Appendix 4D

Half Year report

Name of entity

K&S Corporation Limited

ABN	Half yearly *(tick)*	Preliminary final *(tick)*	Half year/~~financial year ended~~ ('current period')
67 007 561 837	✓		31st December 2013

Results for announcement to the market

				$A'000
Revenues from ordinary activities	~~Up~~ / down	11.8%	To	258,933
Profit (loss) from ordinary activities after tax attributable to members	~~Up~~ / down	44.6%	To	5,641
Net profit (loss) for the period attributable to members	~~Up~~ / down	44.6%	To	5,641

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	3.0c	3.0c
Previous corresponding period	6.5c	6.5c
Record Date for determining dividend Entitlements	19 March 2014	
Date Dividend Payable	2 April 2014	
	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$1.87	$1.78

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

K&S CORPORATION LIMITED

Interim Financial Report

as at

31 December 2013

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2013.

DIRECTORS

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

Tony Johnson (Chairman – Non-executive Director)
Greg Boulton AM (Deputy Chairman – Non-executive Director)
Greg Stevenson (Managing Director)
Ray Smith (Non-executive Director)
Legh Winser (Non-executive Director)- Appointed 23 August 2013
Richard Nicholson (Non-executive Director)- Retired 23 July 2013
Bruce Grubb (Non-executive Director)- Retired 22 October 2013

CONSOLIDATED RESULTS

Financial overview		**6 month period to Dec 2013**	**6 month period to Dec 2012**	**% change**
Operating revenue	$m	258.9	293.5	(11.8)
Operating profit after tax	$m	5.6	10.1	(44.6)
Shareholders' funds	$m	243.7	231.7	5.2
Total assets	$m	414.4	406.7	1.9
Earnings per share	cents	6.2	11.3	(45.1)
Interim dividend per share	cents	3.0	6.5	(53.8)
Net tangible assets per share	$	1.9	1.8	5.6
Return on Shareholders' funds	%	2.3	4.4	(47.7)
Net Debt	$m	70.0	64.4	8.7
Gearing	%	22.3	21.8	2.3

REVIEW AND RESULTS OF OPERATIONS

The consolidated net profit after tax of the economic entity for the half year was $5.6 million, which is 44.6% lower than the previous corresponding half year.

The prior comparative period featured much stronger trading conditions, particularly in the resources driven Western Australia, and was a record for K&S Corporation for both revenue and profit after tax.

Operating revenue for the period was $258.9 million down 11.8% on the prior period.

The decrease in operating revenue is largely due to the weakness in demand for transport services on the eastern seaboard, lower activity levels in Western Australia and the cessation of the Australian Paper contract at the end of June 2013.

The result was impacted in the first half of FY2014 on a pre-tax basis by $970,000 by one off reorganisation costs and transaction costs associated with the current merger with Scott Corporation Limited.

Directors' Report continued

The underlying net profit after tax for the first half of FY2014 was $6.3 million[1].

Reconciliation of statutory profit after tax to underlying profit after tax:

	$M
Statutory profit after tax	5.6
After tax adjustments:	
Reorganisation costs	0.4
Transaction cost of Scott Corporation merger	0.3
Underlying profit after tax	6.3

Our recent contract wins in Western Australia with Argyle Diamond and Kimberley Diamond together with the New Zealand new contracts with NZ Steel, Miraka and Sequal Lumber should assist our second half performance.

Interim Dividend

A fully franked interim dividend of 3.0 cents per share (2012: 6.5 cents per share) has been declared by the Directors.

The interim dividend will be paid on 2 April 2014, with the date for determining entitlements being 19 March 2014.

The Dividend Reinvestment Plan (DRP) will apply to the interim dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five days ended 19 March 2014, less a discount of 2.5%.

Outlook

Providing earnings guidance for the second half remains difficult.

However the lower Australian Dollar, more accommodative interest rate environment and the recently announced infrastructure projects may in time help stimulate the domestic economy.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the economic entity during the half-year under review.

EVENTS SUBSEQUENT TO BALANCE DATE

On 6 February 2014 the Minority Shareholders approved the proposed merger of Scott Corporation Limited (SCC) and K&S Corporation Limited (KSC). Under the merger proposal each SCC Shareholder will receive 59 cents for each SCC share in cash or 0.345 K&S shares under the offer in consideration for each of their SCC shares, plus a fully franked special dividend to be paid by SCC of $0.05 per share. For SCC shareholders who elect to receive cash this equates to a total value of $0.64 per SCC share.

The proposed purchase price of SCC is approximately $44.5 million. On 11 February 2014 we received acceptance of our offer by AA Scott Pty Ltd in respect to its 70.37% holding in SCC. Following the acceptance of our offer by AA Scott, KSC announced its intention to amend its offer to be unconditional. AA Scott Pty Ltd has elected to receive the equity component of the offer for its holding in SCC. As of 25 February KSC have received acceptances in relation to 92.86% of SCC issued shares. The offer to the shareholders of SCC is scheduled to close on 4 March 2014. Final settlement of the transaction is expected to occur on or about 24 March 2014.

On 25 February 2014, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is $2,761,385 which represents a fully franked dividend of 3.0 cents per share. The dividend has not been provided for in the 31 December 2013 financial statements and is payable on 2 April 2014.

The Dividend Reinvestment Plan (DRP) will apply to the 2 April 2014 interim dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 19 March 2014 (the record date for the interim dividend), less a discount of 2.5%.

[1] Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011.Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the Statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments include reorganisation costs and transaction costs associated with the current merger with Scott Corporation Limited. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the Consolidated Group. The non-IFRS information has been subject to review by the auditor.

Directors' Report continued

Other than the above matters, there has not arisen in the interval between the end of the financial period 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.

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

The entity's auditor, Ernst & Young has provided the economic entity with an Auditors' Independence Declaration which is on page 21 of this report.

Dated at Melbourne this 25th day of February 2014.

Signed in accordance with a resolution of the Directors.

Tony Johnson

Chairman

Greg Stevenson

Managing Director

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	NOTE	CONSOLIDATED 31 December 2013 *$'000*	31 December 2012 *$'000*
Operating revenue	5(a)	**258,933**	293,474
Cost of goods sold		**(29,918)**	(28,475)
Gross profit		**229,015**	264,999
Other income	5(b)	**2,415**	1,865
Contractor expenses		**(67,381)**	(90,810)
Employee expenses	5 (e)	**(83,417)**	(85,659)
Fleet expenses		**(48,501)**	(49,595)
Depreciation and amortisation expense	5(d)	**(9,618)**	(12,646)
Finance costs	5(c)	**(2,414)**	(2,809)
Other expenses		**(12,015)**	(11,416)
Share of profits of associates		**23**	33
Profit before income tax		**8,107**	13,962
Income tax (expense) / benefit		**(2,466)**	(3,842)
Profit after income tax		**5,641**	10,120
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation		**1,159**	144
Other comprehensive income for the period, net of tax		**1,159**	144
Total comprehensive income for the period		**6,800**	10,264
Earnings per share (cents per share)			
▪ basic for profit for the period attributable to ordinary equity holders of the parent		**6.2**	11.3
▪ diluted for profit for the period attributable to ordinary equity holders of the parent		**6.2**	11.3
Dividends per share (cents per share)	7	**3.0**	6.5

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Financial Position

AS AT 31 DECEMBER 2013

	NOTE	CONSOLIDATED 31 December 2013 *$'000*	 30 June 2013 *$'000*
ASSETS			
Current assets			
Cash and cash equivalents	6	**7,567**	15,935
Trade and other receivables		**66,252**	64,076
Inventories		**3,440**	3,040
Prepayments		**6,077**	5,266
Total current assets		**83,336**	88,317
Non-current assets			
Other receivables		**1,563**	1,379
Investments in associate	13	**223**	200
Property, plant & equipment		**249,439**	234,750
Intangibles		**71,445**	71,176
Deferred tax assets		**8,373**	7,849
Total non-current assets		**331,043**	315,354
TOTAL ASSETS		**414,379**	403,671
LIABILITIES			
Current liabilities			
Trade and other payables		**42,890**	46,840
Interest bearing loans and borrowings		**16,891**	16,332
Income tax payable		**1,468**	555
Provisions		**16,097**	16,741
Total current liabilities		**77,346**	80,468
Non-current liabilities			
Other payables		**7,634**	8,471
Interest bearing loans and borrowings		**60,708**	50,726
Deferred tax liabilities		**22,344**	21,352
Provisions		**2,579**	3,019
Total non-current liabilities		**93,265**	83,568
TOTAL LIABILITIES		**170,611**	164,036
NET ASSETS		**243,768**	239,635
EQUITY			
Contributed equity	8	**102,632**	101,187
Reserves		**32,402**	31,243
Retained earnings		**108,734**	107,205
TOTAL EQUITY		**243,768**	239,635

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Issued capital *$'000*	Retained earnings *$'000*	Asset revaluation reserves *$'000*	Forex translation reserves *$'000*	Total equity *$'000*
CONSOLIDATED					
At 1 July 2013	101,187	107,205	31,948	(705)	239,635
Profit for period	-	5,641	-	-	5,641
Other comprehensive income	-	-	-	1,159	1,159
Total comprehensive income for the half-year	**-**	**5,641**	**-**	**1,159**	**6,800**
Transactions with owners in their capacity as owners					
Issue of share capital	1,445	-	-	-	1,445
Dividends	-	(4,112)	-	-	(4,112)
At 31 December 2013	**102,632**	**108,734**	**31,948**	**454**	**243,768**
At 1 July 2012	97,707	102,549	26,270	(1,592)	224,934
Profit for period	-	10,120	-	-	10,120
Other comprehensive income	-	-	-	144	144
Total comprehensive income for the half-year	**-**	**10,120**	**-**	**144**	**10,264**
Transactions with owners in their capacity as owners					
Issue of share capital	1,899	-	-	-	1,899
Dividends	-	(5,376)	-	-	(5,376)
At 31 December 2012	**99,606**	**107,293**	**26,270**	**(1,448)**	**231,721**

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	NOTE	CONSOLIDATED 31 December 2013 $'000	 31 December 2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**286,104**	326,381
Cash payments to suppliers and employees		**(267,847)**	(287,084)
Interest received		**63**	118
Borrowing costs paid		**(2,414)**	(2,809)
Income taxes paid		**(1,109)**	(4,586)
Net goods and services tax paid		**(9,080)**	(9,604)
Net cash provided by operating activities		**5,717**	22,416
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**2,496**	2,295
Acquisition of business		**-**	(8,221)
Payments for property plant & equipment		**(15,264)**	(3,450)
Net cash (used) in investing activities		**(12,768)**	(9,376)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		**355**	488
Proceeds from borrowings		**15,625**	4,000
Repayments of borrowings		**(5,000)**	(10,590)
Lease and hire purchase liability repayments		**(9,374)**	(9,472)
Dividends paid		**(3,022)**	(3,964)
Net cash (used) in financing activities		**(1,416)**	(19,538)
Net increase/(decrease) in cash held		**(8,467)**	(6,498)
Cash and cash equivalents at the beginning of the financial period		**15,935**	21,038
Effects of exchange rate variances on cash		**99**	16
Cash and cash equivalents at the end of the financial period	**6**	**7,567**	14,556

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

1 CORPORATE INFORMATION

The financial report of K&S Corporation Limited for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of Directors on 25 February 2014.

K&S Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in Note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The general purpose financial report for the half-year ended 31 December 2013 has been prepared in accordance with AASB 134 Interim Financial Reporting and Corporations Act 2001.

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

The half-year report should be read in conjunction with the Annual Report of K&S Corporation Limited as at 30 June 2013. It is also recommended that the half-year financial report be considered together with any public announcements made by K&S Corporation Limited and its controlled entities during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Apart from the changes in accounting policies noted below, the accounting policies and methods of computation are the same as those adopted in the most recent financial report.

Changes in accounting policies

The following amending Standards have been adopted from 1 July 2013. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

Reference	Title	Summary
AASB 10	*Consolidated Financial Statements*	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. **Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.**
AASB 11	*Joint Arrangements*	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities - Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. **Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.**
AASB 12	*Disclosure of Interests in Other Entities*	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.
AASB 13	*Fair Value Measurement*	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. **Consequential amendments were also made to other standards via AASB 2011-8.**

Reference	Title	Summary
AASB 119	*Employee Benefits*	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. **Consequential amendments were also made to other standards via AASB 2011-10.**
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: ► Repeat application of AASB 1 is permitted (AASB 1) ► Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*).
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia.*
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.
AASB 2012-2	Amendments to Australian Accounting Standards - *Disclosures - Offsetting Financial Assets and Financial Liabilities*	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met.

The Group has not elected to early adopt any other new Standards or Interpretations that are issued but not yet effective.

3 OPERATING SEGMENTS

Identification of reportable segments
The Group has operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The Group has three operating segments based on the Group's internal management reporting systems and business model, which monitors resource allocation and working capital fall.

- **Australian Transport** – The provision of logistical services to customers within Australia.
- **Fuel** - The distribution of fuel to fishing, farming and retail customers within the South East of South Australia.
- **New Zealand Transport** – The provision of logistical services to customers within New Zealand.

Accounting policies and inter-segment transactions
The same accounting policies apply to the operating segments as those described in the Group financial statements for the year ended 30 June 2013.

Inter-segment sales
Inter-segment sales are recognised based on an internally set transfer price. The price is set periodically and aims to reflect what the business operations could achieve if they sold their output and services to external parties at arm's length.

Corporate charges
Corporate charges are allocated to each operating segment on a proportionate basis linked to segment revenue so as to determine a segmental result.

Segment loans payable and loans receivable
Segment loans are initially recognised at the consideration received excluding transaction costs. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2013 and 31 December 2012.

	Australian Transport	Fuel	New Zealand Transport	Total
	$'000	*$'000*	*$'000*	*$'000*
Half-year ended 31 December 2013				
Revenue				
Sales to external customers	215,884	32,154	10,831	258,869
Finance revenue	56	-	7	63
Inter-segment sales	199	23,285	-	23,484
Total segment revenue	216,139	55,439	10,838	282,416
Segment net operating profit / (loss) after tax	5,429	216	30	5,675

Inter-segment revenues of $23,484,000 are eliminated on consolidation.

	Australian Transport	Fuel	New Zealand Transport	Total
Half-year ended 31 December 2012				
Revenue				
Sales to external customers	252,628	30,822	9,906	293,356
Finance revenue	109	-	9	118
Inter-segment sales	184	22,710	-	22,894
Total segment revenue	252,921	53,532	9,915	316,368
Segment net operating profit / (loss) after tax	9,346	368	58	9,772

Inter-segment revenues of $22,894,000 are eliminated on consolidation.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

3 OPERATING SEGMENTS (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2013 and 31 December 2012:

	Australian Transport *$'000*	Fuel *$'000*	New Zealand Transport *$'000*	Total *$'000*
Segment assets at 31 December 2013	373,063	21,452	25,399	419,914
Segment assets at 31 December 2012	371,676	19,997	20,621	412,294

Reconciliation of profit	31 December 2013 *$'000*	31 December 2012 *$'000*
Segment profit	5,675	9,772
Income tax expense 30%	2,432	4,190
Total net profit before tax per Statement of Comprehensive Income	8,107	13,962

Reconciliation of assets	31 December 2013 *$'000*	31 December 2012 *$'000*
Segment operating assets	419,914	412,294
Deferred tax asset	8,373	7,693
Inter-segment eliminations	(13,908)	(13,314)
Total assets per Statement of Financial Position	414,379	406,673

4 IMPAIRMENT TESTING OF GOODWILL

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill and intangible assets with indefinite lives is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in the annual financial statements for the year ended 30 June 2013.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2013, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill. As a result, management performed an impairment calculation as at 31 December 2013.

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 has been allocated across three individual cash generating units as follows:

	December 2013	June 2013
	$'000	*$'000*
Australian Transport	**62,929**	62,929
Fuel	**165**	165
New Zealand Transport	**6,081**	5,572
	69,175	68,666

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 growth rate**	
	December 2013	June 2013	**December 2013**	June 2013
	%	%	**%**	%
Australian Transport	13.73	13.95	3.0	3.0
Fuel	13.73	13.95	3.0	3.0
New Zealand Transport	14.07	13.96	2.5	2.5

No impairment loss was recognised for continuing operations for the half year ending 31 December 2013.

Discount rate
The discount rate represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

In determining impairment, management has considered the impact of the *Clean Energy Act 2011* (the "Act" or "Scheme") on the Group. Management has estimated there are some minor increases in its cost base as a result of the price on carbon. However, from July 2014, heavy on-road transport activities are to be included in the carbon pricing regime, through a reduction in business fuel tax credits ("FTC"). Management anticipates that any reduction in the FTC, will be passed through to customers via fuel surcharges. Accordingly, management have not adjusted any cash flows.

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.

i) Sensitivity to changes in assumptions
The recoverable amount of the New Zealand Transport CGU currently exceeds its carrying value by $1.4m (June 2013: $1.2m). This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

- Discount rate - an increase in the discount rate of over 0.88% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal growth rate - a decrease in the growth rate of over 0.86% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal cash flow - a decrease in terminal cash flow of over 9.8% would result in a reduction of the recoverable amount to below the carrying value.

5 REVENUE AND EXPENSES

		CONSOLIDATED	
		2013	2012
		$'000	*$'000*
(a)	**Revenue**		
	- Rendering of services	**226,716**	262,534
	- Sale of goods	**32,154**	30,822
	- Finance revenue	**63**	118
	Total revenue	**258,933**	293,474
(b)	**Other income**		
	- Net gains on disposal of property, plant and equipment	**1,519**	1,114
	- Other	**896**	751
	Total other income	**2,415**	1,865
(c)	**Finance costs**		
	- Bank loans and overdrafts	**789**	1,175
	- Finance charges on hire purchase contracts	**1,625**	1,634
	Total finance costs	**2,414**	2,809
(d)	**Depreciation and amortisation expense**		
	Depreciation		
	- Buildings	**906**	1,212
	- Motor vehicles	**7,295**	9,865
	- Plant and equipment	**1,177**	1,293
	Amortisation		
	- IT development costs	**240**	276
	Total depreciation and amortisation expense	**9,618**	12,646
(e)	**Employee expenses**		
	- Wages and salaries	**65,818**	67,428
	- Workers' compensation costs	**3,504**	4,147
	- Long service leave provision	**444**	555
	- Annual leave provision	**4,719**	4,827
	- Payroll tax	**3,772**	3,792
	- Defined contribution plan expense	**5,137**	4,887
	- Directors retirement scheme expense	**23**	23
	Total employee expenses	**83,417**	85,659

6 CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2013	30 June 2013
	$'000	*$'000*
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash	**47**	47
Cash deposits with banks	**7,520**	15,888
	7,567	15,935

Cash at bank earns interest at floating rates based on daily bank deposit rates.

7 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2013	2012
	$'000	*$'000*
Declared and paid during the period:		
Dividends on ordinary shares		
Final franked dividend for the financial year ended 30 June 2013: 4.5 cents (2012: 6.0 cents)	**4,112**	5,376
Proposed (not recognised as a liability as at 31 December):		
Dividends on ordinary shares		
Interim franked dividend for the half year ending 31 December 2013: 3.0 cents (2012: 6.5 cents)	**2,761**	5,882
	6,873	11,258

Dividend reinvestment plan
The consolidated entity has a Dividend Reinvestment Plan under which holders of ordinary shares may elect to acquire additional shares in lieu of cash dividends. Shares are issued at a discount of 2.5% (or as otherwise determined by the Board of Directors from time to time) of their market value which is determined by referenced to the weighted average market price of K&S shares during the five trading days up to and including the relevant dividend record date.

The last date for receipt of election notices for the Dividend reinvestment plan is 5pm on 19 March 2014.

8 CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2013	30 June 2013
	$'000	*$'000*
Issued and paid-up share capital	**102,632**	101,187

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

	Thousands	*$'000*
Movements in ordinary shares on issue		
At 1 July 2013	**91,180**	101,187
Issued through Employee Share Plan - 201,000 ordinary shares at $1.77 per share	**201**	356
Issued through Dividend Reinvestment Plan - 665,030 ordinary shares at $1.6384 per share	**665**	1,089
At 31 December 2013	**92,046**	**102,632**

9 COMMITMENTS AND CONTINGENCIES

The only changes to the commitments and contingencies disclosed in the most recent annual financial report are specified below:

Capital expenditure commitments
As at 31 December 2013, the Group has capital commitments of $12,084,000 relating to plant and equipment.

Legal claims
DTM Pty Ltd ("DTM"), a subsidiary of the Company, has been served with legal proceedings out of the Supreme Court of Victoria in relation to property damage sustained in a fire at a DTM warehouse in 2007. The claims against DTM are currently not quantified. Liability has not been admitted and the claims against DTM will be defended.

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.

10 EVENTS SUBSEQUENT TO BALANCE DATE

On 6 February 2014 the Minority Shareholders approved the proposed merger of Scott Corporation Limited (SCC) and K&S Corporation Limited (KSC). Under the merger proposal each SCC Shareholder will receive 59 cents for each SCC share in cash or 0.345 K&S shares under the offer in consideration for each of their SCC shares, plus a fully franked special dividend to be paid by SCC of $0.05 per share. For SCC shareholders who elect to receive cash this equates to a total value of $0.64 per SCC share.

The proposed purchase price of SCC is approximately $44.5 million. On 11 February 2014 we received acceptance of our offer by AA Scott Pty Ltd in respect to its 70.37% holding in SCC. Following the acceptance of our offer by AA Scott, KSC announced its intention to amend its offer to be unconditional. AA Scott Pty Ltd has elected to receive the equity component of the offer for its holding in SCC. As of 25 February KSC have received acceptances in relation to 92.86% of SCC issued shares. The offer to the shareholders of SCC is scheduled to close on 4 March 2014. Final settlement of the transaction is expected to occur on or about 24 March 2014.

On 25 February 2014, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is $2,761,385 which represents a fully franked dividend of 3.0 cents per share. The dividend has not been provided for in the 31 December 2013 financial statements and is payable on 2 April 2014.

The Dividend Reinvestment Plan (DRP) will apply to the 2 April 2014 interim dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 19 March 2014 (the record date for the interim dividend), less a discount of 2.5%.

Other than the above matters, 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.

11 PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposal
During the half-year ended 31 December 2013, the Group acquired assets, with a cost of $23,880,000 (2012: $23,676,000).

Assets with a net book value of $977,000 were disposed of by the Group during the half-year ended 31 December 2013 (2012: $1,181,000), resulting in a gain on disposal of $1,519,000 (2012: $1,114,000).

Depreciation changes
During the period the Company reviewed the depreciable amounts and useful lives of its major plant and equipment. The revised estimate had the impact of decreasing depreciation expense by $1,800,000, increasing profit after tax by $1,260,000 and increasing net assets by $1,260,000 in the current period.

12 INTEREST-BEARING LOANS AND BORROWINGS

During the half-year, the economic entity acquired property, plant and equipment with an aggregate fair value of $8,616,000 by means of finance lease or hire purchase arrangements (2012: $11,950,000).

Stand by letters of credit
During the half-year ended 31 December 2013, the Group had the following amended guarantees:

- Bank guarantee of $16,877,000 (June 2013: $14,543,000) 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.

During the half-year ended 31 December 2013, the Group had the following new guarantees:

- Bank guarantee of $385,000 provided by the Commonwealth Bank of Australia to Westrac Pty Ltd for a rental bond on a commercial property lease.

Fair value disclosures
The carrying amount of the Group's current and non-current borrowings, approximate their fair values.

13 INVESTMENT IN ASSOCIATES

a) Investment details

	Interest owned		Investment carrying amount consolidated	
	31 December 2013 %	30 June 2013 %	**31 December 2013 %**	30 June 2013 %
Smart Logistics Pty Ltd	50	50	223	200
			223	200

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

	CONSOLIDATED	
	2013 *$'000*	2012 *$'000*
Smart Logistics Pty Ltd		
At 1 July	**200**	158
Share of profit after tax	**23**	33
At 31 December	**223**	191

Directors' Declaration

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

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity, are in accordance with the Corporations Act 2001, including;

(i) Giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half-year ended on that date of the consolidated entity.

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Tony Johnson
Chairman

Melbourne, 25 February 2014

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Independent review report to members of K&S Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of K&S Corporation Limited, which comprises the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of K&S Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included on page 21 of the interim report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of K&S Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Mark Phelps

Mark Phelps
Partner
Adelaide
25 February 2014

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

In relation to our review of the financial report of K&S Corporation Limited for the half-year ended 31 December 2013, 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

Mark Phelps
Partner
Adelaide
25 February 2014