

News Release 23rd February 2011

K&S Corporation Results for Half Year Ended 31 December 2010

The Directors of K&S Corporation Limited today announced a net profit after tax of \$8.1 million, 11.3% lower than the corresponding period last year.

The lower result was foreshadowed in our trading update on 26 October 2010 where we outlined that our East Coast operations had experienced weaker trading conditions in the September quarter. This was largely driven by lower steel volumes on the back of reduced production, de-stocking and a change in product and distribution mix.

We have also been negatively impacted by the closure of Wesleyvale and Burnie paper mills in Tasmania.

The result also reflects a general softening of the economy with the majority of road and rail customer volumes lower than the previous year levels. The higher Australian dollar has reduced the demand for locally manufactured goods.

The lower volumes of steel and paper products have impacted on our vehicle utilisation and our ability to double shift our equipment.

Earnings per share were 10.9 cents per share.

Operating revenue for the first half was \$264.7 million, an increase of 21.9% on the corresponding period.

The increase in operating revenues is due to the recent acquisitions of Pacific Transport (January 2010), Regal Transport (July 2010) and the strong performance of DTM. These acquisitions have performed in line with our expectation.

Operating profit before interest, tax and depreciation was \$29.0 million or 15.4% above the prior period.

On the 20 December 2010 we successfully completed a fully underwritten one for six non-renounceable entitlement offer that raised \$25.9 million. These funds were used to retire debt.

Our gearing at the half was 26.8% which is in our target range.

K&S Corporation Limited

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Interim Dividend

A fully franked interim dividend of 5.0 cents per share (last year 7.0 cents per share) has been declared by the Directors.

The interim dividend will be paid on 31 March 2011, with the date for determining entitlements being 17 March 2011.

The Dividend Reinvestment Plan (DRP) will apply to the interim dividend and the issue price for the shares under the DRP will be based on the weighted average trading price of K&S shares in the five trading days ending 17 March 2011, less a discount of 2.5%.

Outlook

The outlook for the domestic economy is far from certain with the high dollar and interest rates negatively impacting on Australian manufacturers.

In the longer term we will see a pickup in demand for transport services as the re-building phase commences following the recent floods and cyclones in Queensland.

Our recent acquisitions will continue to provide the footprint for growth in the sectors of oil and gas resources in Western Australia.

Our strategy has been, and continues to be, to grow the business through carefully targeted acquisitions, organic growth and to competitively win new tenders that deliver benefits to our Shareholders.

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Appendix 4D

Half Year report

Name of entity

K&S Corporation Limited

ABN

67 007 561 837

Half yearly
(tick)



Preliminary
final (tick)



Half year/financial year ended ('current period')

31st December 2010

Results for announcement to the market

\$A'000

Revenues from ordinary activities	Up / down	21.9%	To	264,725
Profit (loss) from ordinary activities after tax attributable to members	Up/down	11.3%	To	8,113
Net profit (loss) for the period attributable to members	Up/down	11.3%	To	8,113
Dividends (distributions)	Amount per security	Franked amount per security		
Interim dividend	5.0c	5.0c		
Previous corresponding period	7.0c	7.0c		
Record Date for determining dividend Entitlements	17 March 2011			
Date Dividend Payable	31 March 2011			
	Current Period	Previous Corresponding Period		
Net tangible asset backing per ordinary security	\$1.61	\$1.95		

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

The logo for K&S Corporation Limited is a red, stylized arrow pointing to the right, with a white outline. The text "K&S CORPORATION LIMITED" is written in white, bold, uppercase letters across the center of the arrow.

K&S CORPORATION LIMITED

Interim Financial Report

as at

31 December 2010

Pages	2-3	Directors' Report
Page	4	Statement of Comprehensive Income
Page	5	Statement of Financial Position
Page	6	Statement of Changes in Equity
Page	7	Statement of Cash Flows
Pages	8-15	Notes to the Financial Statements
Page	16	Directors' Declaration
Pages	17-18	Independent Review Report
Page	19	Auditor's Independence Declaration

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2010.

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)
Greg Boulton AM (Deputy Chairman – non executive)
Legh Winsler (Managing Director)
Richard Nicholson (Non-executive Director)
Bruce Grubb (Non-executive Director)
Ray Smith (Non-executive Director)

CONSOLIDATED RESULTS

Financial overview		6 month period to Dec 2010	6 month period to Dec 2009	% change
Operating revenue	\$m	264.7	217.2	21.9
Operating profit before interest and tax	\$m	16.3	15.1	7.4
Operating profit after tax	\$m	8.1	9.2	(11.3)
Shareholders' funds	\$m	210.5	163.1	29.1
Total assets	\$m	383.2	285.1	34.4
Earnings per share	cents	10.9	13.1	(16.8)
Interim dividend per share	cents	5.0	7.0	(28.6)
Net tangible assets per share	cents	1.6	2.0	(20.0)
Return on Shareholders' funds	%	3.9	5.6	(30.4)
Gearing	%	26.8	14.6	83.6

REVIEW AND RESULTS OF OPERATIONS

The consolidated net profit after tax of the economic entity for the half-year was \$8.1 million, which is 11.3% lower than the previous corresponding half-year.

Operating revenue for the first half was \$264.7 million, which is 21.9% higher than the prior corresponding half year.

The increase in operating revenue is due to the recent acquisitions of Pacific Transport (January 2010) and Regal Transport (July 2010) and the strong performance of DTM. These acquisitions have performed in line with our expectation.

The lower result was foreshadowed in our trading update on 26 October 2010 where we outlined that our East Coast operations had experienced weaker trading conditions in the September quarter. This was largely driven by lower steel volumes on the back of reduced production, de-stocking and a change in the product and distribution mix.

We have been also negatively impacted by the closure of the Wesleyvale and Burnie paper mills in Tasmania.

The lower volumes of steel and paper products have impacted on our vehicle utilisation and our ability to double shift our equipment.

Operating profit before interest, tax and depreciation was \$29.0 million or 15.4% above the prior period.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Report continued

The result also reflects a general softening of the economy with the majority of road and rail customer volumes lower than the previous year levels. The higher Australian dollar has reduced the demand for locally manufactured goods.

We successfully completed a fully underwritten one for six non-renounceable entitlement offer that raised \$26.4 million on 20 December 2010. The funds were used to repay debt. Our gearing at the half year is 26.8% (14.6% Dec 09), which is within our target range.

A fully franked interim dividend of 5.0 cents per share (2009: 7.0 cents per share) has been declared by the Directors. The interim dividend will be paid on 31 March 2011, with the date for determining entitlements being 17 March 2011. 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 trading days ending 17 March 2011, less a discount of 2.5%.

The outlook for the domestic economy continues to be uncertain. We expect that the second half of the current financial year will remain challenging.

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 22 February 2011, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$4,303,181 which represents a fully franked dividend of 5.0 cents per share. The dividend has not been provided for in the 31 December 2010 financial statements and is payable on 31 March 2011.

The Dividend Reinvestment Plan (DRP) will apply to the 31 March 2011 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 17 March 2011 (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.

AUDITOR INDEPENDENCE

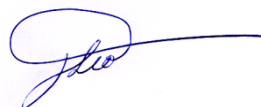
The entity's auditor, Ernst & Young has provided the economic entity with an Auditors' Independence Declaration which is on page 19 of this report.

Dated at Mount Gambier this 22nd day of February 2011.

Signed in accordance with a resolution of the Directors.



A F Johnson
Chairman



J L Winser
Managing Director

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	NOTE	CONSOLIDATED	
		31 December 2010 \$'000	31 December 2009 \$'000
Operating revenue	4(a)	264,725	217,174
Cost of goods sold		(26,032)	(24,884)
Gross profit		238,693	192,290
Other income	4(b)	2,769	2,421
Contractor expenses		(82,628)	(68,385)
Employee benefits expenses		(74,620)	(58,326)
Fleet expenses		(45,026)	(33,753)
Depreciation and amortisation expense	4(d)	(12,788)	(10,024)
Finance costs	4(c)	(4,644)	(2,542)
Other expenses		(10,278)	(9,091)
Share of profits/(losses) of associates		129	-
Profit before income tax		11,607	12,590
Income tax expense		(3,494)	(3,440)
Profit after income tax		8,113	9,150
 Other comprehensive income			
Foreign currency translation		(706)	98
Other comprehensive income for the period, net of tax		(706)	98
Total comprehensive income for the period		7,407	9,248
 Earnings per share (cents per share)			
▪ basic for profit for the period attributable to ordinary equity holders of the parent		10.9	13.1
▪ diluted for profit for the period attributable to ordinary equity holders of the parent		10.9	13.1
Dividends per share (cents per share)	6	5.0	7.0

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Financial Position

AS AT 31 DECEMBER 2010

		CONSOLIDATED	
		31 December	30 June
		2010	2010
		\$'000	\$'000
NOTE			
ASSETS			
Current assets			
		9,161	12,042
	5	62,351	56,747
		2,900	2,696
		6,423	4,809
		80,835	76,294
Non-current assets			
		1,908	2,093
		129	-
		221,656	197,169
		72,035	44,761
		6,606	5,776
		302,334	249,799
		383,169	326,093
LIABILITIES			
Current liabilities			
		45,491	44,596
		15,591	16,462
		1,064	1,270
		12,989	11,190
		934	1,123
		76,069	74,641
Non-current liabilities			
		4,620	4,340
		70,540	47,889
		18,980	18,032
		2,498	2,122
		96,638	72,383
		172,707	147,024
		210,462	179,069
EQUITY			
		93,662	64,528
	7	24,389	25,095
		92,411	89,446
		210,462	179,069

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Changes in Equity FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Issued capital \$'000	Retained earnings \$'000	Asset revaluation reserves \$'000	Forex translation reserves \$'000	Total equity \$'000
CONSOLIDATED					
At 1 July 2010	64,528	89,446	26,270	(1,175)	179,069
Profit for period	-	8,113	-	-	8,113
Other comprehensive income	-	-	-	(706)	(706)
Total comprehensive income for the half-year	-	8,113	-	(706)	7,407
Transactions with owners in their capacity as owners					
Issue of share capital	29,134	-	-	-	29,134
Dividends	-	(5,148)	-	-	(5,148)
At 31 December 2010	93,662	92,411	26,270	(1,881)	210,462
At 1 July 2009	57,425	79,174	20,956	(1,326)	156,229
Profit for period	-	9,150	-	-	9,150
Other comprehensive income	-	-	-	98	98
Total comprehensive income for the half-year	-	9,150	-	98	9,248
Transactions with owners in their capacity as owners					
Issue of share capital	1,103	-	-	-	1,103
Dividends	-	(3,510)	-	-	(3,510)
At 31 December 2009	58,528	84,814	20,956	(1,228)	163,070

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	CONSOLIDATED		
	NOTE	31 December 2010 \$'000	31 December 2009 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers		296,065	242,484
Cash payments to suppliers and employees		(261,292)	(204,922)
Interest received		42	123
Borrowing costs paid		(4,644)	(2,542)
Income taxes paid		(4,134)	(3,104)
Net goods and services tax paid		(7,536)	(7,741)
Net cash provided by operating activities		18,501	24,298
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of non-current assets		1,770	1,774
Acquisition of subsidiaries		(39,185)	-
Payments for property plant & equipment		(10,497)	(2,412)
Net cash (used) in investing activities		(47,912)	(638)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue		25,870	351
Proceeds from borrowings		55,000	-
Repayments of borrowings		(40,000)	(9,000)
Lease and hire purchase liability repayments		(9,753)	(9,403)
Dividends paid		(4,544)	(3,200)
Net cash (used) in financing activities		26,573	(21,252)
Net increase/(decrease) in cash held		(2,838)	2,408
Cash and cash equivalents the beginning of the financial period		12,042	14,717
Effects of exchange rate variances on cash		(43)	(2)
Cash and cash equivalents at the end of the financial period	5	9,161	17,123

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1 CORPORATE INFORMATION

The financial report of K&S Corporation Limited for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of Directors on 22 February 2011.

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 2010 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 2010. 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 2010 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 2010. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

- *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards, only applies if specifically for such non-current assets or discontinued operations.
- *AASB 107 Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.
- *AASB 136 Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
- *AASB Interpretation 17 Distribution of Non-cash Assets to Owners*: This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or the performance of the Group.

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

3 OPERATING SEGMENTS

Identification of reportable segments

The Group has identified its 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 operating segments are identified by management based on the nature of the services provided, the identity of the service line manager and the country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a weekly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the services provided and/or the products sold, as these are the sources of the Group's major risks and have the most effect on the rates of return.

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

- **K&S Aust.** – The provision of interstate and local logistical services to customers under the brand K&S in Australia.
- **K&S Fuels** - The distribution of fuel to fishing, farming and retail customers within the South East of South Australia.
- **DTM** - The provision of local logistical services to customers under the brand DTM.
- **Regal** - The provision of intrastate logistical services to customers under the brand Regal Transport.
- **K&S NZ** – The provision of logistical services to customers under the brand K&S in New Zealand.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments are the same as those contained in note 2 to the accounts and in the prior period except as detailed below:

Inter-entity sales

Inter-entity 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.

It is the Group's policy that if items of revenue and expense are not allocated to operating segments then any associated assets or liabilities are also not allocated to segments. This is to avoid asymmetrical allocations within segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Finance costs.
- Income tax expense.
- Fair value gains/losses on derivative classified as held for trading.

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2010 and 31 December 2009.

	K&S Aus \$'000	Regal \$'000	K&S Fuels \$'000	DTM \$'000	K&S NZ \$'000	Total \$'000
Half-year ended 31 December 2010						
Revenue						
Sales to external customers	159,354	38,280	28,039	27,620	11,390	264,683
Inter-segment sales	299	207	18,860	269	-	19,635
Total segment revenue	159,653	38,487	46,899	27,889	11,390	284,318
Inter-segment elimination						(19,635)
Interest revenue						42
Total revenue per Statement of Comprehensive Income						264,725
Result						
Segment net operating profit after tax	6,474	2,231	447	1,013	194	10,359

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

3 OPERATING SEGMENTS (continued)

	K&S Aus \$'000	Regal \$'000	K&S Fuels \$'000	DTM \$'000	K&S NZ \$'000	Total \$'000
Reconciliation of segment net profit to net profit before tax						
Income tax expense at 30% (2009: 30%)						4,440
Fair value gain on held for trading derivatives						176
Net interest expense						(4,601)
Net gain on disposal of property, plant and equipment						1,233
Total net profit before tax per Statement of Comprehensive Income						<u>11,607</u>
Segment assets						
Segment operating assets	327,720	21,512	16,005	9,420	19,281	393,938
Inter-segment elimination						(17,375)
Deferred tax assets						6,606
Total assets per the Statement of Financial Position						<u>383,169</u>
Half-year ended 31 December 2009						
Revenue						
Sales to external customers	156,021	-	27,310	22,846	10,874	217,051
Inter-segment sales	99	-	16,903	284	-	17,286
Total segment revenue	<u>156,120</u>	<u>-</u>	<u>44,213</u>	<u>23,130</u>	<u>10,874</u>	<u>234,337</u>
Inter-segment eliminations						(17,286)
Interest revenue						123
Total revenue per Statement of Comprehensive Income						<u>217,174</u>
Result						
Segment net operating profit after tax	7,915	-	495	694	191	9,295
Reconciliation of segment net profit to net profit before tax						
Income tax expense at 30% (2008: 30%)						3,978
Fair value gain on held for trading derivatives						576
Net interest expense						(2,419)
Net gain on disposal of property, plant and equipment						1,160
Total net profit before tax per Statement of Comprehensive Income						<u>12,590</u>
Segment assets						
Segment operating assets	240,260	-	15,210	15,541	22,582	293,593
Inter-segment eliminations						(14,293)
Deferred tax assets						5,801
Total assets per the Statement of Financial Position						<u>285,101</u>

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

4 REVENUE, INCOME AND EXPENSES

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
Revenue		
(a) Operating revenue		
- Rendering of services	236,644	189,741
- Sale of goods	28,039	27,310
- Finance revenue	42	123
	264,725	217,174
(b) Other income		
- Net gains on disposal of property, plant and equipment	1,233	1,160
- Net gain on derivatives classified as held for trading	176	576
- Other	1,360	685
	2,769	2,421
Expenses		
(c) Finance costs		
- Bank loans and overdrafts	2,733	946
- Finance charges payable under finance leases and hire purchase contracts	1,911	1,596
Total finance costs	4,644	2,542
(d) Depreciation and amortisation expense		
Depreciation		
- Buildings	915	850
- Motor vehicles	10,322	8,023
- Plant and equipment	1,349	1,151
Amortisation		
- IT development costs	202	-
Total depreciation expense	12,788	10,024

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

5 CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	31 Dec 2010	30 June 2010
	\$'000	\$'000
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash	46	42
Cash deposits with banks	9,115	12,000
	9,161	12,042

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

6 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	2010	2009
	\$'000	\$'000
<i>Declared and paid during the period:</i>		
Dividends on ordinary shares		
Final franked dividend for the financial year ended 30 June 2010: 7.0 cents (2009: 5.0 cents)	5,148	3,510
<i>Proposed (not recognised as a liability as at 31 December):</i>		
Dividends on ordinary shares		
Interim franked dividend for the half year ending 31 December 2010: 5.0 cents (2009: 7.0 cents)	4,303	4,957
	9,451	8,467

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 17 March 2011.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

7 CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2010	30 June 2010
	\$'000	\$'000
Issued and paid-up share capital	93,662	64,528

(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
<i>Movements in ordinary shares on issue</i>		
At 1 January 2010	70,309	58,528
Issued to acquire Pacific Transport		
- 500,000 ordinary shares at \$2.80 per share	500	1,400
Issued through Dividend Reinvestment Plan		
- 165,955 ordinary shares at \$2.75 per share	166	457
Issued through Share Purchase Plan		
- 1,618,199 ordinary shares at \$2.56 per share	1,618	4,143
At 30 June 2010	72,593	64,528
Issued to acquire Regal Transport		
- 950,000 ordinary shares at \$2.80 per share	950	2,660
Issued through Dividend Reinvestment Plan		
- 225,552 ordinary shares at \$2.68 per share	225	604
Issued through Rights Issue		
- 12,295,560 ordinary shares at \$2.15 per share, net transaction costs	12,296	25,870
At 31 December 2010	86,064	93,662

8 COMMITMENTS AND CONTINGENCIES

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

Legal claim

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

9 EVENTS SUBSEQUENT TO BALANCE DATE

On 22 February 2011, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$4,303,181, which represents a fully franked dividend of 5.0 cents per share. The dividend has not been provided for in the 31 December 2010 financial statements and is payable on 31 March 2011.

The Dividend Reinvestment Plan (DRP) will apply to the 31 March 2011 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 17 March 2011 (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.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

10 PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposal

During the half-year ended 31 December 2010, the Group acquired assets, with a cost of \$38,333,000 (2009: \$5,469,000).

Assets with a net book value of \$537,000 were disposed of by the Group during the half-year ended 31 December 2010 (2009: \$614,000), resulting in a gain on disposal of \$1,233,000 (2009: \$1,160,000).

11 INTEREST-BEARING LOANS AND BORROWINGS

During the half-year, the economic entity acquired property, plant and equipment with an aggregate fair value of \$10,079,000 by means of finance lease or hire purchase arrangements (2009: \$3,057,000).

Stand by letters of credit

During the half-year ended 31 December 2010, the Group had the following amended guarantees:

- Bank guarantee of \$11,216,000 (2009: \$9,484,000) 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.
- Bank guarantee of \$798,000 (2009: \$1,150,000) provided by the Westpac Banking Corporation to Victorian Work Cover.

12 BUSINESS COMBINATIONS

On 8 July 2010, K&S Corporation Limited acquired the Perth based Regal Transport Group ("Regal"). The Regal Transport Group was formed in March 2009 with the merger of N&L Transport and Strategic Transport Services Pty Ltd. At the time of acquisition, Regal generated annual revenues of \$50 million and employed over 120 people. The Regal acquisition will extend the footprint achieved by the Pacific Transport acquisition to the oil & gas/resources sectors of Western Australia.

The consideration transferred was \$41,849,000 and comprised an issue of equity instruments and cash. The Group issued 950,000 ordinary shares with a fair value of \$2.80 each. The provisional fair value of identifiable net assets is \$14,100,000.

Key factors contributing to the \$27,749,000 of goodwill are the synergies existing within the acquired business and synergies expected to be achieved as a result of combining Regal Transport with Pacific Transport and the rest of the Group. The Regal acquisition will extend the footprint achieved by the Pacific Transport acquisition to the oil & gas/resources sectors of Western Australia.

The provisional fair values of identifiable assets and liabilities is as follows:

	Fair value at acquisition date \$'000	Carrying value \$'000
Cash and cash equivalents	20	20
Trade and other receivables	7,695	7,695
Plant and equipment	17,757	15,608
Prepayments	206	67
Deferred tax asset	269	-
	<u>25,947</u>	<u>23,390</u>
Cash and cash equivalents	(220)	(220)
Trade and other payables	(3,137)	(3,137)
Interest bearing loans and borrowings	(6,828)	(6,828)
Income tax payable	(80)	(80)
Provision for employee entitlements	(896)	(747)
Deferred tax liability	(690)	-
	<u>11,851</u>	<u>11,012</u>
Provisional fair value of identifiable net assets	14,096	
Goodwill arising on acquisition	27,749	
	<u>41,845</u>	

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

12 BUSINESS COMBINATIONS (continued)

	Fair value at acquisition date \$'000
Acquisition-date fair-value of consideration transferred	
Shares issued	2,660
Cash paid	39,185
Consideration transferred	<u>41,845</u>
Direct costs relating to the acquisition	<u>150</u>
Cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	(200)
Cash paid	(39,189)
Net consolidated cash outflow	<u>(39,389)</u>

The consolidated Statement of Comprehensive income includes sales revenue and net profit for the period ending 31 December 2010 of \$25,500,000 and \$2,001,000 respectively, as a result of the acquisition of Regal Transport.

K&S CORPORATION LIMITED

ABN 67 007 561 837

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 2010 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



A F Johnson
Chairman

Mount Gambier, 22 February 2011

To the 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 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 Interim and Other Financial Reports 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 2010 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 in the Directors' 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 2010 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

A handwritten signature in blue ink, appearing to read 'David Sanders'.


David Sanders
Partner
Adelaide
22 February 2011

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 2010, 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'David Sanders'.

David Sanders
Partner
Adelaide
22 February 2011