annual report 2007

K&S CORPORATION LIMITED

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ABN 67 007 561 837

FINANCIAL CALENDAR

Final dividend payment, (7.0 cents per share)	31 October 2007
Annual General Meeting	20 November 2007
Half-year results and interim dividend announcement	27 February 2008
Interim dividend payment	28 March 2008
Full-year result and final dividend announcement	27 August 2008
Annual report mailed to Shareholders	10 October 2008
Final dividend payment	31 October 2008
Annual General Meeting	18 November 2008

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Page 1 photo: Stage Two of the Truganina Development

highlights

Operating revenues increase by 13.9% to $418 million

Profit after tax of $17.0 million

Normalised earnings before interest and tax increased by 9.8%

Shareholders' funds increase by 31.8%

Successful acquisition of DTM Business Logistics

Melbourne terminal expanded

Shareholders rewarded with Dividend Reinvestment Plan

chairman's overview

We continue to invest heavily in new infrastructure and equipment. Our expenditure is targeted to improve the productivity of the business and underpin our future growth and profitability.

On behalf of the Board, I am once again delighted to present the K&S Corporation Limited 2007 Annual Report.

The 2006/07 financial year has seen another solid performance of the business with profit after tax of $17.0 million.

Earnings per share were 25.3 cents per share.

Operating revenue for the year was $418.0 million, an increase of 13.9% on the previous year. The higher operating revenues were as a direct result of the DTM acquisition.

The normalised profit after tax after excluding non trading items showed underlying growth in earnings of 5.8%.

The normalised earnings before interest and tax excluding non trading reached $28.5 million, up 9.8 % on the previous year.

Interest expenses were $5.0 million, up $1.2 million due to the increased debt levels associated with the Truganina development and the DTM acquisition.

The result was impacted by lower margins associated with the renewal of contracts with a number of major customers.

Operating cash flows at $31.4 million were 4.7% up on the previous year.

On 8 November 2006 K&S acquired the business of DTM Business Logistics. This business focused on the metropolitan area of the eastern states, with operations in Melbourne, Sydney, Brisbane and Adelaide.

Following the DTM acquisition a review of operations was completed to identify synergies. The review identified savings in the area of corporate overheads, systems and procurement.

To date we have largely completed the task of integrating the DTM business into K&S. The integration has delivered significant savings to the Group late in the second half of the financial year.

We expect that additional savings will be achieved in the new financial year with further integration and property rationalisation.

We continue to invest heavily in new infrastructure and equipment. Our expenditure is targeted to improve the productivity of the business and underpin our future growth and profitability. During the year, we invested in excess of $38.1 million into terminals and equipment to support the business.

In June 2007, the Directors revalued the Group's land and buildings. Fair value was determined by an independent valuation undertaken in March 2007 by Jones Lang LaSalle. The impact of the revaluation was to increase Shareholders funds by $15.6 million.

A fully franked final dividend of 7.0 cents per share (last year 7.0 cents per share) has been declared by Directors. This follows the interim

dividend of 7.0 cents per share paid in March 2007, making the total dividend of 14.0 cents per share fully franked for the year.

The final dividend will be paid on 31 October 2007, (the date for determining entitlements is 17 October 2007).

Another pleasing milestone was the introduction of a Dividend Reinvestment Plan (DRP) as part of the October 2006 dividend. Shares acquired under this scheme were at a 2.5% discount to the market price of K&S shares. The DRP will apply in respect to the fully franked final dividend of 7.0 cents payable on 31 October 2007. The terms of the DRP will remain unchanged with issue price under the DRP based on the weighted average trading price of K&S shares in the five business days ending on 17 October 2007 (the record date of the final dividend), less a discount of 2.5%.

The major industry sectors in which the Group operates continued to perform well during the year, with economic conditions remaining favourable.

Given the continued strength in the domestic economy and the opportunities that flow from industry consolidation Directors are confident that the business will continue to perform solidly in the new financial year.

The strong global economy together with the outlook for resources should help provide further impetus to the domestic economy.

In conclusion, on behalf of the Board I would like to thank all employees, customers and suppliers for their support, effort and commitment during the year.

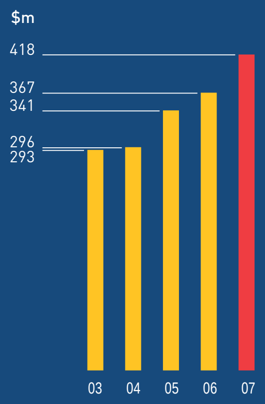
A J Johnson

Tony Johnson
Chairman

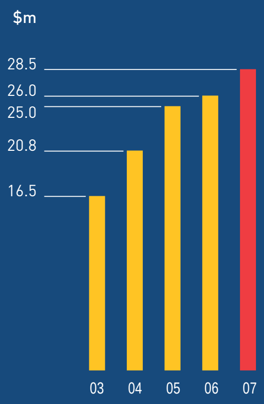
financial overview

		2007	2006	% movement
Operating revenue	$m	418.0	367.1	13.9
Operating profit before interest & tax	$m	29.3	29.9	(2.0)
Operating profit before tax	$m	24.3	26.2	(7.0)
Operating profit after tax	$m	17.0	18.4	(7.1)
Dividends paid	$m	9.4	9.2	1.7
Total assets	$m	281.2	217.1	29.5
Net borrowings	$m	51.4	35.9	(43.3)
Shareholders' funds	$m	136.1	103.3	31.8
Depreciation and amortisation	$m	19.0	15.9	19.6
Earnings per share	cents	25.3	28.0	(9.4)
Dividends per share	cents	14.0	14.0	0.0
Net tangible assets per share	$	1.68	1.45	15.9
Cash flow per share	$	0.47	0.45	4.4
Return on Shareholders' funds	%	12.5	17.8	(29.8)
Gearing	%	44.7	37.5	(19.2)

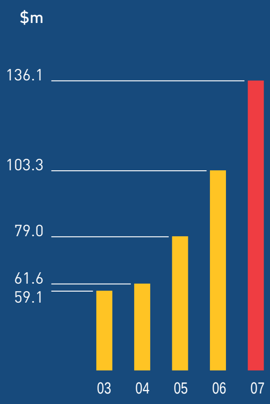
OPERATING REVENUE



NORMALISED EBIT



SHAREHOLDERS' FUNDS



managing director's report

It is our strategy to continue to grow the business through carefully targeted acquisitions that deliver benefits to Shareholders and competitively win new tenders.

New contracts in the automotive and paper sectors, further expansion at the Truganina terminal in Melbourne and upgrades of our rail and road fleet have set the stage for strong growth for K&S in 2007-08.

K&S recorded total revenue of $418.0 million during 2006-07 this was 13.9% above the previous year and the increase was due largely as a result of the DTM acquisition. The additional revenues resulted in a $17.0 million profit after tax.

The development of Stage 1 of our Truganina depot, which opened in March 2006, has been an outstanding success, delivering increased levels of service and greater efficiencies to our customers.

As a result of the growing demand, K&S has now commenced Stage 2 of the development, which will increase the bituminised hard-stand area on site by about 30% to cater for additional import/export operations.

Consideration is also being given to the construction of another warehouse on site to meet continued growth in demand.

The Adelaide operations were also relocated during the year to new facilities at Gillman. The new facilities include on-site warehousing to service customers such as GM Holden and paper industry clients.

New generation rail tautliners and 12.1 metre half-height rail containers, as well as rail and sea containers, have also been purchased specifically to service our steel customer base by rail or sea.

Fuel prices remained high throughout the year in review, however fuel surcharge mechanisms meant most increases have been passed on to customers.

Business Development

During the year, K&S made a substantial investment in its rail stock and truck fleet. The investment in new prime movers and

containers was in excess of $12.6 million which demonstrates our commitment to the industry and our customers.

In November 2006, K&S purchased DTM Business Logistics. The DTM business generated revenues of more than $45 million annually and employed around 240 staff, at the time of acquisiton.

The acquisition was funded with debt and equity and was earnings per share accretive immediately.

Business Development continued

The process of integrating the DTM business into K&S has now been largely completed. The DTM business has contributed positively to the overall K&S result in the current year as significant synergies have been achieved. It is expected that additional savings will be achieved in the new financial year with further integration and property rationalisation. The acquisition brought with it a three-year contract with Kimberley Clark Australia (KCA) to

service its large customers, including Coles, Metcash and Safeway, as well as servicing hospital and other retail clients.

DTM had held the business with KCA for 15 years and won the three-year extension as a result of a tender process. A new fleet of six 26-pallet truck/pig combination vehicles was introduced in March this year to service this contract. These are believed to be the first 26-pallet capacity tautliners in operation in Victoria.

DTM will also act as primary freight carriers for Safeway for all movements into their Hume Distribution Centre.

A fire on 17 January 2007 destroyed the leased Dandenong warehouse of DTM Business Logistics (DTM).

The CFA report into the fire was released on 23 April 2007 and did not attribute any fault to DTM. K&S anticipates that any losses associated with the destruction of its own property, plant and equipment in the fire and related clean up costs will be minimal and have little or no impact on K&S' financial position. DTM maintains that it has no liability for customers goods destroyed in the fire and customers have been referred to their own insurers.

Vehicle Industry

K&S was successful in negotiating a three-year contract with GM Holden in Adelaide for the supply of transport and storage services to support production of the new VE Commodore.

This represents a significant expansion of the services we have previously provided Holden and is a reward for the hard work and flexibility of approach K&S has provided.

Sixteen prime movers, operating 16 hours a day over two shifts, are being used to meet the requirements of this contract. Work involves the sequencing of vehicles from GM suppliers base at Business Park to the Elizabeth plant on fixed cycles to meet Just-In-Time production.

We are also contracted to warehouse the imported steel coil as well as wharf clearance and delivery to the plant on a call-up basis.

Warehouse inventory is controlled by a unique K&S paperless warehouse recording system operated through the internet that provides full visibility to Holden and is a significant point of difference between K&S and other logistics suppliers.

The Holden contract is now a major source of work for K&S and represents a significant change to our traditional operations.

It also shows that K&S has been able to provide a viable alternative to the more traditional suppliers of vehicle manufacturing logistics services.

Bulk

K&S Bulk has extended its contract with Bundaberg Sugar for the transport of raw sugar from mills to refineries until the year 2010.

While activity in this sector was strong during 2006-07, the sugar industry faces significant challenges in 2007-08 as a result of difficult growing conditions brought about by the drought affecting most of Australia. This is expected to result in reduced activity for K&S in 2007-08.

K&S Bulk was also successful in extending its contract with Queensland Magnesia through to 2014. We have now been supplying logistics and materials handling services to Queensland Magnesia for more than seven years.

The introduction in July 2006 of specifically designed Mack Titan side tipping triple road trains to these operations has significantly improved efficiencies at the KG1 and KG2 mine sites near Rockhampton.

Metals

The volume of work undertaken for Smorgon Steel Group was adversely affected in 2006-07 by depressed industry conditions.

However the purchase of Smorgon by OneSteel in August 2007 is expected to create a number of synergies, particularly in New South Wales where OneSteel has a number of steel mills.

K&S has been assured that its contract with Smorgon, which is not due to expire until 2010, will continue once the acquisition has been completed. This may also present significant opportunities in the future and these will be actively pursued.

Late in the financial year, K&S was awarded a new three-year contract with Orrcon, one of Australia's largest manufacturers and distributors of steel tubes, with manufacturing operations in Brisbane, Unanderra (near Wollongong) and Adelaide.

The contract, which came into effect from July 1, 2007, involves the use of rail transport for goods being sent to Western Australia and road transport for other markets. It is expected the Orrcon contract will continue to grow in coming years.

Our Alcoa business operated strongly throughout the year with increased volumes of aluminium being transported.

We are currently working with Alcoa to integrate our computer systems to bring about increased efficiencies between the two companies.

Timber

K&S has signed a new two year contract with Green Triangle Forest Products, part of the Weyerhauser Group.

Paper

In June 2007, K&S signed a major new contract with PaperlinX for the transport of wood pulp

from the Maryvale pulp mill in the Gippsland area of Victoria to Tasmania.

The contract, which will come into effect in 2008-09, will initially involve the transport of some 100,000 tonnes of wood pulp a year, with the likelihood of further volumes in the future.

The task will involve the loading of 6.1 metre boxes with a road and rail feeder service to Web Dock for shipping to Tasmania where the boxes will be delivered, unloaded at the Burnie Mill and subsequently reloaded with finished product back to the mainland.

During 2006-07, K&S upgraded the fleet servicing of the PaperlinX business, introducing new drop-deck B-double combinations to maximise loads and reduce costs.

A new system of transporting newsprint between Tasmania and Melbourne introduced by K&S during the year has resulted in significant efficiency savings for Norske Skog.

Under the changes, newsprint is now transported to Melbourne in enclosed boxes which has enabled the backloading of wet lap pulp to Tasmania.

Specially designed automatic skate loading and unloading equipment has also been introduced resulting in further efficiencies. Volumes transported for Norske Skog were solid, with a strong second half of the financial year.

Compliance

The implementation of new road transport regulations across Australia has required significant commitment by K&S.

These regulations cover such issues as mass, dimension and load restraint, while new regulations covering driving hours and fatigue are scheduled to be introduced shortly.

Further regulations, which are being developed by the National Transport Commission, will also cover speeding and vehicle standards.

Improved compliance and communication of the changes has been achieved through the development of our intranet program "KasNet", which provides employees with regular updates on changes to work processes, industry news, changes in regulations, and delivery of on-line training among other items.

This system has also allowed K&S to better meet its requirements under ISO 9001:2000 and other accreditation programs.

Ongoing training programs have been introduced to ensure our workforce remains compliant as further regulations are introduced and the growth in the freight task increases as a result of ongoing customer/consumer demand. K&S is well placed to meet the demands these changes will bring about.

K&S is represented on the Australian Trucking Association Council, the peak body representing the trucking/road transport industry in Australia.

Environment

K&S became a member of the Australian Greenhouse Office Greenhouse Challenge Plus programme in December 2006. Under the Greenhouse Challenge Plus programme, K&S is required actively to seek to reduce its carbon footprint. K&S is also obliged to maintain an inventory of its carbon emissions. K&S has also registered as a participant in the Department of Industry, Tourism and Resources Energy Efficiency Opportunities programme (EEOP). Under EEOP, K&S is required to report on its energy usage and to put in place strategies to reduce its energy consumption. Those strategies are to be underpinned by regular energy consumption audits. In both the cases of carbon emissions and energy usage, by far the single biggest contributor in K&S' business is the consumption of fuel in transport activities. K&S will continue to strive to increase the efficiency of its fuel consumption, which will deliver benefits to the environment and also to K&S' customers.

K&S also notes that the National Greenhouse and Energy Reporting Bill 1997 (Cth), once passed by Parliament, is likely to impose further carbon emissions reporting obligations upon K&S.

Human Resources

K&S has completed its first year of being fully accredited under the Commonwealth Government's Comcare system, which allows the Company to self-insure for Workers Compensation purposes.

This has required the expenditure of considerable time and resources to set up

appropriate structures and attract the right people and skills to ensure compliance.

A key program introduced during the year was a driver education program. About 100 K&S Melbourne division drivers undertook Level 3 Certificate Training in Road Transport through the Northern Metropolitan Institute of TAFE.

This training is now being extended to linehaul drivers and is likely to be progressively introduced to all K&S drivers around Australia.

The current skills shortage in Australia has forced K&S to look overseas for trained mechanics to help meet ongoing requirements at Truganina.

New Zealand

The logging operations showed significant improvement through the year, bedding in cost reduction and efficiency improvement programs which will continue into the 2007-08 financial year. We were successful in gaining an extension to the contract with Rayonier, as well as additional volumes. K&S is now the sole transport provider for Rayonier in the Hawke's

Bay region of New Zealand. The increase in log harvest on the New Zealand East Coast is also providing expansion opportunities.
The Norske Skog paper transport volumes have been steady but we have seen increases in chip transport volumes and have also provided storage capacity for Norske Skog to support their imported paper business.

Timber transport has been seasonal and volumes are flat, however we are seeing an increased share of sub-contracting volumes. The strong Kiwi dollar is having a negative impact on timber exporters in New Zealand, which is having a dampening effect on volumes.

Fonterra's business remains strong with an extended season, due to abnormal rainy periods through the summer months. The forecasted payout for farmers is on budget helping fuel a positive market. Fonterra has also extended its added value supply chain nationally increasing capacity at key facilities which K&S has positioned itself to receive a positive flow from.

The Kiwifruit operation has seen significant growth with K&S gaining a 20% increase in allocation for the charter shipping business and also extending this relationship in the container co-ordination role giving us greater flexibility and efficiency for the fleet. Favourable weather during pollination in 2007 increased the crop by 25% over the previous season also adding to larger volumes.

The Year Ahead

It is our strategy to continue to grow the business through carefully targeted acquisitions that deliver benefits to Shareholders and competitively win new tenders. We expect further acquisitions to be completed in the 2007-08 year.

The DTM acquisition will continue to contribute positive benefits to the K&S overall performance in the coming year.

As the industry consolidation process continues we expect further opportunities to emerge.

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

Legh Winser
Managing Director

board of directors

Tony Johnson

Legh Winser

Laurie Ackroyd

Jim Osborne

Greg Boulton

Richard Nicholson

Bruce Grubb

Chris Bright

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.

Anthony Johnson *Chairman*

Age 60, Director since 1986
Tony Johnson BA, LLB, LLM (Companies & Securities), is a solicitor and an Accredited Mediator. Tony is Chairman of the Adelaide based 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 Scott Corporation Limited.

Member of:
Environmental Committee *(Chairman)*

Legh Winser *Managing Director*

Age 59, Director since December 1999
Legh Winser, has more than 34 years experience in the transport industry. Prior to his appointment as Managing Director in January 1998 he previously held other Executive positions within the Company.

Member of:
Nomination and Remuneration Committee
Environmental Committee

Laurie Ackroyd *(Resigned as Director and Chairman of the Audit Committee on 31 July 2007)*

Age 58, Director since May 2002
Laurie Ackroyd BA (Accountancy), ACA has over 16 years experience within the transport and petroleum related industries.

Member of:
Audit Committee *(Chairman)*

board of directors

continued

James Osborne

Age 70, Director since July 1997
James Osborne has extensive manufacturing and general management experience, having occupied senior executive positions with Kimberley Clark Australia before retiring in 1997.

Member of:
- Nomination and Remuneration Committee *(Chairman)*
- Environmental Committee
- Audit Committee *(Member since 31 July 2007)*

Gregory Boulton *Deputy Chairman*

Age 57, Director since January 1996
Gregory Boulton BA(Accountancy), FCA, FCPA, FAICD is Chairman of Private Equity Fund, Paragon Equity Limited, President of Port Adelaide Football Club Limited and holds board positions on a number of privately owned companies. He has over 30 years experience in the transport industry.

Member of:
- Audit Committee *(Appointed as Chairman on 31 July 2007)*

Richard Nicholson

Age 64, Director since 1986
Richard Nicholson ACA, is a Chartered Accountant in public practice. He was previously the Company Secretary and Finance Officer of the Scott Group of Companies and is still a Non-Executive Director of that Group.

Member of:
- Nomination and Remuneration Committee

Bruce Grubb

Age 57, Appointed as a Director 31 July 2007
Bruce Grubb has over 30 years experience in the transport industry and is the Chief Executive and Executive Director of Scott's Transport Industries Pty Ltd. Mr Grubb is also a Non-Executive Director of the listed entity Scott Corporation Limited.

Secretary

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

Chris Bright has held the position of Group Legal Counsel for 5 years. Prior to that he was employed by Auspine Limited as Legal Counsel and Alternate Company Secretary for 2 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.

directors' report

The Directors' present their report, together with the financial report of K&S Corporation Limited ("the Company") and the consolidated financial report of the consolidated entity, for the year ended 30 June 2007 and the Auditors' Report thereon.

Principal Activities

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

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

Operating and Financial Review

The consolidated profit for the year attributable to the members of K&S Corporation Limited is shown below, along with comparative results for 2006.

Financial overview		**2007**	**2006**	**% Movement**
Operating revenue	$m	418.0	367.1	13.9
Operating profit after tax	$m	17.0	18.4	(7.1)
Net borrowings	$m	51.4	35.9	(43.3)
Shareholders' funds	$m	136.1	103.3	31.8
Earnings per share	cents	25.3	28.0	(9.4)
Dividends per share	cents	14.0	14.0	0.0
Net tangible assets per share	$	1.68	1.45	15.9
Cash flow per share	$	0.47	0.45	4.4
Return on shareholders' funds	%	12.5	17.8	(29.8)
Gearing	%	44.7	37.5	(19.2)

Operating and Financial Review continued

Operating revenue of $418.0 million was an increase of 13.9% on the previous year. The higher operating revenues were as a direct result of the DTM Business Logistics (DTM) acquisition.

The consolidated profit after income tax of the economic entity for the financial year was $17.0 million, 7.1% lower than the previous financial year. The economic entity generated profit before interest and tax of $29.3 million, which was 2.0% lower than the previous financial year.

Earnings per share (fully diluted) were 25.3 cents.

The previous year result was substantially increased by property sales and legal settlements.

The normalised earnings before interest and tax excluding non trading items increased to $28.5 million, up 9.8%.

The normalised profit after tax after excluding non trading items showed underlying growth in earnings of 5.8%.

Interest expenses were $5.0 million, up $1.2 million from the prior year due to the increased debt levels associated with the Truganina development and the DTM acquisition.

The result was impacted by lower margins associated with the renewal of contracts with a number of major customers.

Operating cash flows at $31.4 million were 4.7% up on the previous year.

Effective 1 July 2006, K&S acquired the business of DTM Business Logistics. This business focuses on the metropolitan area of the eastern states, with operations in Melbourne, Sydney, Brisbane and Adelaide.

Following the DTM acquisition, a review of operations was completed to identify synergies. The review identified savings in the area of corporate overheads, systems, procurement and properties. To date, we have largely completed the task of integrating the DTM business into K&S. The integration has delivered significant savings to the Group late in the second half of the financial year.

We expect that additional savings will be achieved in the new financial year with further integration and property rationalisation.

We continue to invest heavily in new infrastructure and equipment. Our expenditure is targeted to improve the productivity of the business and underpin our future growth and profitability. During the year in review, we invested in excess of $38.1 million into terminals and equipment to support the business.

In June 2007, the Directors revalued the Group's land and buildings. Fair value was determined by an independent valuation undertaken in March 2007 by Jones Lang LaSalle. The impact of the revaluation was to increase Shareholders funds by $15.6 million.

A final dividend of 7.0 cents per share has been declared. The dividend will be fully franked and payable on 31 October 2007 to shareholders registered on the books at 17 October 2007. This takes the full year dividend to 14.0 cents. However, this dividend has not been provided for in the accounts as it was declared after balance date on 21 August 2007. This is in accordance with the Accounting Standard AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

Another pleasing milestone was the introduction of a Dividend Reinvestment Plan (DRP) as part of the October 2006 dividend. Shares acquired under this scheme were at a 2.5% discount to the market price of K&S shares.

The DRP will apply in respect to the fully franked final dividend of 7 cents payable on 31 October 2007. The terms of the DRP remain unchanged from its introduction. The issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 17 October 2007 (the record date of the final dividend), less a discount of 2.5%.

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:

K&S Corporation Limited acquired 100% of the issued capital of DTM Holdings Pty Ltd, DTM Pty Ltd, Alento Pty Ltd and Serendipity Investments Pty Ltd which traded as DTM Business Logistics. DTM's transport and logistics business is focused on the metropolitan area of the eastern states, with operations in Melbourne, Sydney, Brisbane and Adelaide. At the time of acquisition, DTM generated annual revenues of $45 million and employed over 240 people. The effective date of the acquisition was 1 July 2006.

A fire on 17 January 2007 destroyed the leased Dandenong warehouse of DTM Business Logistics.

The CFA report into the fire was released on 23 April 2007 and did not attribute any fault to DTM. K&S anticipates that any losses associated with the destruction of its own property, plant and equipment in the fire and related clean up costs will be minimal and have little or no impact on K&S' financial position. DTM maintains that it has no liability for customers' goods destroyed in the fire and customers have been referred to their own insurers.

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:

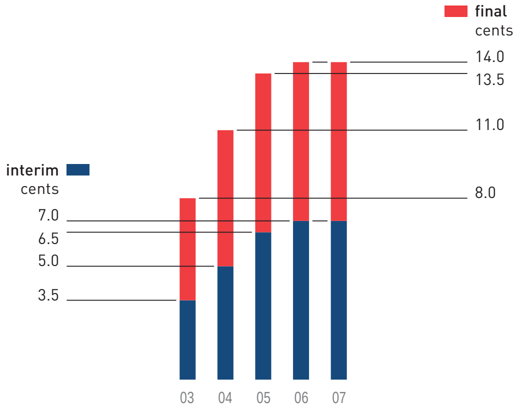
1 A final fully franked ordinary dividend (taxed to 30%) of 7 cents per share amounting to $4,618,145 in respect of the year ended 30 June 2006 was declared on 22 August 2006 and paid on 31 October 2006;

Dividends continued

2 A fully franked preference dividend (taxed to 30%) of 4 cents per share amounting to $4,800 in respect of the year ended 30 June 2006 was declared on 22 August 2006 and paid on 31 October 2006;	
An interim fully franked ordinary dividend (taxed to 30%) of 7.0 cents per share in respect of the year ended 30 June 2007 was declared on 27 February 2007 and paid on 30 March 2007 amounting to:	$4,774,357
The final dividend declared by the Directors of the Company on 21 August 2007 and payable on 31 October 2007 in respect of the year ended 30 June 2007 comprises:	
1 A fully franked ordinary dividend (taxed to 30%) of 7.0 cents per share; and	$4,782,899
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.

Dividends paid to Shareholders



Events Subsequent to Balance Date

On 21 August 2007, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2007 financial year. The total amount of the dividend is $4,782,899, which represents a fully franked dividend of 7.0 cents per share. The dividend has not been provided for in the 30 June 2007 financial statements and is payable on 31 October 2007.

The Dividend Reinvestment Plan (DRP) will apply to the 31 October 2007 final dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 17 October 2007 (the record date of the final dividend), less a discount of 2.5%.

Other than the matter 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 finiancial year are:

Anthony Johnson *(Chairman)*
Legh Winser *(Managing Director)*
Laurie Ackroyd *(Resigned as a Director and Chairman of the Audit Committee on 31 July 2007)*
James Osborne
Gregory Boulton *(Deputy Chairman)*
Richard Nicholson
Bruce Grubb *(Appointed as a Director on 31 July 2007)*

Secretary

Chris Bright BEc, LLB, Grad Dip CSPM, FCIS

With the exception of Mr Winser, all Directors are Non-Executive Directors. Particulars of Directors' qualifications, experience, special responsibilities and other relevant Directorships are on *pages 13 and 14* of the Annual Report.

Directors' Interests

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

	Ordinary Shares
Mr R Nicholson	7,859
Mr J Osborne	46,000
Mr L Winser	301,841
Mr B Grubb	14,600

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

	Ordinary Shares
Mr G Boulton	124,207
Mr A Johnson	157,637
Mr L Winser	63,340
Mr J Osborne	56,100
Mr R Nicholson	5,716
Mr B Grubb	46,149

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 Johnson	15	15	-	-	-	-	4	4
Mr. R Nicholson	15	15	-	-	2	2	-	-
Mr. G Boulton	11	15	4	4	-	-	-	-
Mr. J Osborne	12	15	-	-	2	2	4	4
Mr. L Ackroyd	13	15	4	4	-	-	-	-
Mr. L Winser	12	15	-	-	2	2	4	4

Remuneration Report

The Company has applied the exemption under the Corporations Amendments Regulations 2006, which exempts listed companies from providing remuneration disclosures in relation to their Key Management Personnel in their annual reports required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided on *pages 20 to 22* of the Directors' Report designated as audited.

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 2007 is detailed on *page 22* of this report.

Executive Director and Senior Manager Remuneration

Objective

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

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

Structure

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

For the Managing Director and the other Senior Executives, remuneration programs are balanced with a mix of fixed and variable rewards. Short term incentives require the achievement of goals relating to the annual budget and Group performance. The payment of such incentives can either be as a cash bonus or superannuation contributions.

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. The contract does not disclose the duration of the contract, periods of notice and required termination details. Mr Winser is not present whilst discussions are held in relation to his performance and salary package.

Employee Share Plan

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

No issues of shares were made to employees during the year ended 30 June 2007 under the Plan. However, offers are to be issued to employees to participate in the Plan in early September 2007. The issue price of the shares offered under the Plan will be the weighted average price of the Company's shares on the first five trading days immediately following the announcement of the Company's preliminary final result on 22 August 2007.

Eligible employees' annual entitlements to participate in the Plan are currently set by the Company's Directors as follows:

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

Directors' Retirement Benefits

A change to the Directors' retirement benefits calculation was made in July 2004 to freeze accumulation of years of service of Directors' as at 30 June 2004. No Director commencing after 1 July 2004 is eligible for any benefits under the retirement scheme. The expenditure provided (not paid) during the year ended 30 June 2007 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.

Remuneration of Directors and Named Executives

Table 1: Directors remuneration for the year ended 30 June 2007

Directors		Short-term Base Emolument $	Short-term Cash Bonus $	Short-term Non-Cash Benefits $	Post Employment Retirement Benefits $	Post Employment Super Contributions $	Total $	Performance Related %
A. Johnson	2007	80,000	-	-	45,000	8,800	133,800	-
	2006	74,167	-	-	39,167	8,158	121,492	-
L. Ackroyd *	2007	45,000	-	-	1,446	4,950	51,396	-
	2006	45,000	-	-	1,446	4,950	51,396	-
G. Boulton	2007	45,000	-	-	5,000	4,950	54,950	-
	2006	45,000	-	-	5,000	4,950	54,950	-
R. Nicholson	2007	45,000	-	-	10,000	4,950	59,950	-
	2006	45,000	-	-	10,000	4,950	59,950	-
J. Osborne	2007	45,000	-	-	4,666	4,950	54,616	-
	2006	45,000	-	-	4,666	4,950	54,616	-
A Williams ^	2007	-	-	-	-	-	-	-
	2006	13,333	-	-	-	1,467	14,800	-
L. Winser +	2007	315,000	67,882	39,014	-	103,641	525,537	12.92
	2006	300,000	57,200	37,250	-	39,292	433,742	13.19
Total	2007	575,000	67,882	39,014	66,112	132,241	880,249	
	2006	567,500	57,200	37,250	60,279	68,717	790,946	

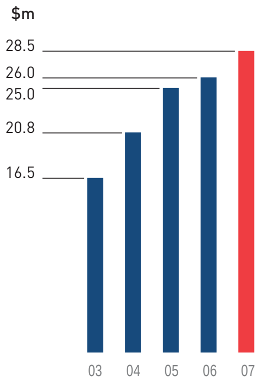
* Mr L. Ackroyd resigned as a Director on 31 July 2007.
^ Mr A. Williams resigned as Chairman and a Director on 26 August 2005.
+ Mr L. Winser has had a portion of his long service leave entitlement paid into his private superannuation fund.

Table 2: Remuneration of the Five Named Executives who received the highest remuneration and other Key Management Personnel for the year ended 30 June 2007

Executives		Short-term Base Emolument $	Short-term Cash Bonus $	Short-term Non-Cash Benefits $	Post Employment Retirement Benefits $	Post Employment Super Contributions $	Total $	Performance Related %
S. Fanning	2007	270,000	25,000	25,408	-	34,741	355,149	7.03
	2006	250,000	22,000	27,829	-	32,191	332,020	6.63
J. Bradac	2007	250,000	20,000	24,000	-	27,500	321,500	6.22
	2006	-	-	-	-	-	-	-
B. Walsh	2007	190,000	18,000	25,708	-	25,151	258,859	6.95
	2006	150,000	13,000	24,383	-	20,201	207,584	6.26
D. Coldham	2007	180,000	-	25,949	-	22,832	228,781	-
	2006	180,000	17,000	25,818	-	23,941	246,759	6.89
G. Wooller	2007	150,000	15,000	23,578	-	14,850	203,428	7.37
	2006	154,360	5,000	23,640	-	13,892	196,892	2.54
Other Key Management Personnel								
C. Bright	2007	130,000	12,500	17,031	-	17,548	177,079	7.06
	2006	125,000	5,000	17,031	-	16,173	163,204	3.06
Total	2007	1,170,000	90,500	141,674	-	142,622	1,544,796	
	2006	859,360	62,000	118,701	-	106,398	1,146,459	

Company Performance

The graph below shows the performance of the Company, as measured by the Company's Operating profit before individually significant items, interest and tax.



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 $24,102 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 willful breach of duty or position to gain a personal advantage.

The officers of the Company covered by the policy include the current Directors A Johnson, G Boulton, R Nicholson, J Osborne, B Grubb and L Winser. Mr L Ackroyd was also covered by this policy during his period as a Director. 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. During the year, the DTM group entered as a tax consolidated group member. 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 25* 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 86* of this report.

Non-Audit Services

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

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

GST Review	$20,000

Dated at Mt Gambier this
21st day of August 2007.

Signed in accordance with a resolution of the Directors.

A Johnson
Director

L Winser
Director

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 interests 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 while taking into account the interests of employees, customers, suppliers and the community at large.

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

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

Structure of the Board

The Board currently comprises five 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 Non-Executive Directors, a Non-Executive Chairman and to have a different person filling the roles of Chairman and Managing Director. The Chairman of the Audit Committee cannot be Chairman of the Board.

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

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

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

Name	Position
G C Boulton	Non-Executive Director
J L Osborne	Non-Executive Director

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

The Board considers the following Directors as not independent:

J L Winser *Managing Director*

A F Johnson *Non-Executive Director (Chairman)*
Mr Johnson is Chairman of a company controlled by AA Scott Pty Ltd, the largest shareholder of K&S Corporation Limited.
Mr Johnson is also a partner of Johnson Winter & Slattery which provides legal services to K&S Corporation Limited and its subsidiaries.

L Ackroyd* *Non-Executive Director*
Mr Ackroyd was the Group Financial Controller and a Director or Secretary of a number of companies within the Scott Group of privately owned companies for part of the year, one of which (AA Scott Pty Ltd) is the largest shareholder of K&S Corporation Limited.

R V J Nicholson *Non-Executive Director*
Mr Nicholson is a Director of a number of companies within the Scott Group of privately owned companies, one of which (AA Scott Pty Ltd) is the largest shareholder of K&S Corporation Limited.

B C Grubb *Non-Executive Director*
Mr Grubb is Chief Executive and Executive Director of Scotts Transport Industries Pty Ltd and a Director of a number of other companies within the Scott Group of companies, one of which (AA Scott Pty Ltd) is the largest shareholder of K&S Corporation Limited.

* *Mr L Ackroyd resigned as a Director on 31 July 2007.*

The Board structure is consistent with ASX Principle 2, with the exception of Recommendation 2.1 which requires that the majority of the Board be Independent Directors. The Board considers that the mix of skills and experience of and the contributions by the Non-Independent Non-Executive Directors offsets the benefits to the Company of having a majority of Independent Non-Executive Directors. However, as part of the review of Board Performance (refer 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 also 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

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 six Directors, the Board considers this the most effective way to address its own performance.

Committees of the Board

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

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

Audit Committee

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

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguard of assets, the maintenance of proper accounting records, and the reliability of financial information 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:

Mr L Ackroyd *(Chairman)**
Mr G C Boulton +
Mr J L Osborne **

* *Mr L Ackroyd resigned as a Director on 31 July 2007.*
\+ *Mr G Boulton was appointed as Chairman of the Audit Committee on 31 July 2007.*
** *Mr J Osborne became a member of the Audit Committee on 31 July 2007.*

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

Mr Boulton was appointed Chairman of the Audit Committee on 31 July 2007. The Board considers Mr Boulton to be independent using the ASX Council's definition of independence.

Mr Osborne became a member of the Audit Committee on 31 July 2007. The Board considers Mr Osborne to be independent using the ASX Council's definition of independence.

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

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

Mr J L Osborne *(Chairman)*
Mr R V J Nicholson
Mr J 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 as well as benchmarking against external remuneration data for comparable companies to establish that the Directors' fees are in line with market standards. Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration.

A Directors' fee pool limit of $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 received $45,000 and the Chairman was paid $80,000. Committee membership does not entitle a Director to additional fees.

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

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

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 on *pages 20 to 22*.

Environmental Committee

The Board has an established 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 F Johnson *(Chairman)*
Mr J L Osborne
Mr J L Winser

The Company Secretary acts as Secretary to the Environmental Committee.

The Environmental Committee is responsible for:

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

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

The Environmental Committee met four times during the year.

Financial Reporting

Consistent with the ASX Principle 4, the Company's financial report preparation and approval process for the financial year ended 30 June 2007, involved both the Managing Director 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 assurances as to the Company's risk management processes and internal compliance and control procedures.

Audit Governance and Independence

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

The Company's current external Auditors are Ernst & Young. The effectiveness, performance and independence of the external Auditor is reviewed by the Audit Committee.

If it becomes necessary to replace the external Auditor for performance or independence reasons, the Audit Committee will then formalise a process for the selection and appointment of new Auditors.

Ernst & Young has a policy for the rotation of the lead audit partner for their clients. The lead audit partner and the audit review partner for the Company will be rotated for the year ended 30 June 2008.

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

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

Risk Management

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of 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.
- Documentation of business wide risk identification and mitigation strategies.

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 price sensitive 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. Details of Director related entity transactions with the Company and consolidated entity are set out in *Note 28*.

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.
- Outside windows as stated above, except where they have obtained the approval of the Chairman.

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

International Quality Standard ISO 9001

The consolidated entity strives to ensure that its services are of the highest standard. Towards this aim, it has achieved ISO 9001 accreditation for its core business segment and is well advanced in the implementation of Occupational Health & Safety systems to meet the AS4801 Standard.

Ethical Standards

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 employees on the legislative prohibitions on price fixing and anti-competitive arrangements, as well as other prohibited conduct.

Other Policies

Amongst other policies endorsed by the Board in previous years are the Occupational Health and Safety, Environment Protection, Electronic Communications Policies and the 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 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, the Chairman's and Managing Director's addresses at the Annual General Meeting, and actively engaging the investment community.

K&S Corporation Limited posts all reports, Australian Stock Exchange releases 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 2007

K&S CORPORATION LIMITED

ABN 67 007 561 837

Contents

income statement

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Revenue from rendering of services		**366,019**	319,033	**-**	-
Revenue from sale of goods		**51,965**	48,059	**-**	-
Dividends		**-**	1	**10,000**	15,001
Finance revenue		**321**	410	**4**	3
Revenue	5(a)	**418,305**	367,503	**10,004**	15,004
Cost of goods sold		**(47,906)**	(44,440)	**-**	-
Gross profit		**370,399**	323,063	**10,004**	15,004
Other income	5(b)	**3,050**	5,450	**504**	769
Contractor expenses		**(139,951)**	(123,269)	**-**	-
Employee benefits expenses	5(e)	**(96,673)**	(77,927)	**(370)**	(372)
Fleet expenses		**(72,412)**	(68,243)	**-**	-
Depreciation expense	5(d)	**(18,998)**	(15,882)	**-**	-
Finance costs	5(c)	**(4,998)**	(3,771)	**(15)**	(145)
Other expenses		**(16,913)**	(14,099)	**(121)**	(232)
2002 fraud related recoveries/(expenses), net		**1,383**	659	**-**	-
Share of profit/(loss) of associates	14	**(568)**	173	**-**	-
Profit before income tax		**24,319**	26,154	**10,002**	15,024
Income tax (expense)/benefit	6	**(7,274)**	(7,800)	**69**	(7)
Profit after income tax		**17,045**	18,354	**10,071**	15,017
Profit attributable to members of the parent		**17,045**	18,354	**10,071**	15,017
Earnings per share (cents per share)	7				
• basic for profit for the year attributable to ordinary equity holders of the parent		**25.34**	27.96		
• diluted for profit for the year attributable to ordinary equity holders of the parent		**25.34**	27.96		
Dividends per share (cents per share)	8	**14.0**	14.0		

The above income statement should be read in conjunction with the accompanying notes.

balance sheet

AS AT 30 JUNE 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
ASSETS					
Current assets					
Cash and cash equivalents	9	**22,280**	18,349	**-**	-
Trade and other receivables	10	**47,371**	44,169	**67,533**	57,498
Inventories	11	**1,966**	2,419	**-**	-
Prepayments		**3,459**	2,760	**-**	-
Derivatives		**36**	-	**-**	-
Total current assets		**75,112**	67,697	**67,533**	57,498
Non-current assets					
Trade and other receivables	10	**232**	340	**17,961**	17,961
Prepayments		**75**	150	**-**	-
Investments in associates	14	**28**	594	**-**	-
Available-for-sale financial assets	12	**-**	20	**-**	20
Other financial assets	13	**-**	-	**32,206**	14,020
Property, plant & equipment	15	**179,921**	137,127	**-**	-
Intangibles	16	**21,077**	7,675	**-**	-
Deferred tax assets	6	**4,772**	3,517	**202**	125
Total non-current assets		**206,105**	149,423	**50,369**	32,126
TOTAL ASSETS		**281,217**	217,120	**117,902**	89,624
LIABILITIES					
Current liabilities					
Trade and other payables	18	**43,955**	38,607	**44,037**	21,535
Interest bearing loans and borrowings	19	**17,166**	13,224	**-**	-
Income tax payable		**2,286**	5,074	**1,903**	5,131
Provisions	20	**8,763**	7,458	**-**	-
Derivatives		**15**	188	**-**	-
Total current liabilities		**72,185**	64,551	**45,940**	26,666
Non-current liabilities					
Interest bearing loans and borrowings	19	**56,541**	41,009	**60**	60
Deferred tax liabilities	6	**14,716**	7,239	**69**	69
Provisions	20	**1,712**	1,064	**484**	418
Total non-current liabilities		**72,969**	49,312	**613**	547
TOTAL LIABILITIES		**145,154**	113,863	**46,553**	27,213
NET ASSETS		**136,063**	103,257	**71,349**	62,411
EQUITY					
Contributed equity	21	**52,771**	44,512	**52,771**	44,512
Reserves		**21,177**	4,283	**161**	161
Retained earnings		**62,115**	54,462	**18,417**	17,738
TOTAL EQUITY		**136,063**	103,257	**71,349**	62,411

The above balance sheet should be read in conjunction with the accompanying notes.

statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2007

	Issued capital $'000	Retained earnings $'000	Asset revaluation reserves $'000	Forex translation reserves $'000	Cash flow hedge reserves $'000	Total equity $'000
CONSOLIDATED						
At 1 July 2005	27,966	42,750	7,983	328	-	79,027
Transfer from asset revaluation reserve due to sale of land & buildings	-	2,594	(2,594)	-	-	-
Currency translation differences	-	-	-	(1,302)	-	(1,302)
Net loss on cash flow hedge	-	-	-	-	(132)	(132)
Total income and expense for the period recognised directly in equity	**-**	**2,594**	**(2,594)**	**(1,302)**	**(132)**	**(1,434)**
Profit for the period	-	18,354	-	-	-	18,354
Total income and expense for the period	**-**	**20,948**	**(2,594)**	**(1,302)**	**(132)**	**16,920**
Issue of share capital	16,783	-	-	-	-	16,783
Transaction costs relating to share issue	(237)	-	-	-	-	(237)
Equity dividends	-	(9,236)	-	-	-	(9,236)
At 30 June 2006	**44,512**	**54,462**	**5,389**	**(974)**	**(132)**	**103,257**
Revaluation of land & buildings	-	-	22,238	-	-	22,238
Deferred income tax on revaluation	-	-	(6,671)	-	-	(6,671)
Currency translation differences	-	-	-	1,182	-	1,182
Net gain on cash flow hedge	-	-	-	-	145	145
Total income and expense for the period recognised directly in equity	**-**	**-**	**15,567**	**1,182**	**145**	**16,894**
Profit for the period	-	17,045	-	-	-	17,045
Total income and expense for the period	**-**	**17,045**	**15,567**	**1,182**	**145**	**33,939**
Issue of share capital	8,259	-		-	-	8,259
Equity dividends	-	(9,392)	-	-	-	(9,392)
At 30 June 2007	**52,771**	**62,115**	**20,956**	**208**	**13**	**136,063**
PARENT						
At 1 July 2005	27,966	11,957	161	-	-	40,084
Profit for the period	-	15,017	-	-	-	15,017
Total income and expense for the period	**-**	**15,017**	**-**	**-**	**-**	**15,017**
Issue of share capital	16,783	-	-	-	-	16,783
Transaction costs relating to share issue	(237)	-	-	-	-	(237)
Equity dividends	-	(9,236)	-	-	-	(9,236)
At 30 June 2006	**44,512**	**17,738**	**161**	**-**	**-**	**62,411**
Profit for the period	-	10,071	-	-	-	10,071
Total income and expense for the period	**-**	**10,071**	**-**	**-**	**-**	**10,071**
Issue of share capital	8,259	-	-	-	-	8,259
Equity dividends	-	(9,392)	-	-	-	(9,392)
At 30 June 2007	**52,771**	**18,417**	**161**	**-**	**-**	**71,349**

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

cash flow statement

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		**471,667**	404,008	**504**	769
Cash payments to suppliers and employees		**(413,829)**	(360,881)	**(491)**	(546)
Dividends received		**-**	1	**10,000**	15,001
Interest received		**321**	410	**4**	3
Borrowing costs paid		**(4,998)**	(3,771)	**(15)**	(145)
Income taxes paid		**(11,073)**	(7,414)	**(11,150)**	(7,327)
Net goods and services tax paid		**(12,197)**	(6,050)	**-**	-
2002 fraud related recoveries		**1,488**	3,659	**-**	-
Net cash provided by operating activities	9	**31,379**	29,962	**(1,148)**	7,755
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of non-current assets		**5,224**	15,829	**-**	-
Payments for property plant & equipment		**(5,535)**	(31,667)	**-**	-
Acquisition of subsidiaries	31	**(10,523)**	-	**-**	-
Net cash (used) in investing activities		**(10,834)**	(15,838)	**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from share issue		**-**	16,783	**-**	16,783
Payments relating to share issue		**-**	(237)	**-**	(237)
Proceeds from borrowings		**13,000**	16,000	**-**	-
Repayments of borrowings		**(5,964)**	(19,846)	**-**	-
Lease and hire purchase liability repayments		**(15,585)**	(13,807)	**-**	-
Dividends paid, net of dividend reinvestment plan		**(8,134)**	(9,236)	**(8,134)**	(9,236)
Proceeds/(Repayment) of loans to controlled entities		**-**	-	**9,282**	(15,065)
Net cash (used) in financing activities		**(16,683)**	(10,343)	**1,148**	(7,755)
Net increase/(decrease) in cash held		**3,862**	3,781	**-**	-
Cash at the beginning of the financial year		**18,349**	14,661	**-**	-
Effects of exchange rate variances on cash		**69**	(93)	**-**	-
Cash at the end of the financial year	9	**22,280**	18,349	**-**	-

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

1 Corporate Information

The financial report of K&S Corporation Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of Directors on 21 August 2007.

K&S Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. The nature of the operation and principal activities of the Group are described in Note 4.

2 Summary of Significant Accounting Policies

a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporation Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for land and buildings which have been measured at fair value. The carrying values of cash flow hedges are also stated at fair value with the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge recognised directly in equity and the ineffective portion recognised in the income statement.

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

b) Statement of compliance

Except for the amendments to AASB 101 Presentation of Financial Statements and AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments, which the Group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2007.

These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139,	Amendments arise from the release in August 2005 of AASB 7 *Financial Instruments: Disclosures.*	1 Jan 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *Interim Financial Reporting and Impairment.*	1 Mar 2007	This is consistent with the Group's existing accounting policies for share-based payments so will have no impact.	1 July 2007

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements.*	1 Jan 2007	As the Group currently has no service concession arrangements or public-private-partnerships (PPP), it is expected that this Interpretation will have no impact on its financial report.	1 July 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments.*	1 Jan 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the new standard is expected to have an impact on the Group's segment disclosures as segment information based on management reports are more detailed than those currently reported under AASB 114.	1 July 2009
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 132.	1 Jan 2007	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	*Operating Segments*	This new standard will replace AASB 114 *Segment Reporting* and adopts a management approach to segment reporting.	1 Jan 2009	Refer to AASB 2007-3 above.	1 July 2009
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	Addresses an inconsistency between AASB 134 *Interim Financial Reporting* and the impairment requirements relating to goodwill in AASB 136 *Impairment of Assets* and equity instruments classified as available for sale in AASB 139 *Financial Instruments: Recognition and Measurement.*	1 Nov 2006	The prohibitions on reversing impairment losses in AASB 136 and AASB 139 to take precedence over the more general statement in AASB 134 is not expected to have any impact on the Group's financial report.	1 July 2007

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

2 Summary of Significant Accounting Policies continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Interpretation 11	*Group and Treasury Share Transactions*	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.	1 Mar 2007	Refer to AASB 2007-1 above.	1 July 2007
AASB Interpretation 12	*Service Concession Arrangements*	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1 Jan 2007	Refer to AASB 2007-2 above.	1 July 2007

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

c) Basis of consolidation

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

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from inter-group transactions, have been eliminated in full.

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

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair vale of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition.

d) Significant accounting judgments, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets within the next annual reporting period are:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis.
This requires an estimation of the recoverable amount of the cash generating units to which the goodwill is allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill are discussed in *Note 17*.

Make good provisions

Provision is made for anticipated costs of future restoration of leased storage premises. The future cost estimates are discounted to their present value. The related carrying amounts are disclosed in *Note 20*.

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

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

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

e) Business combination

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the combination. Where equity instruments are issued in the business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unrealistic indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where the settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

f) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

g) Revenue

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

2 **Summary of Significant Accounting Policies** continued

g) Revenue

i) Sale of goods

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

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

ii) Rendering of services

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

iii) Interest

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

iv) Dividends

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

h) 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 leased finance charges. Borrowing costs are recognised as an expense when incurred.

i) Cash and cash equivalents

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

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

j) Leases

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

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

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

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

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

k) Trade and other receivables

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

l) Inventories

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

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

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

m) Derivative financial instruments

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

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

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

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

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

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

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

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

n) Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

2 Summary of Significant Accounting Policies continued

n) Derecognition of financial assets and liabilities

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

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

o) Impairment of financial assets

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

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

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

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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

Available-for-sale investments
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

p) Foreign currency translation

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

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

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

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

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

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

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

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of K&S Corporation Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

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

q) Investment in associates

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

The financial statements of the associates are used by the Group to apply the equity method. The reporting dates of the associates and the Group are identical and all use consistent accounting policies. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associates. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

r) Income tax

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

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

2 Summary of Significant Accounting Policies continued

r) Income tax

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

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

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

s) Other taxes

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

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

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

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

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

t) Property, plant and equipment

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

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

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

Buildings	2.5% p.a
Motor Vehicles	5% - 40% p.a
Plant and equipment	5% - 27% p.a

i) Impairment

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

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

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

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

ii) Revaluations

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

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

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

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

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

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

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

iii) Derecognition and disposal

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

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

2 Summary of Significant Accounting Policies continued

u) Investments and other financial assets

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

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

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

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

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

Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

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

v) Goodwill

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

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit for the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which goodwill is allocated:

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 *Segment Reporting*.

Impairment is determined by assessing the recoverable amount of the cash-generating \unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

w) Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

2 Summary of Significant Accounting Policies continued

w) Intangible assets

Development Costs

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during the development. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

x) Impairment of assets

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

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

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognised. If that is the case, the carrying amount of the asset is increased by the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

y) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

z) Interest-bearing loans and borrowings

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

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

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

aa) Provisions

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

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

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

bb) Employee leave benefits

i) Wages, salaries, annual leave and sick leave

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

ii) Long service leave

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

iii) Defined contribution superannuation funds

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

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Income Statement as incurred.

iv) Directors retirement benefits

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

2 Summary of Significant Accounting Policies continued

cc) Contributed equity

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

dd) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Costs of servicing equity (other than shares);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- Other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

3 Financial Risk Management Objectives and Policies

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

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

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

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

Cash flow interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

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

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

It is the Group's policy that customers who wish to trade on credit more than $1,000 per week are subject to credit verification procedures.

The consolidated entity also minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties in various states. The Group is not materially exposed to any individual customer or individual state. Concentration of credit risk on trade debtors due from customers are: Transport 92% (2006: 92%) and Fuel 8% (2006: 8%).

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

4 Segment Information

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary segment information is reported geographically.

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

- Transport – The provision of transportation and logistical services to customers
- Fuel – The distribution of fuel to fishing, farming and retail customers within the South East of South Australia

	Transport		Fuel		Consolidated	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Revenue						
Revenue from customers outside the economic entity	**366,019**	319,033	**51,965**	48,059	**417,984**	367,092
Inter-segment revenue	**35,320**	31,154	**28,437**	29,484	**-**	-
Total segment revenue	**401,339**	350,187	**80,402**	77,543	**417,984**	367,092
Non-segment revenues						
Interest					**321**	410
Dividends					**-**	1
Total Consolidated Revenue					**418,035**	367,503
Results						
Segment result	**28,813**	28,618	**1,072**	1,134	**29,885**	29,752
Profit before tax & finance costs					**29,885**	29,752
Finance costs					**(4,998)**	(3,771)
Share of profit/(loss) of associate	**(568)**	173	**-**	-	**(568)**	173
Profit before income tax					**24,319**	26,154
Income tax expense					**(7,274)**	(7,800)
Net profit for the year					**17,045**	18,354
Assets and liabilities						
Segment assets	**275,638**	210,632	**5,551**	5,894	**281,189**	216,526
Investment in associates	**28**	594	**-**	-	**28**	594
Total assets	**275,666**	211,226	**5,551**	5,894	**281,217**	217,120
Segment liabilities	**139,980**	107,790	**5,174**	6,073	**145,154**	113,863
Total liabilities	**139,980**	107,790	**5,174**	6,073	**145,154**	113,863
Other segment information						
Capital expenditure	**25,849**	56,334	**-**	-	**25,849**	56,334
Depreciation	**18,964**	15,826	**34**	56	**18,998**	15,882
Fraud related (recoveries)	**(1,517)**	(956)	**-**	-	**(1,517)**	(965)
Costs relating to fraud recovery	**134**	306	**-**	-	**134**	306
Cash flow information						
Net cash flow from operating activities	**30,439**	29,132	**940**	830	**31,379**	29,962
Net cash flow from investing activities	**(10,834)**	(15,838)	**-**	-	**(10,834)**	(15,838)
Net cash flow from financing activities	**(15,750)**	(9,515)	**(933)**	(828)	**(16,683)**	(10,343)

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

4 Segment Information

Geographical segments

The Group's geographical segments are determined based on the location of the Group's assets.

The following table presents revenue, expenditure and certain asset information regarding geographical segments for the years ended 30 June 2007 and 30 June 2006:

	Australia		New Zealand		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Revenue						
Sales to external customers	**394,030**	339,974	**23,954**	27,118	**417,984**	367,092
Other revenues from external customers	**297**	345	**24**	66	**321**	411
Segment revenue	**394,327**	340,319	**23,978**	27,184	**418,305**	367,503
Other segment information						
Segment assets	**249,096**	185,077	**32,093**	31,449	**281,189**	216,526
Investments in associates	**-**	578	**28**	16	**28**	594
Total assets					**281,217**	217,120
Capital expenditure	**23,873**	45,265	**1,976**	11,069	**25,849**	56,334

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000

5 Revenues and Expenses

Revenue

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
a) Rendering of services	**366,019**	319,033	**-**	-
Sale of goods	**51,965**	48,059	**-**	-
Dividends:				
– Other parties	**-**	1	**-**	1
– Subsidiaries	**-**	-	**10,000**	15,000
Finance revenue	**321**	410	**4**	3
	418,305	367,503	**10,004**	15,004
b) Other Income				
– Net gains on disposal of property, plant and equipment	**2,358**	4,613	**-**	-
– Other	**692**	837	**504**	769
	3,050	5,450	**504**	769
c) Finance costs				
Related parties				
– wholly-owned controlled entities	**-**	-	**-**	140
– other	**5**	5	**5**	5
Other parties	**1,473**	1,181	**10**	-
Finance charges on capital leases	**3,520**	2,585	**-**	-
Total finance costs	**4,998**	3,771	**15**	145
d) Depreciation				
Buildings	**1,080**	477	**-**	-
Motor vehicles	**16,309**	14,179	**-**	-
Plant and equipment	**1,609**	1,226	**-**	-
Total depreciation expenses	**18,998**	15,882	**-**	-
e) Employee benefits expense				
Wages and salaries	**76,503**	62,190	**260**	268
Workers' compensation costs	**4,854**	3,323	-	-
Long service leave provision	**597**	454	-	-
Annual leave provision	**5,016**	3,792	-	-
Payroll tax	**4,360**	3,738	**15**	15
Defined contribution plan expense	**5,277**	4,370	**29**	29
Directors retirement scheme expense	**66**	60	**66**	60
Total employee benefits expenses	**96,673**	77,927	**370**	372
f) Operating lease rental expense				
Property	**8,978**	8,425	**-**	-
Plant and equipment	**3,173**	3,729	**-**	-
	12,151	12,154	**-**	-

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
6 Income Tax				
The major components of income tax expense are:				
Income statement				
Current income tax				
– Current income tax charge	**8,224**	10,617	**20**	24
– Adjustments in respect of current income tax of previous years	**(244)**	(30)	**(69)**	-
Deferred income tax				
– Relating to origination and reversal of temporary differences	**(706)**	(2,787)	**(20)**	(17)
Income tax expense reported in the income statement	**7,274**	7,800	**(69)**	7
Statement of changes in equity				
Deferred income tax related to items charged or credited directly to equity				
– Net gain on revaluation of land and buildings	**6,671**	-	**-**	-
– Net gain on cash flow hedge	**145**	-	**-**	-
Income tax expense reported in equity	**6,816**	-	**-**	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit before income tax	**24,319**	26,154	**10,002**	15,024
At the Group's statutory income tax rate of 30% (2006: 30%)	**7,295**	7,846	**3,000**	4,507
– Expenditure not allowable for income tax purposes	**43**	36	**-**	-
– Differential tax rate applicable to overseas subsidiary	**10**	-	**-**	-
– Adjustments in respect of current income tax of previous years	**(244)**	(30)	**(69)**	-
– Rebate on dividend income	**-**	-	**(3,000)**	(4,500)
– Share of associates' net profit	**170**	(52)	**-**	-
Income tax expense reported in the consolidated income statement	**7,274**	7,800	**(69)**	7

	Balance Sheet		Income Statement	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
6 Income Tax				
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
– Accelerated depreciation for tax purposes	**(4,297)**	(4,018)	**(28)**	(1,620)
– Revaluations of land & buildings to fair value	**(9,255)**	(2,310)	**-**	-
– Trade and other receivables not derived for tax purposes	**(1,164)**	(911)	**(1)**	17
	(14,716)	(7,239)		
CONSOLIDATED				
Deferred tax assets				
– Accelerated depreciation for accounting purposes	**307**	240	**(40)**	-
– Trade and other payables not currently deductible	**1,114**	707	**6**	(933)
– Trade and other receivables not derived for tax purposes	**188**	100	**-**	-
– Revaluation of cash flow hedge to fair value	**4**	56	**-**	-
– Employee entitlements not currently deductible	**3,159**	2,414	**(643)**	(251)
Gross deferred income tax assets	**4,772**	3,517		
Deferred tax income/(expense)			**(706)**	(2,787)
PARENT				
Deferred tax liabilities				
– Revaluations to fair value	**(69)**	(69)	**-**	-
	(69)	(69)		
Deferred tax assets				
– Directors entitlements currently deductible	**202**	125	**20**	17
Gross deferred income tax assets	**202**	125		
Deferred tax income/(expense)			**20**	17

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, K&S Corporation Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. K&S Corporation Limited is the head entity of the tax consolidated group.

Members of the group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. During the year, the DTM group entered as a tax consolidated group member.

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

6 Income Tax

Tax effect accounting by members of the tax consolidated group

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

In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations upon leaving the Group.

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

	Parent	
	2007 $'000	2006 $'000
Total increase/(reduction) to tax expense of K&S Corporation Ltd	**(7,458)**	(10,159)
Total increase/(reduction) to inter-company assets of K&S Corporation Ltd	**7,458**	10,159

7 Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit after tax for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2007 $'000	2006 $'000
Net profit attributable to ordinary equity holders of the parent from continuing operations	**17,045**	18,354
Net profit attributable to ordinary equity holders of the parent	**17,045**	18,354
	2007 Thousands	2006 Thousands
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	**67,259**	65,645
Effect of dilution		
Ordinary Shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	**67,259**	65,645

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
8 Dividends Paid and Proposed				
Declared and paid during the year:				
Dividends on ordinary shares				
Final franked dividend for 2006: 7.0 cents (2005: 7.0 cents)	**4,618**	4,618	**4,618**	4,618
Interim franked dividend for 2007: 7.0 cents (2006: 7.0 cents)	**4,774**	4,618	**4,774**	4,618
	9,392	9,236	**9,392**	9,236
Proposed (not recognised as a liability as at 30 June):				
Dividends on ordinary shares				
Final franked dividend for 2007: 7.0 cents (2006: 7.0 cents)	**4,783**	4,618	**4,783**	4,618
Franking credit balance				
The amount of franking credits available for the subsequent year are:				
• franking account balance as at the end of the financial year at 30% (2006: 30%)			**27,167**	17,552
• franking credits that will arise from the payment of income tax payable as at the end of the financial year			**2,526**	5,131
The amount of franking credits available for future reporting periods:				
• impact on franking account of dividends proposed but not recognised as a distribution to equity holders during the period			**(2,074)**	(1,979)
			27,619	20,704

The tax rate at which dividends have been franked is 30% (2006: 30%).

Dividends proposed will be franked at the rate of 30% (2006: 30%).

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FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
9 Cash and Cash Equivalents				
Cash	**31**	21	**-**	-
Cash deposits with banks	**22,249**	18,328	**-**	-
	22,280	18,349	-	-
Cash at bank earns interest at floating rates based on daily bank deposit rates.				
Reconciliation of net profit after income tax to net cash flows from operations				
Net profit after income tax	**17,045**	18,354	**10,071**	15,017
Add/(less) items classified as investing/financing activities:				
– (Profit)/loss on sale of non current assets	**(2,358)**	(4,613)	**-**	-
Add/(less) non cash items:				
– Amounts set aside to provisions	**856**	774	**66**	58
– Depreciation	**18,998**	15,882	**-**	-
– Net exchange differences	**39**	(266)	**-**	-
– Share of associates net profit	**568**	(173)	**-**	-
– Dividends received from associates	**-**	135	**-**	-
Net cash provided by operating activities before changes in assets and liabilities	**35,148**	30,093	**10,137**	15,075
CHANGE IN ASSETS AND LIABILITIES				
(Increase)/decrease in inventories	**452**	(102)	**-**	-
(Increase)/decrease in income tax benefit	**(1,243)**	(248)	**(77)**	(17)
(Increase)/decrease in available-for-sale financial assets	**-**	-	**20**	-
(Increase)/decrease in prepayments	**(232)**	(504)	**-**	-
(Increase)/decrease in receivables	**4,864**	(3,648)	**-**	-
(Decrease)/increase in trade creditors	**(5,047)**	3,568	**-**	-
(Decrease)/increase in income taxes payable	**(2,959)**	3,048	**(3,228)**	(7,303)
(Decrease)/increase in related party balances	**-**	-	**(8,000)**	-
(Decrease)/increase in deferred taxes payable	**408**	(2,407)	**-**	-
Exchange rate changes on opening cash balances	**(12)**	162	**-**	-
Net cash provided by/(used in) operating activities	**31,379**	29,962	**(1,148)**	7,755

Disclosure of financing facilities

Refer to Note 19.

Disclosure of non-cash financing and investing activities

Refer to Note 15.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000

10 Trade and Other Receivables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current				
Trade debtors	**45,053**	42,162	**-**	-
Allowance for impairment loss (i)	**(627)**	(333)	**-**	-
	44,426	41,829	**-**	-
Sundry debtors	**2,945**	2,340	**-**	-
Related party receivables				
– Controlled entities	**-**	-	**67,533**	57,498
	47,371	44,169	**67,533**	57,498
Non-current				
Sundry debtors	**232**	340	**-**	-
Related party receivables				
– Controlled entities	**-**	-	**17,961**	17,961
	232	340	**17,961**	17,961

(i) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30-90 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance of $220,685 (Company: $nil) has been recognised as an expense for the current year. The amount of the allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received for the relevant debtors.

11 Inventories

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Consumable stores – at cost	**626**	539	**-**	-
Finished goods – fuel at cost	**1,340**	1,880	**-**	-
Total inventories at the lower of cost and net realisable value	**1,966**	2,419	**-**	-

a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2007 totalled $47,906,000 (2006: $44,440,000) for the Group and $nil (2006: $nil) for the Company. This expense has been included in the cost of sales line item as a cost of inventories.

12 Available-for-Sale Financial Assets

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Available-for-sale financial assets				
– Shares – listed at fair value	**-**	20	**-**	20
	-	20	**-**	20

Available-for-sale investments consist of investments in ordinary shares, and had no fixed maturity date or coupon rate.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
13 Other Financial Assets				
Investments controlled entities				
– Shares – unlisted at cost	**-**	-	**32,206**	14,020
	-	-	**32,206**	14,020

14 Investment in Associates

a) Investment details

	Interest Owned 2007 %	Interest Owned 2006 %	Investment Carrying Amount Consolidated 2007 $'000	Investment Carrying Amount Consolidated 2006 $'000
Smart Logistics Pty Ltd	**50**	50	**-**	578
Dairy Transport Logistics Pty Ltd	**50**	50	**28**	16
Investment in associates			**28**	594

Both Smart Logistics Pty Ltd and Dairy Transport Logistics Pty Ltd are providers of distribution services and consultants in transport and distribution.

Smart Logistics Pty Ltd was incorporated in Australia

Dairy Transport Logistics Pty Ltd was incorporated in New Zealand

b) Impairment

The Group's investment in Dairy Transport Logistics Pty Ltd was not impaired during the year (2006: $nil). An impairment loss of $339,000 ($2006: $nil) was recognised to reduce the carrying amount of the investment in Smart Logistics Pty Ltd. This has been recognised in the Income Statement in the line item 'Share of profit/(loss) of associates'.

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

	Consolidated 2007 $'000	Consolidated 2006 $'000
Dairy Transport Logistics Pty Ltd		
At 1 July	**16**	16
Share of profit after income tax	**10**	20
Dividend from associate	**-**	(20)
Exchange rate changes on opening balances	**2**	-
At 30 June	**28**	16
Smart Logistics Pty Ltd		
At 1 July	**578**	540
Share of profit/(loss) after income tax	**(578)**	153
Dividend from associate	**-**	(115)
At 30 June	**-**	578

	Consolidated	
	2007	2006
	$'000	$'000

14 Investment in Associates

d) Share of associates' commitments

Share of associates' finance lease commitments:		
Within one year	**18**	11
One year or later and no later than five years	**50**	17
Minimum lease payments	**68**	28
Less: Future finance charges	**(11)**	-
Total lease liability	**57**	28

e) Summarised financial information

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

Extract from the associates' Balance Sheets:		
Current assets	**10,188**	11,786
Non-current assets	**2,572**	276
	12,760	12,062
Current liabilities	**(12,268)**	(11,480)
Non-current liabilities	**(1,558)**	(72)
	(13,826)	(11,552)
Net assets/(liabilities)	**(1,066)**	510
Share of associates net assets	**(533)**	255
Adjustments arising from equity accounting		
– Goodwill	**-**	339
– Net carrying amount not recognised under equity accounting	**561**	-
	28	594
Extract from the associates' Income Statement:		
Revenue	**123,116**	120,286
Net profit/(loss)	**(1,614)**	346
Share of associates' profit or loss accounted for using the equity method:		
Profit/(loss) before income tax	**(811)**	256
Income tax expense	**243**	(83)
Profit/(loss) after income tax	**(568)**	173

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated				Parent
	Freehold Land and Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Total $'000	Total $'000

15 Property, Plant and Equipment

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

	Freehold Land and Buildings $'000	Motor Vehicles $'000	Plant & Equipment $'000	Total $'000	Parent Total $'000
Year ended 30 June 2007					
As at 1 July 2006, net of accumulated depreciation and impairment	**55,247**	**74,379**	**7,501**	**137,127**	**-**
Additions	**4,163**	**18,544**	**3,142**	**25,849**	**-**
Acquisition of subsidiary	**-**	**13,854**	**583**	**14,437**	**-**
Revaluation	**22,238**	**-**	**-**	**22,238**	**-**
Disposals	**-**	**(2,741)**	**(125)**	**(2,866)**	**-**
Depreciation charge for the year	**(1,080)**	**(16,309)**	**(1,609)**	**(18,998)**	**-**
Reclassification of category	**-**	**317**	**(317)**	**-**	**-**
Exchange adjustment	**48**	**2,038**	**48**	**2,134**	**-**
At 30 June 2007, net of accumulated depreciation and impairment	**80,616**	**90,082**	**9,223**	**179,921**	**-**
At 30 June 2007					
Cost or fair value	**80,680**	**173,368**	**37,746**	**291,794**	**-**
Accumulated depreciation and impairment	**(64)**	**(83,286)**	**(28,523)**	**(111,873)**	**-**
Net carrying amount	**80,616**	**90,082**	**9,223**	**179,921**	**-**
Year ended 30 June 2006					
As at 1 July 2005, net of accumulated depreciation and impairment	39,614	67,453	2,994	110,061	-
Additions	23,838	26,669	5,827	56,334	-
Disposals	(7,678)	(3,499)	(39)	(11,216)	-
Depreciation charge for the year	(477)	(14,179)	(1,226)	(15,882)	-
Exchange adjustment	(50)	(2,065)	(55)	(2,170)	-
At 30 June 2006, net of accumulated depreciation and impairment	55,247	74,379	7,501	137,127	-
At 1 July 2005					
Cost or fair value	39,935	128,688	29,507	198,130	-
Accumulated depreciation and impairment	(321)	(61,235)	(26,513)	(88,069)	-
Net carrying amount	39,614	67,453	2,994	110,061	-
At 30 June 2006					
Cost or fair value	55,826	137,599	24,104	217,529	-
Accumulated depreciation and impairment	(579)	(63,220)	(16,603)	(80,402)	-
Net carrying amount	55,247	74,379	7,501	137,127	-

b) Revaluation of freehold land and buildings

The freehold land and buildings are included in the financial statements at fair value, except for capital expenditure subsequent to the valuation which is recorded at cost. The fair value of land and buildings in 2007 was determined based on an independent valuation undertaken in March 2007 by Jones Lang LaSalle on the basis of open market values of properties for the highest and best use. Directors have adopted this independent valuation as fair value. This resulted in an increase to the Asset Revaluation Reserve of$15,567,000.

	Consolidated			
	2007		2006	
	Freehold Land $'000	Freehold Buildings $'000	Freehold Land $'000	Freehold Buildings $'000

15 Property, Plant and Equipment

c) Carrying amounts if land and buildings were measured at cost less accumulated depreciation and impairment

If land and buildings were measured using the cost model the carrying amounts would be as follows:

	2007 Freehold Land $'000	2007 Freehold Buildings $'000	2006 Freehold Land $'000	2006 Freehold Buildings $'000
Cost	**14,380**	**38,814**	14,380	34,652
Accumulated depreciation and impairment	**-**	**(2,443)**	-	(1,357)
Net carrying amount	**14,380**	**36,371**	14,380	33,295

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

The carrying value of plant and equipment held under hire purchase contracts at 30 June 2007 is $66,519,652 (2006: $47,537,505). Additions during the year include $20,314,000 (2006: $27,000,413) held under hire purchase contracts.

Hire purchase liabilities are secured by the relevant asset.

Included in the balances of freehold land and buildings are assets on which mortgages have been granted as security over bank loans. The terms of the mortgages preclude the assets being sold or used as security for further mortgages without the permission of the mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

16 Intangible Assets and Goodwill

	Consolidated IT Development Costs $'000	Consolidated Goodwill $'000	Consolidated Total $'000	Parent Total $'000
Year ended 30 June 2007				
At 1 July 2006, net of accumulated amortisation and impairment	1,085	6,590	7,675	-
Additions – internal development	823	-	823	-
Additions – DTM Logistics	-	11,995	11,995	-
Exchange adjustment	-	584	584	-
At 30 June 2007, net of accumulated amortisation and impairment	1,908	19,169	21,077	-
At 30 June 2007				
Cost (gross carrying amount)	1,908	19,169	21,077	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	1,908	19,169	21,077	-

IT development costs have been capitalised at cost and relate to the development of the Group's new core freight system (Panorama). Panorama is still currently in development and is anticipated to be complete within 12 months.

As from 1 July 2005, goodwill is no longer amortised but is now subject to annual impairment testing *(see note 17)*.

No impairment loss was recognised for continuing operations in the 2007 financial year.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated			Parent
	IT Development Costs	Goodwill	Total	Total
	$'000	$'000	$'000	$'000
16 Intangible Assets and Goodwill				
At 1 July 2005				
Cost (gross carrying amount)	428	7,195	7,623	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	428	7,195	7,623	-
Year ended 30 June 2006				
At 1 July 2005, net of accumulated amortisation and impairment	428	7,195	7,623	-
Additions – internal development	657	-	657	-
Exchange adjustment	-	(605)	(605)	-
At 30 June 2006, net of accumulated amortisation and impairment	1,085	6,590	7,675	-
At 30 June 2006				
Cost (gross carrying amount)	1,085	6,590	7,675	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	1,085	6,590	7,675	-

17 Impairment Testing of Goodwill

Cash generating units

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

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

	Goodwill	
	2007	2006
	$'000	$'000
SBU	**984**	984
K&S Fuels	**165**	165
DTM Logistics	**11,995**	-
Cambridge (NZ)	**5,346**	4,829
Napier (NZ)	**679**	612
	19,169	6,590

Impairment testing

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

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

17 Impairment Testing of Goodwill

The Group has used the following key assumptions in determining the recoverable amount of each CGU to which goodwill has been allocated:

	Discount Rate		Terminal Value Growth Rate	
	2007	2006	2007	2006
	%	%	%	%
SBU	**12.26**	11.11	**4.5**	5.0
K&S Fuels	**12.26**	11.11	**4.5**	5.0
DTM Logistics	**12.26**	-	**4.5**	-
Cambridge (NZ)	**12.51**	11.46	**4.0**	5.0
Napier (NZ)	**12.51**	11.46	**4.0**	5.0

Discount rate

The discount rate represents the pre tax discount rate applied to the cash flow projections. The discount rates reflect the market determined, risk adjusted, discount rate relating to the cash generating unit.

Terminal growth rate

The terminal growth rate represents the growth rate applied to the extrapolated cash flows beyond the five year forecast period. This is based on senior management expectations of the cash generating units' long term performance in their respective markets.

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000

18 Payables

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Trade creditors and accruals	**43,955**	38,607	**-**	-
Amounts owed to controlled entities	**-**	-	**44,037**	21,535
	43,955	38,607	**44,037**	21,535

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

19 Interest Bearing Loans and Borrowings

Current

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Hire purchase liabilities – secured	**17,166**	13,224	**-**	-
	17,166	13,224	**-**	-

Non-current

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Non redeemable preference shares	**60**	60	**60**	60
Hire purchase liabilities – secured	**36,574**	28,611	**-**	-
Bank loans – secured	**19,907**	12,338	**-**	-
	56,541	41,009	**60**	60

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
19 Interest Bearing Loans and Borrowings				
Commitments in respect of hire purchase agreements are payable as follows:				
Not later than one year	**20,829**	15,640	**-**	-
Later than one year but not later than five years	**40,019**	31,772	**-**	-
	60,848	47,412	**-**	-
Deduct: future finance charges	**(7,108)**	(5,577)	**-**	-
Total hire purchase liability	**53,740**	41,835	**-**	-
Current	**17,166**	13,224	**-**	-
Non-current	**36,574**	28,611	**-**	-
	53,740	41,835	**-**	-

Fair value disclosures

Details of the fair value of the Group's interest bearing liabilities are set out in *Note 22*.

Hire purchase contracts

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

Hire purchase liabilities are secured by the relevant asset.

The written down value of assets secured by hire purchase agreements is $66,591,652 (2006: $47,537,505). The weighted average cost of these facilities was 7.22% (2006: 7.04%).

Bank loans

All bank loans are denominated in Australian dollars. Bank loans are secured by fixed and floating charges over the assets of the consolidated entity. Bank loans are also secured by registered mortgages over a number of properties of the consolidated entity to the extent of $83,037,000 (2006: $58,152,929). The non-current bank loans are subject to annual review.

The bank loan facility is available for a period beyond 30 June 2010. The facility bears interest at 7.20% (2006: 6.79%).

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Financing facilities available				
At balance date, the following financing facilities were available:				
Total facilities available:				
Bank overdrafts	**3,000**	3,000	**-**	-
Bank loans	**29,624**	32,663	**-**	-
Standby letters of credit	**12,376**	9,337	**-**	-
	45,000	45,000	**-**	-

Standby letters of credit

The Group has the following guarantees at 30 June 2007:

- Bank guarantee of $5,920,000 has been provided by the Westpac Banking Corporation to Comcare for the due discharge of its liabilities to pay compensation and other amounts under the Safety Rehabilitation and Compensation Act 1988;

19 Interest Bearing Loans and Borrowings

- Bank guarantee of $2,200,000 has been provided by the Westpac Banking Corporation to the Port of Melbourne Corporation as security for an indemnity under the contract for the sale of the land at 111-131 Whitehall Street, Footscray, Victoria;
- A bank guarantee of $2,071,000 has been provided by the Westpac Banking Corporation to the Victorian WorkCover Authority;
- Other bank guarantees totalling $2,184,948 (2006: $1,217,097) have been provided by the Westpac Banking Corporation Limited and Commonwealth Bank of Australia to suppliers.

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Facilities utilised at balance date:				
Bank overdrafts	**-**	-	**-**	-
Bank loans	**19,907**	12,338	**-**	-
Standby letters of credit	**12,376**	9,337	**-**	-
	32,283	21,675	**-**	-
Facilities not utilised at balance date:				
Bank overdrafts	**3,000**	3,000	**-**	-
Bank loans	**9,717**	20,325	**-**	-
Standby letters of credit	**-**	-	**-**	-
	12,717	23,325	**-**	-
Total facilities	**45,000**	45,000	**-**	-
Facilities used at balance date	**32,283**	21,675	**-**	-
Facilities unused at balance date	**12,717**	23,325	**-**	-

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 2010.

Assets pledged as security

Included in the balances of freehold land and buildings are assets on which mortgages have been granted as security over bank loans. The terms of the mortgages preclude the assets being sold or used as security for further mortgages without the permission of the mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

The carrying amount of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Non-current				
First mortgage				
– Freehold land	**39,987**	21,170	**-**	-
– Buildings	**40,629**	34,509	**-**	-
– Plant and equipment	**2,421**	2,474	**-**	-
Total non-current assets pledged as security	**83,037**	58,153	**-**	-

Non-cash financing and investment activities

During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of $20,314,000 (2006: $27,000,413) and disposed of property, plant and equipment with an aggregate fair value of $nil (2006: $nil) by means of finance lease or hire purchase arrangements. These acquisitions and disposals are not reflected in the Cash Flow Statement.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
20 Provisions				
Current				
Employee benefits	**8,499**	6,958	**-**	-
Make good provision	**264**	500	**-**	-
	8,763	7,458	**-**	-
Non-current				
Employee benefits	**1,228**	646	**-**	-
Directors retirement allowance	**484**	418	**484**	418
	1,712	1,064	**484**	418

No dividends have been provided for the year ended 30 June 2007. The extent to which dividends were franked, details of the franking account balance at balance date and franking credits available for the subsequent financial year are disclosed in *Note 8*.

a) Movements in provisions

Movements in each class of provision during the financial year, other than provisions relating to employee benefits, are set out below:

	Make Good Provision $'000	Directors' Retirement Allowance $'000	Total $'000
CONSOLIDATED			
At 1 July 2006	500	418	918
Arising during the year	264	66	330
Utilised	(500)	-	(500)
At 30 June 2007	264	484	748
Current 2007	264	-	264
Non-Current 2007	-	484	484
	264	484	748
Current 2006	500	-	500
Non-Current 2006	-	418	418
	500	418	819
PARENT			
At 1 July 2006	-	418	918
Arising during the year	-	66	330
Utilised	-	-	(500)
At 30 June 2007	-	484	748
Current 2007	-	-	-
Non-Current 2007	-	484	484
	-	484	484
Current 2006	-	-	-
Non-Current 2006	-	418	418
	-	418	418

20 Provisions

a) Nature and timing of provisions

i) Make good provision

In accordance with the lease agreement, the Group must restore the leased premises in Brisbane to its original condition at the end of the lease term in November 2007.

A provision of $264,000 was raised during the year end 30 June 2007 in respect to the Group's obligations.

ii) Long service leave

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

iii) Directors retirement allowance

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

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000

21 Contributed Equity and Reserves

Contributed equity

68,327,130 (2006: 65,973,507) ordinary shares fully paid	52,771	44,512	52,771	44,512
	52,771	44,512	52,771	44,512

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company and carry the right to receive dividends as declared.

	Thousands	$'000	Thousands	$'000
Movements in ordinary shares on issue				
At 1 July 2005	**59,979**	27,966	**59,979**	27,966
Issued under a Non-Renounceable Rights Issue – 5,993,867 ordinary shares at $2.80 per share.	**5,994**	16,783	**5,994**	16,783
Transaction costs on share issue	**-**	(237)	**-**	(237)
At 30 June 2006	**65,973**	44,512	**65,973**	44,512
Issued through Dividend Re-investment Plan – 231,600 ordinary shares at $3.4809	**232**	807	**232**	807
Issued to acquire DTM Logistics – 2,000,000 ordinary shares at $3.50 per share	**2,000**	7,000	**2,000**	7,000
Issued through Dividend Re-investment Plan – 122,023 ordinary shares at $3.7018	**122**	452	**122**	452
At 30 June 2007	**68,327**	52,771	**68,327**	52,771

Nature and purpose of reserves

Asset revaluation reserve

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

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Foreign currency translation reserve

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

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

22 Financial Instruments

Fair values

Set out below is a comparison by category of carrying amount and fair values of all the Group's financial instruments recognised in the financial statements.

The fair values of 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.

	Carrying Amount		Fair Value	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
CONSOLIDATED				
Financial assets				
– Cash	**22,280**	18,349	**22,280**	18,349
– Receivables	**47,603**	44,169	**47,603**	44,169
– Shares – listed at fair value	**-**	20	**-**	20
Financial liabilities				
On balance sheet				
– Trade creditors and accruals	**(43,955)**	(38,607)	**(43,955)**	(38,607)
– Bank loans – secured	**(19,907)**	(12,338)	**(19,907)**	(12,338)
– Hire purchase liabilities - secured	**(53,740)**	(41,835)	**(53,740)**	(41,835)
Off balance sheet				
– Contingencies	**-**	-	**-**	-

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

	Note	Less than 1 year $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	More than 5 years $'000	Total $'000	Weighted average interest rate %
Year ended 30 June 2007									
CONSOLIDATED									
Financial assets									
Floating rate									
Cash assets		**22,280**	**-**	**-**	**-**	**-**	**-**	**22,280**	**5.60%**
Weighted average effective interest rate		**5.60%**	**-**	**-**	**-**	**-**	**-**		
Financial liabilities									
Fixed rate									
Hire purchase liabilities – secured	18	**(17,679)**	**(14,404)**	**(12,918)**	**(7,592)**	**(1,147)**	**-**	**(53,740)**	**7.22%**
Weighted average effective interest rate		**7.04%**	**7.18%**	**7.33%**	**7.49%**	**7.88%**	**-**		
Floating rate									
Bank loans – secured	18	**-**	**-**	**(19,907)**	**-**	**-**	**-**	**(19,907)**	**7.20%**
Weighted average effective interest rate		**-**	**-**	**7.20%**	**-**	**-**	**-**		

22 Financial Instruments

	Note	Less than 1 year $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Over 3 to 4 years $'000	Over 4 to 5 years $'000	More than 5 years $'000	Total $'000	Weighted average interest rate %
Year ended 30 June 2006									
CONSOLIDATED									
Financial assets									
Floating rate									
Cash assets		18,349	-	-	-	-	-	18,349	5.38%
Weighted average effective interest rate		5.38%	-	-	-	-	-		
Financial liabilities									
Fixed rate									
Hire purchase liabilities – secured	18	(13,224)	(10,941)	(7,890)	(7,898)	(1,882)	-	(41,835)	7.04%
Weighted average effective interest rate		6.92%	6.95%	7.14%	6.98%	7.36%	-		
Floating rate									
Bank loans – secured	18	-	-	(12,338)	-	-	-	(12,338)	6.79%
Weighted average effective interest rate		-	-	6.79%	-	-	-		

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and therefore are not subject to interest rate risk. There are no financial instruments in the parent company.

Hedging activities

Cash flow hedges

At 30 June 2007, the Group had an interest rate swap agreement in place with a notional amount of $15,000,000 whereby it receives a variable rate equal to the AUS-BBR-BBSW and pays a fixed interest rate of 6.47% on the notional amount.

At 30 June 2007, the Group had an interest rate swap agreement in place with a notional amount of $5,000,000 NZD whereby it receives a variable rate equal to the NZD-BBR-BID and pays a fixed interest rate of 7.65% on the notional amount.

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated		Parent	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000

23 Commitments

The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2007 are:

Capital expenditure commitments

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	**5,572**	7,135	**-**	-

Lease rental commitments

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Operating lease and hire commitments:				
– Not later than one year	**7,300**	7,328	**-**	-
– Later than one year but not later than five years	**8,861**	12,380	**-**	-
– Later than five years	**778**	569	**-**	-
	16,939	20,277	**-**	-

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

Finance lease commitments are disclosed in *Note 19*.

24 Contingent Liabilities

Guarantees

Cross guarantees given by the Company and its wholly owned controlled entities are described in *Note 25*.

Legal claim

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

25 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
Serendipity Investments Pty Ltd ^
Alento Pty Ltd ^
DTM Holdings Pty Ltd
DTM Pty Ltd
K&S Freighters Limited *
Cochrane's Transport Limited *

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

^ Both Serendipity Investments Pty Ltd and Alento Pty Ltd are not entitled to relief under ASIC Class Order 98/1418 (as amended), and therefore require a separate audit opinion.

A consolidated Income Statement and consolidated Balance Sheet, 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 2007 is set out below:

	Closed Group	
	2007	2006
	$'000	$'000
Income Statement		
Profit before income tax	**24,319**	26,154
Income tax expense	**(7,274)**	(7,800)
Profit after income tax	**17,045**	18,354
Retained profits at the beginning of the year	**54,462**	42,750
Transfer from asset revaluation reserve due to sale of land & buildings	**-**	2,594
Dividends provided for or paid	**(9,392)**	(9,236)
Retained earnings at the end of the year	**62,115**	54,462

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

25 Deed of Cross Guarantee

	Closed Group 2007 $'000	Closed Group 2006 $'000
Balance Sheet		
Cash	**22,280**	18,349
Trade and other receivables	**47,371**	44,169
Inventories	**1,966**	2,419
Prepayments	**3,459**	2,760
Derivatives	**36**	-
Total current assets	**75,112**	67,697
Other receivables	**232**	340
Prepayments	**75**	150
Investment in associates	**28**	594
Available-for-sale financial assets	**-**	20
Property, plant and equipment	**179,921**	137,127
Intangibles	**21,077**	7,675
Deferred tax assets	**4,772**	3,517
Total non-current assets	**206,105**	149,423
Total assets	**281,217**	217,120
Trade and other payables	**43,955**	38,607
Interest bearing loans and borrowings	**17,166**	13,224
Current tax liabilities	**2,286**	5,074
Provisions	**8,763**	7,458
Derivatives	**15**	188
Total current liabilities	**72,185**	64,551
Interest bearing loans and borrowings	**56,541**	41,009
Deferred tax liabilities	**14,716**	7,239
Provisions	**1,712**	1,064
Total non-current liabilities	**72,969**	49,312
Total liabilities	**145,154**	113,863
Net assets	**136,063**	103,257
Contributed equity	**52,771**	44,512
Reserves	**21,177**	4,283
Retained earnings	**62,115**	54,462
Total equity	**136,063**	103,257

26 Provisions

Particulars in relation to controlled entities

	Class of Share	Country of Incorporation	% Equity Interest 2007	2006
Name				
K&S Corporation Limited				
Controlled Entities				
Reid Bros Pty Ltd	Ord	Australia	100	100
Kain & Shelton Pty Ltd	Ord	Australia	100	100
K&S Freighters Pty Ltd	Ord	Australia	100	100
K&S Group Administrative Services Pty Ltd	Ord	Australia	100	100
Kain & Shelton (Agencies) Pty Ltd	Ord	Australia	100	100
K&S Transport Management Pty Ltd	Ord	Australia	100	100
Blakistons-Gibb Pty Ltd	Ord	Australia	100	100
K&S Logistics Pty Ltd	Ord	Australia	100	100
K&S Integrated Distribution Pty Ltd	Ord	Australia	100	100
K&S Group Pty Ltd	Ord	Australia	100	100
Serendipity Investments Pty Ltd	Ord	Australia	100	-
Alento Pty Ltd	Ord	Australia	100	-
DTM Holdings Pty Ltd	Ord	Australia	100	-
DTM Pty Ltd	Ord	Australia	100	-
K&S Freighters Limited	Ord	New Zealand	100	100
Cochrane's Transport Limited	Ord	New Zealand	100	100

Note 1 – All controlled entities in the consolidated entity are beneficially wholly-owned at 30 June 2007 by K&S Corporation Limited.

27 Director and Executive Disclosures

a) **Details of Key Management Personnel during the financial year**

i) Directors

A Johnson	Chairman (non-executive)
L Ackroyd	Director (non-executive) *(resigned 31 July 2007)*
G Boulton	Director (non-executive)
R Nicholson	Director (non-executive)
J Osborne	Director (non-executive)
L Winser	Managing Director

ii) Executives

S Fanning	General Manager – K&S Freighters
B Walsh	Chief Financial Officer
J Bradac	General Manager – DTM
G Wooller	General Manager – Full Load, Fleet & Bulk
C Bright	Legal Counsel & Company Secretary

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

27 Director and Executive Disclosures

b) **Remuneration of Key Management Personnel**

i) Remuneration policy

The Company has applied the exemption under Corporations Amendments Regulations 2006, which exempts listed companies from providing remuneration disclosures in relation to their Key Management Personnel in their annual reports required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided on *pages 20 to 22* of the Directors' Report designated as audit.

ii) Remuneration by category: Key Management Personnel

	Consolidated		Parent	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Short-term	**1,618,121**	1,638,770	**260,000**	267,500
Post employment	**233,431**	253,109	**94,712**	89,704
	1,841,552	1,891,879	**354,712**	357,204

c) **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.

d) **Shareholding of Key Management Personnel**

Shares held in K&S Corporation Limited:

	Balance 1 July 2006 Ordinary	Net Change Ordinary	Balance 30 June 2007 Ordinary
30 June 2007			
Directors			
A Johnson	**151,662**	**5,975**	**157,637**
L Ackroyd	-	-	-
G Boulton	**93,500**	**30,707**	**124,207**
R Nicholson	**13,062**	**513**	**13,575**
J Osborne	**102,100**	-	**102,100**
B Grubb	**46,749**	**14,000**	**60,749**
L Winser	**351,340**	**13,841**	**365,181**
Executives			
S Fanning	-	-	-
J Bradac	-	**20,192**	**20,192**
B Walsh	**18,220**	**14,520**	**32,740**
C Bright	-	-	-
G Wooller	-	-	-
Total	**776,633**	**99,748**	**876,381**

27 Director and Executive Disclosures

	Balance 1 July 2005 Ordinary	Net Change Ordinary	Balance 30 June 2006 Ordinary
30 June 2006			
Directors			
A Johnson	137,874	13,788	151,662
L Ackroyd	-	-	-
G Boulton	85,000	8,500	93,500
R Nicholson	11,874	1,188	13,062
J Osborne	97,000	5,100	102,100
B Grubb	40,749	6,000	46,749
L Winser	319,400	31,940	351,340
Executives			
S Fanning	-	-	-
J Bradac	-	-	-
B Walsh	15,450	2,770	18,220
C Bright	-	-	-
G Wooller	-	-	-
Total	707,347	69,286	776,633

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.

e) **Loans to Key Management Personnel**

There are no loans to any Key Management Personnel.

f) **Other transactions and balances with Key Management Personnel**

There are no other transactions or balances with Key Management Personnel.

28 Related Party Disclosures

DIRECTORS

The names of each person holding the position of Director of K&S Corporation Limited during the financial year and up to the date of signing the financial report are Messrs. A Johnson, R Nicholson, G Boulton, J Osborne, L Ackroyd (resigned 31 July 2007), B Grubb (appointed 31 July 2007) and L Winser.

The Company has applied the exemption under Corporations Amendments Regulation 2006, which exempts listed companies from providing remuneration disclosures in relation to their Key Management Personnel in their annual reports by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided on *pages 20 to 22* of the Directors' Report designated as audited.

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.

AA Scott Pty Ltd
Ascot Haulage (NT) Pty Ltd
Border Watch Pty Ltd
Fidler & Webb Pty Ltd
Scott Corporation Limited
Northern Territory Freight Services Pty Ltd
Scott Agencies Pty Ltd
Scotts Management Pty Ltd
Scotts Transport Industries Pty Ltd
Sneaths Freightlines Pty Ltd

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

28 Related Party Disclosures

Mr R Nicholson and Mr B Grubb have an interest as Director of AA 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 had 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 Adelaide & Ballarat which the company rents on a commercial basis. Rent in 2007 was $297,894 (2006: $56,359). Mr A A Scott also provides consultancy services to the consolidated entity for which he received fees totalling $100,000 in 2007 (2006: $100,000).

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

Mr A F Johnson has an interest as Director and Chairman and Mr B Grubb as Non Executive Director in the publicly listed company Scott Corporation Limited. Transactions with this Company during 2007 included sales of $28,106 (2006: $102,604) and purchase of transport related services totalling $170,757 (2006: $175,884).

The aggregate amount of dealings with these companies during 2007 were as follows:

	Purchases		Sales	
	2007	2006	2007	2006
	$	$	$	$
AA Scott Pty Ltd	**222,936**	501,590	**-**	-
Ascot Haulage (NT) Pty Ltd	**296,680**	396,746	**-**	-
Northern Territory Freight Services Pty Ltd	**924,555**	274,449	**39,629**	52,141
Scott Transport Industries Pty Ltd	**508,105**	1,017,692	**1,177,596**	701,888
Scotts Management Pty Ltd	**-**	-	**635**	127,803
Scotts Agencies Pty Ltd	**3,098,382**	5,407,783	**-**	-
Sneaths Freightlines Pty Ltd	**132,847**	120,630	**8,000**	17,210
Fidler and Webb Ltd	**62,634**	63,568	**-**	150
Border Watch Pty Ltd	**4,144**	3,735	**-**	-

A Director of the Company, Mr A F Johnson, had an interest during 2006/07 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 2007 was $221,971 (2006: $207,109) in professional service fees.

The Managing Director of all wholly owned controlled entities, Mr J 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 2007 was $32,365,281 (2006: $29,392,082).

The Managing Director of all wholly owned controlled entities, Mr J 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 2007 was $5,617,330 (2006: $6,546,637).

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 2007 was $310,001 (2006:$765,135).

28 Related Party Disclosures

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Amounts payable to and receivable from Directors and their Director related entities at balance date arising from these transactions were as follows:				
Current Receivables (included within trade debtors)				
Scott Transport Industries Pty Ltd	**321**	164	**-**	-
Scotts Management Pty Ltd	**-**	18	**-**	-
Northern Territory Freight Services Pty Ltd	**-**	9	**-**	-
Smart Logistics Pty Ltd	**3,116**	2,488	**-**	-
Dairy Transport Logistics Ltd	**233**	934	**-**	-

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

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Current Payables (included within trade payables)				
AA Scott Pty Ltd	**-**	-	**-**	-
Ascot Haulage (NT) Pty Ltd	**28**	3	**-**	-
Scotts Agencies Pty Ltd	**263**	-	**-**	-
Fidler and Webb Ltd	**-**	-	**-**	-
Scott Transport Industries Pty Ltd	**37**	38	**-**	-
Northern Territory Freight Services Pty Ltd	**113**	165	**-**	-
Sneaths Freightlines Pty Ltd	**-**	7	**-**	-

Wholly-owned Group
Details of interests in wholly-owned controlled entities are set out at *Note 26*.

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:

	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 2006 $'000
Receivables				
– current			**67,533**	57,498
– non-current			**17,961**	17,961
			85,494	75,459
Payables – current				
– Other loans			**44,037**	21,535
			44,037	21,535

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

	Parent 2007	Parent 2006
28 Related Party Disclosures		
Dividends		
Dividends received or due and receivable by the Company from wholly-owned controlled entities amount to $10,000,000 (2006:$15,000,000).		
DIRECTORS' SHARE TRANSACTIONS		
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
– Ordinary shares	**762,700**	711,644
– Preference shares	**-**	-
All share transactions were with the parent Company, K&S Corporation Limited.		
	$'000	$'000
Dividends		
Aggregate amount of dividends paid in respect of shares held by Directors or their Director-related entities during the year:		
– Ordinary shares	**107**	99
– Preference shares	**-**	-

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 AA Scott Pty Ltd, a company incorporated in South Australia.

29 Events Subsequent to Balance Date

On 21 August 2007, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2007 financial year. The total amount of the dividend is $4,782,899, which represents a fully franked dividend of 7.0 cents per share. The dividend has not been provided for in the 30 June 2007 financial statements and is payable on 31 October 2007.

The Dividend Reinvestment Plan (DRP) will apply to the 31 October 2007 final dividend, the issue price for shares under the DRP will based on the weighted average trading price of K&S shares in the five business days ending on 17 October 2007 (the record date of the final dividend), less a discount of 2.5%.

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

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$

30 Auditors' Remuneration

The auditor of K&S Corporation Limited is Ernst & Young.

	Consolidated 2007 $	Consolidated 2006 $	Parent 2007 $	Parent 2006 $
Audit Services:				
Audit and review of the statutory financial reports	**113,000**	110,500	**-**	-
	113,000	110,500	**-**	-
Other Services:				
Other Services – Ernst & Young:				
– GST review	**20,000**	-	**-**	-
– Assurance advice on potential acquisitions	**-**	10,540	**-**	-
– Assistance with the transition to the Australian equivalent of IFRS	**-**	46,467	**-**	-
	20,000	57,007	**-**	-

notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2007

31 Business Combination

K&S Corporation Ltd acquired 100% of the voting shares of DTM Pty Ltd, a private company based in Australia specialising in the provision of transportation and logistical services to customers. The effective date of the acquisition was 1 July 2006.

The total cost of the acquisition was $18,186,000 and comprised an issue of equity instruments, cash and costs directly attributable to the purchase. The Group issued 2,000,000 ordinary shares with a fair value of $3.50 each, based on the quoted price of the shares of K&S Corporation Ltd at the date of exchange.

The fair value of the identifiable assets and liabilities of DTM Pty Ltd as at the date of acquisition were:

	Consolidated	
	Recognised on Acquisition $'000	Carrying Value $'000
Property, plant & equipment	**14,437**	14,437
Deferred tax asset	**456**	-
Cash & cash equivalents	**663**	663
Trade & other receivables	**5,101**	5,101
Prepayments	**371**	371
	21,028	20,572
Trade & other payables	**(3,627)**	(3,627)
Deferred tax liability	**(830)**	(374)
Provisions	**(1,572)**	(1,572)
Interest bearing loans and borrowings	**(8,808)**	(8,331)
	(14,837)	(13,904)
Fair Value of identifiable net assets	**6,191**	6,668
Goodwill arising on acquisition	**11,995**	
	18,186	
Cost of the combination:		
– Cash	**11,061**	
– Shares issued, at fair value	**7,000**	
– Costs associated with the acquisition	**125**	
The cost of the combination	**18,186**	
The cash outflow on acquisition is as follows:		
– Net cash acquired on acquisition of the subsidiary	**663**	
– Cash paid	**(11,186)**	
Net cash outflow	**(10,523)**	

From the date of effective control, DTM Pty Ltd has contributed $1,657,350 to the net profit of the Group.

directors' declaration

FOR THE YEAR ENDED 30 JUNE 2007

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 report and the additional disclosures included in the Directors report' designated as audited, 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 2007 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 2007.

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 26* will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

Dated at Mt Gambier this 21st day of August 2007.

On behalf of the Board:

A Johnson
Director

L Winser
Director

auditor's independence declaration

TO THE DIRECTORS OF K&S CORPORATION LIMITED

In relation to our audit of the financial report of K&S Corporation Limited for the financial year ended 30 June 2007, 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

21 August 2007

independent auditor's report

TO THE MEMBERS OF K&S CORPORATION LIMITED

We have audited the accompanying financial report of K&S Corporation Limited and the entities it controlled during the year, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading Remuneration Report" on *pages 20 to 22* of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporation Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standards AASB 124 *Related Disclosures*.

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

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

independent auditor's report

TO THE MEMBERS OF K&S CORPORATION LIMITED

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration 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:

1 the financial report 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 Limited and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and

ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

b) other mandatory financial reporting requirements in Australia.

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

3 the remuneration disclosures that are contained on pages 20 to 22 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

A Herald

A Herald
Partner
Adelaide
21 August 2007

information on shareholders

INFORMATION RELATING TO SECURITY HOLDERS AS AT 26 SEPTETMBER 2007

DISTRIBUTION OF SHAREHOLDINGS

Ordinary Shares	Number of Shareholders
1-1,000 Shares	288
1,001 - 5,000 Shares	966
5,001 - 10,000 Shares	331
10,001 - 100,000 Shares	350
100,001 and more Shares	41
	1,976

16 shareholders hold less than a marketable parcel (143 shares).

TWENTY LARGEST SHAREHOLDERS

	Name	Number of Ordinary Shares Held	%
1	AA Scott Pty Ltd	39,668,746	58.06
2	J P Morgan Nominees Australia Limited	2,030,729	2.97
3	Ascot Media Investments Pty Ltd	1,104,780	1.62
4	Mr Maxwell Allan Whitnall	1,048,064	1.53
5	Citicorp Nominees Pty Limited	932,247	1.36
6	AA Scott Pty Ltd	787,763	1.15
7	Mrs Zena Kaye Winser	785,033	1.15
8	Cogent Nominees Pty Limited	747,249	1.09
9	Mr Eric Joseph Roughana	676,000	0.99
10	Winscott Investments Pty Ltd	658,272	0.96
11	Sabadin Petroleum Pty Ltd	526,839	0.77
12	Kallarn Pty Limited	500,000	0.73
13	Australian Reward Investment Alliance	342,118	0.50
14	Mr William Clifton Anderson	331,683	0.49
15	Ardmore Nominees Pty Ltd	301,945	0.44
16	John Legh Winser	301,841	0.44
17	Citicorp Nominees Pty Limited	258,104	0.38
18	ANZ Nominees Limited	255,047	0.37
19	National Nominees Limited	236,201	0.35
20	Ms Susan Louise Abrahams	216,130	0.32
		51,780,791	75.67

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

The 20 largest shareholders hold 75.65% 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 22nd August 2007:

	Number	% of Class
Mr A A Scott	44,679,987	65.39
452 Capital Pty Limited	4,158,356	6.09

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)	2007	Variation %	2006	2005	2004	2003
Group Revenue	418,305	13.8	367,503	340,810	295,722	293,257
Operating Profit before Interest and Income Tax	29,317	(2.0)	29,925	31,930	20,453	18,212
Finance Cost	4,998	32.6	3,771	2,947	2,832	2,886
Profit Before Tax	24,319	(7.0)	26,154	28,983	17,621	15,326
Income Tax Expense	7,274	(6.7)	7,800	8,583	5,451	4,266
Operating Profit after tax	17,045	(7.1)	18,354	20,400	12,170	11,060
Earnings per Ordinary Share (cents)	25.3	(9.4)	28.0	34.0	20.3	18.5
Dividends per share (cents)	14.0	0.0	14.0	13.5	11.0	8.0
Return on Shareholders Funds	12.5%	(29.8)	17.8%	25.8%	18.4%	18.7%
Paid Up Capital	52,771	18.6	44,512	27,966	27,966	27,966
Shareholders Funds	136,063	31.8	103,257	79,027	65,991	59,064
Total Assets	281,217	29.5	217,120	182,163	154,513	139,716
Net Tangible Assets (book value) per share	$1.68	16.1	$1.45	$1.19	$0.95	$0.92

K&S CORPORATION LIMITED

corporate directory

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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.

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