

K&S CORPORATION LIMITED

ABN 67 007 561 837

Corporate Governance Statement

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

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

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

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

The Roles of the Board and Management

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

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

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

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

Structure of the Board

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

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

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

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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 Winsler	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 was the Group Financial Controller and a Director or Secretary of a number of companies within the Scott Group of privately owned companies for part of the year, one of which (A A 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 (A A Scott Pty Ltd) is the largest shareholder of K&S Corporation Limited.
B C Grubb	Non Executive Director. Mr Grubb is Chief Executive and Executive Director of Scotts Transport Industries Pty Ltd and a Director of a number of other companies within the Scott group of companies, one of which (A A Scott Pty Ltd) is the largest shareholder of K&S Corporation Limited.

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

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

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

The Board meets formally at least eleven times a year and on other occasions as required. During the course of the year, the Board's sub-committees meet on a number of occasions to deal with their specific responsibilities in relation to the Company's business. Senior management attend and are a vital ingredient to the sub-committees, making presentations, providing information and responding to questions of the Directors. All Directors have unrestricted access to all employees of the Group and, subject to the law, access to all Company records and information held by employees and external advisers. The Board receives regular financial and operational reports from senior management to enable it to carry out its duties and responsibilities.

Retirement and Re-election of Directors

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

Review of Board Performance

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

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Committees of the Board

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

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

Audit Committee

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

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguard of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as benchmarking of operational key performance indicators. The Board has delegated to the Audit Committee the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the Management of the consolidated entity, consistent with ASX Principle 4.

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

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

The members of the Audit Committee during the year were:

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

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

+ Mr G Boulton was appointed as Chairman of the Audit Committee on 31 July 2007.

** Mr J Osborne became a member of the Audit Committee on 31 July 2007.

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

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

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

The ASX Council Guidelines recommend 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.

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

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

Mr J L Osborne (Chairman)
Mr R V J Nicholson
Mr J L Winser

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

The Company's Non-Executive Directors receive only fees and superannuation for their services and the reimbursement of reasonable expenses. The fees paid to the Company's Non-Executive Directors reflect the demands on, and responsibilities of, those Directors. The advice of independent remuneration consultants is taken as well as benchmarking against external remuneration data for comparable companies to establish that the Directors' fees are in line with market standards. Non-Executive Directors do not receive any shares, options or other securities in addition to their remuneration.

A Directors' fee pool limit of \$400,000 was approved by shareholders at the Annual General Meeting in November 2004. This fee pool is only available to Non-Executive Directors. The Non-Executive Directors 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. The contract does not disclose the duration of the contract, periods of notice and required termination details. Mr Winser is not present while discussions are held in relation to his performance and salary package.

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

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

Further details of Directors' remuneration, superannuation and retirement payments are set out in Directors' Report on pages 8 to 11.

Environmental Committee

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

The members of the Environmental Committee during the year were:

Mr A F Johnson (Chairman)
Mr J L Osborne
Mr J L Winser

The Company Secretary acts as Secretary to the Environmental Committee.

The Environmental Committee is responsible for:-

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

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

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Financial Reporting

Consistent with the ASX Principle 4, the Company's financial report preparation and approval process for the financial year ended 30 June 2007, involved both the Managing Director and Chief Financial Officer giving a sign off that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This sign off also includes assurances as to the Company's risk management processes and internal compliance and control procedures.

Audit Governance and Independence

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

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

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

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

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

Risk Management

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

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

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

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange securities market and has adopted a comprehensive policy covering announcements to the Australian Stock Exchange. The Company Secretary has the responsibility for overseeing and co-ordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Managing Director, Chairman and the Chief Financial Officer in relation to continuous disclosure matters. The Chairman, or in his absence the Deputy Chairman, approves all price sensitive releases to the Australian Stock Exchange prior to release.

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

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

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Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Details of Director related entity transactions with the Company and consolidated entity are set out in Note 28.

Director Dealing in Company Shares

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

- Except up to 30 days after either the release of the Company's half year and annual results to the Australian Stock Exchange, the annual general meeting or any major announcement.
- Whilst in possession of price sensitive information.
- Outside windows as stated above, 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 employees on the legislative prohibitions on price fixing and anti-competitive arrangements, as well as other prohibited conduct.

Other Policies

Amongst other policies endorsed by the Board in previous years are the Occupational Health and Safety, Environment Protection, Electronic Communications Policies and the Road Law Compliance Statement.

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

Communication with Shareholders

The Company places considerable importance on communication with shareholders.

The Company's communication strategy promotes the communication of information to shareholders through the distribution of the Annual Report, announcements through the Australian Stock Exchange and the media regarding changes to the business the Chairman's and Managing Directors addresses at the Annual General Meeting, and actively engaging the investment community.

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

The communication strategy is consistent with ASX Principle 10.