K&S CORPORATION LIMITED

ANNUAL REPORT 2012

K&S CORPORATION LIMITED

ABN 67 007 561 837

FINANCIAL CALENDAR

Final dividend payment (6.0 cents per share)	31 October 2012
Annual General Meeting	20 November 2012
Half-year results and interim dividend announcement	19 February 2013
Interim dividend payment	29 March 2013
Full-year result and final dividend announcement	28 August 2013
Annual report mailed to Shareholders	4 October 2013
Final dividend payment	31 October 2013
Annual General Meeting	26 November 2013

CONTENTS

HIGHLIGHTS

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

K&S CORPORATION LIMITED

- **Revenue growth of 6% to $554.8 million**
- **Profit after tax increases by 10.9%**
- **Appoints new Managing Director**
- **Strong performance by Western Australian business**
- **Increased volume with CHEP**
- **Organic growth in Steel Business**
- **Balance Sheet further strengthened with gearing at 21.6%**


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CHAIRMAN'S OVERVIEW

TONY JOHNSON CHAIRMAN K&S CORPORATION LIMITED

Management is focused on winning new business and reducing operating costs.

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

During the year we have seen first-hand the two speed economy in our business.

The east coast operations have experienced the effects of the high $A on the domestic manufacturers while on the west coast we have seen the positive impacts of the mining industry.

Our strong second half performance has been underpinned by the strength of our Western Australian operation and the stabilisation of our east coast contract distribution business.

We still have a number of challenges in our east coast linehaul business due to the depressed volumes available.

This year has been unlike any other in the Company's recent history as we have welcomed Greg Stevenson as Managing Director following the retirement of Legh Winser in May.

Legh Winser's career with K&S spans a period of over 40 years and 14 years as Managing Director. In that time, as Managing Director, the Company's revenues have doubled whilst profit after tax has increased sixfold. The growth of the Company is in no small part due to Legh's passion, commitment and vision.

On behalf of the Board, I wish to publicly thank Legh and wish him all the best in retirement.

Net profit after tax for 2011/12 was $16.4 million compared with $14.8 million for the 2010/11 financial year, up 10.9%.

Operating revenue for the year was $554.8 million, an increase of 6.0% on the previous corresponding period.

Operating cash flow increased 14.1% to $38.9 million.

Earnings per share were 18.7 cents per share.

We have declared a fully franked final dividend of 6.0 cents per share (last year 5.0 cents per share). This follows the interim dividend of 5.0 cents per share paid in March 2012, making a total dividend of 11.0 cents per share. The final dividend will be paid on 31 October 2012, with the date for determining entitlements being 17 October 2012.

The dividend reinvestment plan (DRP) will once again be part of the October 2012 dividend. The DRP will apply in respect of the fully franked final dividend of 6.0 cents payable on 31 October 2012.

CHAIRMAN'S OVERVIEW

The terms of the DRP will remain unchanged with issue price under the DRP based on the weighted average trading price for K&S shares in the five business days ending on 17 October 2012 (the record date of the final dividend) less a discount of 2.5%.

Our gearing now stands at 21.6%, which is well within our target range.

Providing earnings guidance going forward remains a difficult task.

The strong $A continues to impact on Australian manufacturers.

Our Western Australian business looks set to experience strong growth in the year ahead. We see this as being an area of growth for the Company.

We are well placed with a strong Balance Sheet, low gearing and secure customer contracts.

We are confident of further growth in our existing customer base and we will continue to bid strongly on new tenders. We see the momentum from our strong second half to continue into the first half of 2012/13.

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

On behalf of the Board, I thank our customers, suppliers and employees, who have contributed to our continuing success. In particular, I thank the senior management team, led by Greg Stevenson, for their ongoing commitment and dedication in what has been a difficult period.

Tony Johnson
Chairman

FINANCIAL OVERVIEW

OPERATING REVENUE

OPERATING CASH FLOW

SHAREHOLDERS FUNDS

GEARING

		2012	**2011**	**% movement**
Revenue	$m	554.8	523.4	6.0
Operating profit before interest, tax and depreciation	$m	55.0	54.7	0.5
Operating profit before interest and tax	$m	30.5	29.6	3.0
Operating profit before tax	$m	23.4	21.2	10.4
Operating profit after tax	$m	16.4	14.8	10.9
Dividends paid	$m	5.6	8.4	(33.3)
Total assets	$m	401.4	388.0	3.5
Net borrowings	$m	62.0	76.7	(19.2)
Shareholders' funds	$m	224.9	213.6	5.3
Depreciation and amortisation	$m	24.4	25.1	(2.8)
Earnings per share	cents	18.7	18.3	2.2
Dividends per share	cents	11.0	10.0	10.0
Net tangible assets per share	$	1.72	1.65	4.2
Cash flow per share	$	0.44	0.39	12.8
Return on Shareholders' funds	%	7.3	6.9	5.8
Gearing	%	21.6	26.4	(18.2)
Lost time injuries		49.0	43.0	14.0
Lost time injuries frequency rate	%	13.0	12.0	8.3


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MANAGING DIRECTOR'S REPORT

GREG STEVENSON MANAGING DIRECTOR K&S CORPORATION LIMITED

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

Trading conditions in 2011/12 were once again difficult, with the high Australian dollar and soft economy significantly impacting on the operations of our key customers.

Business along the east coast of Australia performed below expectations, especially in the first half of the year. Whilst some improvement was recorded in the second half, volumes overall remained subdued. However, value added local storage and distribution operations provided by DTM continued to perform solidly despite the soft conditions.

The situation was different in Western Australia where Regal Transport enjoyed solid growth based on mining expansion in the Pilbara and Kimberley regions. The west offers further and significant opportunities in the resources sector, including oil and gas.

Our New Zealand operations improved on the back of some recovery in the dairy and timber industries.

Ongoing work to reduce costs continues to provide benefits and has helped K&S maintain a strong bottom line given the difficult trading conditions.

Generally, business for our top 10 clients met expectations, while a concentration by our sales team on growing revenue through winning new, smaller contracts paid dividends. New work has also been won by DTM for Chep in Victoria and for Air Liquide and BP Castrol Australia.

The Federal Government's decision to reduce the diesel fuel rebate by 2.5 cents per litre is expected to impact negatively on costs in the year ahead.

Net profit after tax for 2011/12 was $16.4 million compared with $14.8 million for the 2010/11 financial year, up 10.9%.

Operating revenue for the year was $554.8 million, an increase of 6.0% on the previous corresponding period.

Operating cash flow increased 14.1% to $38.9 million.

Earnings per share were 18.7 cents per share.

K&S Freighters

Whilst economic trading conditions for our east coast customers continued to be subdued in the first half, new contracts and improved volumes from specific contracted customers delivered an improved performance during the second half.

During the year a number of major contracts were retained and in some cases with additional volume commitments. Revenue was also enhanced by the growth of our customer base in import/export logistics, and smaller rail accounts.

K&S Freighters continued

Our steel haulage operations were impacted by BlueScope's decision to close its No 6 blast furnace at Port Kembla and the Western Port hot strip mill at Hastings, east of Melbourne. However, we were able to expand work for BlueScope between Wollongong, North Queensland and Hastings for a further 18 months. Volume expansion has also been enhanced by both K&S and DTM winning work on the back of the placing into liquidation of major steel transporting businesses.

We were also successful in winning significant additional work with OneSteel to transport steel between Newcastle and Sydney, along with some regional volumes and inter-plant work.

K&S moved into a new third-party warehouse at Dardanup, south of Perth in October and has entered a new five-year contract with Laminex for the provision of warehouse services. This is in addition to the transport services contract signed last year.

The Dardanup operation continued to have lingering effects of the 2011 Japanese Tsunami with reduced volumes generated for export timber products, gradual recovery did start to occur in the fourth quarter. The Dardanup business in general performed to expectations with the new contracted warehouse for the Laminex Group in Dardanup commencing operation in May 2012, this development will provide further synergy and improve fleet utilisation.

The Bulk operation in Queensland again experienced difficulties with QMag as a result of fluctuating production levels and the effect of the high $A. This contract is undergoing a strategic review due to the recent change of ownership. On a positive, our long standing contract with Isis Central Sugar Mill, Bundaberg Sugar and Maryborough Sugar Factory, has been extended for a further five years.

K&S continued its relationship with Tyco, which has a number of new water infrastructure projects underway, mainly in the mining and agricultural sectors in Queensland.

In other areas:

- K&S retained its Woolworths business in South Australia for the next five years.
- Volumes transported for Alcoa were as expected although we remain watchful of events at the Point Henry (Victoria) plant.
- Work for Capral was steady.
- Australian Paper volumes were steady, although work improved in the second half of the year.
- Norske Skog volumes were also steady.
- Cement Australia operations from Gladstone were as expected.
- The Holden contract performed as expected and we have been able to prove once again our flexibility in meeting altered client trading conditions.
- We were successful in winning tenders for the maintenance of support to Wesbeam and Pacific Steel (NZ).

The Group continued to invest capital into the fleet replacement program to ensure our vehicles emit the lowest possible level of emission.

DTM

The DTM business has continued to generate solid growth in revenues, profits and trading margins during the year. This has been predominantly as a consequence of increased activity with major clients including Chep, Air Liquide Australia, BP Castrol Australia, Caltex and BlueScope Steel.

The increased work for Air Liquide Australia follows a series of disruptions to the production of commercial carbon dioxide in Australia which significantly impacted the industry. This in turn placed greater demand on Australia's remaining carbon dioxide producers and rapidly increased road and rail transport requirements across Australia, particularly into New South Wales. This work is likely to continue in the foreseeable future.

DTM's ongoing relationship with Chep was enhanced with the awarding of additional work being the bulk storage of pallets at the Truganina facility in Victoria. Pallet movements continued to grow in both New South Wales and Western Australia where DTM provides transport services.

New local Melbourne metropolitan and Victoria country distribution commenced for Caltex oil and lubricants. The distribution from Melbourne to Adelaide for Caltex has continued to grow while existing contracts to distribute lubricants for BP Castrol were extended.

Steel reinforcing volumes for ARC in South Australia have continued to increase. ARC was awarded the supply of reinforcing products for the new Royal Adelaide Hospital and Adelaide Oval redevelopment.

New contracts for the local bulk transport of Coca Cola products in Queensland and Victoria were extended, while new services commenced with Bridgestone Australia to provide local transport in both South Australia and Victoria.

The new Freight 2020 management system introduced to DTM in October 2011 has provided the expected internal and back office efficiency improvements, assisting to reduce costs.
Our ongoing fleet replacement program continued with the addition of an extra 25 vehicles.

Project Services / Oil and Gas Logistics

K&S continues to make inroads into Australia's developing oil and gas industry.

Increased brand recognition and networking activity is opening broader business opportunities and significant background work has been completed which places the Company in a position to win future work.

Invitations to tender for work for Chevron, Total E&P Australia, CJV, CKJV and Santos were received, while expressions of interest (EOI) and prequalification documents were also submitted with the prospect of tendering, subject to Final Investment Decisions (FID).

An exhaustive EOI process was completed for Woodside Energy's logistics functions and this will place us in a strong position in tendering for the upcoming work.

The road transport contract for Total E&P Australia to Darwin was completed during the year, with the success of the contract ensuring a contract extension into Broome at the beginning of the third quarter of 2012/13.

A long-term warehouse storage agreement for Inpex was extended for a further 12 months. K&S also provides warehouse storage for Woodside Energy.

Purpose-built casing racks for pipe storage have now been installed at K&S' Broome supply base to provide viable long-term storage options for companies involved in the oil and gas industry.


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Project Services/Oil & Gas Logistics continued

The Company has participated in a competitive tender for Total E&P Australia for supply base operations, whilst Shell, GE Oil, ASCO, several service companies and freight forwarders have also conducted site inspections ahead of FID for the LNG plant at James Price Point.

K&S recently entered into formal long term lease arrangements with offshore container company Ferguson Group Australia for onsite storage and subleasing of office facilities. The commitment for 2,000 m² of external and 500 m² of undercover storage will ensure a long lasting and mutually beneficial relationship between the two companies.

In Victoria, the Portland Supply Base completed an exhaustive six months servicing the Stenna Clyde oilrig during its shutdown including crew changes. The success of this campaign will ensure Portland remains the supply base operation of choice within the oil and gas industry in this region.

Regal Transport

Regal Transport's services grew strongly during the year, underpinned by the continued growth of the resources sector in Western Australia.

Heavy haulage operations in particular ran at near capacity to meet the demands of the resources and infrastructure projects in the Pilbara and Kimberley regions.

Additional vehicles and trailers, including a 265-tonne rated prime mover were added to the heavy haulage fleet during the year with consideration being given to further equipment purchases.

Regal now operates one of the largest heavy haulage fleets in Western Australia and is the pre-eminent provider of heavy transport services, which mainly involves the road transport of heavy machinery and infrastructure.

Major customers for the heavy haulage division include Hitachi, BHP, NRW, BGC, HWE and FMG, Regal's largest customer is Westrac, which almost exclusively uses Regal for their port to Westrac transfers and Westrac to customer minesite haulage.

While most of the heavy haulage work is mining and construction driven, the expected development of major oil and gas projects in the north west of Australia will see demand for heavy haulage services continue to grow.

Demand for general freight services, including the transport of mining supplies, food and materials, grew during the year. Despite strong customer competition, particularly around Port Hedland and Derby and labour competition from the mining industry, the general freight division has managed to capitalise on the demand to grow freight volumes. Regal were also successful in winning linehaul transport support to Coca Cola operations in the north west of Western Australia.

Regal's reputation for providing reliable service has enabled us to maintain key clients, including HWE, Mount Gibson Iron, BHP, Macmahon, Consolidated Minerals, Thiess, Coates Hire, Bunnings, Downer, OTOC Australia and OneSteel.

New Zealand

Our New Zealand business benefited from improved conditions in the dairy and timber industries in particular.

K&S sold its 24.5% interest in Dairy Transport Logistics (DTL) to Fonterra and now has a 10-year strategic relationship in place with DTL. As part of this relationship, the original cartage contract for the transport of milk powder, butter and cheese was extended for an additional 10 years.

The dairy industry has shown strong growth in the past 12 months and this is expected to be reflected in increased work during the winter months.

K&S has changed its mix of work in the forestry industry and now carries greater volumes of wood chip and timber following the emergence of South Korea as a strong export market. At the same time, a new three year contract was signed with Sequal Lumber in the Bay of Plenty.

The log hauling business has ceased and specialist vehicles which were used in this sector have been sold.

New Zealand continued

The Kiwi fruit business suffered in 2011 as a result of the bacterial infection PSA which devastated some orchards near the Bay of Plenty. However the planting of resistant fruit varieties will see a turnaround in the industry in 2014. The 2012 harvest is expected to be similar to 2010 levels.

Consolidation of the transport industry continues with many smaller carriers looking to leave as new compliance regulations take effect. This, combined with many organisations now reviewing their logistic services partners on a more frequent basis, may provide further opportunities for growth in the future.

New regulations have been introduced which allow longer vehicles with heavier weight limits to be used on NZ roads. K&S has invested in new trucks and equipment to take advantage of these changes, with more than a quarter of our fleet now meeting the new limits. We are currently working with customers to maximize tonnages, which will improve overall efficiencies.

Fuel pricing remained stable throughout the year.

Human Resources

Further development of K&S' Indigenous Employment Policy was one of the major areas of focus for Human Resources Management during the year.

A key step was K&S joining the Australian Employment Covenant, an industry-led initiative which seeks to close the gap between indigenous and non-indigenous Australians in employment opportunities. This initiative aims to place and retain 50,000 indigenous people into Covenant employment within a two year period.

Under the Covenant, K&S guarantees support to engage job-ready indigenous applicants within our Group and increase our network opportunities within this area. Progress was very pleasing and the initiative gained positive support within our management teams, which has enabled a number of participants to progress within their roles.

Equally important has been our ongoing commitment to equal opportunity employment across the Group, with investment in management and development programs and flexible work arrangements.

Throughout the year K&S improved its induction and training programs, moving to a more user friendly e-learning platform, reducing paper based reading material and improving comprehension of information to participants.

Training and development of employees in workplace health and safety and road compliance continued to be a major focus and it was very pleasing to see a positive participation to our commitment to workplace safety and compliance goals across our workforce.

Key workplace agreements were negotiated during the year. This resulted in fair and reasonable wage outcomes during the course of the year with no industrial issues.

Environment

K&S continues to review ways of reducing emissions and energy consumption.

During full year 2011, K&S generated a total of 121,000 tonnes of carbon dioxide equivalent, up on the 94,000 tonnes for full year 2010.

The 2011 figures now include a full trading year of the Regal Transport business. Regal's business includes considerable heavy haulage work over the long distances between Perth and the Pilbara and Kimberley regions of Western Australia.

K&S completed and submitted its reporting obligations under the National Greenhouse and Energy Reporting Act and the Energy Efficiency Opportunity Program, with reports submitted in October and December of 2011 respectively.

The Energy Efficiency Opportunity compliance report for June 2011 is available on the K&S website.

The Federal Government's decision to reduce its diesel fuel rebate by 2.4 cents a litre from July 1, 2012 will have an impact on K&S. These costs will be reflected in future freight costs.

The impact of the carbon tax on our customer base when the new tax starts on July 1, 2012, is also expected to have a minor impact, although the full extent of this may not become apparent until well into 2012/13.

Safety

An external safety audit was undertaken across K&S in October 2011, ahead of the renewal of K&S' Comcare licence, which expired in June 2012.

This two week audit covered six sites in Victoria, New South Wales and Western Australia, including K&S and Regal Transport operations incorporating 112 safety criteria. Criteria's were verified on multiple occasions across nominated sites. No non-conformances were recorded as part of this audit process.

Additionally, Comcare audited K&S' rehabilitation and claims management systems in September 2011, which K&S successfully passed.

On 4 July 2012 the Safety, Rehabilition and Compensation Commission extended K&S' self insurance licence until 30 June 2016. As part of the extension process K&S request to vary its licence to handle claims management in-house was also approved. In-house claims management will commence from 1 September 2012.

With the introduction of new harmonised workplace health and safety laws, introduced in January 2012 K&S have commenced reviewing and updating its entire health & safety system. Extensive consultation has been undertaken with all work groups across the Company.

K&S took a leading role in the development of Loading Unloading Exclusion Zones (LUEZ) guidelines for industries within the supply chain which were introduced last year.

A new e-learning package has now been developed by K&S to cover LUEZ which has been made available to industry participants through the K&S website. An industry survey undertaken 12 months after LUEZ was completed and which provided positive feedback on the introduction of LUEZ.

A similar program is currently being developed to cover Getting On and Off Mobile Plant and Equipment Safely (GOOMPES). A similar industry template to LUEZ is being used with the aim to achieve industry best practice in this area. K&S is working with Comcare and Worksafe Victoria with other industry participants – OneSteel, Silk Logistics, Border Express, TNT, Transport Workers Union and John Holland – in development of this program.

K&S has also been asked by Worksafe Victoria to re-examine whether a previous program designed to improve safety at vehicle breakdowns could be reviewed ultilising LUEZ as a model.

The Breakdown Events and Roadside Safety (BEARS) program is backed by WorkSafe Victoria, K&S Freighters, TWU, Silk Logistics, Ian Wright & Associates and the Victorian Coroner's Office.

Compliance

K&S continues to be accredited to ISO 9001:2008 standards and has maintained accreditation under the National Heavy Vehicle Accreditation Scheme for Mass Management, Basic Fatigue and Maintenance modules, TruckSafe, WA Heavy Vehicle Accreditation and HACCP (food safety).

We continue to work with clients and peak industry bodies to ensure compliance with relevant obligations across other affected industries.

K&S remains a member of the ATA Council, and is also part of the ATA working groups where it is represented on the Safety Committee, the Skills and Workforce Committee and the Transport Economics Committee.

Conclusion

As this is my first report as Managing Director, I would like to take this opportunity to thank everyone who has welcomed me at K&S and in particular I would like to thank Legh Winser for his vision and dedication over the last 14 years, which has left me in a strong position to expand on his work and take further advantage of the opportunities that have been presented to our Company.

In particular, I wish to thank our customers for their continued support and the Board members for their early guidance, the Management team for their hard work and diligence and everyone else who has helped make K&S one of the major transport firms in Australia.

I wish everyone every success in the coming year.

Greg Stevenson
Managing Director

BOARD OF DIRECTORS


TONY JOHNSON CHAIRMAN


GREG STEVENSON MANAGING DIRECTOR


GREG BOULTON AM


RICHARD NICHOLSON


BRUCE GRUBB


RAY SMITH


CHRIS BRIGHT SECRETARY


LEGH WINSER

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 on *page 15*.

Tony Johnson *Chairman*

Age 65, Director since 1986

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

Member of:

- Environmental Committee *(Chairman)*
- Nomination and Remuneration Committee

Greg Stevenson *Managing Director*

Age 44, Appointed 28 May 2012

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

Member of:

- Environmental Committee

Greg Boulton AM *Deputy Chairman*

Age 62, 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 transport related industry.

Member of:

- Audit Committee
- Nomination and Remuneration Committee

Richard Nicholson

Age 69, 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 62, Director since 2007

Bruce Grubb has over 30 years experience in the transport industry and is the former Chief Executive of Scott Transport Industries Pty Ltd. Mr Grubb is also a Non-Executive Director of the listed entity Scott Corporation Limited and a Director of DGL (Aust) Pty Ltd.

Member of:

- Environmental Committee

Ray Smith

Age 65, 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 entity WHK Group Ltd and Transpacific Industries Limited. He is a former Director of Willmott Forests retiring in March 2011. Mr Smith is a trustee of the Melbourne and Olympic Parks Trust. Mr Smith brings a wealth of corporate and financial experience in the areas of strategy, acquisitions, treasury and capital raising.

Member of:

- Audit Committee *(Chairman)*

Secretary

Chris Bright *Secretary since 2005*

Chris Bright BEc, LLB, Grad Dip CSPM, FCIS has held the position of Group Legal Counsel for 10 years. Mr Bright was admitted as a solicitor in South Australia in 1997. He also has experience working in private practice in Adelaide, principally in commercial dispute resolution.

Retired Director

Legh Winser *Managing Director*

Age 64, Director retired 25 May 2012

Legh Winser, has more than 40 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

FIVE-YEAR FINANCIAL HISTORY

($A Millions unless otherwise indicated)	2012	Variation %	2011	2010	2009	2008
Group Revenue	554.8	6.0	523.4	454.3	441.0	466.1
Operating Profit before Individually Significant Items, Interest and Tax	30.5	3.0	29.6	32.5	27.9	33.4
Individually Significant Items & Fraud	-	-	-	-	2.5	-
Operating Profit before Interest and Income Tax	30.5	3.0	29.6	31.5	30.4	33.4
Interest Expense	7.1	(15.5)	8.4	5.2	5.3	5.4
Profit Before Tax	23.4	10.4	21.2	26.3	25.0	28.0
Income Tax Expense	7.0	11.1	6.3	7.6	6.9	8.3
Operating Profit after Tax	16.4	10.9	14.8	18.7	18.2	19.7
Earnings per Ordinary Share (cents)	18.7	2.2	18.3	26.3	26.1	28.6
Dividends per Share (cents)	11.0	10.0	10.0	14.0	12.0	16.0
Return on Shareholders Funds	7.3%	5.8	6.9%	10.5%	11.6%	13.4%
Paid Up Capital	97.7	3.6	94.3	64.5	57.4	55.4
Shareholders Funds	224.9	5.3	213.6	179.1	156.2	146.5
Total Assets	401.4	3.5	388.0	326.1	287.6	297.4
Net Tangible Assets (book value) per Share	$1.72	4.2	$1.65	$1.85	$1.87	$1.76

Financial Overview		2012	2011	% Movement
Operating revenue	$m	**554.8**	523.4	6.0
Operating profit after tax	$m	**16.4**	14.8	10.9
Net borrowings	$m	**62.0**	76.7	(19.2)
Shareholders' funds	$m	**224.9**	213.6	5.3
Earnings per share (basic)	cents	**18.7**	18.3	2.2
Dividends per share	cents	**11.0**	10.0	10.0
Net tangible assets per share	$	**1.72**	1.65	4.2
Cash flow per share	$	**0.44**	0.39	12.8
Return on Shareholders' funds	%	**7.3**	6.9	5.8
Gearing	%	**21.6**	26.4	(18.2)
Lost time injuries		**49.0**	43.0	14.0
Lost time injuries frequency rate	%	**13.0**	12.0	8.3

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 2012 and the Auditor's Report thereon.

Principal Activities

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

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

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 2011.

The Directors of K&S Corporation Limited announced a net profit after tax of $16.4 million, an increase of 10.9% on the previous year. Operating revenue for the year was $554.8 million, an increase of 6.0% on the previous corresponding period.

During the year we have seen first-hand the two speed economy in our business.

The east coast operations have experienced the effects of the high $A on the domestic manufacturers while on the west coast we have seen the positive impacts of the mining industry.


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Operating and Financial Review continued

Our strong second half performance has been underpinned by the strength of our Western Australian operation and the stabilisation of our east coast contract distribution business.

We still have a number of challenges in our east coast linehaul business due to the depressed volumes available.

Operating cash flow increased 14.1% to $38.9 million.

Earnings per share were 18.7 cents per share.

Our gearing now stands at 21.6%, which is well within our target range.

Dividend

We have declared a fully franked final dividend of 6.0 cents per share (last year 5.0 cents per share). This follows the interim dividend of 5.0 cents per share paid in March 2012, making a total dividend of 11.0 cents per share. The final dividend will be paid on 31 October 2012, with the date for determining entitlements being 17 October 2012.

The dividend reinvestment plan (DRP) will once again be part of the October 2012 dividend. The DRP will apply in respect of the fully franked final dividend of 6.0 cents payable on 31 October 2012.

The terms of the DRP will remain unchanged with issue price under the DRP based on the weighted average trading price for K&S shares in the five business days ending on 17 October 2012 (the record date of the final dividend) less a discount of 2.5%.

Outlook

Providing earnings guidance going forward remains a difficult task.

The strong Australian dollar continues to impact on Australian manufacturers.

Our Western Australian business looks set to experience strong growth in the year ahead. We see this as being an area of growth for the Company.

We are well placed with a strong Balance Sheet, low gearing and secure customer contracts.

We are confident of further growth in our existing customer base and we will continue to bid strongly on new tenders. We see the momentum from our strong second half to continue into the first half of 2012/13.

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

Significant Changes in the State of Affairs

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

This year has been unlike any other in the Company's recent history as we have welcomed Greg Stevenson as Managing Director following the retirement of Legh Winser in May.

Legh Winser's career with K&S spans a period of over 40 years and 14 years as Managing Director. In his time as Managing Director, the Company's revenues doubled, whilst profit after tax has increased six-fold. The Board wishes to publicly thank Legh and wish him all the best in retirement.

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 2011.

The Energy Efficiency Opportunity compliance report for June 2011 is available on the K&S website.

For details on the introduction of the carbon pricing scheme, refer to 'Likely Developments' section on *page 20* of this report.

Transport and Warehousing

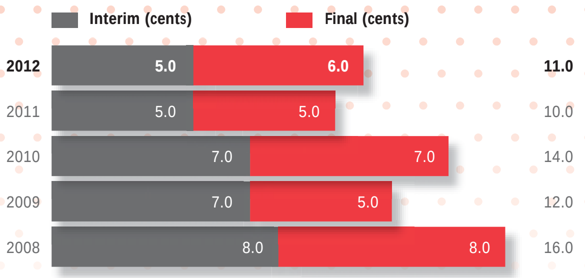
The transport and warehousing business is subject to the Dangerous Goods Acts in Commonwealth and State Legislation. The consolidated entity monitors performance and recorded a number of minor incidents during the year.

Operating and Financial Review continued

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 PAID TO SHAREHOLDERS



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 5.0 cents per share amounting to $4,326,500 in respect of the year ended 30 June 2011 was declared on 18 August 2011 and paid on 31 October 2011;

2 A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to $4,800 in respect of the year ended 30 June 2011 was declared on 18 August 2011 and paid on 31 October 2011.

An interim fully franked ordinary dividend (taxed to 30%) of 5.0 cents per share in respect of the year ended 30 June 2012 was declared on 21 February 2012 and paid on 30 March 2012 amounting to $4,394,682.

The final dividend declared by the Directors of the Company on 21 August 2012 and payable on 31 October 2012 in respect of the year ended 30 June 2012 comprises:

1 A fully franked ordinary dividend (taxed to 30%) of 6.0 cents per share amounting to $5,356,417; and

2 A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to $4,800.

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

Events Subsequent to Balance Date

On 21 August 2012, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is $5,356,417, which represents a fully franked dividend of 6.0 cents per share.

The dividend is payable on 31 October 2012 and has not been provided for in the 30 June 2012 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 17 October 2012 (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.

The Federal Government's recently introduced carbon price legislation, commenced on 1 July 2012 in the form of a carbon tax. However, heavy on-road transport activities are excluded from the carbon pricing regime until 30 June 2014. From 1 July 2014 the amount of the business fuel tax credit ("FTC") claimed by K&S in respect of purchases of diesel fuel will be reduced by the effective price on carbon.

Based on the carbon price of $25.40 per tonne to apply in 2014/15, the effective price on carbon for diesel fuel would be 6.858 cents per litre.

The carbon pricing regime is to move from a fixed price to a market determined price on 1 July 2015. From 1 July 2015, it is proposed that the effective price on carbon would be adjusted six monthly in line with that market determined price.

K&S currently anticipates that any reduction in the FTC that it is able to claim in respect of diesel fuel purchases for heavy on-road transport activities from 1 July 2014, will be passed through to customers via fuel surcharges. In the intervening period from 1 July 2012 to 30 June 2014, K&S is likely to experience some minor increases in its cost base as a result of the introduction of a price on carbon.

K&S is also unable to predict what impact the imposition of the proposed price on carbon may have on its customer base generally, and the manufacturing sector in particular.

General Disclosures

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

DIRECTORS' REPORT

Directors

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

Tony Johnson *(Chairman)*
Greg Stevenson *(Managing Director)*
Greg Boulton AM *(Deputy Chairman)*
Richard Nicholson
Bruce Grubb
Ray Smith
Legh Winser *(Managing Director – retired 25 May 2012)*

Secretary – Chris Bright

With the exception of Mr Stevenson and Mr Winser, all Directors are Non-Executive Directors. Particulars of Directors' qualifications, experience, special responsibilities and other relevant Directorships are on *pages 14 and 15* 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	12,225
Mr B Grubb	17,034

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

	Ordinary Shares
Mr T Johnson	281,066
Mr G Boulton	238,631
Mr R Smith	35,789
Mr R Nicholson	16,730
Mr B Grubb	108,171

Board of Directors

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

Front row l to r:
Greg Boulton,
Tony Johnson,
Greg Stevenson

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	1	3	-	-
Mr R Smith	11	11	4	4	-	-	-	-
Mr B Grubb	11	11	-	-	-	-	4	4
Mr R Nicholson	11	11	-	-	3	3	-	-
Mr L Winser	10	11	-	-	2	3	3	4
Mr G Stevenson	1	11	-	-	-	-	1	4

All Directors were eligible to all meetings held, except for Mr. L Winser who was eligible to attend ten Directors' meetings, two Nomination and Remuneration Committee meetings and three Environmental Committee meetings and Mr. G Stevenson who was eligible to attend one Directors meeting and one Environmental Committee meeting. In addition to the eleven regular meetings, there were ten 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 $39,972 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, G Stevenson and former Director, 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 31* 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 has provided the economic entity with an Auditor's Independence Declaration which is on *page 102* of this report.

Non-Audit Services

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

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

IT Disaster Recovery Review	$9,820

REMUNERATION REPORT (audited)

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

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

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

i) Directors

Mr T Johnson	*Non-Executive Chairman*
Mr G Boulton	*Non-Executive Deputy Chairman*
Mr R Smith	*Non-Executive*
Mr R Nicholson	*Non-Executive*
Mr B Grubb	*Non-Executive*
Mr G Stevenson	*Managing Director – Appointed 28 May 2012*
Mr L Winser	*Managing Director – Retired 25 May 2012*

ii) Executives

Mr B Walsh	*Chief Financial Officer*
Mr C Bright	*General Counsel & Company Secretary*
Mr G Wooller	*Chief Operating Officer*
Mr P Sarant	*Executive General Manager DTM*
Mr G Everest	*Executive General Manager Regal Transport*
Mr S Hine	*Executive General Manager Business Development*
Ms K Evans	*General Manager Human Resources*
Mr S Skazlic	*General Manager HS&E/Compliance*

Remuneration Philosophy

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

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

The Nomination and Remuneration Committee

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

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

Objective

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

Structure

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

The latest determination was at the Annual General Meeting held on 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 the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review, as well as periodically taking advice from external recruitment consultants. No advice was taken from external recruitment consultants in 2011/12. Each Non-Executive Director receives a fee for being a Director of the Company.

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

The remuneration of Non-Executive Directors for the period ended 30 June 2012 is detailed on *page 29* 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 makeup and eligibility criteria for short term incentives are recommended to the Board by the Nomination and Remuneration Committee prior to the commencement of each financial year.

For the year ended 30 June 2012, the adoption of at risk short term incentives comprising 20% and 10% of the base emolument of the former Managing Director (Mr Winser) and Executives respectively was approved by the Board.

The payment of such short term incentives can either be as a cash bonus or, subject to the applicable superannuation laws, as 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 after tax on a normalised basis is appropriate and in the interests of Shareholders.

For the year ended 30 June 2012, the eligibility criteria for the payment of short term incentives were not satisfied and no short term incentive payment was made to the former (or current) Managing Director or Executives.

The Board has approved the adoption of at risk short term incentives comprising 20% and 10% of the base emolument for the Managing Director and Executives respectively for the year ended 30 June 2013 and in all other respects 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 2013, if eligibility criteria are met, will be $325,000.

REMUNERATION REPORT (audited)

Employment Contracts

It is the Nomination and Remuneration Committee's current policy that fixed term contracts are only entered into with the Managing Director and with no other Executives.

The Managing Director, Mr Stevenson, has a contract of employment, key terms of which are:

- A total remuneration package of $535,000 per annum (excluding short term incentive (STI)).
- Eligible for an STI of $90,000 (20% of base salary) against annual performance criteria set by the Board. For the year ended 30 June 2013, payment of the STI is dependent upon the achievement by the Company of its budgeted profit after tax on a normalised basis and excluding any one-off or non-trading items (eg, profit on the sale of real estate).
- If the Board introduces a long term incentive scheme (LTI), Mr Stevenson will be eligible to participate in that scheme. However, there is not presently any LTI scheme in place.
- In accordance with best practice, the Board may require Mr Stevenson to repay all or part of any bonus, STI or LTI paid in circumstances where there has been a material misstatement in relation to the financial statements of the Company in any qualifying period relevant to the payment of that bonus, STI or LTI.
- Either of Mr Stevenson and the Company may terminate Mr Stevenson's employment on the giving of six months notice or, in the case of the Company, payment in lieu of that six months notice.

The former Managing Director, Mr Winser, also had a contract of employment with the Company. His remuneration comprised a salary and allowances package. On early termination, Mr Winser was entitled to receive up to 12 months salary and benefits. Mr Winser's contract did not contain express terms as to the duration of the contract, periods of notice and required termination details.

Employee Share Plan

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

Offers were made to eligible employees on 1 September 2011 under the Plan. Acceptances under the offer were 244,500 shares at $1.33 per share.

The issue price of the shares offered under the Plan was the weighted average price of the Company's shares on the first 5 trading days immediately following the announcement of the Company's preliminary final results on 19 August 2011.

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

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

Directors will make offers to eligible employees under the Plan in the year ended 30 June 2013.


K&S FREIGHTERS

REMUNERATION REPORT (audited)

Directors' Retirement Benefits

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

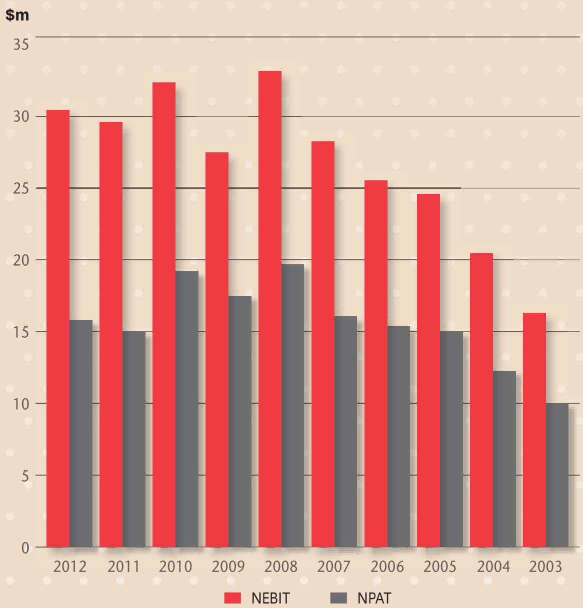
The expenditure provided (not paid) during the year ended 30 June 2012 is attributable only to the method of calculation which involves the averaging of the fees paid to Directors, as per the benefits scheme in operation up to 30 June 2004.

The former Managing Director, Mr Winser, was given a one-off ex-gratia cash payment of $55,000 in connection with his retirement in recognition of past services rendered by him to the Company. That cash payment is included in the remuneration disclosures on *page 29* of this report.

Company Performance

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

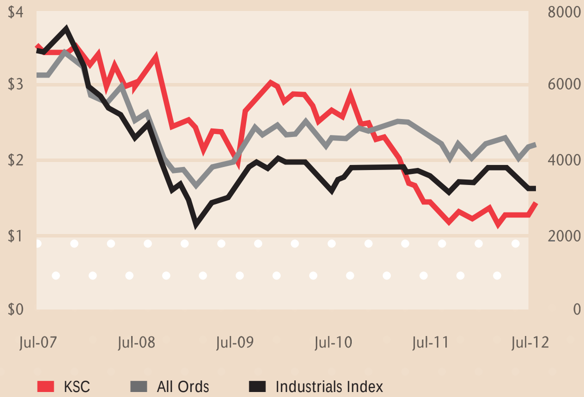
NEBIT v NPAT



In addition, Dividends paid to Shareholders are disclosed on *page 20* of the Directors' report.

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

K&S CORPORATION SHARE PRICE 2007-2012



Remuneration of Key Management Personnel of the Company and the Group

Remuneration for the year ended 30 June

Non-Executive Directors		Short-Term Salary & Fees $	Short-Term Incentives $	Short-Term Non-Cash Benefits $	Other Long-Term Long Service Benefit $	Post Employment Retirement Benefits $	Post Employment Super Contributions $	Total $	Performance Related %
T Johnson	**2012**	**110,000**	**-**	**-**	**-**	**20,000**	**12,100**	**142,100**	**-**
	2011	110,000	-	-	-	20,000	12,100	142,100	-
G Boulton	**2012**	**65,000**	**-**	**-**	**-**	**6,500**	**7,150**	**78,650**	**-**
	2011	65,000	-	-	-	6,500	7,150	78,650	-
R Smith	**2012**	**65,000**	**-**	**-**	**-**	**-**	**7,150**	**72,150**	**-**
	2011	65,000	-	-	-	-	7,150	72,150	-
B Grubb	**2012**	**65,000**	**-**	**-**	**-**	**-**	**7,150**	**72,150**	**-**
	2011	65,000	-	-	-	-	7,150	72,150	-
R Nicholson	**2012**	**65,000**	**-**	**-**	**-**	**13,000**	**7,150**	**85,150**	**-**
	2011	65,000	-	-	-	13,000	7,150	85,150	-
Total	**2012**	**370,000**	**-**	**-**	**-**	**39,500**	**40,700**	**450,200**	
	2011	370,000	-	-	-	39,500	40,700	450,200	
Executive Director									
L Winser #	**2012**	**457,233**	**-**	**78,398**	**11,228**	**55,000**	**45,833**	**647,692**	**-**
	2011	479,133	-	78,452	11,625	-	50,000	619,210	-
G Stevenson ^	**2012**	**44,423**	**-**	**3,191**	**707**	**-**	**5,686**	**54,007**	**-**
	2011	-	-	-	-	-	-	-	-
Other Key Management Personnel									
B Walsh	**2012**	**265,000**	**-**	**27,608**	**6,625**	**-**	**34,885**	**334,118**	**-**
	2011	250,000	-	27,031	6,250	-	35,630	318,911	
C Bright	**2012**	**213,285**	**-**	**27,676**	**5,250**	**-**	**25,000**	**271,211**	**-**
	2011	206,193	-	27,545	5,000	-	25,000	263,738	-
G Wooller	**2012**	**370,000**	**-**	**26,856**	**6,167**	**-**	**47,485**	**450,508**	**-**
	2011	320,679	-	26,298	5,334	-	50,000	402,311	-
P Sarant	**2012**	**392,485**	**-**	**27,178**	**6,167**	**-**	**25,000**	**450,830**	**-**
	2011	329,451	-	28,804	5,167	-	25,000	388,422	-
G Everest **	**2012**	**243,800**	**-**	**17,329**	**4,000**	**-**	**25,000**	**290,129**	**-**
	2011	173,846	-	9,531	2,882	-	20,862	207,121	-
K Evans	**2012**	**190,000**	**-**	**17,179**	**3,167**	**-**	**22,800**	**233,146**	**-**
	2011	180,692	-	16,750	3,000	-	23,537	223,979	-
S Hine*	**2012**	**258,084**	**-**	**27,165**	**4,167**	**-**	**25,000**	**314,416**	**-**
	2011	-	-	-	-	-	-	-	-
S Skazlic*	**2012**	**210,200**	**-**	**8,772**	**3,500**	**-**	**25,000**	**247,472**	**-**
	2011	-	-	-	-	-	-	-	-
S Fanning +	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	62,097	-	3,063	980	-	6,061	72,201	-
C De Gois +	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	3,962	-	2,284	85	-	682	7,013	-
Total	**2012**	**2,644,510**	**-**	**261,352**	**50,978**	**55,000**	**281,689**	**3,293,529**	
Executive KMP	2011	2,006,053	-	219,758	40,323	-	236,772	2,502,906	
Totals	**2012**	**3,014,510**	**-**	**261,352**	**50,978**	**94,500**	**322,389**	**3,743,729**	
	2011	2,376,053	-	219,758	40,323	39,500	277,472	2,953,106	

\# Mr Winser retired on 25 May 2012.
^ Mr Stevenson was appointed Managing Director on 28 May 2012.
* S. Hine and S. Skazlic met the definition of a Key Management Person on 1 July 2011.
** G. Everest met the definition of a Key Management Person on his appointment as Executive General Manager Regal Transport on 10 October 2010.
\+ C. De Gois resigned on 9 July 2010. S. Fanning resigned on 27 August 2010.

Signed in accordance with a resolution of the Directors.

T Johnson
Chairman
21st August 2012

Greg Stevenson
Managing Director
21st August 2012


K&S FREIGHTERS
3m HIGH
2.5m WIDE
MAX GROSS 30,000kg
TARE 4,200kg
M.C.W. 25,800kg
CU INSIDE 71m3

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), HS&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 14-15* of the Annual Report.

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

Structure of the Board continued

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
R Nicholson	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:

G Stevenson *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).

B Grubb *Non-Executive Director*

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

* L Winser retired as Managing Director on 25 May 2012 and was not considered by the Board to be independent.

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 *next page*), Directors have regard to the balance of independent and non-independent Non-Executive Directors.
- **Recommendation 2.2** which requires that the Chairman of the Board be an independent Director. Mr Johnson is Chairman of the Board and is not considered by Directors to be independent. The Board considers that the skills and experience that Mr Johnson brings as Chairman add value to the deliberations and functioning of the Board. Further, K&S Corporation Limited's Deputy Chairman, Mr Boulton, is an experienced and independent Non-Executive Director who is able to fulfil the role of Chairman where and to the extent that any conflicts of interest arise for Mr Johnson.
- **Recommendations 2.4 and 8.1** which require that the Nomination and Remuneration Committee 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 and is considered by Directors to be an independent Director. However, for the majority of the year the other current members of the Nomination and

Remuneration Committee (Messrs Johnson and Winser) were not considered by Directors to be independent. As the Nomination and Remuneration Committee is only empowered to make recommendations to the Board, Directors were of the view that any decisions as to nomination and remuneration were still subject to an appropriate level of scrutiny by independent Non-Executive Directors as those decisions were reserved to the Board.

When Mr Winser retired as Managing Director on 25 May 2012, he was replaced on the Nomination and Remuneration Committee by Mr Boulton. Mr Boulton is considered by the Board to be independent and the Nomination and Remuneration Committee is now comprised exclusively of Non-Executive Directors and has a majority of independent Directors.

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

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

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

Retirement and Re-election of Directors

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

Review of Board Performance

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

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

Audit Committee continued

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

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

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

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

Nomination and Remuneration Committee

Consistent with ASX 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.

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. The Board is of the view that a good depth of transport industry exposure and expertise is an integral element of the skills to be represented on the Board. The Board also views accounting and legal expertise as important elements to allow it effectively to discharge its duties and responsibilities. The Board recognises that a diversity of backgrounds and experience in its members will contribute to the Board functioning at its optimum.

On 4 January 2012, the Company announced that its then Managing Director, Mr Winser, intended to retire. The Board engaged external recruitment consultants, Sheldon Harris, to assist in finding the best person to replace Mr Winser. As part of that process, the Board provided a detailed scoping paper to Sheldon Harris outlining the key attributes that the Board considered essential for a new Managing Director. Sheldon Harris then refined that scoping paper in consultation with the Board.

An extensive search process was undertaken, with both external and internal candidates considered by the Board for the position of Managing Director. The Board is confident that a rigorous and transparent process was followed to find the best candidate. Mr Stevenson was appointed as Managing Director with effect on 28 May 2012.

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

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

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

Mr Nicholson (Chairman)
Mr Winser*
Mr Johnson
Mr Boulton*

* *Mr Winser retired as Managing Director on 25 May 2012 and was replaced on the Nomination and Remuneration Committee by Mr Boulton.*

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. Messrs Nicholson and Johnson attended all three formal meetings of the Committee. Mr Winser attended two of the formal meetings of the Committee and Mr Boulton attended the last of the formal meetings.

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

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

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 $65,000 each and the Chairman was paid $110,000 in 2011/12. Committee membership does not entitle a Director to additional fees.

The Managing Director, Mr Stevenson, has a contract of employment with the Company. Key terms of Mr Stevenson's contract of employment are:

- A total remuneration package of $535,000 per annum (excluding short term incentive (STI)).
- Eligible for an STI of up to $90,000 (20% of base salary) against annual performance criteria set by the Board. For the 2012/13 financial year, payment of the STI is dependent upon the achievement by the Company of its budgeted profit after tax (excluding any one off or abnormal items such as profit on the sale of a property).
- If the Board introduces a long term incentive scheme (LTI), Mr Stevenson will be eligible to participate in that scheme. However, there is not presently any LTI scheme in place.
- In accordance with best practice, the Board may require Mr Stevenson to repay all or part of any bonus, STI, or LTI paid in circumstances where there has been a material misstatement in relation to the financial statements of the Company in any qualifying period relevant to the payment of that bonus, STI, or LTI.

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

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

where

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

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

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

Nomination and Remuneration Committee
continued

Further details of Directors' remuneration, superannuation and retirement payments are set out in the Directors' Report on *pages 24 to 29*.

Diversity

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

- The Nomination and Remuneration Committee must review participation rates for women across all levels of the workforce not less than annually. That review was undertaken by the Committee in 2011/12.
- The Nomination and Remuneration Committee is to review pay parity data for women and men across all levels of the workforce not less than annually to determine whether there is any unconscious bias. To the extent that the review suggests that unconscious bias may exist, Management is to investigate and report to the Committee the causes of that bias, as well as to develop recommendations to address any bias. The Committee reviewed pay parity data in 2011/12 and Management is currently investigating whether unconscious bias exists. As women are over-represented in some areas of the Company's workforce (eg, administration) and under-represented in other areas of the work-force (eg, operational), the data requires careful analysis.
- Management is required to report to the Nomination and Remuneration Committee not less than annually participation rates for women compared to men in externally provided training programs. A particular area of focus is management training programs (eg, Australian Institute of Management and equivalent) as it is through these training programs that the pool of future senior managers will be developed. Management has reported to the Committee on training participation rates in 2011/12.
- The Nomination and Remuneration Committee is to review data re tenure and turnover levels for women compared to men across all levels of the Company's workforce not less than annually as part of seeking to understand the reasons for differing participation rates for women and men. Tenure and turnover data was reviewed by the Committee in 2011/12. Again, as women are over-represented in some areas of the workforce and under-represented in others and the Company's operations are geographically diverse, careful analysis is required to determine underlying causes applicable to different employee groups.

The proportion of women employees across the Company is set out in the table below:

Category	Women		Men		Casual			%	
	Full time	Part time	Full time	Part time	Women	Men	Total Staff	Women	Men
Board	0	0	0	5	0	0	5	0.00	100
Senior Executives	1	0	10	0	0	0	11	9.1	90.9
Senior Managers	12	0	68	0	0	0	80	15.0	85.0
Line Managers	16	0	140	0	0	0	156	10.3	89.7
Administration	142	21	53	0	15	0	231	77.1	22.9
Service Staff	14	0	1140	0	6	197	1357	1.5	98.5
Total	185	21	1411	5	21	197	1840	12.3	87.7

This data has historically also been reported by the Company under the Equal Opportunity for Women in the *Workplace Act 1999* (Cth).

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

The Company will review on an ongoing basis the opportunities to overcome these impediments to higher participation rates by women.

Other diversity initiatives pursued by the Company include:

- The Company is a participant in the indigenous employment program overseen by the Commonwealth Department of Education, Employment and Workplace Relations, as well as a participant in the Australian Employment Covenant which is also designed to secure indigenous employment opportunities. In support of these programs, the Company has an Indigenous Recognition Policy which outlines the Company's commitment to build relationships with local and land-connected indigenous persons to achieve mutually beneficial outcomes.
- The Company's Code of Conduct Employee Agreement was updated in 2011 specifically to address the issues of equal opportunity and diversity. This is consistent with the Company's existing Equal Opportunity Employment Policy and Workplace Behaviour Employee Agreement which outline the Company's commitment to providing an equal opportunity and merit based workplace free from discrimination, including specifically discrimination in relation to employment, training, remuneration, promotion or advancement.

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
Mr Stevenson*

* *Mr Winser retired as Managing Director on 25 May 2012 and was replaced on the Environmental Committee by Mr Stevenson. The Board considers it appropriate that the Managing Director be a member of the Environmental Committee.*

The Company Secretary acts as Secretary to the Environmental Committee.

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. Messrs Johnson and Grubb attended all four meetings of the Committee. Mr Winser attended three meetings of the Committee, and Mr Stevenson attended one meeting.

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 2012, 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.

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. Under that policy, the lead audit partner and the audit review partner for the Company have been rotated following completion of the audit for the year ended 30 June 2012.

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.

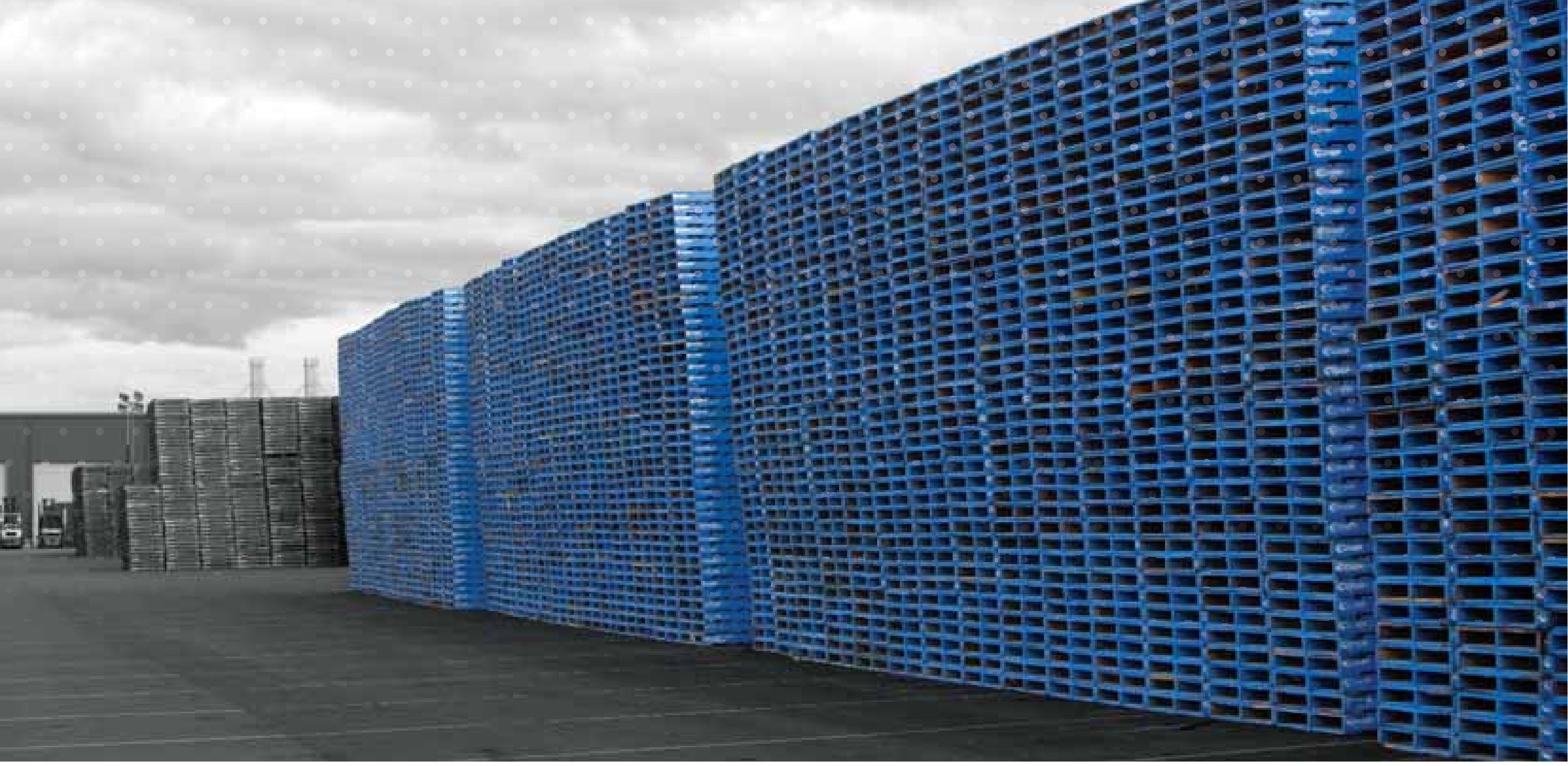
The Board requires that Management have in place a system to identify, monitor, and manage the material business risks faced by the Company.

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.
- Review by the Audit Committee in conjunction with Management of all findings and recommendations in the Closing Report provided by the Company's external auditors, Ernst & Young, as part of the full year audit and also half year review of the Company's accounts.

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

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



- The Company's Administration Manual which sets out the financial and administrative protocols for all staff.
- The Company's HS&E Manual and supporting documented policies and procedures which are designed to minimise the risk of harm to employees engaged in operational tasks.
- The Company's Quality Management System coupled with its extensive documented operating and compliance focused policies and procedures which are designed to ensure that the Company's operations are conducted using industry best practice and in accordance with the numerous legislative regimes that apply.
- The Company's Disaster Recovery Manual which sets out all of the protocols associated with the Company's externally hosted Disaster Recovery Plan (DRP). The DRP solution was reviewed by Ernst & Young as part of its full year audit for 2011/12.

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

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

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

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 Work 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 Work Health & Safety, Environment Protection, Electronic Communications Policy 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: *www.ksgroup.com.au*

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

K&S CORPORATION LIMITED ANNUAL REPORT 2012

K&S CORPORATION LIMITED

ABN 67 007 561 837

Contents

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Operating revenue	5(a)	**554,803**	523,364
Cost of goods sold		**(62,477)**	(57,765)
Gross profit		**492,326**	465,599
Other income	5(b)	**5,187**	5,218
Contractor expenses		**(163,638)**	(157,475)
Employee benefits expenses	5(e)	**(158,682)**	(147,875)
Fleet expenses		**(94,269)**	(90,983)
Depreciation and amortisation expense	5(d)	**(24,405)**	(25,089)
Finance costs	5(c)	**(7,142)**	(8,404)
Other expenses		**(26,077)**	(20,021)
Share of profits of associates	13	**106**	198
Profit before income tax		**23,406**	21,168
Income tax (expense)/benefit	6	**(6,959)**	(6,340)
Profit after income tax		**16,447**	14,828
Other comprehensive income			
Foreign currency translation		**171**	(588)
Other comprehensive income for the period, net of tax		**171**	(588)
Total comprehensive income for the period		**16,618**	14,240
Earnings per share (cents per share)	7		
• basic for profit for the year attributable to ordinary equity holders of the parent		**18.7**	18.3
• diluted for profit for the year attributable to ordinary equity holders of the parent		**18.7**	18.3
Dividends per share (cents per share)	8	**11.0**	10.0

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	Consolidated 2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**21,038**	9,747
Trade and other receivables	10	**73,189**	67,496
Inventories	11	**2,927**	2,981
Prepayments		**5,192**	5,277
Total current assets		**102,346**	85,501
Non-current assets			
Other receivables	10	**1,297**	2,034
Investments in associates	13	**158**	199
Property, plant & equipment	14	**219,448**	221,968
Intangibles	15	**71,108**	71,569
Deferred tax assets	6	**6,998**	6,731
Total non-current assets		**299,009**	302,501
TOTAL ASSETS		**401,355**	388,002
LIABILITIES			
Current liabilities			
Trade and other payables	17	**49,214**	46,457
Interest bearing loans and borrowings	18	**16,693**	15,070
Income tax payable		**1,700**	894
Provisions	19	**14,480**	13,353
Derivatives		**-**	712
Total current liabilities		**82,087**	76,486
Non-current liabilities			
Other payables	17	**6,358**	4,929
Interest bearing loans and borrowings	18	**66,345**	71,331
Deferred tax liabilities	6	**18,492**	18,941
Provisions	19	**3,139**	2,709
Total non-current liabilities		**94,334**	97,910
TOTAL LIABILITIES		**176,421**	174,396
NET ASSETS		**224,934**	213,606
EQUITY			
Contributed equity	20	**97,707**	94,276
Reserves		**24,678**	24,507
Retained earnings		**102,549**	94,823
TOTAL EQUITY		**224,934**	213,606

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 2012

	Issued Capital $'000	Retained Earnings $'000	Asset Revaluation Reserves $'000	Forex Translation Reserves $'000	Total Equity $'000
CONSOLIDATED					
At 1 July 2011	**94,276**	**94,823**	**26,270**	**(1,763)**	**213,606**
Profit for the year	-	16,447	-	-	16,447
Other comprehensive income	-	-	-	171	171
Total comprehensive income for the year	**-**	**16,447**	**-**	**171**	**16,618**
Transactions with owners in their capacity as owners:					
Issue of share capital	3,431	-	-	-	3,431
Dividends paid	-	(8,721)	-	-	(8,721)
At 30 June 2012	**97,707**	**102,549**	**26,270**	**(1,592)**	**224,934**
At 1 July 2010	64,528	89,446	26,270	(1,175)	179,069
Profit for the year	-	14,828	-	-	14,828
Other comprehensive income	-	-	-	(588)	(588)
Total comprehensive income for the year	-	14,828	-	(588)	14,240
Transactions with owners in their capacity as owners:					
Issue of share capital	29,748	-	-	-	29,748
Dividends paid	-	(9,451)	-	-	(9,451)
At 30 June 2011	**94,276**	**94,823**	**26,270**	**(1,763)**	**213,606**

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 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**611,338**	578,279
Cash payments to suppliers and employees		**(538,494)**	(513,036)
Interest received		**242**	89
Borrowing costs paid		**(7,142)**	(8,404)
Income taxes paid		**(6,871)**	(6,819)
Net goods and services tax paid		**(20,134)**	(15,979)
Net cash provided by/(used in) operating activities	9	**38,939**	34,130
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**4,889**	3,907
Payments for property plant & equipment		**(5,749)**	(13,325)
Acquisition of business		**-**	(39,185)
Net cash provided by/(used in) investing activities		**(860)**	(48,603)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		**325**	25,870
Proceeds from borrowings		**-**	77,000
Repayments of borrowings		**(5,486)**	(62,000)
Lease and hire purchase liability repayments		**(16,029)**	(20,256)
Dividends paid, net of dividend reinvestment plan		**(5,615)**	(8,403)
Net cash provided by/(used in) financing activities		**(26,805)**	12,211
Net increase/(decrease) in cash held		**11,274**	(2,262)
Cash at the beginning of the financial year		**9,747**	12,042
Effects of exchange rate variances on cash		**17**	(33)
Cash at the end of the financial year	9	**21,038**	9,747

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

1 Corporate Information

The financial report of K&S Corporation Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of Directors on 21 August 2012.

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 for a for-profit entity, which has been prepared in accordance with the requirements of the *Corporation Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for land and buildings which have been measured at fair value.

The carrying values of cash flow hedges are also stated at fair value with the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge recognised directly in equity and the ineffective portion recognised in profit or loss.

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

b) Compliance with IFRS

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

c) New Accounting Standards and Interpretations

i) Changes in accounting policy and disclosures

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

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011.

Reference	Title	Application date of standard	Application date for Group
AASB 124 (Revised)	The revised AASB 124 *Related Party Disclosures (December 2009)* 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. 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	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 Jan 2011	1 July 2011

Reference	Title	Application date of standard	Application date for Group
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 Jan 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 Jan 2011	1 July 2011
AASB 1054	Australian Additional Disclosures This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: a) Compliance with Australian Accounting Standards b) The statutory basis or reporting framework for financial statements c) Whether the entity is a for-profit or not-for-profit entity d) Whether the financial statements are general purpose or special purpose e) Audit fees f) Imputation credits	1 July 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] The amendments increase the disclosure requirements for transactions involving transfers of financial assets but which are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters [AASB 1] In respect of the removal of fixed dates, the amendments provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. The amendments in respect of severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian Accounting Standards financial statements or to present Australian Accounting Standards financial statements for the first time.	1 July 2011	1 July 2011

2 Summary of Significant Accounting Policies

c) New Accounting Standards and Interpretations
continued

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 2012, are outlined in the table on the following pages:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 Jan 2012	The amendments are not expected to have any impact on the Group's financial report.	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. a) Consequential amendments were also made to other standards via AASB 2011-7.	1 Jan 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly-controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 Jan 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 Jul 2012	The amendments are not expected to have any impact on the Group's financial report.	1 July 2012
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 Jan 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013
AASB 13 *(continued on next page)*	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.	1 Jan 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013

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 13 *(continued)*	Fair Value Measurement	AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 Jan 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	1 Jan 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013
AASB 1053 *(continued on next page)*	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: a) Tier 1: Australian Accounting Standards b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.	1 July 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1053 *(continued)*	Application of Tiers of Australian Accounting Standards	The following entities apply Tier 1 requirements in preparing general purpose financial statements: a) For-profit entities in the private sector that have public accountability (as defined in this Standard) b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: a) For-profit private sector entities that do not have public accountability b) All not-for-profit private sector entities c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 July 2013	The amendments are not expected to have any impact on the Group's financial report.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 Jan 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 Jan 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 Jan 2014	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2014

2 Summary of Significant Accounting Policies

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

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Annual Improvements 2009–2011 Cycle	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting Interim financial reporting and segment information for total assets and liabilities	1 Jan 2013	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2013
AASB 9 *(continued on next page)*	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.	1 Jan 2015	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2015

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9 *(continued)*	Financial Instruments	b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ‣ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ‣ The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 Jan 2015	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2015

d) Basis of consolidation

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

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

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

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

2 Summary of Significant Accounting Policies

d) Basis of consolidation continued

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

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

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

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

If the Group loses control over a subsidiary, it:

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

e) Business combinations

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

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

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

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

f) Operating segments

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

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

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

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

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

g) Revenue

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

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

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

ii) Rendering of services
Service revenue from the distribution of customer goods is recognised when 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.

i) Leases

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

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

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

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

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

j) Trade and other receivables

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

k) Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Consumables – purchase cost on a first-in, first-out basis;
Finished goods – weighted average cost.

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

l) Derivative financial instruments

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

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

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

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

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

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

2 Summary of Significant Accounting Policies

l) Derivative financial instruments continued

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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

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

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

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

o) Foreign currency translation

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

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

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

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

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

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

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

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

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating 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.

2 Summary of Significant Accounting Policies

q) Income tax and other taxes continued

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.

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

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

2 Summary of Significant Accounting Policies

t) Goodwill and intangibles continued

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. 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) Interest-bearing loans and borrowings

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

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

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

w) 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.

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.

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.

2 Summary of Significant Accounting Policies

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 dividends);
- 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 dependent 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 was to manage the interest rate risk arising from the Group's operations and its sources of finance. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

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

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

Risk exposures and responses

Fair Value
The 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.

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 94% (2011: 94%) and Fuel 6% (2011: 6%).

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*.

	Year ended 30 June 2012			Year ended 30 June 2011		
	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	-	-	-	-	(712)	-
	-	-	-	-	(712)	-

3 Financial Risk Management Objectives and Policies

Risk exposures and responses *Interest rate risk* continued

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	
	2012	2011
	$'000	$'000
Financial assets		
– Cash and cash equivalents	**21,038**	9,747
Financial liabilities		
– Bank loans	**(33,175)**	(38,621)
Net exposure	**(12,137)**	(28,874)

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 intended to hedge underlying debt obligations, however 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*.

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

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

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

Significant assumptions used in the interest rate sensitivity analysis include:

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

Liquidity risk

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

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

i) Non-derivative financial liabilities

The following liquidity risk disclosure reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and financial guarantees as of 30 June 2012. 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.

Judgements of reasonably possible movements:	Post Tax Profit		Equity	
	Higher/(Lower)		**Higher/(Lower)**	
	2012	2011	**2012**	2011
	$'000	$'000	**$'000**	$'000
Consolidated				
+ 1% (100 basis points)	**(85)**	(202)	**(85)**	(202)
− 0.5% (50 basis points)	**42**	101	**42**	101

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 2012					
Liquid financial assets					
Cash and cash equivalents	21,038	-	-	-	21,038
Trade and other receivables	73,764	267	635	128	74,794
	94,802	267	635	128	95,832
Financial liabilities					
Interest bearing loans and borrowings	(21,648)	(16,930)	(54,570)	-	(93,148)
Trade and other payables	(49,214)	(6,358)	-	-	(55,572)
Financial guarantees	(13,909)	-	-	-	(13,909)
	(84,771)	(23,288)	(54,570)	-	(162,629)
Net inflow/(outflow)	10,031	(23,021)	(53,935)	128	(66,797)
Year ended 30 June 2011					
Liquid financial assets					
Cash and cash equivalents	9,747	-	-	-	9,747
Trade and other receivables	68,299	1,324	365	-	69,988
	78,046	1,324	365	-	79,735
Financial liabilities					
Interest bearing loans and borrowings	(20,888)	(21,551)	(58,730)	-	(101,169)
Trade and other payables	(46,457)	(4,929)	-	-	(51,386)
Financial guarantees	(13,613)	-	-	-	(13,613)
	(80,958)	(26,480)	(58,730)	-	(166,168)
Net inflow/(outflow)	(2,912)	(25,156)	(58,365)	-	(86,433)

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

ii) Derivative financial liabilities

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

The Group holds no derivative liabilities at balance date.

4 Operating Segments

Identification of reportable segments

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

The Executive Management team reviewed its operating segments during the period and determined that the Group has three operating segments. The Executive Management team found the previous five operating segments were inconsistent with the current business model the group operates. Although the previous operating segment brands remain, the Group's internal management reporting systems and business model, which monitors resource allocation and working capital fall under the following three segments:

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

Accounting policies and inter-segment transactions

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

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

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

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

The following table presents revenue and profit information for reportable segments for the years ended 30 June 2012 and 30 June 2011.

4 Operating Segments continued

	Australian Transport $'000	Fuel $'000	New Zealand Transport $'000	Total $'000
Year ended 30 June 2012				
Revenue				
External customers	466,961	66,311	21,289	554,561
Finance revenue	216	-	26	242
Inter-segment sales	352	40,981	-	41,333
Total segment revenue	467,529	107,292	21,315	596,136
Results				
Depreciation and amortisation expense	(21,641)	(146)	(2,618)	(24,405)
Finance costs	(6,420)	-	(722)	(7,142)
Share of profits of associates	72	-	34	106
Segment net operating profit after tax	15,312	752	383	16,447
Operating assets	368,406	17,133	21,762	407,301
Operating liabilities	150,492	5,793	12,588	169,173
Other disclosures				
Investments in an associate	158	-	-	158
Capital expenditure	(21,959)	-	(1,481)	(23,440)
Inter-segment revenues of $41,333,000 are eliminated on consolidation				
Year ended 30 June 2011				
Revenue				
External customers	439,293	61,719	22,263	523,275
Finance revenue	79	-	10	89
Inter-segment sales	337	38,929	-	39,266
Total segment revenue	439,709	100,648	22,273	562,630
Results				
Depreciation and amortisation expense	(22,576)	(107)	(2,406)	(25,089)
Finance costs	(7,795)	-	(609)	(8,404)
Share of profits of associates	86	-	112	198
Segment net operating profit after tax	13,964	868	(4)	14,828
Operating assets	352,744	17,038	24,011	393,793
Operating liabilities	144,925	6,451	15,707	167,083
Other disclosures				
Investments in an associate	86	-	113	199
Capital expenditure	(27,603)	-	(6,638)	(34,241)
Inter-segment revenues of $39,266,000 are eliminated on consolidation				

4 Operating Segments continued

	Consolidated 2012 $'000	Consolidated 2011 $'000
i) Segment revenue reconciliation to the Statement of Comprehensive Income		
Total segment revenue	**596,136**	562,630
Inter-segment sales elimination	**(41,333)**	(39,266)
Total revenue	**554,803**	523,364

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.

	2012 $'000	2011 $'000
Australia	**533,488**	501,101
New Zealand	**21,315**	22,263
Total revenue	**554,803**	523,364

ii) Segment assets reconciliation to the Statement of Financial Position

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

Reconciliation of segment operating assets to total assets.

	2012 $'000	2011 $'000
Segment operating assets	**407,301**	393,793
Inter-segment eliminations	**(12,944)**	(12,522)
Deferred tax assets	**6,998**	6,731
Total assets per the Statement of Financial Position	**401,335**	388,002

The analysis of location on non-current assets other than financial instruments and deferred tax assets is as follows:

	2012 $'000	2011 $'000
Australia	**273,780**	275,226
New Zealand	**18,231**	20,544
Total assets per the Statement of Financial Position	**292,011**	295,770

iii) 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.

Reconciliation of segment operating liabilities to total liabilities.

	2012 $'000	2011 $'000
Segment operating liabilities	**169,173**	167,083
Inter-segment eliminations	**(12,944)**	(12,522)
Deferred tax liabilities	**18,492**	18,941
Income tax payable	**1,700**	894
Total liabilities per the Statement of Financial Position	**176,421**	174,396

	K&S Aust $'000	Regal / Pacific $'000	K&S Fuels $'000	DTM $'000	K&S NZ $'000	Total $'000
The following table presents corresponding revenue and profit information for old operating segments:						
Year ended 30 June 2012						
Revenue						
External customers	306,959	86,465	66,311	73,537	21,289	554,561
Finance revenue	216	-	-	-	26	242
Inter-segment	620	403	40,981	123	-	42,127
Total segment revenue	307,795	86,868	107,292	73,660	21,315	596,930
Segment net operating profit after tax	7,794	4,563	752	2,955	383	16,447
Inter-segment revenues of $42,127,000 are eliminated on consolidation.						
Year ended 30 June 2011						
Revenue						
External customers	312,384	72,381	61,719	54,528	22,263	523,275
Finance revenue	79	-	-	-	10	89
Inter-segment	504	850	38,929	433	-	40,716
Total segment revenue	312,967	73,231	100,648	54,961	22,273	564,080
Segment net operating profit after tax	8,664	3,599	868	1,701	(4)	14,828
Inter-segment revenues of $40,716,000 are eliminated on consolidation.						

	Consolidated 2012 $'000	Consolidated 2011 $'000
5 Revenue and Expenses		
a) Operating revenue		
– Rendering of services	**488,250**	461,556
– Sale of goods	**66,311**	61,719
– Finance revenue	**242**	89
Total operating revenue	**554,803**	523,364
b) Other income		
– Net gains on disposal of property, plant and equipment	**2,580**	1,966
– Net gain on derivatives classified as held for trading	**713**	401
– Other	**1,894**	2,851
Total other income	**5,187**	5,218
c) Finance costs		
– Related parties – other	**5**	5
– Other parties	**3,681**	4,772
– Finance charges on hire purchase contracts	**3,456**	3,627
Total finance costs	**7,142**	8,404

5 Revenue and Expenses continued

	Consolidated 2012 $'000	Consolidated 2011 $'000
d) Depreciation and amortisation expense		
Depreciation		
– Buildings	**2,374**	1,920
– Motor vehicles	**18,739**	20,081
– Plant and equipment	**2,754**	2,627
Amortisation		
– IT Development costs	**538**	461
Total depreciation and amortisation expenses	**24,405**	25,089
e) Employee benefits expense		
– Wages and salaries	**124,611**	118,392
– Workers' compensation costs	**8,193**	5,289
– Long service leave provision	**1,337**	1,493
– Annual leave provision	**8,374**	7,415
– Payroll tax	**7,018**	6,606
– Defined contribution plan expense	**9,109**	8,640
– Directors retirement scheme expense	**40**	40
Total employee benefits expense	**158,682**	147,875
f) Operating lease rental expense		
– Property	**10,913**	10,148
– Plant and equipment	**2,482**	2,580
	13,395	12,728

6 Income Tax

The major components of income tax expense are:

Statement of Comprehensive Income

	2012 $'000	2011 $'000
Current income tax		
– Current income tax charge	**7,757**	6,438
– Adjustments in respect of current income tax of previous years	**(82)**	5
Deferred income tax		
– Relating to origination and reversal of temporary differences	**(716)**	(103)
Income tax expense reported in the Statement of Comprehensive Income	**6,959**	6,340

	Consolidated 2012 $'000	Consolidated 2011 $'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	**23,406**	21,168
At the Group's statutory income tax rate of 30% (2011: 30%)	**7,022**	6,350
– Expenditure not allowable for income tax purposes	**19**	(15)
– Adjustments in respect of current income tax of previous years	**(82)**	5
Income tax expense reported in the Statement of Comprehensive Income	**6,959**	6,340

	Consolidated 2012 $'000 Current Income Tax	Consolidated 2012 $'000 Deferred Income Tax	Consolidated 2011 $'000 Current Income Tax	Consolidated 2011 $'000 Deferred Income Tax
Recognised deferred tax assets and liabilities				
Opening balance	**(894)**	**(12,210)**	(1,270)	(12,256)
Charged to income	**(7,675)**	**716**	(6,443)	103
Charged to equity	**-**	**-**	-	170
Acquisitions/Disposals	**-**	**-**	-	(227)
Other payments	**6,869**	**-**	6,819	-
Closing balance	**(1,700)**	**(11,494)**	(894)	(12,210)
Tax expense in Statement of Comprehensive Income		**6,959**		6,340
Amounts recognised in the Statement of Financial Position:				
Deferred tax asset		**6,998**		6,731
Deferred tax liability		**(18,492)**		(18,941)
		(11,494)		(12,210)

6 **Income Tax** continued

	Statement of Financial Position	
	2012	2011
	$'000	$'000
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Consolidated		
Deferred tax liabilities		
– Accelerated depreciation for tax purposes	**(5,737)**	(6,100)
– Revaluations of land and buildings to fair value	**(11,258)**	(11,258)
– Trade and other receivables not derived for tax purposes	**(1,497)**	(1,583)
	(18,492)	(18,941)
Deferred tax assets		
– Equity raising costs	**102**	136
– Accelerated depreciation for accounting purposes	**811**	633
– Trade and other payables not currently deductible	**813**	1,091
– Trade and other receivables not derived for tax purposes	**93**	89
– Employee entitlements not currently deductible	**5,179**	4,782
	6,998	6,731

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	
	2012	2011
	$'000	$'000
Total increase/(reduction) to tax expense of K&S Corporation Ltd	**(7,537)**	(6,712)
Total increase/(reduction) to inter-company assets of K&S Corporation Ltd	**7,537**	6,712

	Consolidated 2012 $'000	2011 $'000

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:

	2012 $'000	2011 $'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**16,447**	14,828
Net profit attributable to ordinary equity holders of the parent	**16,447**	14,828

	2012 Thousands	2011 Thousands
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	**87,720**	80,849
Effect of dilution		
– Ordinary Shares	**-**	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**87,720**	80,849

	Consolidated 2012 $'000	2011 $'000

8 Dividends Paid and Proposed

	2012 $'000	2011 $'000
Declared and paid during the year:		
Dividends on ordinary shares		
Final franked dividend for 2011: 5.0 cents (2010: 7.0 cents)	**4,327**	5,148
Interim franked dividend for 2012: 5.0 cents (2011: 5.0 cents)	**4,394**	4,303
	8,721	9,451
Proposed (not recognised as a liability as at 30 June):		
Dividends on ordinary shares		
Final franked dividend for 2012: 6.0 cents (2011: 5.0 cents)	**5,356**	4,327
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% (2011: 30%)	**44,708**	41,493
• franking credits that will arise from the payment of income tax payable as at the end of the financial year	**2,230**	1,630
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.	(2,296)	(1,849)
	44,642	41,274

Tax rates

The tax rate at which dividends have been franked is 30% (2011: 30%).
Dividends proposed will be franked at the rate of 30% (2011: 30%).

9 Cash and Cash Equivalents

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash	**47**	46
Cash deposits with banks	**20,991**	9,701
	21,038	9,747

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

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

	2012 $'000	2011 $'000
Net profit after income tax	**16,447**	14,828
Add/(less) items classified as investing/financing activities:		
– (Profit)/loss on sale of non-current assets	**(2,580)**	(1,966)
Add/(less) non-cash items:		
– Amounts set aside to provisions	**1,334**	1,661
– Depreciation	**24,405**	25,089
– Share of associates' net profit	**(106)**	(198)
– Dividends received from associates	148	-
Net cash provided by operating activities before changes in assets and liabilities	**39,648**	39,414
CHANGE IN ASSETS AND LIABILITIES		
(Increase)/decrease in inventories	**54**	(286)
(Increase)/decrease in income tax benefit	**(264)**	(686)
(Increase)/decrease in prepayments	**90**	(262)
(Increase)/decrease in receivables	**(4,944)**	(2,821)
(Decrease)/increase in trade creditors	**4,000**	(1,030)
(Decrease)/increase in income taxes payable	**818**	(376)
(Decrease)/increase in deferred taxes payable	**(465)**	413
Exchange rate changes on opening cash balances	**2**	(236)
Net cash provided by/(used in) operating activities	**38,939**	34,130

Disclosure of financing facilities
Refer to Note 18.

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

	Consolidated 2012 $'000	Consolidated 2011 $'000
10 Trade and Other Receivables		
Current		
Trade debtors	**69,144**	64,751
Allowance for impairment loss (a)	**(308)**	(292)
	68,836	64,459
Sundry debtors	**4,353**	3,037
	73,189	67,496
Non-current		
Sundry debtors	**-**	776
Related party receivables		
– Employee share plan loans	**1,297**	1,258
	1,297	2,034

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:

	2012 $'000	2011 $'000
At 1 July	**292**	446
Charge for the year	**250**	2
Amounts written off	**(234)**	(156)
At 30 June	**308**	292

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**
2012	**69,144**	**44,418**	**19,602**	**3,111**	**-**	**1,705**	**308**
2011	64,751	41,281	16,374	6,075	-	729	292

* 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 2012 $'000	Consolidated 2011 $'000
11 Inventories		
Consumable stores – at cost	**863**	969
Finished goods – fuel at cost	**2,064**	2,012
Total inventories at the lower of cost and net realisable value	**2,927**	2,981

a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2012 totalled $62,477,000 (2011: $57,765,000) for the Group. This expense has been included in the cost of sales line item as a cost of inventories.

	Parent 2012 $'000	Parent 2011 $'000
12 Other Financial Assets		
Investments controlled entities		
– Shares – unlisted at cost	**32,418**	32,418
	32,418	32,418

	Interest Owned 2012 %	Interest Owned 2011 %	Investment Carrying Amount Consolidated 2012 $'000	Investment Carrying Amount Consolidated 2011 $'000
13 Investment in Associates				
a) Investment details				
Smart Logistics Pty Ltd	**50**	50	**158**	86
Dairy Transport Logistics Pty Ltd	**-**	24.5	**-**	113
Investment in associates			**158**	199

Both Smart Logistics Pty Ltd and Dairy Transport Logistics Pty Ltd are providers of distribution services and consultants in transport and distribution. Smart Logistics Pty Ltd was incorporated in Australia. Dairy Transport Logistics Pty Ltd was incorporated in New Zealand.

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

	Consolidated 2012 $'000	Consolidated 2011 $'000
Dairy Transport Logistics Pty Ltd		
At 1 July	**113**	-
Share of profit after income tax	**34**	112
Exchange rate changes on opening balances	**1**	1
Proceeds from the sale of shares	**(48)**	-
Dividend payment	**(100)**	-
At 30 June	**-**	113

	Consolidated 2012 $'000	2011 $'000
Smart Logistics Pty Ltd		
At 1 July	**86**	-
Share of profit/(loss) after income tax	**72**	113
Dividend payment	**-**	-
Recovery of prior share losses not equity accounted	**-**	(27)
At 30 June	**158**	86

c) Share of associates' commitments

	2012 $'000	2011 $'000
Share of associates' finance lease commitments:		
Within one year	**118**	208
One year or later and no later than five years	**-**	105
Minimum lease payments	**118**	313
Less: Future finance charges	**-**	(19)
Total lease liability	**118**	294

d) Summarised financial information

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

	2012 $'000	2011 $'000
Extract from the associates' Statement of Financial Position:		
Current assets	**6,385**	9,329
Non-current assets	**106**	277
	6,491	9,606
Current liabilities	**(6,172)**	(8,766)
Non-current liabilities	**(3)**	(204)
	(6,175)	(8,970)
Net assets/(liabilities)	**316**	636
Share of associates net assets/(liabilities)	**158**	226
Adjustments arising from equity accounting		
– Recovery of prior share losses not equity accounted	**-**	(27)
	158	199
Extract from the associates' Statement of Comprehensive Income:		
Revenue	**80,409**	118,618
Net profit	**144**	685

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 2012				
As at 1 July 2011 net of accumulated depreciation and impairment	**99,024**	**110,839**	**12,105**	**221,968**
Additions	**643**	**21,616**	**1,181**	**23,440**
Disposals	**-**	**(2,307)**	**(2)**	**(2,309)**
Depreciation charge for the year	**(2,374)**	**(18,739)**	**(2,754)**	**(23,867)**
Exchange adjustment	**6**	**208**	**2**	**216**
At 30 June 2012 net of accumulated depreciation and impairment	**97,299**	**111,617**	**10,532**	**219,448**
At 30 June 2012				
Cost or fair value	**103,512**	**230,475**	**37,678**	**371,665**
Accumulated depreciation and impairment	**(6,213)**	**(118,858)**	**(27,146)**	**(152,217)**
Net carrying amount	**97,299**	**111,617**	**10,532**	**219,448**
Year ended 30 June 2011				
As at 1 July 2010 net of accumulated depreciation and impairment	90,618	95,062	11,489	197,169
Additions	10,346	21,335	2,560	34,241
Additions – Regal Transport	-	17,065	692	17,757
Disposals	-	(1,941)	-	(1,941)
Depreciation charge for the year	(1,920)	(20,081)	(2,627)	(24,628)
Exchange adjustment	(20)	(601)	(9)	(630)
At 30 June 2011 net of accumulated depreciation and impairment	99,024	110,839	12,105	221,968
At 30 June 2011				
Cost or fair value	102,862	223,150	45,777	371,789
Accumulated depreciation and impairment	(3,838)	(112,311)	(33,672)	(149,821)
Net carrying amount	99,024	110,839	12,105	221,968

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 2012 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.

	Consolidated Freehold Land and Buildings 2012 $'000	Freehold Land and Buildings 2011 $'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	**70,840**	70,235
Accumulated depreciation and impairment	**(8,877)**	(7,510)
Net carrying amount	**61,963**	62,725

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

The carrying value of motor vehicles held under hire purchase contracts at 30 June 2012 is $66,335,014 (2011: $64,451,196).

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.

	Consolidated IT Development Costs $'000	Goodwill $'000	Total $'000
15 Intangible Assets and Goodwill			
Year ended 30 June 2012			
At 1 July 2011 net of accumulated amortisation and impairment	**3,368**	**68,201**	**71,569**
Amortisation	**(538)**	**-**	**(538)**
Exchange adjustment	**-**	**77**	**77**
At 30 June 2012 net of accumulated amortisation and impairment	**2,830**	**68,278**	**71,108**
At 30 June 2012			
Cost (gross carrying amount)	**3,953**	**68,278**	**72,231**
Accumulated amortisation and impairment	**(1,123)**	**-**	**(1,123)**
Net carrying amount	**2,830**	**68,278**	**71,108**

15 Intangible Assets and Goodwill continued

	Consolidated		
	IT Development Costs $'000	Goodwill $'000	Total $'000
Year ended 30 June 2011			
At 1 July 2010 net of accumulated amortisation and impairment	3,829	40,932	44,761
Additions – Regal Transport	-	27,528	27,528
Amortisation	(461)	-	(461)
Exchange adjustment	-	(259)	(259)
At 30 June 2011 net of accumulated amortisation and impairment	3,368	68,201	71,569
At 30 June 2011			
Cost (gross carrying amount)	3,953	68,201	72,154
Accumulated amortisation and impairment	(585)	-	(585)
Net carrying amount	3,368	68,201	71,569

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

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

No impairment loss was recognised for continuing operations in the 2012 financial year.

16 Impairment Testing of Goodwill

Cash generating units

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

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

	Goodwill	
	2012 $'000	2011 $'000
Australian Transport	**62,929**	62,929
Fuel	**165**	165
New Zealand Transport	**5,184**	5,107
	68,278	68,201

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.

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	
	2012	2011	**2012**	2011
	%	%	**%**	%
Australian Transport	**13.42**	13.75	**3.0**	3.0
Fuel	**13.42**	13.75	**3.0**	3.0
New Zealand Transport	**13.25**	13.18	**2.5**	3.0

Discount rate

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

In determining impairment, management has considered any potential impact of the Clean Energy Bill 2011 (the "Bill" or "Scheme") will have on the Group. Management has initially estimated there will only be some minor increases in its cost base as a result of the price on carbon. However, from July 2014, heavy on-road transport activities are to be included in the carbon pricing regime, through a reduction in business fuel tax credits ("FTC"). Management anticipates that any reduction in the FTC, will be passed through to customers via fuel surcharges. Accordingly, management have not adjusted any cash flows. Also, given the level of uncertainty about the impact the Scheme will have, if any, management is unable to predict what impact the imposition of the price on carbon may have on the Australian economy and its customer base generally.

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	
	2012	2011
	$'000	$'000
17 Payables		
Current		
Trade creditors and payables	**46,439**	43,894
Self insured workers compensation liability	**2,775**	2,563
	49,214	46,457
Non-current		
Self insured workers compensation liability	**6,358**	4,929
	6,358	4,929

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

18 Interest Bearing Loans and Borrowings

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current		
Hire purchase liabilities – secured	**16,693**	15,070
	16,693	15,070
Non-current		
Non redeemable preference shares	**60**	60
Hire purchase liabilities – secured	**33,110**	32,650
Bank loans – secured	**33,175**	38,621
	66,345	71,331
Commitments in respect of hire purchase agreements are payable as follows:		
Not later than one year	**19,683**	18,195
Later than one year but not later than five years	**36,360**	36,274
	56,043	54,469
Deduct: future finance charges	**(6,240)**	(6,749)
Total hire purchase liability	**49,803**	47,720
Current	**16,693**	15,070
Non-current	**33,110**	32,650
	49,803	47,720

Fair value disclosures

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

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

Hire purchase contracts

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

Hire purchase liabilities are secured by the relevant asset.

The written down value of assets secured by hire purchase agreements is $66,335,014 (2011: $64,451,196). The weighted average cost of these facilities was 7.27% (2011: 7.76%).

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 $87,870,000 (2011: $89,325,000). The non-current bank loans are subject to annual review.

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

Facility amount ($'000)	Expiry
40,000	30 June 2014
40,000	4 July 2014
20,000	30 June 2015

The facilities bear interest at 5.93% (2011: 7.41%).

	Consolidated 2012 $'000	Consolidated 2011 $'000
Financing facilities available		
Total facilities available:		
Bank overdrafts	**4,000**	4,000
Bank loans	**86,091**	86,387
Standby letters of credit	**13,909**	13,613
	104,000	104,000

Standby letters of credit

The Group has the following guarantees at 30 June 2012:

- Bank guarantee of $11,830,000 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 $741,000 has been provided by the Westpac Banking Corporation to the Victorian WorkCover Authority;
- Other bank guarantees of $1,338,250 have been provided by the Westpac Banking Corporation Limited to suppliers.

	2012 $'000	2011 $'000
Facilities utilised at balance date:		
Bank overdrafts	**-**	-
Bank loans	**33,175**	38,621
Standby letters of credit	**13,909**	13,613
	47,084	52,234
Facilities not utilised at balance date:		
Bank overdrafts	**4,000**	4,000
Bank loans	**52,916**	47,766
Standby letters of credit	**-**	-
	56,916	51,766
Total facilities	**104,000**	104,000
Facilities used at balance date	**47,084**	52,234
Facilities unused at balance date	**56,916**	51,766

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 2014.

18 Interest Bearing Loans and Borrowings continued

	Consolidated 2012 $'000	Consolidated 2011 $'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:

	2012 $'000	2011 $'000
Non-current		
First mortgage		
– Freehold land and buildings	**86,637**	87,800
– Plant and equipment	**1,233**	1,525
Total non-current assets pledged as security	**87,870**	89,325

Non-cash financing and investment activities

During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of $18,551,000 (2011: $21,094,000) and disposed of property, plant and equipment with an aggregate fair value of $nil (2011: $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

	2012 $'000	2011 $'000
Current		
Employee benefits	**14,480**	13,353
	14,480	13,353
Non-current		
Employee benefits	**2,200**	2,044
Make good provision	**356**	121
Directors' retirement allowance	**583**	544
	3,139	2,709

No dividends have been provided for the year ended 30 June 2012. 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*.

	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 2011	121	544	665
Arising during the year	235	39	274
Utilised	-	-	-
At 30 June 2012	356	583	939
Current 2012	-	-	-
Non-Current 2012	356	583	939
	356	583	939
Current 2011	-	-	-
Non-Current 2011	121	544	665
	121	544	665

b) Nature and timing of provisions

i) Make good provision

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

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

ii) Long service leave

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

iii) Directors retirement allowance

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

	Consolidated 2012 $'000	2011 $'000
20 Contributed Equity and Reserves		
a) Ordinary shares		
Contributed equity		
89,273,615 (2011: 86,285,496) ordinary shares fully paid	**97,707**	94,276
	97,707	94,276

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 2010	**72,593**	64,528
Issued to acquire Regal Transport – 950,000 ordinary shares at $2.80	**950**	2,660
Issued through Dividend Re-investment Plan – 225,552 ordinary shares at $2.68	**225**	604
Issued through Rights Issue – 12,295,560 ordinary shares at $2.15	**12,296**	26,435
Issued through Dividend Re-investment Plan – 221,883 ordinary shares at $2.00	**222**	444
Transaction costs – Rights Issue	**-**	(395)
At 30 June 2011	**86,286**	94,276
Issued through Employee Share Plan – 244,500 ordinary shares at $1.33	**244**	325
Issued through Dividend Re-investment Plan – 1,363,639 ordinary shares at $1.14	**1,364**	1,561
Issued through Dividend Re-investment Plan – 1,379,980 ordinary shares at $1.12	**1,380**	1,545
At 30 June 2012	**89,274**	97,707

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 2012, the Group paid dividends of $8,721,000 (2011: $9,451,000).

	Consolidated 2012 $'000	Consolidated 2011 $'000
Management monitor capital through the gearing ratio (net debt/net debt + Shareholders funds). The gearing ratios based on continuing operations at 30 June were as follows:		
Total interest bearing loans and borrowings	**83,038**	86,401
Less cash and cash equivalents	**(21,038)**	(9,747)
Net debt	**62,000**	76,654
Net debt + Shareholders funds	**286,934**	290,260
Gearing ratio	**21.6%**	26.4%

Nature and purpose of reserves

Asset revaluation reserve

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

Foreign currency translation reserve

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

21 Derivative Financial Instruments

a) Hedging activities

During the year, derivative financial instruments were used by the Group to hedge exposure to fluctuations in interest rates.

The Group had the following interest rate swap agreements that expired throughout 2012:

- with a notional amount of $20,000,000 whereby it received a variable rate equal to the AUS-BBR-BBSW and paid a fixed interest rate of 7.68% on the notional amount. This agreement commenced in April 2009 and expired in March 2012.
- with a notional amount of $4,000,000 NZD whereby it received a variable rate equal to the NZD-BBR-BID and paid a fixed interest rate of 7.97% on the notional amount. This agreement commenced in April 2009 and expired in March 2012.

The Group has no interest rate swap agreements in place at 30 June 2012.

b) Interest rate risk

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

	Consolidated 2012 $'000	2011 $'000
22 Commitments		
The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2012 are:		
Capital expenditure commitments		
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	**12,254**	3,253
Lease rental commitments		
Operating lease and hire commitments:		
– Not later than one year	**10,147**	9,980
– Later than one year but not later than five years	**24,875**	24,220
– Later than five years	**14,495**	17,228
	49,517	51,428

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

Finance lease commitments are disclosed in *Note 18*.

23 Contingent Liabilities

Guarantees

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

Legal claim

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

24 Deed of Cross Guarantee

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

The subsidiaries subject to the Deed are:

Reid Bros Pty Ltd
Kain & Shelton Pty Ltd
K&S Freighters Pty Ltd
K&S Group Administrative Services Pty Ltd
Kain & Shelton (Agencies) Pty Ltd
K&S Transport Management Pty Ltd
Blakistons-Gibb Pty Ltd
K&S Logistics Pty Ltd
K&S 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
Regal Transport Group Pty Ltd
Strategic Transport Pty Ltd
Vortex Nominees 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 2012 is set out below:

	Closed Group	
	2012	2011
	$'000	$'000
Statement of Comprehensive Income		
Profit before income tax	**23,406**	21,168
Income tax expense	**(6,959)**	(6,340)
Profit after income tax	**16,447**	14,828
Retained profits at the beginning of the year	**94,823**	89,446
Dividends provided for or paid	**(8,721)**	(9,451)
Retained earnings at the end of the year	**102,549**	94,823

24 Deed of Cross Guarantee continued

	Closed Group 2012 $'000	2011 $'000
Statement of Financial Position		
Cash	**21,038**	9,747
Trade and other receivables	**73,189**	67,496
Inventories	**2,927**	2,981
Prepayments	**5,192**	5,277
Total current assets	**102,346**	85,501
Other receivables	**1,297**	2,034
Investment in associates	**158**	199
Property, plant and equipment	**219,448**	221,968
Intangibles	**71,108**	71,569
Deferred tax assets	**6,998**	6,731
Total non-current assets	**299,009**	302,501
Total assets	**401,355**	388,002
Trade and other payables	**49,214**	46,457
Interest bearing loans and borrowings	**16,693**	15,070
Current tax liabilities	**1,700**	894
Provisions	**14,480**	13,353
Derivatives	**-**	712
Total current liabilities	**82,087**	76,486
Other payables	**6,358**	4,929
Interest bearing loans and borrowings	**66,345**	71,331
Deferred tax liabilities	**18,492**	18,941
Provisions	**3,139**	2,709
Total non-current liabilities	**94,334**	97,910
Total liabilities	**176,421**	174,396
Net assets	**224,934**	213,606
Contributed equity	**97,707**	94,276
Reserves	**24,678**	24,507
Retained earnings	**102,549**	94,823
Total equity	**224,934**	213,606

	Class of Share	Country of Incorporation	% Equity Interest 2012	2011

25 Controlled Entities

Particulars in relation to controlled entities

Name

K&S Corporation Limited

Controlled Entities

	Class of Share	Country of Incorporation	2012	2011
Reid Bros Pty Ltd	Ord	Australia	**100**	100
Kain & Shelton Pty Ltd	Ord	Australia	**100**	100
K&S Freighters Pty Ltd	Ord	Australia	**100**	100
K&S Group Administrative Services Pty Ltd	Ord	Australia	**100**	100
Kain & Shelton (Agencies) Pty Ltd	Ord	Australia	**100**	100
K&S Transport Management Pty Ltd	Ord	Australia	**100**	100
Blakistons-Gibb Pty Ltd	Ord	Australia	**100**	100
K&S Logistics Pty Ltd	Ord	Australia	**100**	100
K&S Integrated Distribution Pty Ltd	Ord	Australia	**100**	100
K&S Group Pty Ltd	Ord	Australia	**100**	100
DTM Holdings (No. 2) Pty Ltd	Ord	Australia	**100**	100
Alento Pty Ltd	Ord	Australia	**100**	100
DTM Holdings Pty Ltd	Ord	Australia	**100**	100
DTM Pty Ltd	Ord	Australia	**100**	100
K&S Project Services Pty Ltd	Ord	Australia	**100**	100
Regal Transport Group Pty Ltd	Ord	Australia	**100**	100
Strategic Transport Services Pty Ltd	Ord	Australia	**100**	100
Vortex Nominees Pty Ltd	Ord	Australia	**100**	100
K&S Freighters Limited	Ord	New Zealand	**100**	100
Cochrane's Transport Limited	Ord	New Zealand	**100**	100

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, G Stevenson 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
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 is the former Chief Executive Officer of the Scott Group of Companies and is a former Director of a number of other Companies within the Scott Group, one of which (AA Scott Pty Ltd) is the largest Shareholder of K&S Corporation Limited. Mr Grubb also remains a Director of some entities within the Scott Group of Companies. 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 2012 was $376,249 (2011: $362,861).

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 2012 included sales of $235,025 (2011: $12,200) and purchase of transport related services totalling $1,797,971 (2011: $5,060,208).

26 Related Party Disclosures continued

	Purchases 2012 $	Purchases 2011 $	Sales 2012 $	Sales 2011 $
The aggregate amount of dealings with these companies during 2012 were as follows:				
Ascot Haulage (NT) Pty Ltd	**1,078,919**	1,137,414	**-**	-
Northern Territory Freight Services Pty Ltd	**3,485**	13,397	**26,888**	9,270
Scott's Transport Industries Pty Ltd	**156,110**	190,398	**1,124,324**	1,987,179
Scott's Agencies Pty Ltd	**2,348,825**	3,016,382	**305**	64,258
The Border Watch Pty Ltd	**4,224**	5,261	**-**	-

Mr Johnson has an interest as a partner in Johnson, Winter & Slattery, a firm of solicitors. This firm renders legal advice to the economic entity. The aggregate amount of dealings with this firm during 2012 was $1,191 (2011: $1,879) in professional service fees.

Mr L Winser had an interest as Director of Smart Logistics Pty Ltd (an associated entity). Transactions with this company included the sale of cartage. The aggregate amount of sales to this company during 2012 was $28,742,000 (2011: $30,521,000).

Mr R Smith has an interest as Director of Transpacific Industries Limited. Transactions with this company during 2012 were sales of $246,167 and purchases of $37,792.

	Consolidated 2012 $'000	Consolidated 2011 $'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	**32**	196
Northern Territory Freight Services Pty Ltd	**-**	2
Smart Logistics Pty Ltd	**1,996**	2,078
Dairy Transport Logistics Ltd	**284**	95
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	**404**	78
Scott's Transport Industries Pty Ltd	**5**	17
Scott Corporation Ltd	**177**	508

Wholly-owned Group

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

	Parent 2012 $'000	Parent 2011 $'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	**102,106**	110,690
– Non-current	**17,961**	17,961
	120,067	128,651
Payables – Current		
– Other loans	**-**	10,967
	-	10,967

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 (2011:$10,000,000).

	Consolidated 2012	Consolidated 2011
DIRECTORS' SHARE TRANSACTIONS		
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
– Ordinary shares	**709,646**	1,707,740
– 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	**178**	122
– 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 – Retired 25 May 2012
Mr G Stevenson	Managing Director – Appointed 28 May 2012

ii) Executives

Mr B Walsh	Chief Financial Officer
Mr C Bright	General Counsel & Company Secretary
Mr G Wooller	Chief Operating Officer
Mr P Sarant	Executive General Manager DTM
Mr G Everest	Executive General Manager Regal Transport
Mr S Hine	Executive General Manager Business Development
Ms K Evans	General Manager Human Resources
Mr S Skazlic	General Manager HS&E/Compliance

b) **Compensation for Key Management Personnel**

	Consolidated 2012 $	Consolidated 2011 $
Short-term	**3,275,862**	2,595,811
Long-term	**50,978**	40,323
Post employment	**416,889**	316,972
	3,743,729	2,953,106

c) **Loans to Key Management Personnel**

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

	Balance at Beginning of Period $'000	Write-off $'000	Balance at End of Period $'000	Number in Group
2012	**247**	**-**	**291**	**6**
2011	346	-	247	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, to fund the purchase of shares in the Company. Shares issued under the Plan are subject to a holding lock until the loan is repaid in full. Non-Executive Directors are not eligible to participate in the Plan.

No other loans are made to any Key Management Personnel.

d) **Remuneration options: granted and vested during the year**

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

e) **Shareholding of Key Management Personnel**

Shares held in K&S Corporation Limited:	Balance 1 July 2011 Ordinary	Net Change Ordinary	Balance 30 June 2012 Ordinary
30 June 2012			
Non-Executive Directors			
T Johnson	257,789	23,277	281,066
G Boulton	184,375	54,256	238,631
R Smith	20,789	15,000	35,789
R Nicholson	26,558	2,397	28,955
B Grubb	125,205	-	125,205
Executive Director			
L Winser	1,093,024	58,175	1,151,199*
G Stevenson	-	-	-
Other Key Management Personnel			
B Walsh	85,332	20,700	106,032
C Bright	21,000	10,000	31,000
G Wooller	38,229	11,015	49,244
P Sarant	38,000	46,603	84,603
G Everest	-	-	-
S Hine	-	10,000	10,000
K Evans	15,000	-	15,000
S Skazlic	2,205	1,000	3,205
Total	1,907,506	252,423	2,159,929

* *Shareholding balance as at date of retirement (25 May 2012)*

Shares held in K&S Corporation Limited:	Balance 1 July 2010 Ordinary	Net Change Ordinary	Balance 30 June 2011 Ordinary
30 June 2011			
Non-Executive Directors			
T Johnson	210,088	47,701	257,789
G Boulton	150,258	34,117	184,375
R Smith	17,819	2,970	20,789
R Nicholson	21,642	4,916	26,558
B Grubb	107,317	17,888	125,205
Executive Director			
L Winser	460,471	632,553	1,093,024
Other Key Management Personnel			
B Walsh	73,860	11,472	85,332
C Bright	19,000	2,000	21,000
G Wooller	32,392	5,837	38,229
P Sarant	20,000	18,000	38,000
G Everest	-	-	-
K Evans	15,000	-	15,000
Total	1,127,847	777,454	1,905,301

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 21 August 2012, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2012 financial year. The total amount of the dividend is $5,356,417, which represents a fully franked dividend of 6.0 cents per share. The dividend is payable on 31 October 2012 and has not been provided for in the 30 June 2012 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 17 October 2012 (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	
	2012	2011
	$	$
29 Auditor's Remuneration		
The auditor of K&S Corporation Limited is Ernst & Young.		
Audit services:		
Audit and review of the statutory financial reports	**185,500**	179,000
	185,500	179,000
Other services:		
Other services – Ernst & Young:		
– IT Disaster Recovery Review	**9,820**	-
	9,820	-

30 Business Combinations

Acquisitions in 2012

No acquisitions were completed in 2012.

Acquisitions in 2011

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 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. The provisional fair value of identifiable net assets is $14,317,000.

Key factors contributing to the $27,528,000 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 resources sectors of Western Australia.

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

	Fair Value at Acquisition Date $'000	Carrying Value $'000
Trade and other receivables	7,715	7,715
Plant & equipment	17,757	15,608
Prepayments	206	67
Deferred tax assets	269	-
	25,947	23,390
Trade and other payables	(3,110)	(3,110)
Interest bearing loans and borrowings	(7,048)	(7,048)
Income tax payable	(80)	(80)
Provision for employee entitlements	(896)	(747)
Deferred tax liability	(496)	-
	(11,630)	(10,985)
Provisional fair value of identifiable net assets	14,317	
Goodwill arising on acquisition	27,528	
	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	150	
Cash outflow on acquisition is as follows:		
Cash paid	(39,185)	
Cash outflow on acquisition	(39,185)	

The consolidated Statement of Comprehensive Income includes sales revenue and net profit before tax for the year ended 30 June 2011 of $60,450,000 and $4,329,000 respectively, as a result of the acquisition of Regal Transport.

	Parent 2012 $'000	Parent 2011 $'000
31 Parent Entity Information		
Current assets	**102,106**	110,690
Total assets	**154,094**	162,627
Current liabilities	**(2,419)**	(12,695)
Total liabilities	**(35,132)**	(48,367)
Issued capital	**97,707**	94,276
Asset revaluation reserve	**161**	161
Retained earnings	**21,094**	19,823
Total Shareholders' equity	**118,962**	114,260
Profit after tax of the Parent entity	**9,992**	10,000
Total comprehensive income of the Parent entity	**9,992**	10,000

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*.

K&S CORPORATION LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2012

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

In the opinion of the Directors:

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

i) giving a true and fair view of the Company's financial position as at 30 June 2012 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 2012.

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 Melbourne this 21st day of August 2012.

On behalf of the Board:

Tony Johnson
Chairman

Greg Stevenson
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 2012, 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 Sanders
Partner

Adelaide
21 August 2012

Liability Limited by a scheme approved under Professional Standards Legislation

Report on the Financial Report

We have audited the accompanying financial report of K&S Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In *Note 2*, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Report on the Financial Report continued

Opinion

In our opinion:

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

   i) giving a true and fair view of the consolidated entity's financial position at 30 June 2012 and of its performance for the year ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in *Note 2*.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 29 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of K&S Corporation Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

David Sanders
Partner

Adelaide
21 August 2012

Liability Limited by a scheme approved under Professional Standards Legislation

DISTRIBUTION OF SHAREHOLDINGS

Ordinary Shares	Number of Shareholders
1-1,000 Shares	421
1,001 - 5,000 Shares	885
5,001 - 10,000 Shares	390
10,001 - 100,000 Shares	490
100,001 and more Shares	47
	2,233

134 shareholders hold less than a marketable parcel (336 shares).

TWENTY LARGEST SHAREHOLDERS

	Name	Number of Ordinary Shares Held	%
1	AA Scott Pty Ltd	44,976,960	50.38
2	Citicorp Nominees Pty Limited	5,901,817	6.61
3	Bell Potter Nominees Ltd	2,726,732	3.05
4	Ascot Media Investments Pty Ltd	1,963,630	2.20
5	National Nominees Limited	1,462,567	1.64
6	Oakcroft Nominees Pty Ltd <Oakcroft Super Fund A/C>	1,013,268	1.14
7	Diversified United Investment Limited	975,000	1.09
8	Zena Kaye Winser	922,708	1.03
9	HSBC Custody Nominees Australia	919,063	1.03
10	J P Morgan Nominees Australia Limited	887,424	0.99
11	Winscott Investments Pty Ltd	875,992	0.98
12	Sabadin Petroleum Pty Ltd	827,254	0.93
13	Tribridge Holdings Pty Ltd	750,000	0.84
14	Mr Eric Joseph Roughana	700,000	0.78
15	Mr Barry William Page & Mrs Janice Mary Page <Ardmore Super Fund A/C>	530,876	0.59
16	Mr William Clifton Anderson	424,275	0.48
17	Mr John Irving Stepnell & Mrs Valerie Iris Stepnell <Stepnell Super Fund A/C>	421,500	0.47
18	Dixson Trust Pty Ltd	364,430	0.41
19	J P Morgan Nominees Australia Limited <Cash Income A/C>	361,478	0.40
20	Mr Adrian Keith Crook & Mrs Samantha Jane Crook <Pacific Group Inv Share A/C>	300,000	0.34
20	DeBruin Nominees Pty Ltd <De Bruin Super Fund A/C>	300,000	0.34
		67,604,974	75.73

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 75.73% 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 17th September 2012:

	Number	% of Class
Estate of Mr A A Scott	44,976,960	50.38
Commonwealth Bank of Australia	4,514,321	5.06

VOTING RIGHTS

The voting rights are as follows:

Preference Shares:	Nil
Ordinary Shares:	1 vote per share

K&S CORPORATION LIMITED

CORPORATE DIRECTORY

K&S CORPORATION LIMITED

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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

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