K&S CORPORATION LIMITED

ANNUAL REPORT 2010

K&S CORPORATION LIMITED

ABN 67 007 561 837

FINANCIAL CALENDAR

Final dividend payment (7.0 cents per share)	29 October 2010
Annual General Meeting	23 November 2010
Half-year results and interim dividend announcement	23 February 2011
Interim dividend payment	31 March 2011
Full-year result and final dividend announcement	24 August 2011
Annual report mailed to Shareholders	7 October 2011
Final dividend payment	31 October 2011
Annual General Meeting	22 November 2011

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K & S CORPORATION LIMITED

HIGHLIGHTS

ANNUAL REPORT 2010

- Operating revenues $454 million
- Strong recovery from Global Financial Crisis
- $18.7 million profit after tax
- New OneSteel 5-year contract
- BlueScope contract commences
- Acquired Pacific Transport
- Announces Regal acquisition

CHAIRMAN'S OVERVIEW

TONY JOHNSON CHAIRMAN

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

It has been a year of solid recovery and strong performance from the business. Demand for logistics and transport services is recovering to pre Global Financial Crisis (GFC) levels.

Since the end of the financial year we have seen a weakening of activity in the retail sector.

The 2009/10 financial year has seen another sound result with profit after tax of $18.7 million, up 3.0% on the previous year. This result is further improved when non trading items from the previous year are excluded showing underlying growth in earnings of 7.6%.

Operating revenue for the year was $454.3 million, an increase of 3.2% on the previous year.

This reflected a very strong second half performance given that first half operating revenues were $217.4 million.

In January 2010 we acquired the business of Pacific Transport which has contributed to our second half revenue growth.

Strong organic growth was achieved in our steel business with both OneSteel and BlueScope Steel increasing activity levels.

Earnings per share were 26.5 cents per share.

Our gearing remained in a strong position at 39.0% following the Pacific Transport acquisition.

The 2009/10 financial year was significant in that we successfully renewed our contracts with OneSteel and Laminex for a further 5 years. We also were successful in gaining contracts with both BlueScope and Chep for the first time.

The acquisition of Pacific Transport which is focussed on the Perth to Broome and Derby regions of Western Australia will enable us to target the oil, gas and resource sectors.

We expect that these contracts and our recent acquisition will underpin our growth for the coming year.

We have declared a fully franked final dividend of 7.0 cents per share (last year 5.0 cents per share). This follows the interim dividend of 7.0 cents per share paid in March 2010, making a total dividend of 14.0 cents fully franked for the year. The final dividend will be paid on 29 October 2010, (the date for determining entitlements is 15 October 2010).

The Dividend Reinvestment Plan (DRP) will once again be part of the October 2010 dividend. The DRP will apply in respect of the fully franked final dividend of 7.0 cents payable on 29 October 2010.

The terms of the DRP will remain unchanged with issue price under the DRP based on the weighted average trading price of K&S shares in the five business days ending on 15 October 2010 (the record date of the final dividend), less a discount of 2.5%.

Following encouragement from Shareholders we were pleased to introduce a Share Purchase Plan (SPP) in April 2010 which was finalised in May 2010, enabling eligible K&S Shareholders to subscribe for up to $15,000 worth of K&S ordinary shares.

The offer price of $2.56 per new share represented a discount of 10% to the volume weighted average price of K&S shares over the five trading days prior to the announcement of the SPP on 12 April 2010.

In total 485 Shareholders participated in the offer, with applications for $4.1 million of new fully paid K&S ordinary shares received.

A total of 1.618 million new shares were issued on 18 May 2010. Proceeds from the offer will be used to fund:

- The development of the new Perth Freight Terminal;
- The repayment of part of the Company's borrowing in relation to the recent acquisition of Pacific Transport;
- Future expansion initiatives;
- General working capital.

As announced on the 8th July K&S acquired the business of Perth based Regal Transport Group.

Regal Transport Group was formed in March 2009 with the merger of N&L Transport and Strategic Transport.

Regal Transport Group is primarily focussed on the Perth to Pilbara region with depots in Perth, Port Hedland, Newman and Karratha. The business generates annual revenue in excess of $50 million and employs over 120 people with the acquisition funded with both debt and equity components. The transaction was earnings per share accretive immediately.

Our strategic direction remains unchanged. We are focused to grow the business through carefully targeted acquisitions, organic growth from existing customers and to competitively win new tenders that deliver benefits to Shareholders.

We believe that we are well placed as we start the new financial year.

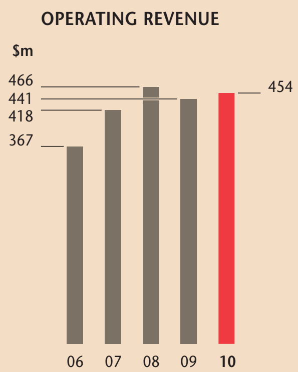
On behalf of the Board I would like to thank all our customers, suppliers and employees who have contributed to our continuing success. In particular, I would like to thank and acknowledge our Senior Management Team led by Legh Winser that have once again delivered a strong result in difficult circumstances.

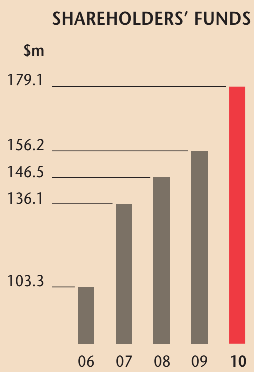
A J Johnson

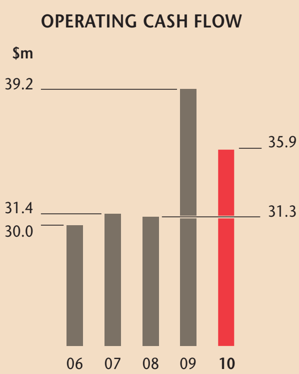
Tony Johnson
Chairman

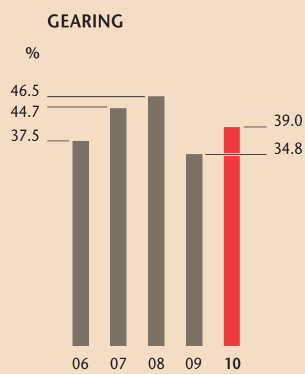
FINANCIAL OVERVIEW

		2010	2009	% movement
Operating revenue	$m	454.3	441.0	3.0
Operating profit before interest, tax and depreciation	$m	51.7	50.2	2.9
Operating profit before interest and tax	$m	31.5	30.4	3.7
Operating profit before tax	$m	26.3	25.0	5.3
Operating profit after tax	$m	18.7	18.2	3.2
Dividends paid	$m	8.5	10.4	(18.3)
Total assets	$m	326.1	287.6	13.4
Net borrowings	$m	52.3	45.5	14.9
Shareholders' funds	$m	179.1	156.2	14.6
Depreciation and amortisation	$m	20.1	19.9	1.3
Earnings per share	cents	26.5	26.1	1.5
Dividends per share	cents	14.0	12.0	16.7
Net tangible assets per share	$	1.85	1.87	(1.1)
Cash flow per share	$	0.50	0.56	(10.7)
Return on Shareholders' funds	%	10.5	11.6	(9.5)
Gearing	%	39.0	34.8	12.1
Lost time injuries		19.0	18.0	5.6
Lost time injuries frequency rate	%	5.0	5.0	-









MANAGING DIRECTOR'S REPORT

LEGH WINSER MANAGING DIRECTOR

The 2009/10 financial year has been one of gradual recovery from the impact of the Global Financial Crisis (GFC).

After a disappointing first quarter of the year, we enjoyed a strong turnaround in the following three quarters as demand for logistics and transport services improved.

Operating revenue for the year was $454.3 million, after first half earnings of $217.4 million. The full year revenue result compares with $441.0 million for the 2008/09 financial year.

Key areas of improvement were in the steel business, where we won significant new business from BlueScope as well as successfully renegotiating contracts and winning new business from OneSteel.

The acquisition of Pacific Transport was completed in January as part of our strategy to expand into Western Australia's rapidly developing oil and gas resources in the state's Far North West. The acquisition was earnings per share accretive immediately.

Our Projects Services division, created in May 2009 has helped identify a number of opportunities in this area and in June 2010 secured a contract to provide linehaul support to Darwin and Broome for the French exploration company Total E&P Australia.

We believe the oil, gas and related resource sectors will provide good opportunities for growth in coming years and are areas into which we are devoting considerable effort.

Our transportation business in traditional areas, including bulk sugar, steel and steel piping, timber and food transport returned to, or close to, pre-GFC levels.

K&S Operations

We successfully rolled over our contract with OneSteel for a further five years on 1 January 2010, and were awarded additional business relating to the cartage of product from OneSteel's manufacturing sites at Acacia Ridge, Newcastle, Somerton and Sunshine.

The agreement complements contracts we won with BlueScope Steel to transport significant volumes from BlueScope's Westernport (VIC) and Port Kembla (NSW) manufacturing sites into South Australia and Queensland from 1 July 2009.

K&S Operations continued

Together, these contracts make K&S the pre-eminent supplier of transport and logistics services for the steel business in Australia and position the company well to benefit from any rebound in steel volumes as the domestic economy recovers.

Key contracts include those for Laminex and Fosters.

The Laminex contract is an extension to the business already being undertaken.

Other new or extended contracts include:

- Murray Goulburn – greater allocation for the transport of milk powder volumes from Melbourne.
- Fosters – re-signed the contract to transport beer between Queensland and New South Wales.
- Laminex – won a new 5-year contract for national transportation of product.
- Pacific Steel – won a 12-month extension to its Australian transport business.
- Chep – K&S Freighters was awarded parcels of the linehaul for Chep. This is additional to the local distribution business won by DTM in Western Australia and New South Wales.
- Orrcon Steel – won a five year contract to transport steel pipe and tubing between Brisbane, Sydney, Melbourne and Adelaide.

We will extend our Sydney operations into a new facility at Enfield during 2010/11.

This facility, over two adjoining properties will be shared with DTM, while warehousing will also be provided for Norske Skog.

We have enjoyed a strong recovery in our linehaul business as the economy improved.

The bulk business is recovering ground as the impact of the GFC recedes.

In particular, transportation for Queensland Magnesia improved as plants that had been running for one shift, five days a week during the downturn returning to two shift, seven day a week operations.

Improved crop size and an uninterrupted crushing season have also resulted in Bundaberg Sugar operations performing strongly.

The development of desalination and water projects across Australia is a major focus for us.

The company is servicing major contracts including desalination plants in Perth, Adelaide and Melbourne and other water projects in Geelong, Sydney, Newcastle, Townsville, Canberra and Alice Springs.

The GM Holden contract in South Australia to store and transport steel coil into its Elizabeth plant went to tender and we were successful, re-signing for an additional three years.

Volumes are expected to improve as the economy continues to recover from the GFC.

Norske Skog business has been solid. We will be providing warehousing for Norske Skog at its new Enfield facility in Sydney when it opens later this year.

The development of a new rail facility on Pacific National land in Perth is due to be completed by December 2010. This development was part of a five-year contract we signed with Pacific National last year for its rail linehaul services.

Our Bunbury operations, which has a strong focus on the timber industry in Western Australia has largely recovered from the impact of the GFC with the volume of timber now back to historical levels.

DTM

The performance of DTM has been extremely positive, with highlights being the re-signing of major customers Air Liquide Australia, CSR Bradfords, ARC and new contracts with OneSteel and Chep.

The contract with pallet and container pooling group, Chep, covers local operations in New South Wales and Western Australia and is a significant win in a very competitive market segment.

Operations with OneSteel expanded rapidly when a contract to carry steel products from the Geelong, Dandenong, Scoresby and Newcastle sites was awarded at short notice.

DTM was able to begin servicing the contract within nine days of the award, underlying our ability to rapidly respond to client needs. The contract involves the use of some 30 specialist vehicles, including steel product specific trailers.

Air Liquide contracts in South Australia, Victoria and New South Wales were renewed while the oil and lubricant carrying for BP continues strongly.

In 2008/09, DTM's fleet received strong external endorsement following an independent audit undertaken by BP London.

A similar audit this year gave the same endorsement to DTM's IT network.

During the next 12 months, the DTM software will undergo a major upgrade with a new IT platform designed to service the needs of the company into the future and offer further expanded customer service initiatives.

New Zealand

Conditions in New Zealand throughout 2009/10 were tough, but began easing in the fourth quarter of the year as the New Zealand economy began to recover.

The forestry industry in particular has shown strong signs of recovery, in part boosted by the industry's decision to concentrate timber exports into the Asian market rather than the United States. While logging volumes were down in the first nine months of the year, they have shown good growth in the fourth quarter.

We have renewed the contract in the timber industry. Late in the year, we were also successful in gaining new business to carry paper for Norske Skog to Auckland and now are the single supplier in the South Island. This contract will commence in the first quarter of 2010/11 financial year.

New Zealand continued

During the past year, we were able to extend our contract to carry dairy products for Fonterra in the South Island, but the drought in New Zealand has impacted on export volumes.

However an early start to the kiwi fruit crop is likely to result in improved returns from this sector in the next financial year.

Generally, indications are positive for a strong recovery in 2010/11.

Environment

Reporting under the National Greenhouse and Energy Reporting Act (NGER) and the Energy Efficiency Opportunity Program (EEOP) were completed and submitted in October and December 2009.

The NGER reporting was introduced as part of the eventual development of an emissions trading scheme, while the EEOP continues and requires companies to complete energy savings assessments for up to 80% of total energy use to the Federal Government by the end of 2011.

The Australian Greenhouse Challenge ceased to operate after June 2009.

Industry Representation

We remain involved in a number of industry forums, including the Australian Trucking Association Council, where it is represented on the Safety Committee, the Skills and Workforce Committee and the Transport Economics Committee.

Particular concerns have included speed management and the chain of responsibility, rest areas and fitness for work.

We have also been involved in discussions surrounding the establishment of a single national heavy vehicle regulator to be based in Queensland.

The establishment of the heavy vehicle regulator was announced in February 2010.

When established, the regulator will be responsible for putting in place nationwide rules and regulations for all vehicles over 4.5 tonnes, including inspection standards, safe driving hours, mass limits and registration.

One of the major issues currently being discussed is the road transport industry proposal of an enhanced driver licensing scheme, which if adopted, could lead to the development of a career path for heavy vehicle drivers.

We also share industry concerns about planned increases in registration fees, in particular for high productivity vehicles such as B-doubles.

Other concerns include Government proposals to introduce a future costly mass-distance-location charging model with additional charges for routes which are shared by both road and rail transport modes. We believe these proposals are problematic and a fuel-based charge advocated by the road transport industry would be a more efficient way of achieving the same result.

Information Technology

Consolidation of the telecommunications framework for K&S was completed in December 2009 with all fixed, mobile and data networks brought together under a single network provider.

The new arrangements are forecast to provide significant savings over the three years of the agreement, as well as improve service delivery.

Internet services were also reviewed, with server consolidation and data recovery processes upgraded, significantly reducing costs and improving efficiency. New server technology is now being introduced which will give us a strong platform for future growth.

Our transport management system, Panorama, was rolled out to all road transport divisions across Australia with deployment of the system across K&S' rail and sea operations continuing. Panorama provides us with a common transport management system across all sites as well providing customers with improved ordering procedures and better track and trace capabilities.

Occupational Health & Safety

We have continued our strong focus on managing injury prevention, claims and the rehabilitation of injured employees, with a continuing focus on lost time frequency rates.

This continuous improvement has been driven by strong leadership from the Managing Director and Executive Managers in close monitoring of the OHS plan.

Internal audits into K&S' prevention, claims and rehabilitation management systems found the company to be compliant with both the OHS and SRC Act and having appropriate systems in place to meet its conditions of license as a self insurer under the Commonwealth OH&S and Workers' Compensation Scheme.

Our ongoing focus on safety systems, internal and external indicators and the commitment to safety awareness is reflected in the improving prevention and return-to-work performance.

As with previous years, manual handling, hazard identification and risk assessment have been key priorities, with particular focus on risk assessments carried out at major customer sites.

Key initiatives undertaken during the year to raise the safety profile and maintain the strong focus on improving safety culture included:

- Continued review and implementation of the K&S National OHS Plan, which focuses on high risk injury types and incorporates business-wide performance targets.
- An internal monthly safety theme program through training awareness programs at toolbox meetings and observation walks involving employees to address or reinforce these issues in their workplace.
- An internal monthly campaign through toolbox meetings to raise awareness of employee health and wellbeing issues to assist employees to stay fit and healthy when performing their tasks.
- Reviewed and updated injury prevention and management policies and procedures to ensure ongoing compliance with legislation, case law and jurisdictional requirements.

Occupational Health & Safety continued

- Maintained the lost time frequency rate at an all time low of 5 *(see graph next page)*.
- Delivered a national roadshow training program to all managers and supervisors in risk management principles that directly related to key OHS and compliance topics as well as legal obligation and injury management.
- Set safety targets and cascaded these targets to all levels of the organisation and individuals.
- Tracked performance against these targets monthly to identify areas of improvement or areas that require specific focus.
- Reviewed all policies and consultation structures across the organisation to ensure compliance and the development of the company Health and Safety Management Arrangements.
- Developed a driver induction handbook for all subcontractor drivers engaged by K&S.

We have implemented an effective continuous improvement framework aimed at improving prevention, claims management and rehabilitation practices. This framework, together with the key initiatives undertaken during the year has contributed to the improved performance achieved during 2009/10.

Safety leadership and ongoing integration of safety into daily operating systems continues to be a priority to reduce risk and injuries to our employees.

Human Resources

During 2009, Human Resource Management endured the impacts of the economic climate and significant industrial relations changes with outstanding results.

Throughout this challenging period we maintained strong commitment from an aligned senior leadership team in achieving these positive outcomes.

We also maintained stable employment conditions across the Group by effective labour utilisation whilst delivering quality service to our customers.

During the first half of the year, wage restraint strategies were imposed to support the safeguarding of permanent employment. Within the recovery period, the commitment and effort of employees was recognised by fair and reasonable wage outcomes.

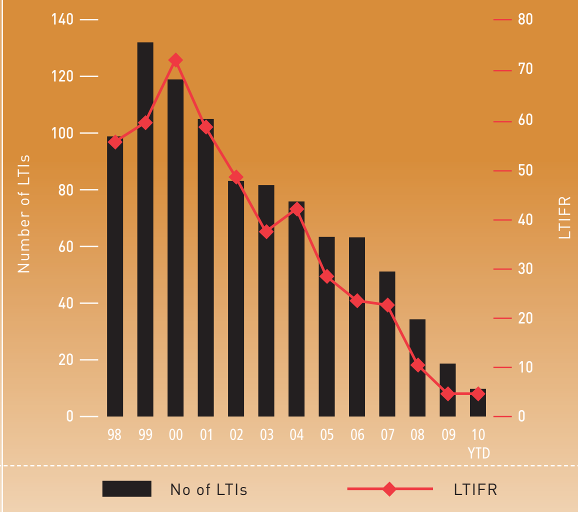
The Company continues its strong focus on workplace health and safety and road law compliance. This has involved the ongoing review of training and development needs. It has also involved positive partnering projects with key customers and industry associations to develop and implement best practice standards.

The industrial relations system has seen two significant changes during this period with the transition to the Fair Work Act (FWA) and the modernisation of industry based awards.

The change with FWA has provided the framework for a more restrictive approach to workplace agreement making and fundamental employee/ employer relationships during this process.

To support the application of key business strategy and change, HR has integrated policy and processes to provide direction and support operations in the key areas of people management, safety, compliance and industrial relations.

LOST TIME INJURIES (LTI) PER FINANCIAL YEAR



Compliance

New speed compliance laws developed by the National Transport Commission for the heavy vehicle industry continued to be introduced across Australia during 2009/10.

The NTC speeding laws follow the introduction of driver fatigue laws which came into effect in September 2008.

We held a series of training programs to ensure all staff are aware of their responsibilities under the new legislation.

We have continued with accreditation to ISO 9001. K&S has also maintained accreditation under the National Heavy Vehicle Accreditation Scheme for mass management and fatigue and industry accreditation in the form of TruckSafe, WA Heavy Vehicle Accreditation and HACCP (food safety) accreditation.

The Year Ahead

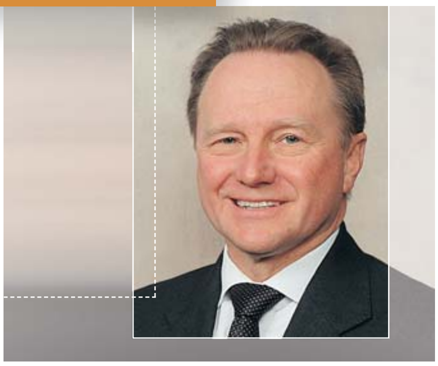
We will continue to implement a number of expansion initiatives aimed mainly at the oil, gas and resource sectors in Western Australia.

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

Legh Winser
Managing Director

BOARD OF DIRECTORS

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



Tony Johnson *Chairman*

Age 63, 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 Chairman of AA Scott Pty Ltd, listed entity Scott Corporation Limited, a Director of Adelaide Community Healthcare Alliance and Cepahlon Australia Pty Ltd.

Member of:
- Environmental Committee *(Chairman)*
- Nomination and Remuneration Committee

Legh Winser *Managing Director*

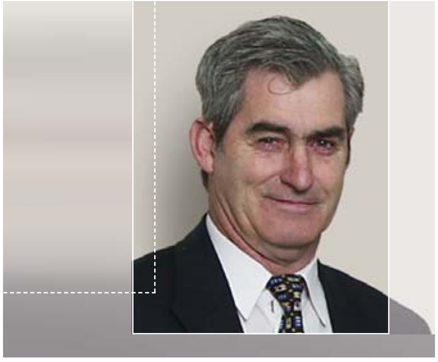
Age 62, Director since December 1999
Legh Winser, has more than 38 years experience in the transport industry. Prior to his appointment as Managing Director in January 1998 he previously held other Executive positions within the Company.

Member of:
- Nomination and Remuneration Committee
- Environmental Committee

Greg Boulton AM *Deputy Chairman*

Age 60, Director since January 1996
Greg Boulton BA(Accountancy), FCA, FCPA, FAICD is Chairman of private equity fund Paragon Equity Limited, Chairman of Southern Gold Limited, Director of Statewide Superannuation and holds board positions on a number of privately owned companies. He has over 30 years experience in the transport industry.

Member of:
- Audit Committee



Richard Nicholson

Age 67, 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 *(Chairman)*

Bruce Grubb

Age 60, Director since 2007
Bruce Grubb has over 31 years experience in the transport industry and is the Chief Executive and Executive Director of Scott's Transport Industries Pty Ltd. Mr Grubb is also a Non-Executive Director of the listed entity Scott Corporation Limited. Mr Grubb is also a Director of Dangerous Goods Logistics Pty Ltd.

Member of:
- Environmental Committee

Ray Smith

Age 63, Director since 2008
Ray Smith FCPA, FAICD, Dip Com was Chief Financial Officer of Smorgon Steel Group for 11 years. During that period Smorgon Steel Group was at the forefront of the rationalisation of the Australian Steel Industry. Mr Smith is a Director of listed entities WHK Group Ltd and Willmott Forests Ltd. Mr Smith is a trustee of the Melbourne and Olympic Park Trusts. Mr Smith brings a wealth of corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raising.

Member of:
- Audit Committee *(Chairman)*

Secretary

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

Chris Bright has held the position of Group Legal Counsel for 8 years. Mr Bright was admitted as a solicitor in South Australia in 1997. He also has experience working in private practice in Adelaide principally in commercial dispute resolution.

FIVE-YEAR FINANCIAL HISTORY

($A Millions unless otherwise indicated)	2010	Variation %	2009	2008	2007	2006
Group Revenue	454.3	3.0	441.0	466.1	418.0	367.5
Operating Profit before Individually Significant Items, Interest and Tax	32.5	16.5	27.9	33.4	28.5	29.3
Individually Significant Items & Fraud	(1.0)		2.5	-	0.8	0.7
Operating Profit before Interest and Income Tax	31.5	3.7	30.4	33.4	29.3	29.9
Interest Expense	5.2	(1.9)	5.3	5.4	5.0	3.8
Profit Before Tax	26.3	5.3	25.0	28.0	24.3	26.2
Income Tax Expense	7.6	10.5	6.9	8.3	7.3	7.8
Operating Profit after Tax	18.7	3.2	18.2	19.7	17.0	18.4
Earnings per Ordinary Share (cents)	26.5	1.5	26.1	28.6	25.3	28.0
Dividends per Share (cents)	14.0	16.7	12.0	16.0	14.0	14.0
Return on Shareholders' Funds	10.5%	(9.5)	11.6%	13.4%	12.5%	17.8%
Paid Up Capital	64.5	12.4	57.4	55.4	52.8	44.5
Shareholders' Funds	179.1	14.6	156.2	146.5	136.1	103.3
Total Assets	326.1	13.4	287.6	297.4	281.2	217.1
Net Tangible Assets (book value) per Share	$1.85	(1.1)	$1.87	$1.76	$1.68	$1.45

DIRECTORS' REPORT

Financial overview		2010	2009	% movement
Operating revenue	$m	**454.3**	441.0	3.0
Operating profit after tax	$m	**18.7**	18.2	3.2
Net borrowings	$m	**52.3**	45.5	14.9
Shareholders' funds	$m	**179.1**	156.2	14.6
Earnings per share (basic)	cents	**26.5**	26.1	1.5
Dividends per share	cents	**14.0**	12.0	16.7
Net tangible assets per share	$	**1.85**	1.87	(1.1)
Cash flow per share	$	**0.50**	0.56	(10.7)
Return on Shareholders' funds	%	**10.5**	11.6	(9.5)
Gearing	%	**39.0**	34.8	12.1
Lost time injuries		**19.0**	18.0	5.6
Lost time injuries frequency rate	%	**5.0**	5.0	-

The Directors' present their report, together with the consolidated financial report of K&S Corporation Limited ("the Company") and the consolidated entity, for the year ended 30 June 2010 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 above, along with comparative results for 2009.

The 2009/10 financial year has seen the demand for logistics and transport services recover to near their pre Global Financial Crisis levels.

The financial year started with first quarter demand being affected by the impact of the Global Financial Crisis and then recovering strongly as the year unfolded.

Operating revenue for the year was $454.3 million, an increase of 3.0% on the previous year. This reflected very strong second half operating revenue of $236.9 million.

Strong organic growth was achieved in our steel business with both OneSteel and BlueScope increasing their activity levels. In January 2010, we acquired the business of Pacific Transport which has contributed to our second half revenue growth.

Operating profit before tax was $26.3 million which was an increase of $1.3 million on the prior year result.

The normalised profit after tax was up 18.5%.

Earnings per share were 26.5 cents per share.

Our gearing remains in a strong position at 39.0%.

The 2009/10 financial year was significant in that we successfully renewed our contracts with OneSteel and Laminex for a further 5 years. We also were successful in gaining contracts with both BlueScope and Chep for the first time.

The acquisition of Pacific Transport, which is focused on the Perth to Broome and Derby regions of Western Australia, will enable us to target the oil, gas and resource sectors.

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

Operating and Financial Review continued

A fully franked final dividend of 7.0 cents per share (last year 5.0 cents per share) has been declared by the Directors. This follows the interim fully franked dividend of 7.0 cents per share paid in March 2010, making the total dividend of 14 cents per share for the year, representing a payout ratio of 53.9% of earnings. This final dividend has not been provided for in the accounts as it was declared after balance date on 24 August 2010. This is in accordance with the Accounting Standard AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

The final dividend will be paid on 29 October 2010 (the date for determining entitlements is 15 October 2010). The Company's Dividend Reinvestment Plan (DRP) will once again apply to the October 2010 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 15 October 2010 (the record date of the final dividend), less a discount of 2.5%.)

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 13 January 2010, K&S Corporation Limited announced that it had acquired the business of Pacific Transport ("Pacific"). Pacific is focused on the Perth to Broome and Derby regions of Western Australia and will enable us to target the oil, gas and resource sectors. At the time of acquisition, Pacific generated $22 million in annual revenues and employed over 90 people.

K&S Corporation Limited announced a Share Purchase Plan (SPP) in April 2010 which was finalised in May 2010, enabling eligible K&S Shareholders to subscribe for up to $15,000 worth of K&S ordinary shares. The offer price of $2.56 per new share represented a discount of 10% to the weighted average price of K&S shares over the five trading days prior to the announcement of the SPP on 12 April 2010.

In total, 485 Shareholders participated in the offer, with applications for $4.1 million of new fully paid K&S ordinary shares received. A total of 1,618,199 new shares were issued on 18 May 2010.

The proceeds from the offer will be used to fund:

- The development of the new Perth Freight Terminal;
- The repayment of part of the Company's borrowings in relation to the recent acquisition of Pacific Transport;
- Future expansion initiatives; and
- General working capital.

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

Reporting under the National Greenhouse and Energy Reporting Act (NGER) and the Energy Efficiency Opportunity Program (EEOP) were completed and submitted in October and December 2009.

The NGER reporting was introduced as part of the eventual development of an emissions trading scheme, while the EEOP continues and requires companies to complete energy savings assessments for up to 80% of total energy use to the Federal Government by the end of 2011.

The Australian Greenhouse Challenge ceased to operate after June 2009.

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 a number of minor incidents and no serious 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 a number of minor fuel related incidents during the year. In all cases, corrective actions have been taken.

Dividends

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

1. A final fully franked ordinary dividend (taxed to 30%) of 5 cents per share amounting to $3,510,011 in respect of the year ended 30 June 2009 was declared on 25 August 2009 and paid on 30 October 2009;
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 2009 was declared on 25 August 2009 and paid on 30 October 2009.

An interim fully franked ordinary dividend (taxed to 30%) of 7.0 cents per share in respect of the year ended 30 June 2010 was declared on 23 February 2010 and paid on 31 March 2010 amounting to $4,956,599.

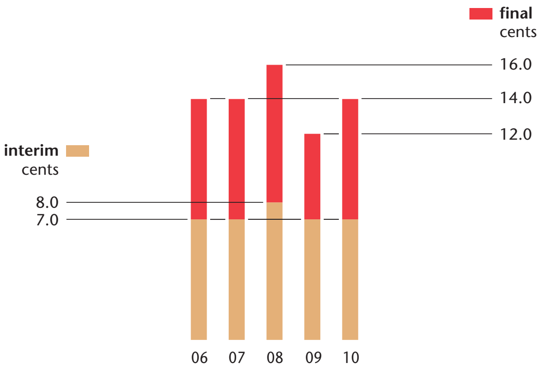
The final dividend declared by the Directors of the Company on 24 August 2010 and payable on 29 October 2010 in respect of the year ended 30 June 2010 comprises:

1. A fully franked ordinary dividend (taxed to 30%) of 7.0 cents per share amounting to $5,147,975; and
2. A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to $4,800.

Dividends continued

The preference share dividends are included as interest expense in determining Net Profit.

Dividends paid to Shareholders



Events Subsequent to Balance Date

On 8 July 2010, K&S Corporation Limited acquired Perth based Regal Transport Group ("Regal").

The Regal Transport Group was formed in March 2009 with the merger of N&L Transport and Strategic Transport Services Pty Ltd. At the time of acquisition, Regal generated annual revenues of $50 million and employed over 120 people.
The Regal acquisition will extend the footprint achieved by the Pacific Transport acquisition to the oil, gas and resource sectors of Western Australia. Details of the acquisition are disclosed in *Note 30*.

On 24 August 2010, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is $5,147,975, which represents a fully franked dividend of 7.0 cents per share.

The dividend is payable on 29 October 2010 and has not been provided for in the 30 June 2010 financial statements.

The Dividend Reinvestment Plan (DRP) will apply to the final dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 15 October 2010 (the record date of the final dividend), less a discount of 2.5%.

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

Likely Developments

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

General Disclosures

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

Board of Directors

Back row l to r:
Bruce Grubb,
Ray Smith,
Richard Nicholson,
Chris Bright *(Secretary)*

Front row l to r:
Greg Boulton,
Tony Johnson,
Legh Winser

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)*	**Richard Nicholson**
Legh Winser	*(Managing Director)*	**Bruce Grubb**
Greg Boulton	*(Deputy Chairman)*	**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 12 and 13* of the Annual Report.

Directors' Interests

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

	Ordinary Shares
Mr R Nicholson	9,137
Mr B Grubb	14,600
Mr L Winser	345,339

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

	Ordinary Shares
Mr G Boulton	150,258
Mr T Johnson	210,088
Mr L Winser	115,132
Mr R Smith	17,819
Mr R Nicholson	12,505
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	11	11	-	-	3	3	4	4
Mr G Boulton	11	11	4	4	-	-	-	-
Mr R Smith	11	11	4	4	-	-	-	-
Mr B Grubb	11	11	-	-	-	-	4	4
Mr R Nicholson	11	11	-	-	3	3	-	-
Mr L Winser	11	11	-	-	3	3	4	4

in addition to the eleven regular meetings, there were seven other special meetings of Directors held during the course of the year.

Indemnification and Insurance of Directors and Officers

Indemnification

The Company indemnifies current and former Directors, Executive Officers and the Secretaries of the Company and its controlled entities against all liabilities, costs and expenses to another person (other than the Company or a related body corporate) to the maximum extent permitted by law that may arise from their position as Directors, Executive Officers and Secretaries of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

Insurance Premiums

Since the end of the previous financial year, the Company has paid insurance premiums of $47,700 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;
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or position to gain a personal advantage.

The officers of the Company covered by the policy include the current Directors; T Johnson, G Boulton, R Nicholson, R Smith, B Grubb and L Winser.

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 26* 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 98* 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:

GST review $10,000

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) are:

i) Directors

Mr T Johnson	*Non-Executive Chairman*
Mr G Boulton	*Non-Executive Deputy Chairman*
Mr R Smith	*Non-Executive*
Mr R Nicholson	*Non-Executive*
Mr B Grubb	*Non-Executive*
Mr L Winser	*Managing Director*

ii) Executives

Mr B Walsh	*Chief Financial Officer*
Mr C Bright	*Group Legal Counsel & Company Secretary*
Mr S Fanning	*General Manager K&S Freighters*
Mr G Wooller	*General Manager Full Load, Fleet & Bulk*
Mr P Sarant	*General Manager DTM*
Ms K Evans	*National Human Resources Manager*
Ms C De Gois	*Chief Information Officer*

Remuneration Philosophy

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

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

Remuneration Report (audited) continued

The Nomination and Remuneration Committee

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

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the 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 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 2010 is detailed on *page 24* and *25* 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 2010, 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 2010, 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 2011 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 2011, if eligibility criteria are met, will be $276,000.

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.

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. The third offer to employees was made on 4 September 2009 and it is currently envisaged that offers will continue to be made annually each September to eligible employees. Acceptances under the third offer were 330,500 at $2.40 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 five trading days immediately following the announcement of the Company's preliminary final results on 26 August 2009.

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

Remuneration Report (audited) continued

Directors' Retirement Benefits

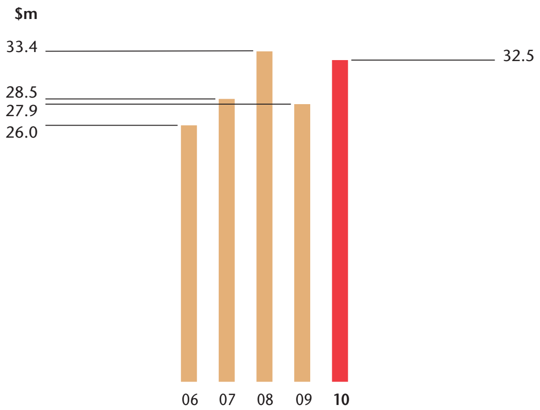
A change to the Directors' retirement benefits calculation was made in July 2004 to freeze accumulation of years of service of Directors as at 30 June 2004. No Director commencing after 1 July 2004 is eligible for any benefits under the retirement scheme.

The expenditure provided (not paid) during the year ended 30 June 2010 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 at right shows the performance of the Company, as measured by the Company's operating profit before individually significant items, interest and tax.

Normalised EBIT



In addition, Dividends paid to Shareholders are disclosed on *page 18* of the Directors' report.

Remuneration of Key Management Personnel and the five highest Paid Executives of the Company and the Group

Remuneration for the year ended 30 June 2010

		Short-Term			Other Long-Term	Post Employment		Total	
Non-Executive Directors		Salary & Fees $	Cash Bonus $	Non-Cash Benefits $	Long Service Benefit $	Retirement Benefits $	Super Contributions $	$	Performance Related %
T Johnson	**2010**	**90,000**	-	-	-	**10,000**	**9,900**	**109,900**	-
	2009	90,000	-	-	-	15,833	9,900	115,733	-
G Boulton	**2010**	**52,000**	-	-	-	**3,500**	**5,720**	**61,220**	-
	2009	52,000	-	-	-	3,500	5,720	61,220	-
R Smith	**2010**	**33,000**	-	-	-	-	**24,720**	**57,720**	-
	2009	52,000	-	-	-	-	5,720	57,720	-
B Grubb	**2010**	**52,000**	-	-	-	-	**5,720**	**57,720**	-
	2009	52,000	-	-	-	-	5,720	57,720	-
R Nicholson	**2010**	**52,000**	-	-	-	**7,000**	**5,720**	**64,720**	-
	2009	52,000	-	-	-	7,000	5,720	64,720	-
Total	**2010**	**279,000**	-	-	-	**20,500**	**51,780**	**351,280**	
	2009	298,000	-	-	-	26,333	32,780	357,113	

Remuneration for the year ended 30 June 2010 continued

Executive Director		Short-Term Salary & Fees $	Short-Term Cash Bonus# $	Short-Term Non-Cash Benefits $	Other Long-Term Long Service Benefit $	Post Employment Retirement Benefits $	Post Employment Super Contributions $	Total $	Performance Related %
L Winser	**2010**	**375,550**	**74,000**	**79,743**	**9,389**	-	**45,066**	**583,748**	**12.68**
	2009	370,000	-	64,582	9,250	-	44,400	488,232	-
Other Key Management Personnel									
B Walsh	**2010**	**213,150**	**21,000**	**22,527**	**5,329**	-	**28,055**	**290,061**	**7.24**
	2009	210,000	-	23,351	5,250	-	27,677	266,278	-
C Bright	**2010**	**162,400**	**16,000**	**21,735**	**4,060**	-	**21,888**	**226,083**	**7.08**
	2009	160,000	-	21,473	4,000	-	21,600	207,073	-
S Fanning	**2010**	**327,408**	**31,000**	**26,951**	**5,322**	-	**25,000**	**415,681**	**7.46**
	2009	310,000	-	30,621	5,167	-	37,200	382,988	-
G Wooller	**2010**	**274,050**	**27,000**	**21,423**	**4,568**	-	**35,363**	**362,404**	**7.45**
	2009	270,000	-	21,687	4,500	-	34,877	331,064	-
P Sarant	**2010**	**270,764**	**26,000**	**28,524**	**4,399**	-	**25,000**	**354,687**	**7.33**
	2009	260,000	-	28,419	4,334	-	31,427	324,180	-
K Evans*	**2010**	**152,250**	**15,000**	**17,027**	**2,538**	-	**18,270**	**205,085**	**7.31**
	2009	-	-	-	-	-	-	-	-
C De Gois**	**2010**	**192,076**	-	**20,640**	**3,384**	-	**25,526**	**241,626**	-
	2009	200,000	-	23,640	3,188	-	26,477	253,305	-
Total	**2010**	**1,967,648**	**210,000**	**238,570**	**38,989**	-	**224,168**	**2,679,375**	
	2009	1,780,000	-	213,773	35,689	-	223,658	2,253,120	

* K Evans met the definition of a Key Management Person on 1 July 2009.
** C De Gois resigned on 9 July 2010.
# Cash bonuses have been accrued in the accounts and will be paid in September 2010. Executives qualified for 100% of the short-term incentive available for the year ended 30 June 2010.

Signed in accordance with a resolution of the Directors.

T Johnson
Chairman
24th August 2010

L Winser
Managing Director
24th August 2010

CORPORATE GOVERNANCE

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

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

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

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

The Roles of the Board and Management

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

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

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

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

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

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

Structure of the Board

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

The qualifications, experience and periods of service of each of the Directors is set out on *pages 12-13* of the Annual Report.

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 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.

Structure of the Board continued

R Nicholson *Non-Executive Director*
Mr Nicholson was a Director of a number of companies within the Scott Group of privately owned companies until 25 February 2008, one of which (AA Scott Pty Ltd) is the largest Shareholder of K&S Corporation Limited. Mr Nicholson also remains a director of Ascot Media Investments Pty Ltd, which is one of the Scott Group of privately owned companies.

B Grubb *Non-Executive Director*
Mr Grubb is Chief Executive and Executive Director of Scott's 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 *page 29*), Directors have regard to the balance of independent and non-independent Non-Executive Directors.
- **Recommendation 2.2** which requires that the Chairman of the Board be an independent Director. Mr Johnson is Chairman of the Board and is not considered by Directors to be independent. The Board considers that the skills and experience that Mr Johnson brings as Chairman add value to the deliberations and functioning of the Board. Further, K&S Corporation Limited's Deputy Chairman, Mr Boulton, is an independent Non-Executive Director who is able to fulfil the role of Chairman where and to the extent that any conflicts of interest arise for Mr Johnson.
- **Recommendations 2.4 and 8.1** which require 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 was the 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. With the exception of the Nomination & Remuneration Committee, 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 has implemented a process for the regular review of its overall performance, consistent with ASX Recommendation 2.5. Regular review involves both analysis by the Board of the results of a questionnaire completed by all Directors and discussion between the Chairman and each of the Directors.

The Board's performance review departs from Recommendation 2.5 as the review is conducted by the full Board, and not the Nomination and Remuneration Committee. As the Board is comprised of only 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.

The Board has delegated to the Audit Committee the responsibility for the ongoing monitoring 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, and risk management and advises on the appointment, performance and remuneration of the external auditors.

The members of the Audit Committee during the year were:

Mr Smith (Chairman)
Mr Boulton

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

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

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

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

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

Nomination and Remuneration Committee

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

Nomination and Remuneration Committee

continued

The Nomination and Remuneration Committee does not make recommendations to the Board as to the nomination and appointment of new Directors. As the Board of K&S Corporation Limited is comprised of only six Directors, Directors are of the view that the nomination and appointment of new Directors is most efficiently discharged by the Board. When appointing new Directors, matters the Board have regard to include the spread of skills and qualifications, experience, and independence of both the potential appointee and the existing members of the Board.

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 Nicholson (Chairman)
Mr Winser
Mr Johnson

The Nomination and Remuneration Committee meets at least twice a year and as required. The Committee met formally three times, 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 in 2009/10. 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. Under the terms of the Non-Executive Directors' retirement benefit scheme, participating Directors are entitled to receive up to the total remuneration paid to them in the last three years upon their retirement in accordance with the following formula:

RB = TR x (Y ÷ 15)

where

RB = retirement benefit payable to the Director on retirement
TR = the total remuneration paid to the Director in the last three years
Y = the years of service of the Director prior to 30 June 2004, provided that Y shall not exceed 15

Non-Executive Directors appointed after 30 June 2004 are not eligible to participate in the retirement benefits scheme.

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

Further details of Directors' remuneration, superannuation and retirement payments are set out in the Directors' Report on *pages 21 to 25*.

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 Winser
Mr Grubb

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 and Recommendation 7.3, the Company's financial report preparation and approval process for the financial year ended 30 June 2010, involved both the Managing Director and Chief Financial Officer certifying that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

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

Audit Governance and Independence

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

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

Audit Governance and Independence

continued

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 last 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.

In accordance with sections 249V and 250T of the *Corporations Act 2001* (Cth), 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 material risks in the business. Those material risks include a full spectrum of financial, strategic, compliance, and operational risks.

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

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

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

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

- The Risk Review Statement that is designed to comprehensively document and rate all material business risks to which the Company is exposed, as well as setting out the actions being undertaken by Management to mitigate those risks.
- The Company's Levels of Authority Statement which sets out the different levels of authority delegated to the Managing Director, General Managers, and Branch Managers in relation to financial and business matters such as capital expenditure, acquisitions, entering into contracts, treasury issues, and employment related issues.

- The Company's Administration Manual which sets out the financial and administrative protocols for all staff.
- The Company's OHS&E Manual and supporting documented policies and procedures which are designed to minimise the risk of harm to employees engaged in operational tasks.
- The Company's Quality Management System coupled with its extensive documented operating and compliance focused policies and procedures which are designed to ensure that the Company's operations are conducted using industry best practice and in accordance with the numerous legislative regimes that apply.

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

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

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

Continuous Disclosure

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

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

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

Director Dealing in Company Shares

The Constitution permits Directors and Officers to acquire shares in the Company. 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

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

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

Code of Conduct

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

Trade Practices

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

Other Policies

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

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

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 6. The Company's Communication Policy is available on the Company's website

K&S CORPORATION LIMITED

ABN 67 007 561 837

K&S CORPORATION LIMITED

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

Contents

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Operating revenue	5(a)	**454,317**	441,036
Cost of goods sold		**(53,656)**	(59,884)
Gross profit		**400,661**	381,152
Other income	5(b)	**3,626**	2,534
Contractor expenses		**(145,137)**	(126,257)
Employee benefits expenses	5(e)	**(121,169)**	(114,563)
Fleet expenses		**(73,772)**	(84,185)
Depreciation and amortisation expense	5(d)	**(20,142)**	(19,872)
Finance costs	5 (c)	**(5,218)**	(5,347)
Other expenses		**(12,771)**	(10,800)
2002 fraud related recoveries/(expenses), net		**-**	2,342
Share of profits/(losses) of associates	13	**239**	3
Profit before income tax		**26,317**	25,007
Income tax (expense) / benefit	6	**(7,578)**	(6,857)
Profit after income tax		**18,739**	18,150
Other comprehensive income			
Foreign currency translation		**151**	91
Cash flow hedges		**-**	(134)
Fair value revaluation of land and buildings		**5,314**	-
Other comprehensive income for the period, net of tax		**5,465**	(43)
Total comprehensive income for the period		**24,204**	18,107
Earnings per share (cents per share)	7		
• basic for profit for the year attributable to ordinary equity holders of the parent		**26.5**	26.1
• diluted for profit for the year attributable to ordinary equity holders of the parent		**26.5**	26.1
Dividends per share (cents per share)	8	**14.0**	12.0

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated 2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	12,042	14,717
Trade and other receivables	10	56,747	47,127
Inventories	11	2,696	3,118
Prepayments		4,809	4,262
Total current assets		76,294	69,224
Non-current assets			
Other receivables	10	2,093	1,352
Investments in associates	13	-	31
Property, plant & equipment	14	197,169	185,808
Intangibles	15	44,761	25,622
Deferred tax assets	6	5,776	5,519
Total non-current assets		249,799	218,332
TOTAL ASSETS		326,093	287,556
LIABILITIES			
Current liabilities			
Trade and other payables	17	44,596	36,998
Interest bearing loans and borrowings	18	16,462	16,927
Income tax payable		1,270	1,037
Provisions	19	11,190	10,624
Derivatives		1,123	1,791
Total current liabilities		74,641	67,377
Non-current liabilities			
Other payables	17	4,340	3,047
Interest bearing loans and borrowings	18	47,889	43,306
Deferred tax liabilities	6	18,032	15,633
Provisions	19	2,122	1,964
Total non-current liabilities		72,383	63,950
TOTAL LIABILITIES		147,024	131,327
NET ASSETS		179,069	156,229
EQUITY			
Contributed equity	20	64,528	57,425
Reserves		25,095	19,630
Retained earnings		89,446	79,174
TOTAL EQUITY		179,069	156,229

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

	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 2009	**57,425**	**79,174**	**20,956**	**(1,326)**	**-**	**156,229**
Profit for the year	-	18,739	-	-	-	18,739
Other comprehensive income	-	-	5,314	151	-	5,465
Total comprehensive income for the year	**-**	**18,739**	**5,314**	**151**	**-**	**24,204**
Transactions with owners in their capacity as owners:						
Issue of share capital	7,103	-	-	-	-	7,103
Dividends paid	-	(8,467)	-	-	-	(8,467)
At 30 June 2010	**64,528**	**89,446**	**26,270**	**(1,175)**	**-**	**179,069**
At 1 July 2008	55,373	71,459	20,956	(1,417)	134	146,505
Profit for the year	-	18,150	-	-	-	18,150
Other comprehensive income	-	-	-	91	(134)	(43)
Total comprehensive income for the year	-	18,150	-	91	(134)	18,107
Transactions with owners in their capacity as owners:						
Issue of share capital	2,052	-	-	-	-	2,052
Dividends paid	-	(10,435)	-	-	-	(10,435)
At 30 June 2009	**57,425**	**79,174**	**20,956**	**(1,326)**	**-**	**156,229**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**493,552**	516,767
Cash payments to suppliers and employees		**(429,228)**	(452,797)
Interest received		**212**	228
Borrowing costs paid		**(5,218)**	(5,347)
Income taxes paid		**(7,414)**	(7,651)
Net goods and services tax paid		**(15,957)**	(14,345)
2002 fraud related recoveries		**-**	2,342
Net cash provided by/(used in) operating activities	9	**35,947**	39,197
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**2,411**	3,056
Payments for property plant & equipment		**(4,662)**	(3,999)
Acquisition of business		**(23,995)**	-
Net cash provided by/(used in) investing activities		**(26,246)**	(943)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		**4,936**	502
Proceeds from borrowings		**20,000**	4,000
Repayments of borrowings		**(12,000)**	(13,367)
Lease and hire purchase liability repayments		**(17,626)**	(18,289)
Dividends paid, net of dividend reinvestment plan		**(7,700)**	(9,266)
Net cash provided by/(used in) financing activities		**(12,390)**	(36,420)
Net increase/(decrease) in cash held		**(2,689)**	1,834
Cash at the beginning of the financial year		**14,717**	12,855
Effects of exchange rate variances on cash		**14**	28
Cash at the end of the financial year	9	**12,042**	14,717

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 Corporate Information

The financial report of K&S Corporation Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of Directors on 24 August 2010.

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 profit or loss.

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

b) Compliance with IFRS

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

c) New Accounting Standards and Interpretations

i) Changes in accounting policy and disclosures

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

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009.

- AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations effective 1 July 2009.
- AASB 8 Operating Segments effective 1 July 2009
- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 July 2009.
- AASB 123 Borrowing Costs (revised 2007) effective 1 July 2009.
- AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation effective 1 July 2009.
- AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009.
- AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate effective 1 July 2009.
- AASB 3 Business Combinations (revised 2008) effective 1 July 2009.
- AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009.
- AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 effective 1 July 2009.
- AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1 & AASB 5) effective 1 July 2009.
- AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about financial instruments (AASB 4, AASB 7, AASB 1023 & AASB 1038) effective 1 July 2009.
- AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2009.

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)
AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transactions costs, the initial recognition and subsequent measurement of

contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and the future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as transactions with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to gain or loss in the Statement of Comprehensive Income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of subsidiaries and transactions with non-controlling interests.

The change in Accounting Policy was applied prospectively and had no material impact on earnings per share.

AASB 7 Financial Instruments: Disclosures
The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured as fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation between the beginning and the ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in *Note 3*. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in *Note 3*.

AASB 8 Operating Segments
AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Group's operating segments determined in accordance with AASB 8 are disclosed in *Note 4*, including the related revised comparative information.

AASB 101 Presentation of Financial Statements
The revised Standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transaction with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The Statement of Comprehensive Income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

AASB 123 Borrowing Costs
The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the Group has adopted the Standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 July 2009. The Group did not capitalise any borrowing costs in the current year.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
The amendments delete the reference to the "cost method" making the distinction between pre and post acquisition profits no longer relevant. All dividends received are now recognised in profit or loss rather than having to be split between a reduction in the investment and profit and loss. However the receipt of such dividends requires an entity to consider whether there is an indicator or impairment of the investment in that subsidiary. The receipt of dividends by K&S Corporation Limited during the year did not impact the recoverability of the investment in the associate.

The amendments further clarify cases or reorganisations where a new parent is inserted above an existing parent of the group. It states that the cost of the subsidiary is the previous carrying amount of its share in equity items in the subsidiary rather than its fair value. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.

Annual Improvements Project
In May 2008 and April 2009 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment.

2 Summary of Significant Accounting Policies

Annual Improvements Project continued

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

AASB 8 *Operating Segments:* Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in *Note 4*.

AASB 101 *Presentation of Financial Statements:* assets and liabilities classified as held for trading in accordance with AASB 139 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group amended its accounting policy accordingly and analysed whether management's expectation of the period of realisation of financial assets and liabilities is in accordance with AASB 101. This did not result in any re-classification of financial instruments between current and non-current in the Statement of Financial Position.

AASB 116 *Property, Plant and Equipment:* replace the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

AASB 123 *Borrowing Costs:* the definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with AASB 139. The Group has amended its accounting policy accordingly which did not result in any change in its Statement of Financial Position.

AASB 128 *Investment in Associates:* an investment in an associate is a single asset for the purpose of conducting the impairment test, including any reversal of impairment. Any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases. The Group has amended its impairment accounting policy accordingly. The amendment had no impact on the Group's financial position or performance.

AASB 136 *Impairment of Assets:* when discounted cash flows are used to estimate "fair value less cost to self" additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate "value in use". The additional disclosure also clarifies the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from the Annual Improvements Project to the following Standards did not have any impact on the accounting policies, financial position or the performance of the Group.

AASB 2 Share-based Payment

AASB 108 Accounting Policies, Change in Accounting Estimates and Errors

AASB 110 Events after the Reporting Period

AASB 117 Leases

AASB 118 Revenue

AASB 119 Employee Benefits

AASB 131 Interests in Joint Ventures

AASB 138 Intangible Assets

AASB 140 Investment Property

ii) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2010, outlined in the table on the following pages:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136 & 139)	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: has primary responsibility for providing the goods or service; has inventory risk; has discretion in establishing prices; bears the credit risk. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.	1 Jan 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

2 Summary of Significant Accounting Policies

(ii) Accounting Standards and interpretations issued but not yet effective continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (AASB 2)	This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*. The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	1 Jan 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010
AASB 2009-9	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards.*	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. Specifically, the amendments: exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets; exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 *Determining whether an Arrangement contains a Lease* when the application of their national accounting requirements produced the same result.	1 Jan 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues (AASB 132)	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 Feb 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-11 AASB 9 Financial Instruments	Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12)	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: two categories for financial assets being amortised cost or fair value removal of the requirement to separate embedded derivatives in financial assets strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes. Changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 Jan 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards (AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052)	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.	1 Jan 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 (AASB 1)	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

2 Summary of Significant Accounting Policies

(ii) Accounting Standards and interpretations issued but not yet effective continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 124 (Revised)	Related Party Disclosures	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 Jan 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 Jan 2011	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2011

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2010

d) Basis of consolidation

Subsequent to 1 July 2009

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 inter-company balances and transactions, income and expenses and profit and losses resulting from inter-group transactions, have been eliminated in full.

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

Investments in subsidiaries by K&S Corporation Limited are accounted for at cost in the separate financial statements of the parent less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate Statement of Comprehensive Income of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of the dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exists.

Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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

The difference between the above items and the fair value of the consideration, (including the fair value of any pre-existing investment in the acquiree), is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

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

2 Summary of Significant Accounting Policies

d) Basis of consolidation

Subsequent to 1 July 2009 continued

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

If the Group loses control over a subsidiary, it
- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

Prior to 1 July 2009

In comparison to the above mentioned requirements which were applied on a prospective basis from 1 July 2009, the following differences applied:

- Non-controlling interests represented the portion of profit or loss and net assets of a subsidiary that were not wholly-owned by the Group and were presented separately in the consolidated Statement of Comprehensive Income and within equity in the consolidated Statement of Financial Position, separately from the parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

e) Business combinations

Subsequent to 1 July 2009

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

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

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

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

Prior to 1 July 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition form part of the acquisition cost. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for in separate steps. Any additional interest in the acquiree did not affect previously recognised goodwill. The goodwill amounts calculated at each step acquisition were accumulated.

When the Group acquired a business, embedded derivates separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were adjusted against goodwill.

f) Operating segments

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

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

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

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

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

g) Revenue

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

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

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

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

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

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

h) Cash and cash equivalents

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

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

2 Summary of Significant Accounting Policies continued

i) Leases

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

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

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

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

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

j) Trade and other receivables

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

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.

l) Derivative financial instruments

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

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

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

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

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

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

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

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

m) Derecognition of financial assets and liabilities

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

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

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

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

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

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

n) Impairment of financial assets

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

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie., 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.

2 Summary of Significant Accounting Policies

n) Impairment of financial assets continued

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.

0) Foreign currency translation

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

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

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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

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

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

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

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of K&S Corporation Limited at the rate of exchange ruling at the reporting date and the revenue and expenses are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

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

p) Investment in associates

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

Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately, rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment loss is recognised, the amount is not allocated to the goodwill of the associate.

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

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

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

q) Income tax and other taxes

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

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

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

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

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

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

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

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

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

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

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

Other taxes

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

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

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

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

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

2 Summary of Significant Accounting Policies

r) Property, plant and equipment

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

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

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

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

i) Impairment

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

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

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

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

ii) Revaluations

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

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

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

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

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

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

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

iii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognised.

s) Investments and other financial assets

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

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

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

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

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

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

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

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

t) Goodwill and intangibles

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. If this consideration transferred is lower than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss.

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

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

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

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.

2 Summary of Significant Accounting Policies

t) Goodwill and intangibles continued

Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

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

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

u) Impairment of assets

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

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

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

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

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

v) 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.

w) Interest-bearing loans and borrowings

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

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

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

x) Provisions

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

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

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

y) Employee leave benefits

i) Wages, salaries, annual leave and sick leave

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

ii) Long service leave

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

iii) Defined contribution superannuation funds

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

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

iv) Directors retirement benefits

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

2 Summary of Significant Accounting Policies continued

z) 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.

aa) 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.

bb) Significant account judgments, estimates and assumptions

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

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

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

i) Significant accounting judgments

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

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

ii) Significant accounting estimates and assumptions

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

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

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

Long service leave provision

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

Impairment of non-financial assets other than goodwill

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

3 Financial Risk Management Objectives and Policies

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

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

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

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

Risk exposures and responses

Fair Value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair values are summarised in the table below.

	Year ended 30 June 2010			Year ended 30 June 2009		
	Quoted market price (Level 1)	**Valuation technique – market observable inputs (Level 2)**	**Valuation technique – non-market observable inputs (Level 3)**	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non-market observable inputs (Level 3)
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
CONSOLIDATED						
Financial liabilities						
Derivative instruments						
– Interest rate swaps	-	**(1,123)**	-	-	(1,791)	-
	-	**(1,123)**	-	-	(1,791)	-

3 Financial Risk Management Objectives and Policies

Risk exposures and responses continued

For financial instruments not quoted in active market, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

There were no transfers between Level 1 and Level 2 during the year.

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

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 93% (2009: 93%) and Fuel 7% (2009: 7%).

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

Foreign currency risk
The Group's exposure to currency risk is minimal.

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

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

	Consolidated	
	2010 $'000	2009 $'000
Financial assets		
– Cash and cash equivalents	**12,042**	14,717
Financial liabilities		
– Bank loans	**(23,803)**	(15,759)
Net exposure	**(11,761)**	(1,042)

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.

3 Financial Risk Management Objectives and Policies

Risk exposures and responses continued

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)	
	2010 $'000	2009 $'000	**2010 $'000**	2009 $'000
Consolidated				
+ 1% (100 basis points)	**(27)**	52	**(27)**	52
– 0.5% (50 basis points)	**13**	(26)	**13**	(26)

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

Significant assumptions used in the interest rate sensitivity analysis include:

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

Liquidity risk

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

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

i) Non-derivative financial liabilities

The following liquidity risk disclosure reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and financial guarantees as of 30 June 2010. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the Group is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

3 Financial Risk Management Objectives and Policies

Risk exposures and responses continued

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

	Less than 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Greater than 5 years $'000	Total $'000
Year ended 30 June 2010					
Liquid financial assets					
Cash and cash equivalents	12,042	-	-	-	12,042
Trade and other receivables	57,193	476	1,902	-	59,571
	69,235	476	1,902	-	71,613
Financial liabilities					
Interest bearing loans and borrowings	(20,197)	(36,449)	(15,294)	-	(71,940)
Trade and other payables	(44,596)	(4,340)	-	-	(48,936)
Financial guarantees	(11,840)	-	-	-	(11,840)
	(76,633)	(40,789)	(15,294)	-	(132,716)
Net inflow/(outflow)	(7,398)	(40,313)	(13,392)	-	(61,103)

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

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

The table below details the liquidity risk arising from the derivative liabilities held by the Group at balance date.

Year ended 30 June 2010					
Liquid financial assets					
Derivative liabilities – net settled	-	(1,123)	-	-	(1,123)
Net maturity	-	(1,123)	-	-	(1,123)

4 Operating Segments

Identification of reportable segments

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

The operating segments are identified by Management based on the nature of the services provided, the identity of the service line manager and the country of origin. Discrete financial information about each of these operating businesses is reported to the Executive Management team on at least a weekly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and/or the products sold, as these are the sources of the Group's major risks and have the most effect on the rates of return.

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

- K&S Aust – The provision of interstate and local logistical services to customers under the brand K&S in Australia.
- K&S Fuels – The distribution of fuel to fishing, farming and retail customers within the South East of South Australia.
- DTM – The provision of local logistical services to customers under the brand DTM.
- Pacific – The provision of logistical services to customers under the brand Pacific Transport in Western Australia.
- K&S NZ – The provision of logistical services to customers under the brand K&S in New Zealand.

Accounting policies and inter-segment transactions

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

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

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

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

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets or liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which Management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Finance costs.
- Fair value gains/losses on derivative classified as held for trading.

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2010 and 30 June 2009.

4 Operating Segments continued

	K&S Aust $'000	Pacific $'000	K&S Fuels $'000	DTM $'000	K&S NZ $'000	Unallocated Items $'000	Total $'000
Year ended 30 June 2010							
Revenue							
Sales to external customers	317,730	10,773	58,629	46,833	20,140	-	454,105
Inter-segment sales	167	-	33,716	358	-	-	34,241
Total segment revenue	317,897	10,773	92,345	47,191	20,140	-	488,346
Segment net operating profit after tax	17,245	564	1,124	1,547	172	-	20,652
Interest revenue	-	-	-	-	-	212	212
Interest expense	-	-	-	-	-	(5,218)	(5,218)
Depreciation and amortisation	(17,004)	(556)	(117)	(91)	(2,374)	-	(20,142)
Share of profit of associate	225	-	-	-	14	-	239
Income tax expense	(6,289)	(241)	(495)	(644)	91	-	(7,578)
Segment assets	278,305	4,546	15,612	16,204	21,309	-	335,976
Investment in associate	-	-	-	-	-	-	-
Capital expenditure	(17,481)	-	-	-	(1,008)	-	(18,489)
Segment liabilities	(119,563)	(3,982)	(5,877)	(2,233)	(10,603)	-	(142,258)
Cash flow information							
Net cash flow from operating activities	29,047	1,120	1,483	2,231	2,066	-	35,947
Net cash flow from investing activities	(26,501)	-	-	270	(15)	-	(26,246)
Net cash flow from financing activities	(4,657)	(1,120)	(1,483)	(2,504)	(2,626)	-	(12,390)
Year ended 30 June 2009							
Revenue							
Sales to external customers	308,502	-	64,813	44,371	23,028	-	440,714
Inter-segment sales	150	-	36,380	480	-	-	37,010
Total segment revenue	308,652	-	101,193	44,851	23,028	-	477,724
Segment net operating profit after tax	17,521	-	985	2,216	511	-	21,233
Interest revenue	-	-	-	-	-	322	322
Interest expense	-	-	-	-	-	(5,347)	(5,347)
Depreciation and amortisation	(19,847)	-	(25)	-	-	-	(19,872)
Share of profit of associate	-	-	-	-	3	-	3
Income tax expense	(5,638)	-	(422)	(895)	98	-	(6,857)
Segment assets	241,569	-	14,513	15,453	23,160	-	294,695
Investment in associate	-	-	-	-	-	31	31
Capital expenditure	(21,945)	-	-	-	(441)	-	(22,386)
Segment liabilities	(104,038)	-	(5,690)	(2,975)	(12,821)	-	(125,524)
Cash flow information							
Net cash flow from operating activities	31,805	-	710	3,090	3,592		39,197
Net cash flow from investing activities	(1,033)	-	-	169	(79)		(943)
Net cash flow from financing activities	(29,282)	-	(701)	(3,268)	(2,989)		(36,420)

4 Operating Segments continued

	Consolidated 2010 $'000	Consolidated 2009 $'000
i) Segment revenue reconciliation to the Statement of Comprehensive Income		
Total segment revenue	488,346	477,724
Interest revenue	212	322
Inter-segment sales elimination	(34,241)	(37,010)
Total revenue	454,317	441,036
Revenue from external customers by geographical location is detailed below. Revenue is attributed to geographic location based on the location of the customers. The Company does not have external revenues from external customers that are attributable to any foreign country other than as shown.		
Australia	434,177	418,008
New Zealand	20,140	23,028
Total revenue	**454,317**	441,036
ii) Segment net operating profit before tax reconciliation to the Statement of Comprehensive Income		
Segment net operating profit after tax	20,652	21,233
Income tax expense 30% (2009: 30%)	8,807	9,840
Fair value gain /(loss) on held for trading derivatives	668	(1,791)
Finance costs	(5,218)	(5,347)
Net gains on disposal of property plant and equipment	1,408	1,072
Total net profit before tax per Statement of Comprehensive Income	26,317	25,007
iii) Segment assets reconciliation to the Statement of Financial Position		
Segment assets are those operating assets of the entity that the Management committee views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory, intangibles and excludes deferred tax assets		
Segment operating assets	335,976	294,695
Intersegment eliminations	(15,659)	(12,658)
Deferred tax assets	5,776	5,519
Total assets per the Statement of Financial Position	326,093	287,556
The analysis of location on non-current assets other than financial instruments and deferred tax assets is as follows:		
Australia	226,006	193,390
New Zealand	18,085	19,423
Total assets per the Statement of Financial Position	244,091	212,813

4 Operating Segments continued

	Consolidated	
	2010 $'000	2009 $'000
iv) Segment liabilities reconciliation to the Statement of Financial Position		
Segment liabilities include trade and other payables and debt. The Group has a centralised finance function that is responsible for raising debt and capital for the entire operations. Each entity or business uses this central function to invest excess cash or obtain funding for its operations. The Executive Management committee reviews the level of debts for each segment in the monthly meetings.		
Segment operating liabilities	**142,258**	125,524
Intersegment eliminations	**(15,659)**	(12,658)
Deferred tax liabilities	**18,032**	15,633
Income tax payable	**1,270**	1,037
Derivatives	**1,123**	1,791
Total liabilities per the Statement of Financial Position	**147,024**	131,327

5 Revenue and Expenses

Revenue

	2010 $'000	2009 $'000
a) **Rendering of services**	**395,476**	375,901
Sale of goods	**58,629**	64,813
Finance revenue	**212**	322
Total revenue	**454,317**	441,036
b) **Other income**		
– Net gains on disposal of property, plant and equipment	**1,408**	1,072
– Other	**2,218**	1,462
Total other income	**3,626**	2,534
c) **Finance costs**		
– Related parties – other	**5**	5
– Other parties	**2,184**	1,779
– Finance charges on hire purchase contracts	**3,029**	3,563
Total finance costs	**5,218**	5,347
d) **Depreciation and amortisation expense**		
Depreciation		
- Buildings	**1,491**	1,698
- Motor vehicles	**16,176**	15,937
- Plant and equipment	**2,351**	2,237
Amortisation		
- IT Development costs	**124**	-
Total depreciation and amortisation expenses	**20,142**	19,872

5 Revenue and Expenses continued

	Consolidated 2010 $'000	2009 $'000
e) Employee benefits expense		
– Wages and salaries	**96,599**	91,700
– Workers' compensation costs	**5,452**	4,702
– Long service leave provision	**627**	593
– Annual leave provision	**6,323**	5,796
– Payroll tax	**5,317**	5,246
– Defined contribution plan expense	**6,831**	6,499
– Directors retirement scheme expense	**20**	27
Total employee benefits expenses	**121,169**	114,563
f) Operating lease rental expense		
– Property	**5,782**	6,867
– Plant & equipment	**2,949**	3,353
	8,731	10,220
g) Derivatives		
– Net (gain) /loss on derivatives classified as held for trading *	**(668)**	1,791

* *Derivatives held by the Group do not qualify for hedge accounting and as a result any gains or losses arising from changes in fair value are taken directly to the Statement of Comprehensive Income. The net gain is reported within other income and the net loss is reported within other expenses. Interest rate swap contracts are outlined in Note 21.*

6 Income Tax

The major components of income tax expense are:

	Consolidated 2010 $'000	2009 $'000
Statement of Comprehensive Income		
Current income tax		
– Current income tax charge	**7,813**	7,216
– Adjustments in respect of current income tax of previous years	**(245)**	(161)
Deferred income tax		
– Relating to origination and reversal of temporary differences	**10**	(198)
Income tax expense reported in the Statement of Comprehensive Income	**7,578**	6,857
Statement of Changes in Equity		
Deferred income tax related to items charged or credited directly to equity		
– Net gain on revaluation of land and buildings	**2,277**	-
Income tax expense reported in equity	**2,277**	-

6 Income Tax continued

	Consolidated 2010 $'000	Consolidated 2009 $'000
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	**26,317**	25,007
At the Group's statutory income tax rate of 30% (2008: 30%)	**7,895**	7,502
– Expenditure not allowable for income tax purposes	**53**	58
– Adjustments in respect of current income tax of previous years	**(245)**	(161)
– Investment allowance	**(125)**	(542)
Income tax expense reported in the Statement of Comprehensive Income	**7,578**	6,857

	Consolidated 2010 $'000 Current Income Tax	2010 $'000 Deferred Income Tax	2009 $'000 Current Income Tax	2009 $'000 Deferred Income Tax
Recognised deferred tax assets and liabilities				
Opening balance	**(1,037)**	**(10,114)**	(2,479)	(9,501)
Charged to income	**(7,813)**	**(10)**	(7,216)	198
Charged to equity	**-**	**(2,277)**	-	-
Prior year adjustment	**167**	**9**	1,024	(811)
Other payments	**7,413**	**-**	7,634	-
Closing balance	**(1,270)**	**(12,392)**	(1,037)	(10,114)
Tax expense in Statement of Comprehensive Income		**7,578**		6,857
Amounts recognised in the Statement of Financial Position:				
Deferred tax asset		**5,776**		5,519
Deferred tax liability		**(18,032)**		(15,633)
		(12,392)		(10,114)

6 Income Tax continued

	Statement of Financial Position	
	2010	2009
	$'000	$'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Consolidated		
Deferred tax liabilities		
– Accelerated depreciation for tax purposes	**(5,390)**	(4,605)
– Revaluations of land & buildings to fair value	**(11,258)**	(8,981)
– Trade and other receivables not derived for tax purposes	**(1,384)**	(2,047)
	(18,032)	(15,633)
Deferred tax assets		
– Accelerated depreciation for accounting purposes	**474**	461
– Trade and other payables not currently deductible	**1,181**	1,122
– Trade and other receivables not derived for tax purposes	**128**	193
– Employee entitlements not currently deductible	**3,993**	3,743
Gross deferred income tax assets	**5,776**	5,519

Tax consolidation

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

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

Tax effect accounting by members of the tax consolidated group

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

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

	Parent	
	2010	2009
	$'000	$'000
Total increase/(reduction) to tax expense of K&S Corporation Ltd	**(7,920)**	(6,265)
Total increase/(reduction) to inter-company assets of K&S Corporation Ltd	**7,920**	6,265

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	
	2010	2009
	$'000	$'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**18,739**	18,150
Net profit attributable to ordinary equity holders of the parent	**18,739**	18,150
	2010	2009
	Thousands	Thousands
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	**70,624**	69,559
Effect of dilution		
– Ordinary Shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**70,624**	69,559

Earnings per share calculations reflect the "bonus" element of the share purchase plan conducted in May 2010. As such, an adjustment is required to the number of shares outstanding before the share purchase plan to reflect the "bonus" element. Prior year comparatives earnings per share figures have been restated to take account of this.

8 Dividends Paid and Proposed

	Consolidated	
	2010	2009
	$'000	$'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final franked dividend for 2009: 5.0 cents (2008: 8.0 cents)	**3,510**	**5,554**
Interim franked dividend for 2010: 7.0 cents (2009: 7.0 cents)	**4,957**	**4,881**
	8,467	**10,435**
Proposed (not recognised as a liability as at 30 June):		
Dividends on ordinary shares		
Final franked dividend for 2010: 7.0 cents (2009: 5.0 cents)	**5,148**	**3,510**
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% (2009: 30%)	**38,465**	**34,804**
• franking credits that will arise from the payment of income tax payable as at the end of the financial year	**2,262**	**1,545**
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	**(2,206)**	**(1,497)**
	38,521	**34,852**

Tax rates

The tax rate at which dividends have been franked is 30% (2009: 30%).
Dividends proposed will be franked at the rate of 30% (2009: 30%).

9 Cash and Cash Equivalents

	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash	**42**	41
Cash deposits with banks	**12,000**	14,676
	12,042	14,717

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

	2010 $'000	2009 $'000
Reconciliation of net profit after income tax to net cash flows from operations		
Net profit after income tax	**18,739**	18,150
Add/(less) items classified as investing/financing activities:		
– (Profit)/loss on sale of non-current assets	**(1,408)**	(1,072)
Add/(less) non-cash items:		
– Amounts set aside to provisions	**569**	764
– Depreciation	**20,142**	19,872
– Net exchange differences	**-**	294
– Share of associates' net profit	**(239)**	(3)
– Dividends received from associates	**268**	-
Net cash provided by operating activities before changes in assets and liabilities	**38,071**	38,005
CHANGE IN ASSETS AND LIABILITIES		
(Increase)/decrease in inventories	**483**	856
(Increase)/decrease in income tax benefit	**(187)**	195
(Increase)/decrease in prepayments	**(409)**	(457)
(Increase)/decrease in receivables	**(10,306)**	12,628
(Decrease)/increase in trade creditors	**7,943**	(11,017)
(Decrease)/increase in income taxes payable	**235**	(1,442)
(Decrease)/increase in deferred taxes payable	**113**	418
Exchange rate changes on opening cash balances	**4**	11
Net cash provided by/(used in) operating activities	**35,947**	39,197

Disclosure of financing facilities
Refer to Note 18.

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

	Consolidated 2010 $'000	Consolidated 2009 $'000
10 Trade and Other Receivables		
Current		
Trade debtors	54,052	44,805
Allowance for impairment loss (a)	(446)	(478)
	53,606	44,327
Sundry debtors	3,141	2,800
	56,747	47,127
Non-current		
Sundry debtors	515	-
Related party receivables		
– Employee share plan loans	1,578	1,352
	2,093	1,352

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:

	2010 $'000	2009 $'000
At 1 July	478	329
Charge for the year	151	292
Amounts written off	(183)	(143)
At 30 June	446	478

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

Consolidated	Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI**	+91 days PDNI*	+91 days CI**
2010	**54,052**	**37,665**	**14,325**	**1,192**	**-**	**424**	**446**
2009	44,805	32,115	10,857	1,355	149	-	329

* 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 2010 $'000	Consolidated 2009 $'000
11 Inventories		
Consumable stores – at cost	**966**	952
Finished goods – fuel at cost	**1,730**	2,166
Total inventories at the lower of cost and net realisable value	**2,696**	3,118

a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2010 totalled $53,656,000 (2009: $59,884,000) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

12 Other Financial Assets

	Parent 2010 $'000	Parent 2009 $'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 2010 %	Interest Owned 2009 %	Investment Carrying Amount Consolidated 2010 $'000	Investment Carrying Amount Consolidated 2009 $'000
Smart Logistics Pty Ltd	**50**	50	-	-
Dairy Transport Logistics Pty Ltd*	**24.5**	50	-	31
Investment in associates			-	31

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.

* On 30 June 2010, 510 Dairy Transport Logistics ordinary shares were transferred from K&S Freighters Ltd (NZ) to Fonterra Ltd for the consideration of $1,000.

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

	Consolidated 2010 $'000	Consolidated 2009 $'000
Dairy Transport Logistics Pty Ltd		
At 1 July	**31**	27
Share of profit after income tax	**14**	3
Exchange rate changes on opening balances	**(2)**	1
Dividend payment	**(43)**	-
At 30 June	-	31

13 Investment in Associates continued

	Consolidated	
	2010 $'000	2009 $'000
Smart Logistics Pty Ltd		
At 1 July	-	-
Share of profit after income tax	280	416
Dividend payment	(225)	-
Net carrying amount not recognised under equity accounting	(55)	(416)
At 30 June	-	-

c) Share of associates' commitments

	2010 $'000	2009 $'000
Share of associates' finance lease commitments:		
Within one year	208	242
One year or later and no later than five years	313	521
Minimum lease payments	521	763
Less: Future finance charges	(51)	(98)
Total lease liability	470	665

d) Summarised financial information

The following table illustrates summarised financial information relating to the Group's associates:

	2010 $'000	2009 $'000
Extract from the associates' Statement of Financial Position:		
Current assets	9,384	9,952
Non-current assets	764	1,527
	10,148	11,479
Current liabilities	(9,591)	(10,610)
Non-current liabilities	(599)	(944)
	(10,190)	(11,554)
Net assets/(liabilities)	(42)	(75)
Share of associates net assets/(liabilities)	(21)	(37)
Adjustments arising from equity accounting		
– Net carrying amount not recognised under equity accounting	21	68
	-	31
Extract from the associates' Statement of Comprehensive Income:		
Revenue	116,009	124,937
Net profit/(loss)	567	838

14 Property, Plant and Equipment

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

	Consolidated Freehold Land and Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Total $'000
Year ended 30 June 2010				
As at 1 July 2009 net of accumulated depreciation and impairment	**83,613**	**91,324**	**10,871**	**185,808**
Additions	**874**	**14,879**	**2,758**	**18,511**
Additions – Pacific Transport	**-**	**5,923**	**237**	**6,160**
Reclassification of category	**27**	**-**	**(27)**	**-**
Revaluation	**7,591**	**-**	**-**	**7,591**
Disposals	**-**	**(1,003)**	**-**	**(1,003)**
Depreciation charge for the year	**(1,491)**	**(16,176)**	**(2,351)**	**(20,018)**
Exchange adjustment	**4**	**115**	**1**	**120**
At 30 June 2010 net of accumulated depreciation and impairment	**90,618**	**95,062**	**11,489**	**197,169**
At 30 June 2010				
Cost or fair value	**92,538**	**199,113**	**42,915**	**334,566**
Accumulated depreciation and impairment	**(1,920)**	**(104,051)**	**(31,426)**	**(137,397)**
Net carrying amount	**90,618**	**95,062**	**11,489**	**197,169**
Year ended 30 June 2009				
As at 1 July 2008 net of accumulated depreciation and impairment	84,396	90,371	10,346	185,113
Additions	912	18,154	3,320	22,386
Reclassification of category	-	561	(561)	-
Disposals	-	(1,984)	-	(1,984)
Depreciation charge for the year	(1,698)	(15,937)	(2,237)	(19,872)
Exchange adjustment	3	159	3	165
At 30 June 2009 net of accumulated depreciation and impairment	83,613	91,324	10,871	185,808
At 30 June 2009				
Cost or fair value	86,813	187,343	41,817	315,973
Accumulated depreciation and impairment	(3,200)	(96,019)	(30,946)	(130,165)
Net carrying amount	83,613	91,324	10,871	185,808

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 2010 was determined based on an independent valuation undertaken in March 2010 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 $5,314,000.

14 Property, Plant and Equipment continued

	Consolidated 2010 Freehold Land and Buildings $'000	Consolidated 2009 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	59,889	59,037
Accumulated depreciation and impairment	(6,258)	(5,172)
Net carrying amount	53,631	53,865

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

The carrying value of motor vehicles held under hire purchase contracts at 30 June 2010 is $59,368,541 (2009: $62,683,486). Additions during the year include $13,849,000 (2009: $18,387,000) 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
Year ended 30 June 2010			
At 1 July 2009 net of accumulated amortisation and impairment	3,953	21,669	25,622
Additions – Pacific Transport	-	19,201	19,201
Amortisation	(124)	-	(124)
Exchange adjustment	-	62	62
At 30 June 2010 net of accumulated amortisation and impairment	3,829	40,932	44,761
At 30 June 2010			
Cost (gross carrying amount)	3,953	40,932	44,885
Accumulated amortisation and impairment	(124)	-	(124)
Net carrying amount	3,829	40,932	44,761

15 Intangible Assets and Goodwill continued

	Consolidated		
	IT Development Costs $'000	Goodwill $'000	Total $'000
Year ended 30 June 2009			
At 1 July 2008			
net of accumulated amortisation and impairment	3,005	21,631	24,636
Additions – Pacific Transport	948	-	948
Exchange adjustment	-	38	38
At 30 June 2009			
net of accumulated amortisation and impairment	3,953	21,669	25,622
At 30 June 2009			
Cost (gross carrying amount)	3,953	21,669	25,622
Accumulated amortisation and impairment	-	-	-
Net carrying amount	3,953	21,669	25,622

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 2010 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	
	2010 $'000	2009 $'000
K&S Freighters – Australia	**3,993**	3,993
K&S Fuels	**165**	165
Pacific Transport	**19,201**	-
DTM Logistics	**12,207**	12,207
K&S Freighters – New Zealand	**5,366**	5,304
	40,932	21,669

Impairment testing

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

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

16 Impairment Testing of Goodwill continued

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	
	2010 %	2009 %	2010 %	2009 %
K&S Freighters – Australia	12.77	13.45	4.0	5.0
K&S Fuels	12.77	13.45	4.0	5.0
Pacific Transport	12.77	-	5.0	-
DTM Logistics	12.77	13.45	4.5	5.0
K&S Freighters – New Zealand	13.93	13.57	2.0	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.

i) Sensitivity to changes in assumptions

With regard to the assessment of the carrying amount of each of the cash generating units, Management believe that no reasonably possible change in any of the key assumptions would cause the carrying value to materially exceed its recoverable amount.

	Consolidated	
	2010 $'000	2009 $'000
17 Payables		
Current		
Trade creditors and payables	**42,249**	34,460
Self insured workers compensation liability	**2,347**	2,538
	44,596	36,998
Non-current		
Self insured workers compensation liability	**4,340**	3,047
	4,340	3,047
i) Trade payables are non-interest bearing and are normally settled on 30 day terms		
18 Interest Bearing Loans and Borrowings		
Current		
Hire purchase liabilities – secured	**16,462**	**16,927**
	16,462	**16,927**
Non-current		
Non redeemable preference shares	**60**	60
Hire purchase liabilities – secured	**24,026**	27,487
Bank loans – secured	**23,803**	15,759
	47,889	43,306

18 Interest Bearing Loans and Borrowings continued

	Consolidated 2010 $'000	Consolidated 2009 $'000
Commitments in respect of hire purchase agreements are payable as follows:		
Not later than one year	**19,080**	20,211
Later than one year but not later than five years	**26,823**	29,696
	45,903	49,907
Deduct: future finance charges	**(5,415)**	(5,493)
Total hire purchase liability	**40,488**	44,414
Current	**16,462**	16,927
Non-current	**24,026**	27,487
	40,488	44,414

Fair value disclosures

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

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

Hire purchase contracts

The consolidated entity leases plant & 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 $59,368,541 (2009: $62,683,486). The weighted average cost of these facilities was 7.90% (2009: 7.52%).

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 $91,435,000 (2009: $85,680,000). The non-current bank loans are subject to annual review.

The bank loan facility is available for a period beyond 30 June 2012. The facility bears interest at 7.68% (2009: 7.68%).

Financing facilities available

	Consolidated 2010 $'000	Consolidated 2009 $'000
Total facilities available:		
Bank overdrafts	**4,000**	4,000
Bank loans	**44,160**	34,741
Standby letters of credit	**11,840**	11,259
	60,000	50,000

18 Interest Bearing Loans and Borrowings continued

Standby letters of credit

The Group has the following guarantees at 30 June 2010:

- Bank guarantee of $9,484,000 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;
- A bank guarantee of $1,150,000 has been provided by the Westpac Banking Corporation to the Victorian WorkCover Authority;
- Other bank guarantees of $1,206,250 have been provided by the Westpac Banking Corporation Limited to suppliers.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Facilities utilised at balance date:		
Bank overdrafts	-	-
Bank loans	**23,803**	15,759
Standby letters of credit	**11,840**	11,259
	35,643	27,018
Facilities not utilised at balance date:		
Bank overdrafts	**4,000**	4,000
Bank loans	**20,357**	18,982
Standby letters of credit	-	-
	24,347	22,982
Total facilities	**60,000**	50,000
Facilities used at balance date	**35,643**	27,018
Facilities unused at balance date	**24,347**	22,982

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 after 30 June 2012.

18 Interest Bearing Loans and Borrowings continued

	Consolidated 2010 $'000	2009 $'000
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:		
Non-current		
First mortgage		
– Freehold land and buildings	**89,580**	83,613
– Plant and equipment	**1,855**	2,067
Total non-current assets pledged as security	**91,435**	85,680

Non-cash financing and investment activities

During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of $13,827,000 (2009: $18,387,000) and disposed of property, plant and equipment with an aggregate fair value of $nil (2009: $nil) by means of finance lease or hire purchase arrangements. These acquisitions and disposals are not reflected in the Statement of Cash Flows.

19 Provisions

	2010	2009
Current		
Employee benefits	**11,190**	10,514
Make good provision	**-**	110
	11,190	10,624
Non-current		
Employee benefits	**1,618**	1,480
Directors' retirement allowance	**504**	484
	2,122	1,964

No dividends have been provided for the year ended 30 June 2010. The extent to which dividends were franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in *Note 8*.

19 Provisions continued

	Make Good Provision $'000	Directors' Retirement Allowance $'000	Total $'000
a) Movements in provisions			
Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:			
CONSOLIDATED			
At 1 July 2009	110	484	594
Arising during the year	-	20	20
Utilised	(110)	-	(110)
At 30 June 2010	-	504	504
Current 2010	-	-	-
Non-Current 2010	-	504	504
	-	504	504
Current 2009	110	-	110
Non-Current 2009	-	484	484
	110	484	594

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.

$110,000 was paid during the year ended 30 June 2010 in respect to the Group's obligations.

ii) Long service leave

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

iii) Directors retirement allowance

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

	Consolidated 2010 $'000	Consolidated 2009 $'000

20 Contributed Equity and Reserves

a) Ordinary shares

	2010 $'000	2009 $'000
Contributed equity		
72,592,501 (2009: 69,869,710) ordinary shares fully paid	**64,528**	57,425
	64,528	57,425

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
Movements in ordinary shares on issue		
At 1 July 2008	69,122	55,373
Issued through Employee Share Plan – 306,000 ordinary shares at $3.02 per share	306	924
Issued through Dividend Re-investment Plan – 297,509 ordinary shares at $2.79 per share	298	829
Issued through Dividend Re-investment Plan – 143,924 ordinary shares at $2.08 per share	144	299
At 30 June 2009	69,870	57,425
Issued through Employee Share Plan – 330,500 ordinary shares at $2.40 per share	331	793
Issued through Dividend Re-investment Plan – 108,137 ordinary shares at $2.86 per share	108	310
Issued to acquire Pacific Transport – 500,000 ordinary shares at $2.80 per share	500	1,400
Issued through Dividend Re-investment Plan – 165,955 ordinary shares at $2.75 per share	166	457
Issued through Share Purchase Plan – 1,618,199 ordinary shares at $2.56 per share	1,618	4,143
At 30 June 2010	72,593	64,528

(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 2010, the Group paid dividends of $8,467,000 (2009: $10,435,000).

20 Contributed Equity and Reserves continued

	Consolidated 2010 $'000	2009 $'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:		
Total interest bearing loans and borrowings	**64,351**	60,233
Less cash and cash equivalents	**(12,042)**	(14,717)
Net debt	**52,309**	45,516
Net tangible assets	**134,240**	130,607
Gearing ratio	**39.0%**	34.8%

Nature and purpose of reserves

Asset revaluation reserve

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

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.

The Group has the following interest rate swap agreements in place at 30 June 2010:

– 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 commenced 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 commenced 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 do not qualify for hedge accounting and as a result any gains or losses arising from changes in fair value are taken directly to profit or loss. The net loss is reported within other expenses.

b) Interest rate risk

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

	Consolidated 2010 $'000	2009 $'000
22 Commitments		
The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2010 are:		
Capital expenditure commitments		
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	**14,974**	11,054
Lease rental commitments		
Operating lease and hire commitments:		
– Not later than one year	**6,916**	5,626
– Later than one year but not later than five years	**13,433**	9,000
– Later than five years	**11,141**	-
	31,490	14,626

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.

Tax related contingencies

The Australian Tax Office (ATO) has issued draft legislation relating to stages three and four of the Taxation of Financial Arrangements (TOFA). The draft legislation proposes changes to the tax timing treatment of hedging transactions.
The Group is currently assessing the possible impact, if any, that these changes will have on the Group's tax position.
No liability has been recognised in respect of this.

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 Project Services 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.*

A consolidated Statement of Comprehensive Income and consolidated Statement of Financial Position, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2010 is set out below:

	Closed Group	
	2010 $'000	2009 $'000
Statement of Comprehensive Income		
Profit before income tax	**26,317**	25,007
Income tax expense	**(7,578)**	(6,857)
Profit after income tax	**18,739**	18,150
Retained profits at the beginning of the year	**79,174**	71,459
Dividends provided for or paid	**(8,467)**	(10,435)
Retained earnings at the end of the year	**89,446**	79,174

24 Deed of Cross Guarantee continued

	Closed Group 2010 $'000	Closed Group 2009 $'000
Statement of Financial Position		
Cash	12,042	14,717
Trade and other receivables	56,747	47,127
Inventories	2,696	3,118
Prepayments	4,809	4,262
Total current assets	76,294	69,224
Other receivables	2,093	1,352
Investment in associates	-	31
Property, plant and equipment	197,169	185,808
Intangibles	44,761	25,622
Deferred tax assets	5,776	5,519
Total non-current assets	249,799	218,332
Total assets	326,093	287,556
Trade and other payables	44,596	36,998
Interest bearing loans and borrowings	16,462	16,927
Current tax liabilities	1,270	1,037
Provisions	11,190	10,624
Derivatives	1,123	1,791
Total current liabilities	74,641	67,377
Other payables	4,340	3,047
Interest bearing loans and borrowings	47,889	43,306
Deferred tax liabilities	18,032	15,633
Provisions	2,122	1,964
Total non-current liabilities	72,383	63,950
Total liabilities	147,024	131,327
Net assets	179,069	156,229
Contributed equity	64,528	57,425
Reserves	25,095	19,630
Retained earnings	89,446	79,174
Total equity	179,069	156,229

25 Controlled Entities

Particulars in relation to controlled entities

	Class of Share	Country of Incorporation	% Equity Interest 2010	% Equity Interest 2009
Name				
K&S Corporation Limited				
Controlled Entities				
Reid Bros Pty Ltd	Ord	Australia	**100**	100
Kain & Shelton Pty Ltd	Ord	Australia	**100**	100
K&S Freighters Pty Ltd	Ord	Australia	**100**	100
K&S Group Administrative Services Pty Ltd	Ord	Australia	**100**	100
Kain & Shelton (Agencies) Pty Ltd	Ord	Australia	**100**	100
K&S Transport Management Pty Ltd	Ord	Australia	**100**	100
Blakistons-Gibb Pty Ltd	Ord	Australia	**100**	100
K&S Logistics Pty Ltd	Ord	Australia	**100**	100
K&S Integrated Distribution Pty Ltd	Ord	Australia	**100**	100
K&S Group Pty Ltd	Ord	Australia	**100**	100
DTM Holdings (No. 2) Pty Ltd	Ord	Australia	**100**	100
Alento Pty Ltd	Ord	Australia	**100**	100
DTM Holdings Pty Ltd	Ord	Australia	**100**	100
DTM Pty Ltd	Ord	Australia	**100**	100
K&S Project Services Pty Ltd	Ord	Australia	**100**	75
K&S Freighters Limited	Ord	New Zealand	**100**	100
Cochrane's Transport Limited	Ord	New Zealand	**100**	100

26 Related Party Disclosures

DIRECTORS

The names of each person holding the position of Director of K&S Corporation Limited during the financial year and up to the date of signing the financial report are Messrs. T Johnson, R Nicholson, G Boulton, B Grubb, R Smith 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

The estate of Mr A A Scott, 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's Agencies Pty Ltd
Scott's Management Pty Ltd
Scott's Transport Industries Pty Ltd
First Radio Pty Ltd

Mr Grubb has an interest as Director of AA Scott Pty Ltd, Scott's Transport Industries Pty Ltd, Ascot Haulage (NT) Pty Ltd, Northern Territory Freight Services Pty Ltd, Scott's Agencies Pty Ltd, The Border Watch Pty Ltd and Scott's 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.

First Radio Pty Ltd has an interest in a transport facility in Adelaide which the Company rents on a commercial basis. Rent in 2010 was $352,170 (2009: $337,016).

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

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 2010 included sales of $24,717 (2009: $80,567) and purchase of transport related services totalling $4,537,894 (2009: $326,805).

The aggregate amount of dealings with these companies during 2010 were as follows:

26 Related Party Disclosures continued

	Purchases		Sales	
	2010	2009	**2010**	2009
	$	$	**$**	$
AA Scott Pty Ltd	-	-	-	-
Ascot Haulage (NT) Pty Ltd	**939,673**	373,152	-	-
Northern Territory Freight Services Pty Ltd	**376,435**	1,436,959	**49,449**	52,141
Scott's Transport Industries Pty Ltd	**179,593**	180,905	**1,152,772**	1,710,292
Scott's Agencies Pty Ltd	**1,404,117**	852,362	-	-
Fidler and Webb Ltd	-	37,936	-	-
The Border Watch Pty Ltd	**2,831**	-	-	-

A Director of the Company, Mr Johnson, had an interest during 2009/10 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 2010 was $75,890 (2009: $183,297) 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 2010 was $29,289,000 (2009: $32,839,000).

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 2010 was $6,108,000 (2009: $6,587,000).

	Consolidated	
	2010	2009
	$'000	$'000
Amounts payable to and receivable from Directors and their Director related entities at balance date arising from these transactions were as follows:		
Current receivables (included within trade debtors)		
Scott's Transport Industries Pty Ltd	**154**	84
Northern Territory Freight Services Pty Ltd	**2**	15
Smart Logistics Pty Ltd	**1,839**	3,039
Dairy Transport Logistics Ltd	**352**	335
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	**139**	-
Scott's Transport Industries Pty Ltd	**4**	-
Northern Territory Freight Services Pty Ltd	**-**	104

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

26 Related Party Disclosures continued

	Parent 2010 $'000	Parent 2009 $'000
Details of dealings with these entities are set out below:		
Balances with entities within the wholly-owned group		
The aggregate amounts receivable from, and payable to, wholly-owned controlled entities by the Company at balance date:		
Receivables		
– Current	**99,003**	88,644
– Non-current	**17,961**	17,961
	116,964	106,605
Payables – current		
– Other loans	**64,587**	63,181
	64,587	63,181

Terms and conditions of transactions within the wholly-owned group

Sales to and purchases from within the wholly-owned group are made at arm's length. Terms and conditions of the tax funding agreement are set out in *Note 6*. Outstanding balances at year-end are unsecured and interest free.

Dividends

Dividends received or due and receivable by the Company from wholly-owned controlled entities amount to $10,000,000 (2009:$10,000,000).

	Consolidated 2010	Consolidated 2009
DIRECTORS' SHARE TRANSACTIONS		
Shareholdings		
Aggregate number of shares held by Directors and their Director related entities at balance date:		
– Ordinary shares	**967,595**	881,100
– 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	**108**	132
– Preference shares	-	-

Directors' transactions in shares and share options

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

Ultimate parent entity

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

27 Key Management Personnel

a) Details of Key Management Personnel

i) Directors

Mr T Johnson	Non-Executive Chairman
Mr G Boulton	Non-Executive Deputy Chairman
Mr R Smith	Non-Executive
Mr R Nicholson	Non-Executive
Mr B Grubb	Non-Executive
Mr L Winser	Managing Director

ii) Executives

Mr B Walsh	Chief Financial Officer
Mr C Bright	Group Legal Counsel & Company Secretary
Mr S Fanning	General Manager – K&S Freighters
Mr G Wooller	General Manager – Full Load, Fleet & Bulk
Mr P Sarant	General Manager – DTM
Ms K Evans	National Human Resources Manager
Ms C De Gois	Chief Information Officer

	Consolidated 2010 $	Consolidated 2009 $
b) Compensation for Key Management Personnel		
Short-term	**2,416,218**	1,993,773
Long-term	**38,989**	35,689
Post employment	**224,168**	223,658
	2,679,375	2,253,120

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
2010	**224**	-	**346**	**6**
2009	116	-	224	5

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 Limited, 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.

27 Key Management Personnel continued

e) Shareholding of Key Management Personnel

Shares held in K&S Corporation Limited:	Balance 1 July 2009 Ordinary	Net Change Ordinary	Balance 30 June 2010 Ordinary
30 June 2010			
Non-Executive Directors			
T Johnson	195,749	14,339	210,088
G Boulton	138,403	11,855	150,258
R Smith	10,000	7,819	17,819
R Nicholson	15,128	6,514	21,642
B Grubb	107,317	-	107,317
Executive Director			
L Winser	414,503	45,968	460,471
Other Key Management Personnel			
B Walsh	53,483	20,377	73,860
C Bright	12,000	7,000	19,000
S Fanning	20,000	10,000	30,000
G Wooller	22,168	10,224	32,392
P Sarant	10,000	10,000	20,000
K Evans	10,000	5,000	15,000
C De Gois	-	-	-
Total	1,008,751	149,096	1,157,847

Shares held in K&S Corporation Limited:	Balance 1 July 2008 Ordinary	Net Change Ordinary	Balance 30 June 2009 Ordinary
30 June 2009			
Non-Executive Directors			
T Johnson	182,631	13,118	195,749
G Boulton	130,160	8,243	138,403
R Smith	5,000	5,000	10,000
R Nicholson	14,226	902	15,128
B Grubb	107,317	-	107,317
Executive Director			
L Winser	392,942	21,561	414,503
Other Key Management Personnel			
B Walsh	41,309	12,174	53,483
C Bright	5,000	7,000	12,000
S Fanning	10,000	10,000	20,000
G Wooller	7,000	15,168	22,168
P Sarant	-	10,000	10,000
C De Gois	-	-	-
Total	895,585	103,166	998,751

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 8 July 2010, K&S Corporation Limited acquired the Perth based Regal Transport Group ("Regal"). Regal was formed in March 2009 with the merger of N&L Transport and Strategic Transport Services Pty Ltd. At the time of acquisition, Regal generated annual revenues of $50 million and employed over 120 people. The Regal acquisition will extend the footprint achieved by the Pacific Transport acquisition to the oil, gas and resources sector of Western Australia. Details of the acquisition are disclosed in *Note 30*.

On 24 August 2010, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is $5,147,975, which represents a fully franked dividend of 7.0 cents per share. The dividend is payable on 29 October 2010 and has not been provided for in the 30 June 2010 financial statements. The Dividend Reinvestment Plan (DRP) will apply to the final dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 15 October 2010 (the record date of the final dividend), less a discount of 2.5%.

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

	Consolidated	
	2010	2009
	$	$
29 Auditor's Remuneration		
The auditor of K&S Corporation Limited is Ernst & Young.		
Audit services:		
Audit and review of the statutory financial reports	**154,000**	149,500
	154,000	149,500
Other services:		
Other services – Ernst & Young:		
– GST review	**10,000**	15,000
	10,000	15,000

30 Business Combination

Acquisition of Pacific Transport

On 13 January 2010, K&S Corporation Limited acquired the business and assets of Pacific Transport ("Pacific"). Pacific's business is focused on the Perth to Broome and Derby regions of Western Australia.

The consideration transferred was $25,395,000 and comprised an issue of equity instruments and cash. The Group issued 500,000 ordinary shares with a fair value of $2.80 each. Provisional fair value of identifiable net assets is $6,194,000.

Key factors contributing to the $19,201,000 of goodwill are the synergies existing within the acquired business and synergies expected to be achieved as a result of combining Pacific with the rest of the Group. The acquisition will also give the Group a footprint to target the oil, gas and resource sectors of Western Australia.

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

	Fair Value at Acquisition Date $'000
Plant and equipment	6,160
Inventories	60
Prepayments	134
Deferred tax asset	68
	6,422
Provision for employee entitlements	(228)
Provisional fair value of identifiable net assets	6,194
Goodwill arising on acquisition	19,201
	25,395
Acquisition-date fair-value of consideration transferred	
Shares issued	1,400
Cash paid	23,995
Consideration transferred	25,395
Direct costs relating to the acquisition	968
Cash outflow on acquisition	(23,995)

The consolidated Statement of Comprehensive Income includes sales revenue and net profit for the year end 30 June 2010 of $10,773,000 and $805,000 respectively, as a result of the acquisition of Pacific Transport. Had the acquisition of Pacific Transport occurred at the beginning of the reporting period, the consolidated Statement of Comprehensive Income would have included revenue and profit of $22,873,000 and $1,923,000 respectively.

30 Business Combination continued

Acquisition of Regal Transport

On 8 July 2010, K&S Corporation Limited acquired the Perth based Regal Transport Group ("Regal"). Regal was formed in March 2009 with the merger of N&L Transport and Strategic Transport Services Pty Ltd. At the time of acquisition, Regal generated annual revenues of $50 million and employed over 120 people. The Regal acquisition will extend the footprint achieved by the Pacific Transport acquisition to the oil, gas and resource sectors of Western Australia.

The consideration transferred was $41,845,000 and comprised an issue of equity instruments and cash. The Group issued 950,000 ordinary shares with a fair value of $2.80 each. Provisional fair value of identifiable net assets is $15,629,000.

Key factors contributing to the $26,216,000 of goodwill are the synergies existing within the acquired business and synergies expected to be achieved as a result of combining Regal Transport with Pacific Transport and the rest of the Group. The Regal acquisition will extend the footprint achieved by the Pacific Transport acquisition to the oil, gas and resource sectors of Western Australia.

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

	Fair Value at Acquisition Date $'000
Plant and equipment	17,060
Trade and other receivables	7,495
Prepayments	67
Deferred tax assets	224
	24,846
Trade and other payables	(3,217)
Interest bearing loans and borrowings	(5,253)
Provision for employee entitlements	(747)
	(9,217)
Provisional fair value of identifiable net assets	15,629
Goodwill arising on acquisition	26,216
	41,845
Acquisition-date fair-value of consideration transferred	
Shares issued	2,660
Cash paid	39,185
Consideration transferred	41,845
Direct costs relating to the acquisition	173
Cash outflow on acquisition	(39,185)

31 Parent Entity Information

	Parent 2010 $'000	Parent 2009 $'000
Current assets	**99,003**	88,644
Total assets	**151,125**	140,548
Current liabilities	**(66,530)**	(64,610)
Total liabilities	**(67,163)**	(65,223)
Issued capital	**64,528**	57,425
Asset revaluation reserve	**161**	161
Retained earnings	**19,273**	17,739
Total Shareholders' equity	**83,962**	75,325
Profit after tax of the parent entity	**10,000**	10,004
Total comprehensive income of the parent entity	**10,000**	10,004

Guarantees

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

Contingent liabilities

Contingent liabilities of the Company and its wholly owned controlled entities are outlined in *Note 23*.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2010

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 financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in *Note 2 (b)*.

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

d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2010.

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

Dated at Mount Gambier this 24th day of August 2010.

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 2010, 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
24 August 2010

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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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 statements 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.

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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 consolidated entity's financial position at 30 June 2010 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 21 to 25 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

David T Sanders
Partner

Adelaide
24 August 2010

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INFORMATION ON SHAREHOLDINGS

RELATING TO SECURITY HOLDERS AS AT 24 AUGUST 2010

DISTRIBUTION OF SHAREHOLDINGS

Ordinary Shares	Number of Shareholders
1-1,000 Shares	295
1,001 - 5,000 Shares	851
5,001 - 10,000 Shares	337
10,001 - 100,000 Shares	307
100,001 and more Shares	39
	1,829

43 shareholders hold less than a marketable parcel (190 shares).

TWENTY LARGEST SHAREHOLDERS

	Name	Number of Ordinary Shares Held	%
1	AA Scott Pty Ltd	40,594,359	55.19
2	Citicorp Nominees Pty Limited	2,817,354	3.83
3	Bell Potter Nominees Ltd	2,726,732	3.71
4	J P Morgan Nominees Australia Limited	1,784,448	2.43
5	Ascot Media Investments Pty Ltd	1,543,727	2.10
6	National Nominees Limited	905,565	1.23
7	Mrs Zena Kaye Winser	790,892	1.08
8	Tribridge Holdings Pty Ltd	750,000	1.02
9	Winscott Investments Pty Ltd	746,564	1.02
10	Mr Eric Joseph Roughana	681,859	0.93
11	Sabadin Petroleum Pty Ltd	618,348	0.84
12	Australian Reward Investment Alliance	511,172	0.70
13	Adrian Keith & Samantha Jane Crook <Pacific Group Inv Share A/c>	500,000	0.68
14	John Stepnell & Valerie Stepnell & Mark Stepnell <Stepnell Super Fund A/c>	421,500	0.57
15	Ardmore Nominees Pty Ltd	356,893	0.49
16	John Legh Winser	345,339	0.47
17	Cogent Nominees Pty Limited	340,718	0.46
18	Mr William Clifton Anderson	301,530	0.41
19	Almora Holdings Pty Ltd	241,149	0.33
20	ANZ Nominees Limited	239,536	0.33
		57,217,685	77.80

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 77.8% 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 24th August 2010:

	Number	% of Class
Estate of Mr A A Scott	45,606,970	64.87

VOTING RIGHTS

The voting rights are as follows:

Preference Shares:	Nil
Ordinary Shares:	1 vote per share

CORPORATE DIRECTORY

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141-147 Jubilee Highway West
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South Australia 5290
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CORPORATE OFFICE
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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
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Facsimile: (08) 8236 2305

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Enquiries within Australia:
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61 3 9415 5000

Email:
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Website: www.computershare.com

WEBSITE
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