K&S CORPORATION LIMITED

A.C.N. 007 561 837

NOTICE OF ANNUAL GENERAL MEETING

AND

EXPLANATORY NOTES TO SHAREHOLDERS

A PROXY FORM IS ALSO ENCLOSED

Please read the Notice and Explanatory Notes carefully

If you are unable to attend the Annual General Meeting of shareholders, please complete and return the enclosed Proxy Form in accordance with the specified directions.

K&S CORPORATION LIMITED ABN 67 007 561 837
141-147 Jubilee Highway West, Mt Gambier, SA, 5290

K&S CORPORATION LIMITED (A.C.N. 007 561 837)
NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of shareholders of K&S Corporation Limited (the "Company") will be held at the corporate office of the Company's new freight terminal located at Corner Boundary and Palmers Roads, Truganina, Victoria on Tuesday, 21 November 2006 at 2.00pm (EST).

AGENDA

<u>Ordinary Business</u>

1. **Financial Statements and Reports**
   To consider the Financial Statements and the Reports of the Directors and of the Auditors in respect of the year ended 30 June 2006.
2. **Remuneration Report**
   To adopt the Remuneration Report for the year ended 30 June 2006.
   Note – the vote on this resolution is advisory only and does not bind the directors or the Company.
3. **Election of Directors**
   To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:
   3.1 Re-Election of Mr L Ackroyd
   "That Mr L Ackroyd, being a director of the Company who retires by rotation pursuant to Rule 84 of the Constitution of the Company, and being eligible, is re-elected as a director of the Company."
   3.2 Re-election of Mr GC Boulton
   "That Mr GC Boulton, being a director of the Company who retires by rotation pursuant to Rule 84 of the Constitution of the Company, and being eligible, is re-elected as a director of the Company."

<u>Special Business</u>

4. **Employee Share Plan**
   To consider, and if thought fit, to pass the following special resolution:
   4.1 Approval of Employee Share Plan
   "That, for the purpose of Rule 113 of the Company's Constitution, Listing Rules 7.2, Exception 9 and Section 260C(4) of the Corporations Act, the proposed issue of fully paid ordinary shares pursuant to the Company's Employee Share Plan as described in the Explanatory Notes is approved".

   To consider, and if thought fit, to pass the following ordinary resolution:
   4.2 Approval of the issue to Related Parties under the Employee Share Plan
   "That, for the purpose of Listing Rules 10.12 and 10.14, the proposed issue of 30,000 fully paid ordinary shares to Mr Legh Winser, managing director of the Company, over the period of 3 years following the passing of this resolution pursuant to the Company's Employee Share Plan as described in the Explanatory Notes is approved".

<u>Other Business</u>

To deal with any other business that may be brought forward in accordance with the Constitution of the Company and the Corporations Act.

EXPLANATORY NOTES
Shareholders are referred to the Explanatory Notes accompanying and forming part of this Notice of Meeting

VOTING EXCLUSION STATEMENT
Resolutions 4.1 and 4.2
In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast on Resolutions 4.1 and 4.2 by Mr Legh Winser or an associate of Mr Winser.

Notwithstanding the foregoing, the Company need not disregard a vote cast on the Resolution by the named person or an associate of the named person if:

- the vote is cast by that person as proxy for a person who is entitled to vote on the Resolution, in accordance with the directions on the proxy form; or
- the vote is cast by the Chairman as proxy for a person who is entitled to vote on the Resolution, in accordance with a direction on the proxy form to vote as the proxy decides.

PROXY FORMS
A proxy form accompanies this Notice of Meeting and to be effective must be completed in accordance with the Explanatory Notes and received at the Company's registered office:

The Company Secretary
K&S Corporation Limited
141-147 Jubilee Highway West
Mount Gambier SA 5290
or by facsimile on: (08) 8721 1799
by no later than 1:30 pm Adelaide time on Sunday, 19 November 2006.

By Order of the Board

CW Bright
Company Secretary
Dated: 11 October 2006

EXPLANATORY NOTES FORMING PART OF THE NOTICE OF ANNUAL GENERAL MEETING AND THE PROXY FORM

Determination of Entitlement to Attend and Vote
For the purposes of the Annual General Meeting, shares will be taken to be held by the persons who are registered as shareholders as at 10 am Adelaide time on Sunday, 19 November 2006.

Proxy Forms

1 In the case of joint shareholders, this form must be signed by each of the joint shareholders personally or by attorney.

2 A corporate shareholder must execute this form in accordance with its constitution or under the hand of its duly authorised attorney.

3 A member entitled to vote is entitled to appoint not more than two (2) proxies. Unless a member specifies the specific proportion or number of votes in respect of which each proxy is appointed, under the Constitution of the Company each proxy will be deemed to represent half of the votes that the member is entitled to cast. If the member wishes to appoint two (2) proxies, additional forms are available from the Company's registered office.

4 A proxy need not be a member of the Company.

5 Completed proxy forms should be returned to the Company Secretary at the Company's registered office shown on the proxy form. The Constitution of the Company requires that, to be effective, proxy forms together with any power of attorney under which they are executed must reach the Company not less than forty eight (48) hours before the commencement of the meeting. Alternatively the completed proxy forms can be sent by facsimile transmission to the Company on facsimile number (08) 8721 1799.

Ordinary Business of the Annual General Meeting
The following notes set out the detail of the ordinary resolutions to be proposed at the Annual General Meeting:

Item 1 – Financial Statements and Reports
This item is self explanatory. It is intended to provide an opportunity for shareholders at the Annual General Meeting to raise questions on the Financial Statements and Reports themselves and on the performance of the Company generally.

No formal vote is required in relation to item 1.

Item 2 - Resolution – Remuneration Report
During this item, there will be a reasonable opportunity for shareholders at the Annual General Meeting to comment on and ask questions about the Remuneration Report which commences on page 15 of the Company's 2006 Annual Report, including the remuneration tables referred to in the Remuneration Report and set out in note 27 to the Financial Statement commencing on page 66.

The vote on the proposed resolution in item 2 is advisory only and will not bind the directors or the Company. However, the directors will take the outcome of the vote into consideration when reviewing remuneration practices and policies.

The directors recommend that shareholders vote in favour of the resolution in item 2.

Item 3.1 - Resolution – Re-election of Mr L Ackroyd
Mr Laurie Ackroyd has been a director of the Company since May 2002 and is Chairman of the Company's Audit Committee. Mr Ackroyd retires by rotation in accordance with the Constitution of the Company and the ASX Listing Rules and, being eligible, offers himself for re-election.

Item 3.2 - Resolution– Re-election of Mr GC Boulton
Mr Greg C Boulton has been a director of the Company since 1996 and is Deputy Chairman of the Board of Directors of the Company. Mr Boulton retires by rotation in accordance with the Constitution of the Company and the ASX Listing Rules and, being eligible, offers himself for re-election.

The directors (in each case excluding the relevant director) recommend that shareholders vote in favour of the resolutions in items 3.1 and 3.2.

Special Business of the Annual General Meeting
Item 4 – Employee Share Plan
The following notes set out background information in relation to the resolutions in items 4.1 and 4.2 to be proposed at the Annual General Meeting:

Item 4.1 – Resolution – Approval of Employee Share Plan

The Board seeks shareholder approval under Rule 113 of the Company's Constitution and Listing Rule 7.2 for the proposed issue of shares to employees of the Company under the Company's Employee Share Plan ("**Plan**").

Rule 113 of the Company's Constitution provides that the Board may give effect to the terms of an employee share plan which has been approved by the Company by a special resolution of shareholders.

Listing Rule 7.1 provides that the Company must not issue or agree to issue more than 15% of its issued capital in a 12-month period without shareholder approval.

One of the exceptions to Listing Rule 7.1 provided for in Listing Rule 7.2, Exception 9(b), is that securities issued under an employee incentive scheme will not be taken into account when calculating the 15% limit, provided that the Company's shareholders have approved the scheme within 3 years before the date of the issue of the securities.

While issues to eligible employees under the Plan are capped at a maximum of 5% of the Company's capital in any 5 year period and fall within Listing Rule 7.2, Exception 9(b), the resolution in item 4.1 seeks shareholder approval of the Plan so that the Company retains the ability to issue up to 15% of its capital for general fund raising activities during the year in addition to the shares issued under the Plan, without having to obtain a further shareholder approval. The Board believes this will provide the Company with the flexibility necessary to raise additional capital as and when appropriate.

The Plan gives all Company employees who are eligible to participate the opportunity to become shareholders in the Company. The purpose of the Plan is to issue shares in the Company to eligible employees to ensure that each eligible employee has an extra incentive and stake in the future success of the Company.

Employees eligible to participate in the Plan are all full time or part time employees of the Company or a related body corporate of the Company who have been employed (whether continuously or not) for not less than 12 months (or such shorter period as the Board may determine).

It is proposed that only salaried full time employees will participate in the Plan (at least initially) and eligible salaried employees will (subject to the discretion of the Board) be given offers to subscribe for shares in the Company in August of each year based on the following:

Annual Salary for the preceding financial year ended 30 June	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

The issue price of the shares acquired under the Plan will be the weighted average price of the Company's shares on the first 5 trading days immediately following the announcement of the Company's preliminary final result prior to the issue of shares in September of each calendar year.

In order to fund the acquisition of the shares the Company will offer eligible employees an interest free loan ("**Loan**") to be used to subscribe for the shares. The terms of the Loan to be provided to each eligible employee are as follows:

- The amount of the Loan will be the price per share multiplied by the number of shares to be issued to the eligible employee.
- The Loan will be interest free.
- The Loan will be made on the date of issue of shares.
- The amount of the Loan to be repaid is the amount of the Loan originally advanced to the eligible employee.
- Dividends and distributions paid on the shares must be used to repay the Loan.
- The eligible employee will grant a charge over his or her right, title and interest in the shares and the proceeds of any sale of the shares. This charge will remain in place until the Loan has been repaid.
- Shares are subject to a holding lock for the duration of the period during which any Loan is outstanding ("**Trading Lock Period**").
- During the Trading Lock Period an eligible employee cannot sell their shares unless they obtain the prior approval of the Board.
- If the eligible employee's employment ceases and any part of the Loan is outstanding (and is not repaid or refinanced by the eligible employee) or the eligible employee wishes to sell their shares during the Trading Lock Period, the eligible employee will be deemed to have appointed the Company to sell his or her shares and pay from the proceeds of that sale the costs and expenses of such sale and balance of any Loan. Any balance remaining thereafter will be paid to the eligible employee. In the event that the proceeds from a sale of shares are less than the Loan advanced in respect of the purchase of the shares, the eligible employee must pay the shortfall.

The total amount of all loans to be advanced to eligible shareholders under the Plan will be calculated by multiplying the number shares issued in September of each year by the weighted average price of the Company's shares on the first 5 trading days immediately following the announcement of the Company's preliminary final result prior to the issue of shares in September.

The following further information is provided for the purposes of Listing Rule 7.2, Exception 9:

- A summary of the terms of the Plan are set out in Schedule 1 of these Explanatory Notes.
- No securities have been issued to, or for the benefit of employees under the Plan to date. The Plan will commence after approval of the Plan by shareholders pursuant to the resolution in item 4.1.
- A voting exclusion statement in respect of the resolution in item 4.1 is set out in the Notice of Meeting.

The Board also seeks shareholder approval pursuant to Section 260C of the *Corporations Act 2001* (the "**Corporations Act**").

Section 260A of the Corporations Act states that a company may financially assist a person to acquire shares in the company only if:

(a) giving the assistance does not materially prejudice the interests of the Company or its shareholders or the Company's abilities to pay its creditors;

(b) the assistance is approved by the shareholders under Section 260B; or

(c) the assistance is exempt under Section 260C.

Section 260C(4) provides that financial assistance is exempt from Section 260A if it is given under an employee share scheme that has been approved by a resolution passed at a general meeting of the company.

The Board believes that the total amount lent to employees under the Plan will not exceed $1,500,000 in a calendar year based on the current share price. These funds will be returned to the Company as the subscription price for shares, so that there will be no diminution of the Company's resources, and the only impact of the Plan will be a dilution of up to 0.62% of the Company's ordinary shares due to the issue of up to 407,000 new ordinary shares in a calendar year, based on current employee numbers and salaries.

The Board believes that the giving of financial assistance to assist eligible employees to acquire shares in the Company under the Plan will not materially prejudice the interests of the Company or its shareholders or the Company's ability to pay its creditors. However, as approval is already being sought under Listing Rule 7.2, the Board believe that it is appropriate to also seek approval under Section 260C(4). Accordingly, the Board seeks shareholder approval under Section 260C of the Corporations Act.

Item 4.2 – Resolution – Approval of issue to Related Parties under the Employee Share Plan

The Board seeks shareholder approval under Listing Rules 10.12 and 10.14 for the proposed issue of up to 30,000 shares to Mr Legh Winser, managing director of the Company, over the period of 3 years following the passing of the resolution in item 4.2.

Listing Rule 10.11 requires a listed entity to obtain shareholder approval for the issue of securities to related parties, which includes a director of the Company.

Listing Rule 10.12, Exception 4 provides that approval under Listing Rule 10.11 is not required where securities are to be issued to a person under an employee incentive scheme that has been approved under Listing Rule 10.14.

Listing Rule 10.14 requires a listed entity to obtain shareholder approval for the issue of securities under an employee incentive scheme to certain parties, including a director, or an associate of a director, of the Company.

Accordingly, the Company is required to obtain shareholder approval before issuing shares to Mr Winser.

The resolution in item 4.2 seeks shareholder approval for the proposed issue of shares to Mr Legh Winser under the Plan.

The Board considers that the issue of shares to Mr Winser under the Plan is in the Company's interests as it aligns the interests of executive directors with the interests of the Company's shareholders.

The issue of shares to Mr Winser under the Plan will be on the same terms and conditions as issues to other eligible employees as described above under the heading "Item 4.1 - Resolution – Approval of Employee Share Plan".

Listing Rule 10.15A sets out the information that must be provided to shareholders in order to obtain shareholder approval. The following information is provided in accordance with Listing Rule 10.15A.

Persons entitled to participate

The person who may acquire shares under the Plan is Mr Legh Winser, managing director of the Company.

Maximum Entitlement

The maximum number of shares that may be issued to Mr Winser under the Plan over the period of 3 years following the passing of this resolution is 30,000 shares. This is based on an entitlement to 10,000 shares in September of each year over the period of 3 years following the passing of this resolution and the basis that Mr Winser's salary will exceed $200,000 per year in respect of that 3 year period. Mr Winser's salary for the relevant periods will be reported to shareholders in the Company's Remuneration Report in accordance with the Corporations Act.

Price

The price payable by Mr Winser for his shares will be the weighted average price of the Company's shares on the first 5 trading days immediately following the announcement of the Company's preliminary final result prior to the issue of shares in September of each calendar year.

Persons who received shares since last approval

The Company has only recently proposed the Plan and the Board has not previously sought shareholder approval for the issue of Shares under the Plan. No securities have been issued to, or for the benefit of executive directors under the Plan to date.

Voting Exclusion Statement

A voting exclusion statement in respect of the resolutions in items 4.1 and 4.2 is set out in the Notice of Meeting.

Loan

At the time of each issue of shares to Mr Winser under the Plan, Mr Winser will be entitled to an interest free loan to fund the acquisition of each issue of shares. The terms of the loan to be provided to Mr Winser are the same as offered to other eligible employees participating in the Plan as set out in the explanatory notes to item 4.1.

Annual Report

Details of any shares issued under the Plan will be published in each annual report of the Company relating to the period in which securities have been issued with a statement that approval for the issue of the shares was obtained under Listing Rule 10.14.

Issues to additional persons

Any additional person who is prevented by Listing Rule 10.14 from acquiring shares under an employee incentive scheme without shareholder approval, who becomes entitled to participate in the Plan after shareholder approval for the resolution in item 4.1 is obtained and who is not named in the Notice of Meeting will not participate in the Plan until approval is obtained under Listing Rule 10.14.

Date of Issue

It is proposed that Mr Winser will be entitled to subscribe for shares in the Company in September of each year along with other eligible employees. The date by which the Company will issue all of the shares referred to in the resolution in item 4.2 is 21 November 2009, being the date that is 3 years after the date of the annual general meeting.

The directors (in each case excluding Mr JL Winser) recommend that shareholders vote in favour of the resolutions in items 4.1 and 4.2.

SCHEDULE 1
SUMMARY OF EMPLOYEE SHARE PLAN

Introduction

The K&S Corporation Limited ("**Company**") Employee Share Plan ("**Plan**") gives employees who participate the opportunity to become shareholders in the Company.

The purpose of the Plan is to align the interests of employees and the Company, provide incentives to employees to maximise the value of the Company and reward employees for contributing to the financial performance of the Company.

Commencement of the Plan

The Plan will take effect from such date as the Board may determine.

Administration of the Plan

The Plan will be administered by the Board who may make regulations for the operation of the Plan.

Operation of the Plan

The Board will make offers of shares ("**Shares**") in the Company to eligible employees ("**Eligible Employees**").

Each offer of Shares will be set out in an offer document which will set out:
(a) the number of Shares offered to each Eligible Employee;
(b) the issue price for each Share;
(c) the terms of any loan being offered;
(d) the period of any holding lock ("**Trading Lock Period**");
(e) whether the Shares will be issued to the Eligible Employee or a nominee;
(f) the last day for accepting the offer;
(g) the manner in which the offer may be accepted;
(h) whether Shares will be forfeited if employment of the relevant Eligible Employee ceases prior to the end of the Trading Lock Period; and
(i) any conditions which must be satisfied or circumstances which must exist before any or all of the Shares are issued.

The Company will pay all reasonable expenses, costs and charges incurred in the operation of the Plan.

Basis of Participation

The Plan is open (at the discretion of the Board) to Eligible Employees who comprise:
(a) all full time or part time employees of the Company or a related body corporate of the Company who have been employed (whether continuous or not) for not less than 12 months (or such shorter period as the Board may determine);
(b) subject to ASIC's consent, a consultant to the Company or related body corporate of the Company who has worked for more than 12 months and has received 80% or more of their income in the preceding year from the Company or a related body corporate; and
(c) an executive director of the Company or a related body corporate,
and who are invited by the Board to participate.

Issue Price

The Board has the discretion to determine the issue price of the Shares.

Issue Limitations

Issues of Securities under the Plan under ASIC employee share scheme class order exemptions are subject to any limitations in those class order exemptions.

Under ASIC Class Order 03/184 Employee Share Schemes, the number of shares the subject of the offer, when aggregated with the number of shares which would be issued if each outstanding offer was accepted and the number of shares issued during the previous 5 years of the plan (or other employee share scheme), but not including excluded offers under the Corporations Act, must not exceed 5% of the total issued shares at the time of the offer.

Terms of Loan

At the time an offer to acquire Shares is made the Board may invite eligible employees to apply for a loan ("**Loan**") for the purpose of acquiring the Shares being offered.

Each Loan will be made on an interest free basis (unless the Board determines otherwise).

Repayment

A Loan may be repaid at any time.

If an Eligible Employee fails to repay a Loan, wishes to sell Shares during a Trading Lock Period or ceases to be an employee of the Company prior to the end of any Trading Lock Period, then the Company may sell the Eligible Employee's Shares in such manner as the Company determines and apply the proceeds:

(a) firstly, in payment of any brokerage and other costs of the sale;
(b) secondly, in repayment of the Loan; and
(c) thirdly, the balance to the Eligible Employee.

In the event that the proceeds from a sale of Shares are less than the Loan advanced in respect of the purchase of the Shares, then the Eligible Employee must pay the shortfall.

Repayment Amount

The amount of the Loan to be repaid is the amount of the sum advanced plus any interest (if applicable).

Security for Loan

Each Eligible Employee who accepts a Loan grants a charge over their Shares in favour of the lender to secure the Loan.

Restrictions on dealing with securities

The Shares are subject to a holding lock for the duration of the Trading Lock Period. The Trading Lock Period is the period during which any Loan is outstanding or such other period determined by the Board and set out in the offer document.

During the Trading Lock Period an Eligible Employee cannot sell their Shares unless they obtain the prior approval of the Board and direct the Company to sell their Shares.

An Eligible Employee may not create a security interest over their Shares during the period of the holding lock other than the charge granted in favour of the Company as security for any Loan.

Rights attaching to Shares

Ranking

Subject to the terms of the Plan, Shares issued under the Plan rank equally with other shares on issue at the time of issue and carry the same rights and entitlements as those conferred by other shares.

Dividends

A participant is entitled to receive any dividend or other distribution made in respect of his or her Plan Shares. However, if an Eligible Employee has accepted a Loan to fund the purchase of their Shares cash dividends must be used to repay that Loan.

Voting Rights

Each Eligible Employee may exercise any votes attaching to its Shares.

New and Bonus Issues

Eligible Employees who hold Shares have the same right to participate in new and bonus issues of Shares as conferred on other shareholders.

Any Shares received under a bonus issue will be treated as Shares acquired under the Plan and will be subject to the Plan including any holding lock on the same terms.

Provided an Eligible Employee pays the same consideration as all other holders of Shares, the Rules and holding lock will not apply to any new issues to Participants outside the Plan (eg rights issues).

Forfeiture of Shares

If the offer document so provides, if the employment of an Eligible Employee ceases prior to the end of the Trading Lock Period, the Eligible Employee will be deemed to have appointed the Company as their attorney to sell their Shares.

Termination or suspension of Plan

The Board may terminate or suspend the operation of the Plan at any time. Termination or suspension of the Plan will not adversely affect the rights of Eligible Employees holding Shares under the Plan at that time.

proxy form

I/We ....

of..

being a member of K&S Corporation Limited entitled to... votes
(insert number of ordinary shares held)

hereby appoint ....

or failing him/her..

or failing my/our appointee, or if I/we have not nominated any other person, the Chairman of the meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of K&S Corporation Limited to be held on 21 November 2006 and at any adjournment thereof.

To be completed only if you wish to appoint 2 proxies (see Explanatory Notes to the Notice of Annual General Meeting).

The proxy appointed by this proxy form shall represent .... % of my/our voting rights.

Dated this …………………… day of ……………………………………………………2006.

Usual signature/s of Shareholder/s …………………………………………………………………

OR

EXECUTED BY)

)

……………………………………)
(insert name of company)

in accordance with section 127 of the Corporations Act in the presence of:

....
Director Director/Secretary

<u>**Voting Instructions to Proxy**</u> *(completion is optional)*

If you do not wish to direct your proxy how to vote, please insert X in the box ☐

If you desire to direct your proxy how to vote please insert X in the appropriate box. Unless otherwise instructed, your proxy will vote as he/she thinks fit or may abstain from voting.

	For	***Against***	***Abstain***
Ordinary Business			
2. To adopt the Remuneration Report	☐	☐	☐
3. Election of Directors:			
3.1 Mr Laurie Ackroyd	☐	☐	☐
3.2 Mr Gregory Colin Boulton	☐	☐	☐
Special Business			
4. Employee Share Plan			
4.1 Approval of Employee Share Plan	☐	☐	☐
4.2 Approval of the issue to Related Parties under the Employee Share Plan	☐	☐	☐

See the Explanatory Notes to the Notice of Annual General Meeting for notes on completion of this form

K&S CORPORATION LIMITED ABN 67 007 561 837
141-147 Jubilee Highway West, Mt Gambier, SA, 5290

K&S CORPORATION LIMITED

Annual Report 2006

K&S CORPORATION LIMITED

ABN 67 007 561 837

FINANCIAL CALENDAR

Final dividend payment, (7 cents per share)	31 October 2006
Annual General Meeting	21 November 2006
Half-year results and interim dividend announcement	21 February 2007
Interim dividend payment	30 March 2007
Full-year result and final dividend announcement	22 August 2007
Annual report mailed to shareholders	10 October 2007
Final dividend payment	26 October 2007
Annual General Meeting	20 November 2007

K & S CORPORATION LIMITED

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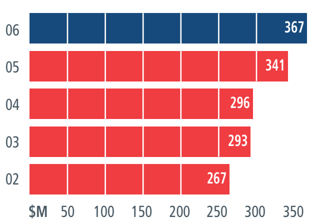
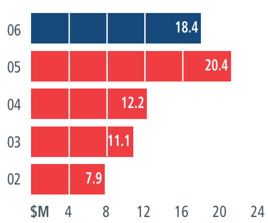
HIGHLIGHTS

- Profit after tax of $18.4 million
- Operating revenues reach $367 million
- Dividend increased to 14 cents per share
- Opening of new Truganina terminal in Melbourne
- Winning of major new contract in the automotive industry
- Renewing and extending key contracts
- Gaining self-insurance status for Workers Compensation

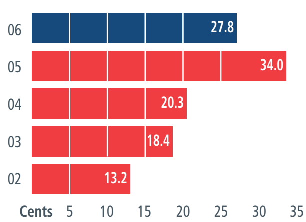
OPERATING REVENUE



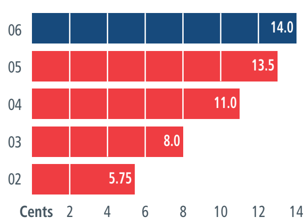
PROFIT AFTER TAX



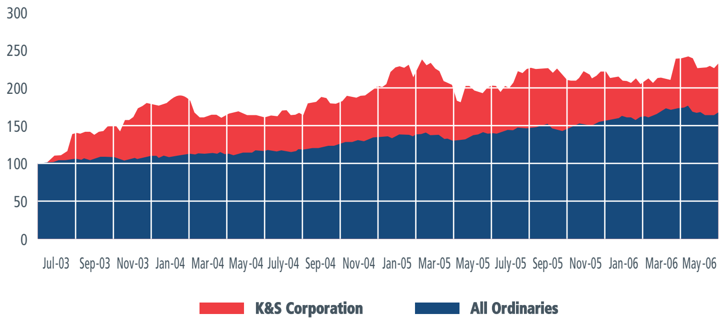
EARNINGS PER SHARE



DIVIDENDS PAID TO SHAREHOLDERS



K&S CORPORATION vs ALL ORDS



Financial Overview		2006	2005	% movement
Operating revenue	$m	**367.1**	340.8	7.7
Operating profit before interest & tax	$m	**29.9**	31.9	(6.3)
Operating profit before tax	$m	**26.2**	29.0	(9.8)
Operating profit after tax	$m	**18.4**	20.4	(10.0)
Dividends paid	$m	**9.2**	7.5	23.2
Total assets	$m	**217.1**	182.2	19.2
Net borrowings	$m	**35.9**	32.0	12.0
Shareholders' funds	$m	**103.3**	79.0	30.7
Depreciation and amortisation	$m	**15.9**	13.9	13.9
Earnings per share	cents	**27.8**	34.0	(18.2)
Dividends per share	cents	**14.0**	13.5	3.7
Net tangible assets per share	$	**1.45**	1.19	21.8
Cash flow per share	cents	**45.4**	42.7	6.3
Return on Shareholders' funds	%	**17.8**	25.8	(31.1)
Gearing	%	**37.5**	44.9	16.4

CHAIRMAN'S OVERVIEW

On behalf of the Board, I am delighted to present the 2006 K&S Corporation Limited annual report.

The 2005-06 financial year has seen continued solid performance with profit after tax reaching $18.4 million. Earnings per share were 27.8 cents.

Directors consider the $18.4 million profit after tax to be an excellent outcome as the corresponding period last year included a number of notable non-trading items. These included profit on the sale of the Rocklea warehouse of $368,000, the reversal of a previous building revaluation decrement of $837,000 and fraud-related net recoveries of $4.2 million after tax. The current year includes net recoveries from fraud-related matters of $461,000 after tax.

In June we completed the sale of the Whitehall Street Melbourne terminal to the Port of Melbourne Corporation for $11.5 million. The transaction resulted in an increase in profit after tax of $2.3 million. These funds were used to retire debt.

The normalised profit after tax – when non-trading items are stripped out of the result – was $15.6 million, up 4.3%.

Operating revenue for the year was $367 million, a rise of 7.7% on the previous year.

The higher operating revenues were a result of continued strong organic growth from existing customers together with the impact of a new Holden contract in Adelaide.

The normalised earnings before interest and tax and excluding non-trading items were up 6.0% on the previous year to $26 million.

Interest expenses were $3.8 million, an increase of $808,000 due to the higher debt levels associated with the Truganina development during the course of the year.

EBIT margins have been under pressure during the course of the year with the continued escalation in fuel prices.

Operating cash flows at $30.0 million were 16.9% higher than the previous year, which assisted in the financing of the Truganina development.

In July 2005 we finalised a successful Non Renounceable Rights Issue that raised $16.5 million (net of costs) of additional shareholders funds.

Tony Johnson
Chairman
K&S Corporation

The new shares were issued at $2.80 per share and participated in the October 2005 dividend of 7 cents per share. The new capital was used to help fund the development of the Truganina terminal.

A fully franked final dividend of 7 cents per share (last year 7 cents per share) has been declared by Directors. This follows the interim dividend of 7 cents per share paid in March 2006, making the total dividend for the year 14 cents per share fully franked, up 3.7% on the previous year.

The final dividend will be paid on 31 October 2006, (the date for determining entitlements is 17 October 2006).

The Board has decided to introduce a Dividend Reinvestment Plan as part of the October dividend in response to shareholder feedback at last year's Annual General Meeting. Shares acquired under this scheme will initially be at a 2.5% discount to the market price of K&S shares.

One of the highlights of the year was the development of our new transport and warehouse facility at Truganina in Melbourne, which was completed in March 2006. Operations commenced in April with four Melbourne sites moving to the new facility during the month.

We expect to gain improved productivity and increased service levels for customers following the move. This facility is a purpose built state-of-the-art transport terminal, which will enable further growth and consolidation of our Melbourne-based operations.

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.

A J Johnson

Tony Johnson
Chairman

Legh Winser
Managing Director
K&S Corporation

K&S Corporation is primed for significant expansion in 2006-07.

Major infrastructure and Information Technology (IT) developments undertaken during 2005-06 have set the platform for ongoing organic growth, while additional opportunities are expected to arise from the current consolidation of the Australian transport industry.

K&S recorded total revenue of $367 million during 2005-06, significantly above expectations, primarily due to organic growth in our key markets and the development of new business. This resulted in a rise in operating profit after tax to $18.4 million, well above forecast levels.

The development of our new transport and warehousing facility at Truganina in Melbourne was completed in March 2006. Operations from the site commenced in April with our four Melbourne sites moving to the new facility during the month. We expect to gain improved productivity and increased service levels for customers following the move. The facility is purpose built and state-of-the-art, enabling future growth and further consolidation of our Melbourne operations.

As a result of significant growth during the past two years, we plan to relocate our Adelaide operations to a new leased facility in October this year. Consideration is still being given to the development of new premises in Sydney, although current land prices make this less likely.

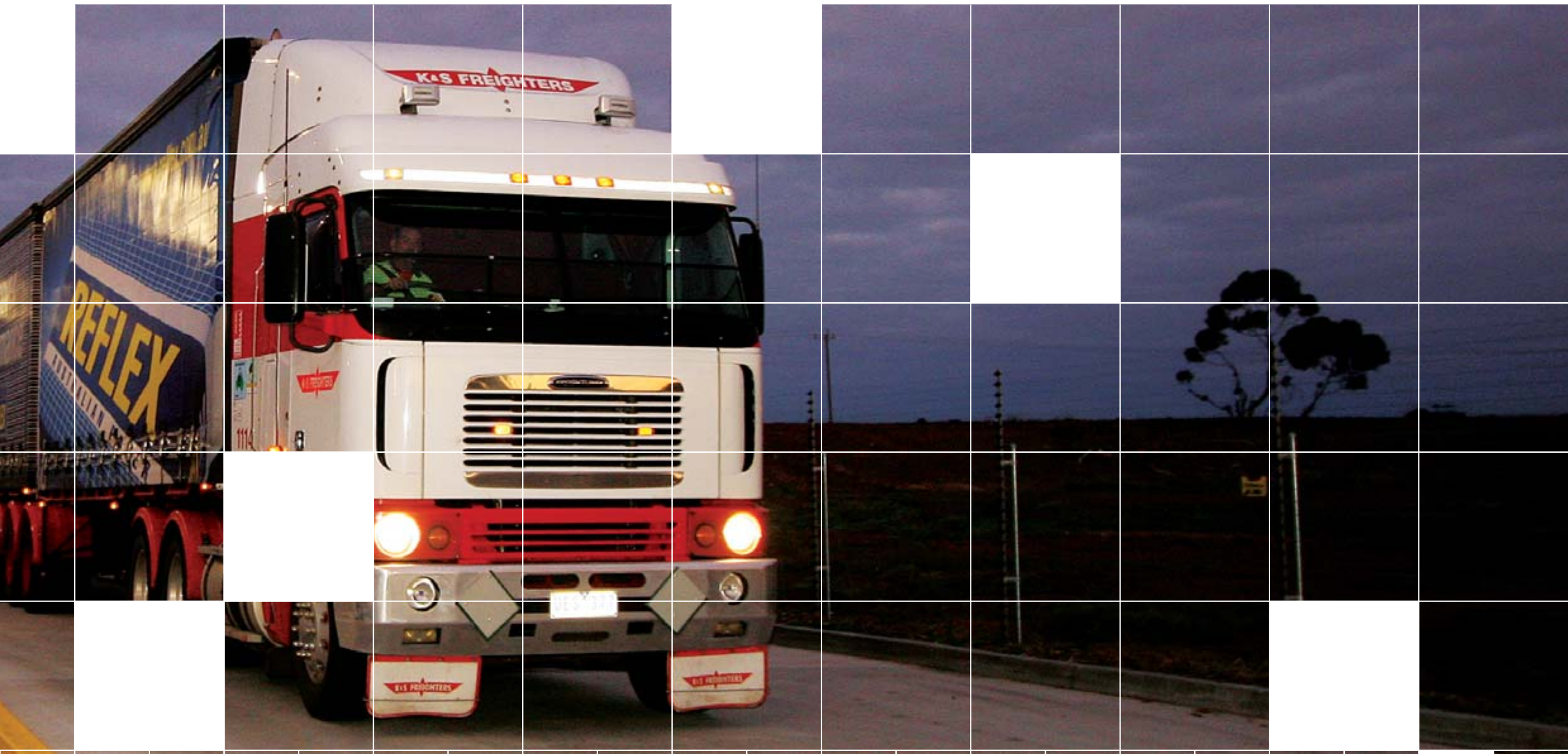
Business Development

During the past 12 months, K&S successfully renewed contracts with its top five customers for periods ranging from three to five years. Many of these contracts provide for significant additional work and will underpin strong growth in coming years.

This is a particularly pleasing result as the contracts underpin 50% of our revenue base and allows us to concentrate on customer service and new contract opportunities that will arise from continued industry consolidation.

We were also successful in winning work with a number of new companies, including contracts with GM Holden. Holden represents a major breakthrough for K&S, which has not previously operated in the automotive sector.

K&S is now responsible for wharf clearance of steel coils into a dedicated warehouse facility in Adelaide. The coils are then forwarded into the Holden Vehicle Manufacturing operation at Elizabeth on a pre-determined schedule to be pressed into car shells and other components.



We have also been contracted to transport containers between Melbourne wharf and the Holden Service Parts operation in Dandenong, Melbourne.

K&S has received very positive feedback about its work, particularly the introduction of our warehouse management system that has enabled Holden to manage its steel inventory in a paperless form via the internet. These contracts underline our ability to support complex supply chains with operational as well as systems support and excellent communication. K&S is hopeful of securing further work from Holden.

Efforts to break into the mining sector are continuing and a number of options are being considered. We remain committed to pursuing growth in this area, which is enjoying rapid expansion.

Another area of potential expansion is the oil and gas industry.

The Group's Portland facility already supports a range of companies, including Woodside and Santos. Further work is being sought in Western Australia where significant gas operations as far north as Dampier provide opportunities for further diversity.

Our services to Coca Cola were extended to include operations in support of the re-supply of Woolworths' Wodonga warehouse.

K&S has merged K&S Integrated Distribution into K&S Freighters. This has allowed us to develop a stronger managerial team and strengthen support to our linehaul contracts by offering a greater range of integrated services.

The Group has also worked to improve strategic partnerships within the forwarding industry. K&S is one of the largest rail forwarders in Australia and is closely monitoring recent acquisitions and rationalisation in that industry.

The push towards the use of sea freight from east to west and the guarantee of weekly sailings gives a wider range of modal options and opens up the opportunity to maximise commercial benefits for customers.

We will also continue with development of our IT system, Panorama, which promises to be one of the most advanced IT programs of its kind. It will enable us to fully integrate with our customers' IT systems, producing a service that is more responsive and efficient. Some parts of Panorama have already been introduced and are providing us with an important point of difference to our competitors, along with the opportunity to reduce costs and raise productivity.

Metals

Our contract with Smorgon Steel Group was renewed for another four years in January 2006 and includes provision for additional linehaul work from the Smorgon tube mill operation in Brisbane.

This will deliver substantial growth and has required significant capital investment in new generation B-doubles and rail equipment.

K&S now provides interstate, intrastate and local transport services in support of Smorgon's Reinforcing and Steel Products Division and Smorgon Steel distribution from Laverton and Sunshine in Victoria, Newcastle in New South Wales and Brisbane in Queensland.

The Alcoa business also grew strongly throughout the year and we gained a new five year contract. This arrangement means K&S will be extending its service offering into previously non-core functions.

Paper

The contract with PaperlinX was extended late in the 2006 financial year for another three years in the face of strong rate competition. PaperlinX volumes remained solid.

Norske Skog volumes also remained strong and we are implementing new arrangements to enable us to extend our long-term relationship. This will result in the purchase of automated load equipment and low-tare trailer equipment to take advantage of higher mass limits in Victoria, South Australia and Queensland and the expected increase in mass limits in New South Wales.

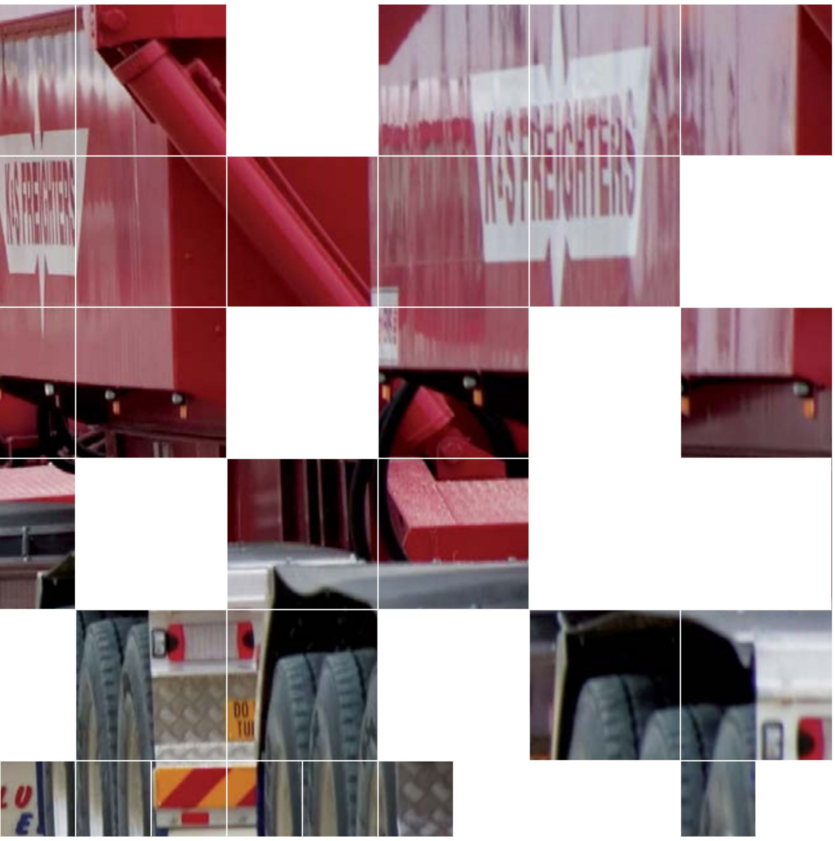
Timber

Our relationship with our timber and building customers remains strong with Boral, Weyerhauser and Laminex Group.

Bulk

K&S Bulk has expanded its already extensive fleet with the introduction of a specifically designed and manufactured Mack Titan side tipping triple road train.

The rig operates exclusively for Queensland Magnesia at its KG1 and KG2 mine sites, 70 kilometres north of Rockhampton in Central Queensland. K&S Bulk has been supplying logistics and materials handling services to Queensland Magnesia for more than six years.



In February 2005, K&S partnered with Queensland Magnesia to develop a concept that would significantly improve the cost of raw ore production by improving the associated logistics function.

Previously, K&S was restricted to the use of B-doubles with a maximum payload of 44 tonnes for the 44 kilometres round trip between the two mines using the Bruce Highway.

The proposal required substantial capital investment by both parties as Queensland Magnesia would have to construct a purpose-built seven kilometre haul road and K&S would have to provide equipment capable of achieving the cost savings associated with the project.

Given the legislative limitations and local council requirements surrounding the operation of equipment on the haul road, a decision was made to build a type two, side tipping, three trailer road train.

This was put into service in early July 2006. The new road train will now complete the round trip between mine sites 28 times per day, seven days per week and carrying more than one million tonnes per annum.

Occupational Health & Safety

On July 1 this year, K&S became fully accredited under the Commonwealth Government's Comcare scheme, allowing the Company to self-insure for Workers Compensation purposes. This means that all K&S employees are now covered by a single system across Australia, providing greater certainty of benefits and coordinated injury management.

Gaining accreditation required intensive work to develop and implement appropriate training regimes, safety programs and compliance testing covering all workplaces and employees. The ultimate aim is to provide K&S employees with as safe a workplace as possible. Maintaining this accreditation will require a commitment to safety by everyone at K&S.

This has seen the development and introduction of a new safety program "Everybody Safe Every Day" aimed at encouraging safe behaviour and identifying and improving potential risks.

All K&S employees in Victoria, including senior management, have undertaken the safety training and the program will be rolled out nationally during 2006-07.

K&S has a target of improving safety by 25% a year ongoing.

Truganina

The opening of the new $35 million K&S terminal at Truganina, west of Melbourne, in March this year is an important step in rationalising our asset base and developing economies of scale.

The secure, state-of-the-art facility on 23 hectares at Boundary Road near the Western Ring Road, consolidates our Victorian operations and took just 11 months to complete.

Facilities include a modern corporate building, gatehouse, warehousing of more than 16,000 square metres, new maintenance and workshop areas, operations and staff amenities, truck and carparking and a straddle container pavement.

A further 82,183 square metres of vacant land remains for future expansion.

In designing the terminal, special consideration was given to future growth with the straddle/container pavement area covering a massive 30,000 square metres – almost twice the size of the M.C.G. arena – and a truck parking pavement of 40,000 square metres.

The maintenance areas and workshops cover more than 5,400 square metres and include multiple service pits capable of handling B-doubles, four truck washers and a tyre fitting facility which operates 24-hours a day to handle the large volume of trucks and trailers passing through.

The emphasis on safety means that pedestrian traffic is confined to marked walkways and access to operational areas for vehicles and personnel is heavily restricted.

Modern facilities are also provided for interstate drivers.

In June, K&S sold its Whitehall Street, Footscray, depot to the Port of Melbourne Corporation for $11.5 million.

New Zealand

Growth in New Zealand last year was limited, reflecting the poor economic conditions in that country. The higher New Zealand dollar and higher interest rates resulted in lower export levels. These conditions had a significant impact on all export-based businesses, including forestry and dairy.

Our aim in the coming year is to further develop our marketing expertise and seek new customers in the more value-adding industry sectors.

The Year Ahead

During 2005-06, K&S considered and evaluated a number of potential acquisitions as part of its program to accelerate growth. This program will continue during 2006-07.

As the industry continues to consolidate, further opportunities for K&S will emerge. We will evaluate opportunities that are consistent with our strategic direction and where they add value to our shareholders.

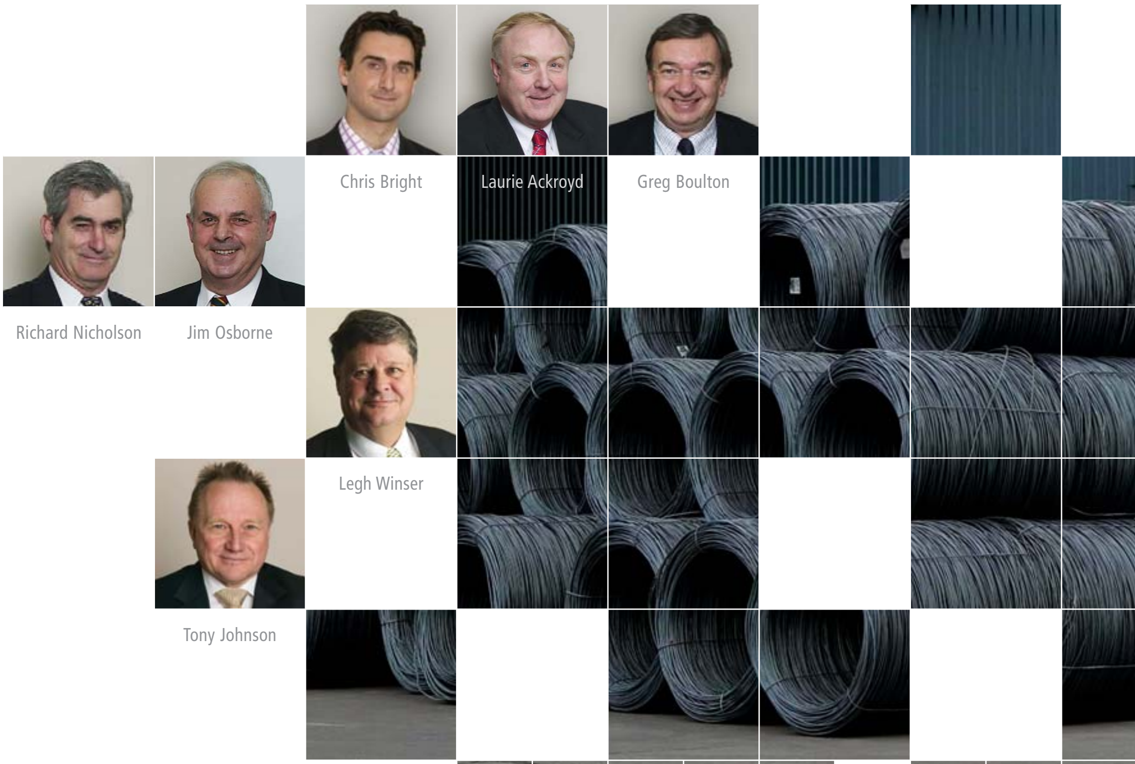
We will be concentrating on ensuring we have the right equipment to carry greater payloads and take advantage of opportunities that may arise.

The decision in the Federal budget to maintain the full fuel rebate scheme in an unchanged format was pleasing, as was the announcement of highway funding especially for the Hume, Pacific and Bruce Highways and the upgrading of rail tracks. Improved roads will assist with the better management of driving hours and provide a superior service.

Fuel price rises are expected to settle, but the underlying cost will probably remain at close to current levels in the foreseeable future.

However, the fact that we continue to win contracts in competitive tenders indicates that we are professionally and efficiently handling the pressures this raises.

Legh Winser
Managing Director



B O A R D O F

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 *(Appointed as Chairman 26 August 2005)*

Age 59, Director since 1986
Tony Johnson BA, LL.B, LL.M (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 58, Director since December 1999
Legh Winser has more than 33 years experience in the transport industry. Prior to his appointment as Managing Director in January 1998 he held other Executive positions within the Company.

Member of:

- Nomination and Remuneration Committee
- Environmental Committee

Laurie Ackroyd

Age 57, Director since May 2002
Laurie Ackroyd BA (Accountancy), ACA has more than 15 years experience within the transport and petroleum related industries, being the Chief Financial Officer – Director of the privately owned Scott Group of Companies.

Member of:

- Audit Committee *(Chairman)*

Jim Osborne

Age 69, Director since July 1997
Jim Osborne has extensive manufacturing and general management experience, having occupied senior executive positions with Kimberly-Clark Australia before retiring in 1997.

Member of:

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

Greg Boulton *Deputy Chairman*

Age 56, Director since January 1996
Greg Boulton BA (Accountancy), FCA, FCPA, FAICD is Chairman of Private Equity Fund, Paragon Equity Limited, President of Port Adelaide Football Club Limited, holds Board positions on a number of privately owned companies. He has over 30 years experience in the transport industry.

Member of:
- Audit Committee

Richard Nicholson

Age 63, Director since 1986
Richard Nicholson BA (Accountancy), 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.

Alan Williams *Chairman (Resigned as Chairman and a Director on 26 August 2005)*

Secretaries

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

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

Graham Allen NIA, FCIS *(Resigned as Secretary on 3 April 2006)*

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

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 2006 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 2005.

Financial overview		**2006**	**2005**	**% Improvement**
Operating revenue	$m	**367.1**	340.8	7.7
Operating profit after tax	$m	**18.4**	20.4	(10.0)
Net borrowings	$m	**35.9**	32.0	12.0
Shareholders' funds	$m	**103.3**	79.0	30.7
Earnings per share	cents	**27.8**	34.0	(18.2)
Dividends per share	cents	**14.0**	13.5	3.7
Net tangible assets per share	$	**1.45**	1.19	21.8
Cash flow per share	$	**0.45**	0.43	6.3
Return on shareholders' funds	%	**17.8**	25.8	(31.1)
Gearing	%	**37.5**	44.9	16.4

Operating revenue of $367.1 million was 7.7% above the operating revenue achieved in the previous financial year. The higher operating revenues were primarily a direct result of continued strong organic growth from the existing customer base together with a contribution from a new contract with General Motors Holden.

The consolidated profit after income tax of the economic entity for the financial year was $18.4 million, 10.0% lower than the previous financial year. The economic entity generated profit before interest and tax of $29.9 million, which was 6.3% lower than the previous financial year.

The $18.4 million profit after tax is considered by Directors' as an excellent outcome, as the corresponding period last year included a number of notable non trading items, such as the profit on sale of the Rocklea warehouse of $368,000, the reversal of a previous building revaluation decrement of $837,000 and fraud related net recoveries of $4.2 million after tax. The current year result includes net recoveries from fraud related matters of $461,000 after tax. In addition, in June 2006, we completed the sale of the Whitehall Street Footscray terminal to the Port of Melbourne Corporation for $11.5 million. The transaction resulted in an increase in profit after tax of $2.3 million for the current year. The funds were used to retire debt.

The normalised profit after tax when these non trading items are stripped out of the result showed underlying performance for the year was $15.6 million, up 4.3%.

Earnings per share (fully diluted) were 28.0 cents, down 17.8% on the corresponding period. This was impacted by the 1 for 10 Rights Issue in July 2005 and the prior year non trading items.

The normalised earnings before interest and tax excluding non trading items increased to $26.0 million, up 6.0%.

Group cash flows remain very strong, with operating cash flows increasing 16.9% to $30.0 million for the year. The cash generation, together with the funds from the July 2005 Rights Issue and the sale proceeds from the Whitehall Street, Footscray property has enabled the completion of the new Melbourne terminal without any significant increase in debt or gearing.

Group net debt to equity reduced to 37.5% at year end, with net debt being $35.9 million. Interest cover continues at a very sound 7.9 times.

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 $56.3 million into terminals and equipment to support the business.

A final dividend of 7.0 cents per share has been declared. The dividend will be fully franked and payable on 31 October 2006 to shareholders registered on the books at 17 October 2006. This takes the full year dividend to 14.0 cents, an increase of 3.7 % on the previous year. However, this dividend has not been provided for in the accounts as it was declared after balance date on 22 August 2006. This is in accordance with the Accounting Standard AASB 137 "Provisions, Contingent Liabilities and Contingent Assets".

K&S Corporation Limited has completed their transition to Australian Equivalents of International Financial Reporting Standards (AIFRS) effective 1 July 2005. The prior year comparatives have been adjusted to reflect the transition and to provide a consistent comparison. The primary impact relates to amortisation of goodwill and a re-statement of last year's net profit to $20.4 million from $19.9 million. Full details on the AIFRS impact are included in *Note 32* to the financial accounts.

Significant Changes in the State of Affairs

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

- On 17 June 2005, K&S Corporation Limited announced its intention to raise equity under a Non-Renounceable Rights Issue. The terms of the issue were 1 share for every 10 shares held at $2.80 per share. The number of shares issued was 5,993,867 and it raised $16,545,386 (after costs associated with the issue). The issue was fully underwritten by AA Scott Pty Ltd, subject to the terms of an underwriting agreement. Allotment of the new shares was completed on 21 July 2005. With the finalisation of the Rights Issue, the economic entity has 65,973,507 ordinary fully paid shares on issue. The new shares participated in the 28 October 2005 dividend of 7.0 cents per share. The total dividend paid was $4,618,145, of which $419,571 represented dividends paid on shares issued under the Non-Renounceable Rights Issue.
- On 31 January 2006, the economic entity reached a confidential settlement with Emmanuel Seal in relation to the 2002 fraud related legal matters. The settlement resulted in an increase in the profit before tax of $965,406 for the year ended 30 June 2006.
- The development of the new transport and warehouse facility at Truganina in Melbourne's west was completed in March 2006 and operations commenced in early April. The facility is a purpose built state-of-the-art transport terminal, which is designed to enable future growth and consolidation of our four Melbourne based operations.
- On 3 June 2006, the economic entity entered into an unconditional contract with the Port of Melbourne Corporation for the sale of the Whitehall Street, Footscray terminal in Melbourne for $11.5 million. The property settled on 30 June 2006, with the transaction resulting in an increase in profit before tax of $3.3 million in the current year. The funds received from the transaction were used to retire debt.

Environmental Regulation and Performance

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

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

Transport and Warehousing

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

Fuel

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

Dividends

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

as reported in last year's financial report:

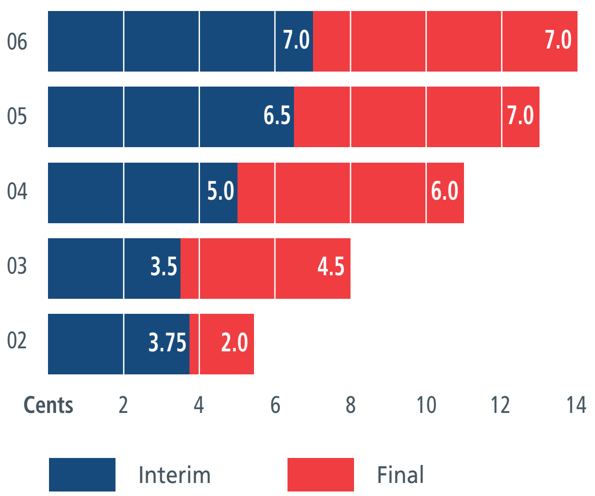
1 A final fully franked ordinary dividend (taxed to 30%) of 7 cents per share amounting to $4,618,145 in respect of the year ended 30 June 2005 was declared on 23 August 2005 and paid on 28 October 2005;

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 2005 was declared on 23 August 2005 and paid on 28 October 2005;

	$
An interim fully franked ordinary dividend (taxed to 30%) of 7.0 cents per share in respect of the year ended 30 June 2006 was declared on 21 February 2006 and paid on 31 March 2006 amounting to:	4,618,145
The final dividend declared by the Directors of the Company on 22 August 2006 and payable on 31 October 2006 in respect of the year ended 30 June 2006 comprises:	
1 A fully franked ordinary dividend (taxed to 30%) of 7.0 cents per share; and	4,618,145
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 22 August 2006, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is $4,618,145, which represents a fully franked dividend of 7.0 cents per share. The dividend has not been provided for in the 30 June 2006 financial statements and is payable on 31 October 2006.

On the 17 August 2006 the Board announced it plans to introduce a Dividend Reinvestment Plan as part of the October 2006 dividend. Shares acquired under the scheme will be at a 2.5% discount to the market price.

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

Likely Developments

It is anticipated that the consolidated entity will continue to expand transport and logistics operations during the next financial year by further extending its services throughout Australia and New Zealand and adopting the latest technology in the industry to contain costs and enhance the services offered to customers.

Directors

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

Anthony Johnson *(Appointed as Chairman on 26 August 2005)*
Laurie Ackroyd
Gregory Boulton
Richard Nicholson
James Osborne
Alan Williams *(Resigned as Chairman and a Director on 26 August 2005)*
Legh Winser *(Managing Director)*

Secretaries

Christopher Bright BEc, LLB, Grad Dip CSPM, FCIS
Graham Allen NIA, FCIS *(Resigned as Secretary on 3 April 2006)*

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 10 and 11* of the Annual Report.

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	16	17	-	-	-	-	4	4
Mr R Nicholson	17	17	-	-	2	2	-	-
Mr G Boulton	17	17	4	4	-	-	-	-
Mr J Osborne	16	17	-	-	2	2	4	4
Mr L Ackroyd	17	17	4	4	-	-	-	-
Mr A Williams	2	2	-	-	-	-	-	-
Mr L Winser	17	17	-	-	2	2	4	4

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	7,562
Mr J Osborne	46,000
Mr L Winser	290,400

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

	Ordinary Shares
Mr G Boulton	93,500
Mr A Johnson	151,662
Mr L Winser	60,940
Mr J Osborne	56,100
Mr R Nicholson	5,500

Remuneration Report

This report outlines the remuneration arrangements in place for Directors and Executives of K&S Corporation Limited (the Company). These sections on *pages 15 to 17* have been 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 2006 is detailed on *page 17* 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 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. Mr Winser is not present whilst discussions are held in relation to his performance and salary package.

Directors' Retirement Benefits

A change to the Directors' retirement 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 2006 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.

Directors' Remuneration for the Year Ended 30 June 2006

Directors		Base Emolument $	Short-term Cash Bonus $	Non-Cash Benefits $	Post Employment Retirement Benefits $	Super Contributions $	Total $
Non-Executive							
A Johnson	2006	74,167	-	-	39,167	8,158	121,492
	2005	*45,000*	-	-	*10,000*	*4,950*	*59,950*
L Ackroyd	2006	45,000	-	-	1,446	4,950	51,396
	2005	*45,000*	-	-	*13,536*	*4,950*	*63,486*
G Boulton	2006	45,000	-	-	5,000	4,950	54,950
	2005	*45,000*	-	-	*5,000*	*4,950*	*54,950*
R Nicholson	2006	45,000	-	-	10,000	4,950	59,950
	2005	*45,000*	-	-	*10,000*	*4,950*	*59,950*
J Osborne	2006	45,000	-	-	4,666	4,950	54,616
	2005	*45,000*	-	-	*4,667*	*4,950*	*54,617*
A Williams*	2006	13,333	-	-	-	1,467	14,800
	2005	*80,000*	-	-	*1,760*	*8,800*	*90,560*
Executive							
L Winser	2006	300,000	57,200	37,250	-	39,292	433,742
	2005	*286,000*	*57,200*	*36,255*	-	*37,752*	*417,207*
Total	2006	567,500	57,200	37,250	60,279	68,717	790,946
	2005	*591,000*	*57,200*	*36,255*	*44,963*	*71,302*	*800,720*

* *Mr A Williams resigned as Chairman and a Director on 26 August 2005.*

Remuneration of the Five Named Executives who Receive the Highest Remuneration and other Key Management Personnel for the Year Ended 30 June 2006

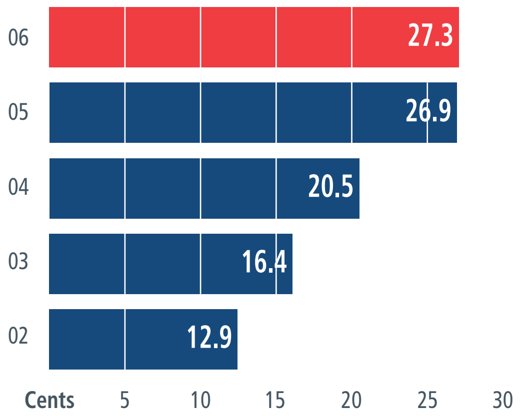
Executives		Base Emolument $	Short-term Cash Bonus $	Non-Cash Benefits $	Post Employment Retirement Benefits $	Super Contributions $	Total $
S Fanning	2006	242,450	22,000	27,829	-	39,741	332,020
	2005	*220,912*	*22,000*	*33,844*	-	*37,371*	*314,127*
D Coldham	2006	161,518	17,000	25,818	-	42,423	246,759
	2005	*149,454*	*17,000*	*24,083*	-	*42,010*	*232,547*
B Walsh	2006	135,600	13,000	24,383	-	34,601	207,584
	2005	*116,910*	*13,000*	*23,037*	-	*31,091*	*184,038*
G Allen**	2006	145,000	13,500	23,027	-	19,706	201,233
	2005	*135,000*	*13,500*	*21,840*	-	*18,038*	*188,378*
G Wooller	2006	154,360	5,000	23,640	-	13,892	196,892
	2005	*98,083*	-	*30,000*	-	*8,827*	*136,910*
Other Key Management Personnel							
C Bright	2006	125,000	5,000	17,031	-	16,173	163,204
	2005	*108,333*	*5,000*	*17,031*	-	*14,340*	*144,744*
Total	2006	963,928	75,500	141,728	-	166,536	1,347,692
	2005	*828,692*	*70,500*	*149,835*	-	*151,677*	*1,200,704*

** *Mr G Allen retired from the Company on 14 July 2006.*

Company Performance

The graph below shows the performance of the Company, as measured by the Company's earnings per share excluding fraud recoveries/(expenses).

Earnings per Share



NB 2005 and 2006 financial results are AIFRS compliant.

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 Premium

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 wilful breach of duty or position to gain a personal advantage.

The officers of the Company covered by the policy include the current Directors A Johnson, G Boulton, R Nicholson, J Osborne, L Ackroyd and L Winser. Other officers covered by the contract are Executive Officers and the Secretaries of the Company and Directors and the Secretaries of controlled entities (who are not also Directors of the Company), General Managers and other Executive Officers of controlled entities.

Tax Consolidation

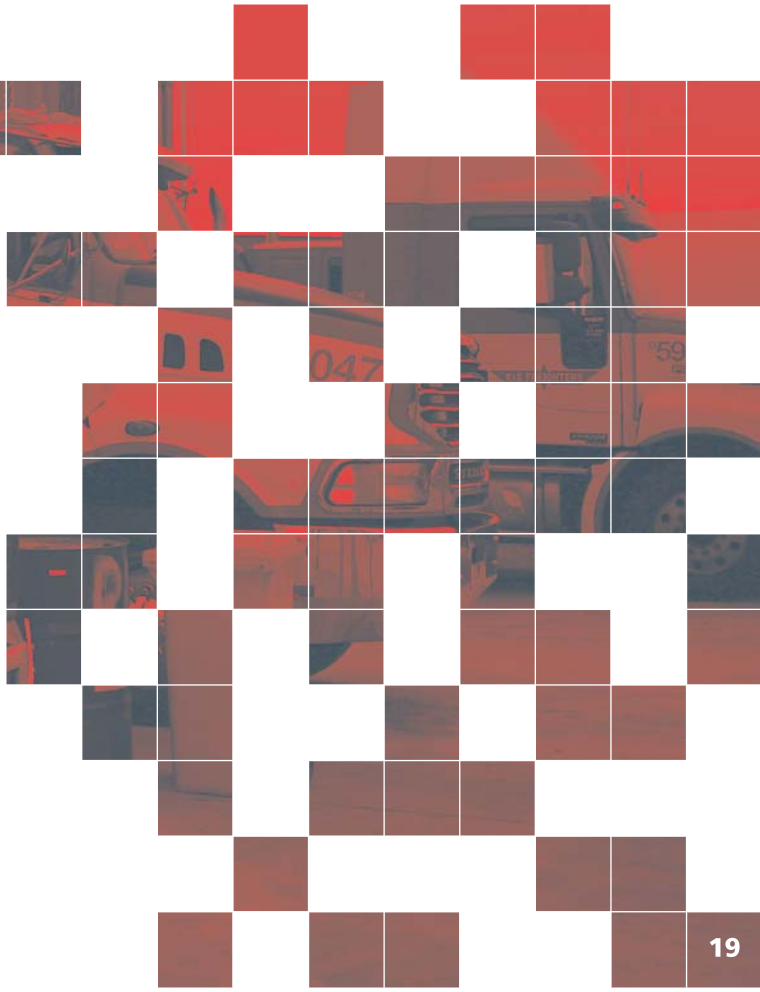
Effective 1 July 2002, for the purposes of income taxation, K&S Corporation Limited and its domestic based 100% owned subsidiaries formed a tax consolidated Group. Members of the Group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a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

Corporate Governance

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

Rounding Off

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



Auditor Independence and Non-audit Services

The entity's auditor, Ernst & Young have provided the economic entity with an Auditors' Independence Declaration which is on *page 79* 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:

Assurance advice on potential acquisitions	$10,540
Assistance with the transition to the Australian equivalents of IFRS	$46,467

Dated at Adelaide this 22nd day of August 2006.

Signed in accordance with a resolution of the Directors.

A Johnson
Director

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

The Roles of the Board and Management

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

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

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

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

Structure of the Board

The Board currently comprises 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 (Chairman)	*Non-Executive Director. 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 is the Group Financial Controller and a Director or Secretary of a number of companies within the Scott Group of privately owned companies, one of which (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.*

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 required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors required to retire at that Annual General Meeting. Retiring Directors are eligible for re-election by shareholders.

Review of Board Performance

During the 2005 financial year and carrying over into the 2006 financial year, the Board implemented a process for the regular review of its overall performance, consistent with ASX Principle 8. Regular review involves both analysis by the Board of the results of a questionnaire completed by all Directors and discussion between the Chairman and each of the Directors. The Board's performance review departs from *Recommendation 8.1* as the review is conducted by the full Board, and not the Nomination and Remuneration Committee. As the Board is comprised of only 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:

L Ackroyd *(Chairman)*
G C Boulton

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

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

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

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

Nomination and Remuneration Committee

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

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

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 to establish that the Directors' fees are in line with market standards. Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration.

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

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

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 15 to 17*.

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

To enable it to meet its responsibilities, the Committee has established a regular internal reporting process.
The Environmental Committee met four times during the year.

Financial Reporting

Consistent with the ASX Principle 4, the Company's financial report preparation and approval process for the financial year ended 30 June 2006, 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 for the Company will next be rotated from 1 July 2007.

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

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

Risk Management

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

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

Management is responsible to the Board for the Group's system of internal control and risk management.

The Audit Committee through its Charter assists the Board in monitoring this role.

Continuous Disclosure

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

The Company Secretary has the responsibility for overseeing and co-ordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Managing Director, Chairman and the Chief Financial Officer in relation to continuous disclosure matters.

The Chairman, or in his absence the Deputy Chairman, approves all 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.
- Directors and Officers may trade in shares in the Company outside windows as stated, where they have obtained the approval of the Chairman.

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

International Quality Standard ISO 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 relevant employees on the legislative prohibitions on price fixing and anti-competitive arrangements between competitors and suppliers.

Other Policies

Amongst other policies endorsed by the Board in previous years are the Occupational Health and Safety, Environment Protection, 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 and the Chairman's address at the Annual General Meeting.

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

The communication strategy is consistent with ASX Principle 10.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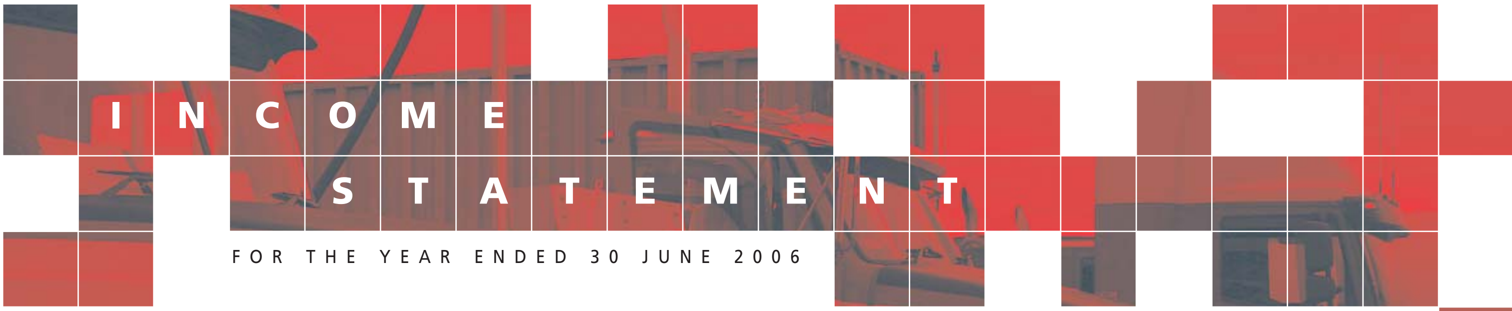
FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2006

K&S CORPORATION LIMITED

ABN 67 007 561 837

Contents



INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Revenue from rendering of services		319,033	298,241	-	-
Revenue from sale of goods		48,059	42,569	-	-
Dividends		1	1	15,001	15,001
Finance revenue		410	255	3	1
Revenue	4(a)	**367,503**	341,066	**15,004**	15,002
Cost of goods sold		(44,440)	(39,157)	-	-
Gross profit		**323,063**	301,909	**15,004**	15,002
Other income	4(b)	5,450	2,272	769	596
Contractor expenses		(123,269)	(124,734)	-	-
Employee benefits expenses	4(e)	(77,927)	(71,119)	(372)	(400)
Fleet expenses		(68,243)	(57,113)	-	-
Depreciation expense	4(d)	(15,882)	(13,949)	-	-
Finance costs	4(c)	(3,771)	(2,947)	(145)	(143)
Other expenses		(14,099)	(12,382)	(232)	(231)
2002 fraud related recoveries/(expenses), net		659	6,060	-	-
Reversal of previous write down of buildings		-	837	-	-
Share of profit of associates	13	173	149	-	-
Profit before income tax		**26,154**	28,983	**15,024**	14,824
Income tax (expense) / benefit	5	(7,800)	(8,583)	(7)	53
Profit after income tax		**18,354**	20,400	**15,017**	14,877
Profit attributable to members of the parent		**18,354**	20,400	**15,017**	14,877
Earnings per share (cents per share)	6				
• basic for profit for the year attributable to ordinary equity holders of the parent		27.82	34.01		
• diluted for profit for the year attributable to ordinary equity holders of the parent		27.96	34.01		
Dividends per share (cents per share)	7	14.0	13.5		

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Assets					
Current assets					
Cash and cash equivalents	8	18,349	14,661	-	-
Trade and other receivables	9	44,169	41,280	57,498	38,580
Inventories	10	2,419	2,317	-	-
Prepayments		2,760	2,422	-	-
Total current assets		**67,697**	60,680	**57,498**	38,580
Non-current assets					
Trade and other receivables	9	340	-	17,961	17,961
Prepayments		150	-	-	-
Investments in associates	13	594	556	-	-
Available-for-sale financial assets	11	20	20	20	20
Other financial assets	12	-	-	14,020	14,020
Property, plant & equipment	14	137,127	110,061	-	-
Intangibles	15	7,675	7,623	-	-
Deferred tax assets	5	3,517	3,223	125	108
Total non-current assets		**149,423**	121,483	**32,126**	32,109
Total assets		**217,120**	182,163	**89,624**	70,689
Liabilities					
Current liabilities					
Trade and other payables	17	38,607	37,471	21,535	27,981
Interest bearing loans and borrowings	18	13,224	10,888	-	-
Income tax payable		5,074	2,014	5,131	2,135
Provisions	19	7,458	6,208	-	-
Derivatives		188	-	-	-
Total current liabilities		**64,551**	56,581	**26,666**	30,116
Non-current liabilities					
Interest bearing loans and borrowings	18	41,009	35,814	60	60
Deferred tax liabilities	5	7,239	9,675	69	69
Provisions	19	1,064	1,066	418	360
Total non-current liabilities		**49,312**	46,555	**547**	489
Total liabilities		**113,863**	103,136	**27,213**	30,605
Net assets		**103,257**	79,027	**62,411**	40,084
Equity					
Contributed equity	20	44,512	27,966	44,512	27,966
Reserves		4,283	8,311	161	161
Retained earnings		54,462	42,750	17,738	11,957
Total equity		**103,257**	79,027	**62,411**	40,084

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

	Issued capital $000's	Retained earnings $000's	Asset revaluation reserves $000's	Forex translation reserves $000's	Other reserves $000's	Total equity $000's
Consolidated						
At 1 July 2004	27,966	29,070	4,245	291	-	61,572
Profit for the year	-	20,400	-	-	-	20,400
Fair value revaluation of land & buildings	-	-	4,515	-	-	4,515
Transfer from asset revaluation reserve due to sale of land & buildings	-	777	(777)	-	-	-
Currency translation differences	-	-	-	37	-	37
Equity dividends	-	(7,497)	-	-	-	(7,497)
At 30 June 2005	**27,966**	**42,750**	**7,983**	**328**	**-**	**79,027**
Profit for the year	-	18,354	-	-	-	18,354
Issue of share capital	16,783	-	-	-	-	16,783
Transaction costs relating to share issue	(237)	-	-	-	-	(237)
Transfer from asset revaluation reserve due to sale of land & buildings	-	2,594	(2,594)	-	-	-
Currency translation differences	-	-	-	(1,302)	-	(1,302)
Equity dividends	-	(9,236)	-	-	-	(9,236)
Net loss on cash flow hedge	-	-	-	-	(132)	(132)
At 30 June 2006	**44,512**	**54,462**	**5,389**	**(974)**	**(132)**	**103,257**
Parent						
At 1 July 2004	27,966	4,577	161	-	-	32,704
Profit for the year	-	14,877	-	-	-	14,877
Equity dividends	-	(7,497)	-	-	-	(7,497)
At 30 June 2005	**27,966**	**11,957**	**161**	**-**	**-**	**40,084**
Profit for the year	-	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**

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2006

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Cash flows from operating activities				
Cash receipts from customers	404,008	379,315	769	596
Cash payments to suppliers and employees	(360,881)	(331,608)	(546)	(480)
Dividends received	1	1	15,001	15,001
Interest received	410	255	3	1
Borrowing costs paid	(3,771)	(2,947)	(145)	(143)
Income taxes paid	(7,414)	(10,023)	(7,327)	(9,410)
Net goods and services tax paid	(6,050)	(8,972)	-	-
2002 fraud related recoveries	3,659	(389)	-	-
Net cash provided by operating activities	**29,962**	**25,632**	**7,755**	**5,565**
Cash flows from investing activities				
Proceeds from sale of non-current assets	15,829	11,656	-	-
Payments for property plant & equipment	(31,667)	(11,090)	-	-
Purchase of NZ businesses	-	(4,730)	-	-
Net cash (used) in investing activities	**(15,838)**	**(4,164)**	**-**	**-**
Cash flows from financing activities				
Proceeds from share issue	16,783	-	16,783	-
Payments relating to share issue	(237)	-	(237)	-
Proceeds from borrowings	16,000	7,232	-	-
Repayments of borrowings	(19,846)	(4,329)	-	-
Lease and hire purchase liability repayments	(13,807)	(9,812)	-	-
Dividends paid	(9,236)	(7,497)	(9,236)	(7,497)
Repayment of loans to controlled entities	-	-	(15,065)	1,932
Net cash (used) in financing activities	**(10,343)**	**(14,406)**	**(7,755)**	**(5,565)**
Net increase/(decrease) in cash held	3,781	7,062	-	-
Cash at the beginning of the financial year	14,661	7,672	-	-
Effects of exchange rate variances on cash	(93)	(73)	-	-
Cash at the end of the financial year	**18,349**	**14,661**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

1 Corporate Information

The financial report of K&S Corporation Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of Directors on 22 August 2006.

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 3*.

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 98/100. The Company is an entity to which the class order applies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Company has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in *Note 32*.

Australian Accounting Standards that have been recently been issued but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB Amendment	Affected standard (s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
2004-3	AASB 119 *Employee Benefits*	No change to accounting policy required. Therefore no impact.	1 January 2006	
2005-1	AASB 139 *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-5	AASB 1 *First-time adoption of AIFRS* and AASB 139 *Financial Instruments: Recognition and Measurement*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-6	AASB 3 *Business Combinations*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
2005-10	AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time adoption of AIFRS*, AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007

AASB Amendment	Affected standard (s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
2006-1	AASB 121 *The Effects of Change in Foreign Currency Rates*	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006
New Standard	AASB 7 *Financial Instruments: Disclosures*	No change to accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
UIG 4	Determining whether an Arrangement contains a Lease	No change to accounting policy required. Therefore no impact.	1 January 2006	1 July 2006

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

The following amendments are not applicable to the Group and therefore have no impact.

AASB Amendment	Affected standard (s)
2005-2	AASB 1023: *General Insurance Contracts*
2005-4	AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 1 *First-time adoption of AIFRS*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*
2005-9	AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 132 *Financial Instruments: Disclosure and Presentation*
2005-12	AASB 1038: *Life Insurance Contracts* and AASB 1023: *General Insurance Contracts*
UIG 5	Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds
UIG 7	Applying the Restatement Approach under AASB 129 *Financial Reporting in Hyperinflationary Economies*
UIG 8	Scope of AASB 2
UIG 9	Reassessment of Embedded Derivatives

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.

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 16*.

e) Revenue

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

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

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

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

iii) Interest
The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting polices for interest income applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006
Revenue is recognised as the interest accrues (using the effective interest method, 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.

Accounting policies applicable for the year ending 30 June 2005
Revenue is recognised when the Group's right to receive the payment is established.

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

f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangements of borrowings and leased finance charges. Borrowing costs are recognised as an expense when incurred.

g) 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.

h) Cash and cash equivalents

Cash and short-term deposits 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.

i) Trade and other receivables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006
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.

Accounting policies applicable for the year ending 30 June 2005
Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off when identified.

j) 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.

k) **Derivative financial instruments**

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments and hedging applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

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.

Accounting policies applicable for the year ending 30 June 2005

The Group's policy was not to recognise interest rate swaps in the financial statements. Instead, net receipts and payments were recognised as an adjustment to interest expense.

l) **Derecognition of financial assets and liabilities**

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ended 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

Financial assets

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

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

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

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

Financial liabilities

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

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

Accounting policies applicable for the year ending 30 June 2005

Financial assets

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed.

Financial liabilities

A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

m) Impairment of financial assets

The Group has elected to apply the option under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

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.

Accounting policies applicable for the year ending 30 June 2005

For current financial assets, refer to *Note 2(i)* and *Note 2(v)* for the impairment accounting policy. For non-current financial assets, refer to *Note 2(v)* for the impairment accounting policy.

n) 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.

o) 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.

p) 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.

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.

q) 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.

r) Property, plant and equipment

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

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

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

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.

s) Investments and other financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006

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 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 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.

Accounting policies applicable for the year ending 30 June 2005
Listed shares held for trading were carried at net market value. Changes in net market value were recognised as a revenue or expense in determining the net profit for the period.

All other non-current investments were carried at the lower of cost and recoverable amount.

t) 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 is retained.

Impairment losses recognised for goodwill are not subsequently reversed.

u) 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.

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.

v) 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.

w) Trade and other payables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006
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.

Accounting policies applicable for the year ending 30 June 2005
Trade payables and other payables were carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

x) **Interest-bearing loans and borrowings**

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest-bearing loans and borrowings applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies applicable for the year ending 30 June 2006
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 and as well as through the amortisation process.

Accounting policies applicable for the year ending 30 June 2005
All loans were measured at the principal amount. Interest was recognised as an expense as it accrued.

y) **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.

z) **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 other payables 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.

aa) **Contributed Equity**

Ordinary shares are recognised at the fair value of the consideration received by the Company.

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

bb) **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) and preference share 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) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- Other non-discretionary changes in revenues or expenses during the period that would result from dilution of potential ordinary shares;

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

3 Segment Information

The Group's primary segment reporting format is business segment 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 the fishing, farming and retail customers within the South East of South Australia

	Transport		Fuel		Total	
	2006 $000's	2005 $000's	**2006** $000's	2005 $000's	**2006** $000's	2005 $000's
Revenue						
Revenue from customers outside the economic entity	**319,033**	298,241	**48,059**	42,569	**367,092**	340,810
Inter-segment revenue	**31,154**	28,589	**29,484**	23,832	**-**	-
Total segment revenue	**350,187**	326,830	**77,543**	66,401	**367,092**	340,810
Non-segment revenues						
Interest					**410**	255
Dividends					**1**	1
Total consolidated revenue					**367,503**	341,066
Results						
Segment result	**28,618**	31,310	**1,134**	821	**29,752**	32,131
Unallocated expenses					**-**	(350)
Profit before tax & finance costs					**29,752**	31,781
Finance costs					**(3,771)**	(2,947)
Share of profit of associate	**173**	149	**-**	-	**173**	149
Profit before income tax					**26,154**	28,983
Income tax expense					**(7,800)**	(8,583)
Net profit for the year					**18,354**	20,400
Assets and liabilities						
Segment assets	**210,632**	175,319	**5,894**	6,288	**216,526**	181,607
Investment in associates	**594**	556	**-**	-	**594**	556
Total assets	**211,226**	175,875	**5,894**	6,288	**217,120**	182,163
Segment liabilities	**107,790**	97,088	**6,073**	6,048	**113,863**	103,136
Total liabilities	**107,790**	97,088	**6,073**	6,048	**113,863**	103,136
Other segment information						
Capital expenditure	**56,334**	26,938	**-**	275	**56,334**	27,213
Depreciation	**15,826**	13,827	**56**	122	**15,882**	13,949
Fraud related (recoveries)	**(965)**	(6,552)	**-**	-	**(965)**	(6,552)
Costs relating to fraud recovery	**306**	492	**-**	-	**306**	492
Reversal of previous write down of buildings	**-**	(837)	**-**	-	**-**	(837)
Cash flow information						
Net cash flow from operating activities	**29,132**	24,917	**830**	715	**29,962**	25,632
Net cash flow from investing activities	**(15,838)**	(4,164)	**-**	-	**(15,838)**	(4,164)
Net cash flow from financing activities	**(9,515)**	(13,691)	**(828)**	(715)	**(10,343)**	(14,406)

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 2006 and 30 June 2005:

	Australia		New Zealand		Total	
	2006 $000's	2005 $000's	2006 $000's	2005 $000's	2006 $000's	2005 $000's
Revenue						
Sales to external customers	339,974	314,242	27,118	26,568	367,092	340,810
Other revenues from external customers	345	208	66	48	411	256
Segment revenue	340,319	314,450	27,184	26,616	367,503	341,066
Other segment information						
Segment assets	185,077	165,297	31,449	16,310	216,526	181,607
Investments in associates	578	540	16	16	594	556
Total assets					217,120	182,163
Capital expenditure	45,265	18,178	11,069	9,035	56,334	27,213

4 Revenues and Expenses

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Revenue				
a) Rendering of services	319,033	298,241	-	-
Sale of goods	48,059	42,569	-	-
Dividends:				
Other parties	1	1	1	1
Subsidiaries	-	-	15,000	15,000
Finance revenue	410	255	3	1
	367,503	341,066	15,004	15,002
b) Other income				
Net gains on disposal of property, plant and equipment	4,613	1,406	-	-
Other revenues	837	866	769	596
	5,450	2,272	769	596
c) Finance costs				
Related parties – wholly owned controlled entities	-	-	140	138
Related parties – other	5	5	5	5
Other parties	1,181	1,081	-	-
Finance charges on capital leases	2,585	1,861	-	-
Total finance costs	**3,771**	2,947	**145**	143
d) Depreciation				
Buildings	477	321	-	-
Motor vehicles	14,179	12,043	-	-
Plant and equipment	1,226	1,585	-	-
Total depreciation expenses	**15,882**	13,949	**-**	-
e) Employee benefits expense				
Wages and salaries	62,250	56,562	268	305
Workers' compensation costs	3,323	3,566	-	-
Long service leave provision	454	442	-	-
Annual leave provision	3,792	3,384	-	-
Payroll tax	3,738	3,323	15	16
Defined contribution plan expense	4,370	3,842	29	34
Directors retirement scheme expense	-	-	60	45
	77,927	71,119	372	400
f) Operating lease rental expense				
Property	8,425	7,488	-	-
Plant & equipment	3,729	3,601	-	-
	12,154	11,089	-	-

5 Income Tax

	Balance sheet 2006 $000's	Balance sheet 2005 $000's	Income statement 2006 $000's	Income statement 2005 $000's
The major components of income tax expense are:				
Income statement				
Current income tax				
Current income tax charge	10,617	7,816	24	(39)
Adjustments in respect of current income tax of previous years	(30)	(143)	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	(2,787)	910	(17)	(14)
Income tax expense reported in the income statement	7,800	8,583	7	(53)
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	-	1,492	-	-
Income tax expense reported in equity	-	1,492	-	-
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	26,154	28,983	15,024	14,824
At the Group's statutory income tax rate of 30% (2005: 30%)	7,846	8,695	4,507	4,447
Expenditure not allowable for income tax purposes	36	24	-	-
Differential tax rate applicable to overseas subsidiary	-	52	-	-
Adjustments in respect of current income tax of previous years	(30)	(143)	-	-
Rebate on dividend income	-	-	(4,500)	(4,500)
Share of associates' net profit	(52)	(45)	-	-
Income tax expense reported in the consolidated income statement	7,800	8,583	7	(53)
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Consolidated				
Deferred tax liabilities				
Accelerated depreciation for tax purposes	(4,018)	(4,292)	(1,620)	(669)
Revaluations of land & buildings to fair value	(2,310)	(3,422)	-	-
Trade and other receivables not derived for tax purposes	(911)	(1,961)	17	(45)
	(7,239)	(9,675)		

5 Income Tax continued

	Balance sheet 2006 $000's	Balance sheet 2005 $000's	Income statement 2006 $000's	Income statement 2005 $000's
Consolidated				
Deferred tax assets				
Accelerated depreciation for accounting purposes	240	113	-	-
Trade and other payables not currently deductible	707	820	(933)	1,742
Trade and other receivables not derived for tax purposes	100	102	-	-
Revaluation of cash flow hedge to fair value	56	-	-	-
Employee entitlements not currently deductible	2,414	2,188	(251)	(118)
Gross deferred income tax assets	3,517	3,223		
Deferred tax income/(expense)			(2,787)	910
Parent				
Deferred tax liabilities				
Revaluations to fair value	(69)	(69)	-	-
	(69)	(69)		
Deferred tax assets				
Directors entitlements currently deductible	125	108	17	14
Gross deferred income tax assets	125	108		
Deferred tax income/ (expense)			17	14

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 on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote.

There has been no material effect on deferred tax liabilities or deferred tax assets as a result of adoption of the tax consolidation regime. K&S Corporation Limited formally notified the Australian Tax Office of its adoption of the tax consolidation regime when lodging its 30 June 2003 consolidated tax return.

Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their accounting profit for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 Income Taxes. Allocations under the tax funding agreement are made at the end of each month.

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

	Parent 2006 $000's	Parent 2005 $000's
Total increase/(reduction) to tax expense of K&S Corporation Ltd	(10,159)	(7,119)
Total increase/(reduction) to inter-company assets of K&S Corporation Ltd	10,159	7,119

6 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	
	2006 $000's	2005 $000's
Net profit attributable to ordinary equity holders of the parent from continuing operations	18,354	20,400
Net profit attributable to ordinary equity holders of the parent	18,354	20,400

	2006 Thousands	2005 Thousands
Weighted average number of ordinary shares used in the calculation of the basic earnings per share	65,974	59,980
Effect of dilution		
Ordinary shares	(329)	-
Weighted average number of ordinary shares adjusted for the effect of dilution	65,645	59,980

On 21 July 2005, the Group finalised the allotment of new shares issued under the Non Renounceable Rights Issue. The terms of the issue were one share for every ten shares held. The number of shares issued was 5,993,867.

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.

7 Dividends Paid and Proposed

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$000's	$000's	**$000's**	$000's
Declared and paid during the year				
Dividends on ordinary shares				
Final franked dividend for 2005: 7.0 cents (2004: 6.0 cents)	**4,618**	3,599	**4,618**	3,599
Interim franked dividend for 2006: 7.0 cents (2005: 6.5 cents)	**4,618**	3,898	**4,618**	3,898
	9,236	7,497	**9,236**	7,497
Proposed (not recognised as a liability as at 30 June)				
Dividends on ordinary shares				
Final franked dividend for 2006: 7.0 cents (2005: 7.0 cents)	**4,618**	4,618	**4,618**	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% (2005: 30%)			**17,552**	14,042
• franking credits that will arise from the payment of income tax payable as at the end of the financial year			**5,131**	2,135
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			**(1,979)**	(1,799)
			20,704	14,378

The tax rate at which dividends have been franked is 30% (2005: 30%).

Dividends proposed will be franked at the rate of 30% (2005: 30%).

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
8 Cash and Cash Equivalents				
Cash	21	18	-	-
Cash deposits with banks	18,328	14,643	-	-
	18,349	14,661	-	-
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	18,354	20,400	15,017	14,877
Add/(less) items classified as investing/financing activities:				
(Profit)/loss on sale of non current assets	(4,613)	(1,406)	-	-
Add/(less) non cash items:				
Amounts set aside to provisions	774	281	58	45
Depreciation	15,882	13,949	-	-
Net exchange differences	(266)	26	-	-
Share of associates net profit	(173)	(149)	-	-
Dividends received from associates	135	125	-	-
Reversal of previous write down of buildings	-	(837)	-	-
Net cash provided by operating activities before changes in assets and liabilities	30,093	32,389	15,075	14,922
Change in assets and liabilities				
(Increase)/decrease in inventories	(102)	(386)	-	-
(Increase)/decrease in investments in associates	(38)	(24)	-	-
(Increase)/decrease in income tax benefit	(248)	333	(17)	(13)
(Increase)/decrease in prepayments	(504)	(82)	-	-
(Increase)/decrease in receivables	(3,610)	(10,705)	-	-
(Decrease)/increase in trade creditors	3,568	5,800	-	-
(Decrease)/increase in income taxes payable	3,048	(1,964)	(7,303)	(9,344)
(Decrease)/increase in deferred taxes payable	(2,407)	283	-	-
Exchange rate changes on opening cash balances	162	(12)	-	-
Net cash provided by operating activities	29,962	25,632	7,755	5,565

Disclosure of financing facilities

Refer to *Note 18.*

Disclosure of non-cash financing and investing activities

Refer to *Note 14.*

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
9 Trade and Other Receivables				
Current				
Trade debtors (i)	42,162	36,122	-	-
Less: Provisions for doubtful trade debtors	(333)	(333)	-	-
	41,829	35,789	-	-
Sundry debtors	2,340	5,491	-	-
Related party receivables				
Controlled entities	-	-	57,498	38,580
	44,169	41,280	57,498	38,580
Non-current				
Sundry debtors	340	-	-	-
Related party receivables				
Controlled entities	-	-	17,961	17,961
	340	-	17,961	17,961

i) 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 $12,167 (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.

10 Inventories

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Consumable stores – at cost	539	453	-	-
Finished goods – fuel at cost	1,880	1,864	-	-
	2,419	2,317	-	-

11 Available-For-Sale Financial Assets

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Available-for-sale financial assets				
Shares – listed at fair value	20	20	20	20
	20	20	20	20

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

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's

12 Other Financial Assets

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Investments controlled entities				
Shares – unlisted at cost	-	-	14,020	14,020
	-	-	14,020	14,020

13 Investment in Associates

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Share of net profits accounted for using the equity method included in the income statement:				
Smart Logistics Pty Ltd	153	133	-	-
Dairy Transport Logistics Pty Ltd	20	16	-	-
	173	149	-	-

Details of investments in associates are as follows:

Name	Interest owned 2006 %	Interest owned 2005 %	Investment carrying amount consolidated 2006 $000's	Investment carrying amount consolidated 2005 $000's
Smart Logistics Pty Ltd	50	50	578	540
Dairy Transport Logistics Pty Ltd	50	50	16	16
			594	556

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

There were no impairment losses relating to the investments in associates.

13 Investment in Associates continued

	Consolidated 2006 $000's	Consolidated 2005 $000's
Share of associates' profit or loss		
Profit before income tax	256	238
Income tax expense	(83)	(89)
Profit after income tax	173	149
Share of associates' balance sheet		
Current assets	5,893	5,575
Non-current assets	138	81
	6,031	5,656
Current liabilities	(5,740)	(5,388)
Non-current liabilities	(36)	(34)
	(5,776)	(5,422)
Net assets – as reported by associates'	255	234
Adjustments arising from equity accounting		
Goodwill	339	339
Other adjustments	-	(17)
Net assets – equity adjusted	594	556
Share of associates' post acquisition retained profits and reserves		
Share of associates' retained profits at the beginning of the financial year	81	57
Share of net profit of associate	173	149
Dividends from associates'	(135)	(125)
	119	81
Movement in carrying amount of investments		
Carrying amount of investment in associates at the beginning of the financial year	556	532
Share of net profit of associate	173	149
Dividends from associates	(135)	(125)
Carrying amount of investments in associates at the end of the financial year	594	556
Commitments		
Share of associates' finance lease commitments		
Within one year	11	32
One year or later and no later than five years	17	55
Minimum lease payments	28	87
Less: Future finance charges	-	(4)
Total lease liability	**28**	**83**
Share of associates' operating lease commitments payable		
Within one year	6	30
One year or later and no later than five years	2	22
	8	52

14 Property, Plant & Equipment

	Consolidated Freehold land and buildings $000's	Consolidated Motor vehicles $000's	Consolidated Plant & equipment $000's	Consolidated Total $000's	Parent Total $000's
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	-
Year ended 30 June 2005					
As at 1 July 2004, net of accumulated depreciation and impairment	31,458	65,094	3,214	99,766	-
Additions	9,294	15,706	2,213	27,213	-
Revaluation	7,289	-	-	7,289	-
Disposals	(8,108)	(1,292)	(850)	(10,250)	-
Depreciation charge for the year	(321)	(12,043)	(1,585)	(13,949)	-
Exchange adjustment	2	(12)	2	(8)	-
At 30 June 2005, net of accumulated depreciation and impairment	39,614	67,453	2,994	110,061	-
At 1 July 2004					
Cost or fair value	32,252	114,979	28,142	175,373	-
Accumulated depreciation and impairment	(794)	(49,885)	(24,928)	(75,607)	-
Net carrying amount	31,458	65,094	3,214	99,766	-
At 30 June 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	-

14 Property, Plant & Equipment continued

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

The carrying value of plant and equipment held under hire purchase contracts at 30 June 2006 is $47,537,505 (2005: $38,139,358). Additions during the year include $27,000,413 (2005: $11,209,441) held under hire purchase contracts.

Hire purchase liabilities are secured by the relevant leased 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.

15 Intangible Assets and Goodwill

	Consolidated			Parent
	IT development costs $000's	Goodwill $000's	Total $000's	Total $000's
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	-

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 16*).

No impairment loss was recognised for continuing operations in the 2006 financial year.

15 Intangible Assets and Goodwill continued

	Consolidated IT development costs $000's	Consolidated Goodwill $000's	Consolidated Total $000's	Parent Total $000's
At 1 July 2004				
Cost (gross carrying amount)	-	6,170	6,170	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	-	6,170	6,170	-
Year ended 30 June 2005				
At 1 July 2004, net of accumulated amortisation and impairment	-	6,170	6,170	-
Additions – internal development	428	-	428	-
Additions – business combinations	-	1,006	1,006	-
Exchange adjustment	-	19	19	-
At 30 June 2005, net of accumulated amortisation and impairment	428	7,195	7,623	-
At 30 June 2005				
Cost (gross carrying amount)	428	7,195	7,623	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying amount	428	7,195	7,623	-

16 Impairment Testing of Goodwill

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

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

	Goodwill 2006 $000's	Goodwill 2005 $000's
SBU	984	984
K&S Fuels	165	165
Cambridge (NZ)	4,829	5,366
Napier (NZ)	612	680
	6,590	7,195

Impairment testing
The Group's impairment testing compares the carrying value of 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.

16 Impairment Testing of Goodwill continued

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	
	2006 %	2005 %	2006 %	2005 %
SBU	11.11	11.11	5.0	5.0
K&S Fuels	11.11	11.11	5.0	5.0
Cambridge (NZ)	11.46	11.46	5.0	5.0
Napier (NZ)	11.46	11.46	5.0	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	
	2006 $000's	2005 $000's	2006 $000's	2005 $000's

17 Payables

Trade creditors and accruals (i)	38,607	37,471	-	-
Amounts owed to controlled entities	-	-	21,535	27,981
	38,607	37,471	21,535	27,981

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

18 Interest Bearing Loans and Borrowings

Current				
Hire purchase liabilities – secured	13,224	10,888	-	-
	13,224	10,888	-	-
Non-current				
Non redeemable preference shares	60	60	60	60
Hire purchase liabilities – secured	28,611	18,952	-	-
Bank loans – secured	12,338	16,802	-	-
	41,009	35,814	60	60

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$000's	$000's	**$000's**	$000's

18 Interest Bearing Loans and Borrowings
continued

Commitments in respect of hire purchase agreements are payable as follows:

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Not later than one year	**15,640**	12,474	**-**	-
Later than one year but not later than five years	**31,772**	20,668	**-**	-
	47,412	33,142	**-**	-
Deduct: future finance charges	**(5,577)**	(3,302)	**-**	-
Total hire purchase liability	**41,835**	29,840	**-**	-
Current	**13,224**	10,888	**-**	-
Non-current	**28,611**	18,952	**-**	-
	41,835	29,840	**-**	-

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 leased asset.

The written down value of assets secured by hire purchase agreements is $47,537,505 (2005: $38,139,358). The weighted average cost of these facilities was 7.04% (2005: 6.66%).

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 $58,152,929 (2005: $39,123,417). The non-current bank loans are subject to annual review.

The bank loan facility is available for a period beyond 30 June 2007. The facility bears interest at 6.79% (2005: 6.52%).

18 Interest Bearing Loans and Borrowings
continued

Financing facilities available
At balance date, the following financing facilities were available:

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Total facilities available				
Bank overdrafts	3,000	3,000	-	-
Bank loans	32,663	40,783	-	-
Standby letters of credit	9,337	1,217	-	-
	45,000	45,000	-	-
Facilities utilised at balance date				
Bank overdrafts	-	-	-	-
Bank loans	12,338	16,802	-	-
Standby letters of credit	9,337	1,217	-	-
	21,675	18,019	-	-
Facilities not utilised at balance date				
Bank overdrafts	3,000	3,000	-	-
Bank loans	20,325	23,981	-	-
Standby letters of credit	-	-	-	-
	23,325	26,981	-	-
Total facilities	45,000	45,000	-	-
Facilities used at balance date	(21,675)	(18,019)	-	-
Facilities unused at balance date	23,325	26,981	-	-

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 2007.

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.

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's

18 Interest Bearing Loans and Borrowings
continued

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

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Non-current				
First mortgage				
Freehold land	21,170	26,836	-	-
Buildings	34,509	9,812	-	-
Plant and equipment	2,474	2,475	-	-
Total non-current assets pledged as security	**58,153**	39,123	**-**	-

Non-cash financing and investment activities
During the financial year, the economic entity acquired property, plant and equipment with an aggregate fair value of $27,000,413 (2005: $11,209,441) and disposed of property, plant and equipment with an aggregate fair value of $nil (2005: $nil) by means of finance lease or hire purchase arrangements. These acquisitions and disposals are not reflected in the cash flow statement.

19 Provisions

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Current				
Employee benefits	6,958	6,208	-	-
Make good provision	500	-	-	-
	7,458	6,208	-	-
Non-current				
Employee benefits	646	706	-	-
Directors retirement allowance	418	360	418	360
	1,064	1,066	418	360

No dividends have been provided for the year ended 30 June 2006. 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 7*.

20 Contributed Equity and Reserves

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Contributed equity				
65,973,507 (2005: 59,979,640) ordinary shares fully paid	44,512	27,966	44,512	27,966
	44,512	27,966	44,512	27,966

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.

20 Contributed Equity and Reserves continued

	Consolidated		Parent	
	Thousands	$000's	Thousands	$000's
Movements in ordinary shares on issue				
At 1 July 2004	59,979	27,966	59,979	27,966
At 1 July 2005	59,979	27,966	59,979	27,966
Issued on 21 July 2005 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

On 21 July 2005, the Group finalised the allotment of new shares issued under the Non Renounceable Rights Issue. The terms of the issue were one share for every ten shares held at $2.80 per share. The number of shares issued was 5,993,867 and it raised $16,545,386 (after costs associated with the issue).

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.

21 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.

21 Financial Risk Management Objectives and Policies continued

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% (2005: 90%) and Fuel 8% (2005: 10%).

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

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	
	2006	2005	**2006**	2005
	$000's	$000's	**$000's**	$000's
Consolidated				
Financial assets				
Cash	**18,349**	14,661	**18,349**	14,661
Receivables	**44,509**	41,280	**44,509**	41,280
Shares – listed at fair value	**20**	20	**20**	20
Financial liabilities				
On balance sheet				
Trade creditors and accruals	**(38,607)**	(37,471)	**(38,607)**	(37,471)
Bank loans – secured	**(12,338)**	(16,802)	**(12,338)**	(16,802)
Hire purchase liabilities - secured	**(41,835)**	(29,840)	**(41,835)**	(29,840)
Off balance sheet				
Contingencies	-	-	-	-

Contingencies
The Company and certain controlled entities have potential financial liabilities that may arise from certain contingencies disclosed in *Note 24*. As explained in that note, no material losses are anticipated in respect of any of those certain contingencies and the fair value disclosed above is the Directors' estimate of amounts that would be payable by the Group as consideration of the assumption of those contingencies by another party.

22 Financial Instruments continued

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's	Over 1 to 2 years $000's	Over 2 to 3 years $000's	Over 3 to 4 years $000's	Over 4 to 5 years $000's	More than 5 years $000's	Total $000's	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%	-	-	-		
Year ended 30 June 2005									
Financial assets									
Floating rate									
Cash assets		14,661	-	-	-	-	-	14,661	5.20%
Weighted average effective interest rate		5.20%	-	-	-	-	-		
Financial liabilities									
Fixed rate									
Hire purchase liabilities – secured	18	(10,888)	(8,677)	(5,464)	(3,315)	(1,496)	-	(29,840)	6.66%
Weighted average effective interest rate		6.53%	6.62%	6.70%	6.65%	6.69%	-		
Floating rate									
Bank loans – secured	18	-	-	(16,802)	-	-	-	(16,802)	6.52%
Weighted average effective interest rate		-	-	6.52%	-	-	-		

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.

Hedging activities

Cash flow hedges

At 30 June 2006, 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 2006, 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 6.90% on the notional amount.

	Consolidated		Parent	
	2006	2005	2006	2005
	$000's	$000's	$000's	$000's

23 Commitments

The estimated maximum amount of commitments not provided for in the accounts as at 30 June 2006 are:

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Capital expenditure commitments				
The aggregate amount of contracts for capital expenditure on plant and equipment due no later than one year	7,135	38,653	-	-
Lease rental commitments				
Operating lease and hire commitments:				
Not later than one year	7,328	6,947	-	-
Later than one year but not later than five years	12,380	18,993	-	-
Later than five years	569	724	-	-
	20,277	26,664	-	-

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.

24 Contingent Liabilities

Guarantees

The Group has the following guarantees at 30 June 2006:

- 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;
- 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;
- Other bank guarantees totalling $1,217,097 (2005: $1,217,097) have been provided by the Westpac Banking Corporation Limited and Commonwealth Bank of Australia to suppliers.

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
K&S Freighters Limited
Cochrane's Transport Limited

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

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 2006 is set out below:

	Closed group	
	2006	2005
	$000's	$000's
Income statement		
Profit before income tax	26,154	28,983
Income tax expense	(7,800)	(8,583)
Profit after income tax	18,354	20,400
Retained profits at the beginning of the year	42,750	29,070
Transfer from asset revaluation reserve due to sale of land & buildings	2,594	777
Dividends provided for or paid	(9,236)	(7,497)
Retained earnings at the end of the year	54,462	42,750

25 Deed of Cross Guarantee continued

Balance sheet

	Closed group 2006 $000's	Closed group 2005 $000's
Cash	18,349	14,661
Trade and other receivables	44,169	41,280
Inventories	2,419	2,317
Prepayments	2,760	2,422
Total current assets	67,697	60,680
Trade and other receivables	340	-
Prepayments	150	-
Investment in associates	594	556
Available-for-sale financial assets	20	20
Property, plant and equipment	137,127	110,061
Intangibles	7,675	7,623
Deferred tax assets	3,517	3,223
Total non-current assets	149,423	121,483
Total assets	217,120	182,163
Trade and other payables	38,607	37,471
Interest bearing loans and borrowings	13,224	10,888
Current tax liabilities	5,074	2,014
Provisions	7,458	6,208
Derivatives	188	-
Total current liabilities	64,551	56,581
Interest bearing loans and borrowings	41,009	35,814
Deferred tax liabilities	7,239	9,675
Provisions	1,064	1,066
Total non-current liabilities	49,312	46,555
Total liabilities	113,863	103,136
Net assets	103,257	79,027
Contributed equity	44,512	27,966
Reserves	4,283	8,311
Retained earnings	54,462	42,750
Total equity	103,257	79,027

26 Controlled Entities

Particulars in relation to controlled entities

	Class of share	Country of incorporation	Equity interest 2006 %	Equity interest 2005 %
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
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 2006 by K&S Corporation Limited.

27 Director and Executive Disclosures

a) Details of key management personnel

i) Directors

A Johnson	Chairman (non-executive)
L Ackroyd	Director (non-executive)
G Boulton	Director (non-executive)
R Nicholson	Director (non-executive)
J Osborne	Director (non-executive)
A Williams	Director (non-executive) – *resigned 26th August 2005*
L Winser	Managing Director

ii) Executives

S Fanning	General Manager – K&S Freighters
G Allen	General Manager Administration – *retired 14th July 2006*
B Walsh	Chief Financial Officer
C Bright	Legal Counsel & Company Secretary
G Wooller	General Manager – Bulk

b) Remuneration of key management personnel

i) Remuneration policy

Remuneration of key management personnel is disclosed in the *Directors' Report on pages 15 to 17*.

ii) Remuneration by category: key management personnel

	Consolidated 2006 $000's	Consolidated 2005 $000's	Parent 2006 $000's	Parent 2005 $000's
Short-term	1,638,770	1,542,945	267,500	305,000
Post employment	253,109	225,932	128,996	116,265
	1,891,879	1,768,877	396,496	421,265

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.

27 Director and Executive Disclosures continued

d) Shareholding of key management personnel

Shares held in K&S Corporation Limited	Balance 1 July 2005		Net change		Balance 30 June 2006	
30 June 2006	Ordinary	Preference	Ordinary	Preference	Ordinary	Preference
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	-
A Williams	-	-	-	-	-	-
L Winser	319,400	-	31,940	-	351,340	-
Executives						
S Fanning	-	-	-	-	-	-
G Allen	157,700	-	15,770	-	173,470	-
B Walsh	15,450	-	2,770	-	18,220	-
C Bright	-	-	-	-	-	-
G Wooller	-	-	-	-	-	-
Total	824,298	-	79,056	-	903,354	-

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

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

c) Loans to key management personnel

There are no loans to any key management personnel.

d) 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 are Messrs. A Williams, A Johnson, R Nicholson, G Boulton, J Osborne, L Ackroyd 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 15 to 17* 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 AA 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

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

Mr A A Scott has an interest in a transport facility in Ballarat which the company rents on a commercial basis. Rent in 2006 was $56,445 (2005: $56,359). Mr A A Scott also provides consultancy services to the consolidated entity for which he receives fees totalling $100,000 in 2006 (2005: $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 in the publicly listed company, Scott Corporation Limited. Transactions with this Company during 2006 included sales of $102,604 (2005: $136,669) and purchase of transport related services totalling $175,884 (2005: $191,872).

The aggregate amount of dealings with these companies during 2006 were as follows:

	Purchases		Sales	
	2006	2005	2006	2005
	$	$	$	$
AA Scott Pty Ltd	501,590	405,138	-	-
Ascot Haulage (NT) Pty Ltd	396,746	709,890	-	-
Northern Territory Freight Services Pty Ltd	274,449	88,886	52,141	34,896
Scott Transport Industries Pty Ltd	1,017,692	878,665	701,888	1,340,002
Scotts Management Pty Ltd	-	-	127,803	89,520
Scotts Agencies Pty Ltd	5,407,783	11,840,730	-	-
Sneaths Freightlines Pty Ltd	120,630	113,201	17,210	38,813
Fidler and Webb Pty Ltd	63,568	56,789	150	384
Border Watch Pty Ltd	3,735	4,049	-	-

28 Related Party Disclosures continued

A Director of the Company, Mr A F Johnson, had an interest during 2005/06 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 2006 was $207,109 (2005: $337,226) 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 2006 were $29,392,082 (2005: $26,729,949).

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 2006 were $6,546,637 (2005: $5,546,681).

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 2006 was $765,135 (2005:$1,058,208).

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

	Consolidated		Parent	
	2006 $000's	2005 $000's	2006 $000's	2005 $000's
Amounts payable to and receivable from Directors and their Director related entities at balance date arising from these transactions were as follows:				
Current receivables (included within trade debtors)				
Scott Transport Industries Pty Ltd	164	98	-	-
Scotts Management Pty Ltd	18	5	-	-
Northern Territory Freight Services Pty Ltd	9	1	-	-
Smart Logistics Pty Ltd	2,488	2,188	-	-
Sneaths Freightlines Pty Ltd	-	67	-	-
Dairy Transport Logistics Ltd	934	558	-	-
No provision for doubtful debts has been recognised in respect of these balances as they are considered recoverable.				
Current payables (included within trade payables)				
AA Scott Pty Ltd	-	3	-	-
Ascot Haulage (NT) Pty Ltd	3	151	-	-
Scotts Agencies Pty Ltd	-	-	-	-
Fidler and Webb Pty Ltd	-	1	-	-
Scott Transport Industries Pty Ltd	38	73	-	-
Northern Territory Freight Services Pty Ltd	165	46	-	-
Sneaths Freightlines Pty Ltd	7	4	-	-

28 Related Party Disclosures continued

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:

	Parent 2006 $000's	Parent 2005 $000's
Receivables		
Current	57,498	38,580
Non-current	17,961	17,961
	75,459	56,541
Payables – current		
Other loans	21,535	25,520
	21,535	25,520

Loans
Interest is charged by Reid Bros Pty Ltd to K&S Corporation Ltd at the Group's bank overdraft rate. Interest paid for the year was $nil (2005: $138,000).

Dividends
Dividends received or due and receivable by the Company from wholly-owned controlled entities amount to $15,000,000 (2005:$15,000,000).

Directors' share transactions

	Parent 2006	Parent 2005
Shareholdings		
Aggregate number of shares held by Directors and their Director-related entities at balance date:		
Ordinary shares	711,664	651,148
Preference shares	-	-

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

	$000's	$000's
Dividends		
Aggregate amount of dividends paid in respect of shares held by Directors or their Director-related entities during the year:		
Ordinary shares	99	81
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 22 August 2006, the Directors of K&S Corporation Limited declared a final dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is $4,618,145, which represents a fully franked dividend of 7.0 cents per share. The dividend has not been provided for in the 30 June 2006 financial statements and is payable on 31 October 2006.

On the 17 August 2006 the Board announced it plans to introduce a Dividend Reinvestment Plan as part of the October 2006 dividend. Shares acquired under the scheme will be at a 2.5% discount to the market price.

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.

30 Auditor's Remuneration

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

	Consolidated		Parent	
	2006 $000's	2005 $000's	2006 $000's	2005 $000's
Audit services:				
Audit and review of the statutory financial reports	110,500	101,500	-	-
	110,500	101,500	-	-
Other services:				
Other services – Ernst & Young:				
Accounting advice to Rights Issue	-	25,000	-	-
Assurance advice on potential acquisitions	10,540	-	-	-
Assistance with the transition to the Australian equivalent of IFRS	46,467	10,980	-	-
	57,007	35,980	-	-

31 Employee Benefits

The aggregate employee benefit liability comprises:

	2006	2005	2006	2005
Provisions (current)	6,958	6,208	-	-
Provisions (non-current)	646	706	-	-
	7,604	6,914	-	-

The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

	2006	2005
Assumed rate of increase in wage rates	4.0%	4.0%
Assumed rate of increase in salary rates	4.0%	4.0%
Discount rate	5.9%	5.2%
Settlement term (years)	15	15
Number of employees		
Number of employees at year end	1,150	1,120

32 Transition to AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian Generally Accepted Accounting Practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in *Note 2*. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time adoption of AIFRS*.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Exemptions applied
AASB 1 allows first-time adopters certain exemptions from the general requirements to apply AIFRS retrospectively.

The Group has taken the following exemption:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the Company and Group have adopted *AASB 132: Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition* and Measurement from 1 July 2005.
- The Group has not elected to apply AASB 3 Business Combinations retrospectively to acquisitions of subsidiaries or of interest in associates that occurred before 1 July 2004 and hence, prior year amortisation of goodwill would not be written-back as at the date of transition.

Explanation of material adjustments to cash flow statement
There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under the previous AGAAP.

Income statement for the year ended 30 June 2005

	Note	Consolidated AGAAP $000's	Consolidated AIFRS impact $000's	Consolidated AIFRS $000's	Parent AGAAP $000's	Parent AIFRS impact $000's	Parent AIFRS $000's
Revenue from rendering of services		298,241	-	298,241	-	-	-
Revenue from sale of goods		42,569	-	42,569	-	-	-
Dividends		1	-	1	15,001	-	15,001
Finance revenue		255	-	255	1	-	1
Revenue		341,066	-	341,066	15,002	-	15,002
Cost of goods sold		(39,157)	-	(39,157)	-	-	-
Gross profit		301,909	-	301,909	15,002	-	15,002
Other income	d	12,522	(10,250)	2,272	596	-	596
Contractor expenses		(124,734)	-	(124,734)	-	-	-
Employee benefits expenses		(71,119)	-	(71,119)	(499)	-	(499)
Fleet expenses		(57,113)	-	(57,113)	-	-	-
Depreciation and amortisation expenses	b,c	(14,473)	524	(13,949)	-	-	-
Finance costs		(2,947)	-	(2,947)	(143)	-	(143)
Other expenses	d	(22,632)	10,250	(12,382)	(132)	-	(132)
2002 fraud related recoveries/(expenses), net		6,060	-	6,060	-	-	-
Reversal of previous write down of buildings		837	-	837	-	-	-
Share of profit of associates	c	129	20	149	-	-	-
Profit before income tax		28,439	544	28,983	14,824	-	14,824
Income tax (expense) / benefit		(8,518)	(65)	(8,583)	53	-	53
Profit after tax from continuing operations		19,921	479	20,400	14,877	-	14,877
Profit attributable to members of the parent		19,921	479	20,400	14,877	-	14,877

32 Transition to AIFRS continued

Balance sheet reflecting reconciliation of adjustment to AIFRS as at 1 July 2004

	Note	Consolidated AGAAP $000's	Consolidated AIFRS impact $000's	Consolidated AIFRS $000's	Parent AGAAP $000's	Parent AIFRS impact $000's	Parent AIFRS $000's
Assets							
Current assets							
Cash and cash equivalents		7,672	-	7,672	-	-	-
Trade and other receivables		29,878	-	29,878	23,043	-	23,043
Inventories		1,931	-	1,931	-	-	-
Prepayments		2,340	-	2,340	-	-	-
Total current assets		**41,821**	**-**	**41,821**	**23,043**	**-**	**23,043**
Non-current assets							
Trade and other receivables		-	-	-	17,961	-	17,961
Investments in associates		532	-	532	-	-	-
Other financial assets		20	-	20	14,040	-	14,040
Property, plant & equipment		99,766	-	99,766	-	-	-
Intangibles	b	8,732	(2,562)	6,170	-	-	-
Deferred tax assets	e	3,642	499	4,141	95	-	95
Total non-current assets		**112,692**	**(2,063)**	**110,629**	**32,906**	**-**	**32,906**
Total assets		**154,513**	**(2,063)**	**152,450**	**55,139**	**-**	**55,139**
Liabilities							
Current liabilities							
Trade and other payables		30,045	-	30,045	17,511	-	17,511
Interest bearing loans and borrowings		10,534	-	10,534	-	-	-
Income tax payable		4,386	-	4,386	4,480	-	4,480
Provisions		3,723	1,711	5,434	-	-	-
Total current liabilities		**48,688**	**1,711**	**50,399**	**21,991**	**-**	**21,991**
Non-current liabilities							
Interest bearing loans and borrowings		31,905	-	31,905	60	-	60
Deferred tax liabilities	e	5,369	2,356	7,725	-	69	69
Provisions		2,560	(1,711)	849	315	-	315
Total non-current liabilities		**39,834**	**645**	**40,479**	**375**	**69**	**444**
Total liabilities		**88,522**	**2,356**	**90,878**	**22,366**	**69**	**22,435**
Net assets		**65,991**	**(4,419)**	**61,572**	**32,773**	**(69)**	**32,704**
Equity							
Contributed equity		27,966	-	27,966	27,966	-	27,966
Reserves	e	6,356	(1,820)	4,536	230	(69)	161
Retained earnings		31,669	(2,599)	29,070	4,577	-	4,577
Total equity		**65,991**	**(4,419)**	**61,572**	**32,773**	**(69)**	**32,704**

32 Transition to AIFRS continued

Balance sheet reflecting reconciliation of adjustment to AIFRS as at 30 June 2005

	Note	Consolidated AGAAP $000's	Consolidated AIFRS impact $000's	Consolidated AIFRS $000's	Parent AGAAP $000's	Parent AIFRS impact $000's	Parent AIFRS $000's
Assets							
Current assets							
Cash and cash equivalents		14,661	-	14,661	-	-	-
Trade and other receivables		41,280	-	41,280	38,580	-	38,580
Inventories		2,317	-	2,317	-	-	-
Prepayments		2,422	-	2,422	-	-	-
Total current assets		60,680	-	60,680	38,580	-	38,580
Non-current assets							
Trade and other receivables		-	-	-	17,961	-	17,961
Investments in associates	c	536	20	556	-	-	-
Other financial assets		20	-	20	14,040	-	14,040
Property, plant & equipment	a	110,489	(428)	110,061	-	-	-
Intangibles	a,b	9,233	(1,610)	7,623	-	-	-
Deferred tax assets	e	3,058	165	3,223	108	-	108
Total non-current assets		123,336	(1,853)	121,483	32,109	-	32,109
Total assets		184,016	(1,853)	182,163	70,689	-	70,689
Liabilities							
Current liabilities							
Trade and other payables		37,471	-	37,471	27,981	-	27,981
Interest bearing loans and borrowings		10,888	-	10,888	-	-	-
Income tax payable		2,014	-	2,014	2,135	-	2,135
Provisions		4,311	1,897	6,208	-	-	-
Total current liabilities		54,684	1,897	56,581	30,116	-	30,116
Non-current liabilities							
Interest bearing loans and borrowings		35,814	-	35,814	60	-	60
Deferred tax liabilities	e	5,653	4,022	9,675	-	69	69
Provisions		2,963	(1,897)	1,066	360	-	360
Total non-current liabilities		44,430	2,125	46,555	420	69	489
Total liabilities		99,114	4,022	103,136	30,536	69	30,605
Net assets		84,902	(5,875)	79,027	40,153	(69)	40,084
Equity							
Contributed equity		27,966	-	27,966	27,966	-	27,966
Reserves	e	11,548	(3,237)	8,311	230	(69)	161
Retained earnings		45,388	(2,638)	42,750	11,957	-	11,957
Total equity		84,902	(5,875)	79,027	40,153	(69)	40,084

32 Transition to AIFRS continued

Impact of adopting AIFRS

Outlined below are the areas impacted upon adoption of AIFRS, including the financial impact on equity and profit:

Reference	Item	AGAAP	AIFRS	Impact Consolidated	Impact Parent
a	Intangible assets	Computer software was classified as property, plant & equipment	Under AASB 138 Intangible Assets, computer software is classified as an intangible asset. Therefore, computer software has been reclassified from property, plant & equipment to Intangible assets.	*Equity at transition*: No effect *Equity at 30 June 2005*: Decrease to property, plant & equipment and increase to intangible assets of $427,897 Net effect is zero *Profit for 30 June 2005*: No effect	*Equity at transition*: No effect *Equity at 30 June 2005*: No effect *Profit for 30 June 2005*: No effect
b	Intangible assets	Internally generated assets were classified as an intangible asset	Under AASB 138 Intangible Assets, internally generated intangible assets are to be derecognised as at the date of transition. Therefore, the Company Brand Name and Fuel Distribution Rights were written off to opening retained earnings. Derecognition of these costs reduce future amortisation charges.	*Equity at transition*: Decrease to intangible assets and a decrease to retained profits of $2,562,000 *Equity at 30 June 2005*: No effect *Profit for 30 June 2005*: Increase to profit of $162,496	*Equity at transition*: No effect *Equity at 30 June 2005*: No effect *Profit for 30 June 2005*: No effect
c	Business combinations and goodwill	Goodwill was amortised over its useful life (not exceeding 20 years)	The Group has chosen to adopt the exemption available under AASB 1 of not retrospectively applying AASB 3 Business Combinations to its business combinations occurring before transition date. Under AASB 3, goodwill is subject to annual impairment testing and amortisation is strictly prohibited. Accordingly, an adjustment was required to reverse the amortisation charge for 30 June 2005.	*Equity at transition*: No effect *Equity at 30 June 2005*: Increase to investments in associates of $19,996 and intangibles of $361,823 *Profit for 30 June 2005*: Increase to profit of $381,819	*Equity at transition*: No effect *Equity at 30 June 2005*: No effect *Profit for 30 June 2005*: No effect

32 Transition to AIFRS continued

Reference	Item	AGAAP	AIFRS	Impact – Consolidated	Impact – Parent
d	Gain on disposal of property, plant and equipment	AASB 1018 required proceeds from the sale of PP&E to be shown gross and hence the proceeds from the sale of PP&E were included in revenue.	AASB 101 requires only the net gain or loss on sale to be included in the income statement.	*Equity at transition*: No effect *Equity at 30 June 2005*: No effect *Profit for 30 June 2005*: Decrease to other income by $10,250,000 and decrease to other expenses by 10,250,000. Net effect is zero	*Equity at transition*: No effect *Equity at 30 June 2005*: No effect *Profit for 30 June 2005*: No effect
e	Income tax	The income statement method was used, which involved tax-effecting only those items that impacted profit and loss.	AASB 112 Income Taxes requires the balance sheet method to be used, which recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base. As a result of the above adjustments, the deferred tax liabilities and deferred tax assets increased as follows:		

	Consolidated 30 June 2005 $000's	Consolidated 1 July 2004 $000's	Parent 30 June 2005 $000's	Parent 1 July 2004 $000's
Asset revaluation reserves	3,237	1,820	69	69
Property, plant & equipment	785	467	-	-
Increase to deferred tax liabilities	4,022	2,356	69	69
Property, plant & equipment	165	499	-	-
Increase to deferred tax assets	165	499	-	-

32 Transition to AIFRS continued

Impact of adopting AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement

The Group elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the areas impacted upon of AASB 132 and AASB 139, including the financial impact to equity and profit.

Reference	Item	AGAAP	AIFRS	Impact	
				Consolidated	Parent
1	Available for sale investments	Listed and unlisted securities were held at lower of cost and net realisable value and classified as other financial assets.	Under AASB 139, these are classified as available-for-sale and carried at fair value. Movements in the fair value are accounted for in equity.	Reclassification of $20,141 from other financial assets to available-for-sale investments	Reclassification of $20,141 from other financial assets to available-for-sale investments.
2	Interest rate swap	Interest rate swaps were not recognised on the balance sheet. Net receipts and payments were recognised as an adjustment to interest expense.	AASB 139, all derivatives must be recognised on the balance sheet at fair value. The interest rate swap held at 30 June 2005 was designated as a hedge and the movement in fair value in the current year is recognised within a cash flow hedge reserve in equity.	Recognition of a cash flow hedge reserve of $131,897	No effect
3	Deferred tax assets and liabilities	Deferred tax assets and liabilities were determined under the income statement approach.	AASB 112 Income Taxes requires the balance sheet method to be used, which recognises deferred tax balances when there is a difference between the carrying value of an asset or liability and its tax base.	No effect	No effect

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2006

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 2006 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 2006.

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 Adelaide this 22nd day of August 2006.

On behalf of the Board:

A Johnson
Director

L Ackroyd
Director

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF K&S CORPORATION LIMITED

In relation to our review of the financial report of K&S Corporation Limited for the financial year ended 30 June 2006, 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

22 August 2006

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF K&S CORPORATION LIMITED

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for K&S Corporation Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standards AASB 124 *Related Party Disclosures* ("remuneration disclosures"), under heading "Remuneration Report" on pages 15 to 17 of the director's report, as permitted by Corporations Regulation 2M.6.04.

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

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standards AASB 124 *Related Party Disclosures*.

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

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

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

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

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. 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 K&S Corporation Limited are in accordance with:

a) the *Corporations Act 2001*, including:

- ***(i)*** giving a true and fair view of the financial position of K&S Corporation and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
- ***(ii)*** complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

b) other mandatory financial reporting requirements in Australia.

2 the remuneration disclosures that are contained on pages 15 to 17 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

A Herald
Partner
Adelaide
22 August 2006

INFORMATION ON SHAREHOLDERS

INFORMATION RELATING TO SECURITY HOLDERS
AS AT 23 AUGUST 2006

Information relating to security holders as at 23rd August 2006.

Distribution of Shareholdings

Ordinary Shares	Number of Shareholders
1 - 1,000 Shares	291
1,001 - 5,000 Shares	951
5,001 - 10,000 Shares	342
10,001 - 100,000 Shares	349
100,001 and more Shares	37
	1,970

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

Twenty Largest Shareholders

	Name	Number of Ordinary Shares Held	%
1	AA Scott Pty Ltd	39,980,846	60.60
2	J P Morgan Nominees Australia Limited	1,893,564	2.87
3	Citicorp Nominees Pty Limited	1,284,925	1.95
4	Ascot Media Investments Pty Ltd	1,142,722	1.73
5	Zena Kaye Winser	769,558	1.17
6	National Nominees Limited	760,555	1.15
7	Eric Joseph Roughana	676,000	1.02
8	Winscott Investments Pty Ltd	660,000	1.00
9	Cogent Nominees Pty Limited	647,166	0.98
10	Sabadin Petroleum Pty Ltd	506,869	0.77
11	Kallarn Pty Limited	500,000	0.76
12	Bond Street Custodians Limited	335,008	0.51
13	Mr William Clifton Anderson	331,683	0.50
14	Ardmore Nominees Pty Ltd	290,500	0.44
15	John Legh Winser	290,400	0.44
16	ANZ Nominees Limited	282,704	0.43
17	Almora Holdings Pty Ltd	233,337	0.35
18	A A Scott Nominees No 1 Pty Ltd	187,194	0.28
19	Australian Reward Investment Alliance	175,568	0.27
20	Westpac Custodian Nominees Limited	174,872	0.27
		51,123,471	77.49

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 77.49% 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 23rd August 2006:

	Number	% of Class
Mr A A Scott	44,046,352	66.76
452 Capital Pty Limited	4,158,356	6.30

Voting Rights

The voting rights are as follows:

Preference Shares:	Nil
Ordinary Shares :	1 vote per share

FIVE YEAR FINANCIAL HISTORY

K & S CORPORATION LIMITED

($A 000's unless otherwise indicated)	2006	Variation %	2005	2004	2003	2002
Group Revenue	**367,092**	7.7	340,810	295,722	293,257	267,303
Operating Profit Before Individually Significant Items, Interest & Tax	**29,266**	16.9	25,033	20,632	16,491	15,284
Individually Significant Items & Fraud	**659**	90.4	6,897	(179)	1,721	(19,444)
Operating Profit before Interest and Income Tax	**29,925**	(6.3)	31,930	20,453	18,212	(4,160)
Interest Expense	**3,771**	28.0	2,947	2,832	2,886	3,282
Profit Before Tax	**26,154**	(9.8)	28,983	17,621	15,326	(7,442)
Income Tax Expense	**7,800**	(9.1)	8,583	5,451	4,266	(2,176)
Operating Profit After Tax	**18,354**	(10.0)	20,400	12,170	11,060	(5,266)
Earnings per Ordinary Share (cents)	**27.8**	(18.2)	34.0	20.3	18.5	(8.8)
Dividends per Share (cents)	**14.0**	3.7	13.5	11.0	8.0	5.8
Return on Shareholders Funds (%)	**17.8**	(31.1)	25.8	18.4	18.7	(10.5)
Paid Up Capital	**44,512**	59.2	27,966	27,966	27,966	27,966
Shareholders Funds	**103,257**	30.7	79,027	65,991	59,064	50,336
Total Assets	**217,120**	19.2	182,163	154,513	139,716	138,474
Net Tangible Assets (book value) per Share ($)	**1.45**	21.8	1.19	0.95	0.92	0.77

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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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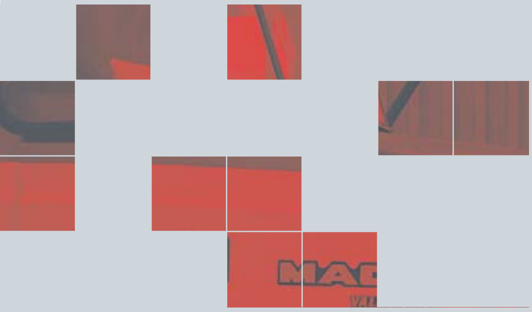

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