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 2014

Results for announcement to the market

$A'000

Revenues from ordinary activities	Up / ~~down~~	39.0%	To	360,038
Profit (loss) from ordinary activities after tax attributable to members	Up / ~~down~~	16.1%	To	6,548
Net profit (loss) for the period attributable to members	Up / ~~down~~	16.1%	To	6,548

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	3.5c	3.5c
Previous corresponding period	3.0c	3.0c
Record Date for determining dividend Entitlements	20 March 2015	
Last date for receipt of election notices for the Dividend reinvestment plan	24 March 2015	
Date Dividend Payable	3 April 2015	
	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$1.71	$1.87

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 2014

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2014.

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)
Paul Sarant (Managing Director)
Ray Smith (Non-executive Director)
Legh Winser (Non-executive Director)

CONSOLIDATED RESULTS

Financial overview		**6 month period to Dec 2014**	6 month period to Dec 2013	**% change**
Operating revenue	$m	360.0	258.9	39.0
Operating profit after tax	$m	6.5	5.6	16.1
Shareholders' funds	$m	292.1	243.7	19.8
Total assets	$m	530.5	414.4	28.0
Earnings per share	cents	5.6	6.2	(9.7)
Interim dividend per share	cents	3.5	3.0	16.7
Net tangible assets per share	$	1.7	1.9	(10.5)
Return on Shareholders' funds	%	2.2	2.3	(4.3)
Net debt	$m	93.4	70.0	33.5
Gearing	%	24.2	22.3	8.5

REVIEW AND RESULTS OF OPERATIONS

The consolidated net profit after tax of the economic entity for the half year was $6.5 million, which is 16.1% higher than the previous corresponding period's performance.

The underlying profit after tax, excluding one off costs, is $8.2 million. This result is 30.2% higher than the previous corresponding period's performance.

The result was driven by a solid performance from Scott Corporation and K&S' traditional business.

Operating revenue for the period increased to $360.0 million, up 39% on the prior corresponding period.

Profit before tax was $9.1 million compared to the previous corresponding period of $8.1 million, an increase of 12.3 %.

The pre tax result was impacted in the first half by re-organisational costs of $0.5 million and fraud related costs of $1.9 million.

Directors' Report continued

The underlying net profit after tax for the first half was $8.2 million. Reconciliation of statutory profit after tax to underlying profit after tax:

	$m
Statutory profit after tax	6.5
Fraud related costs	1.3
Reorganisational costs	0.4
Underlying profit after tax	8.2

The Scott Corporation acquisition has bedded down well and we have realised strong synergies in the areas of equipment, property and back office functions. Across the whole business we have also continued to focus on reducing our operating costs primarily in the areas of people, services and equipment.

Organic growth has been firm with additional annualised revenue in excess of $32 million being awarded to the group.

Our Western Australian business continued to be impacted by the slowing of the resource sector. With the declining commodity prices, miners have continued to reduce both project and operational expenditure.

Operating cash flow for the half year was $24.9 million up 334.9% on the previous corresponding period.

The gearing is 24.2%.

Interim Dividend

A fully franked interim dividend of 3.5 cents per share (2013: 3.0 cents per share) has been declared by the Directors.

The interim dividend will be paid on 3 April 2015, with the date for determining entitlements being 20 March 2015.

The last election date for participation in the DRP is 24 March 2015. Shares issued under the DRP will rank equally with the Company's ordinary fully paid securities.

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 20 March 2015, less a discount of 2.5%.

Fraudulent Misappropriations

The Company has become aware that it has been the subject of a fraudulent misappropriation of approximately $7.1 million, spanning the period from 2007 to 2014. Approximately $400,000 of the fraudulent misappropriations occurred in the current financial year.

The Company has a comprehensive crime insurance policy. On 17 February 2014, McGrathNicol provided a preliminary forensic accountants report.

Based on the McGrathNicol preliminary report, the Company has commenced the process to recover from its insurer.

A provision of $1.9 million for expenses, claims costs and potential liabilities arising out of the fraud has been made in the Company's accounts.

Victoria Police have arrested and charged two former employees and their investigations are continuing.

Outlook

Providing earnings guidance for the second half remains difficult.

However we are confident that business is positioned well for the future.

The recently announced acquisition of NTFS provides K&S with opportunities to expand its current offering on the Adelaide to Darwin corridor. It will also provide additional services to the northwest region of Western Australia, complimenting the existing services currently offered from Perth though the Regal business.

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.

Directors' Report continued

EVENTS SUBSEQUENT TO BALANCE DATE

On 17 February 2015, K&S Corporation Limited announced that they had reached agreement to purchase the business and assets of Northern Territory Freight Services Pty Ltd (NTFS) from the Scott Family.

NTFS has revenues of approximately $50m, employs 100 people and is a major rail forwarder on the Adelaide to Darwin corridor.

The transaction is expected to be completed in early March 2015.

On 24 February 2015, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is $4,095,511 which represents a fully franked dividend of 3.5 cents per share. The dividend has not been provided for in the 31 December 2014 financial statements and is payable on 3 April 2015.

The Dividend Reinvestment Plan (DRP) will apply to the 3 April 2015 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 20 March 2015 (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 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 20 of this report.

Dated at Melbourne this 24th day of February 2015.

Signed in accordance with a resolution of the Directors.

Tony Johnson

Chairman

Paul Sarant

Managing Director

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	NOTE	CONSOLIDATED 31 December 2014 $'000	31 December 2013 $'000
Operating revenue	5(a)	**360,038**	258,933
Cost of goods sold		**(30,139)**	(29,918)
Gross profit		**329,899**	229,015
Other income	5(b)	**1,978**	2,415
Contractor expenses		**(94,176)**	(67,381)
Employee expenses	5 (e)	**(109,763)**	(83,417)
Fleet expenses		**(77,706)**	(48,501)
Depreciation and amortisation expense	5(d)	**(18,805)**	(9,618)
Finance costs	5(c)	**(3,725)**	(2,414)
Other expenses		**(18,605)**	(12,015)
Share of profits of associates		**49**	23
Profit before income tax		**9,146**	8,107
Income tax (expense) / benefit		**(2,598)**	(2,466)
Profit after income tax		**6,548**	5,641
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation		**448**	1,159
Other comprehensive income for the period, net of tax		**448**	1,159
Total comprehensive income for the period		**6,996**	6,800
Earnings per share (cents per share)			
▪ basic for profit for the period attributable to ordinary equity holders of the parent		**6.0**	6.2
▪ diluted for profit for the period attributable to ordinary equity holders of the parent		**6.0**	6.2
Dividends per share (cents per share)	7	**3.5**	3.0

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Financial Position

AS AT 31 DECEMBER 2014

	NOTE	CONSOLIDATED 31 December 2014 *$'000*	 30 June 2014 *$'000*
ASSETS			
Current assets			
Cash and cash equivalents	6	**19,682**	23,532
Trade and other receivables		**74,352**	82,263
Inventories		**3,868**	3,730
Prepayments		**9,148**	8,542
Total current assets		**107,050**	118,067
Non-current assets			
Other receivables		**1,656**	1,307
Investments in associate	13	**352**	303
Property, plant & equipment		**319,180**	319,515
Intangibles		**91,984**	90,607
Deferred tax assets		**10,278**	10,680
Total non-current assets		**423,450**	422,412
TOTAL ASSETS		**530,500**	540,479
LIABILITIES			
Current liabilities			
Trade and other payables		**64,268**	70,482
Interest bearing loans and borrowings		**29,510**	36,169
Income tax payable		**203**	1,677
Provisions		**22,981**	22,704
Total current liabilities		**116,962**	131,032
Non-current liabilities			
Other payables		**6,773**	8,604
Interest bearing loans and borrowings		**83,661**	83,406
Deferred tax liabilities		**27,834**	27,150
Provisions		**3,130**	3,129
Total non-current liabilities		**121,398**	122,289
TOTAL LIABILITIES		**238,360**	253,321
NET ASSETS		**292,140**	287,158
EQUITY			
Contributed equity	8	**146,779**	145,415
Reserves		**33,006**	32,558
Retained earnings		**112,355**	109,185
TOTAL EQUITY		**292,140**	287,158

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued capital $'000	Retained earnings $'000	Asset revaluation reserves $'000	Forex translation Reserves $'000	Total equity $'000
CONSOLIDATED					
At 1 July 2014	145,415	109,305	31,948	610	287,278
Profit for period	-	6,548	-	-	6,548
Other comprehensive income	-	-	-	448	448
Total comprehensive income for the half-year	**-**	**6,548**	**-**	**448**	**6,996**
Transactions with owners in their capacity as owners					
Issue of share capital	1,364	-	-	-	1,364
Dividends	-	(3,498)	-	-	(3,498)
At 31 December 2014	**146,779**	**112,355**	**31,948**	**1,058**	**292,140**
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**

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	NOTE	CONSOLIDATED 31 December 2014 $'000	31 December 2013 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**397,044**	286,104
Cash payments to suppliers and employees		**(355,059)**	(267,847)
Interest received		**91**	63
Borrowing costs paid		**(3,725)**	(2,414)
Income taxes paid		**(1,740)**	(1,109)
Net goods and services tax paid		**(11,747)**	(9,080)
Net cash provided by operating activities		**24,864**	5,717
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		**5,583**	2,496
Payments for property plant & equipment		**(4,533)**	(15,264)
Net cash (used) in investing activities		**1,050**	(12,768)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		**587**	355
Proceeds from borrowings		**13,410**	15,625
Repayments of borrowings		**(13,410)**	(5,000)
Lease and hire purchase liability repayments		**(27,741)**	(9,374)
Dividends paid		**(2,718)**	(3,022)
Net cash (used) in financing activities		**(29,872)**	(1,416)
Net increase/(decrease) in cash held		**(3,958)**	(8,467)
Cash and cash equivalents at the beginning of the financial period		**23,533**	15,935
Effects of exchange rate variances on cash		**107**	99
Cash and cash equivalents at the end of the financial period	**6**	**19,682**	7,567

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1 CORPORATE INFORMATION

The financial report of K&S Corporation Limited for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of Directors on 24 February 2015.

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 2014 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 2014. 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 2014 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 2014. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

Reference	Title	Summary
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 2012-3	*Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
Interpretation 21	*Levies*	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the F*ramework (*issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014*.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.

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 2014.

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.

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 2014 and 31 December 2013.

	Australian Transport	Fuel	New Zealand Transport	Total
	$'000	*$'000*	*$'000*	*$'000*
Half-year ended 31 December 2014				
Revenue				
Sales to external customers	311,400	32,423	16,125	359,948
Finance revenue	78	-	12	90
Inter-segment sales	201	21,201	-	21,402
Total segment revenue	311,679	53,624	16,137	381,440
Segment net operating profit / (loss) after tax	5,361	603	584	6,548

Inter-segment revenues of $21,401,996 are eliminated on consolidation.

	Australian Transport	Fuel	New Zealand Transport	Total
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	5,395	216	30	5,641

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

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

3 OPERATING SEGMENTS (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2014 and 31 December 2013:

	Australian Transport *$'000*	Fuel *$'000*	New Zealand Transport *$'000*	Total *$'000*
Segment assets at 31 December 2014	479,653	19,256	35,082	533,991
Segment assets at 31 December 2013	373,063	21,452	25,399	419,914

Reconciliation of profit	**31 December 2014** ***$'000***	31 December 2013 *$'000*
Segment profit	**6,548**	5,675
Income tax expense	**2,598**	2,432
Total net profit before tax per Statement of Comprehensive Income	**9,146**	8,107

Reconciliation of assets	**31 December 2014** ***$'000***	31 December 2013 *$'000*
Segment operating assets	**533,991**	419,914
Deferred tax asset	**10,278**	8,373
Inter-segment eliminations	**(13,769)**	(13,908)
Total assets per Statement of Financial Position	**530,500**	414,379

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 2014.

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 2014, 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 2014.

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 2014	June 2014
	$'000	*$'000*
Australian Transport	**75,413**	73,782
Fuel	**165**	165
New Zealand Transport	**6,324**	6,148
	81,902	80,095

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 2014	June 2014	**December 2014**	June 2014
	%	%	**%**	%
Australian Transport	13.71	13.71	3.0	3.0
Fuel	13.71	13.71	3.0	3.0
New Zealand Transport	13.38	13.38	2.5	2.5

No impairment loss was recognised for continuing operations for the half year ending 31 December 2014.

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.

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 Australian Transport CGU currently exceeds its carrying value by $27.20m. 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 0.50% 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 0.65% 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 0.09% would result in a reduction of the recoverable amount to below the carrying value.

The recoverable amount of the New Zealand Transport CGU currently exceeds its carrying value by $8.62m. 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 2.40% 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 3.60% 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 36.0% would result in a reduction of the recoverable amount to below the carrying value.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

4 IMPAIRMENT TESTING OF GOODWILL (Continued)

Information on prior year Acquisition of Scott Corporation Limited

On 24 February 2014, K&S Corporation Limited (K&S) obtained control of Scott Corporation Limited via an off-market takeover bid.

Scott Corporation Limited is a national carrier with expertise in the transport of bulk solids, liquids and explosives by road, rail and sea via four operating divisions catering to a diverse range of transport and logistic needs, Scott Corporation Limited has a blue chip contracted customer base.

During the period a review of the Fair Value of Plant and Equipment was conducted. As a result of this review a small number of assets were revalued. This Fair Valuation adjustment impacted the provisional ACA tax calculations.

The revised fair value of these items of Plant and Equipment and tax balances are reflected in the 31 December accounts, with the adjustments being reflected through Goodwill.

A reconciliation of the Fair Value of Plant and Equipment and Goodwill is provided below:

	$'000
Initial Fair Value of Plant and Equipment	**64,831**
Fair Value Adjustment 31 December 2014	**(2,895)**
Value of Plant & Equipment 31 December 2014	**61,936**

	$'000
Initial Goodwill arising on acquisition	**10,764**
Fair Value adjustment as at 31 December 2014	**2,895**
ACA Taxation adjustments	**(1,259)**
Value of Goodwill on Acquisition 31 December 2014	**12,400**

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

5 REVENUE AND EXPENSES

		CONSOLIDATED	
		2014	2013
		$'000	*$'000*
(a)	**Revenue**		
	- Rendering of services	**327,525**	226,716
	- Sale of goods	**32,423**	32,154
	- Finance revenue	**90**	63
	Total revenue	**360,038**	258,933
(b)	**Other income**		
	- Net gains on disposal of property, plant and equipment	**585**	1,519
	- Other	**1,393**	896
	Total other income	**1,978**	2,415
(c)	**Finance costs**		
	- Bank loans and overdrafts	**791**	789
	- Finance charges on hire purchase contracts	**2,934**	1,625
	Total finance costs	**3,725**	2,414
(d)	**Depreciation and amortisation expense**		
	Depreciation		
	- Buildings	**1,154**	906
	- Motor vehicles	**15,286**	7,295
	- Plant and equipment	**1,936**	1,177
	Amortisation		
	- IT development costs	**300**	240
	-Customer contracts	**129**	-
	Total depreciation and amortisation expense	**18,805**	9,618
(e)	**Employee expenses**		
	- Wages and salaries	**89,404**	65,818
	- Workers' compensation costs	**1,860**	3,504
	- Long service leave provision	**1,095**	444
	- Annual leave provision	**5,761**	4,719
	- Payroll tax	**5,127**	3,772
	- Defined contribution plan expense	**6,511**	5,137
	- Directors retirement scheme expense	**5**	23
	Total employee expenses	**109,763**	83,417

6 CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2014	30 June 2014
	$'000	*$'000*
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash	**52**	53
Cash deposits with banks	**19,630**	23,479
	19,682	23,532

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

7 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2014	2013
	$'000	*$'000*
Declared and paid during the period:		
Dividends on ordinary shares		
Final franked dividend for the financial year ended 30 June 2014: 3.0 cents (2013: 4.5 cents)	**3,498**	4,112
Proposed (not recognised as a liability as at 31 December):		
Dividends on ordinary shares		
Interim franked dividend for the half year ending 31 December 2014: 3.5 cents (2013: 3.0 cents)	**4,096**	2,761
	7,594	6,873

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 24 March 2015.

8 CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2014	30 June 2014
	$'000	*$'000*
Issued and paid-up share capital	**146,779**	145,415

(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 2014	**116,093**	145,415
Issued through Employee Share Plan - 402,200 ordinary shares at $1.46 per share	**402**	587
Issued through Dividend Reinvestment Plan - 519,914 ordinary shares at $1.4941 per share	**520**	777
At 31 December 2014	**117,015**	**146,779**

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 2014, the Group has capital commitments of $14,216,000 relating to plant and equipment.

Legal claims
DTM Pty Ltd ("DTM"), a subsidiary of the Company, was served with legal proceedings out of the Supreme Court of Victoria in December 2013. DTM is one of five named defendants to those proceedings. DTM has also applied to join a further five parties as defendants to those proceedings. The claims relate to property damage sustained in a fire at a DTM warehouse in 2007. The quantum of the claims the subject of those proceedings is $8.65 million. 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 17 February 2015, K&S Corporation Limited announced that they had reached agreement to purchase the business and assets of Northern Territory Freight Services Pty Ltd (NTFS) from the Scott Family.

NTFS has revenues of approximately $50m, employs 100 people and is a major rail forwarder on the Adelaide to Darwin corridor.

The transaction is expected to be completed in early March 2015.

On 24 February 2015, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is $4,095,511 which represents a fully franked dividend of 3.5 cents per share. The dividend has not been provided for in the 31 December 2014 financial statements and is payable on 3 April 2015.

The Dividend Reinvestment Plan (DRP) will apply to the 3 April 2015 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 20 March 2015 (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.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

11 PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposal
During the half-year ended 31 December 2014, the Group acquired assets, with a cost of $25,736,000 (2013: $23,880,000).

Assets with a net book value of $5,186,000 were disposed of by the Group during the half-year ended 31 December 2014 (2013: $977,000), resulting in a gain on disposal of $585,000 (2013: $1,519,000).

12 INTEREST-BEARING LOANS AND BORROWINGS

During the half-year, the economic entity acquired property, plant and equipment with an aggregate fair value of $21,192,000 by means of finance lease or hire purchase arrangements (2013: $8,616,000).

Stand by letters of credit
During the half-year ended 31 December 2014, the Group had the following amended guarantees:

- Bank guarantee of $16,849,000 (June 2014: $16,877,000) 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.

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 2014 %	30 June 2014 %	**31 December 2014 %**	30 June 2014 %
Smart Logistics Pty Ltd	50	50	352	303
			352	303

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

	CONSOLIDATED	
	2014 ***$'000***	2013 *$'000*
Smart Logistics Pty Ltd		
At 1 July	**303**	200
Share of profit after tax	**49**	23
At 31 December	**352**	223

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 2014 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, 24 February 2015

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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 2014, 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 2014 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 22 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 2014 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
Partner
Adelaide
24 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 2014, 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
24 February 2015