K&S CORPORATION LIMITED

ABN 67 007 561 837

AND ITS CONTROLLED ENTITIES

Financial Report

as at

30 June 2003

Corporate Governance Statement

Purpose of this Statement

This policy statement has been prepared by the Board of Directors ("Board") of K&S Corporation Limited ("the Company"). Its purpose is to record for the benefit of the Company and its shareholders the Corporate Governance framework within which the Board operates.

The Corporate Governance practices that were in place throughout the financial year are dealt with under the following headings: Board of Directors and its Committees, Business Risk Management, Internal Control Framework, Ethical Standards and the Role of Shareholders.

BOARD OF DIRECTORS AND ITS COMMITTEES

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Environmental Committee, a Remuneration and Succession Planning Committee, and an Audit Committee. The effectiveness of each committee is also constantly monitored by the Board. The Board has also established a framework for the management of the consolidated entity, being the Company and its controlled entities including a system of internal control, a business risk management system and the establishment of appropriate ethical standards.

The full Board currently holds monthly scheduled meetings each year and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairman and Managing Director. Standing items include the Managing Director's report, financial reports, sales and marketing reports and strategic matters. Board meeting agendas, papers and submissions are circulated to the Directors in advance of meetings. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to operations, for contact with a wider group of employees.

Composition of the Board

The Board consists of seven Directors of which 3 are independent Non-Executive Directors.

Chairperson

The Board will at all times appoint a Non-Executive Director to the office of Chairperson. Mr A A Scott is currently the Chairperson of the Board.

Board Mix

The Board will at least annually review the mix of skills, experience and other qualities required by the Board to operate effectively, particularly with regard to finance, strategy and monitoring of management performance. The Board will ensure that this composition provides the mix so identified. Directors must retire at age 72 in accord with the Company's Constitution but then maybe re-elected each year at the Annual General Meeting by the shareholders if they consider the continuance of that Director to be of significant benefit to the Company.

Strategy, including Performance Evaluation and Risk Management

The Board will continue to implement, at least twice yearly, a review of the principal strategies of the Company. The performance against those strategies will be assessed to evaluate those strategies and the performance of Management. The Board will continue to monitor and manage areas of significant business risk through its process of strategic review.

Board Committees Generally

Board Committees will:-

- Be constituted with a majority of Non-Executive Directors;
- Be entitled to obtain independent professional or other advice at the cost of the Company;
- Be entitled to obtain such resources and information from the Company, including direct access to employees, managers and advisers to the Company as they may require.

COMMITTEES OF THE BOARD

1) Environmental Committee

The role of the Committee is to monitor environmental exposures and compliance with environmental regulations.

The members of the Environmental Committee during the year were:

Mr A F Johnson (Chairman)

Mr J L Osborne

Mr J L Winser

As part of this process, the Committee is responsible for:-

- setting and communicating environmental objectives and quantified targets
- monitoring progress against these objectives and targets
- implementing environmental management plans in operating areas which may have a significant environmental impact
- identifying where remedial actions are required and implementing action plans
- regular monitoring of licence requirements, with performance against licence conditions reported to the various State regulators on a regular basis

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.

2) Remuneration and Succession Planning Committee

The role of the Remuneration and Succession Planning Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and Directors themselves. It also plays a role in evaluation of the performance of the Managing Director and management succession planning. This role also includes the responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies, professional indemnity and liability insurance policies. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. The Remuneration and Succession Planning Committee obtains independent advice on the appropriateness of remuneration packages. The members of the Remuneration and Succession Planning Committee during the year were:

Mr J L Osborne (Chairman)

Mr R V J Nicholson

Mr J L Winser

The Remuneration and Succession Planning Committee meets twice a year and as required. The Committee met twice during the year.

Further details of Directors' remuneration, superannuation and retirement payments are set out in the Directors' Report and Note 34 to the financial statements.

3) Audit Committee

The Board has an established Audit Committee, which operates under a charter approved by the Board. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. All members of the Audit Committee are non-executive Directors. The Chairman may not be the Chairman of the Board of Directors.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining strategy or for inclusion in the financial report.

The members of the Audit Committee during the year were:

Mr L Ackroyd (Chairman)

Mr G C Boulton

The external auditors and appropriate members of management are invited to Audit Committee meetings at the discretion of the Committee. The Committee met a total seven times during the year dealing with such issues as recoveries of monies from the previous year's fraud, review of processes and systems and the appointment of new external auditors.

The Audit Committee's primary functions are to oversee the financial reporting process and audit of the organisation on behalf of the Board, including:

- Overview the Audit plans, developments in control, accountability and audit.
- Reviewing the opinions provided by Managers on control and the action plans on improvements to any risk exposures for all areas of management and operations.
- Recommending to the Board the appointment and dismissal of the external auditors and setting of the appropriate fees.
- Liasing with external auditors on all matters concerning the conduct and outcome of the annual audit.
- Review and approve the half-year financial report.
- Review and approve the annual financial reports.
- Review of representation letters signed by Management to ensure that the information is complete and appropriate.
- To provide a link between the auditors and the Board of Directors and to ensure the auditors are responsible to the Committee and the Board as representatives of the shareholders.
- To review the findings of the external audit.
- To oversee compliance with statutory requirements and financial disclosure.
- To review the accounting policies adopted and any amendments thereof which are made or contemplated.
- To evaluate the performance of the external auditors, including their independence and objectivity.
- To approve the extent of non-audit services provided by the external auditors.
- To assess the financial effectiveness of Management.
- Review financial delegations and the exercise of those delegations, including breaches.
- Review insurance and risk management policy, strategy and operations.
- Review the framework for financing and investment decisions (ie taxation, funding approach).
- Review the half-year accounts prior to the lodgement with the Australian Stock Exchange.
- Review the full year accounts prior to the lodgement with the Australian Stock Exchange.
- Reviewing other financial information distributed externally.
- Monitoring corporate risk assessment processes.

- Reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:-

Audit Planning

- to discuss the external audit plan
- to discuss any significant issues that may be foreseen
- to discuss the impact of any changes in accounting policies adopted by the consolidated entity during the year
- to review internal control framework and procedures
- to review the fees proposed for the audit work to be performed.

Prior to Announcement of Results

- to review the pro forma half-yearly and pro forma preliminary final report prior to lodgement of these documents with the ASX, and any significant adjustments required as a result of the audit
- to make the necessary recommendations to the Board for the approval of these documents.

Half-Year and Annual Reporting

- to review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made
- to review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

As Required

The Audit Committee intends for the 2004 financial reporting period to have the external auditor meet at least twice per annum with the Audit Committee without management being present. The external auditor will also be provided with the opportunity, at their request, to meet with the Board of Directors without management being present.

BUSINESS RISK MANAGEMENT

The Audit Committee and the Environmental Committee provides advice to the Board and reports on the status of business risks to the consolidated entity through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. Business risks arise from such matters as actions by competitors, government policy changes, difficulties in sourcing raw materials, and the purchase, development and use of information systems.

The consolidated entity's risk management policies and procedures cover environment, occupational health and safety, property, financial reporting and internal control. Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Comprehensive practices are established such that:

- Capital expenditure and revenue commitments above set limits obtain prior Board approval.
- Financial exposures are controlled, and the consolidated entity does not use derivatives.
- 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.

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described under three headings:-

- Financial reporting – there is a comprehensive budgeting system with an annual budget approved by the Directors. Weekly and monthly results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders half-yearly.
- Investment appraisal – the consolidated entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.
- Continuous disclosure – the consolidated entity has a policy that all shareholders and investors have equal access to the Company's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

CONFLICT OF INTEREST

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. The Board has developed procedures to assist Directors to disclose potential conflicts of interest. Details of Director related entity transactions with the Company and consolidated entity are set out in Note 36.

DIRECTOR DEALINGS IN COMPANY SHARES

The Constitution permits Directors to acquire shares in the Company. Company policy prohibits Directors and associates from dealing in Company shares or executive options:

- Except up to 30 days after either the release of the Company's half year and annual results to the Australian Stock Exchange, the annual general meeting or any major announcement.
- Whilst in possession of price sensitive information.
- Directors may trade in shares in the Company outside windows as stated where they have obtained the approval of the Chairman.

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

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

Each Director has the right of access to all relevant company executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the consolidated entity's expense.

INTERNATIONAL QUALITY STANDARD ISO 9002

The consolidated entity strives to ensure that its services are of the highest standard. Towards this aim, it has achieved ISO 9002 accreditation for its core business segment.

ETHICAL 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 Board adopted a Code of Conduct for its employees on 26 August 1998 to act within the law, avoid conflicts of interest, protect Company property, keep information confidential and act honestly and ethically in all business activities.

Trade Practices

A Trade Practices Policy was also adopted on 26 August 1998 and relevant employees advised on the legislative prohibitions on price fixing and anti-competitive arrangements between competitors and suppliers.

Other Policies

Amongst other policies endorsed by the Board in previous years are the Occupational Health and Safety and Environment Protection Policies.

THE ROLE OF AND COMMUNICATION WITH SHAREHOLDERS

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:-

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors and changes to the Constitution. Copies of the Constitution are available to any shareholder who requests it.

Directors' Report

The Directors present their report together with the financial report of K&S Corporation Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2003 and the auditor's report thereon.

DIRECTORS

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

ARCHIBALD ALLAN SCOTT OAM (Chairman)
LAURIE ACKROYD
GREGORY COLIN BOULTON
ANTHONY FRANCIS JOHNSON
RICHARD VIVIAN JOHN NICHOLSON
JAMES LEONARD OSBORNE
JOHN LEGH WINSER (Managing Director)

With the exception of Mr J L Winser, all Directors are non executive directors.

Particulars of Directors' qualifications, experience, special responsibilities and other relevant Directorships are shown elsewhere in the Annual Report.

Mr A A Scott, having attained the age of 72, seeks re-appointment at the Annual General Meeting of the Company.

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		Remuneration & Succession Planning Committee Meetings		Environmental Committee Meetings	
	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held
Mr A A Scott	11	12	-	-	-	-	-	-
Mr R V J Nicholson	11	12	-	-	2	2	-	-
Mr A F Johnson	12	12	-	-	-	-	4	4
Mr G C Boulton	12	12	7	7	-	-	-	-
Mr J L Osborne	12	12	-	-	2	2	4	4
Mr L Ackroyd	12	12	7	7	-	-	-	-
Mr J L Winser	11	12	-	-	2	2	4	4

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.

CONSOLIDATED RESULT

The consolidated profit/ (loss) for the year attributable to the members of K&S Corporation Limited is shown below, along with comparative results for 2003.

Financial overview		2003	2002	% Improvement
Operating revenue	$m	293.3	267.3	9.7
Operating profit/(loss) after tax	$m	11.1	(5.3)	309.4
Net borrowings	$m	23.6	51.1	53.8
Shareholders' funds	$m	59.1	50.3	17.5
Earnings per share	cents	36.9	(17.6)	309.7
Dividends per share	cents	16.0	11.5	39.1
Net tangible assets per share	$	1.84	1.54	19.5
Cash flow per share	$	1.09	0.32	240.6
Return on shareholders' funds	%	18.7	(10.5)	278.8
Gearing	%	42.8	110.7	61.3

The consolidated profit after income tax of the economic entity for the financial year was $11.1 million, 309.4% above the previous financial year. The economic entity generated profit before interest and tax of $18.2 million, which was 537.8% above the previous financial year. It generated operating revenue of $293.3 million, which was 9.7% above the operating revenue achieved in the previous financial year.

REVIEW OF OPERATIONS

The economic entity generated strong cash flows enabling a $27.5 million reduction in net debt during the year. The economic entity also benefited from a lower interest expense, which was 12.1 % below the previous year.

A final dividend of 8.5 cents per share has been declared. The dividend will be fully franked and payable on 27 October 2003 to shareholders registered on the books at 13 October 2003. This takes the full year dividend to 16 cents, an increase of 39.1% on the previous year. However, this divided has not been provided for in accounts as it was declared after balance date on 26th August 2003. This is in accordance with the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

During the year, the company's operating revenue grew by 9.7% to $293.3 million with all segments, excluding Warehousing operations, recording increases compared with the previous year. The transport and fuel operations both increased their operating revenue, while the warehousing business contracted its activities. Basic earnings per share were 36.9 cents up 309.7% on the previous corresponding period.

Transport, Warehousing and Fuel

Transport The principal activities in the transport business segment, are transport and logistics across all states of Australia, encompassing road, rail and sea full load movements. In October 2002, K & S Freighters successfully commenced a contract with Fletcher Challenge Forests in New Zealand for the cartage of lumber products. This contract was profitable from commencement and now provides K & S Freighters with a New Zealand base from which to grow.

Operating revenue for the transport operation grew by 10.0% for the year to 30 June 2003. The major influences were the strength of the domestic economy and in particular the timber, metals and paper sectors.

The customer strategy is directed towards large national contracts, including both interstate line haul and local distribution, with a focus on long term prime contractor relationships. The result from ordinary activities before tax from transport operations was a profit of $19.5 million.

The transport business segment performed strongly during the year.

Warehousing The principal activities in the warehousing business segment are the provision of warehousing and distribution services in all states of Australia. The result from ordinary activities before tax from warehousing operations was a loss of $1.5 million.

The segment's operating revenue declined during the year, due to the closure of the Regents Park facility in Sydney in the first half. The warehousing operations have been significantly restructured as part of the strategy of focusing on larger strategic customers.

The warehousing segment performance improved substantially during the second half of the financial year and is expected to continue its positive improvement and return to profit in the forth-coming year.

Fuel The principal activity in the fuel business segment is the provision of fuel distribution services to the fishing, farming and retail sectors within the South East of South Australia. The result from ordinary activities before tax from the fuel business segment was a profit of $0.6 million, an increase of 24.4% on last year's result.

The segment's operating revenue increased by 11.8% during the year due to higher prices, increased demand from agricultural based customers and stronger than expected performance from the retail service station outlets.

STATE OF AFFAIRS

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

- During the course of the year, significant funds were recovered from the fraud that occurred in April 2002. These funds were recovered via assets sales ($2,391,927) and settlement of legal matters with Sportingbet Australia Pty Limited ($2,799,695). The costs associated with the collection of these recoveries were $671,140 (2002: $269,991) for the financial year. The recovery from the legal claim against Sportingbet Australia Pty Limited has not been treated as revenue in the current year as the case is now under appeal in the Supreme Court of South Australia. All other costs and recoveries are included in the Statement of Financial Performance.

  The after tax effect of the net fraud recoveries for the year was a profit of $1,039,551. Directors are confident that further recoveries will be achieved.

- The commencement of the Fletcher Challenge Forests contract in October 2002, the full impact of the Paperlinx contract and the general strength of the domestic economy have significantly contributed to the Group's increased revenue.

ENVIRONMENTAL REGULATION

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, except as detailed below.

Transport and Warehousing

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

Fuel

The Fuel business is subject to the South Australian Environmental Protection Act 1993 and the South Australian Dangerous Substances Act 1979. The Directors are not aware of any instances of non-compliance during the reporting period.

DIVIDENDS

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

as provided for in last year's financial report:

1. a final fully franked ordinary dividend (30%) of 4 cents per share amounting to $1,199,593 in respect of the year ended 30 June 2002 was declared on 20th August 2002 and paid on 18th October 2002;
2. a fully franked preference dividend (30%) of 4 cents per share amounting to $4,800 in respect of the year ended 30 June 2002 was declared on 20th August 2002 and paid on 18th October 2002;

An interim fully franked ordinary dividend (30%) of 7.5 cents per share in respect of the year ended 30th June 2003 was declared on 25th February 2003 and paid on 28th March 2003 amounting to:	2,249,236
The final dividends declared by the Directors of the Company on 26th August 2003 and payable on 27th October 2003 in respect of the year ended 30 June 2003 are:	
1. a fully franked ordinary dividend (30%) of 8.5 cents per share; and	2,549,135
2. a fully franked preference dividend (30%) of 8.5 cents per share.	5,100

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

EVENTS SUBSEQUENT TO BALANCE DATE

Other than the matter discussed 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 New Zealand and adopting the latest technology in the industry to contain costs, and enhance the services offered to customers.

CHANGE OF AUDITOR

The economic entity appointed Ernst & Young as its auditor effective from 19 November 2002. The resignation of KPMG was approved by the Australian Securities and Investments Commission.

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 A A Scott	18,615
Mr R V J Nicholson	3,437
Mr J L Osborne	23,000
Mr J L Winser	132,000

Directors of the Company have relevant interests in additional shares:

	Ordinary Shares	**Cumulative Preference Shares**
Mr A A Scott	18,715,028	120,000
Mr G C Boulton	42,500	–
Mr A F Johnson	68,937	–
Mr J L Winser	27,700	–
Mr J L Osborne	25,500	–
Mr R V J Nicholson	2,500	–

DIRECTOR'S AND SENIOR EXECUTIVES' EMOLUMENTS

The Remuneration and Succession Planning Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The Board remuneration policy is to ensure remuneration packages properly reflect each person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Details of the nature and amount of each major element of the emoluments of each director and each of the five named officers of the Company and the consolidated entity receiving the highest emoluments are:

Director	Base Emolument $	Non-cash Benefits $	Super Contributions $	Total $
Non Executive				
Mr A A Scott	55,000	-	-	55,000
Mr L Ackroyd	35,000	-	2,800	37,800
Mr G C Boulton	35,000	-	2,800	37,800
Mr A F Johnson	35,000	-	2,800	37,800
Mr R V J Nicholson	35,000	-	2,800	37,800
Mr J L Osborne	35,000	-	2,800	37,800
Executive				
Mr J L Winser	245,000	27,439	26,950	299,389

Emoluments for officers of the Company and the consolidated entity are:-

Executive Officers	Base Emolument $	Non-cash Benefits $	Super Contributions $	Total $
Mr S J Fanning	189,950	21,621	23,725	235,296
Mr D C Forsyth	205,438	-	-	205,438
Mr G D Coldham	155,000	18,501	24,415	197,916
Mr B Wharton	164,433	2,291	17,951	184,675
Mr G J Allen	122,500	18,187	13,475	154,162

GENERAL DISCLOSURES

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

Indemnification

The Company indemnifies current and former Directors, executive officers and the secretary 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 secretary of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

Insurance Premiums

Since the end of the previous financial year, the Company and its Directors, executive officers and secretary, have paid insurance premiums of $22,867 in respect of Directors and Officers' Liability insurance contracts, for current and former officers, including Directors, executive officers and the secretary of the Company and its controlled entities. The insurance premiums relate to:

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

The officers of the Company covered by the policy include the current Directors A A Scott, G C Boulton, A F Johnson, R V J Nicholson, J L Osborne, L Ackroyd and J L Winser. Other officers covered by the contract are executive officers and secretary of the Company and Directors and the secretary of controlled entities (who are not also Directors of the Company) and 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 have formed a tax consolidated group. Members of the group have 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 and the initial transfer of deferred tax balances from subsidiaries to the head entity via an inter company account.

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.

Dated at Mount Gambier this 26th day of August 2003.

Signed in accordance with a resolution of the Directors.

AA Scott

Director

JL Winser
Director

K&S CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

ABN 67 007 561 837

Statement of Financial Performance

for the year ended 30 June 2003

	NOTE	Consolidated 2003 $000's	Consolidated 2002 $000's	The Company 2003 $000's	The Company 2002 $000's
Revenue from rendering of services	3	**254,992**	234,965	-	-
Revenue from sale of goods	3	**38,265**	32,338	-	-
Other revenues from ordinary activities	3	**6,829**	3,690	**2,750**	1,641
Total Revenue	3	**300,086**	270,993	**2,750**	1,641
Cost of goods sold		**(32,673)**	(28,829)	-	-
Contractor costs		**(107,898)**	(95,307)	-	-
Employee benefits expenses		**(61,917)**	(60,889)	**(316)**	(297)
Fleet expenses		**(47,707)**	(44,963)	-	-
Depreciation and amortisation expenses	4(b)	**(11,662)**	(11,239)	-	-
Borrowing costs	4(b)	**(2,886)**	(3,282)	**(145)**	(139)
Other expenses from ordinary activities		**(21,879)**	(15,717)	**(26)**	(14)
Recognition of prior period effect of fraud	4(a)	-	(4,180)	-	-
Fraud related recoveries/(expenses)	4(a)	**1,721**	(14,395)	-	-
Share of net profits of associates using the equity accounting method	31	**141**	366	-	-
Profit/(loss) from ordinary activities before related income tax expense/(benefit)		**15,326**	(7,442)	**2,263**	1,191
Income tax (expense)/benefit (including the effect of the fundamental error) relating to ordinary activities	6(a)	**(4,266)**	2,176	**12**	3
Profit/(loss) from ordinary activities after related income tax expense/(benefit)		**11,060**	(5,266)	**2,275**	1,194
Net profit/(loss) attributable to members of the parent entity	22	**11,060**	(5,266)	**2,275**	1,194

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 56.

Statement of Financial Performance
for the year ended 30 June 2003

		Consolidated		The Company	
	NOTE	2003 $000's	2002 $000's	2003 $000's	2002 $000's
Non-owner transaction changes in equity					
Net increase/(decrease) in asset revaluation reserve	21	-	5,717	-	-
Net exchange difference on translation of financial Statements of foreign controlled entity	21	(14)	-	-	-
Increase/(decrease) in opening retained profits on adoption of Revised accounting standard: AASB 1028 "Employee Benefits"	22	(69)	-	-	-
Total changes in equity from non-owner related transactions attributable to the members of the parent entity	25	10,977	451	2,275	1,194
Basic earnings per share	7	36.9	(17.6)		

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 56.

Statement of Financial Position

As at 30 June 2003

	NOTE	Consolidated 2003 $000's	Consolidated 2002 $000's	The Company 2003 $000's	The Company 2002 $000's
CURRENT ASSETS					
Cash	9	11,477	1,954	-	-
Receivables	10	29,709	28,638	13,037	10,536
Inventories	11	1,810	1,815	-	-
Current tax asset	6(b)	-	547	-	-
Other	14	2,063	2,705	-	-
Total Current Assets		45,059	35,659	13,037	10,536
NON-CURRENT ASSETS					
Receivables	10	-	-	17,961	17,961
Investments accounted for using equity method	12	558	654	-	-
Other financial assets	13	20	27	14,040	14,047
Property, plant & equipment	15	86,882	95,874	-	-
Intangibles	16	3,958	4,206	-	-
Deferred tax assets	6(d)	3,239	2,054	3,236	123
Total Non-Current Assets		94,657	102,815	35,237	32,131
Total Assets		139,716	138,474	48,274	42,667
CURRENT LIABILITIES					
Payables	17	28,205	21,815	8,301	9,221
Interest bearing liabilities	18	9,963	8,701	-	-
Current tax liabilities	6(b)	5,420	-	5,423	9
Provisions	19	3,508	4,609	-	1,205
Total Current Liabilities		47,096	35,125	13,724	10,435
NON-CURRENT LIABILITIES					
Interest bearing liabilities	18	25,107	44,334	60	3,560
Deferred tax liabilities	6(c)	5,744	6,459	5,736	-
Provisions	19	2,705	2,220	466	410
Total Non-Current Liabilities		33,556	53,013	6,262	3,970
Total Liabilities		80,652	88,138	19,986	14,405
Net Assets		59,064	50,336	28,288	28,262
EQUITY					
Contributed equity	20	27,966	27,966	27,966	27,966
Reserves	21	6,227	6,241	230	230
Retained profits	22	24,871	16,129	92	66
Total Parent Entity Interest		59,064	50,336	28,288	28,262
Outside equity interests	24	-	-	-	-
Total Equity		59,064	50,336	28,288	28,262

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 56.

Statement of Cash Flows

for the year ended 30 June 2003

	NOTE	Consolidated 2003 $000's	Consolidated 2002 $000's	The Company 2003 $000's	The Company 2002 $000's
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		**321,339**	290,455	**440**	416
Cash payments in the course of operations		**(279,966)**	(255,887)	**(270)**	(216)
Dividends received		**238**	341	**2,300**	1,200
Interest received		**299**	53	**1**	-
Borrowing costs paid		**(2,886)**	(3,282)	**(145)**	(139)
Income taxes paid, net		**(199)**	(1,981)	**(3)**	(42)
Net goods and services tax paid		**(7,994)**	(5,643)	-	-
Fraud related recoveries, net		**1,721**	-	-	-
Fraudulent related payments		-	(14,395)	-	-
Net cash provided by operating activities	32(II)	**32,563**	9,661	**2,323**	1,219
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of non-current assets		**6,310**	3,404	-	-
Payments for property plant & equipment		**(2,730)**	(3,646)	-	-
Repayment of advances to subsidiary companies		-	-	**5,551**	-
Cash no longer held due to loss of controlled entity		-	(1,217)	-	-
Net cash provided by (used) in investing activities		**3,580**	(1,459)	**5,551**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		-	6,348	-	5,000
Repayments of borrowings		**(16,330)**	(7,960)	**(3,500)**	(1,500)
Lease and hire purchase liability repayments		**(6,836)**	(2,162)	-	-
Dividends paid		**(3,454)**	(3,754)	**(3,454)**	(3,754)
Decrease in loans from controlled entities		-	-	**(920)**	(965)
Net cash used in financing activities		**(26,620)**	(7,528)	**(7,874)**	(1,219)
Net Increase/(decrease) in cash held		**9,523**	674	-	-
Cash at the beginning of the financial year		**1,954**	1,280	-	-
Cash at the end of the financial year	32(I)	**11,477**	1,954	-	-

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 19 to 56.

Notes to the Financial Statements
30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with historical cost convention, except where stated. Current listed shares are measured at market value and freehold land and buildings on freehold land, measured at fair value.

b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising K & S Corporation Limited (the parent company) and all entities that K & S Corporation Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control. Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

c) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

d) Revenue recognition - Note 3

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Sales Revenue

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 the fuel is provided.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Service Revenue

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

Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial assets.

Dividends

Revenue from dividends and distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities. Dividend revenue from associates is recognised by the parent entity when dividends are received. Revenue from other investments are recognised when received. Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where:-

- the GST incurred is 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 components of cash flows arising from investing and financing activities, which are 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.

f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangements of borrowings and lease finance charges. Borrowing costs are expensed as incurred.

g) Taxation - Note 6

Income tax

Tax effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

h) Acquisition of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

i) Receivables - Note 10

Trade receivables are carried at amounts due and generally are settled normal trading terms. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. In addition, a general provision of debtors outstanding is maintained. Bad debts are written off as incurred.

j) Inventories - Note 11

Inventories of fuel and consumable stores, are carried at the lower of cost and net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Cost of fuel includes the purchase cost of fuel, and is valued on a weighted average basis.

k) Investments - Note 12 and 13

Controlled entities

The financial statements of controlled entities are included from the date control commences until the date control ceases. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amounts.

Associates

Associates are those entities, other than partnerships, over which the consolidated entity exercises significant influence and which are not intended for sale in the near future.

In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The consolidated entity's equity accounted share of the associate's net profit or loss is recognised in the consolidated Statement of Financial Performance from the date significant influence commences until the date significant influence ceases. Other movements in reserves are recognised directly in consolidated reserves.

All inter-company balances and transactions have been eliminated.

The goodwill associated with this investment is being amortised over a 20-year period.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Other companies

Investments in other companies are carried at the lower of cost or recoverable amount.

Listed sales held for trading are carried at net market value. Changes in net market value are recognised as a revenue or expense in determining the net profit for the period.

l) Leased assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the useful life of the asset. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognised directly in net profit.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

m) Intangibles - Note 16

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is amortised on a straight-line basis over the period which benefits are expected to be received. This is taken as being 20 years.

For associates, the consolidated financial statements include the carrying amount of goodwill in the equity accounted investment carrying amounts.

Fuel Distribution Rights relate to the Caltex agency business that operates in the South East of South Australia. The Fuel Distribution Rights are carried at cost and amortised on a straight-line over the useful life, over 20 years.

The Brand Name relates to the K & S Freighters name and is carried at cost and amortised on a straight-line basis over 20 years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on a cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. The write down is expensed in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

o) Revaluations of non-current assets – land and buildings

Land and buildings measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date. Independent valuations are obtained at least every three years. Revaluation increments are recognised in the asset revaluation reserve except for amounts reversing a decrement previously recognised as an expense, which are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount. Where it is expected that a liability for capital gains tax will arise, this expected amount is disclosed by way of note.

p) Depreciation and amortisation

Useful lives

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives. Finance lease assets are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Property, plant and equipment and leased assets are depreciated or amortised from the date of acquisition.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The depreciation/amortisation rates or useful lives used for each class of asset are as follows:

	2003	**2002**
Property plant and equipment		
Buildings	2.5%	2.5%
Motor Vehicles	5% - 40%	5% - 40%
Plant & Equipment	5% - 27%	5% - 27%
Leased Assets		
Plant & Equipment	5% - 27%	5% - 27%
Intangibles		
Goodwill	20 years	20 years
Intangible Assets	20 years	20 years

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

q) Payables - Note 17

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Trade accounts payable are normally settled on trading terms of between 7 to 60 days.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates.

r) Interest bearing liabilities - Note 18

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Finance lease liabilities are determined in accordance with the requirements of AASB 1008 "Leases".

Redeemable preference shares that exhibit characteristics of liabilities are recognised as liabilities in the Statement of Financial Position. The corresponding dividends are recognised as an interest expense in net profit.

s) Provisions – Note 19

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

t) Employee benefits - Note 33

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types if employment benefits

are recognised against profits on a net basis in their respective categories.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (C0NTINUED)

Superannuation funds

The Company and its controlled entities contribute to externally administered superannuation funds. Contributions are recognised against profits when due.

u) Derivative financial instruments

Interest rate swaps

K & S Corporation Limited have entered into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It is the company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments are recognised as an adjustment to interest expense.

v) Contributed equity – Note 20

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

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

w) Revisions of accounting estimates

Revisions to accounting estimates are recognised prospectively in current and future periods only.

x) Translation of financial reports of overseas operations

All overseas operations are deemed self-sustaining, as each is financially and operationally independent of K & S Corporation Limited. The financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

y) Comparatives

Where necessary, comparatives have been re-classified and re-positioned for consistency with current year disclosures.

As a result of the first time application of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" comparatives for provisions, as set out in Note 20 and 22, have been re-positioned to be consistent with current year disclosures.

Preference shares have been reclassified from "Contributed Equity" and disclosed as a "Non-current liability" in 2003. Any dividends associated with the preference shares have been included in interest expense.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits.

a) Provision for dividends

The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for dividends provision. Previously, the consolidated entity recognised a provision for dividends based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the year by $1,205,000. In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30^{th} June 2003.

b) Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease consolidated retained profits and increase employee benefit liabilities at the beginning of the year by $69,025. In addition, current year profits have decreased by $81,613 due to an increase in the employee benefits expense.

		Consolidated		The Company	
3 REVENUE FROM ORDINARY ACTIVITIES	**NOTE**	**2003**	**2002**	**2003**	**2002**
		$000's	**$000's**	**$000's**	**$000's**
Revenue from rendering of services		**254,992**	234,965	-	-
Revenue from sale of goods		**38,265**	32,338	-	-
Other revenues:					
From operating activities					
Dividends					
Other parties		**1**	1	-	-
Related parties – wholly owned controlled entities	**36**	-	-	**2,300**	1,200
Interest					
Other parties		**310**	53	**1**	-
From outside operating activities					
Gross proceeds from the sale of non-current assets		**6,310**	3,404	-	-
Other revenues		**208**	232	**449**	441
Total other revenues		**6,829**	3,690	**2,750**	1,641
Total revenue from ordinary activities		**300,086**	270,993	**2,750**	1,641

4 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE/(BENEFIT)

(a) Individually significant expenses included in profit from ordinary activities before income tax expense/(benefit)

Fraud related (recoveries)/expenses	**(2,392)**	14,125	-	-
Costs relating to fraud recovery	**671**	270	-	-
Recognition of prior period effect of fraud	-	4,180	-	-
Loss from deconsolidation of Smart Logistics Pty Ltd	-	32	-	-
Write down of Buildings	-	837	-	-
	(1,721)	19,444	-	-

(b) PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE/(BENEFIT) HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING)THE FOLLOWING ITEMS:

Cost of goods sold	**32,673**	28,829	-	-
Depreciation of:				
- Buildings	**436**	473	-	-
- Motor vehicles	**8,560**	7,938	-	-
- Plant and equipment	**2,019**	2,047	-	-
Amortisation of:				
- Goodwill	**85**	220	-	-
- Goodwill associated entity	**20**	20	-	-
- Brand Name	**100**	100	-	-
- Fuel distribution rights	**63**	62	-	-
- Leased assets capitalised	**379**	379	-	-
Total depreciation and amortisation	**11,662**	11,239	-	-

	Consolidated		The Company	
4 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE/(BENEFIT) (CONTINUED)	**2003**	**2002**	**2003**	**2002**
	$000's	**$000's**	**$000's**	**$000's**
(b) PROFIT FORM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE/(BENEFIT) HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING ITEMS (CONTINUED):				
Borrowing Costs				
- Related parties - wholly owned controlled entities	**-**	-	**100**	89
- Related parties - other	**45**	50	**45**	50
- Other parties	**1,210**	1,568	**-**	-
- Finance charges on capital leases	**1,631**	1,664	**-**	-
Total borrowing costs	**2,886**	3,282	**145**	139
Bad debts written off	**446**	212	**-**	-
Amounts set aside to provisions for:				
- Directors retirement allowance	**56**	54	**56**	54
- Employee benefits	**3,814**	3,720	**-**	-
- Doubtful debts	**396**	37	**-**	-
	4,266	3,811	**56**	
Write down of intangible asset	**-**	115	-	-
Operating lease rental expense:				
- Property	**6,281**	6,515	**-**	-
- Plant & equipment	**2,581**	2,103	**-**	-
	8,862	8,618	**-**	-
Net (gains)/losses on disposal of non-current assets				
- Property plant & equipment	**(1,051)**	(436)	**-**	-

	Consolidated		The Company	
	2003	2002	2003	2002
5 AUDITORS' REMUNERATION	$	$	$	$
Audit Services:				
Auditors of the Company – Ernst & Young:				
Audit and review of the statutory financial reports	113,132	-	-	-
Audit Services:				
Prior year auditors of the Company – KPMG:				
Audit and review of the statutory financial reports	-	84,839	-	-
	113,132	84,839	-	-
Other Services:				
Prior year auditors of the Company – KPMG:				
Taxation services	39,646	46,245	-	-
Forensic accounting services	6,173	13,636	-	-
	45,819	59,881	-	-

		Consolidated		The Company	
		2003	2002	2003	2002
6	TAXATION	$000's	$000's	$000's	$000's
(a)	**Income Tax Expense**				
	Prima facie income tax on expense/(benefit) calculated at 30% on the operating profit/(loss)	**4,598**	(2,232)	**679**	357
	Increase in income tax expense/(benefit) due to non tax deductible items:				
	- Depreciation of buildings	**47**	10	-	-
	- Differential tax rate applicable to overseas subsidiary	**9**	-	-	-
	- Sundry	**46**	33	-	-
	- Amortisation of goodwill	**80**	109	-	-
		4,780	(2,080)	**679**	357
	Decrease in income tax expense/(benefit) due to:				
	- Rebate on dividend income	-	12	**(691)**	(360)
	- Share of associate's net profit	**(48)**	(81)	-	-
		4,723	(2,149)	**(12)**	(3)
	Restatement of deferred tax balances due to change in company tax rate	-	(86)	-	-
	Permanent difference due to devaluation of buildings	-	251	-	-
	Income tax under/(over) provided in prior years	**(466)**	(192)	-	-
	Total income tax expense/(benefit)	**4,266**	(2,176)	**(12)**	(3)
(b)	**Current tax liabilities/(assets)**				
	Current tax payable/(receivable)	**5,420**	(547)	**5,423**	9
	Balance at end of year	**5,420**	(547)	**5,423**	9
(c)	**Deferred tax assets and liabilities**				
	Provision for deferred income tax – non-current	**5,744**	6,459	**5,736**	-
	Future income tax benefit – non-current	**3,239**	2,054	**3,236**	123
(d)	**Income tax losses**				
	Future income tax benefits in note 6 (C) include tax losses of a controlled entity	-	226	-	-

(e) Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, K & S Corporation Limited and its 100% domestic owned subsidiaries have formed a tax consolidated group. Members of the group have 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. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is K & S Corporation Limited.

There has been no material effect on the provision for deferred tax liabilities or the future income tax benefit as a result of adoption of the tax consolidation regime. K & S Corporation Limited has not formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

	Consolidated	
	2003	2002
7 EARNINGS PER SHARE	**cents**	cents
Basic earnings per share (cents per share)	**36.9**	(17.6)
	$000's	$000's
Earnings reconciliation		
Net profit	**11,060**	(5,266)
Basic earnings	**11,060**	**(5,266)**

Number for basic earnings per share

There are no diluted potential ordinary shares, therefore diluted EPS has not been calculated or disclosed.

	Number of Shares	
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	**29,989,820**	29,989,820

Conversion Call, Subscription or issue after 30 June 2003

There has been no:

(a) conversion to, calls of, or subscriptions for ordinary shares; or

(b) issues of potential ordinary shares;

since the reporting date and before the completion of these accounts.

8 SEGMENT REPORTING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest bearing loans, borrowings and expenses, corporate assets and expenses.

Business Segments

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

Transport	The provision of transportation and logistics services to customers
Warehousing	Storage and distribution services for contracted customers
Fuel	The distribution of fuel to the fishing, farming and retail customers within the South East of South Australia

	Transport		Warehousing		Fuel		Consolidation after elimination	
	2003 $000's	2002 $000's	2003 $000's	2002 $000's	2003 $000's	2002 $000's	2003 $000's	2002 $000's
Revenue from customers outside the economic entity	**249,011**	226,395	**8,098**	8,570	**36,148**	32,338	**293,257**	267,303
Intersegment revenue	**27,445**	25,109	**353**	377	**21,371**	20,695	**-**	-
Total segment revenue	**276,456**	251,504	**8,451**	8,947	**57,519**	53,033	**293,257**	267,303
Other unallocated revenue							**6,829**	3,690
Total revenue							**300,086**	270,993
Share of net profit result of equity accounted investments	**141**	366	**-**	-	**-**	-	**141**	366
Segment result	**19,451**	(2,465)	**(1,541)**	(1,914)	**582**	468	**18,492**	(3,911)
Non-segment expenses								
Interest							**(2,886)**	(3,282)
Unallocated expenses							**(280)**	(249)
Operating profit/(loss) before tax							**15,326**	(7,442)
Income tax expense							**(4,266)**	2,176
Operating profit/(loss) after tax							**11,060**	(5,266)
Depreciation and amortisation	**11,226**	10,745	**206**	270	**230**	224	**11,662**	11,239
Non-cash expenses other than depreciation and amortisation	**728**	1,281	**80**	296	**(49)**	4	**759**	1,581
Individually significant items before tax:								
Fraud related (recoveries) /expenses	**(2,392)**	14,125	**-**	-	**-**	-	**(2,392)**	14,125
Costs relating to fraud recovery	**671**	270	**-**	-	**-**	-	**671**	270
Recognition of prior period effect of fraud	**-**	4,180	**-**		**-**	-	**-**	4,180
Write down of buildings	**-**	837	**-**	-	**-**	-	**-**	837
Loss on deconsolidation of Smart Logistics	**-**	32	**-**	-	**-**	-	**-**	32

8 SEGMENT REPORTING (CONTINUED)

	Transport		Warehousing		Fuel		Consolidation after elimination	
	2003 $000's	2002 $000's	**2003 $000's**	2002 $000's	**2003 $000's**	2002 $000's	**2003 $000's**	2002 $000's
Segment Assets	**126,888**	124,178	**5,967**	6,367	**6,303**	7,275	**139,158**	137,820
Equity accounted investments	**558**	654	-	-	-	-	**558**	654
Consolidated Total Assets							**139,716**	138,474
Segment Liabilities	**74,859**	82,425	**1,782**	1,087	**4,011**	4,626	**80,652**	88,138
Acquisitions of non-current assets	**7,634**	17,700	**14**	379	**13**	56	**7,661**	18,135

Geographical Segments

	Australia		New Zealand		Consolidated after elimination	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
	$000's	**$000's**	**$000's**	**$000's**	**$000's**	**$000's**
Segment Revenue	**293,429**	270,993	**6,657**	-	**300,086**	270,993
Segment Assets	**136,828**	138,474	**2,888**	-	**139,716**	138,474
Other Segment information:						
Acquisition of property, plant and Equipment, intangible assets and other non-current assets	**5,895**	18,135	**1,766**	-	**7,661**	18,135

	Consolidated		The Company	
	2003	2002	2003	2002
9 CASH ASSETS	**$000's**	**$000's**	**$000's**	**$000's**
Cash	**18**	18	-	-
Cash deposits with banks	**11,459**	1,936	-	-
	11,477	1,954	-	-
10 RECEIVABLES				
Current				
Trade debtors	**28,072**	24,704	-	-
Less: Provisions for doubtful trade debtors	**(437)**	(357)	-	-
	27,635	24,347	-	-
Sundry debtors	**2,074**	4,291	-	-
Amounts owing by controlled entities	-	-	**13,037**	10,536
	29,709	28,638	**13,037**	10,536
Non-current				
Amounts owing by controlled entities	-	-	**17,961**	17,961
	-	-	**17,961**	17,961
11 INVENTORIES				
Consumable stores - at cost	**610**	651	-	-
Finished goods - Fuel at cost	**1,200**	1,164	-	-
	1,810	1,815	-	-
12 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD				
Shares in associates - equity accounted	**558**	654	-	-
	558	654	-	-
13 OTHER FINANCIAL ASSETS				
Shares in controlled entities - at cost	-	-	**14,020**	14,020
Other corporations - listed shares at market value	**20**	27	**20**	27
	20	27	**14,040**	14,047

	NOTE	Consolidated 2003 $000's	Consolidated 2002 $000's	The Company 2003 $000's	The Company 2002 $000's
14 OTHER CURRENT ASSETS					
Prepayments		**2,063**	2,705	-	-
		2,063	2,705	-	-
15 PROPERTY, PLANT & EQUIPMENT					
Freehold land					
At Director valuation 2002		**15,491**	15,491	-	-
		15,491	15,491	-	-
Buildings					
At Director valuation 2002		**10,938**	10,938	-	-
Less: accumulated depreciation		**(436)**	-	-	-
		10,502	10,938	-	-
Motor vehicles					
At cost		**94,677**	96,068	-	-
Less: accumulated depreciation		**(41,083)**	(36,589)	-	-
		53,594	59,479	-	-
Plant & equipment					
At cost		**33,484**	34,556	-	-
Less: accumulated depreciation		**(28,652)**	(27,432)	-	-
		4,832	7,124	-	-
Plant and equipment under lease		**4,334**	4,334	-	-
Less: accumulated amortisation		**(1,871)**	(1,492)	-	-
		2,463	2,842	-	-
Total property, plant & equipment at net book value		**86,882**	95,874	-	-

The fair values of freehold land and buildings on freehold land have been determined by reference to director valuations, based upon independent valuations previously obtained. Such valuations are performed on an open market basis, being the amounts for which the assets could be exchanged between a knowledgeable willing seller in an arm's length transaction at the valuation date.

	Consolidated		The Company	
	2003	2002	2003	2002
15 PROPERTY, PLANT & EQUIPMENT (CONTINUED)	$000's	$000's	$000's	$000's
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Freehold land				
Carrying amount at beginning of year	**15,491**	9,881	-	-
Additions	-	-	-	-
Revaluation	-	5,717	-	-
Disposals	-	(107)	-	-
Carrying amount at end of year	**15,491**	15,491	-	-
Buildings				
Carrying amount at beginning of year	**10,938**	12,489	-	-
Additions	-	142	-	-
Disposals	-	(383)	-	-
Writedown in value of building	-	(837)	-	-
Depreciation	**(436)**	(473)	-	-
Carrying amount at end of year	**10,502**	10,938	-	-
Motor vehicles				
Carrying amount at beginning of year	**59,479**	53,839	-	-
Additions	**7,290**	16,112	-	-
Acquisition/(disposal) through entity/removed	-	(136)	-	-
Disposals	**(4,615)**	(2,398)	-	-
Depreciation	**(8,560)**	(7,938)	-	-
Carrying amount at end of year	**53,594**	59,479	-	-
Plant and equipment				
Carrying amount at beginning of year	**7,124**	9,302	-	-
Additions	**371**	1,881	-	-
Acquisition/(disposal) through entity acquired/removed	-	(34)	-	-
Disposals	**(644)**	(1,978)	-	-
Depreciation	**(2,019)**	(2,047)	-	-
Carrying amount at end of year	**4,832**	7,124	-	-
Plant and equipment under lease				
Carrying amount at beginning of year	**2,842**	3,221	-	-
Additions	-	-	-	-
Amortisation	**(379)**	(379)	-	-
Carrying amount at end of year	**2,463**	2,842	-	-

16 INTANGIBLES	Consolidated 2003 $000's	Consolidated 2002 $000's	The Company 2003 $000's	The Company 2002 $000's
Goodwill - at cost	**2,081**	2,081	-	-
Less: accumulated amortisation	**(848)**	(763)	-	-
	1,233	1,318	-	-
Brand name - K&S Freighters Pty Ltd - at cost	**2000**	2,000	-	-
Less: accumulated amortisation	**(400)**	(300)	-	-
	1,600	1,700	-	-
Fuel distribution rights - at cost	**1,250**	1,250	-	-
Less: accumulated amortisation	**(125)**	(62)	-	-
	1,125	1,188	-	-
	3,958	4,206	-	-

	Consolidated		The Company	
	2003	2002	2003	2002
17 PAYABLES	$000's	$000's	$000's	$000's
Trade creditors and accruals	**28,205**	21,815	-	-
Amounts owed to controlled entities	-	-	8,301	9,221
	28,205	21,815	8,301	9,221
18 INTEREST BEARING LIABILITIES				
Current				
Bank loans - secured	**1,000**	820	-	-
Lease liabilities – secured	**1,359**	651	-	-
Hire purchase liabilities – secured	**7,604**	7,230	-	-
	9,963	8,701	-	-
Non-current				
Bank loans - secured	**8,390**	21,400	-	-
Loans from related party – unsecured	-	3,500	-	3,500
Non redeemable preference shares	**60**	60	**60**	60
Lease liabilities – secured	**206**	1,565	-	-
Hire purchase liabilities – secured	**16,451**	17,809	-	-
	25,107	44,334	**60**	3,560
Lease commitments in respect of capitalised finance leases are payable as follows:				
Not later than one year	**1,338**	772	-	-
Later than one year but not later than five years	**324**	1,663	-	-
	1,662	2,435	-	-
Deduct: future finance charges	**(97)**	(219)	-	-
Total lease liability	**1,565**	2,216	-	-
Current	**1,359**	651	-	-
Non-current	**206**	1,565	-	-
	1,565	2,216	-	-
Commitments in respect of hire purchase agreements are payable as follows:				
Not later than one year	**8,876**	8,659	-	-
Later than one year but not later than five years	**17,896**	19,810	-	-
	26,772	28,469	-	-
Deduct: future finance charges	**2,717**	3,430	-	-
Total hire purchase liability	**24,055**	25,039	-	-
Current	**7,604**	7,230	-	-
Non-current	**16,451**	17,809	-	-
	24,055	25,039	-	-

The consolidated entity leases plant and equipment under finance leases and 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.

The written down value of assets secured by hire purchase agreements and finance leases is $29,943,335 (2002: $30,668,420). The weighted average cost of these facilities was 6.67% (2002: 6.27%)

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
18 INTEREST BEARING LIABILITIES (CONTINUED)	**$000's**	**$000's**	**$000's**	**$000's**

Financing arrangements
The consolidated entity has access to the following Lines of credit:

Total facilities available:				
Bank overdrafts	**3,000**	3,000	-	-
Bank loans	**21,470**	22,220	-	-
Standby letters of credit	**1,500**	1,559	-	-
	25,970	26,779	-	-
Facilities utilised at balance date:				
Bank overdrafts	**-**	-	-	-
Bank loans	**9,390**	22,220	-	-
Standby letters of credit	**780**	1,337	-	-
	10,170	23,557	-	-
Facilities not utilised at balance date:				
Bank overdrafts	**3,000**	3,000	-	-
Bank loans	**12,080**	-	-	-
Standby letters of credit	**720**	222	-	-
	15,800	3,222	-	-

Bank overdrafts

The bank overdraft of the consolidated entity is secured by a guarantee from the Company. The bank overdraft is secured by fixed and floating charges over the assets of the consolidated entity. The facilities are subject to annual review by the banks concerned and have been extended to dates after 30 June 2004.

Bank loans

All bank loans are denominated in Australian dollars. The bank loans amount in current liabilities comprises the portion of the consolidated entity's bank loan payable within one year ($1,000,000). 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 $25,763,162 (2002: $18,470,000). The non-current bank loans are subject to annual review.

The bank loan facility is available for a period beyond 30 June 2004. The facility bears interest at 5.51% (2002: 5.65%)

Finance lease and Hire purchases

Finance lease and Hire Purchase liabilities are secured by the relevant leased asset.

Assets pledged as security

Included in the balances of freehold land and buildings are assets 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 the pledged properties are as follows:	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
	$000's	**$000's**	**$000's**	**$000's**
Freehold land	**15,408**	10,134	-	-
Buildings	**10,355**	8,336	-	-
Plant and equipment	**3,559**	7,124	-	-
Total pledged	**29,322**	25,594	-	-

Non-cash financing and investment activities

During the financial year the economic entity acquired property, plant and equipment with an aggregate fair value of $4,131,914 (2002: $15,827,665) and disposed of property, plant and equipment with an aggregate fair value of $nil (2002: $nil) by means of finance lease or hire purchase arrangements. These acquisitions and disposals are not reflected in the statement of cash flows.

	Consolidated		The Company	
	2003	2002	2003	2002
19 PROVISIONS	$000's	$000's	$000's	$000's
Current				
Dividend	-	1,205	-	1,205
Employee benefits	**3,508**	3,404	-	-
	3,508	4,609	-	1,205

No dividends have been provided for the year ended 30 June 2003. For the year ended 30 June 2002, dividends payable on ordinary shares represented a final dividend of 4.0 cents per ordinary share. 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 23.

	Consolidated		The Company	
Non-current				
Employee benefits	**2,239**	1,810	-	-
Directors retirement allowance	**466**	410	**466**	410
	2,705	2,220	**466**	410

20 CONTRIBUTED EQUITY

	Consolidated		The Company	
Issued and paid-up capital				
29,989,820 (2001: 29,989,820) ordinary shares fully paid	**27,966**	27,966	**27,966**	27,966
	27,966	27,966	**27,966**	27,966
Movements in ordinary share capital				
Balance at the beginning of the year	**27,966**	27,966	**27,966**	27,966
Balance at the end of the year	**27,966**	27,966	**27,966**	27,966

Preference shares have been reclassified from "Contributed Equity" and disclosed as a "Non-Current Liability" in 2003. Any dividends associated with the preference shares have been included in interest expense.

Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

21 RESERVES

Asset realisation	**176**	176	**-**	-
Asset revaluation	**6,065**	6,065	**230**	230
Foreign currency translation	**(14)**	-	**-**	-
	6,227	6,241	**230**	230

Movements during the year

Asset Revaluation

Balance at the beginning of year	**6,065**	348	**230**	230
Net revaluation increments arising from the revaluation of land and buildings	**-**	5,717	**-**	-
	6,065	6,065	**230**	230

Foreign Currency Translation

Balance at beginning of year	**-**	-	**-**	-
Gain/(loss) on translation of overseas controlled entities	**(14)**	-	**-**	-
	(14)	-	**-**	-

Asset revaluation

The asset revaluation reserve includes net revaluation increments & decrements arising from the revaluation of non-current assets measured at fair value in accordance with AASB 1041 "Revaluation of Non-Current Assets".

Asset realisation

Upon disposal of revalued assets any related revaluation increment standing to the credit of the asset revaluation reserve is Transferred to the asset realisation reserve.

Foreign currency translation

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

	Consolidated		The Company	
	2003	**2002**	**2003**	**2002**
22 RETAINED PROFITS	**$000's**	**$000's**	**$000's**	**$000's**
Retained profits at the beginning of year	**16,129**	24,849	**66**	2,326
Net profit/(loss) attributable to members	**11,060**	(5,266)	**2,275**	1,194
Adjustment arising from the adoption of revised accounting standard;				
AASB 1028 "Employee Benefits"	**(69)**	-	**-**	-
AASB 1044 "Provisions, Contingent Liabilities & Contingent Assets"	**1,205**	-	**1,205**	-
Dividends provided for or paid	**(3,454)**	(3,454)	**(3,454)**	(3,454)
Retained profits at the end of the year	**24,871**	16,129	**92**	66

23 DIVIDENDS PAID AND PROPOSED

The amounts paid or declared by way of dividend by the Company are:

(i) A fully franked preference dividend of 4 cents per share was paid on 18 October 2002	-	5	-	5
(ii) An interim fully franked ordinary dividend of 7.5 cents per share (2002:7.5 cents fully franked) was paid on 28 March 2003	**2,249**	2,249	**2,249**	2,249
(iii) A final fully franked ordinary dividend of 4 cents per share was paid on 18 October 2002	-	1,200	-	1,200
	2,249	3,454	**2,249**	3,454

No unfranked dividends have been declared or paid during the year.

The tax rate at which paid dividends have been franked is 30% (2002: 30%). Dividends proposed will be franked at 30% (2002: 30%)

	The Company	
	2003	2002
Dividend Franking Account	**$000's**	$000's
The amount of franking credits available for the subsequent year are:		
▪ franking account balance as at the end of the financial year at 30% (2002:30%)	**3,074**	934
▪ franking credits that will arise from the payment of income tax payable as at the end of the financial year	**5,423**	9
▪ less franking credits from dividends announced after balance date	**(1,092)**	(516)
▪ franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date	-	-
▪ franking credits that the entity may be prevented from distributing in the subsequent financial year	-	-
	7,405	427

The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare a dividend.

As of 1 July 2002, the New imputation system requires a company's franking credits to be expressed on a tax paid basis. The franking account surplus existing at 30 June 2002 has been re- stated to a tax paid amount by multiplying the Class C franking surplus by 30/70.

		Consolidated		The Company	
		2003	2002	2003	2002
24 OUTSIDE EQUITY INTERESTS		**$000's**	**$000's**	**$000's**	**$000's**
Outside equity interests in controlled entities comprise:					
Interest in retained profits at the beginning of the financial year after adjusting for outside equity interests acquired during the financial year.		-	346		
Reduction in outside equity interest due to deconsolidation		-	(346)		
Interest in operating profit after income tax		-	-		
		-	-		

25 TOTAL EQUITY RECONCILIATION	**NOTE**				
Total equity at beginning of year		**50,336**	53,745	**28,262**	30,582
Total changes in parent entity interest in equity recognised in the Statement of Financial Performance		**10,977**	451	**2,275**	1,194
Transactions with owners as owners:					
- Contributions of equity	**20**	-	-	-	-
- Increase in retained profits on adoption of revised Accounting Standard AASB1044 "Provisions, Contingent Liabilities & Contingent Assets		**1,205**	-	**1,205**	-
- Dividends paid or provided	**22**	**(3,454)**	(3,454)	**(3,454)**	(3,454)
Conversion of redeemable preference shares to liabilities	**18**	-	(60)	-	(60)
Total changes in outside equity interest	**24**	-	(346)	-	-
Total equity at end of year		**59,064**	50,336	**28,288**	28,262

26 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE

(A) Interest Rate Risk

Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

2003	NOTE	Weighted average interest rate	Floating Interest Rate $000's	Fixed interest maturing in: 1 Year Or Less $000's	Over 1 to 5 Years $000's	More than 5 years $000's	Non Interest Bearing $000's	Total $000's
Financial Assets								
- Cash assets	9	4.54%	11,477	-	-	-	-	11,477
- Receivables	10	-	-	-	-	-	30,146	30,146
- Listed shares	13	-	-	-	-	-	20	20
			11,477	-	-	-	30,166	41,643
Financial Liabilities								
- Trade creditors and accruals	17	-	-	-	-	-	28,205	28,205
- Bank loans – secured	18	5.01%	9,390	-	-	-	-	9,390
- Lease liabilities – secured	18	6.29%	-	1,359	206	-	-	1,565
- Hire purchase liabilities - secured	18	6.67%	-	7,619	16,426	-	-	24,055
			9,390	8,978	16,642	-	28,205	63,215

2002	NOTE	Weighted Average Interest Rate	Floating Interest Rate $000's	Fixed interest maturing in: 1 Year Or Less $000's	Over 1 to 5 Years $000's	More than 5 years $000's	Non Interest Bearing $000's	Total $000's
Financial Assets								
- Cash	9	4.52%	1,954	-	-	-	-	1,954
- Receivables	10	-	-	-	-	-	28,995	28,995
- Listed shares	13	-	-	-	-	-	27	27
			1,954	-	-	-	29,022	30,976
Financial Liabilities								
- Trade creditors and accruals	17	-	-	-	-	-	21,815	21,815
- Bank loans – secured	18	5.10%	22,220	-	-	-	-	22,220
- Loan from related party – unsecured	18	5.10%	3,500	-	-	-	-	3,500
- Lease liabilities – secured	18	6.25%	-	651	1,565	-	-	2,216
- Hire purchase liabilities - secured	18	6.27%	-	7,230	17,809	-	-	25,039
- Dividends payable	19	-	-	-	-	-	1,205	1,205
			25,720	7,881	19,374	-	23,020	75,995

26 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURE (CONTINUED)

(B) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments, of the consolidated entity which have been recognised on the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various states.

The consolidated entity is not materially exposed to any individual customer or individual state. Concentration of credit risk on trade debtors due from customers are: Transport 79% (2002:76%), Warehousing 12% (2002:12%) and Fuel 9% (2002:12%).

Unrecognised financial instruments

Interest rate swap agreements: The fair value of interest rate swap contracts is determined as the difference in present value of the future interest cash flows. The net fair value of interest rate swaps at reporting date being $243,791 (2002: $211,930).

(C) Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following basis:

Recognised financial instruments

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

The carrying amount and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Consolidated		Consolidated	
	2003 Carrying Amount $000's	**2003 Net Fair Value $000's**	**2002 Carrying Amount $000's**	**2002 Net Fair Value $000's**
Financial Assets				
- Cash	**11,477**	**11,477**	1,954	1,954
- Receivables	**29,709**	**29,709**	28,638	28,638
- Investments				
- shares in other listed corporations	**20**	**20**	27	27
Financial Liabilities				
- Trade creditors and accruals	**28,205**	**28,205**	21,815	21,815
- Bank loans – secured	**9,390**	**9,390**	22,220	22,220
- Loans from related party -unsecured	**-**	**-**	3,500	3,500
- Lease liabilities	**1,565**	**1,565**	2,216	2,216
- Hire purchase liabilities - secured	**24,055**	**24,055**	25,039	25,039
- Dividends payable	**-**	**-**	1,205	1,205

Cash assets, listed shares in other corporations, which includes ordinary shares and redeemable preference shares are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

	Consolidated		The Company	
	2003	2002	2003	2002
27 COMMITMENTS	$000's	$000's	$000's	$000's
The estimated maximum amount of commitments and contingent liabilities not provided for in the accounts as at 30 June 2003 are:				
Capital Expenditure Commitments				
The aggregate amount of contracts for capital expenditure On plant and equipment due no later than one year	**8,440**	2,789	-	-
Lease Rental Commitments				
Operating Lease and hire commitments:				
Not later than one year	**14,777**	15,987	-	-
Later than one year but not later than five years	**26,207**	31,499	-	-
Later than five years	**20**	323	-	-
	41,004	47,809	-	-

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

28 CONTINGENT LIABILITIES

The Company and its wholly owned controlled entities have entered into cross guarantees with their bankers for all debts owing to those banks and by it and its wholly owned controlled entities. Bank guarantees $780,000 (2002: $1,337,000) have been provided by the Westpac Banking Corporation Limited and Commonwealth Bank of Australia on behalf of suppliers of companies in the consolidated entity.

In April 2003, K&S Corporation Limited received $2,680,000 plus interest of $119,695 in settlement of court proceedings between K&S Corporation Limited and SportingBet Australia Pty Limited. This action is in relation to the defalcation that was discovered in April 2002.

SportingBet Australia Pty Limited lodged an appeal against the above judgement on the 15th April 2003 in the Supreme Court of South Australia. Given the appeal process is yet to commence, Directors have decided that the above settlement would not be taken to revenue in the year ended 30 June 2003.

There are a number of 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.

29 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
Parramatta Produce Company Pty Ltd
Kain & Shelton Pty Ltd
K&S Freighters Pty Ltd
K&S Group Administration Services Pty Ltd
Kain & Shelton (Agencies) Pty Ltd
K&S Transport Management Pty Ltd
Blakistons-Gibb Pty Ltd
K&S Logistics Pty Ltd
Robert Boyd Transport (Aust) Pty Ltd
McQuillan Holdings Pty Ltd
K&S Integrated Distribution Pty Ltd
K&S Group Pty Ltd
K & S Freighters Limited (NZ)

A consolidated Statement of Financial Performance 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 2003 is set out below:

Statement of Financial Performance

	Consolidated	
	2003	**2002**
	$000's	**$000's**
Profit from ordinary activities before income tax	**15,326**	(7,442)
Income tax relating to ordinary activities	**(4,266)**	2,176
Profit from ordinary activities after related income tax	**11,060**	(5,266)
Retained profits at the beginning of the year	**16,129**	24,849
Adjustment arising from adoption of revised accounting standard:		
AASB 1028 "Employee Benefits"	**(69)**	-
AASB 1044 "Provisions, contingent liabilities & contingent assets	**1,205**	-
Dividends provided for or paid	**(3,454)**	(3,454)
Retained profits at the end of the year	**24,871**	16,129

	Consolidated	
	2003	2002
29 DEED OF CROSS GUARANTEE (CONTINUED)	$000's	$000's
Statement of Financial Position		
Cash	**11,477**	1,954
Receivables	**29,709**	28,638
Inventories	**1,810**	1,815
Current tax asset	**-**	547
Other	**2,063**	2,705
Total current assets	**45,059**	35,659
Investments accounted for using equity method	**558**	654
Other financial assets	**20**	27
Property, plant and equipment	**86,882**	95,874
Intangibles	**3,958**	4,206
Deferred tax assets	**3,239**	2,054
Total non-current assets	**94,657**	102,815
Total assets	**139,716**	138,474
Payables	**28,205**	21,815
Interest bearing liabilities	**9,963**	8,701
Current tax liabilities	**5,420**	-
Provisions	**3,508**	4,609
Total current liabilities	**47,096**	35,125
Interest bearing liabilities	**25,107**	44,334
Deferred tax liabilities	**5,744**	6,459
Provisions	**2,705**	2,220
Total non-current liabilities	**33,556**	53,013
Total liabilities	**80,652**	88,138
Net assets	**59,064**	50,336
Contributed equity	**27,966**	27,966
Reserves	**6,227**	6,241
Retained profits	**24,871**	16,129
Total equity	**59,064**	50,336

	Class of Share	Interest Held	
		2003	**2002**
30 CONTROLLED ENTITIES		**%**	**%**
(a) Particulars in relation to controlled entities			
Name			
K&S Corporation Limited			
Controlled Entities			
Reid Bros Pty Ltd	Ord	**100**	100
Parramatta Produce Company Pty Ltd	Ord	**100**	100
Kain & Shelton Pty Ltd	Ord	**100**	100
K&S Freighters Pty Ltd	Ord	**100**	100
K&S Group Administration Services Pty Ltd	Ord	**100**	100
Kain & Shelton (Agencies) Pty Ltd	Ord	**100**	100
K&S Transport Management Pty Ltd	Ord	**100**	100
Blakistons-Gibb Pty Ltd	Ord	**100**	100
K&S Logistics Pty Ltd	Ord	**100**	100
Robert Boyd Transport (Aust) Pty Ltd	Ord	**100**	100
McQuillan Holdings Pty Ltd	Ord	**100**	100
K&S Integrated Distribution Pty Ltd	Ord	**100**	100
K&S Group Pty Ltd	Ord	**100**	100
K & S Freighters Limited (NZ)	Ord	**100**	0

NOTE 1: All controlled entities were incorporated in Australia with the exception of K & S Freighters Limited which is a New Zealand Company.

NOTE 2: All controlled entities in the consolidated entity are wholly owned beneficially at 30 June 2003 by K&S Corporation Limited

	Consolidated	
31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**2003**	**2002**
	$000's	**$000's**
Results of Associates		
Share of net profits accounted for using the equity method included in the statement of financial performance - associates	**141**	366
	141	366

Details of Investments in Associates are as follows:

	Interest Owned		Investment Carrying Amount Consolidated	
	2003	2002	**2003**	2002
NAME	**%**	%	**$000's**	$000's
Smart Logistics Pty Ltd (formerly Smart Distributions Pty Ltd)	**50**	50	**558**	654

	Consolidated 2003 $000's	2002 $000's
31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)		
Principal activities		
Smart Logistics Pty Ltd is a provider of distribution services and a consultant on transport and distribution.		
Results of Associate		
Share of associates operating profit before income tax	**234**	507
Share of associates income tax expense attributable to operating profit	**(73)**	(121)
Amortisation of goodwill on acquisition of investment in associates	**(20)**	(20)
Share of associates net profit – equity accounted	**141**	366
Share of post aquisition retained profits and reserves attributed to associates		
Share of associates retained profits at the beginning of the financial year	**179**	-
Share of net profit of associate	**141**	366
Dividends from associates	**(237)**	(340)
Reinstatement of amount previously eliminated upon consolidation	**-**	153
	83	179
Movement in carrying amount of investments		
Carrying amount of investment in associates at the beginning of the financial year	**654**	-
Share of net profit of associate	**141**	366
Dividends from associates	**(237)**	(340)
Reinstatement of amount previously eliminated upon consolidation	**-**	628
Carrying amount of investments in associates at the end of the financial year	**558**	654
Summary of performance and financial position of associates		
The consolidated entity's share of aggregate assets, liabilities of associates is as follows:		
Current assets	**3,858**	2,761
Non-current assets	**93**	208
Total assets	**3,951**	2,969
Current liabilities	**3,734**	2,657
Non-current liabilities	**18**	36
Total liabilities	**3,752**	2,693
Net Assets - as reported by associates	**199**	277
Adjustments arising from equity accounting		
Goodwill (net of amortisation)	**359**	379
Other adjustments	**-**	(2)
Net Assets - Equity adjusted	**558**	654
Commitments		
Share of associates finance lease commitments:		
Within one year	**38**	22
One year or later and no later than five years	**-**	37
Minimum lease payments	**38**	59
Less: Future finance charges	**(2)**	(5)
Total Lease Liability	**36**	54
Share of associates operating lease commitments payable:		
Within one year	**35**	46
One year or later and no later than five years	**11**	55
	46	101

		Consolidated		The Company	
		2003	2002	2003	2002
32 NOTES TO THE STATEMENTS OF CASH FLOWS		$000's	$000's	$000's	$000's
(I) RECONCILIATION OF CASH					
Cash		18	18	-	-
Cash deposits with banks		11,459	1,936	-	-
		11,477	1,954	-	-
(II) RECONCILIATION OF OPERATING PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating profit/(loss) after income tax		11,060	(5,266)	2,275	1,194
Add(less) items classified as Investing/Financing Activities:					
- (Profit)/loss on sale of non current assets		(1,051)	(436)	-	-
Add/(less) non cash items:					
- Amortisation		647	781	-	-
- Amounts set aside to provisions		988	925	56	95
- Depreciation		11,015	10,458	-	-
- Write down of assets		-	837	-	-
- Write down of intangibles		-	115	-	-
- Loss on deconsolidation of subsidiary		-	32	-	-
- Foreign currency reserve		(14)	-	-	-
- Share of Associates net profit		(141)	(366)	-	-
- Revaluation decrement of listed shares		7	-	7	-
Add(less) fraudulent expenses	4(a)	-	4,180	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES BEFORE CHANGE IN ASSETS AND LIABILITIES		22,511	11,260	2,338	1,289
CHANGE IN ASSETS AND LIABILITIES					
(Increase)/decrease in inventories		5	60	-	-
(Increase)/decrease in investment in associates		96	(392)	-	-
(Increase)/decrease in income tax benefit		(1,185)	(534)	(3,113)	-
(Increase)/decrease in inter company receivables		-	-	(8,052)	-
(Increase)/decrease in prepayments		642	(705)	-	-
(Increase)/decrease in receivables		(1,151)	(3,486)	-	-
(Increase)/decrease in other non current assets		-	-	-	(28)
(Decrease)/increase in trade creditors		6,393	7,133	-	-
Increase/(decrease) in income taxes payable		5,967	(2,907)	5,414	(42)
(Decrease)/increase in provisions		-	-	-	-
(Decrease)/increase in deferred taxes payable		(715)	(768)	5,736	-
NET CASH PROVIDED BY OPERATING ACTIVITIES		32,563	9,661	2,323	1,219

	Consolidated		The Company	
	2003	2002	2003	2002
	$000's	$000's	$000's	$000's
33 EMPLOYEE BENEFITS				
The aggregate employee benefit liability comprises:				
Provisions (current)	**3,508**	3,404	-	-
Provisions (non-current)	**2,239**	1,810	-	-
	5,747	5,214	-	-
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:				
Assumed rate of increase in wage rates	**3.5%**	5.0%	**3.5%**	5.0%
Assumed rate of increase in salary rates	**3.0%**	-	**3.0%**	-
Discount rate	**4.5%**	8.0%	**4.5%**	8.0%
Settlement term (years)	**15**	15	**15**	15
Number of employees				
Number of employees at year end	**920**	984	-	-

34 DIRECTORS' REMUNERATION

Directors Income

The number of Directors of the Company whose income from the Company and related bodies corporate falls within the following bands:

	The Company	
	2003	2002
$0 - $9,999	-	1
$30,000 - $39,999	**5**	4
$50,000 - $59,999	**1**	1
$280,000 - $289,999	-	1
$290,000 - $299,999	**1**	-

	Consolidated 2003	Consolidated 2002	The Company 2003	The Company 2002
	$000's	$000's	$000's	$000's
Income paid or payable or otherwise made available in respect of the financial year, to Directors of K & S Corporation Limited, directly or indirectly, from the entity or any related party:			**543**	495
Income paid or payable, or otherwise made available in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party: No retirement benefits were paid during the year:	**779**	495		

Directors income includes amounts paid by the Company during the year to indemnify Directors, but does not include insurance premiums paid by the Company or related parties in respect of Directors and Officers Liability insurance contracts, as the insurance policies do not specify premiums paid in respect of individual directors. Details of the insurance premiums paid are set out in the Directors' report.

34 DIRECTORS' REMUNERATION (CONTINUED)

During the financial year the parent and consolidated entity accrued an amount of $56,333 for retirement benefits on behalf of the Directors which only is payable on their retirement.

35 EXECUTIVES' REMUNERATION

Executives Income

The number of Australian based executive officers of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity, falls within the following bands:

	Consolidated		The Company	
	2003	2002	2003	2002
$100,000 - $109,999	4	5	-	-
$110,000 - $119,999	4	3	-	-
$120,000 - $129,999	1	4	-	-
$130,000 - $139,999	6	3	-	-
$140,000 - $149,999	1	1	-	-
$150,000 - $159,999	2	1	-	-
$160,000 - $169,999	-	1	-	-
$180,000 - $189,999	1	-	-	-
$190,000 - $199,999	1	-	-	-
$200,000 - $209,999	1	1	-	-
$220,000 - $229,999	-	1	-	-
$230,000 - $239,999	1	-	-	-
$280,000 - $289,999	-	1	-	-
$290,000 - $299,999	1	-	-	-
	$000's	$000's	$000's	$000's
Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is $100,000 or more, from entities in the consolidated entity or a related party, in connection with management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:	3,385	2,970	-	-

Executive officers are those officers involved in the strategic direction, general management or control of business at a company or operating division level.

Executives' remuneration includes amounts paid by the Company during the year to indemnify executives, and an allocation of insurance premiums paid by the Company or related parties in respect of directors' and officers' liabilities and legal expenses' insurance contracts, in accordance with common commercial practice.

There are no share option schemes in existence.

36 RELATED PARTIES

DIRECTORS

The names of each person holding the position of Director of K&S Corporation Limited during the financial year are Messrs. A A Scott, A F Johnson, R V J Nicholson, G C Boulton, J L Osborne, L Ackroyd and J L Winser.

Details of Directors remuneration are set out in note 34.

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

Directors of the Company Messrs. A A Scott and R V J Nicholson have interests as Directors of A A Scott Pty Ltd, Scott Transport Industries Pty Ltd, Ascot Haulage (N.T.) Pty Ltd, Northern Territory Freight Services Pty Ltd and Scotts Agencies Pty Ltd. A Director of the Company, Mr L Ackroyd, has an interest as Director of Ascot Haulage (N.T.) Pty Ltd and Northern Territory Freight Services Pty Ltd. Transactions with these companies include sale and purchase of cartage services, sale and purchase of fuel and other related products, rental of transport facilities at Wingfield, storage, equipment hire and other transport related services.

Mr. A A Scott has an interest as a Director of Fidler and Webb Ltd. Transactions with this company include purchases of various consumable goods and sale of cartage services.

Mr. AA Scott has a interest in a transport facility in Ballarat which the company rents on a commercial basis.

Messrs. AA Scott and R V J Nicholson have an interest as Directors of Ascot Media Investments Pty Ltd and The Border Watch Pty Ltd. Transactions with these companies are for the purchase of advertising services.

Mr. R V J Nicholson has an interest as a Director in Sneath's Freightlines Pty Ltd. Transactions with this company include sales and Purchases of transport related services.

The aggregate amount of dealings with these companies during 2003 were as follows:

	Purchases		**Sales**	
	$	$	**$**	$
	2003	2002	**2003**	2002
A A Scott Pty Ltd	**281,883**	320,830	-	-
Ascot Haulage (N.T.) Pty Ltd	**162,399**	154,168	**35,692**	321,806
Northern Territory Freight Services Pty Ltd	**36,849**	53,040	**31,502**	25,111
Scott Transport Industries Pty Ltd	**821,220**	521,129	**1,264,669**	1,257,972
Scotts Agencies Pty Ltd	**5,998,383**	5,729,888	**68**	1,962
Sneath's Freightlines Pty Ltd	**253,145**	328,079	**216,116**	81,644
Fidler and Webb Ltd	**56,042**	53,040	-	25,111
The Border Watch Pty Ltd	**3,692**	4,380	-	-

Loans made by entities associated with Mr A A Scott in the prior year, the balance of which totalled $3.5 million at 30 June 2002, were repaid in the period between July and October 2002. These loans were charged a commercial rate of interest that totalled $44,712 for 2003 (2002: $49,808).

A Director of the Company, Mr A F Johnson, had an interest during 2002/03 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 2003 was $657,587 (2002:$118,142) in purchases.

The Managing Director of all wholly owned controlled entities, Mr JL Winser, has an interest as Director of Smart Logistics Pty Ltd (an associated entity). Transactions with this company were the sale of cartage. The aggregate amount of dealings with this company during 2003 were $19,768,967 (2002: $18,448,436) in sales.

	Consolidated		The Company	
	2003	2002	2003	2002
36 RELATED PARTIES (CONTINUED)	$000's	$000's	$000's	$000's

Amounts payable to and receivable from directors and their director related entities at balance date arising from these transactions were as follows:

Current Receivables (included within trade debtors)				
Scott Transport Industries Pty Ltd	**134**	111	-	-
Ascot Haulage (N.T.) Pty Ltd	-	42	-	-
Northern Territory Freight Services Pty Ltd	**3**	24	-	-
Smart Logistics Pty Ltd	**2,321**	3,067	-	-
Sneath's Freightlines Pty Ltd	**23**	283	-	-

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 (N.T.) Pty Ltd	**33**	34	-	-
Scotts Agencies Pty Ltd	-	1	-	-
Fidler and Webb Ltd	**2**	2	-	-
Scott Transport Industries Pty Ltd	**74**	40	-	-
Northern Territory Freight Services Pty Ltd	**7**	16	-	-
Sneath's Freightlines Pty Ltd	-	15	-	-

Wholly-owned Group

Details of interests in wholly-owned controlled entities are set out at Note 30. 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			**13,037**	10,536
- non current			**17,961**	17,961
			30,998	28,497
Payables – current				
- Other loans			**8,301**	9,221
			8,301	9,221

Loans

Interest is charged by Reid Bros Pty Ltd to K&S Corporation Limited at the group's bank overdraft rate. Interest paid for the year was $145,000 (2002:$139,269)

Dividends

Dividends received or due and receivable by the Company from wholly-owned controlled entities amount to $2,300,000 (2002:$1,200,000)

36 RELATED PARTIES (CONTINUED)

	The Company	
DIRECTORS' SHARE TRANSACTIONS	**2003**	**2002**
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
- Ordinary Shares	**19,859,964**	19,701,347
- Preference Shares	**120,000**	120,000

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

Dividends	**$000's**	**$000's**
Aggregate amount of dividends paid in respect of shares held by Directors or their Director-related entities during the year:		
- Ordinary shares	**2,259**	2,455
- Preference shares	**5**	5

Directors' Transactions in Shares and Share Options

During the year, 133,564 shares were purchased and no shares were sold by Directors and their Director-related entities.

Ultimate Parent Entity

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

37 EVENTS SUBSEQUENT TO BALANCE DATE

On 26 August 2003, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2003 financial year. The total amount of the dividend is $2,549,135, which represents a fully franked dividend of 8.5 cents per share. The dividend has not been provided for in the 30 June 2003 financial statements.

Year ended 30 June 2003

Directors' Declaration

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

1. In the opinion of the Directors:

   (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and

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

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

2. In the opinion of the Directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 29 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 between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

Dated at Mount Gambier this 26th day of August 2003.

On behalf of the Board:

AA Scott
Director

JL Winser
Director

Independent audit report to members of K&S Corporation Limited

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for K&S Corporation Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Audit opinion

In our opinion, the financial report of K&S Corporation Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the financial position of K&S Corporation Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Alan H Herald
Partner
Adelaide
26 August 2003