K&S CORPORATION LIMITED

NEWS RELEASE
23rd February 2005

Amendment to Half Year Release

Please note change to Appendix 4D where franked amount of security is 6.5c per share.

Further Information:

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K&S CORPORATION LIMITED

NEWS RELEASE

23rd February 2005

K&S Corporation announces record earnings

The Directors of K&S Corporation Limited today announced record first half profit after tax of $8.0 million for the period ended 31 December 2004.

This compares with a net profit after tax of $6.0 million for the corresponding period last year up 33.5%.

Earnings per share increased from 11.9 cents to 13.3 cents per share.

Operating revenue for the first half was $170.3 million, an increase of 18.7% on the previous year. The higher operating revenues were as a result of continued strong organic growth and the contribution from new contracts of Capral, Orrcon and Coca Cola together with the positive impact of the acquisition of Cochrane's Transport in New Zealand.

Organic growth from existing contracts contributed additional revenues of $11.5 million or 8.4 % of overall growth.

The Group's New Zealand operations performed strongly during the period with revenue increasing by 111.1% to $11.4 million.

The earnings before interest and tax increased to $12.6 million, an increase of 27.8% on the previous year. The Group's EBIT margins have continually been under pressure.

The group's gearing at 31 December 2004 was 42.9% compared with 60.6% at 30 June 2004. The reduction in gearing leaves the Group well placed to pursue its growth strategies.

Interim dividend

A fully franked interim dividend of 6.5 cents per share (last year 5 cents per share) has been declared by Directors, which is 30.0% above the previous year. The interim dividend will be paid on 30 March 2005, (the date for determining entitlements is 16 March 2005).

Review of Operations

The major industry sectors in which the Group operates continued to perform well during the half. With economic conditions in both Australia and New Zealand remaining favourable.

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K&S CORPORATION LIMITED

The high price of fuel during the period was a concern. The majority of fuel increases have been passed on to customers through fuel surcharge mechanisms.

During the first half our rail costs have increased due to imposed increases and less than satisfactory service levels by our National provider.

In August the Group purchased a new transport terminal at Coopers Plains in Brisbane. The new facility will provide the upgraded infrastructure to support future growth and operational efficiencies.

During the half the Group sold its Brisbane warehouse and transport terminal at Rocklea which generated a pre tax profit of $526,000.

In November the Directors' revalued the Group's land and buildings with the impact of the revaluation increasing shareholders funds by $6.5 million. The revaluation also increased pre tax profit by $836,000. This occurred as a result of the reversal of a previous write down of building against profit.

Outlook

Given the continued growth in the domestic economy the Directors are confident that the business will continue to perform in the second half.

Full year profit is expected to comfortably exceed 2003/04 results.

Second half should see further growth in operating revenues in both Australia and New Zealand.

We have just completed the purchase of two small transport businesses in New Zealand on 1 February 2005. These businesses complement our existing New Zealand operations and provide further growth opportunities.

The strong global economy should help provide further impetus to the domestic economy.

We expect development of our new transport & warehouse facility at Laverton to commence in early March 2005. The project will be managed by Vaughan Construction and is expected to be completed prior to the end of December 2005.

We expect to complete the sale of the existing Melbourne terminal during the second half.

Further Information:

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Appendix 4D

Half Year report

Name of entity

K&S Corporation Limited

ABN	Half yearly *(tick)*	Preliminary final *(tick)*	Half year/~~financial year ended~~ ('current period')
67 007 561 837	✓		31st December 2004

Results for announcement to the market

				$A'000
Revenues from ordinary activities	Up/~~down~~	18.7%	To	170,335
Profit (loss) from ordinary activities after tax attributable to members	Up/~~down~~	33.5%	To	7,979
Net profit (loss) for the period attributable to members	Up/~~down~~	33.5%	To	7,979

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Interim dividend	6.5c	6.5c
Previous corresponding period	5.0c	5.0c
Record Date for determining dividend Entitlements	16 March 2005	
Date Dividend Payable	30 March 2005	
	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$1.14	$0.89

This half year report is to be read in conjunction with the most recent annual financial report.

K&S CORPORATION LIMITED AND ITS CONTROLLED ENTITIES

ABN 67 007 561 837

Half-Year Financial Report

31 December 2004

Pages 1-2	Directors' Report
Page 3	Statement of Financial Performance
Page 4	Statement of Financial Position
Page 5	Statement of Cash Flows
Pages 6-10	Notes to the Financial Statements
Page 11	Directors' Declaration
Page 12	Independent Review Report
Page 14	Auditors' Independence Declaration

Directors' Report

Your directors submit their report for the half-year ended 31 December 2004.

DIRECTORS

The names of the directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Name

Mr Alan Williams - Chairman

Mr Laurie Ackroyd

Mr Gregory Colin Boulton

Mr Anthony Francis Johnson

Mr Richard Vivian John Nicholson

Mr James Leonard Osborne

Mr John Legh Winser – Managing Director

CONSOLIDATED RESULT

Financial overview		2004	2003	Improvement %
Operating revenue	$m	170.3	143.6	18.7
Operating profit before interest and tax	$m	12.6	9.8	27.8
Operating profit after tax	$m	8.0	6.0	33.5
Shareholders' funds	$m	77.0	62.4	23.5
Total assets	$m	169.3	159.2	6.3
Earnings per share	cents	13.3	10.0	33.0
Dividend per share	cents	6.5	5.0	30.0
Net tangible assets per share	cents	1.14	0.89	28.1
Return on shareholders' funds	%	10.4	9.6	8.0
Gearing	%	42.9	80.8	46.9

The consolidated profit after income tax of the economic entity for the half-year was $8.0 million, 33.5% above the previous half-year. This result was on 18.7% higher operating revenue of $170.3 million. The higher operating revenues were a direct result of the new Capral, Orrcon and Coca Cola contacts, together with the positive impact of the Cochrane's acquisition. We also experienced strong revenue growth (8.4%) from our existing customer base during the first half of fiscal 2005.

The increase in profit after income tax has been generated from significantly higher sales revenues and tight cost control. The sale of the Rocklea warehouse in Brisbane generated a pre tax profit of $526,000.

In November 2004, the Directors revalued the Group's land and buildings. The fair value was determined based on an independent valuation undertaken in September 2004 by Jones Lang LaSalle. The impact of the revaluation was to increase shareholders' funds by $6.5 million.

An interim dividend of 6.5 cents per share has been declared. The dividend will be fully franked and payable on 30 March 2005 to shareholders registered on the books at 16 March 2005.

REVIEW OF OPERATIONS

Transport, Warehousing & Fuel

Transport

The principal activities in the transport business segment are transport and logistics across all states of Australia and New Zealand, encompassing road, rail and sea full load movements. The customer strategy is directed towards large contracts, including both interstate linehaul and local distribution, with a focus on long term prime contractor relationships. The result from ordinary activities after tax from transport operations was a profit of $7.6 million, up 34.4 % on the prior period result.

Warehousing

The principal activity in the warehousing business segment is the provision of warehousing and distribution services in all states of Australia. The result from ordinary activities after tax from warehousing operations was a profit of $0.2 million, which is a welcome result given the historical results of this division.

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 after tax from the fuel business segment was a profit of $0.2 million.

STATE OF AFFAIRS

The legal settlement with SportingBet Australia ($2,799,695 in April 2003) continues not to be treated as revenue in the current half-year, as the case is still under appeal in the Supreme Court of South Australia. All costs associated with this and other fraud related legal matters are included in the Statement of Financial Performance.

Other than the matter above in the opinion of the Directors, there have been no significant changes in the state of affairs of the economic entity that occurred during the half-year under review.

EVENTS SUBSEQENT TO BALANCE DATE

On 22 December 2004, the economic entity entered into a conditional contract with Port of Melbourne Corporation for the sale of the Footscray (Melbourne) transport terminal. The contract is expected to be settled in late March 2005 and will generate a profit on sale. Under the terms of contract, the economic entity has entered into a lease back arrangement until the Laverton development is completed.

We expect that construction on the new Laverton transport and warehouse facility will commence in the first quarter of 2005.

DIVIDENDS

An interim ordinary dividend of 6.5 cents per share franked to 100% from profits taxed at a 30% tax rate was declared by the company on 22 February 2005 and is payable on 30 March 2005.

AUDITOR'S INDEPENDENCE DECLARARTION

The auditors, Ernst & Young, have given the Board a signed independence declaration, which has been included within the half-year financial report at page 13.

ROUNDING OFF

The amounts contained in this report and in the half-year financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Dated at Mount Gambier this 22nd day of February 2005.

Signed in accordance with a resolution of directors.

A Williams
Chairman

Statement of financial performance

For the half-year ended 31 December 2004

	NOTE	Consolidated 31 Dec 2004 $000's	Consolidated 31 Dec 2003 $000's
Revenue from rendering of services		**150,408**	125,405
Revenue from sale of goods		**19,927**	18,152
Revenue from sale of land & buildings		**9,400**	-
Other revenue from ordinary activities		**1,446**	2,311
Total revenue		**181,181**	145,868
Cost of sale of goods		**(18,306)**	(16,493)
Contractor costs		**(64,559)**	(51,609)
Employee benefits expenses		**(35,643)**	(32,122)
Fleet expenses		**(27,679)**	(22,071)
Depreciation and amortisation expenses		**(7,224)**	(6,402)
Borrowing costs		**(1,384)**	(1,293)
Other expenses from ordinary activities		**(6,220)**	(7,416)
Written down value of land & buildings sold		**(8,874)**	-
2002 Fraud related recoveries/(expenses), net		**(193)**	(9)
Share of net profits of associates accounted For using the equity accounting method		**99**	102
Profit from ordinary activities before related income tax expense		**11,198**	8,555
Income tax (expense) relating to ordinary activities		**(3,219)**	(2,576)
Profit from ordinary activities after related income tax expense		7,979	5,979
Net profit attributable to members of the parent entity		**7,979**	5,979
Non-owner transaction changes in equity			
Net increase in asset revaluation reserve		**6,450**	-
Net exchange difference on translation of financial statements of foreign controlled entity		**167**	(142)
Total revenues, expenses and valuation adjustments Attributable to members of K&S Corporation Ltd and recognised directly in equity		**6,617**	(142)
Total changes in equity from non-owner related transactions Attributable to the members of the parent entity		**14,596**	5,837
Basic earnings per share for K&S Corporation Limited (cents per share)		**13.3**	10.0

The statement of financial performance is to be read in conjunction with the notes to the half-year financial statements set out on pages 6 to 10.

Statement of financial position

For the half-year ended 31 December 2004

	NOTE	Consolidated 31 Dec 2004 $000's	30 June 2004 $000's	31 Dec 2003 $000's
CURRENT ASSETS				
Cash assets		**13,221**	7,672	9,110
Receivables		**33,253**	29,878	28,729
Inventories		**1,936**	1,931	1,843
Other		**2,533**	2,340	2,196
Total current assets		**50,943**	41,821	41,878
NON-CURRENT ASSETS				
Investments accounted for using the equity method		**496**	532	500
Other financial assets		**20**	20	20
Property, plant & equipment		**105,482**	99,766	104,549
Intangibles		**8,551**	8,732	8,771
Deferred tax assets		**3,779**	3,642	3,520
Total non-current assets		**118,328**	112,692	117,360
Total assets		**169,271**	154,513	159,238
CURRENT LIABILITIES				
Payables		**35,838**	30,045	29,183
Interest-bearing liabilities		**12,541**	10,534	10,755
Current tax liabilities		**1,877**	4,386	2,944
Provisions		**4,179**	3,723	3,806
Total current liabilities		**54,435**	48,688	46,688
NON-CURRENT LIABILITIES				
Interest-bearing liabilities		**30,107**	31,905	41,706
Deferred tax liabilities		**4,948**	5,369	5,822
Provisions		**2,793**	2,560	2,670
Total non-current liabilities		**37,848**	39,834	50,198
Total liabilities		**92,283**	88,522	96,886
Net assets		**76,988**	65,991	62,352
EQUITY				
Contributed equity	2	**27,966**	27,966	27,966
Reserves		**13,150**	6,532	6,085
Retained profits	3	**35,872**	31,493	28,301
Total equity	5	**76,988**	65,991	62,352

The statement of financial position is to be read in conjunction with the notes to the half-year financial statements set out on pages 6 to 10.

Statement of cash flows

For the half-year ended 31 December 2004

	Note	Consolidated	
		2004	**2003**
		$000's	**$000's**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		**193,518**	162,657
Cash payments in the course of operations		**(168,373)**	(140,887)
2002 Fraud related recoveries/(expenses), net		**(193)**	(9)
Dividend received		**1**	151
Interest received		**87**	188
Net goods and services tax paid		**(4,045)**	(3,523)
Borrowing costs paid		**(1,384)**	(1,293)
Income taxes paid, net		**(6,290)**	(5,522)
Net cash provided by / (used in) operating activities		**13,321**	11,762
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**10,325**	1,736
Payments for property, plant & equipment		**(9,215)**	(6,316)
Purchase of controlled entity	9	**-**	(8,844)
Net cash provided by / (used in) investing activities		**1,110**	(13,424)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**-**	12,948
Repayments of borrowings		**(1,024)**	(5,500)
Lease and hire purchase liability repayments		**(4,277)**	(5,604)
Dividends paid	4	**(3,599)**	(2,549)
Net cash used in financing activities		**(8,900)**	(705)
Net increase/(decrease) in cash held		**5,531**	(2 ,367)
Cash at the beginning of the financial year		**7,672**	11,477
Effects of exchange rate variances on cash		**18**	-
Cash at the end of the financial year		**13,221**	9,110

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 6 to 10.

Notes to and forming part of the Financial Statements for the half year ended 31 December 2004

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the half-year financial report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year report should read in conjunction with the Annual Report of K&S Corporation Limited as at 30 June 2004. It is also recommended that the half-year financial report be considered together with any public announcements made by K&S Corporation Limited and its controlled entities during the half-year ended 31 December 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of accounting

The half-year financial report is a general purpose financial report, which has been prepared in accordance with Accounting requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year financial report has been prepared in accordance with the historical cost convention except where stated. Land and buildings are measured at their fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b) Changes in accounting policies

The accounting policies adopted are consistent with those applied in the 30 June 2004 annual financial report.

2 CONTRIBUTED EQUITY

	Consolidated 31 Dec 2004 $000's	31 Dec 2003 $000's
Issued and paid-up capital		
59,979,640 (June 2004: 59,979,640) ordinary shares, fully paid	27,966	27,966
	27,966	27,966

3 RETAINED PROFITS

	Consolidated 31 Dec 2004 $000's	31 Dec 2003 $000's
Retained profits at the beginning of the half-year	31,493	24,871
Net profit attributable to members of the parent entity	7,979	5,979
Dividends paid during the half year period	(3,599)	(2,549)
Dividends provided for	-	-
Retained profits at the end of the half-year	35,872	28,301

4 DIVIDENDS PAID OR PROVIDED FOR

	Consolidated 31 Dec 2004 $000's	31 Dec 2003 $000's
Ordinary Shares		
(1) Fully Franked dividends paid during the half-year	3,599	2,549
(2) Fully Franked interim dividend proposed and recognised as a liability	-	-
	3,599	2,549

5 TOTAL EQUITY RECONCILIATION

	Consolidated 2004 $000's	Consolidated 2003 $000's
Total equity at beginning of the half-year	65,991	59,064
Total changes in parent entity interest in equity recognised in the statement of financial performance	14,596	5,837
Transactions with owners as owners:		
Dividends paid during the half year period	(3,599)	(2,549)
Contributions of equity	-	-
Dividends provided for	-	-
Total equity at end of the half-year	**76,988**	62,352

6 SEGMENT INFORMATION

Business segments	Transport Dec 2004 $000's	Transport Dec 2003 $000's	Warehousing Dec 2004 $000's	Warehousing Dec 2003 $000's	Fuel Dec 2004 $000's	Fuel Dec 2003 $000's	Consolidated after elimination Dec 2004 $000's	Consolidated after elimination Dec 2003 $000's
Operating revenue								
Sales to customers outside the consolidated entity	146,853	121,307	3,482	4,041	20,000	18,209	170,335	143,557
Unallocated revenue	-	-	-	-	-	-	10,846	2,311
Total revenue	146,853	121,307	3,482	4,041	20,000	18,209	181,181	145,868
Segment result	7,562	5,628	177	112	240	239	7,979	5,979
Unallocated expenses							-	-
Consolidated entity operating profit							7,979	5,979

7 SUBSEQUENT EVENTS

A dividend of 6.5 cents per share resulting in a total dividend payment of $3,898,677 was declared on 22 February 2005. The dividend will be paid on 30 March 2005.

On 22 December 2004, the economic entity entered into a conditional contract with Port of Melbourne Corporation for the sale of the Footscray (Melbourne) transport terminal. The contract is expected to be settled in late March 2005 and will generate a profit on sale. Under the terms of contract, the economic entity has entered into a lease back arrangement until the Laverton development is completed.

We expect that construction on the new Laverton transport and warehouse facility will commence in the first quarter of 2005.

Other than the above matters there has not arisen in the interval between the end of the half-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 economic entity, the results of those operations or the state of affairs of the economic entity in subsequent years.

8 CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change in any contingent liabilities or contingent assets.

9 CHANGE IN COMPOSITION OF ENTITY

On 1 December 2003, K&S Corporation Limited, through its subsidiary K&S Freighters Limited, acquired 100% of the issued capital of Cochranes Transport Limited in New Zealand. Details of the acquisition are as follows:

	Consolidated	
	2004	2003
	$000's	$000's
Consideration	-	9,059
Cash acquired	-	215
Outflow of cash	-	8,844
Fair value of assets of entity acquired:		
Property, plant & equipment	-	7,187
Trade debtors	-	1,298
Prepayments	-	202
Current tax asset	-	4
Trade creditors	-	(214)
Other creditors	-	(388)
Provision for deferred income tax	-	(272)
Interest bearing liabilities	-	(4,002)
	-	3,815
Goodwill on acquisition	-	5,029
Consideration (cash)	-	8,844

10 IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

K&S Corporation Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, K&S Corporation Limited has graded impact areas as either high, medium or low. The audit committee will act as the steering committee to oversee the progress and make the necessary recommendations to the Board for resolution. As K&S Corporation Limited has a 30 June year end, priority has been given to considering the preparation of the opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when K&S Corporation Limited prepare its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of K&S Corporation Limited. At this stage, the company has not been able to reliably quantify the impacts on the financial report, however management anticipate this will be determined prior to year end.

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables- measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale - measured at fair value with fair value changes taken to equity and non trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on the balance sheet. The future effect of this change is not yet known as the classification and measurement process has not been fully completed.

Hedge Accounting

Under AASB 139 Financial Instruments: Recognition and measurement in order to achieve a qualifying hedge, the entity is required to meet the following criteria:

- Identify the type of hedge – fair value or cash flow;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be highly effective: and
- Document the hedging relationship, including the risk management objectives and strategy for undertaking the hedge and how effectiveness will be tested.

This will result in a change in the entity's current accounting policy which applies hedge accounting. Reliable estimation of the future effect of this change in accounting policy has not yet been measured.

Goodwill

Under AASB 3 Business Combinations, goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy, which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets

Under AASB 36 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and the value in use. This will result in a change in the group's current accounting policy, which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy, it is likely that impairment of assets will be recognised sooner and that the amount of the write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Intangible Assets

Under AASB 38 Intangible Assets, internally generated intangible assets are to be written off under the transitional rules. On transition approximately $2.5 million currently recognised as Brand Name – K&S Freighters and Fuel Distribution Rights will be required to be adjusted against opening retained earnings as they will not meet the recognition requirements under IFRS.

Income Tax

Under AASB 12 Income Taxes, the company will be required to use a balance sheet method, which focuses on the tax effects to transactions and events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of the adoption of this standard.

Directors' Declaration

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

In the opinion of the directors:

1 the financial statements and notes of the consolidated entity:

(a) give a true and fair view of the financial position as at 31 December 2004 and the performance for the half-year ended on that date of the consolidated entity; and

(b) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and

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

Dated at Mount Gambier this 22nd Day of February 2005.

On behalf of the Board

A Williams
Director

ERNST & YOUNG

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Adelaide SA 5000
Australia

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Adelaide SA 5001

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Independent review 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 and accompanying notes to the financial statements for the consolidated entity comprising both K&S Corporation Limited (the company) and the entities it controlled during the six months, and the directors' declaration for the company, for the six months ended 31 December 2004.

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 consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", 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.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the director's of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our review of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Statement
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising K&S Corporation Limited and the entities it controlled during the period is not in accordance with:

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

(i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the six months ended on that date; and

(ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Alan H Herald
Partner
Adelaide
22 February 2005

ERNST & YOUNG

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Auditor's Independence Declaration to the Directors of K&S Corporation Limited

In relation to our review of the financial report of K&S Corporation Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Alan H Herald
Partner
Adelaide
22 February 2005