Interim Report of Scott Corporation Limited for the Half Year Ended 31 December 2013

(ABN 74 003 707 499)

This Interim Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.

Current Reporting Period:	Half Financial Year ending 31 December 2013
Previous Corresponding Period:	Half Financial Year ending 31 December 2012

Results for Announcement to the Market
For the Half Year Ended 31 December 2013

Revenue and Net Profit/(Loss)

		Percentage Change		Amount $'000
Revenue	Up	12.47%	To	$101,033
Net Profit after tax attributable to members	Down	30.11%	To	$1,451
Net profit attributable to members	Down	30.11%	To	$1,451

Dividends (Distribution)

	Amount per Security (Cents)	Franked Amount per Security (Cents)
Final Dividend	1.5c	1.5c
Special Dividend	5.0c	5.0c
Previous corresponding period	1.5c	1.5c

Record date for determining entitlement to special dividend:	21 February 2014
Payment date for special dividend:	27 February 2014

	Current Period (Cents)	Previous Corresponding Period (Cents)
Net tangible assets per security	51.3	45.4

Explanation of Revenue

The increase in revenue is mainly due to the acquisition of Hawkins Road Transport which operates under the branding of Energytrans within the SCC Group. Energytrans generated revenue of $8.19m for the 6 months to 31 December 2013 after being acquired in April 2013.

Explanation of Profit

The deterioration in profit compared to the corresponding period is as a result of the one off transactional costs associated with the proposed takeover by K&S Corporation Limited, higher interest costs, increasing repair costs associated with the trailing fleet in the Illawarra region that were replaced in late 2013, and the impact of the new Illawarra Coal A Double fleet operating at a sub optimal payload due to the NSW RMS restriction currently in place. In addition the previous corresponding period was assisted by profit on sale of plant and equipment.

Corporate Information

ABN 74 003 707 499

This half year report covers the consolidated entity comprising Scott Corporation Limited and its subsidiaries (the Group). The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Review of Operations and Directors' Report starting on page 4. The Directors' Report is unaudited and does not form part of the financial report.

Directors
Mr. A.F. Johnson
Mr. D.B. Keane
Mr. B.C. Grubb
Mr. B.S. Johnson

Company Secretary
Mr. K.E. Cope

Registered Office
55 Davies Road
PADSTOW NSW 2211

Principal Place of Business
55 Davies Road
PADSTOW NSW 2211

Share Register
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
SYDNEY NSW 2000

Principal Bankers
Bank SA
97 King William Street
ADELAIDE SA 5000

Auditors
Ernst & Young
121 King William Street
ADELAIDE SA 5000

Directors' Review of Operations

Overview

Group revenue for the half year is $11.20 million or 12.5% above last year. The Energytrans brand generated revenues of $8.19 million. Energytrans wasn't present at the same time last year so it is the primary driver of the uplift. Buoyant trading conditions in Townsville, Artarmon and Port Kembla accounts for the balance of the favourable variance.

The business had to contend with the following developments which influenced earnings:

- The Darwin sulphuric acid transport task was suspended as a result of the mine rupturing a storage tank. We are unsure of the duration of that suspension, however expectations are that it will be no less than two to three months. Fortunately this contract provides for fixed cost recovery during such events;

- Following a successful renegotiation for an extension to an acid transport contract in North Queensland, which expired in November 2013, the new rate card came into effect on 1 December 2013 based on a changed payload capacity. Unfortunately the requisite equipment modifications will not be complete until the third quarter of the 2014 financial year and hence in the interim period we will experience an adverse impact to earnings on that contract;

- The commissioning of the new A-double fleet for the coal haulage contract in the Illawarra region was delayed until December. The configuration received full approval under the required Performance Based Standards (PBS) protocol, however, the southern branch of the NSW roads authority elected unexpectedly to commission a risk assessment. As a result during an interim period the vehicles have had their payload limited to 72 tonnes gross mass, compared to the PBS approval of 85 tonne gross, which adversely impacts revenue generation per load;

- The off-road coal haulage contract in the Hunter Valley of New South Wales ceased in November 2013;

- The bulk fuel and explosives work decreased due to adverse customer volume trends associated with recent trends in the mining sector; and

- Due to a concerted and thorough campaign by regulators to raise the standard of articulated vehicles in NSW, we have proactively reviewed the condition of our fleet to ensure our leading standard is continued to be maintained. This strategy has resulted in additional short term costs which we believed were necessary as it is in our long term best interests to maintain our leading benchmark that is well regarded by all stakeholders.

These developments contributed to the Profit Before Tax (PBT) being down 30% relative to last year. There were also a number of one off issues that played a part in this trend. A legal dispute was settled regarding a property lease vacated approximately nine years ago. That settlement had a $100,000 impact on earnings. A similar amount of money was incurred in redundancy costs following the need to down size the operations in the Gladstone region based on changed business circumstances. Professional costs of over $300,000 were booked for the K&S takeover.

Financial

As at 31 December 2013, cash and cash equivalents amounted to $4.587m following total cash outflow of $3.842 million for the period. Dividends totalled $1.107m of which $0.268m was paid out in cash. Capital expenditure was $8.661 million for the period, which mainly involved the replacement of the trailing fleet on the Illawarra coal fields contract.

Bad and doubtful debts remain at negligible levels. The trading performance has improved the net tangible asset value per security to 51.34 cents.

Dividend

The Directors announced on 11 February 2014 a final special fully franked dividend of 5 cents per ordinary share, whose record date was 21 February 2014 and was due to be paid on 27 February 2014.

Going Forward

As announced on 11 February 2014, K&S Corporation Limited’s bid to takeover Scott Corporation Limited went unconditional on 24 February 2014.

As noted in earlier announcements, Scott Corporation Limited is faced with an on going risk assessment being conducted by the NSW RMS in relation to the permitted payload of the new A Double fleet operating on the coal fields of the Illawarra region. While the risk assessment remains on going, Scott Corporation Limited is adversely affected by the sub optimal payload restrictions which has an adverse affect on profitability. With this matter in mind, whilst the outlook is difficult to predict, we have previously indicated a full year net profit after tax result of $3.3m to $3.5m and current forecasts support that prediction.

David Keane
Managing Director

Directors' Report

The Directors of Scott Corporation Limited (the "Company") 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.

Mr. A. F. Johnson (Non-executive Chairman)
Mr. D. B. Keane (Managing Director)
Mr. B. C. Grubb (Non-executive Director)
Mr. B. S. Johnson (Non-executive Director)

Review of Operations
The Directors' Review of Operations for the half year ended 31 December 2013 is outlined on page 4.

Principal Activities
The principal activity of the consolidated entity ("the Group") in the course of the financial period was bulk and special material transport and logistics, and associated activities including equipment repairs and maintenance.

Dividends Paid or Declared
A special fully franked dividend of 5.0 cents per ordinary share, providing a total dividend payment of $3.770m was declared on 11 February 2014. The dividend will be paid on 27 February 2014 based on a record date of 21 February 2014, subject to the Dividend Reinvestment Plan. No provision has been made in the financial statements for the payment of the special dividend.

Rounding of Amounts
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 to the nearest thousand dollars unless otherwise indicated.

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

Dated in Sydney this 27th day of February 2014

Signed in accordance with a resolution of the Board of Directors.

AF Johnson

Tony Johnson
Director

David Keane
Director

Statement of Comprehensive Income
For The Half Year Ended 31 December 2013

	Note	Consolidated 2013 $ 000	Consolidated 2012 $ 000
Revenue	4(a)	101,033	89,832
Other income	4(b)	3,219	771
Raw materials and consumables used		(25,307)	(21,569)
Sub contractor expenses		(24,873)	(23,510)
Depreciation, amortisation and impairment expense	4(e)	(8,892)	(5,378)
Borrowing cost expense	4(d)	(1,748)	(1,193)
Employee benefits expense		(30,954)	(27,617)
Other expenses	4(c)	(10,393)	(8,360)
Total expenses		(102,167)	(87,627)
Profit before income tax expense		2,085	2,976
Income tax expense		(634)	(900)
Profit after income tax expense		1,451	2,076
Other comprehensive income not to be reclassified to profit or loss in the subsequent periods:			
Revaluation of land and buildings		2,148	-
Income tax effect		(645)	-
		1,503	-
Total comprehensive income net of tax		2,954	2,076
Earnings per share (cents per share)			
Basic EPS for profit for the period attributable to ordinary equity holders of the parent		2.0	2.8
Diluted EPS for profit for the period attributable to ordinary equity holders of the parent		2.0	2.8
Dividends per share (cents per ordinary share)		5.0	1.5

The accompanying notes to the financial statements are included in the following pages.

Balance Sheet
As At 31 December 2013

	Note	Consolidated As at 31 December 2013 $ 000	Consolidated As at 30 June 2013 $ 000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	4,587	8,429
Trade and other receivables		23,384	21,638
Inventories		693	749
Assets held for sale	6	5,019	4,144
Prepayments		3,805	3,175
Income tax receivable		-	430
TOTAL CURRENT ASSETS		**37,488**	**38,565**
NON CURRENT ASSETS			
Property, plant and equipment	7	66,498	66,920
Intangibles		1,091	1,091
Deferred tax assets		2,426	2,358
Prepayments		331	268
TOTAL NON CURRENT ASSETS		**70,346**	**70,637**
TOTAL ASSETS		**107,834**	**109,202**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		14,603	20,685
Interest bearing loans and borrowings	9	17,704	14,765
Provisions		5,961	5,784
Income tax payable		76	-
TOTAL CURRENT LIABILITIES		**38,344**	**41,234**
NON CURRENT LIABILITIES			
Interest bearing loans and borrowings	9	27,026	29,286
Provisions		333	324
Deferred tax liabilities		5,736	4,649
TOTAL NON CURRENT LIABILITIES		**33,095**	**34,259**
TOTAL LIABILITIES		**71,439**	**75,493**
NET ASSETS		**36,395**	**33,709**
EQUITY			
Contributed equity	11	32,584	31,745
Retained profits/(accumulated losses)		2,308	1,964
Other capital reserves	11	1,503	-
TOTAL EQUITY		**36,395**	**33,709**

The accompanying notes the financial statements are included in the following pages.

Cash Flow Statement
For The Half Year Ended 31 December 2013

	Note	Consolidated 2013 $ 000	Consolidated 2012 $ 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		112,617	98,109
Payments to suppliers and employees		(105,332)	(89,312)
Net amount remitted to ATO for GST		(2,387)	(1,979)
Interest paid		(1,748)	(1,193)
Income tax paid		(748)	(306)
Net cash provided by/(used in) operating activities		2,402	5,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,751	1,324
Interest received		255	216
Purchase of property, plant and equipment		(8,661)	(10,881)
Net cash provided by/(used in) investing activities		(6,655)	(9,341)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		8,267	8,858
Repayment of borrowings		(7,588)	(4,779)
Net dividends paid to equity holders		(268)	(621)
Net cash provided by/(used in) financing activities		411	3,458
Net (decrease) / increase in cash and cash equivalents		(3,842)	(564)
Cash and cash equivalents at the beginning of the period		8,429	10,365
Cash and cash equivalents at the end of the period	5	4,587	9,801

The accompanying notes to the financial statements are included in the following pages.

Statement of Changes in Equity
For The Half Year Ended 31 December 2013

Consolidated	Issued Capital $000s	Accumulated Profit $000s	Asset Revaluation Reserve $000s	Total $000s
At 1 July 2013	31,745	1,964	-	33,709
Profit for the period ended 31 December 2013	-	1,451		1,451
Other comprehensive income for the period ended 31 December 2013	-	-	1,503	1,503
Total comprehensive income for the period	**-**	**1,451**	**1,503**	**2,954**
Payment of final dividend	-	(1,107)	-	(1,107)
Issued capital via DRP following final dividend	839	-	-	839
As at 31 December 2013	**32,584**	**2,308**	**1,503**	**36,395**

Consolidated	Issued Capital $000s	Accumulated Losses $000s	Asset Revaluation Reserve $000s	Total $000s
At 1 July 2012	31,569	(531)	-	31,038
Profit for the period ended 31 December 2012	-	2,076	-	2,076
Other comprehensive income for the period ended 31 December 2012	-	-	-	-
Total comprehensive income for the period	**-**	**2,076**	**-**	**2,076**
Payment of final dividend	-	(733)	-	(733)
Issued capital via DRP following final dividend	112	-	-	112
As at 31 December 2012	**31,681**	**812**	**-**	**32,493**

Notes to the Financial Statements For The Half Year Ended 31 December 2013

NOTE 1: CORPORATE INFORMATION

The interim financial report of Scott Corporation Limited ("the Company") for the half year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 27 February 2014.

Scott Corporation Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 financial report should be read in conjunction with the annual financial report of the Company for the year ended 30 June 2013.

It is also recommended that the half year financial report be considered together with any public announcements made by the Company 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.

(a) Basis of preparation

The interim financial report for the half year ended 31 December 2013, that has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The financial report has also been prepared on a historical cost basis, except where stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

(b) Changes In Accounting Policy

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Revaluation of land and buildings (property, plant and equipment)

The Group re-assessed its accounting for property, plant and equipment with respect to measurement of certain classes of property, plant and equipment after initial recognition. The Group has previously measured all property, plant and equipment using the cost model as set out in AASB 116.30, whereby after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 1 July 2013 the Group elected to change the method of accounting for land and buildings classified in property, plant and equipment, since the Group believes that revaluation model more effectively demonstrates the financial position of land and buildings.

After initial recognition, the Group uses the revaluation model, whereby land and buildings will be measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Group applied the exemptions in AASB 108, which exempts this change in accounting policy from retrospective application and extensive disclosure requirements.

New and amended standards and interpretations

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2013:

(b) Changes In Accounting Policy (cont)

Reference	Title	Application date of standard*	Application date for Group*	Impact on Group
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.	1 July 2013***	1 July 2013	The Group has assessed that this standard is unlikely to have a material effect for the Group.
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.	1 July 2013***	1 July 2013	The Group has assessed that this standard is unlikely to have a material effect for the Group.
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.	1 July 2013***	1 July 2013	The Group has assessed that this standard is unlikely to have a material effect for the Group.

(b) Changes In Accounting Policy (cont)

Reference	Title	Application date of standard*	Application date for Group*	Impact on Group
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.	1 July 2013	1 July 2013	The Group has assessed that this standard is unlikely to have a material effect for the Group.
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.	1 July 2013	1 July 2013	The Group has assessed that this standard is unlikely to have a material effect for the Group
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, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 July 2013	1 July 2013	The Group has assessed that this standard is unlikely to have a material effect for the Group
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).	1 July 2013	1 July 2013	The Group has assessed that this standard is unlikely to have a material effect for the Group
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.	1 July 2013	1 July 2013	The Group has assessed that this standard is unlikely to have a material effect for the Group

(b) Changes In Accounting Policy (cont)

* Designates the beginning of the applicable annual reporting period unless otherwise stated

*** The mandatory effective date for AASB 10, 11 and 12 for **not-for-profit entities** has been deferred to 1 January 2014, per AASB 2012-10. Subsequent amendments have been made to AASB 10 and 12 to incorporate more guidance for not-for-profit entities when applying these standards (refer AASB 2013-8). Amendments have also been made to AASB 1049 _Whole of Government and General Government Sector Financial Reporting_ replacing references to AASB 127 with AASB 10 and 12.

(c) Basis of consolidation

The half year consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group") for the half year ended 31 December 2013.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

NOTE 3: SEGMENT REPORTING

Operating segments
The Group currently operates within two segments being Transport Operations and Tank Services. The Transport Operations includes the brands Bulktrans, Chemtrans and Energytrans, while Tank Services includes the brand Hyde Park Tank Depot.

	Transport $ 000	Tank Services $ 000	Unallocated items/eliminations $ 000	Scott Corporation Group $ 000
Income Statement Half year ended 31 December 2013				
Revenue				
Rendering of services	95,326	2,275	-	97,601
Other income	3,177	-	255	3,432
Inter-segment revenue	-	-	-	-
Segment Revenue	98,503	2,275	255	101,033
Segment Result*	3,498	47		3,545
Net finance costs				(1,748)
Other income**				288
Profit before tax				2,085
Segment assets	105,333	2,501		107,834
Segment liabilities	70,486	953		71,439
Net Assets	34,847	1,548		36,395

* Segment Result is earnings before net finance costs and taxation.
** Other income represents any profit/(loss) on the sale of property, plant and equipment.

	Transport $ 000	Tank Services $ 000	Unallocated items/eliminations $ 000	Scott Corporation Group $ 000
Income Statement Half year ended 31 December 2012				
Revenue				
Rendering of services	86,004	2,371	-	88,375
Other income	1,241	-	216	1,457
Inter-segment revenue	-	-	-	-
Segment Revenue	87,245	2,371	216	89,832
Segment Result*	3,358	40		3,398
Net finance costs				(1,193)
Other income**				771
Profit before tax				2,976
Segment assets	86,341	2,789	-	89,130
Segment liabilities	55,960	677	-	56,637
Net Assets	30,381	2,112	-	32,493

* Segment Result is earnings before net finance costs and taxation.
** Other income represents any profit/(loss) on the sale of property, plant and equipment.

	Consolidated	Consolidated
	2013	**2012**
	$ 000	**$ 000**
NOTE 4: REVENUE AND EXPENSES		
a) Revenue		
Rendering of services	97,601	88,375
Other revenue	2,481	492
Bank interest received	255	216
Rental income	696	749
Total revenue	**101,033**	**89,832**
b) Other income		
Net gains on disposal of property, plant and equipment	288	771
Compensation for contract termination	2,931	-
	3,219	**771**
c) Other expenses		
Bad and doubtful debts provision movement	-	48
Insurance	1,154	897
Legal expenses	57	58
Other expenses	3,884	2,740
Registration expenses	1,992	1,494
Rental operating leases	3,306	3,123
Total other expenses	**10,393**	**8,360**
d) Finance costs		
Bank loans and overdrafts	271	157
Interest and hire purchase charges	1,477	1,036
Total finance costs	**1,748**	**1,193**
e) Depreciation, amortisation and impairment expense		
Buildings	3	3
Plant and equipment	6,767	5,248
Leased plant and equipment	28	28
	6,798	5,279
Amortisation of leasehold improvements	155	99
Impairment of plant and equipment	1,939	-
Total depreciation, amortisation and impairment expense	**8,892**	**5,378**

	Consolidated	Consolidated
	2013	**2012**
	$ 000	**$ 000**
NOTE 4: REVENUE AND EXPENSES (cont)		
f) Lease payments included in income statement		
Included in other expenses:		
Minimum lease payments – operating leases	781	801
Equipment hire	738	683
Property rental expense	1,786	1,639
Total lease payments	**3,306**	**3,123**

	Consolidated	Consolidated
	31 December 2013	**30 June 2013**
	$ 000	**$ 000**

NOTE 5: CASH AND CASH EQUIVALENTS

Cash at bank and cash in hand	1,581	8,429
Short term deposits	3,006	-
	4,587	**8,429**

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

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and they earn interest at the respective short term deposit rates.

	Consolidated	Consolidated
	31 December 2013	**30 June 2013**
	$ 000	**$ 000**

NOTE 6: ASSETS HELD FOR SALE

Plant and equipment at cost	14,523	5,763
Less accumulated depreciation	(9,504)	(1,619)
Net written down value	**5,019**	**4,144**

Assets held for sale at 31 December 2013 were trailing equipment and off road haulage equipment classified as plant and equipment which related to replaced equipment on the Tomago, Illawarra coal fields and Hunter Valley coal contracts. These assets are being sold via direct sale, and the sales are likely to be concluded before 30 June 2014.

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the period ended 31 December 2013, the Group acquired assets with a cost of $8.661m (2012:$10.881m).

Assets with a net book value of $1.46m were disposed of by the Group during the period ended 31 December 2013 (2012: $0.777m), resulting in a gain on disposal of $0.288m (2012: $0.771m).

NOTE 8: PENSION BENEFIT PLAN

A Superannuation Plan has been established by the Group for the provision of benefits to employees on retirement, death or permanent disability. Benefits provided under the Plan are based on defined contributions made by the Group for each employee.

NOTE 9: INTEREST-BEARING LOANS AND BORROWINGS

During the half year ended 31 December 2013 the Group increased its interest-bearing debt. This was substantially due to a significant investment in new plant and equipment including the replacement of the entire prime mover and trailer fleet on the Illawarra Coal contract. During the period, the Company invested $8.661m in new plant and equipment, which was largely funded using interest bearing debt facilities.

Fair value

The carrying amount of the Group's current and non-current interest-bearing loans and borrowings approximate their fair value.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Capital Commitments

At 31 December 2013, the Group has commitments of $4.24m (2012:$10.57m) principally relating to the acquisition of heavy vehicle fleet required for existing and new customer contracts.

Guarantees

Scott Corporation Limited has the following guarantees at 31 December 2013:

- The Company has guaranteed Bank SA a rental bond of $180,000 (30 June 2013: $180,000) on 16 May 2012, payable to Taras Nominees Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a rental bond of $252,382 (30 June 2013: $252,382) on 12 June 2008, payable to Storehouse Investments (NSW) Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a rental bond of $91,667 (30 June 2013: $91,667) on 9 July 2009, payable to JK Properties Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a contract bond of $250,000 (30 June 2013: $250,000) on 9 July 2009, payable to Waste Recycling and Processing Corporation Pty Limited for a commercial property lease.
- The Company has guaranteed Bank SA a rental bond of $116,875 (30 June 2013: $116,875) on 18 August 2010, payable to Giuseppe Peter Callo and Nadene Leanne Callo for a commercial property lease.
- The Company has guaranteed Bank SA a rental bond of $48,627 (30 June 2013: $48,627) on 9 April 2013, payable to North Queensland Bulk Ports Corporation Limited for a commercial property lease.

Cross guarantees given by Scott Corporation Limited, Chemtrans Pty Limited, Bulktrans Pty Limited and Hyde Park Tank Depot Pty Limited are described in Note 25 of the 2013 Annual Report.

	Consolidated	Consolidated
	31 December 2013	**30 June 2013**
	$ 000	**$ 000**

NOTE 11: CONTRIBUTED EQUITY

Ordinary shares (i)		32,584		31,745
	31 December 2013	**31 December 2013**	**30 June 2013**	**30 June 2013**
	Thousands	**$ 000**	**Thousands**	**$ 000**
Balance at the beginning of the period	73,818	31,745	73,329	31,569
Ordinary shares issued under DRP	1,584	839	489	176
Balance at the end of the period	75,402	32,584	73,818	31,745

Ordinary shares:

(i) Ordinary shares are issued and fully paid
(ii) Fully paid ordinary shares carry one vote per share and carry the right to dividends

Other capital reserves:

The other capital reserve is the asset revaluation reserve created in the current period as a result of the Group's change in accounting policy to the revaluation model for land and buildings (refer to Note 2(b) for further details).

NOTE 12: 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 reference to the weighted average market price of Scott Corporation Limited shares during the five (5) trading days following the relevant dividend record date. The Dividend Reinvestment Plan was not available in relation to the Special Dividend declared on 11 February 2014.

NOTE 13: EVENTS SUBSEQUENT TO BALANCE DATE

On 13 November 2013, K&S Corporation Limited notified Scott Corporation of its intent to make a takeover offer to ordinary shareholders of Scott Corporation Limited. Subsequently, on 18 December 2013 K&S Corporation Limited released its Bidder's Statement to the Australian Stock Exchange, and on 19 December 2013 Scott Corporation Limited released its Target Statement to the Australian Stock Exchange. The offer provided an allowance for the payment of a five (5) cent fully franked dividend once the bid becomes unconditional, together with an offer to purchase shares for either 59 cents or 0.345 K&S Corporation Limited ordinary shares. Shareholders of Scott Corporation Limited have until 4 March 2014 to respond as to whether or not they intend to accept the offer. As at 5 February 2014 shareholders representing 81.53% of total shares on issue had indicated they intended to accept the offer. The takeover bid was initially conditional upon a number of matters, however K&S Corporation Limited confirmed that the bid had become unconditional effective 24 February 2014.

On 23 January 2014, Hyde Park Tank Depot Pty Limited was ordered to contribute $40,000 to a community project , and pay costs of $13,000 by the Sunshine Magistrates Court in Victoria in relation to a matter with the EPA of Victoria. No conviction was recorded and the matter was provided for as at 31 December 2013.

On 11 February 2014, the Directors declared a five (5) cent special fully franked dividend in accordance with the Bidder's Statement. The special dividend had a record date of 21 February 2014 and a payment date of 27 February 2014. The total amount payable was $3.77m and the dividend reinvestment plan did not apply.

Other than the matter outlined above, subsequent to 31 December 2013 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 or unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

	Consolidated 2013 Cents per share	Consolidated 2012 Cent per share
NOTE 14: NET TANGIBLE ASSET PER SECURITY		
Net tangible assets per security	51.3	45.4

NOTE 15: AUDIT/REVIEW OF ACCOUNTS UPON WHICH THIS REPORT IS BASED

The report is based on accounts to which one of the following applies:

☐	The accounts have been audited	☐	The accounts have been subject to review
✓	The accounts are in the process of being audited or subject to review	☐	The accounts have not yet been audited or reviewed

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Scott Corporation Limited, we state that:

1. 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 consolidated entity's financial position as at 31 December 2013 and of its performance for the half year ended on that date; and

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001; and

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

On behalf of the Board

Tony Johnson
Director

David Keane
Director

Dated at Sydney this 27th day of February 2014.

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Auditor's Independence Declaration to the Directors of Scott Corporation Limited

In relation to our review of the financial report of Scott 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

David Sanders
Partner
Adelaide
27 February 2014

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To the members of Scott Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Scott Corporation Limited, which comprises the balance sheet as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and cash flow statement 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 Scott 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 attached to the half-year financial 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 Scott 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

David Sanders
Partner
Adelaide
27 February 2014