



K&S CORPORATION LIMITED

Annual Report 2005



ABN 67 007 561 837

*It is our ongoing
commitment to be
the leading provider
of transport
and logistics
solutions throughout
Australia and
New Zealand.*

Financial Calendar

Final dividend payment, 7.0 cents per share	28 October 2005
Annual General Meeting	22 November 2005
Half-year results and interim dividend announcement	22 February 2006
Interim dividend payment	31 March 2006
Full-year results and final dividend announcement	23 August 2006
Annual report mailed to shareholders	9 October 2006
Final dividend payment	27 October 2006
Annual General Meeting	21 November 2006

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Highlights

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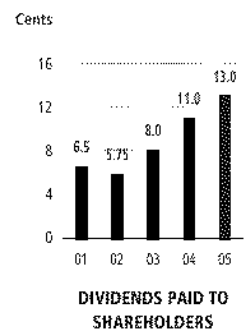
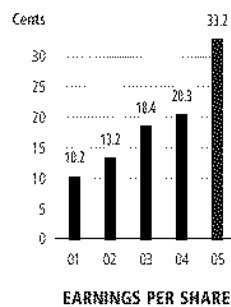
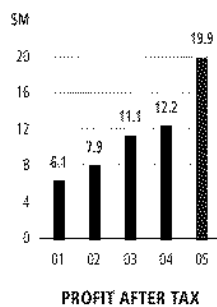
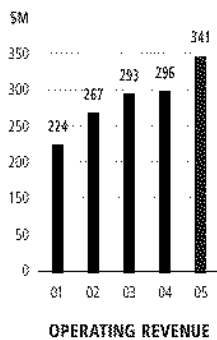
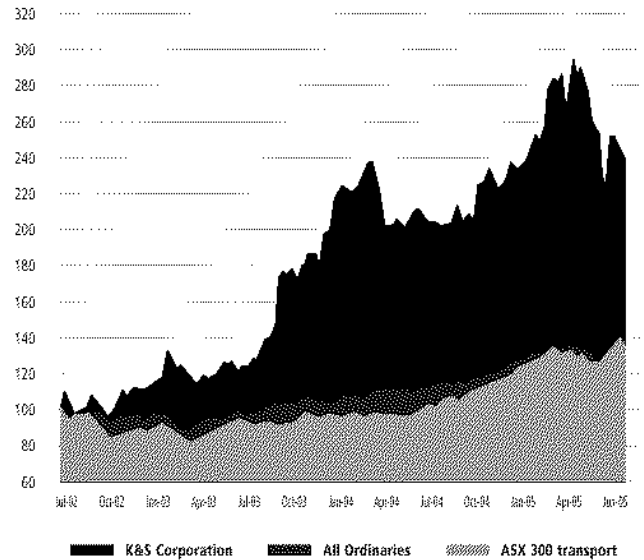
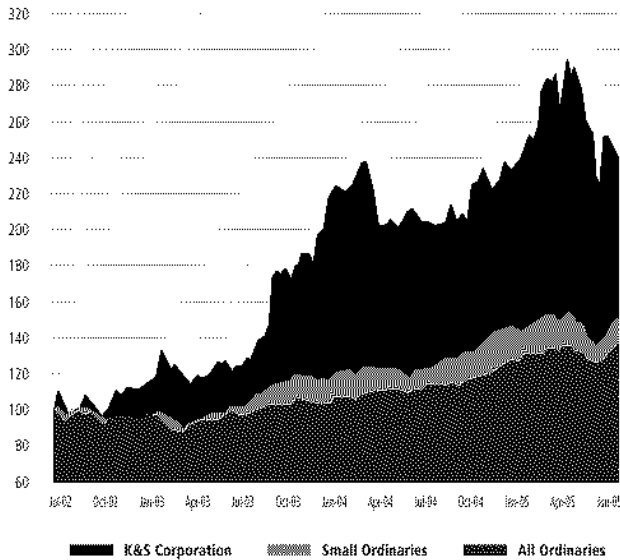
- Operating revenues increase by 15.2% to \$341 million
- Record profit after tax of \$19.9 million – up 63.7%
- Earnings per share reach 33.2 cents
- Shareholders' return increases to 23.5%
- Strong growth from new contracts
- Existing customers deliver significant growth
- New Zealand operations power ahead
- Increased payout to Shareholders of 13.5 cents per share

2 Performance

Financial Overview

		2005	2004	% movement
Operating revenue	\$m	340.8	295.7	15.2
Operating profit before interest and tax	\$m	31.4	20.5	53.5
Operating profit before tax	\$m	28.4	17.6	61.4
Operating profit after tax	\$m	19.9	12.2	63.7
Dividends paid	\$m	7.5	6.6	13.6
Total assets	\$m	184.0	154.5	19.1
Net borrowings	\$m	32.0	34.7	(7.7)
Shareholders' funds	\$m	84.9	66.0	28.7
Depreciation and amortisation	\$m	14.5	13.6	6.4
Earnings per share	cents	33.2	20.3	63.7
Dividends per share	cents	13.5	11.0	22.7
Net tangible assets per share	\$	1.26	0.95	32.6
Cash flow per share	\$	0.43	0.42	2.1
Return on Shareholders' funds	%	23.5	18.4	27.2
Gearing	%	42.3	60.6	(30.2)

K&S CORPORATION SHARE GROWTH





Chairman's Overview

On behalf of the Board, I'm delighted to present the K&S Corporation Limited 2005 Annual Report.

The 2004-05 financial year has seen significant growth in profitability with profit after tax increasing to a record \$19.9 million, 63.7% above the previous year's performance.

Earnings per share increased from 20.3 cents to 33.2 cents per share.

Profit before interest and tax was \$31.4 million, which was a 53.5% increase over the previous year.

Operating revenue for 2004-05 was \$340.8 million, an increase of 15.2% on the previous year. The higher operating revenue was the result of strong organic growth and the contribution from new contracts with 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 an additional \$22.2 million. New contracts contributed \$11.3 million and the Group's New Zealand operations increasing revenues by 73.4% to \$27.3 million. This was an extremely pleasing and balanced outcome for the year.

Earnings before interest and tax (EBIT) margins have been under continual pressure as a result of escalating fuel prices and delays in the recovery of these costs from customers. The recovery of additional fuel costs generally takes between one and six months after the increase occurs.

The increase in profit after tax has been generated from significantly higher sales revenues, tight cost control, asset sales and the settlement of fraud related legal actions.

On 5 August 2005, we reached a confidential settlement with SportingBet PLC and Number One Betting Shop Ltd in relation to the 2002 fraud. The settlement resulted in an increase in profit before tax of \$6.4 million. The Company will continue to pursue all avenues for further recovery.

We continued our strong generation of cash during the year, enabling our gearing to be further reduced to 42.3%, well within our target range of 40-70%.

Cash generated from operating activities was affected by higher tax payments of \$10 million of which \$4.4 million related to the 2003-04 financial year.

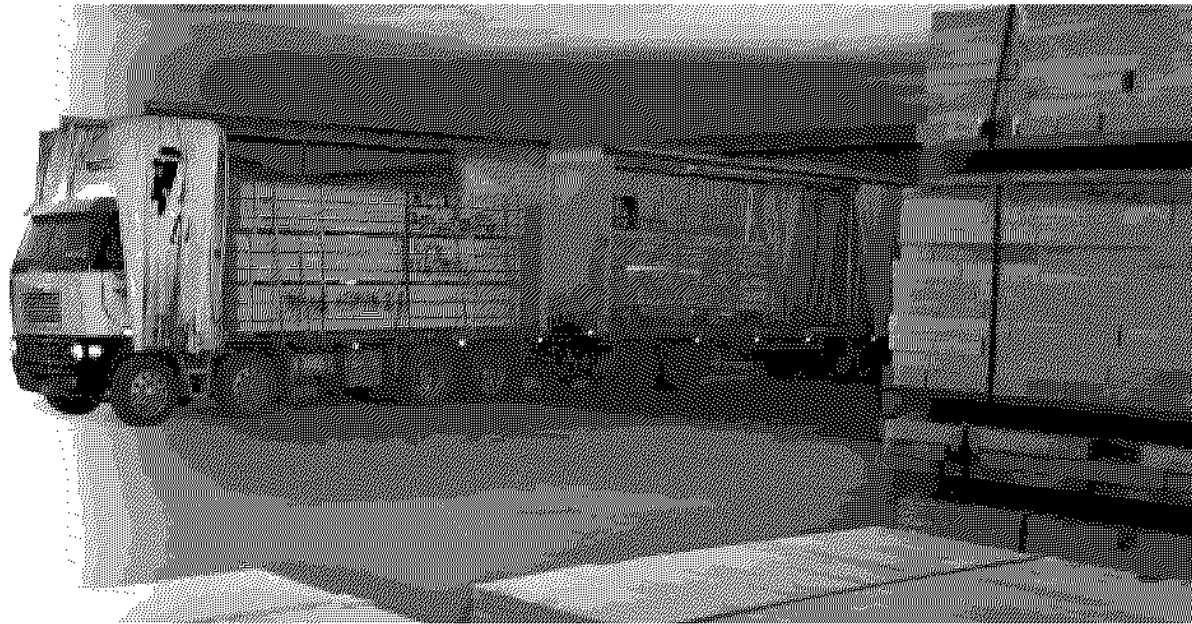
In August 2004 we purchased a new transport terminal at Coopers Plains in Brisbane. The new facility will provide upgraded infrastructure to support future growth and operational efficiencies.

During the first half we sold a warehouse complex at Rocklea in Brisbane for \$9.4 million. This transaction generated a pre-tax profit of \$526,000.

In November 2004, the Directors revalued the Group's land and buildings. Fair value was determined by 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. The revaluation also increased pre-tax profit by \$837,000. This occurred as a result of the reversal of a previous write down of buildings against profit.

On 1 February 2005 we acquired the businesses of North Eastern Transport Limited (North Eastern) based at Mt Maunganui and McCarthy Transport Limited (McCarthy) at Napier in New Zealand. North Eastern is a key provider of logistics services to the kiwi fruit industry and McCarthy is in the log cartage industry. Both acquisitions strongly complement our existing businesses in New Zealand.

In April we commenced construction of a new transport terminal and warehouse facility at Laverton in Melbourne's west. The new facility is expected to cost \$28.3 million to construct and should be operational by April 2006. This facility will enable future growth and consolidation of our Melbourne-based operations.



On 17 June 2005 we announced our intention to raise equity under a Non Renounceable Rights Issue. The terms of the issue were one share for every 10 shares held at \$2.80 per share. The number of shares issued under the Rights Issue was 5,993,867 which raised \$16,552,828 net of costs. The issue was fully underwritten by A A Scott Pty Ltd, the Company's major shareholder, and was subject to the execution of an underwriting agreement. Allotment of the new shares was completed on 21 July 2005. With the finalisation of the Rights Issue we now have 65,973,507 ordinary fully paid shares on issue.

We will pay a final dividend of 7.0 cents per share, fully franked on 28 October 2005. This follows the interim dividend of 6.5 cents per share paid in March 2005, making the total dividend of 13.5 cents per share fully franked for the year, up 22.7% on the previous year.

The new shares issued as part of the Rights Issue will participate in the 28 October 2005 dividend of 7.0 cents per share.

The proceeds of the Rights Issue will be used to finance capital expenditure in the development of the Laverton transport terminal and future growth of the business.

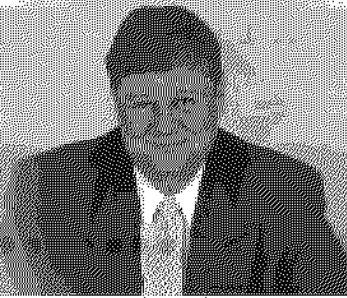
This initiative, when coupled with our underlining profitability, further strengthens our balance sheet and leaves the Group in a healthy position to evaluate further acquisition opportunities where they add value to our business and Shareholders.

On 26 August 2005, Mr Alan Williams stepped down as Chairman and as a Director of the Company. The Board extends its thanks to Alan for his contribution over the past 17 months.

Given the robust nature of the domestic economy, we are confident that the business will continue to perform well in the new financial year.

In conclusion, on behalf of the Board I would like to thank all employees for their loyalty, effort and commitment during the year in review.


Tony Johnson
Chairman



Managing Director
K&S Corporation

Managing Director's Report

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The 2004-2005 financial year was another successful period for K&S and one that saw revenues reach \$340.8 million. This increase was due in part to the full revenue impact of Cochrane's Transport in New Zealand, continued organic growth in our traditional market segments and the full year impact of work won in the previous financial year. Even more pleasing is the professional reputation that we continue to develop and strengthen, allowing us to market to a broader range of customers.

Total Group revenue for the year was \$353.6 million and net profit before interest and tax rose to \$28.4 million from the previous year's result of \$17.6 million. This was significantly above forecast expectations and displays a continuing strength in our business.

This year, our strategies have been directed at developing high-end transport management functions and processes that allow our customers to shed many of their distribution functions and continuing to promote long-term customer relationships.

Business development has been directed at markets that traditionally have been dominated by the larger transport companies and where competition has been compromised by a lack of serious players. This is particularly noticeable in market segments such as mining, grocery and automotive.

New Zealand

During the year, K&S purchased two New Zealand based businesses; McCarthy Transport and North Eastern Transport. McCarthy's has allowed us to strengthen our presence in the strategically important timber market through log haulage in the Hawkes Bay region. North Eastern Transport, which supports the seasonal kiwi fruit industry, has also been an important acquisition as it allows us to deploy assets during the bottom of the dairy cycle.

Our combined annual revenue base in New Zealand is now more than \$27 million per annum.

The New Zealand market continues to perform strongly in the face of increasing competition and rationalisation in the transport industry. We also face increasing changes to our customer base from continued acquisitions in the timber industry and the drive for cost savings from the dairy industry. We continue to support the distribution of newsprint on behalf of Norske Skog.

This year gave us the opportunity to show our ability to support customers during periods of crisis when we were asked to distribute newsprint to Auckland and Mt Maunganui following the May floods that saw the rail network in the Bay of Plenty thrown into chaos.

In the coming year we aim to develop our customer base to the point that we are not reliant on single large customers and can deploy our vehicles to support the variability of supply that is often associated with the New Zealand market.

Property Acquisitions

Property development continues to play an important part in our future. In Queensland, we exited the Rocklea facility and moved to a terminal facility in Postle Street, Coopers Plains. This is an excellent location for multi modal and warehousing operations and puts us in close proximity to the main Brisbane rail terminal.

In Melbourne, the development has started on our new Boundary Road facility in Laverton. This 23-hectare site will allow us to further consolidate our operations in Melbourne.

Laverton will be a state-of-the-art facility complete with corporate office, terminal facilities, warehousing and workshops. We also have significant capacity to build, own and operate purpose-built distribution facilities for our key and potential customers. The move into Laverton will be completed by April 2006.



The paper industry was a strong performer due to the implementation of new distribution arrangements.



Operations within our key industry segments remain strong, reflecting the strength of the Australian economy.

Metals

In the metals industry, Smorgon Steel Group volumes remained strong and further opportunities have been offered to us to increase our share of their business from the level of 70% to in excess of 85% which will represent significant growth with our largest customer. This growth is expected to commence in the second half of the 2006 financial year.

Volumes from Alcoa continued to be strong both domestically and in the international market where we perform export consolidation. Both the domestic and export volumes are expected to grow throughout the coming year.

Capral Aluminium commissioned their new production facility in Brisbane and we have continued to provide linehaul services to the Southern states in addition to our local distribution and linehaul services in Melbourne, Sydney, Perth and Adelaide.

Paper

The paper industry performed well this year. PaperlinX volumes increased due to export volumes. Norske Skog volumes also remained solid and we are preparing to enter a new phase with higher volumes from the Albury mill and the implementation of new distribution arrangements.

This year we opened a new facility at Anzac Street in Chullora (Sydney) on behalf of Norske Skog. This facility allowed us to exit the Greenacre facility and will give us the capacity to support the build-up of stock volumes in preparation for the shut down of the Albury mill in 2006. We also won the contract to distribute paper on behalf of Pan Asia through a facility in Adelaide.

Mining

The strong economy continues to drive growth in the mining area. Many of the transport support functions in this industry are based on long term contractual arrangements

with significant assets. This provides us with an excellent opportunity to guarantee future income by providing well-structured and professionally-managed transport and logistics arrangements.

In terms of our bulk business, K&S was successful in extending contracts in support of QMag and Cement Australia. Much of our business development activity is centred on this part of our business and significant opportunities have been presented to K&S to support new and existing mining developments. Our offshore activities centred on our Portland depot also continue to perform well. We have been awarded the onshore land-based support for the exploration companies in the Otway Basin.

Building Trade

Relationships with our building supplies and timber customers strengthened throughout the year with an extension of our relationship with Weyerhaeuser through the packing of timber and linehaul to Melbourne for the export market and the continuing provision of support to Laminex and Boral.

Business Development

Business development activity remains strong. Our emphasis during the year was on large blue chip companies that value long-term partnerships. Of particular importance is the change by the major retailers to manage their own logistics activity. This offers K&S an excellent opportunity for growth.

Current development activity will result in significant additional business in coming years.

K&S continues to perform strongly in the face of a transport industry that is still undergoing significant rationalisation. Opportunities continue to present themselves in terms of modal selection and competition. The entry of Queensland Rail into the logistics market and in particular its entry into rail operations along the east coast provides us with an opportunity to increase our forwarding activities and force competition in a market traditionally dominated by Pacific National.

Occupational Health and Safety

We are facing increased costs of compliance. This year we appointed a risk manager to ensure that all compliance issues continue to be addressed. This has raised our level of professionalism to the extent that we can confidently offer our customers full compliance accountability.

Industry Challenges

The price of fuel remains a large cost driver in our business. Through commercial arrangements we have recovered part of these additional costs.

IT developments continue to be at the forefront of our thinking as it provides us with an opportunity to add real value to our customers. This year we continued to consolidate and enhance our network, improve performance, upgrade our desktop environment and enhance security.

There have also been significant functional developments including:

- The development of our new transport management system, Panorama, to replace Cosmos. This is due for complete roll out by the end of the financial year. The system is functionally richer than our existing system and includes components such as load building, local transport and export management. The application will enhance our ability to add value to our clients and may also be licenced to our clients to enable them to control aspects of their own transport arrangements.
- Export manager is an application, under the Panorama umbrella, that has been implemented successfully to improve the flow of information between customers, shippers and customs agencies.

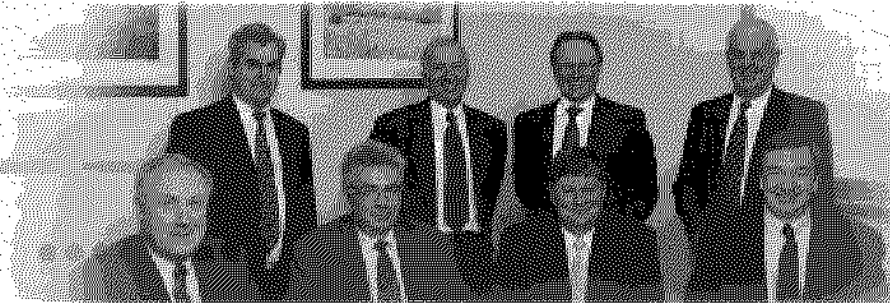


The Year Ahead

K&S will continue to grow in the coming financial year. The increase in organic business, combined with the full year impacts of our existing and potential acquisitions will see K&S enter a new phase in its development.

I would like to particularly thank our customers and employees for their support throughout the year.

Legh Winser
Managing Director



Back row from left: Richard Nicholson, Graham Allen (Company Secretary), Tony Johnson, Jim Osborne. Front row from left: Laurie Ackroyd, Alan Williams, Legh Winser, Greg Boulton.

Board of Directors

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

Alan Williams *Chairman (since resigned)*

Age 57, Director since February 2004

Alan Williams had a career with Coles spanning over some 40 years which saw him retire in October 2003 from the position of Chief Operating Officer, Food and Liquor Group, which included Coles and Bi-Lo Supermarkets and Coles Express.

Member of:

- Nomination and Remuneration Committee

Mr Williams stepped down as Chairman and a Director on 26 August 2005.

Legh Winser *Managing Director*

Age 57, Director since December 1999

Legh Winser, has more than 32 years experience in the transport industry. Prior to his appointment as Managing Director in January 1998 he held other Executive positions within the Company.

Member of:

- Nomination and Remuneration Committee
- Environmental Committee

Tony Johnson *(Appointed as Chairman 26 August 2005)*

Age 58, Director since 1986

Tony Johnson BA, LL.B, LL.M (Companies & Securities) is a Solicitor and an Accredited Mediator. Tony is Chairman of the law firm Johnson Winter & Slattery. He has worked extensively in the corporate advisory and commercial disputes area.

Mr Johnson is also a Director and Chairman of the listed entity Heggies Bulkhaul Limited.

Member of:

- Environmental Committee *(Chairman)*

Laurie Ackroyd

Age 56, Director since May 2002

Laurie Ackroyd BA (Accountancy), ACA has more than 15 years experience within the transport and petroleum related industries, being the Group Financial Controller – Director of the privately owned Scott Group of Companies.

Member of:

- Audit Committee *(Chairman)*

Jim Osborne *Deputy Chairman*

Age 68, Director since July 1997

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

Member of:

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

Greg Boulton

Age 55, Director since January 1996

Greg Boulton BA (Accountancy), FCA, FCPA, FICS, FIAD is a fulltime Company Director on a number of South Australian privately owned companies and is Executive Chairman of Venture Capital Company, Paragon Advisory Pty Ltd and President of the Port Adelaide Football Club.

Member of:

- Audit Committee

Richard Nicholson

Age 62, Director since 1986

Richard Nicholson is a Chartered Accountant ACA in public practice. He was previously the Company Secretary and Finance Officer of the Scott Group of Companies and is still a Non Executive Director of that Group.

Member of:

- Nomination and Remuneration Committee

Secretaries

Graham Allen PNA, FCIS

Graham Allen has been the Company Secretary for three years. He is an accountant and has extensive experience in the retail, timber and transport industries. Mr Allen is also General Manager of Administration.

Chris Bright BEc, LL.B, Grad Dip CSPM, FCIS

Chris Bright has held the position of Group Legal Counsel for three years. Prior to that was employed by Auspine Limited as Legal Counsel and Alternate Company Secretary for two years. Mr Bright was admitted as a Solicitor in South Australia in 1997. He also has experience working in private practice in Adelaide principally in commercial dispute resolution.



Basic earnings per share were 33.2 cents up 63.7 % on the corresponding period.

The economic entity continued its strong generation of cash from operating activities during the year. The cash generation has enabled gearing to be further reduced to 42.3% which is at the lower end of our target range of 40% – 70%.

The net borrowings of the Group decreased slightly during the year even after acquiring McCarthy Transport and North Eastern Transport businesses in February 2005 in New Zealand.

Cash generated from operating activities of \$25.6 million was 2.1% above the previous year, despite higher tax payments of \$10.0 million during the year. Some \$4.4 million of the tax payments related to the 2003-04 financial year.

In August 2004, the Group purchased a new transport terminal at Coopers Plains in Brisbane. The new facility will provide the upgraded infrastructure necessary to support future growth and operational efficiencies.

During the first half of the year, the Group sold its Brisbane warehouse and transport terminal at Rocklea for \$9.4 million. This transaction generated a pre-tax profit of \$526,000.

In November 2004, the Directors revalued the Group's land and buildings to fair value. 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. The revaluation also increased pre tax profit by \$836,727. This occurred as a result of the reversal of a previous write down of buildings against profit.

A final dividend of 7.0 cents per share has been declared. The dividend will be fully franked and payable on 28 October 2005 to Shareholders registered on the books at 14 October 2005. This takes the full year dividend to 13.5 cents, an increase of 22.7% on the previous year. However, this dividend has not been provided for in the accounts as it was declared after balance date on 23 August 2005. This is in accordance with the Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets".

Significant Changes in the State of Affairs

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

- On 1 February 2005, the consolidated entity, through its subsidiary K&S Freighters Limited, acquired the businesses of North Eastern Transport Limited ("North Eastern") based at Mt Maunganui and McCarthy Transport Limited ("McCarthy") at Napier in New Zealand. North Eastern is a key provider of logistics services to the kiwi fruit industry and McCarthy is in the log cartage industry within New Zealand. Both acquisitions strongly compliment our existing businesses in New Zealand.
- In April 2005, the consolidated entity commenced construction of a new transport terminal and warehouse facility at Laverton in Melbourne's west. The new facility is expected to cost \$28.3 million to construct and should be fully operational by April 2006. This will enable future growth and operational consolidation.
- On 5 August 2005, the economic entity reached a confidential settlement with SportingBet PLC and Number One Betting Shop Ltd in relation to the 2002 Fraud related legal matters. The settlement resulted in an increase in the profit before tax of \$6.4 million in the current year's result.

Environmental Regulation and Performance

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

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

Transport and Warehousing

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

Fuel

The Fuel business is subject to the *South Australian Environmental Protection Act 1993* and the *South Australian Dangerous Substances Act 1979*. The 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 reported in last year's financial report:

- 1 A final fully franked ordinary dividend (taxed to 30%) of 6.0 cents per share amounting to \$3,598,778 in respect of the year ended 30 June 2004 was declared on 24 August 2004 and paid on 29 October 2004;
- 2 A fully franked preference dividend (taxed to 30%) of 4.0 cents per share amounting to \$4,800 in respect of the year ended 30 June 2004 was declared on 24 August 2004 and paid on 29 October 2004;

	\$
An interim fully franked ordinary dividend (taxed to 30%) of 6.5 cents per share in respect of the year ended 30 June 2005 was declared on 22 February 2005 and paid on 30 March 2005 amounting to:	3,898,677

The final dividend declared by the Directors of the Company on 23 August 2005 and payable on 28 October 2005 in respect of the year ended 30 June 2005 comprises:

- | | |
|--|-----------|
| 1 A fully franked ordinary dividend (taxed to 30%) of 7.0 cents per share; and | 4,198,575 |
| 2 A fully franked preference dividend (taxed to 30%) of 4.0 cents per share. | 4,800 |

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

Events Subsequent to Balance Date

On 17 June 2005, K&S Corporation Limited announced its intention to raise equity under a Non Renounceable Rights Issue. The terms of the issue were one share for every 10 shares held at \$2.80 per share. The number of shares issued was 5,993,867 and it raised \$16,552,828 (after costs associated with the issue). The issue was fully underwritten by A A Scott Pty Ltd, subject to the terms of an underwriting agreement. Allotment of the new shares was completed on 21 July 2005. With the finalisation of the Rights Issue, the economic entity has 65,973,507 ordinary fully paid shares on issue. The new shares will participate in the 28 October 2005 dividend of 7.0 cents per share. The total dividend payment will be \$4,618,145, of which \$419,571 represents dividends to be paid on shares to be issued under the Non-Renounceable Rights Issue.

On 1 August 2005, the Port of Melbourne Corporation terminated its conditional contract to purchase the Whitehall Street transport terminal in Melbourne for \$11.6 million. On 4 August 2005, the Port of Melbourne Corporation submitted a new offer on the Whitehall Street transport terminal, negotiations are still continuing on the property, there is no impact on the Statement of Financial Performance of the year ended 30 June 2005.

On 8 August 2005, the Directors of K&S Corporation Limited advised the Australian Stock Exchange (ASX) that a confidential settlement had been reached with litigation against SportingBet PLC & Number One Betting Shop Ltd. The impact of this settlement on the year's result is discussed under Significant Changes in the State of Affairs.

Other than the matters 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.

Directors

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

Alan Williams (Chairman)
 Laurie Ackroyd
 Gregory Boulton
 Anthony Johnson
 Richard Nicholson
 James Osborne
 Legh Winser (Managing Director)

Secretaries

Graham Allen PNA, FCIS
 Christopher Bright BEc, LLB, Grad Dip CSPM, FCIS

With the exception of Mr Winser, all Directors are Non Executive Directors.

Particulars of Directors' qualifications, experience, special responsibilities and other relevant Directorships are shown on pages 9-10 in the Annual Report.

Directors' Interests

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

	Ordinary Shares
Mr R Nicholson	6,874
Mr J Osborne	46,000
Mr L Winser	264,000

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

	Ordinary Shares
Mr G Boulton	85,000
Mr A Johnson	137,874
Mr L Winser	55,400
Mr J Osborne	51,000
Mr R Nicholson	5,000

Directors' Meetings

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

Director	Directors' Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings		Environmental Committee Meetings	
	No. attended	No. held	No. attended	No. held	No. attended	No. held	No. attended	No. held
Mr A Williams	13	13	-	-	2	2	-	-
Mr R Nicholson	12	12	-	-	2	2	-	-
Mr A Johnson	12	12	-	-	-	-	4	4
Mr G Boulton	12	13	4	4	-	-	-	-
Mr J Osborne	13	13	-	-	2	2	4	4
Mr L Ackroyd	12	12	4	4	-	-	-	-
Mr L Winser	12	12	-	-	2	2	4	4

Only Messrs Williams, Osborne and Boulton were eligible to attend the 13th Board meeting as the other Directors had a conflict of interest and were excluded from attending.

Remuneration Report

This report outlines the remuneration arrangements in place for Directors and Executives of K&S Corporation Limited (the Company).

Remuneration Philosophy

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

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

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

The Nomination and Remuneration Committee

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

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

Remuneration Structure

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

Non Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and

retain quality Directors, whilst incurring a cost which is acceptable to Shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non Executive Directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 23 November 2004 when Shareholders approved an aggregate remuneration of \$400,000 per year.

The amount of aggregate remuneration sought to be approved by Shareholders and the amounts paid to Directors' is reviewed annually. The Board considers advice from external consultants, as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review. Each Non Executive Director receives a fee for being a Director of the Company.

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

The remuneration of Non-Executive Directors for the period ended 30 June 2005 is detailed on page 17 of this report.

Executive Director Remuneration and Senior Managers

Objective

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

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

Structure

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

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

Directors Retirement Benefits

A change to the Directors Retirement Benefit calculation was made in July 2004 to freeze accumulation of years of

service of Directors as at 30 June 2004. No Director commencing after 1 July 2004 is eligible for any benefits under the Retirement Scheme.

The expenditure provided (not paid) during the year ended 30 June 2005 is attributable only to the method of calculation which involves the averaging of the fees paid to Directors as per the benefits scheme in operation up to 30 June 2004.

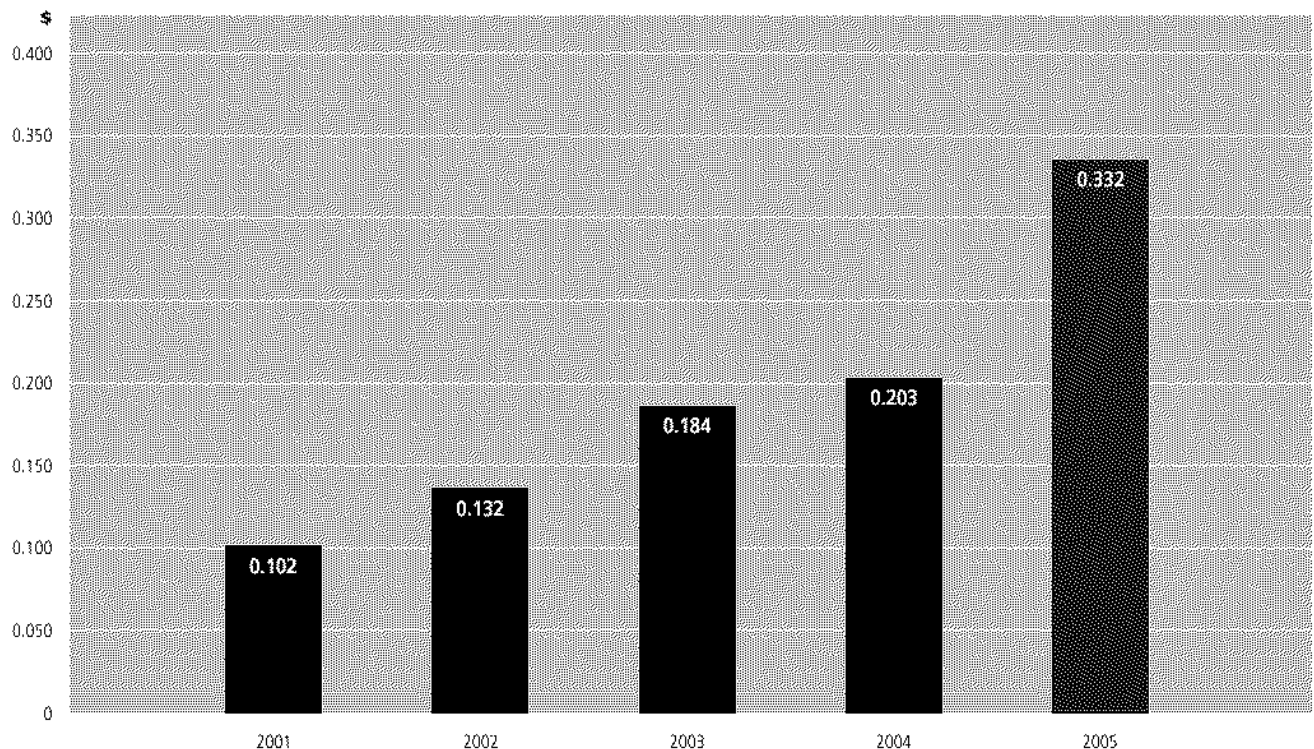
The amounts recorded for Mr L Ackroyd and Mr A Williams represents a provision of retirement benefits from the date of commencement of service to 30 June 2004 which was not previously provided in the accounts.

Company Performance

The graph below shows the performance of the Company (as measured by the Company's earnings per share).

The earnings per share calculation for year ended 30 June 2002 excludes the impact of the fraud in that year.

Earnings per Share

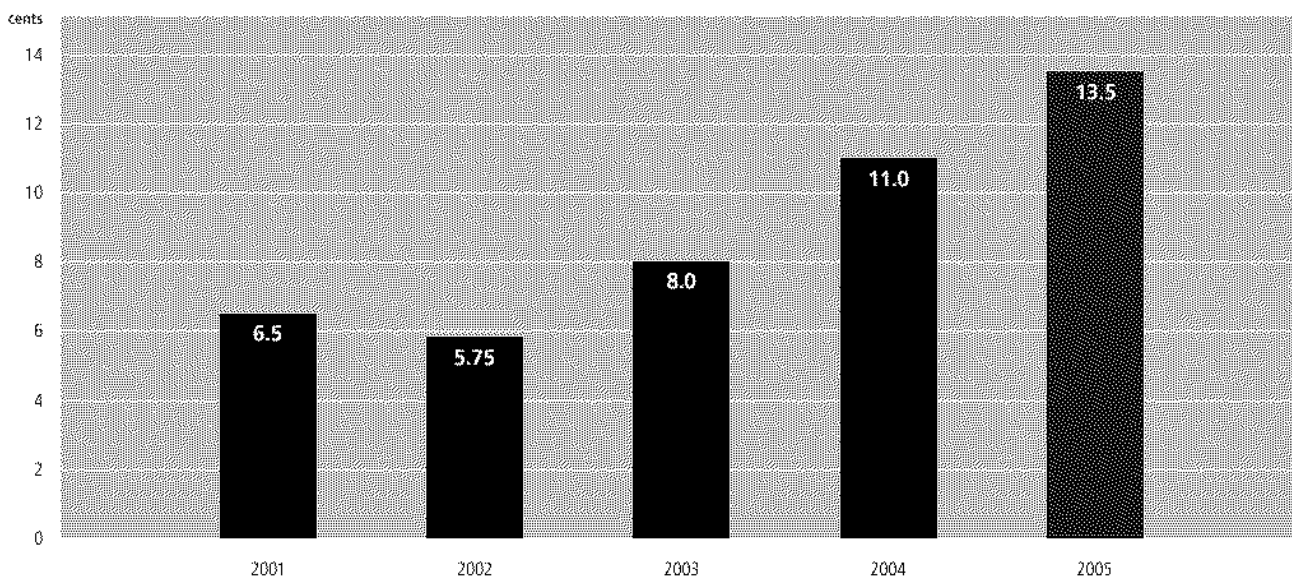


Director remuneration for the year ended 30 June 2005

Director	Base Emolument \$	Non-cash Benefits \$	Retirement Benefits \$	Super Contributions \$	Total \$
<i>Non Executive</i>					
Mr A Williams	80,000	-	1,760	8,800	90,560
Mr L Ackroyd	45,000	-	13,536	4,950	63,486
Mr G Boulton	45,000	-	5,000	4,950	54,950
Mr A Johnson	45,000	-	10,000	4,950	59,950
Mr R Nicholson	45,000	-	10,000	4,950	59,950
Mr J Osborne	45,000	-	4,667	4,950	54,617
<i>Executive</i>					
Mr L Winsler	343,000	36,255	-	37,752	417,207

Remuneration of the five named Executives who receive the highest remuneration for the year ended 30 June 2005

Executive Officers	Base Emolument \$	Non-cash Benefits \$	Retirement Benefits \$	Super Contributions \$	Total \$
Mr S Fanning	242,912	33,844	-	37,371	314,127
Mr D Coldham	166,454	24,083	-	42,010	232,547
Mr B Wharton	173,250	23,700	-	19,058	216,008
Mr G Allen	148,500	21,840	-	18,038	188,378
Mr B Walsh	129,910	23,037	-	31,091	184,038

Dividends paid to Shareholders

General Disclosures

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

Indemnification and Insurance of Directors and Officers

Indemnification

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

Insurance Premiums

Since the end of the previous financial year, the Company and its Directors, Executive Officers and Secretaries, have paid insurance premiums of \$22,339 in respect of Directors and Officers' Liability insurance contracts, for current and former officers, including Directors, Executive Officers and the Secretaries of the Company and its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in successfully defending proceedings, whether civil or criminal; and
- other liabilities that may arise from their position, with the exception of conduct involving a 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 Williams, G Boulton, A Johnson, R Nicholson, J Osborne, L Ackroyd and L Winser.

Other officers covered by the contract are Executive Officers and the Secretaries of the Company and Directors and the Secretaries of controlled entities (who are not also Directors of the Company), General Managers and other Executive Officers of controlled entities.

Tax Consolidation

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

Corporate Governance

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of K&S Corporation Limited support the principles of corporate governance. The Company's Corporate Governance Statement commences on page 20 of the Annual Report.

Rounding Off

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

Auditor Independence and Non-Audit Services

The entity's auditor, Ernst & Young have provided the economic entity with an Auditors' Independence Declaration which is on page 69 of this report.

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

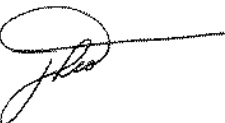
Ernst & Young received or are due to receive the following amounts for the provision of non-audit services: Accounting advice with impact to the Rights Issue – \$25,000 and Assistance with the transition to the Australian equivalents of IFRS – \$10,980.

Dated at Mount Gambier this 23rd day of August 2005.

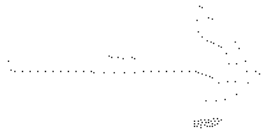
Signed in accordance with a resolution of the Directors.



A Williams
Director



L Winser
Director



20 Corporate Governance



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

In keeping with the Australian Stock Exchange Corporate Governance Council's Principles of Good Corporate Governance, this statement outlines the Company's compliance with the ASX principles. The Board has progressively implemented the changes to its Corporate Governance processes.

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

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

The Roles of the Board and Management

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

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

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

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

Structure of the Board

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

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

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered independent judgement. Materiality of business and other relationships held by a Director is considered from both the Company and individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. Quantitative factors relate to the financial value of the business or other relationship.

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

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

Name	Position
A Williams	<i>Chairman, Non Executive Director</i>
G Boulton	<i>Non Executive Director</i>
J Osborne	<i>Non Executive Director</i>

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

The Board considers the following Directors as not independent:

L Winser	<i>Managing Director</i>
L Ackroyd	<i>Non Executive Director. Mr Ackroyd is the Group Financial Controller and a Director or Secretary of a number of companies within the Scott Group of privately owned companies, one of which (A A Scott Pty Ltd) is the largest shareholder of K&S Corporation Limited.</i>
R Nicholson	<i>Non Executive Director. Mr Nicholson is a Director of a number of companies within the Scott Group of privately owned companies, one of which (A A Scott Pty Ltd) is the largest shareholder of K&S Corporation Limited.</i>
A Johnson	<i>Non Executive Director. Mr Johnson is Chairman of a company controlled by A A Scott Pty Ltd, the largest shareholder of K&S Corporation Limited. Mr Johnson is also a partner of Johnson Winter & Slattery which provides legal services to K&S Corporation Limited and its subsidiaries.</i>

The Board structure is consistent with ASX Principle 2, with the exception of *Recommendation 2.1* which requires that the majority of the Board be Independent Directors. The Board structure ceased to comply with *Recommendation 2.1* because of the appointment on 29 October 2004 of Mr A Johnson as Chairman of a company controlled by A A Scott Pty Ltd, the largest shareholder of K&S Corporation Limited. Prior to this appointment, the Board regarded Mr A Johnson as an Independent Non Executive Director.

The Board considers that the mix of skills and experience of and the contributions by the Non-Independent Non Executive Directors offsets the benefits to the Company of having a majority of Independent Non Executive Directors. However, as part of the review of Board Performance (refer below) Directors have regard to the balance of Independent and Non-Independent Non Executive Directors.

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

The Board meets formally at least eleven times a year and on other occasions as required. During the course of the year, the Board's sub-committees meet on a number of occasions to deal with their specific responsibilities in relation to the Company's business. Senior Management attend and are a vital ingredient to the sub-committees, making presentations, providing information and responding to questions of the Directors.

All Directors have unrestricted access to all employees of the Group and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular financial and operational reports from Senior Management to enable it to carry out its duties and responsibilities.

Retirement and Re-election of Directors

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

Review of Board Performance

During the 2005 financial year, the Board implemented a process for the regular review of its overall performance, consistent with ASX Principle 8. Regular review involves both analysis by the Board of the results of a questionnaire completed by all Directors and discussion between the Chairman and each of the Directors. The Board's performance review departs from *Recommendation 8.1* as the review is conducted by the full Board, and not the Nomination and Remuneration Committee. As the Board is comprised of only seven Directors, the Board considers this the most effective way to address its own performance.

Committees of the Board

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

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

Audit Committee

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

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the

effectiveness and efficiency of significant business processes, the safeguard of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as benchmarking of operational key performance indicators. The Board has delegated to the Audit Committee the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity, consistent with ASX Principle 4.

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

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

The members of the Audit Committee during the year were:

L Ackroyd (Chairman)
G Boulton

Mr Ackroyd, as Chairman of the Audit Committee, is not considered to be independent using the ASX Council's definition of independence by virtue that he is an officeholder and employee of companies associated with the largest shareholder of the Group. However, the Board considers that Mr Ackroyd's extensive experience in the fields of Finance, Accounting, Transport and Management brings an appropriate level of knowledge, experience and expertise to the role of Chairman of the Audit Committee.

The ASX Council Guidelines recommends that the Audit Committee consist of at least 3 members who are all non executive and the majority independent. The Board is of the view that the current composition of the Audit Committee is appropriate given the size of the business and extensive financial skills of the current members of the Audit Committee.

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

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

Nomination and Remuneration Committee

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

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

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

Mr J Osborne (*Chairman*)

Mr R Nicholson

Mr A Williams

Mr L Winser

The Nomination and Remuneration Committee meets twice a year and as required. The Committee met formally twice, but also informally on a number of other occasions during the year.

The Company's Non Executive Directors receive only fees and superannuation for their services and the reimbursement

of reasonable expenses. The fees paid to the Company's Non Executive Directors reflect the demands on, and responsibilities of, those Directors. The advice of independent remuneration consultants is taken to establish that the Directors' fees are in line with market standards. Non Executive Directors do not receive any shares, options or other securities in addition to their remuneration.

A Directors' fee pool limit of \$400,000 was approved by Shareholders at the Annual General Meeting in November 2004. This fee pool is only available to Non Executive Directors. The Non Executive Directors currently receive \$45,000 per annum and the Chairman is paid \$80,000 per annum. Committee membership does not entitle a Director to additional fees.

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

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

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

Further details of Directors' remuneration, superannuation and retirement payments are set out in the Directors' Report and Note 33 to the financial statements.

Environmental Committee

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

The members of the Environmental Committee during the year were:

Mr A Johnson (*Chairman*)

Mr J Osborne

Mr L Winser

Mr Chris Bright acts as Secretary to the Environmental Committee.

The Environmental Committee is responsible for:

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

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

The Environmental Committee met four times during the year.

Financial Reporting

Consistent with ASX Principle 4, the Company's financial report preparation and approval process for the financial year ended 30 June 2005, involved both the Chief Executive Officer and Chief Financial Officer giving a sign off that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This sign off also includes the Company's risk management processes and internal compliance and control procedures.

Audit Governance and Independence

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

The Company's current external Auditors are Ernst & Young. The effectiveness, performance and independence of the external Auditor is reviewed by the Audit Committee. If it becomes necessary to replace the external Auditor for performance or independence reasons, the Audit Committee will then formalise a process for the selection and appointment of new Auditors.

Ernst & Young has a policy for the rotation of the lead audit partner for their clients. The lead audit partner for the Company will be next rotated from 1 July 2007.

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

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

Risk Management

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

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

- Appropriate due diligence procedures for acquisitions and divestments.
- Disaster management systems for key IT systems and recovery plans.

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

Continuous Disclosure

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

The Company Secretary has the responsibility for overseeing and co-ordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Managing Director, Chairman and the Chief Financial Officer in relation to continuous disclosure matters. The Chairman, or in his absence the Deputy Chairman, approves all releases to the Australian Stock Exchange prior to release.

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

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

Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. 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 35.

Director Dealing in Company Shares

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

- Except up to 30 days after either the release of the Company's half year and annual results to the Australian 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.

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 and is well advanced in the implementation of Occupational Health & Safety systems to meet the AS4801 Standard.

Ethical Standards

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

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

Code of Conduct

The Company has a Code of Conduct for its employees to act within the law, avoid conflicts of interest, protect Company property, keep information confidential and act honestly and ethically in all business activities.

Trade Practices

The Company has a Trade Practices Policy advising relevant employees 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, Environment Protection, and Electronic Communications Policies and the Road Law Compliance Statement.

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

Communication with Shareholders

The Company places considerable importance on the communication with Shareholders.

The Company's communication strategy promotes the communication of information to Shareholders through the distribution of the Annual Report, announcements through the Australian Stock Exchange and the media regarding changes to the business and the Chairman address at the Annual General Meeting.

K&S Corporation Limited post all reports, Australian Stock Exchange and media releases on the Company's website.

The communication strategy is consistent with ASX Principle 10.

Financial Report

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2005

K&S
CORPORATION
LIMITED
AND ITS
CONTROLLED
ENTITIES

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The logo for K&S Corporation Limited is a stylized, symmetrical emblem. It features a central diamond shape with four points extending outwards, resembling a four-pointed star or a cross with rounded ends. The text "K&S CORPORATION LIMITED" is written in a bold, sans-serif font across the horizontal bar of the emblem.

K&S CORPORATION LIMITED

ABN 67 007 561 837

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Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2005

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	Note	Consolidated		The Company	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
Revenue from rendering of services	3	298,241	258,036	-	-
Revenue from sale of goods	3	42,569	37,686	-	-
Revenue from sale of non-current assets	3	11,656	3,270	-	-
Other revenues from ordinary activities	3	1,122	1,354	15,598	10,490
Total Revenue	3	353,588	300,346	15,598	10,490
Cost of goods sold		(39,157)	(34,387)	-	-
Contractor costs		(124,734)	(107,991)	-	-
Employee benefits expenses		(71,119)	(64,084)	(499)	(273)
Fleet expenses		(57,113)	(44,490)	-	-
Depreciation and amortisation expenses	4(b)	(14,493)	(13,621)	-	-
Borrowing costs	4(b)	(2,947)	(2,832)	(143)	(150)
Other expenses from ordinary activities		(12,362)	(12,983)	(132)	(20)
Written down value of non-current assets sold		(10,250)	(2,282)	-	-
2002 fraud related recoveries/(expenses), net	4(a)	6,060	(179)	-	-
Reversal of previous write down of buildings	4(a)	837	-	-	-
Share of net profits of associates using the equity accounting method	30	129	124	-	-
Profit from ordinary activities before related income tax expense		28,439	17,621	14,824	10,047
Income tax expense relating to ordinary activities	6(a)	(8,518)	(5,451)	53	(14)
Profit from ordinary activities after related income tax expense		19,921	12,170	14,877	10,033
Net profit attributable to members of the parent entity	22	19,921	12,170	14,877	10,033
Non-owner transaction changes in equity					
Net increase/(decrease) in asset revaluation reserve	21	6,451	-	-	-
Net exchange difference on translation of financial statements of foreign controlled entity	21	36	305	-	-
Total changes in equity from non-owner related transactions attributable to the members of the parent entity	24	26,408	12,475	14,877	10,033
Basic earnings per share	7	33.21	20.29		

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 31 to 67.

Statement of Financial Position

AS AT 30 JUNE 2005

	Note	Consolidated		The Company	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
Current assets					
Cash	9	14,661	7,672	-	-
Receivables	10	41,280	29,878	38,580	23,043
Inventories	11	2,317	1,931	-	-
Other	14	2,422	2,340	-	-
Total current assets		60,680	41,821	38,580	23,043
Non-current assets					
Receivables	10	-	-	17,961	17,961
Investments accounted for using equity method	12	536	532	-	-
Other financial assets	13	20	20	14,040	14,040
Property, plant & equipment	15	110,489	99,766	-	-
Intangibles	16	9,233	8,732	-	-
Deferred tax assets	6(c)	3,058	3,642	2,960	3,565
Total non-current assets		123,336	112,692	34,961	35,566
Total assets		184,016	154,513	73,541	58,609
Current liabilities					
Payables	17	37,471	30,045	25,520	15,935
Interest bearing liabilities	18	10,888	10,534	-	-
Current tax liabilities	6(b)	2,014	4,386	2,135	4,480
Provisions	19	4,311	3,723	-	-
Total current liabilities		54,684	48,688	27,655	20,415
Non-current liabilities					
Interest bearing liabilities	18	35,814	31,905	60	60
Deferred tax liabilities	6(c)	5,653	5,369	5,313	5,046
Provisions	19	2,963	2,560	360	315
Total non-current liabilities		44,430	39,834	5,733	5,421
Total liabilities		99,114	88,522	33,388	25,836
Net assets		84,902	65,991	40,153	32,773
Equity					
Contributed equity	20	27,966	27,966	27,966	27,966
Reserves	21	11,548	6,356	230	230
Retained profits	22	45,388	31,669	11,957	4,577
Total equity		84,902	65,991	40,153	32,773

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 31 to 67.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2005

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	Note	Consolidated		The Company	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
Cash flows from operating activities					
Cash receipts in the course of operations		379,315	330,720	596	489
Cash payments in the course of operations		(331,608)	(287,158)	(480)	(444)
Dividends received		1	1	15,001	10,000
Interest received		255	339	1	1
Borrowing costs paid		(2,947)	(2,832)	(143)	(150)
Income taxes paid, net		(10,023)	(7,533)	(1,526)	(1,976)
Net goods and services tax paid		(8,972)	(8,261)	-	-
2002 fraud related recoveries/(expenses), net		(389)	(179)	-	-
Net cash provided by operating activities	31(I)	25,632	25,097	13,449	7,920
Cash flows from investing activities					
Proceeds from sale of non-current assets		11,656	3,270	-	-
Payments for property plant & equipment		(11,090)	(7,037)	-	-
Purchase of NZ businesses		(4,730)	-	-	-
Purchase of controlled entity	31(III)	-	(8,821)	-	-
Net cash (used) in investing activities		(4,164)	(12,588)	-	-
Cash flows from financing activities					
Proceeds from borrowings		7,232	13,000	-	-
Repayments of borrowings		(4,329)	(12,573)	-	-
Lease and hire purchase liability repayments		(9,812)	(11,112)	-	-
Dividends paid		(7,497)	(5,548)	(7,497)	(5,548)
Decrease in loans to controlled entities		-	-	(5,952)	(2,372)
Net cash used in financing activities		(14,406)	(16,233)	(13,449)	(7,920)
Net Increase/(decrease) in cash held		7,062	(3,724)	-	-
Cash at the beginning of the financial year		7,672	11,477	-	-
Effects of exchange rate variances on cash		(73)	(81)	-	-
Cash at the end of the financial year	31(I)	14,661	7,672	-	-

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 31 to 67.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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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 the 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.

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 and 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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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 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 within normal trading terms. The collectability of debts is assessed at balance date and provisions made for any doubtful accounts. 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 the Group's current investment in an associate is being amortised over a 20-year period.

Other companies

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

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

l) Leased assets – Note 18

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

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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.

n) Recoverable amount of non-current assets valued on a 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:

	2005	2004
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

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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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 determining 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 32

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

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.

2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Note	Consolidated		The Company	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
3 Revenue from Ordinary Activities					
Revenue from rendering of services		298,241	258,036	-	-
Revenue from sale of goods		42,569	37,686	-	-
Other revenues:					
<i>From operating activities</i>					
Dividends					
Other parties		1	1	1	-
Related parties ~ wholly owned controlled entities	35	-	-	15,000	10,000
Interest					
Other parties		255	339	1	1
<i>From outside operating activities</i>					
Gross proceeds from the sale of non-current assets		11,656	3,270	-	-
Other revenues		866	1,014	596	489
Total other revenues		12,778	4,624	15,598	10,490
Total revenue from ordinary activities		353,588	300,346	15,598	10,490
4 Profit from Ordinary Activities before Income Tax Expense					
a) Individually significant expenses included in profit from ordinary activities before income tax expense					
2002 fraud related recoveries		(6,552)	(216)	-	-
Costs relating to fraud recovery		492	395	-	-
Reversal of previous write down of buildings		(837)	-	-	-
		(6,897)	179	-	-
b) Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:					
Cost of goods sold		39,157	34,387	-	-
Depreciation of:					
Buildings		321	353	-	-
Motor vehicles		11,995	10,314	-	-
Plant and equipment		1,585	2,095	-	-
Amortisation of:					
Goodwill		362	234	-	-
Goodwill associated entity		20	20	-	-
Brand name		100	100	-	-
Fuel distribution rights		62	63	-	-
Leased assets capitalised		48	442	-	-
Total depreciation and amortisation		14,493	13,621	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
4 Profit from Ordinary Activities before Income Tax Expense ...continued				
b) Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items...continued				
Borrowing Costs				
Related parties – wholly owned controlled entities	-	-	138	145
Related parties – other	5	5	5	5
Other parties	1,081	935	-	-
Finance charges on capital leases	1,861	1,892	-	-
Total borrowing costs	2,947	2,832	143	150
Bad debts written off	49	29	-	-
Amounts set aside to provisions for:				
Directors retirement allowance	45	14	45	14
Employee benefits	4,690	3,709	-	-
Doubtful debts	174	609	-	-
Reversal of provision for doubtful debts no longer required	(832)	-	-	-
	4,077	4,332	45	14
Operating lease rental expense:				
Property	7,488	5,900	-	-
Plant & equipment	3,601	1,659	-	-
	11,089	7,559	-	-
Net (gains)/losses on disposal of non-current assets				
Property plant & equipment	(1,406)	(988)	-	-
	2005 \$	2004 \$	2005 \$	2004 \$
5 Auditors' Remuneration				
Audit Services:				
Auditors of the Company – Ernst & Young:				
Audit and review of the statutory financial reports	101,500	97,500	-	-
	101,500	97,500	-	-
Other Services:				
Other Services – Ernst & Young:				
Accounting advice to Rights Issue	25,000	-	-	-
Assistance with the transition to the Australian equivalent of IFRS	10,980	10,350	-	-
	35,980	10,350	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
6 Taxation				
a) Income tax expense				
Prima facie income tax expense calculated at 30% on the operating profit	8,532	5,286	4,447	3,014
Increase in income tax expense due to non tax deductible items:				
Depreciation of buildings	36	62	-	-
Differential tax rate applicable to overseas subsidiary	52	26	-	-
Amortisation of goodwill	163	130	-	-
Other	31	50	-	-
	8,814	5,554	4,447	3,014
Decrease in income tax expense due to:				
Rebate on dividend income	-	-	(4,500)	(3,000)
Gain on revaluation	(251)	-	-	-
Share of associate's net profit	(45)	(43)	-	-
	8,518	5,511	(53)	14
Income tax under/(over) provided in prior years	-	(60)	-	-
Total income tax expense	8,518	5,451	(53)	14
b) Current tax liabilities				
Current tax payable	2,014	4,386	2,135	4,480
Balance at end of year	2,014	4,386	2,135	4,480
c) Deferred tax assets and liabilities				
Deferred tax liability – non-current	5,653	5,369	5,313	5,046
Deferred tax asset – non-current	3,058	3,642	2,960	3,565
d) Income tax losses				
Deferred tax asset in note 6 (c) include tax losses totalling	-	-	-	-

e) Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, K&S Corporation Limited and its 100% domestic owned subsidiaries formed a tax consolidated group. Members of the Group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. 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 formally notified the Australian Taxation Office of its adoption of the tax consolidation regime when lodging its 30 June 2003 consolidated tax return.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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	Consolidated	
	2005 cents	2004 cents
7 Earnings per Share		
Basic earnings per share (cents per share)	33.21	20.29
Earnings reconciliation	\$000's	\$000's
Net profit	19,921	12,170
Basic earnings	19,921	12,170
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	59,979,640	59,979,640

Conversion Call, Subscription or issue after 30 June 2005

The following has occurred since balance date:

On 17 June 2005 K&S Corporation Limited announced its intention to raise equity under a Non Renounceable Rights Issue. The terms of the issue were 1 share for every 10 shares held at \$2.80 per share. The number of shares issued was 5,993,867 and it raised \$16,552,828 (after costs associated with the issue). The issue was fully underwritten by A A Scott Pty Ltd, subject to the terms of an underwriting agreement. Allotment of the new shares was completed on 21 July 2005. With the finalisation of the Rights Issue, the economic entity has 65,973,507 ordinary fully paid shares on issue. The new shares will participate in the 28 October 2005 dividend of 7.0 cents per share. The total dividend payment will be \$4,618,145, of which \$419,571 represents dividends to be paid on shares to be issued under the Non-Renounceable Rights Issue.

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 associated revenue, interest bearing loans, borrowings and interest expenses, corporate assets and associated 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
Fuel	The distribution of fuel to the fishing, farming and retail customers within the South East of South Australia

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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	Note	Consolidated		The Company	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
9 Cash Assets					
Cash		18	18	-	-
Cash deposits with banks		14,643	7,654	-	-
		14,661	7,672	-	-
10 Receivables					
Current					
Trade debtors		36,122	29,112	-	-
Less: Provisions for doubtful trade debtors		(333)	(1,040)	-	-
		35,789	28,072	-	-
Sundry debtors		5,491	1,806	-	-
Amounts owing by controlled entities		-	-	38,580	23,043
		41,280	29,878	38,580	23,043
Non-current					
Amounts owing by controlled entities		-	-	17,961	17,961
		-	-	17,961	17,961
11 Inventories					
Consumable stores – at cost		453	555	-	-
Finished goods – fuel at cost		1,864	1,376	-	-
		2,317	1,931	-	-
12 Investments accounted for using Equity Method					
Shares in associates – equity accounted		536	532	-	-
	30	536	532	-	-
13 Other Financial Assets					
Shares in controlled entities – at cost		-	-	14,020	14,020
Other corporations – listed shares at market value		20	20	20	20
		20	20	14,040	14,040
14 Other Current Assets					
Prepayments		2,422	2,340	-	-
		2,422	2,340	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
15 Property, Plant & Equipment				
Freehold land				
At cost	-	5,488	-	-
Fair value	27,180	15,491	-	-
	27,180	20,979	-	-
Buildings				
At cost	2,549	335	-	-
Fair value	10,206	10,938	-	-
Less: accumulated depreciation	(321)	(794)	-	-
	12,434	10,479	-	-
Motor vehicles				
At cost	128,688	113,812	-	-
Less: accumulated depreciation	(61,235)	(49,240)	-	-
	67,453	64,572	-	-
Plant & equipment				
At cost	29,935	28,142	-	-
Less: accumulated depreciation	(26,513)	(24,928)	-	-
	3,422	3,214	-	-
Plant and equipment under lease				
Less: accumulated amortisation	-	1,167	-	-
	-	(645)	-	-
	-	522	-	-
Total property, plant & equipment at net book value	110,489	99,766	-	-

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The freehold land and buildings are included in the financial statements at fair value except for capital expenditure subsequent to the valuation which is recorded at cost. The fair value of land and buildings in 2005 was determined based on an independent valuation undertaken in September 2004 by Jones Lang LaSalle on the basis of open market values of properties for the highest and best use. Directors have adopted this independent valuation as fair value. This has resulted in an increase to the Asset Revaluation Reserve of \$6,451,000.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
<i>13 Property, Plant & Equipment ...continued</i>				
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	20,979	15,491	-	-
Additions	4,543	5,488	-	-
Revaluation	4,857	-	-	-
Disposals	(3,200)	-	-	-
Net foreign currency movements arising from self sustaining foreign operations	1	-	-	-
Carrying amount at end of year	27,180	20,979	-	-
Buildings				
Carrying amount at beginning of year	10,479	10,502	-	-
Additions	4,751	315	-	-
Revaluations	2,432	-	-	-
Additions through acquisition of entities	-	15	-	-
Disposals	(4,908)	-	-	-
Depreciation	(321)	(353)	-	-
Net foreign currency movements arising from self sustaining foreign operations	1	-	-	-
Carrying amount at end of year	12,434	10,479	-	-
Motor vehicles				
Carrying amount at beginning of year	64,572	53,594	-	-
Additions	15,706	14,605	-	-
Additions through acquisition of entities	-	7,032	-	-
Transfer from leased plant & equipment	474	1,499	-	-
Disposals	(1,292)	(2,090)	-	-
Depreciation	(11,995)	(10,314)	-	-
Net foreign currency movements arising from self sustaining foreign operations	(12)	246	-	-
Carrying amount at end of year	67,453	64,572	-	-
Plant and equipment				
Carrying amount at beginning of year	3,214	4,832	-	-
Additions	2,641	525	-	-
Additions through acquisition of entities	-	140	-	-
Disposals	(850)	(192)	-	-
Depreciation	(1,585)	(2,095)	-	-
Net foreign currency movements arising from self sustaining foreign operations	2	4	-	-
Carrying amount at end of year	3,422	3,214	-	-
Plant and equipment under lease				
Carrying amount at beginning of year	522	2,463	-	-
Transfer to motor vehicles	(474)	(1,499)	-	-
Amortisation	(48)	(442)	-	-
Carrying amount at end of year	-	522	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
16 Intangibles				
Goodwill – at cost	8,282	7,257	-	-
Less: accumulated amortisation	(1,449)	(1,087)	-	-
	6,833	6,170	-	-
Brand name – K&S Freighters Pty Ltd – at cost	2,000	2,000	-	-
Less: accumulated amortisation	(600)	(500)	-	-
	1,400	1,500	-	-
Fuel distribution rights – at cost	1,250	1,250	-	-
Less: accumulated amortisation	(250)	(188)	-	-
	1,000	1,062	-	-
	9,233	8,732	-	-
On 1 February 2005, the economic entity acquired 2 New Zealand businesses for \$4,730,000. As part of the acquisition, the economic entity received plant and equipment at fair value of \$3,723,000. The difference between the purchase consideration and the fair value of the plant and equipment of \$1,007,000 represents goodwill.				
17 Payables				
Trade creditors and accruals	37,471	30,045	-	-
Amounts owed to controlled entities	-	-	25,520	15,935
	37,471	30,045	25,520	15,935

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
18 Interest Bearing Liabilities				
Current				
Bank loans – secured	-	1,705	-	-
Lease liabilities – secured	-	306	-	-
Hire purchase liabilities – secured	10,888	8,523	-	-
	10,888	10,534	-	-
Non-current				
Bank loans – secured	16,802	12,215	-	-
Non redeemable preference shares	60	60	60	60
Hire purchase liabilities – secured	18,952	19,630	-	-
	35,814	31,905	60	60
Lease commitments in respect of capitalised finance Leases are payable as follows:				
Not later than one year	-	324	-	-
Later than one year but not later than five years	-	-	-	-
	-	324	-	-
Deduct: future finance charges	-	(18)	-	-
Total lease liability	-	306	-	-
Current				
Current	-	306	-	-
Non-current	-	-	-	-
	-	306	-	-
Commitments in respect of hire purchase agreements are payable as follows:				
Not later than one year	12,474	10,048	-	-
Later than one year but not later than five years	20,668	21,100	-	-
	33,142	31,148	-	-
Deduct: future finance charges	(3,302)	(2,995)	-	-
Total hire purchase liability	29,840	28,153	-	-
Current				
Current	10,888	8,523	-	-
Non-current	18,952	19,630	-	-
	29,840	28,153	-	-

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

The written down value of assets secured by hire purchase agreements is \$38,139,358 (2004: \$31,240,220). The weighted average cost of these facilities was 6.66% (2004: 6.25%).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
18 Interest Bearing Liabilities ...continued				
Financing arrangements				
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank overdrafts	3,000	3,000	-	-
Bank loans	40,783	24,390	-	-
Standby letters of credit	1,217	1,655	-	-
	45,000	29,045	-	-
Facilities utilised at balance date:				
Bank overdrafts	-	-	-	-
Bank loans	16,802	13,920	-	-
Standby letters of credit	1,217	1,060	-	-
	18,019	14,980	-	-
Facilities not utilised at balance date:				
Bank overdrafts	3,000	3,000	-	-
Bank loans	23,981	10,470	-	-
Standby letters of credit	-	595	-	-
	26,981	14,065	-	-

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Bank overdrafts

The bank overdrafts within the consolidated entity are secured by a guarantee from the Company. The bank overdraft is secured by fixed and floating charges over the assets of the consolidated entity. The facilities are subject to annual review by the banks concerned and have been extended to dates after 30 June 2006.

Bank loans

All bank loans are denominated in Australian dollars. The bank loan amounts in current liabilities comprises the portion of the consolidated entity's bank loan payable within one year \$nil (2004: \$1,705,000). 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 \$36,648,417 (2004: \$25,467,556). The non-current bank loans are subject to annual review.

The bank loan facility is available for a period beyond 30 June 2006. The facility bears interest at 6.52% (2004: 5.89%).

Hire purchases

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
18 Interest Bearing Liabilities ..continued				
The carrying amount of the pledged properties are as follows:				
Freehold land	26,836	15,408	-	-
Buildings	9,812	10,060	-	-
Plant and equipment	2,475	2,478	-	-
Total pledged	39,123	27,946	-	-
Non-cash financing and investment activities				
During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of \$11,209,441 (2004: \$13,896,004) and disposed of property, plant and equipment with an aggregate fair value of \$nil (2004: \$nil) by means of finance lease or hire purchase arrangements. These acquisitions and disposals are not reflected in the Statement of Cash Flows.				
19 Provisions				
Current				
Employee benefits	4,311	3,723	-	-
	4,311	3,723	-	-
No dividends have been provided for the year ended 30 June 2005. 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.				
Non-current				
Employee benefits	2,603	2,245	-	-
Directors retirement allowance	360	315	360	315
	2,963	2,560	360	315
20 Contributed Equity				
issued and paid-up capital				
59,979,640 (2004: 59,979,640) 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

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
21 Reserves				
Asset revaluation	11,221	6,065	230	230
Foreign currency translation	327	291	-	-
	11,548	6,356	230	230
Movements during the year				
Asset revaluation				
Balance at the beginning of the year	6,065	6,065	230	230
Transfer to retained earnings due to sale of land & buildings	(1,295)	-	-	-
Net revaluation increments arising from the revaluation of land & buildings	6,451	-	-	-
	11,221	6,065	230	230
Foreign currency translation				
Balance at the beginning of the year	291	(14)	-	-
Gain/(loss) on translation of overseas controlled entities	36	305	-	-
	327	291	-	-
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".				
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.				
22 Retained Profits				
Retained profits at the beginning of year	31,669	25,047	4,577	92
Net profit attributable to members	19,921	12,170	14,877	10,033
Transfer from asset revaluation reserve due to sale of land & buildings	1,295	-	-	-
Dividends provided for or paid	(7,497)	(5,548)	(7,497)	(5,548)
Retained profits at the end of the year	45,388	31,669	11,957	4,577

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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	Note	Consolidated		The Company	
		2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
23 Dividends Paid and Proposed					
The amounts paid or declared by way of dividend by the Company are:					
i) An interim fully franked ordinary dividend of 6.5 cents per share (2004: 5 cents fully franked) was paid on 30 March 2005					
		3,898	2,999	3,898	2,999
ii) A final fully franked ordinary dividend of 6 cents per share was paid on 29 October 2004 in relation to the 2004 financial year					
		3,599	2,549	3,599	2,549
		7,497	5,548	7,497	5,548
No unfranked dividends have been declared or paid during the year.					
The tax rate at which paid dividends have been franked is 30% (2004: 30%). Dividends proposed will be franked at 30% (2004: 30%).					
Dividend franking account					
The amount of franking credits available for the subsequent year are:					
• franking account balance as at the end of the financial year at 30% (2004:30%)					
				14,042	7,811
• franking credits that will arise from the payment of income tax payable as at the end of the financial year					
				2,135	4,480
• less franking credits from dividends announced after balance date					
				(1,799)	(1,542)
				14,378	10,749
The tax rate at which dividends have been franked is 30% (2004: 30%). Dividends proposed will be franked at the rate of 30% (2004: 30%).					
The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare a dividend.					
24 Total Equity Reconciliation					
Total equity at beginning of year					
		65,991	59,064	32,773	28,288
Total changes in parent entity interest in equity recognised in the Statement of Financial Performance					
		26,408	12,475	14,877	10,033
Transactions with owners as owners:					
Dividends paid or provided					
	23	(7,497)	(5,548)	(7,497)	(5,548)
Total equity at end of year					
		84,902	65,991	40,153	32,773

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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25 Additional Financial Instrument Disclosure (continued)

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 contracted future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amount of bank loans, trade debtors, trade creditors and accruals, lease liabilities, employee entitlements and dividends payable approximate net fair value.

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

	Consolidated		Consolidated	
	2005 Carrying Amount \$000's	2005 Net Fair Value \$000's	2004 Carrying Amount \$000's	2004 Net Fair Value \$000's
Financial assets				
Cash	14,661	14,661	7,672	7,672
Receivables	41,280	41,280	29,878	29,878
Investments – shares in other listed corporations	20	20	20	20
Financial liabilities				
Trade creditors and accruals	37,471	37,471	30,045	30,045
Bank loans – secured	16,802	16,802	13,920	13,920
Lease liabilities – secured	-	-	306	306
Hire purchase liabilities – secured	29,840	29,840	28,153	28,153

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.

The net fair value of hire purchase liabilities is not materially different from the carrying amounts. Accordingly, the net fair value is assumed to be the carrying amount.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
26 Commitments				
The estimated maximum amount of commitments and contingent liabilities not provided for in the accounts as at 30 June 2005 are:				
Capital expenditure commitments				
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	38,653	7,075	-	-
Lease rental commitments				
Operating lease and hire commitments:				
Not later than one year	6,947	7,519	-	-
Later than one year but not later than five years	18,993	8,232	-	-
Later than five years	724	-	-	-
	26,664	15,751	-	-
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.				

27 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 totalling \$1,217,097 (2004: \$1,060,000) have been provided by the Westpac Banking Corporation Limited and Commonwealth Bank of Australia to suppliers on behalf of companies in the consolidated entity.

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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28 Deed of Cross Guarantee

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

The subsidiaries subject to the Deed are:

- Reid Bros Pty Ltd
- Kain & Shelton Pty Ltd
- K&S Freighters Pty Ltd
- K&S Group Administrative Services Pty Ltd
- Kain & Shelton (Agencies) Pty Ltd
- K&S Transport Management Pty Ltd
- Blakistons-Gibb Pty Ltd
- K&S Logistics Pty Ltd
- K&S Integrated Distribution Pty Ltd
- K&S Group Pty Ltd
- K&S Freighters Limited
- Cochrane's Transport Limited

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

A consolidated Statement of 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 2005 is set out on page 53.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated	
	2005 \$000's	2004 \$000's
<i>28 Deed of Cross Guarantee...continued</i>		
Statement of Financial Performance		
Profit from ordinary activities before income tax	28,439	17,621
Income tax relating to ordinary activities	(8,518)	(5,451)
Profit from ordinary activities after related income tax	19,921	12,170
Retained profits at the beginning of the year	31,669	25,047
Transfer from asset revaluation reserve due to sale of land & buildings	1,295	-
Dividends provided for or paid	(7,497)	(5,548)
Retained profits at the end of the year	45,388	31,669
Statement of Financial Position		
Cash	14,661	7,672
Receivables	41,280	29,878
Inventories	2,317	1,931
Other	2,422	2,340
Total current assets	60,680	41,821
Investments accounted for using equity method	536	532
Other financial assets	20	20
Property, plant and equipment	110,489	99,766
Intangibles	9,233	8,732
Deferred tax assets	3,058	3,642
Total non-current assets	123,336	112,692
Total assets	184,016	154,513
Payables	37,471	30,045
Interest bearing liabilities	10,888	10,534
Current tax liabilities	2,014	4,386
Provisions	4,311	3,723
Total current liabilities	54,684	48,688
Interest bearing liabilities	35,814	31,905
Deferred tax liabilities	5,653	5,369
Provisions	2,963	2,560
Total non-current liabilities	44,430	39,834
Total liabilities	99,114	88,522
Net assets	84,902	65,991
Contributed equity	27,966	27,966
Reserves	11,548	6,356
Retained profits	45,388	31,669
Total equity	84,902	65,991

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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29 Controlled Entities

a) Particulars in relation to controlled entities

Name

K&S Corporation Limited

Controlled Entities

Reid Bros Pty Ltd

Parramatta Produce Company Pty Ltd

Kain & Shelton Pty Ltd

K&S Freighters Pty Ltd

K&S Group Administrative Services Pty Ltd

Kain & Shelton (Agencies) Pty Ltd

K&S Transport Management Pty Ltd

Blakistons-Gibb Pty Ltd

K&S Logistics Pty Ltd

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

Cochrane's Transport Limited

Class of Share

Interest Held
2005 2004
% %

Ord	100	100
Ord	0	100
Ord	100	100
Ord	100	100
Ord	100	100
Ord	100	100
Ord	100	100
Ord	100	100
Ord	100	100
Ord	0	100
Ord	0	100
Ord	100	100
Ord	100	100
Ord	100	100
Ord	100	100

Note 1: All controlled entities are incorporated in Australia with the exception of K&S Freighters Limited and Cochrane's Transport Limited which are New Zealand Companies.

Note 2: All controlled entities in the consolidated entity are beneficially wholly owned at 30 June 2005 by K&S Corporation Limited.

Note 3: The following entities have been Liquidated during the course of the year as part of a consolidation of entities within the group:
Parramatta Produce Company Pty Ltd
Robert Boyd Transport (Aust) Pty Ltd
McQuillan Holdings Pty Ltd

Consolidated
2005 2004
\$000's \$000's

30 Investments Accounted for using the Equity Method

Results of associates

Share of net profits accounted for using the equity method included in the Statement of Financial Performance

Associates

129	124
129	124

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Interest Owned		Investment Carrying Amount Consolidated	
	2005 %	2004 %	2005 \$000's	2004 \$000's
<i>30 Investments Accounted for using the Equity Method ...continued</i>				
Details of investments in associates are as follows:				
Name				
Smart Logistics Pty Ltd	50	50	520	533
Dairy Transport Logistics Pty Ltd	50	50	16	-
	Consolidated		2005	2004
	2005	2004	\$000's	\$000's
Principal activities				
Both Smart Logistics Pty Ltd and Dairy Transport Logistics Pty Ltd are providers of distribution services and consultants in transport and distribution.				
Results of associate				
Share of associates operating profit before income tax	238	215		
Share of associates income tax expense attributable to operating profit	(89)	(71)		
Amortisation of goodwill on acquisition of investment in associates	(20)	(20)		
Share of associates net profit – equity accounted	129	124		
Share of post acquisition retained profits and reserves attributed to associates				
Share of associates retained profits at the beginning of the financial year	57	83		
Share of net profit of associate	129	124		
Dividends from associates	(125)	(150)		
	61	57		
Movement in carrying amount of investments				
Carrying amount of investment in associates at the beginning of the financial year	532	558		
Share of net profit of associate	129	124		
Dividends from associates	(125)	(150)		
Carrying amount of investments in associates at the end of the financial year	536	532		

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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30 Investments Accounted for using the Equity Method...continued

Summary of performance and financial position of associates

The consolidated entity's share of aggregate assets, liabilities of associates is as follows:

	Consolidated	
	2005	2004
	\$000's	\$000's
Current assets	5,575	4,807
Non-current assets	81	153
Total assets	5,656	4,960
Current liabilities	5,388	4,681
Non-current liabilities	34	68
Total liabilities	5,422	4,749
Net assets – as reported by associates	234	211
Adjustments arising from equity accounting		
Goodwill (net of amortisation)	319	339
Other adjustments	(17)	(18)
Net assets – Equity adjusted	536	532
Commitments		
Share of associates finance lease commitments:		
Within one year	32	16
One year or later and no later than five years	55	43
Minimum lease payments	87	59
Less: Future finance charges	(4)	(4)
Total lease liability	83	55
Share of associates operating lease commitments payable:		
Within one year	30	17
One year or later and no later than five years	22	25
	52	42

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
31 Notes to the Statements of Cash Flows				
i) Reconciliation of cash				
Cash	18	18	-	-
Cash deposits with banks	14,643	7,654	-	-
	14,661	7,672	-	-
ii) Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	19,921	12,170	14,877	10,033
Add/(less) items classified as Investing/Financing Activities:				
(Profit)/loss on sale of non current assets	(1,406)	(988)	-	-
Add/(less) non cash items:				
Amortisation	592	859	-	-
Amounts set aside to provisions	281	567	45	(151)
Depreciation	13,901	12,762	-	-
Foreign currency reserve	74	110	-	-
Share of associates net profit	(129)	(124)	-	-
Dividends received from associates	125	150	-	-
Reversal of previous write down of buildings	(837)	-	-	-
Net cash provided by operating activities before change in assets and liabilities	32,522	25,506	14,922	9,882
Change in assets and liabilities				
(Increase)/decrease in inventories	(386)	(121)	-	-
(Increase)/decrease in investment in associates	-	-	-	-
(Increase)/decrease in income tax benefit	584	(403)	605	(329)
(Increase)/decrease in prepayments	(82)	(93)	-	-
(Increase)/decrease in receivables	(10,705)	626	-	-
(Decrease)/increase in trade creditors	5,800	1,270	-	-
(Decrease)/increase in income taxes payable	(2,372)	(1,039)	(2,345)	(943)
(Decrease)/increase in deferred taxes payable	283	(643)	267	(690)
Exchange rate changes on opening cash balances	(12)	(6)	-	-
Net cash provided by operating activities	25,632	25,097	13,449	7,920

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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	Consolidated		The Company	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
31 Notes to the Statements of Cash Flows ...continued				
i) Reconciliation of operating profit after income tax to net cash provided by operating activities...continued				
On 1 December 2003, K&S Corporation Limited, through its subsidiary K&S Freighters Limited, acquired 100% of the issued capital of Cochrane's Transport Limited in New Zealand. Details of the acquisition are as follows:				
Consideration	-	9,038	-	-
Cash acquired	-	217	-	-
Outflow of cash	-	8,821	-	-
Fair value of assets of entity acquired:				
Property, plant & equipment	-	7,187	-	-
Trade debtors	-	1,326	-	-
Prepayments	-	178	-	-
Provision for tax	-	(5)	-	-
Trade creditors	-	(582)	-	-
Other creditors	-	(48)	-	-
Provision for deferred income tax	-	(261)	-	-
Interest bearing liabilities	-	(4,004)	-	-
	-	3,791	-	-
Goodwill on acquisition	-	5,030	-	-
Consideration (cash)	-	8,821	-	-
32 Employee Benefits				
The aggregate employee benefit liability comprises:				
Provisions (current)	4,311	3,723	-	-
Provisions (non-current)	2,603	2,245	-	-
	6,914	5,968	-	-
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	4.0%	3.5%	4.0%	3.5%
Assumed rate of increase in salary rates	4.0%	5.0%	4.0%	5.0%
Discount rate	5.2%	5.4%	5.2%	5.4%
Settlement term (years)	15	15	15	15
Number of employees				
Number of employees at year end	1,120	991	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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33 Director and Executive Disclosures

a) Details of Specified Directors and Specified Executives

i) Specified directors

A Williams	Chairman (non-executive)
L Ackroyd	Director (non-executive)
G Boulton	Director (non-executive)
A Johnson	Director (non-executive)
R Nicholson	Director (non-executive)
J Osborne	Director (non-executive)
L Winser	Managing Director

ii) Specified executives

S Fanning	General Manager – K&S Freighters
G Allen	General Manager Administration & Company Secretary
B Walsh	Chief Financial Officer
C Bright	Legal Counsel & Company Secretary
G Wooller	General Manager – Bulk

b) Remuneration of Specified Directors and Specified Executives

i) Remuneration policy

The Nomination and Remuneration Committee of the Board of Directors of K&S Corporation Limited is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the Executive team. The Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team.

To assist in achieving these objectives, the Nomination and Remuneration Committee links the nature and amount of Executive Directors' and Officers' emoluments to the Company's financial and operational performance.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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33 Director and Executive Disclosures ..continued

b) Remuneration of Specified Directors and Specified Executives...continued

ii) Remuneration of Specified Directors and Specified Executives

		Primary		Post Employment		Total
		Salary & Fees	Non Monetary Benefits	Superannuation	Retirement Benefits	
Specified Directors						
A Williams	2005	80,000	-	8,800	1,760	90,560
	2004	19,583	-	1,762	-	21,345
L Ackroyd	2005	45,000	-	4,950	13,536	63,486
	2004	35,000	-	3,150	-	38,150
G Boulton	2005	45,000	-	4,950	5,000	54,950
	2004	35,000	-	3,150	7,000	45,150
A Johnson	2005	45,000	-	4,950	10,000	59,950
	2004	35,000	-	3,150	-	38,150
R Nicholson	2005	45,000	-	4,950	10,000	59,950
	2004	35,000	-	3,150	-	38,150
J Osborne	2005	45,000	-	4,950	4,667	54,617
	2004	35,000	-	3,150	7,000	45,150
L Winser	2005	343,200	36,255	37,752	-	417,207
	2004	286,000	25,911	31,460	-	343,371
Total	2005	648,200	36,255	71,302	44,963	800,720
	2004	480,583	25,911	48,972	14,000	569,466
Specified Executives						
S Fanning	2005	242,912	33,844	37,371	-	314,127
	2004	229,167	24,196	29,889	-	283,252
G Allen	2005	148,500	21,840	18,038	-	188,378
	2004	140,800	18,419	15,488	-	174,707
B Walsh	2005	129,910	23,037	31,091	-	184,038
	2004	117,820	20,532	27,479	-	165,831
C Bright	2005	113,333	17,031	14,340	-	144,704
	2004	98,699	17,031	8,883	-	124,613
G Wooller	2005	98,083	30,000	8,827	-	136,910
	2004	83,000	30,000	7,470	-	120,470
Total	2005	732,738	125,752	109,667	-	968,157
	2004	669,486	110,178	89,209	-	868,873

Group totals in respect of the financial year ended 2004 do not necessarily equal the sums of the amounts disclosed for 2004 for individuals specified in 2005, as different individuals were specified in 2004.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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34 Director and Executive Shareholding

a) Remuneration options: granted and vested during the year

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

b) Shareholding of Specified Directors and Executives

Shares held in K&S Corporation Limited	Balance 1 July 2004		Net Change		Balance 30 June 2005	
	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference
Specified Directors						
A Williams	-	-	-	-	-	-
L Ackroyd	-	-	-	-	-	-
G Boulton	85,000	-	-	-	85,000	-
A Johnson	137,874	-	-	-	137,874	-
R Nicholson	11,874	-	-	-	11,874	-
J Osborne	97,000	-	-	-	97,000	-
L Winser	319,400	-	-	-	319,400	-
Specified Executives						
S Fanning	-	-	-	-	-	-
G Allen	157,700	-	-	-	157,700	-
B Walsh	9,000	-	6,450	-	15,450	-
C Bright	-	-	-	-	-	-
G Wooller	-	-	-	-	-	-
Total	817,848	-	6,450	-	824,298	-

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

c) Loans to Specified Directors and Executives

There are no loans to any specified Directors or specified Executives.

d) Other transactions and balances with Specified Directors and Executives

There are no other transactions or balances to any specified Director or specified Executives.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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35 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 Williams, A Johnson, R Nicholson, G Boulton, J Osborne, L Ackroyd and L Winser.

Details of Directors remuneration are set out in Note 33.

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

Other transactions with the Company or its controlled entities

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

A A Scott Pty Ltd
Ascot Haulage (N.T.) Pty Ltd
Border Watch Pty Ltd
Fidler & Webb Pty Ltd
Heggies Bulkhaul Limited
Northern Territory Freight Services Pty Ltd
Scotts Agencies Pty Ltd
Scotts Management Pty Ltd
Scott Transport Industries Pty Ltd
Sneaths Freightlines Pty Ltd

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

Mr L Ackroyd has an interest as Director of Ascot Haulage (N.T.) Pty Ltd, Northern Territory Freight Services Pty Ltd, Sneaths Freightlines Pty Ltd and Scotts Management Pty Ltd. Transactions with these companies include sale and purchase of cartage services, other related products, storage, equipment hire and other transport related services.

Mr A A Scott has an interest in a transport facility in Ballarat which the company rents on a commercial basis. Rent in 2005 was \$56,359 (2004: \$60,788). Mr A A Scott also provides consultancy services to the consolidated entity for which he receives fees totalling \$100,000 in 2005 (2004: \$nil).

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

Mr A Johnson has an interest as Director and Chairman in the publicly listed Company, Heggies Bulkhaul Limited. Transactions with this Company during 2005 included sales of \$136,669 (2004: \$16,332) and purchase of transport related services totalling \$191,872 (2004: \$136,669).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

35 Related Parties ...continued

The aggregate amount of dealings with these companies during 2005 were as follows:

	Purchases		Sales	
	2005 \$000's	2004 \$000's	2005 \$000's	2004 \$000's
A A Scott Pty Ltd	405,138	274,222	-	8,533
Ascot Haulage (N.T.) Pty Ltd	709,890	411,013	-	-
Northern Territory Freight Services Pty Ltd	88,886	63,222	34,896	126,020
Scott Transport Industries Pty Ltd	878,665	989,434	1,340,002	2,348,263
Scotts Management Pty Ltd	-	-	89,520	214,774
Scotts Agencies Pty Ltd	11,840,730	8,070,420	-	-
Sneaths Freightlines Pty Ltd	113,201	278,609	38,813	3,755,799
Fidler and Webb Ltd	56,789	60,180	384	300
Border Watch Pty Ltd	4,049	4,004	-	-

A Director of the Company, Mr A Johnson, had an interest during 2004/05 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 2005 was \$337,226 (2004: \$440,221) in professional service fees.

The Managing Director of all wholly owned controlled entities, Mr L Winser, has an interest as Director of Smart Logistics Pty Ltd (an associated entity). Transactions with this company include the sale of cartage. The aggregate amount of sales to this company during 2005 was \$26,617,000 (2004: \$24,226,511).

The Managing Director of all wholly owned controlled entities, Mr L Winser, has an interest as Director of Dairy Transport Logistics Ltd (an associated entity). Transactions with this company include the sale of cartage. The aggregate amount of sales to this company during 2005 was \$5,547,000 (2004: \$2,474,087).

Finance for the purchase of some prime movers and trailers in New Zealand was obtained from Dybud Holding Limited, a company owned by Mr A A Scott. The liability payable at 30 June 2005 was \$1,058,208 (2004: \$1,384,688).

Under the terms and conditions of the underwriting agreement between A A Scott Pty Ltd and K&S Corporation Limited dated 17 June 2005, A A Scott Pty Ltd were required to take up an additional 374,214 shares as underwriter for the Rights Issue. These shares were allotted on 21 July 2005. In addition an underwriting fee totalling \$124,241 was paid to A A Scott Pty Ltd on 29 July 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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35 Related Parties ...continued

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)

	Consolidated		The Company	
	2005	2004	2005	2004
	\$000's	\$000's	\$000's	\$000's
Scott Transport Industries Pty Ltd	98	297	-	-
Scotts Management Pty Ltd	5	2	-	-
Northern Territory Freight Services Pty Ltd	1	1	-	-
Smart Logistics Pty Ltd	2,188	2,311	-	-
Sneaths Freightlines Pty Ltd	67	-	-	-
Dairy Transport Logistics Ltd	558	213	-	-

No provision for doubtful debts has been recognised in respect of these balances as they are considered recoverable.

Current payables (included within trade payables)

A A Scott Pty Ltd	3	6	-	-
Ascot Haulage (N.T.) Pty Ltd	151	151	-	-
Scotts Agencies Pty Ltd	-	47	-	-
Fidler and Webb Ltd	1	3	-	-
Scott Transport Industries Pty Ltd	73	51	-	-
Northern Territory Freight Services Pty Ltd	46	21	-	-
Sneaths Freightlines Pty Ltd	4	16	-	-

Wholly-owned Group

Details of interests in wholly-owned controlled entities are set out at Note 29. 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		38,580	23,043
-- non current		17,961	17,961
		56,541	41,004

Payables -- current		25,520	15,935
-- other loans			
		25,520	15,935

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 \$138,000 (2004:\$145,000).

Dividends

Dividends received or due and receivable by the Company from wholly-owned controlled entities amount to \$15,000,000 (2004:\$10,000,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

	The Company	
	2005 \$000's	2004 \$000's
35 Related Parties ...continued		
Director's share transactions		
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
Ordinary shares	651,148	38,364,332
Preference shares	-	120,000
All share transactions were with the parent Company, K&S Corporation Limited.		
Dividends		
Aggregate amount of dividends paid in respect of shares held by Directors or their Director-related entities during the year:		
Ordinary shares	81	3,684
Preference shares	-	5
Directors' transactions in shares and share options		
During the year, no 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 Pty Ltd, a company incorporated in South Australia.		

36 Events Subsequent to Balance Date

On 17 June 2005, K&S Corporation Limited announced its intention to raise equity under a Non Renounceable Rights Issue. The terms of the issue were one share for every 10 shares held at \$2.80 per share. The number of shares issued was 5,993,867 and it raised \$16,552,828 (after costs associated with the issue). The issue was fully underwritten by A A Scott Pty Ltd, subject to the terms of an underwriting agreement. Allotment of the new shares was completed on 21 July 2005. With the finalisation of the Rights Issue, the economic entity has 65,973,507 ordinary fully paid shares on issue. The new shares will participate in the 28 October 2005 dividend of 7.0 cents per share. The total dividend payment will be \$4,618,145, of which \$419,571 represents dividends to be paid on shares to be issued under the Non-Renounceable Rights Issue.

On 1 August 2005, the Port of Melbourne Corporation terminated its conditional contract to purchase the Whitehall Street transport terminal in Melbourne for \$11.6 million. On 4 August 2005, the Port of Melbourne Corporation submitted a new offer on the Whitehall Street transport terminal, as the negotiations are still continuing on the property, there is no impact on the Statement of Financial Performance of the year ended 30 June 2005.

On 5 August 2005, the economic entity reached a confidential settlement with SportingBet PLC and Number One Betting Shop Ltd in relation to the 2002 fraud related legal matters. The settlement resulted in an increase in the profit before tax of \$6.4 million in the current year's result.

On 23 August 2005, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2005 financial year. The total amount of the dividend is \$4,618,145, which represents a fully franked dividend of 7.0 cents per share. The dividend has not been provided for in the 30 June 2005 financial statements and is payable on 28 October 2005.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

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37 Impact of Adopting AASB Equivalents to IFRS

K&S Corporation Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which will be applicable for the financial year ended 30 June 2006. In 2004, the company allocated internal resources and engaged expert consultants to conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. As a result, K&S Corporation Limited established a project team to make the necessary recommendations. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 1 July 2004, K&S Corporation's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when K&S Corporation Limited prepares its first fully compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project team; (b) potential amendments to AIFRS Interpretations thereof being issued by the standard-setters and IFRIC; (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Note	Consolidated		The Company	
		30 June 2005	1 July 2004	30 June 2005	1 July 2004
		\$000's	\$000's	\$000's	\$000's
Total equity under AGAAP		84,902	65,991	40,153	32,773
Derecognition of brand name K&S Freighters Pty Ltd & fuel distribution rights	(i)	(2,400)	(2,562)	-	-
Impairment of assets including goodwill	(ii)	-	-	-	-
Write-back amortisation of intangibles	(iii)	544	-	-	-
Tax effect of revalued assets	(iv)	(3,366)	(1,820)	-	-
Total equity under AIFRS		79,680	61,609	40,153	32,773

(i) Under AASB 138 Intangible Assets, internally generated intangible assets are to be derecognised and at the date of transition the Company Brand Name and Fuel Distribution Rights will be written off to opening retained earnings. The derecognition of these costs will reduce future amortisation charges.

(ii) Under AASB 136 Impairment of Assets, the recoverable amount of an asset is determined as the higher of its net selling price and the value in use. The Group's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows. The Group's assets, including goodwill, will be tested for impairment on transition as part of the cash generating unit to which they belong. No impairment losses are expected as a result of the impairment assessment.

(iii) Under AASB 3 Business Combinations goodwill, is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. The Group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

37 Impact of Adopting AASB Equivalents to IFRS ...continued

(iv) AASB 112 Income Taxes requires the Group to use a balance sheet liability method, rather than the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to the revalued assets. Under AGAAP, the tax effects of asset revaluations are not recognised.

(v) Management has decided to apply the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, which permits entities not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosure and AASB 139 Financial Instruments: Recognition and Measurement for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. The AIFRS project team is in the process of determining the impact of adopting the standard on the financial statements of the Group, however it is not expected to be material.

b) Reconciliation of net profit under AGAAP to that under AIFRS

Year Ended 30 June 2005	Note	Consolidated \$000's	The Company \$000's
Net profit as reported under AGAAP		19,921	14,877
Amortisation of intangibles	(i)	544	-
Impairment losses recognised	(ii)	-	-
Adjustment to income tax expense	(iv)	-	-
Net profit under AIFRS		20,465	14,877

(i) Under AASB 3 Business Combinations, goodwill is not permitted to be amortised but instead is subject to annual impairment testing. Currently, the Group amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired.

(ii) Under AASB 136 Impairment of Assets, the Group's assets including goodwill will be tested for impairment as part of the cash generating unit to which they belong, and any impairment losses recognised in the income statement. No impairment losses are expected as a result of the impairment assessment.

(iii) The adjustment to income tax expense relates to the above AIFRS adjustments as well as to the reversal of the deferred tax liability which would be recognised as at the transition date under AIFRS in relation to revalued assets.

c) Restated AIFRS Statement of Cash Flows for year ended 30 June 2005

No material impacts are expected to the cash flow presentation under AGAAP on adoption of AIFRS.

Director's Declaration

FOR THE YEAR ENDED 30 JUNE 2005

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

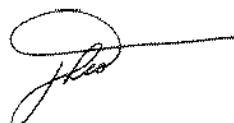
- 1 In the opinion of the Directors:
 - a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and 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 This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.
- 3 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 23rd day of August 2005.

On behalf of the Board:



A Williams
Director



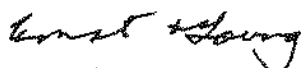
L Winser
Director

Auditor's Independence Declaration


TO THE DIRECTORS OF K&S CORPORATION LIMITED

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In relation to our audit of the financial report of K&S Corporation Limited for the financial year ended 30 June 2005 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



A Herald
Partner

23 August 2005

Independent Audit Report

TO THE MEMBERS OF K&S CORPORATION LIMITED

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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 2005. 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 and the additional disclosures included in the directors report designated as audited 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 and the additional disclosures.

Audit approach

We conducted an independent audit of the financial report and the additional disclosures in order to express an opinion on them 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 and the additional disclosures 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 and the additional disclosures present 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 the additional disclosures; 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 and the additional disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independent Audit Report

TO THE MEMBERS OF K&S CORPORATION LIMITED

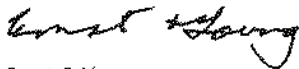
Independence

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 directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. The Auditors' Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed. In addition to our audit of the financial report and the additional disclosures, 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.

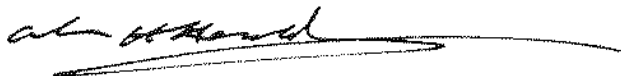
Audit Opinion

In our opinion, the financial report and the additional disclosures included in the directors' report designated as audited of K&S Corporation Limited are in accordance with:

- a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of K&S Corporation and the consolidated entity at 30 June 2005 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 professional reporting requirements in Australia.



Ernst & Young



A Herald
Partner

23 August 2005

Information on Shareholders

INFORMATION RELATING TO SECURITY HOLDERS AS AT 24 AUGUST 2005

K&S
CORPORATION
LIMITED

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Information relating to security holders as at 24 August 2005.

Distribution of Shareholdings

Ordinary Shares	Number of Shareholders
1 - 1000 Shares	307
1001 - 5000 Shares	993
5001 - 10000 Shares	356
10001 - 100000 Shares	373
100001 - over	35
	<hr/>
	2,064

10 shareholders hold less than a marketable parcel (136 shares).

Twenty Largest Shareholders

Name	Number of Ordinary Shares Held	%
1 A A Scott Pty Ltd	39,980,846	60.60
2 J P Morgan Nominees Australia Limited	1,738,666	2.64
3 Ascot Media Investments Pty Ltd	1,125,457	1.71
4 Citicorp Nominees Pty Limited	1,066,540	1.62
5 Zena Kaye Winser	769,558	1.17
6 Mr Eric Joseph Roughana	676,000	1.02
7 Winscott Investments Pty Ltd	660,000	1.00
8 Cogent Nominees Pty Limited	644,671	0.98
9 National Nominees Limited	633,546	0.96
10 Kallarn Pty Limited	508,000	0.77
11 Sabadin Petroleum Pty Ltd	506,869	0.77
12 Bond Street Custodians Limited	366,984	0.56
13 Mr William Clifton Anderson	331,683	0.50
14 John Legh Winser	290,400	0.44
15 Ardmore Nominees Pty Ltd	289,300	0.44
16 ANZ Nominees Limited	241,839	0.37
17 Aimora Holdings Pty Ltd	233,337	0.35
18 A A Scott Nominees No 1 Pty Ltd	187,194	0.28
19 Graham John Allen & Janine Carolyn Allen	173,470	0.26
20 Mr Thomas Patrick Fitzgerald	167,200	0.25
	<hr/>	
	50,591,560	76.68

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

The 20 largest shareholders hold 76.68% of the ordinary shares of the Company, and 100% of the preference shares.

The following is an extract from the Company's Register of Substantial Shareholders as at 24th August 2005:

	Number	% of Class
Mr A A Scott	44,025,963	66.73
452 Capital Pty Limited	3,768,715	5.71

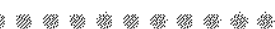
Voting Rights

The voting rights are as follows:

Preference Shares:	Nil
Ordinary Shares :	1 vote per share

Five Year Financial History

(\$A 000's unless otherwise indicated)	2005	Variation %	2004	2003	2002	2001
Group Revenue	340,810	15.2	295,722	293,257	267,303	224,443
Operating Profit Before Individually Significant Items, Interest & Tax	24,489	18.7	20,632	16,491	15,284	12,985
Individually Significant Items & Fraud	6,897	3953.1	(179)	1,721	(19,444)	(1,321)
Operating Profit before Interest and Income Tax	31,386	53.5	20,453	18,212	(4,160)	11,664
Interest Expense	2,947	4.1	2,832	2,886	3,282	2,413
Profit Before Tax	28,439	61.4	17,621	15,326	(7,442)	9,251
Income Tax Expense	8,518	58.3	5,451	4,266	(2,176)	3,111
Operating Profit After Tax	19,921	63.7	12,170	11,060	(5,266)	6,140
Earnings per Ordinary Share (cents)	33.2	63.5	20.3	18.5	(8.8)	10.3
Dividends per Share (cents)	13.5	22.7	11.0	8.0	5.8	6.5
Return on Shareholders' Funds (%)	23.5	27.2	18.4	18.7	-10.5	11.4
Paid Up Capital	27,966	0.0	27,966	27,966	27,966	28,026
Shareholders' Funds	84,902	28.7	65,991	59,064	50,336	53,745
Total Assets	184,016	19.1	154,513	139,716	138,474	134,508
Net Tangible Assets (book value) per Share (\$)	1.26	32.6	0.95	0.92	0.77	0.87



REGISTERED OFFICE

141-147 Jubilee Highway West
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CORPORATE OFFICE

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STOCK EXCHANGE

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

SHARE REGISTRY

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

GPO Box 1903
Adelaide SA 5001

Enquiries within Australia:
1300 556 161

Enquiries outside Australia:
61 3 9615 5970

Email:
web.queries@computershare.com.au

Website: www.computershare.com

WEBSITE

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Port of Gladstone
Queensland 4680
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Rotorua, New Zealand
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Facsimile: (07) 345 3311

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Facsimile: (07) 827 5606

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Shed F, Brooklyn Estate

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Brooklyn, Victoria 3025
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Facsimile: (03) 9362 4398

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