/(loss) of associates'.

	Consolidated 2008 $'000	Consolidated 2007 $'000
c) Movements in the carrying amount of the Group's investment in associates		
Dairy Transport Logistics Pty Ltd		
At 1 July	**28**	16
Share of profit after income tax	**3**	10
Exchange rate changes on opening balances	**(4)**	2
At 30 June	**27**	28
Smart Logistics Pty Ltd		
At 1 July	**-**	578
Share of profit/(loss) after income tax	**102**	(578)
Net carrying amount not recognised under equity accounting	**(102)**	-
At 30 June	**-**	-
d) Share of associates' commitments		
Share of associates' finance lease commitments:		
Within one year	**226**	18
One year or later and no later than five years	**763**	50
Minimum lease payments	**989**	68
Less: Future finance charges	**(161)**	(11)
Total lease liability	**828**	57
e) Summarised financial information		
The following table illustrates summarised financial information relating to the Group's associates:		
Extract from the Associates' Balance Sheets:		
Current assets	**11,318**	10,188
Non-current assets	**2,218**	2,572
	13,536	12,760
Current liabilities	**(13,107)**	(12,268)
Non-current liabilities	**(1,333)**	(1,558)
	(14,440)	(13,826)
Net assets/(liabilities)	**(904)**	(1,066)
Share of associates net assets/(liabilities)	**(453)**	(533)
Adjustments arising from equity accounting		
– Net carrying amount not recognised under equity accounting	**480**	561
	27	28

13 **Investment in Associates** continued

	Consolidated 2008 $'000	Consolidated 2007 $'000
e) Summarised financial information continued		
Extract from the Associates' Income Statement:		
Revenue	**131,470**	123,116
Net profit/(loss)	**210**	(1,614)
Share of Associates' profit or loss accounted for using the equity method:		
Profit/(loss) before income tax	**154**	(811)
Income tax expense	**(49)**	243
Profit/(loss) after income tax	**105**	(568)

14 Property, Plant and Equipment

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

	Consolidated Freehold Land and Buildings $'000	Consolidated Motor Vehicles $'000	Consolidated Plant & Equipment $'000	Consolidated Total $'000	Parent Total $'000
Year ended 30 June 2008					
As at 1 July 2007, net of accumulated depreciation and impairment	**80,616**	**90,082**	**9,223**	**179,921**	-
Additions	**5,284**	**21,502**	**3,568**	**30,354**	-
Reclassification of category	**-**	**27**	**(27)**	**-**	-
Disposals	**-**	**(2,783)**	**(424)**	**(3,207)**	-
Depreciation charge for the year	**(1,442)**	**(15,975)**	**(1,959)**	**(19,376)**	-
Exchange adjustment	**(62)**	**(2,482)**	**(35)**	**(2,579)**	-
At 30 June 2008, net of accumulated depreciation and impairment	**84,396**	**90,371**	**10,346**	**185,113**	-
At 30 June 2008					
Cost or fair value	**85,898**	**180,864**	**39,004**	**305,766**	-
Accumulated depreciation and impairment	**(1,502)**	**(90,493)**	**(28,658)**	**(120,653)**	-
Net carrying amount	**84,396**	**90,371**	**10,346**	**185,113**	-
Year ended 30 June 2007					
As at 1 July 2006, net of accumulated depreciation and impairment	55,247	74,379	7,501	137,127	-
Additions	4,163	18,544	3,142	25,849	-
Acquisition of subsidiary	-	13,854	583	14,437	-
Revaluation	22,238	-	-	22,238	-
Disposals	-	(2,741)	(125)	(2,866)	-
Depreciation charge for the year	(1,080)	(16,309)	(1,609)	(18,998)	-
Reclassification of category	-	317	(317)	-	-
Exchange adjustment	48	2,038	48	2,134	-
At 30 June 2007, net of accumulated depreciation and impairment	80,616	90,082	9,223	179,921	-

	Consolidated				Parent
	Freehold Land and Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Total $'000	Total $'000
At 1 July 2006					
Cost or fair value	55,826	137,599	24,104	217,529	-
Accumulated depreciation and impairment	(579)	(63,220)	(16,603)	(80,402)	-
Net carrying amount	55,247	74,379	7,501	137,127	-
At 30 June 2007					
Cost or fair value	80,680	173,368	37,746	291,794	-
Accumulated depreciation and impairment	(64)	(83,286)	(28,523)	(111,873)	-
Net carrying amount	80,616	90,082	9,223	179,921	-

b) Revaluation of freehold land and buildings

The freehold land and buildings are included in the financial statements at fair value, except for capital expenditure subsequent to the valuation which is recorded at cost. The fair value of land and buildings in 2008 was determined based on an independent valuation undertaken in March 2007 by Jones Lang LaSalle on the basis of open market values of properties for the highest and best use. Directors have adopted this independent valuation as fair value. This resulted in an increase to the Asset Revaluation Reserve of $15,567,000.

	Consolidated	
	2008 Freehold Land and Buildings $'000	2007 Freehold Land and Buildings $'000
c) Carrying amounts if land and buildings were measured at cost less accumulated depreciation and impairment		
If land and buildings were measured using the cost model the carrying amounts would be as follows:		
Cost	**58,145**	**53,194**
Accumulated depreciation and impairment	**(4,086)**	**(2,443)**
Net carrying amount	**54,059**	**50,751**

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

The carrying value of plant and equipment held under hire purchase contracts at 30 June 2008 is $60,970,291 (2007: $66,591,652). Additions during the year include $10,390,000 (2007: $20,314,000) held under hire purchase contracts.

Hire purchase liabilities are secured by the relevant asset.

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

15 Intangible Assets and Goodwill

	Consolidated IT Development Costs $'000	Consolidated Goodwill $'000	Consolidated Total $'000	Parent Total $'000
Year ended 30 June 2008				
At 1 July 2007, net of accumulated amortisation and impairment	1,908	19,381	21,289	-
Additions – internal development (Panorama)	1,097	-	1,097	-
Additions – Brookes Transport	-	3,009	3,009	-
Exchange adjustment	-	(759)	(759)	-
At 30 June 2008, net of accumulated amortisation and impairment	3,005	21,631	24,636	-
At 30 June 2008				
Cost (gross carrying amount)	3,005	21,631	24,636	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	3,005	21,631	24,636	-
Year ended 30 June 2007				
At 1 July 2006, net of accumulated amortisation and impairment	1,085	6,590	7,675	-
Additions – internal development (Panorama)	823	-	823	-
Additions – DTM Logistics	-	12,207	12,207	-
Exchange adjustment	-	584	584	-
At 30 June 2007, net of accumulated amortisation and impairment	1,908	19,381	21,289	-
At 30 June 2007				
Cost (gross carrying amount)	1,908	19,381	21,289	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	1,908	19,381	21,289	-

IT development costs have been capitalised at cost and relate to the development of the Group's new core freight system (Panorama). Panorama is still currently in development and is anticipated to be complete within 12 months.

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

No impairment loss was recognised for continuing operations in the 2008 financial year.

16 Impairment Testing of Goodwill

Cash generating units

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

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

	Goodwill	
	2008 $'000	2007 $'000
SBU	**984**	984
K&S Fuels	**165**	165
Brookes Transport	**3,009**	-
DTM Logistics	**12,207**	12,207
New Zealand	**5,266**	6,025
	21,631	19,381

Impairment testing

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

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

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

	Discount Rate		Terminal Value Growth Rate	
	2008 %	2007 %	2008 %	2007 %
SBU	**13.20**	12.26	**5.0**	4.5
K&S Fuels	**13.20**	12.26	**5.0**	4.5
Brookes Transport	**13.20**	-	**5.0**	-
DTM Logistics	**13.20**	12.26	**5.0**	4.5
New Zealand	**13.41**	12.51	**4.5**	4.0

Discount rate

The discount rate represents the pre tax discount rate applied to the cash flow projections. The discount rates reflect the market determined, risk adjusted, discount rate relating to the cash generating unit.

Terminal growth rate

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
17 Payables				
Trade creditors and accruals	**51,829**	43,955	-	-
Amounts owed to controlled entities	-	-	**52,408**	44,037
	51,829	43,955	**52,408**	44,037

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

18 Interest Bearing Loans and Borrowings

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Current				
Hire purchase liabilities – secured	**15,711**	17,166	-	-
	15,711	17,166	-	-
Non-current				
Non redeemable preference shares	**60**	60	**60**	60
Hire purchase liabilities – secured	**28,761**	36,574	-	-
Bank loans – secured	**25,090**	19,907	-	-
	53,911	56,541	**60**	60
Commitments in respect of hire purchase agreements are payable as follows:				
Not later than one year	**18,456**	20,829	-	-
Later than one year but not later than five years	**31,452**	40,019	-	-
	49,908	60,848	-	-
Deduct: future finance charges	**(5,436)**	(7,108)	-	-
Total hire purchase liability	**44,472**	53,740	-	-
Current	**15,711**	17,166	-	-
Non-current	**28,761**	36,574	-	-
	44,472	53,740	-	-

Fair value disclosures

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

Hire purchase contracts

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

Hire purchase liabilities are secured by the relevant asset.

The written down value of assets secured by hire purchase agreements is $60,970,291 (2007: $66,591,652). The weighted average cost of these facilities was 7.40% (2007: 7.22%).

Bank loans

All bank loans are denominated in Australian dollars. Bank loans are secured by fixed and floating charges over the assets of the consolidated entity. Bank loans are also secured by registered mortgages over a number of properties of the consolidated entity to the extent of $86,709,000 (2007: $83,037,000). The non-current bank loans are subject to annual review.

The bank loan facility is available for a period beyond 30 June 2010. The facility bears interest at 8.26% (2007: 7.20%).

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Financing facilities available				
At balance date, the following financing facilities were available:				
Total facilities available:				
Bank overdrafts	**4,000**	3,000	-	-
Bank loans	**32,525**	29,624	-	-
Standby letters of credit	**13,475**	12,376	-	-
	50,000	45,000	-	-

Standby letters of credit

The Group has the following guarantees at 30 June 2008:

- Bank guarantee of $8,249,000 has been provided by the Westpac Banking Corporation to Comcare for the due discharge of its liabilities to pay compensation and other amounts under the Safety Rehabilitation and Compensation Act 1988;
- Bank guarantee of $2,200,000 has been provided by the Westpac Banking Corporation to the Port of Melbourne Corporation as security for an indemnity under the contract for the sale of the land at 111-131 Whitehall Street, Footscray, Victoria;
- A bank guarantee of $1,619,822 has been provided by the Westpac Banking Corporation to the Victorian WorkCover Authority;
- Other bank guarantees $1,405,698 have been provided by the Westpac Banking Corporation Limited and Commonwealth Bank of Australia to suppliers.

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Facilities utilised at balance date:				
Bank overdrafts	-	-	-	-
Bank loans	**25,090**	19,907	-	-
Standby letters of credit	**13,475**	12,376	-	-
	38,565	32,283	-	-
Facilities not utilised at balance date:				
Bank overdrafts	**4,000**	3,000	-	-
Bank loans	**7,435**	9,717	-	-
Standby letters of credit	-	-	-	-
	11,435	12,717	-	-
Total facilities	**50,000**	45,000	-	-
Facilities used at balance date	**38,565**	32,283	-	-
Facilities unused at balance date	**11,435**	12,717	-	-

18 Interest Bearing Loans and Borrowings continued

Bank overdrafts

The bank overdrafts within the consolidated entity are secured by a guarantee from the Company. The bank overdraft is secured by fixed and floating charges over the assets of the consolidated entity. The facilities are subject to annual review by the banks concerned and have been extended to dates after 30 June 2010.

Assets pledged as security

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

The carrying amount of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated		Parent	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Non-current				
First mortgage				
– Freehold land and buildings	**84,396**	80,616	-	-
– Plant and equipment	**2,313**	2,421	-	-
Total non-current assets pledged as security	**86,709**	**83,037**	-	-

Non-cash financing and investment activities

During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of $10,390,000 (2007: $20,314,000) and disposed of property, plant and equipment with an aggregate fair value of $nil (2007: $nil) by means of finance lease or hire purchase arrangements. These acquisitions and disposals are not reflected in the Cash Flow Statement.

19 Provisions

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Current				
Employee benefits	**9,905**	8,499	-	-
Make good provision	**68**	264	-	-
	9,973	8,763	-	-
Non-current				
Employee benefits	**1,345**	1,228	-	-
Directors retirement allowance	**457**	484	**457**	484
	1,802	1,712	**457**	484

No dividends have been provided for the year ended 30 June 2008. The extent to which dividends were franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in *Note 8*.

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 $'000	Directors' Retirement Allowance $'000	Total $'000
CONSOLIDATED			
At 1 July 2007	264	484	748
Arising during the year	68	57	125
Utilised	(264)	(84)	(348)
At 30 June 2008	68	457	525
Current 2008	68	-	68
Non-Current 2008	-	457	457
	68	457	525
Current 2007	264	-	264
Non-Current 2007	-	484	484
	264	484	748
PARENT			
At 1 July 2007	-	484	484
Arising during the year	-	57	57
Utilised	-	(84)	(84)
At 30 June 2008	-	457	457
Current 2008	-	-	-
Non-Current 2008	-	457	457
	-	457	457
Current 2007	-	-	-
Non-Current 2007	-	484	484
	-	484	484

b) Nature and timing of provisions

i) Make good provision

In accordance with the lease agreement, the Group must restore the leased premises in Sydney to its original condition at the end of the lease term in September 2009.

A provision of $68,000 was raised during the year end 30 June 2008 in respect to the Group's obligations.

ii) Long service leave

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

iii) Directors retirement allowance

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000

20 Contributed Equity and Reserves

a) Ordinary shares

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Contributed equity				
69,122,277 (2007: 68,327,130) ordinary shares fully paid	**55,373**	52,771	**55,373**	52,771
	55,373	52,771	**55,373**	52,771

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

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

	Thousands	$'000	Thousands	$'000
Movements in ordinary shares on issue				
At 1 July 2006	**65,973**	44,512	**65,973**	44,512
Issued through Dividend Re-investment Plan – 231,600 ordinary shares at $3.4809	**232**	807	**232**	807
Issued to acquire DTM Logistics – 2,000,000 ordinary shares at $3.50 per share	**2,000**	7,000	**2,000**	7,000
Issued through Dividend Re-investment Plan – 122,023 ordinary shares at $3.7018	**122**	452	**122**	452
At 30 June 2007	**68,327**	52,771	**68,327**	52,771
Issued through Employee Share Plan – 397,500 ordinary shares at $3.36 per share	**397**	1,336	**397**	1,336
Issued through Dividend Re-investment Plan – 230,822 ordinary shares at $3.2455	**231**	749	**231**	749
Issued through Dividend Re-investment Plan – 166,825 ordinary shares at $3.1004	**167**	517	**167**	517
At 30 June 2008	**69,122**	55,373	**69,122**	55,373

(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 2008, the Group paid dividends of $10,326,000 (2007: $9,392,000).

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Total interest bearing loans and borrowings	**69,622**	73,707	-	-
Less cash and cash equivalents	**(12,855)**	(22,280)	-	-
Net debt	**56,767**	51,427	-	-
Net tangible assets	**121,869**	114,774	-	-
Gearing ratio	**46.5%**	44.8%	-	-

Nature and purpose of reserves

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

Cash flow hedge reserve
This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

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

21 Derivative Financial Instruments

a) Hedging activities

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in interest rates.

Cash flow hedges

The Group has the following interest rate swap agreements in place at 30 June 2008:

– with a notional amount of $15,000,000 whereby it receives a variable rate equal to the AUS-BBR-BBSW and pays a fixed interest rate of 6.47% on the notional amount. This agreement expires in March 2009.

– with a notional amount of $5,000,000 NZD whereby it receives a variable rate equal to the NZD-BBR-BID and pays a fixed interest rate of 6.90% on the notional amount. This agreement expires in March 2009.

– with a notional amount of $20,000,000 whereby it receives a variable rate equal to the AUS-BBR-BBSW and pays a fixed interest rate of 7.68% on the notional amount. This agreement commences in April 2009 and expires in March 2012.

– with a notional amount of $4,000,000 NZD whereby it receives a variable rate equal to the NZD-BBR-BID and pays a fixed interest rate of 7.97% on the notional amount. This agreement commences in April 2009 and expires in March 2012.

The interest rate swaps require settlement of net interest receivable or payable each 90 days. All swaps are matched directly against the appropriate loans and interest expense and as such are considered highly effective. The swaps are measured at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit and loss when the interest expense is recognised.

b) Interest rate risk

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

	Consolidated		Parent	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000

22 Commitments

The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2008 are:

Capital expenditure commitments

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	**12,765**	5,572	-	-

Lease rental commitments

Operating lease and hire commitments:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
– Not later than one year	**7,949**	7,300	-	-
– Later than one year but not later than five years	**5,899**	8,861	-	-
– Later than five years	**499**	778	-	-
	14,347	16,939	-	-

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

Finance lease commitments are disclosed in *Note 18*.

23 Contingent Liabilities

Guarantees

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

Legal claim

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

24 Deed of Cross Guarantee

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

The subsidiaries subject to the Deed are:

Reid Bros Pty Ltd
Kain & Shelton Pty Ltd
K&S Freighters Pty Ltd
K&S Group Administrative Services Pty Ltd
Kain & Shelton (Agencies) Pty Ltd
K&S Transport Management Pty Ltd
Blakistons-Gibb Pty Ltd
K&S Logistics Pty Ltd
K&S Integrated Distribution Pty Ltd
K&S Group Pty Ltd
DTM Holdings (No. 2) Pty Ltd ^+
Alento Pty Ltd +
DTM Holdings Pty Ltd
DTM Pty Ltd
K&S Freighters Limited *
Cochrane's Transport Limited *

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

^ *DTM Holdings (No. 2) Pty Ltd was formerly known as Serendipity Investments Pty Ltd. The name was changed on 9 May 2008.*

\+ *Both Alento Pty Ltd and DTM Holdings (No. 2) Pty Ltd were parties to the ASIC CO98/1418 Deed of Cross Guarantee executed on 22 May 2007, but were ineligible for relief under the Class Order. However, due to the changes to ASIC CO98/1418 implemented by ASIC on 31 March 2008 (via ASIC CO08/285), Alento Pty Ltd and DTM Holdings (No. 2) Pty Ltd are now eligible for relief under the Class Order.*

A consolidated Income Statement and consolidated Balance Sheet, 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 2008 is set out below:

	Closed Group	
	2008 $'000	2007 $'000
Income Statement		
Profit before income tax	**28,011**	24,319
Income tax expense	**(8,341)**	(7,274)
Profit after income tax	**19,670**	17,045
Retained profits at the beginning of the year	**62,115**	54,462
Dividends provided for or paid	**(10,326)**	(9,392)
Retained earnings at the end of the year	**71,459**	62,115

24 Deed of Cross Guarantee continued

	Closed Group 2008 $'000	Closed Group 2007 $'000
Balance Sheet		
Cash	**12,855**	22,280
Trade and other receivables	**60,118**	47,159
Inventories	**3,974**	1,966
Prepayments	**3,805**	3,459
Derivatives	**194**	36
Total current assets	**80,946**	74,900
Other receivables	**989**	232
Prepayments	**-**	75
Investment in associates	**27**	28
Property, plant and equipment	**185,113**	179,921
Intangibles	**24,636**	21,289
Deferred tax assets	**5,714**	4,772
Total non-current assets	**216,479**	206,317
Total assets	**297,425**	281,217
Trade and other payables	**51,829**	43,955
Interest bearing loans and borrowings	**15,711**	17,166
Current tax liabilities	**2,479**	2,286
Provisions	**9,973**	8,763
Derivatives	**-**	15
Total current liabilities	**79,992**	72,185
Interest bearing loans and borrowings	**53,911**	56,541
Deferred tax liabilities	**15,215**	14,716
Provisions	**1,802**	1,712
Total non-current liabilities	**70,928**	72,969
Total liabilities	**150,920**	145,154
Net assets	**146,505**	136,063
Contributed equity	**55,373**	52,771
Reserves	**19,673**	21,177
Retained earnings	**71,459**	62,115
Total equity	**146,505**	136,063

	Class of Share	Country of Incorporation	% Equity Interest 2008	% Equity Interest 2007

25 Controlled Entities

Particulars in relation to controlled entities

Name
K&S Corporation Limited

Controlled Entities	Class of Share	Country of Incorporation	2008	2007
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 Freighters Limited	Ord	New Zealand	**100**	100
Cochrane's Transport Limited	Ord	New Zealand	**100**	100

Note 1 – All controlled entities in the consolidated entity are beneficially wholly-owned at 30 June 2008 by K&S Corporation Limited.

26 Related Party Disclosures

DIRECTORS

The names of each person holding the position of Director of K&S Corporation Limited during the financial year and up to the date of signing the financial report are Messrs T Johnson, R Nicholson, G Boulton, J Osborne (resigned 18 December 2007), L Ackroyd (resigned 31 July 2007), B Grubb (appointed 31 July 2007), R Smith (appointed 15 February 2008) and L Winser.

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

Other transactions with the Company or its Controlled Entities

Mr A A Scott is either a Director and/or the major Shareholder of the following entities which provide goods and services to the economic entity.

AA Scott Pty Ltd
Ascot Haulage (NT) Pty Ltd
The Border Watch Pty Ltd
Fidler & Webb Pty Ltd
Scott Corporation Limited
Northern Territory Freight Services Pty Ltd
Scott Agencies Pty Ltd
Scotts Management Pty Ltd
Scotts Transport Industries Pty Ltd

26 Related Party Disclosures continued

Mr Grubb has an interest as Director of AA Scott Pty Ltd, Scott Transport Industries Pty Ltd, Ascot Haulage (N.T.) Pty Ltd, Northern Territory Freight Services Pty Ltd, Scotts Agencies Pty Ltd, The Border Watch Pty Ltd and Scotts Management Pty Ltd. Transactions with these companies include sale and purchase of cartage services, advertising services, sale and purchase of fuel and other related products.

Mr A A Scott has an interest in a transport facility in Adelaide & Ballarat which the company rents on a commercial basis. Rent in 2008 was $386,392 (2007: $297,894). Mr A A Scott previously provided consultancy services to the consolidated entity for which he received fees totalling $100,000 in the prior year. No fees were received in 2008.

Transactions with Fidler & Webb Pty Ltd are for the purchase of general office supplies.

Mr Johnson has an interest as Chairman and Mr Grubb as Non-Executive Director in the publicly listed company Scott Corporation Limited. Transactions with this company during 2008 included sales of $40,670 (2007: $28,106) and purchase of transport related services totalling $155,769 (2007: $170,757).

The aggregate amount of dealings with these companies during 2008 were as follows:

	Purchases		Sales	
	2008 $	2007 $	2008 $	2007 $
AA Scott Pty Ltd	**64,077**	222,936	-	-
Ascot Haulage (NT) Pty Ltd	**278,634**	296,680	-	-
Northern Territory Freight Services Pty Ltd	**1,289,806**	924,555	**14,941**	39,629
Scott Transport Industries Pty Ltd	**455,747**	508,105	**2,601,004**	1,185,596
Scotts Management Pty Ltd	-	-	-	635
Scotts Agencies Pty Ltd	**2,939,940**	3,098,382	-	-
Fidler and Webb Ltd	**69,455**	62,634	-	-
The Border Watch Pty Ltd	**5,948**	4,144	-	-

A Director of the Company, Mr Johnson, had an interest during 2007/08 as a partner in Johnson, Winter & Slattery, a firm of solicitors. This firm renders legal advice to the economic entity. The aggregate amount of dealings with this firm during 2008 was $188,192 (2007: $221,971) in professional service fees.

The Managing Director of all wholly owned controlled entities, Mr L Winser, has an interest as Director of Smart Logistics Pty Ltd (an associated entity). Transactions with this company include the sale of cartage. The aggregate amount of sales to this company during 2008 was $39,226,000 (2007: $32,365,000).

The Managing Director of all wholly owned controlled entities, Mr L Winser, has an interest as Director of Dairy Transport Logistics Ltd (an associated entity). Transactions with this company include the sale of cartage. The aggregate amount of sales to this company during 2008 was $4,472,000 (2007: $5,617,000).

Finance for the purchase of some prime movers and trailers in New Zealand was obtained from Dybud Holding Limited, a company owned by Mr A A Scott. The liability payable at 30 June 2008 was $nil (2007:$310,001).

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Amounts payable to and receivable from Directors and their Director related entities at balance date arising from these transactions were as follows:				
Current receivables (included within trade debtors)				
Scott Transport Industries Pty Ltd	**364**	321	-	-
Northern Territory Freight Services Pty Ltd	**3**	-	-	-
Smart Logistics Pty Ltd	**3,216**	3,116	-	-
Dairy Transport Logistics Ltd	**178**	233	-	-
No provision for doubtful debts has been recognised in respect of these balances as they are considered recoverable.				
Current payables (included within trade payables)				
Ascot Haulage (NT) Pty Ltd	**23**	28	-	-
Scotts Agencies Pty Ltd	**96**	263	-	-
Scott Transport Industries Pty Ltd	**5**	37	-	-
Northern Territory Freight Services Pty Ltd	**260**	113	-	-

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

Details of dealings with these entities are set out below:

Balances with entities within the wholly-owned group
The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the Company at balance date:

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Receivables				
– current			**78,056**	67,321
– non-current			**17,961**	17,961
			96,017	85,282
Payables – current				
– Other loans			**52,408**	**44,037**
			52,408	**44,037**

Dividends

Dividends received or due and receivable by the Company from wholly-owned controlled entities amount to $10,000,000 (2007:$10,000,000).

26 Related Party Disclosures continued

	Parent 2008	2007
DIRECTORS' SHARE TRANSACTIONS		
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
– Ordinary shares	**827,276**	762,700
– 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	**132**	107
– Preference shares	-	-

Directors' transactions in shares and share options

Purchases of shares by Directors and Director related entities are set out in *Note 27*.

Ultimate parent entity

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

27 Key Management Personnel

a) Details of Key Management Personnel

i) Directors

Mr T Johnson	Non-Executive Chairman
Mr G Boulton	Non-Executive Deputy Chairman
Mr J Osborne	Non-Executive – *resigned 18 December 2007*
Mr R Smith	Non-Executive – *appointed 15 February 2008*
Mr R Nicholson	Non-Executive
Mr B Grubb	Non-Executive – *appointed 31 July 2007*
Mr L Ackroyd	Non-Executive – *resigned 31 July 2007*
Mr L Winser	Managing Director

ii) Executives

Mr S Fanning	General Manager – K&S Freighters
Mr G Wooller	General Manager – Full Load, Fleet & Bulk
Mr B Walsh	Chief Financial Officer
Mr P Sarant	General Manager – DTM
Mr G Price	Commercial Manager
Mr C Bright	Legal Counsel & Company Secretary

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
b) Compensation for Key Management Personnel				
Short-term	**2,242,437**	1,667,166	**290,992**	260,000
Other long-term	**31,481**	26,281	**-**	-
Post employment	**302,532**	233,645	**87,509**	94,712
	2,576,450	1,927,092	**378,501**	354,712

c) Loans to Key Management Personnel

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

Total	Balance at Beginning of Period $'000	Write-off $'000	Balance at End of Period $'000	Number in Group
2008	**-**	**-**	**116**	**5**
2007	-	-	-	-

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. 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.

d) Remuneration options: Granted and vested during the year

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

e) Shareholding of Key Management Personnel

Shares held in K&S Corporation Limited:	Balance 1 July 2007 Ordinary	Net Change Ordinary	Balance 30 June 2008 Ordinary
2008			
Directors			
T Johnson	**157,637**	**24,994**	**182,631**
R Smith	**-**	**5,000**	**5,000**
G Boulton	**124,207**	**5,953**	**130,160**
R Nicholson	**13,575**	**651**	**14,226**
B Grubb	**60,749**	**46,568**	**107,317**
L Winser	**365,181**	**27,761**	**392,942**
Executives			
S Fanning	**-**	**10,000**	**10,000**
P Sarant	**-**	**-**	**-**
B Walsh	**32,740**	**8,569**	**41,309**
C Bright	**-**	**5,000**	**5,000**
G Price	**-**	**7,000**	**7,000**
G Wooller	**-**	**7,000**	**7,000**
Total	**754,089**	**148,496**	**902,585**

27 **Key Management Personnel** continued

e) Shareholding of Key Management Personnel continued

Shares held in K&S Corporation Limited:	Balance 1 July 2006 Ordinary	Net Change Ordinary	Balance 30 June 2007 Ordinary
2007			
Directors			
T Johnson	151,662	5,975	157,637
L Ackroyd	-	-	-
G Boulton	93,500	30,707	124,207
R Nicholson	13,062	513	13,575
J Osborne	102,100	-	102,100
B Grubb	46,749	14,000	60,749
L Winser	351,340	13,841	365,181
Executives			
S Fanning	-	-	-
P Sarant	-	-	-
B Walsh	18,220	14,520	32,740
C Bright	-	-	-
G Price	-	-	-
G Wooller	-	-	-
Total	776,633	79,556	856,189

All equity transactions with specified Directors and specified Executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

28 Events Subsequent to Balance Date

On 26 August 2008, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2008 financial year. The total amount of the dividend is $5,529,782, which represents a fully franked dividend of 8.0 cents per share. The dividend has not been provided for in the 30 June 2008 financial statements and is payable on 31 October 2008. The Dividend Reinvestment Plan (DRP) will apply to the 31 October 2008 final dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 17 October 2008 (the record date of the final dividend), less a discount of 2.5%.

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000

29 Auditors' Remuneration

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

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
Audit services:				
Audit and review of the statutory financial reports	**117,500**	113,000	-	-
	117,500	113,000	-	-
Other services:				
Other services – Ernst & Young:				
– IT security review	**26,000**	-	-	-
– GST review	-	20,000	-	-
	26,000	20,000	-	-

directors' declaration

for the year ended 30 june 2008

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

In the opinion of the Directors:

a) the financial report of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

ii) complying with Accounting Standards and the *Corporations Regulations 2001*: and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) 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 2008.

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

Dated at Adelaide this 26th day of August 2008.

On behalf of the Board:

T Johnson
Chairman

L Winser
Managing Director

auditor's independence declaration

to the directors of K&S Corporation Limited

In relation to our audit of the financial report of K&S Corporation Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

David T Sanders
Partner

Adelaide
26 August 2008

independent auditor's report

to the members of K&S Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of K&S Corporation Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statement and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1 the financial report of K&S Corporation Limited is in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the financial position of K&S Corporation Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

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

2 the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 27 to 31 of the directors' report for the year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the Remuneration Report of K&S Corporation Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

David T Sanders
Partner

Adelaide
26 August 2008

information on shareholders

relating to security holders as at 29 August 2008

DISTRIBUTION OF SHAREHOLDINGS

Ordinary Shares	Number of Shareholders
1-1,000 Shares	434
1,001 - 5,000 Shares	943
5,001 - 10,000 Shares	308
10,001 - 100,000 Shares	314
100,001 and more Shares	38
	2,037

28 shareholders hold less than a marketable parcel (162 shares).

TWENTY LARGEST SHAREHOLDERS

	Name	Number of Ordinary Shares Held	%
1	AA Scott Pty Ltd	40,502,641	58.60
2	Bell Potter Nominees Ltd	2,555,819	3.70
3	J P Morgan Nominees Australia Limited	2,384,342	3.45
4	Citicorp Nominees Pty Limited	1,405,257	2.03
5	Ascot Media Investments Pty Ltd	1,395,973	2.02
6	Mrs Zena Kaye Winser	785,033	1.14
7	Mr Eric Joseph Roughana	676,000	0.98
8	Winscott Investments Pty Ltd	675,257	0.98
9	Cogent Nominees Pty Limited	593,121	0.86
10	Sabadin Petroleum Pty Ltd	552,089	0.80
11	Kallarn Pty Limited	490,000	0.71
12	Australian Reward Investment Alliance	400,928	0.58
13	National Nominees Limited	393,602	0.57
14	Mr William Clifton Anderson	331,683	0.48
15	ANZ Nominees Limited	331,257	0.48
16	Ardmore Nominees Pty Ltd	316,417	0.46
17	John Legh Winser	316,308	0.46
18	Almora Holdings Pty Ltd	233,337	0.34
19	Bond Street Custodians Limited	202,010	0.29
20	AA Scott Nominees No1 Pty Ltd	187,194	0.27
		54,728,268	79.18

AA Scott Pty Limited is the registered holder of all the 6% Non Redeemable Cumulative Preference Shares, participating to 8%.

The 20 largest Shareholders hold 79.18% of the ordinary shares of the Company, and 100% of the preference shares.

The following is an extract from the Company's Register of Substantial Shareholders as at 29th August 2008:

	Number	% of Class
Mr A A Scott	45,104,241	65.25
452 Capital Pty Limited	4,597,098	6.73

VOTING RIGHTS

The voting rights are as follows:

Preference Shares:	Nil
Ordinary Shares :	1 vote per share

corporate directory

K&S CORPORATION LIMITED

REGISTERED OFFICE

141-147 Jubilee Highway West
Mount Gambier
South Australia 5290
Phone: (08) 8721 1700
Facsimile: (08) 8721 1799

CORPORATE OFFICE

Cnr Boundary & Palmers Roads
Truganina, Victoria 3029
Phone: (03) 8744 3500
Facsimile: (03) 8744 3599

STOCK EXCHANGE

The Company is on the official list of the Australian Stock Exchange Limited. The Company's Home Exchange is Australian Stock Exchange (Adelaide) Limited.

SHARE REGISTRY

c/o Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street
Adelaide, South Australia 5000
Phone: (08) 8236 2300
Facsimile: (08) 8236 2305

GPO Box 1903
Adelaide SA 5001

Enquiries within Australia:
1300 556 161

Enquiries outside Australia:
61 3 9415 5970

Email:
web.queries@computershare.com.au

Website: www.computershare.com

WEBSITE

www.ksgroup.com.au

OPERATIONS

ROAD, RAIL AND SEA

Melbourne
Cnr Boundary & Palmers Roads
Truganina, Victoria 3029
Phone: (03) 8744 3700
Facsimile: (03) 8744 3799

Portland
Canal Court
Portland, Victoria 3305
Phone: (03) 5523 4144
Facsimile: (03) 5523 5647

Geelong
325 Thompson Road
North Geelong, Victoria 3215
Phone: (03) 5278 5777
Facsimile: (03) 5278 5230

Ballarat
c/o Laminex Industries
16 Trewin Street
Wendouree, Victoria 3355
Phone: (03) 5338 1710
Facsimile: (03) 5338 1136

Sydney
2 Hope Street
Enfield, New South Wales 2136
Phone: (02) 9735 2400
Facsimile: (02) 9735 2499

Brisbane
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