

NEWS RELEASE**26th August 2014****K&S Corporation Announces Full Year Result****Overview**

The Directors of K&S Corporation Limited (ASX: "KSC") today announced a net profit after tax of \$8.9 million for FY2014, a reduction of 44.0% on the previous year.

This result is consistent with our market update of 30 April 2014 provided to the ASX.

Operating revenue for the year was \$586.2 million, an increase of 3.8% on the previous corresponding period.

Earnings were 9.0 cents per share.

K&S Corporation's underlying profit after tax after allowing for these one off costs was \$10.4 million. The result included a number of one off items related to reorganisation costs of \$0.9 million and acquisition costs of \$0.6 million.

The reconciliation of the statutory profit after tax to underlying profit after tax is as follows:

Statutory profit after tax	\$m 8.9
<u>After tax adjustments</u>	
Reorganisation costs	0.9
Transaction costs of Scott Corporation Limited merger	0.6
Underlying profit after tax	<u>\$10.4</u>

Safety performance of the domestic operations continued to improve. Our Lost Time Injury Frequency Rate reduced to 5.8, from 11.0 for the previous corresponding period.

On 24 February 2014, K&S Corporation obtained control of Scott Corporation Limited ("SCC"). This acquisition was completed by way of an off market takeover bid.

SCC is a national carrier with expertise in the transport of bulk solids, liquids, fuels and explosives. SCC has four operating divisions: Bulktrans, Energytrans, Chemtrans and Hyde Park Tanks. The acquisition of SCC will enable K&S to grow in new markets that are not as impacted by the decline in domestic manufacturing.

The acquisition was completed with K&S Corporation offering \$0.59 or 0.345 K&S shares for each SCC share. The transaction was completed using both debt and equity components. The majority of SCC shareholders (95%) elected to receive the scrip option.

Following the acquisition of SCC we have achieved annualized integration benefits in excess of \$3 million. These savings have come from back office, administrative and equipment costs. The SCC business has continued to provide underlying operational profits consistent with our previous expectations.

During the year our Western Australian business was impacted by the continued slowing of the resource sector. With declining commodity prices, investment in mining projects reduced.

The manufacturing sector remained subdued. Imports adversely impact the demand for locally manufactured goods, which in turn reduces demand for long haul transport services. Local captive fleet transport operations performed well.

The loss of the Australian Paper contract on 1 July 2013 had a negative impact on the FY2014 result. It provided some base revenue in our major branches that was difficult to replace in the short term.

This has now been predominantly replaced with new contracts and site related synergies from the Scott Corporation merger.

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The volume from the New Zealand Steel contract, which commenced on 1 January 2014, has materially exceeded our initial expectation. This is forecast to continue in FY2015.

During the year we have continually reviewed our cost base. We have reduced fixed and variable operating costs. Other cost inputs including management and overheads, subcontractors, labour, overtime and equipment have been adjusted consistent with volumes.

Operating cash flow for the year was \$47.3 million. The ongoing tight management of working capital, customer collections and discretionary expenditure continues.

Our gearing at year end is 25.2%, remaining well within our desired range. Our net debt is \$95.0 million.

On 22 April 2014, Mr Paul Sarant was appointed as Managing Director and Chief Executive Officer following the resignation of Mr Greg Stevenson. Mr Stevenson had previously held this position for approximately two years.

The depth of the Company's Executive Team has been intentionally increased in the past 5 months. This has included the addition of SCC executives Mr David Keane and Mr Karl Cope. Two new externally sourced executives Mr Garry Beurteaux and Mr Mark Kohne were appointed in the past 2 months.

K&S Corporation renewed its core bank facilities during FY2014. The renewed bank facilities will mature in three tranches being November 2015, November 2016, and November 2017. This will assist in mitigating refinancing risk in future periods.

Final Dividend

A fully franked final dividend of 3.0 cents per share (last year 4.5 cents per share) has been declared by the Directors of K&S Corporation.

The final dividend will be paid on 31 October 2014, with the date for determining entitlements being 17 October 2014.

The Dividend Reinvestment Plan (DRP) will apply to the final dividend and the issue price for shares under the DRP will be based on the volume weighted average price for K&S Corporation shares in the five trading days ending on 17 October 2014, less a discount of 2.5%.

The last election date for participation in the DRP is 17 October 2014. Shares issued under the DRP will rank equally with the Company's ordinary fully paid securities.

Outlook

Providing earnings guidance going forward remains a difficult task.

We will continue to focus on the improvement of our safety performance, revenue growth and the reduction of our operating costs. A key component of this will include our ongoing consolidation of operating sites, rationalisation of supporting infrastructure and the exiting of leased properties in locations where synergies are possible. These predominantly currently reside on the eastern seaboard in capital cities.

K&S Corporation has maintained a strong balance sheet with low gearing.

Potential acquisition opportunities will be pursued within our strategic guidelines.

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