

# 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')

31<sup>st</sup> December 2015

### Results for announcement to the market

\$A'000

|  |           |                            |    |                                    |
|--|-----------|----------------------------|----|------------------------------------|
| Revenues from ordinary activities  | Up / down | 1.4%                       | To | 355,081                            |
| Profit (loss) from ordinary activities after tax attributable to members     | Up / down | 1460.0%                    | To | (88,440)                           |
| Net profit (loss) for the period attributable to members                     | Up / down | 1460.0%                    | To | (88,440)                           |
| <b>Dividends (distributions)</b>   |           | <b>Amount per security</b> |    | <b>Franked amount per security</b> |
| Interim dividend   |           | 1.5c                       |    | 1.5c                               |
| Previous corresponding period  |           | 3.5c                       |    | 3.5c                               |
| Record Date for determining dividend Entitlements                            |           | 21 March 2016              |    |                                    |
| Last date for receipt of election notices for the Dividend reinvestment plan |           | 22 March 2016              |    |                                    |
| Date Dividend Payable  |           | 4 April 2016               |    |                                    |
|  |           | Current Period             |    | Previous Corresponding Period      |
| Net tangible asset backing per ordinary security                             |           | \$1.59                     |    | \$1.71                             |

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 downwards, with the company name written in white, bold, uppercase letters across its center.

# K&S CORPORATION LIMITED

## **Interim Financial Report**

as at

**31 December 2015**

|       |       |                                    |
|-------|-------|------------------------------------|
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# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Directors' Report

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Your Directors submit their report for the half-year ended 31 December 2015.

### 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)

Lekh Winsor (Non-executive Director)

\* Mr Boulton retired 31 August 2015

### CONSOLIDATED RESULTS

| <b>Financial overview</b>                                       |       | <b>6 month<br/>period to<br/>Dec 2015</b> | 6 month<br>period to<br>Dec 2014 | <b>% change</b> |
|---|-------|---|----------------------------------|-----------------|
| Operating revenue   | \$m   | 355.1                                     | 360.0                            | (1.4)           |
| Operating profit / (loss) after tax                             | \$m   | (88.4)                                    | 6.5                              | (1460.0)        |
| Underlying profit before tax and significant items <sup>2</sup> | \$m   | 5.1                                       | 9.1                              | (44.0)          |
| Underlying profit after tax and significant items <sup>1</sup>  | \$m   | 3.6                                       | 8.2                              | (56.1)          |
| Shareholders' funds   | \$m   | 206.4                                     | 292.1                            | (29.3)          |
| Total assets  | \$m   | 456.3                                     | 530.5                            | (14.0)          |
| Earnings per share  | cents | (73.4)                                    | 6.0                              | (1123.3)        |
| Earnings per share based on underlying profit                   | cents | 3.1                                       | 7.1                              | (56.3)          |
| Interim dividend per share                                      | cents | 1.5                                       | 3.5                              | (57.1)          |
| Net tangible assets per share                                   | \$    | 1.6                                       | 1.7                              | (5.9)           |
| Return on Shareholders' funds                                   | %     | (42.8)                                    | 2.2                              | (2045.5)        |
| Net debt  | \$m   | 111.6                                     | 93.4                             | 19.5            |
| Gearing   | %     | 35.1                                      | 24.2                             | 45.0            |

### REVIEW AND RESULTS OF OPERATIONS

The consolidated net loss after tax of the economic entity for the half year was \$88.4 million. This compared to a profit after tax of \$6.5 million for the previous corresponding period's performance.

The underlying profit after tax, excluding significant items is \$3.6 million.<sup>1</sup> This result is 56.1% lower than the previous corresponding period's performance.

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<sup>1</sup> Underlying profits and earnings per share based on underlying profits are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the Statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments include the fair valuation adjustments to both intangibles and physical assets. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the Consolidated Group. The non-IFRS information has been subject to review by the auditor.

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Directors' Report continued

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

|                                     | \$m         |
|-------------------------------------|-------------|
| Statutory profit / (loss) after tax | (88.4)      |
| Impairment of intangibles           | 77.7        |
| Impairment of assets                | <u>14.3</u> |
| Underlying profit after tax         | <u>3.6</u>  |

The result is largely due to the severe downturn in economic conditions, particularly in our Western Australian operations which have continued to be adversely impacted by the slowing of the resource sector. With the declining commodity prices, miners have continued to reduce both project and operational expenditure. Our east coast operations were also impacted by the downturn in the resources sector and the continuation of the structural decline in manufacturing.

Carrying values of both intangible and physical assets were reviewed as a result of the difficult trading conditions. This review consisted of the standard impairment testing on goodwill and intangibles along with analysis of the carrying values of physical assets based on best value in use scenarios.

This resulted in a non cash write down to the value of intangibles in the Australian Transport CGU of \$77.7 million.

The carrying value of land and buildings was also written down by \$8.2 million. The non cash write down relates principally to a recently acquired Western Australian property at Bullsbrook and a property in Townsville. Both properties have been impacted by the downturn in the resources sector.

We have written down the carrying value of some Western Australian based heavy haulage equipment that has been impacted by the downturn in the resource sector. In addition we have written down the value of some surplus equipment. The total adjustment to the carrying value of equipment was \$8.7 million.

Operating revenue for the period decreased to \$355.1 million, down 1.4% on the prior corresponding period.

Revenues from our resource businesses supporting iron ore and coal significantly declined. These declines were offset by revenues from the recently acquired businesses of NTFS and Aero Refuellers as well as contract wins, with some of those revenues attracting lower yields.

Underlying profit before tax, excluding significant items was \$5.1<sup>2</sup> million compared to the previous corresponding period of \$9.1 million, a decrease of 44.0 %.

Cost reduction strategies have continued to be implemented across the business, including the rationalisation and replacement of specified fleet, employee reductions and IT solutions introduced to improve customer service, operational efficiencies and cost reduction initiatives. There have also been significant property lease cost reductions through new transport facilities established and operational at Hazelmere, integration of the NTFS and K&S Freighters facilities at Port Adelaide, and most recently vacating the DTM Victorian warehouse facility now operating through our Truganina facility.

The recent acquisition of Aero Refuellers has provided the opportunity to expand our current transport and fuel operations into the aviation sector and is complimentary to our existing service offering and skill-sets. The integration of the Scott Corporation business has continued to provide synergies and our New Zealand business has sustained a strong performance with growth largely due to increased activity in the steel industry.

Operating cash flow for the half year was \$26.9 million up 8.0% on the previous corresponding period.

### Interim Dividend

A fully franked interim dividend of 1.5 cents per share (2014: 3.5 cents per share) has been declared by the Directors.

The interim dividend will be paid on 4 April 2016, with the date for determining entitlements being 21 March 2016.

The last election date for participation in the DRP is 22 March 2016. Shares issued under the DRP will rank equally with the Company's ordinary fully paid securities.

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<sup>2</sup> Underlying profits before tax is categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the Statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments include the fair valuation adjustments to both intangibles and physical assets. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the Consolidated Group. The non-IFRS information has been subject to review by the auditor.

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Directors' Report continued

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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 21 March 2016, less a discount of 2.5%.

### Outlook

Providing earnings guidance for the second half remains difficult.

However we are confident the business is well positioned for growth when general economic conditions improve.

### 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 23 February 2016, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is \$1,806,266 which represents a fully franked dividend of 1.5 cents per share. The dividend has not been provided for in the 31 December 2015 financial statements and is payable on 4 April 2016.

The Dividend Reinvestment Plan (DRP) will apply to the 4 April 2016 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 21 March 2016 (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 24 of this report.

Dated at Melbourne this 23rd day of February 2016.

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 2015

|   | NOTE | CONSOLIDATED                  |                               |
|---|------|-------------------------------|-------------------------------|
|   |      | 31 December<br>2015<br>\$'000 | 31 December<br>2014<br>\$'000 |
| <b>Operating revenue</b>  | 6(a) | <b>355,081</b>                | 360,038                       |
| Cost of goods sold  |      | <u>( 32,262)</u>              | (30,139)                      |
| <b>Gross profit</b>   |      | <b>322,819</b>                | 329,899                       |
| Other income  | 6(b) | <b>2,097</b>                  | 1,978                         |
| Contractor expenses   |      | <b>(95,443)</b>               | (94,176)                      |
| Employee expenses   | 6(e) | <b>(113,460)</b>              | (109,763)                     |
| Fleet expenses  |      | <b>(68,559)</b>               | (77,706)                      |
| Depreciation and amortisation expense   | 6(d) | <b>(19,351)</b>               | (18,805)                      |
| Finance costs   | 6(c) | <b>(3,601)</b>                | (3,725)                       |
| Other expenses  |      | <b>(19,484)</b>               | (18,605)                      |
| Share of profits of associates  |      | <b>58</b>                     | 49                            |
| Impairment of intangibles, land and buildings, plant and equipment                        |      | <b>(94,690)</b>               | -                             |
| <b>Profit / (Loss) before income tax</b>  |      | <b>(89,614)</b>               | 9,146                         |
| Income tax (expense) / benefit  |      | <b>1,174</b>                  | (2,598)                       |
| <b>Profit / (Loss) after income tax</b>   |      | <b>(88,440)</b>               | 6,548                         |
| <br><b>Other comprehensive income</b>   |      |                               |                               |
| <i>Item that may be reclassified subsequently to profit or loss</i>                       |      |                               |                               |
| Foreign currency translation  |      | <b>849</b>                    | 448                           |
| <b>Other comprehensive income for the period, net of tax</b>                              |      | <b>849</b>                    | 448                           |
| <b>Total comprehensive income for the period</b>  |      | <b>(87,591)</b>               | 6,996                         |
| <br><b>Earnings per share (cents per share)</b>   |      |                               |                               |
| ▪ basic for profit for the period attributable to ordinary equity holders of the parent   |      | <b>(73.4)</b>                 | 6.0                           |
| ▪ diluted for profit for the period attributable to ordinary equity holders of the parent |      | <b>(73.4)</b>                 | 6.0                           |
| Dividends per share (cents per share)   | 9    | <b>1.5</b>                    | 3.5                           |

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Statement of Financial Position

AS AT 31 DECEMBER 2015

|                                |                                       | CONSOLIDATED |                |                |
|--------------------------------|---------------------------------------|--------------|----------------|----------------|
|                                |                                       | 31 December  | 30 June        |                |
|                                |                                       | 2015         | 2015           |                |
| NOTE                           |                                       | \$'000       | \$'000         |                |
| <b>ASSETS</b>                  |                                       |              |                |                |
| <b>Current assets</b>          |                                       |              |                |                |
|                                | Cash and cash equivalents             | 8            | 10,096         | 7,326          |
|                                | Trade and other receivables           |              | 76,223         | 86,909         |
|                                | Inventories                           |              | 4,762          | 3,963          |
|                                | Prepayments                           |              | 8,930          | 8,117          |
|                                | <b>Total current assets</b>           |              | <b>100,011</b> | <b>106,315</b> |
| <b>Non-current assets</b>      |                                       |              |                |                |
|                                | Other receivables                     |              | 1,768          | 1,422          |
|                                | Investments in associate              | 15           | 321            | 413            |
|                                | Property, plant & equipment           | 13           | 328,900        | 326,842        |
|                                | Intangibles                           | 5            | 15,427         | 91,088         |
|                                | Deferred tax assets                   |              | 9,916          | 10,179         |
|                                | <b>Total non-current assets</b>       |              | <b>356,332</b> | <b>429,944</b> |
|                                | <b>TOTAL ASSETS</b>                   |              | <b>456,343</b> | <b>536,259</b> |
| <b>LIABILITIES</b>             |                                       |              |                |                |
| <b>Current liabilities</b>     |                                       |              |                |                |
|                                | Trade and other payables              |              | 67,196         | 73,476         |
|                                | Interest bearing loans and borrowings |              | 32,949         | 30,345         |
|                                | Income tax payable                    |              | 833            | 1,302          |
|                                | Provisions                            |              | 20,359         | 19,854         |
|                                | <b>Total current liabilities</b>      |              | <b>121,337</b> | <b>124,977</b> |
| <b>Non-current liabilities</b> |                                       |              |                |                |
|                                | Other payables                        |              | 6,727          | 6,585          |
|                                | Interest bearing loans and borrowings |              | 88,763         | 75,043         |
|                                | Deferred tax liabilities              |              | 27,525         | 28,716         |
|                                | Provisions                            |              | 5,493          | 6,369          |
|                                | <b>Total non-current liabilities</b>  |              | <b>128,508</b> | <b>116,713</b> |
|                                | <b>TOTAL LIABILITIES</b>              |              | <b>249,845</b> | <b>241,690</b> |
|                                | <b>NET ASSETS</b>                     |              | <b>206,498</b> | <b>294,569</b> |
| <b>EQUITY</b>                  |                                       |              |                |                |
|                                | Contributed equity                    | 10           | 151,325        | 147,674        |
|                                | Reserves                              |              | 32,726         | 31,877         |
|                                | Retained earnings                     |              | 22,447         | 115,018        |
|                                | <b>TOTAL EQUITY</b>                   |              | <b>206,498</b> | <b>294,569</b> |

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Statement of Changes in Equity FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

|  | Issued<br>capital<br>\$'000 | Retained<br>earnings<br>\$'000 | Asset<br>revaluation<br>reserves<br>\$'000 | Forex<br>translation<br>reserves<br>\$'000 | Total<br>equity<br>\$'000 |
|--|-----------------------------|--------------------------------|--|--|---------------------------|
| <b>CONSOLIDATED</b>  |                             |                                |  |  |                           |
| <b>At 1 July 2015</b>  | 147,674                     | 115,018                        | 31,948                                     | (71)                                       | 294,569                   |
| Profit / (Loss) for period                                   | -                           | (88,440)                       | -  | -  | (88,440)                  |
| Other comprehensive income                                   | -                           | -                              | -  | 849  | 849                       |
| <b>Total comprehensive income / (loss) for the half-year</b> | <b>-</b>                    | <b>(88,440)</b>                | <b>-</b>                                   | <b>849</b>                                 | <b>(87,591)</b>           |
| <b>Transactions with owners in their capacity as owners</b>  |                             |                                |  |  |                           |
| Issue of share capital                                       | 3,651                       | -                              | -  | -  | 3,651                     |
| Dividends  | -                           | (4,131)                        | -  | -  | (4,131)                   |
| <b>At 31 December 2015</b>                                   | <b>151,325</b>              | <b>22,447</b>                  | <b>31,948</b>                              | <b>778</b>                                 | <b>206,498</b>            |
|  |                             |                                |  |  |                           |
| <b>At 1 July 2014</b>  | 145,415                     | 109,305                        | 31,948                                     | 610  | 287,278                   |
| Profit for period  | -                           | 6,548                          | -  | -  | 6,548                     |
| Other comprehensive income                                   | -                           | -                              | -  | 448  | 448                       |
| <b>Total comprehensive income for the half-year</b>          | <b>-</b>                    | <b>6,548</b>                   | <b>-</b>                                   | <b>448</b>                                 | <b>6,996</b>              |
| <b>Transactions with owners in their capacity as owners</b>  |                             |                                |  |  |                           |
| Issue of share capital                                       | 1,364                       | -                              | -  | -  | 1,364                     |
| Dividends  | -                           | (3,498)                        | -  | -  | (3,498)                   |
| <b>At 31 December 2014</b>                                   | <b>146,779</b>              | <b>112,355</b>                 | <b>31,948</b>                              | <b>1,058</b>                               | <b>292,140</b>            |



# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

|  | <b>CONSOLIDATED</b>                    |                               |
|--|--|-------------------------------|
| NOTE   | <b>31 December<br/>2015<br/>\$'000</b> | 31 December<br>2014<br>\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |  |                               |
| Cash receipts from customers                                       | 402,004                                | 397,044                       |
| Cash payments to suppliers and employees                           | (360,758)                              | (355,059)                     |
| Interest received  | 22                                     | 91                            |
| Borrowing costs paid   | (3,601)                                | (3,725)                       |
| Income taxes paid  | (281)                                  | (1,740)                       |
| Net goods and services tax paid                                    | (10,530)                               | (11,747)                      |
| <b>Net cash provided by operating activities</b>                   | <b>26,856</b>                          | <b>24,864</b>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |  |                               |
| Proceeds from sale of non-current assets                           | 2,812                                  | 5,583                         |
| Acquisition of new business  | (6,724)                                | -                             |
| Payments for property plant & equipment                            | (8,918)                                | (4,533)                       |
| <b>Net cash (used in) investing activities</b>                     | <b>(12,830)</b>                        | <b>1,050</b>                  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |  |                               |
| Proceeds from share issue  | 561                                    | 587                           |
| Proceeds from borrowings   | 14,000                                 | 13,410                        |
| Repayments of borrowings   | (7,000)                                | (13,410)                      |
| Lease and hire purchase liability repayments                       | (17,493)                               | (27,741)                      |
| Dividends paid   | (1,418)                                | (2,718)                       |
| <b>Net cash used in financing activities</b>                       | <b>(11,350)</b>                        | <b>(29,872)</b>               |
| Net increase/(decrease) in cash held                               | 2,676                                  | (3,958)                       |
| Cash and cash equivalents at the beginning of the financial period | 7,326                                  | 23,533                        |
| Effects of exchange rate variances on cash                         | 94                                     | 107                           |
| Cash and cash equivalents at the end of the financial period       | 8 <b>10,096</b>                        | <b>19,682</b>                 |

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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### 1 CORPORATE INFORMATION

The financial report of K&S Corporation Limited for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of Directors on 23 February 2016.

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 2015 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 2015. 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 2015 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 2015. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

| Reference   | Title  | Summary   |
|-------------|--|---|
| AASB 2013-9 | <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> | <p>The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.</p> <p>Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.</p> <p>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.</p> <p>Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 <i>Hedge Accounting</i> into AASB 9 <i>Financial Instruments</i>.</p> |

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

| Reference  | Title  | Summary   |
|--|--|---|
| AASB 2014-1 Part A                                     | <i>Annual Improvements 2010–2012 Cycle</i>   | <p>AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011–2013 Cycle</i>.</p> <p>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:</p> <ul style="list-style-type: none"> <li>▶ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>▶ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.</li> <li>▶ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.</li> <li>▶ AASB 116 &amp; AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> <li>▶ AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 <i>Related Party Disclosures</i> for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</li> </ul> |
| AASB 2014-1 Part A                                     | <i>Annual Improvements 2011–2013 Cycle</i>   | <p>Annual Improvements to IFRSs 2011–2013 Cycle addresses the following items:</p> <ul style="list-style-type: none"> <li>▶ AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.</li> <li>▶ AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.</li> </ul>  |
| Amendments to Australian Accounting Standards - Part B | <i>Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)</i>                  | <p>AASB 2014-Part B makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service.</p> <p>The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.</p>  |
| Amendments to AASB 1053                                | <i>Transition to and between Tiers, and related Tier 2 Disclosure Requirements [AASB 1053]</i> | <p>The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to:</p> <ul style="list-style-type: none"> <li>• Clarify that AASB 1053 relates only to general purpose financial statements.</li> <li>• Make AASB 1053 consistent with the availability of the AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> option in AASB 1 <i>First-time Adoption of Australian Accounting Standards</i>.</li> <li>• Clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather than applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements.</li> </ul> <p>Specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.</p>   |

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

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## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 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 2015.

#### 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 2015 and 31 December 2014.

|  | Australian<br>Transport | Fuel          | New Zealand<br>Transport | Total           |
|--|-------------------------|---------------|--------------------------|-----------------|
|  | \$'000                  | \$'000        | \$'000                   | \$'000          |
| <b>Half-year ended 31 December 2015</b>                |                         |               |                          |                 |
| <b>Revenue</b>   |                         |               |                          |                 |
| Sales to external customers                            | 305,058                 | 32,211        | 17,790                   | 355,059         |
| Finance revenue  | 11                      | -             | 11                       | 22              |
| Inter-segment sales                                    | 206                     | 32,914        | -                        | 33,120          |
| <b>Total segment revenue</b>                           | <b>305,275</b>          | <b>65,125</b> | <b>17,801</b>            | <b>388,201</b>  |
| <b>Segment net operating profit / (loss) after tax</b> | <b>(90,274)</b>         | <b>929</b>    | <b>905</b>               | <b>(88,440)</b> |
| <b>Impairment charges</b>                              | <b>(96,525)</b>         | <b>(165)</b>  | <b>-</b>                 | <b>(96,690)</b> |

Inter-segment revenues of \$33,120,367 are eliminated on consolidation.

#### Half-year ended 31 December 2014

|  |                |               |               |                |
|--|----------------|---------------|---------------|----------------|
| <b>Revenue</b>   |                |               |               |                |
| 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         |
| <b>Total segment revenue</b>                           | <b>311,679</b> | <b>53,624</b> | <b>16,137</b> | <b>381,440</b> |
| <b>Segment net operating profit / (loss) after tax</b> | <b>5,361</b>   | <b>603</b>    | <b>584</b>    | <b>6,548</b>   |

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

# K&S CORPORATION LIMITED

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## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 3 OPERATING SEGMENTS (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2015 and 31 December 2014:

|                                    | Australian<br>Transport<br>\$'000 | Fuel<br>\$'000 | New Zealand<br>Transport<br>\$'000 | Total<br>\$'000 |
|------------------------------------|-----------------------------------|----------------|------------------------------------|-----------------|
| Segment assets at 31 December 2015 | 400,766                           | 22,938         | 38,887                             | 462,591         |
| Segment assets at 30 June 2015     | 483,522                           | 23,352         | 36,030                             | 542,904         |

|   | <b>31 December<br/>2015<br/>\$'000</b> | 31 December<br>2014<br>\$'000 |
|---|--|-------------------------------|
| <b>Reconciliation of profit</b>   |  |                               |
| Segment profit / (loss)   | <b>(89,614)</b>                        | 9,146                         |
| Income tax (expense) / benefit  | <b>1,174</b>                           | (2,598)                       |
| <b>Total net profit / (loss) before tax per<br/>Statement of Comprehensive Income</b> | <b>(88,440)</b>                        | 6,548                         |

|   | <b>31 December<br/>2015<br/>\$'000</b> | 30 June<br>2015<br>\$'000 |
|---|--|---------------------------|
| <b>Reconciliation of assets</b>                             |  |                           |
| Segment operating assets                                    | <b>462,591</b>                         | 542,904                   |
| Deferred tax asset  | <b>9,916</b>                           | 10,179                    |
| Inter-segment eliminations                                  | <b>(16,164)</b>                        | (16,824)                  |
| <b>Total assets per<br/>Statement of Financial Position</b> | <b>456,343</b>                         | 536,259                   |

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## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

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### 4 BUSINESS COMBINATIONS

On 2 November 2015, K&S Corporation Limited (K&S) acquired the business and assets of Aero Refuellers ("AR"). AR is an aviation fuel transport business based in regional NSW and VIC and has been integrated into the Australian Transport CGU. Goodwill of \$2,211,000 was recorded on acquisition, and has subsequently been written off following the as a part of review of the carrying value of both intangible and physical assets within the Australian Transport CGU.

| <b>Acquisition of AR</b>                                 | <b>\$'000</b> |
|--|---------------|
| <b>Assets</b>  |               |
| Property Plant & Equipment                               | 4,328         |
| Inventory  | 623           |
| Prepayments  | 59            |
| Deferred Tax Asset                                       | 34            |
| <b>Liabilities</b>                                       |               |
| Employee Entitlements                                    | (113)         |
| Deferred Tax Liability                                   | (18)          |
| Provisional Fair Value of Identifiable net assets        | <u>4,913</u>  |
| Goodwill on Acquisition                                  | 2,211         |
| Purchase Consideration Transferred                       | <u>7,124</u>  |
|  |               |
| Acquisition Date Fair Value of Consideration Transferred |               |
| Cash Payment   | 6,724         |
| Shares Issued at Fair Value                              | 400           |
| Direct Costs   | <u>7</u>      |
| Total Consideration                                      | <u>7,131</u>  |

Transaction costs of \$6,600 have been included in other expenses. Since the date of acquisition, AR has contributed \$4,835,224 of revenue and \$992,991 profit before tax from continuing operations to the group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been \$362,434,943 and loss before tax from continuing operations for the period would have been \$89,922,479.

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## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 5 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 2015.

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 2015, 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 2015.

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

|                       | December<br>2015<br>\$'000 | June<br>2015<br>\$'000 |
|-----------------------|----------------------------|------------------------|
| Australian Transport  | -                          | 75,413                 |
| Fuel                  | -                          | 165                    |
| New Zealand Transport | <b>6,202</b>               | 5,857                  |
|                       | <b>6,202</b>               | 81,435                 |

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<br>2015<br>% | June<br>2015<br>% | December<br>2015<br>% | June<br>2015<br>% |
| Australian Transport  | 14.14                 | 14.14             | 3.0                   | 3.0               |
| Fuel                  | 13.71                 | 13.71             | 3.0                   | 3.0               |
| New Zealand Transport | 13.38                 | 13.38             | 2.5                   | 2.5               |

| CONSOLIDATED                    |                 |               |                               |              |
|---------------------------------|-----------------|---------------|-------------------------------|--------------|
| <i>IT development<br/>costs</i> | <i>Goodwill</i> | <i>Brands</i> | <i>Customer<br/>contracts</i> | <i>Total</i> |
| \$'000                          | \$'000          | \$'000        | \$'000                        | \$'000       |

### INTANGIBLE ASSETS AND GOODWILL

#### Year ended 31 December 2015

|  |              |              |              |              |               |
|--|--------------|--------------|--------------|--------------|---------------|
| At 1 July 2015<br>net of accumulated amortisation and impairment       | 1,372        | 81,435       | 6,209        | 2,072        | 91,088        |
| Acquisition  | -            | 2,211        | -            | -            | 2,211         |
| Amortisation / Impairment  | (299)        | (77,790)     | -            | (129)        | (78,218)      |
| Exchange adjustment  | -            | 346          | -            | -            | 346           |
| At 31 December 2015,<br>net of accumulated amortisation and impairment | <b>1,073</b> | <b>6,202</b> | <b>6,209</b> | <b>1,943</b> | <b>15,427</b> |

#### At 31 December 2015

|   |              |              |              |              |               |
|---|--------------|--------------|--------------|--------------|---------------|
| Cost (gross carrying amount)            | 4,190        | 81,435       | 6,209        | 2,418        | 94,252        |
| Accumulated amortisation and impairment | (3,117)      | (75,233)     | -            | (475)        | (78,825)      |
| Net carrying amount                     | <b>1,073</b> | <b>6,202</b> | <b>6,209</b> | <b>1,943</b> | <b>15,427</b> |

# K&S CORPORATION LIMITED

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## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

|   | CONSOLIDATED                |                 |               |                           |               |
|---|-----------------------------|-----------------|---------------|---------------------------|---------------|
|   | <i>IT development costs</i> | <i>Goodwill</i> | <i>Brands</i> | <i>Customer contracts</i> | <i>Total</i>  |
|   | <i>\$'000</i>               | <i>\$'000</i>   | <i>\$'000</i> | <i>\$'000</i>             | <i>\$'000</i> |
| <b>INTANGIBLE ASSETS AND GOODWILL</b>                                 |                             |                 |               |                           |               |
| <b>Year ended 30 June 2015</b>  |                             |                 |               |                           |               |
| At 31 December 2014<br>net of accumulated amortisation and impairment | 1,675                       | 81,902          | 6,209         | 2,198                     | 91,984        |
| Adjustments   | -                           | -               | -             | -                         | -             |
| Amortisation / Impairment   | (303)                       | -               | -             | (126)                     | (429)         |
| Exchange adjustment   | -                           | (467)           | -             | -                         | (467)         |
| At 30 June 2015,<br>net of accumulated amortisation and impairment    | 1,372                       | 81,435          | 6,209         | 2,072                     | 91,088        |
| <b>At 30 June 2015</b>  |                             |                 |               |                           |               |
| Cost (gross carrying amount)  | 4,190                       | 81,435          | 6,209         | 2,418                     | 94,252        |
| Accumulated amortisation and impairment                               | (2,818)                     | -               | -             | (346)                     | (3,164)       |
| Net carrying amount   | 1,372                       | 81,435          | 6,209         | 2,072                     | 91,088        |

### *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.

The recoverable amount of the Australian Transport CGU, \$294,594,000 as at 31 December 2015, has been determined based on value in use calculation using cashflow projections over a five year period. The cashflow projections have been updated to reflect decreased margin and demand for services. It was concluded that the fair value did exceed the value in use. As a result of this analysis, management has recognised an impairment charge of \$77,790,000 in the current year against goodwill. The impairment charge is recorded within administrative expenses in the statement of comprehensive income.

### *i) Sensitivity to changes in assumptions*

For the Australian Transport CGU, the estimated recoverable amount is equal to its carrying value. Consequently any adverse change in a key assumption discussed above could result in further impairment loss.

The recoverable amount of the New Zealand Transport CGU currently exceeds its carrying value by \$13.3m. 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 5.02% 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 4.49% 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 41.36% would result in a reduction of the recoverable amount to below the carrying value.



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## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 6 REVENUE AND EXPENSES

|  | CONSOLIDATED   |                |
|--|----------------|----------------|
|  | 2015           | 2014           |
|  | \$'000         | \$'000         |
| <b>(a) Revenue</b>                                       |                |                |
| - Rendering of services                                  | 318,600        | 327,525        |
| - Sale of goods  | 36,459         | 32,423         |
| - Finance revenue  | 22             | 90             |
| <b>Total revenue</b>                                     | <b>355,081</b> | <b>360,038</b> |
| <b>(b) Other income</b>                                  |                |                |
| - Net gains on disposal of property, plant and equipment | 858            | 585            |
| - Other  | 1,239          | 1,393          |
| <b>Total other income</b>                                | <b>2,097</b>   | <b>1,978</b>   |
| <b>(c) Finance costs</b>                                 |                |                |
| - Bank loans and overdrafts                              | 879            | 791            |
| - Finance charges on hire purchase contracts             | 2,722          | 2,934          |
| <b>Total finance costs</b>                               | <b>3,601</b>   | <b>3,725</b>   |
| <b>(d) Depreciation and amortisation expense</b>         |                |                |
| Depreciation   |                |                |
| - Buildings  | 1,129          | 1,154          |
| - Motor vehicles   | 15,520         | 15,286         |
| - Plant and equipment                                    | 2,275          | 1,936          |
| Amortisation   |                |                |
| - IT development costs                                   | 298            | 300            |
| - Customer contracts                                     | 129            | 129            |
| <b>Total depreciation and amortisation expense</b>       | <b>19,351</b>  | <b>18,805</b>  |
| <b>(e) Employee expenses</b>                             |                |                |
| - Wages and salaries                                     | 90,693         | 89,404         |
| - Workers' compensation costs                            | 4,079          | 1,860          |
| - Long service leave provision                           | 1,211          | 1,095          |
| - Annual leave provision                                 | 5,752          | 5,761          |
| - Payroll tax  | 5,124          | 5,127          |
| - Defined contribution plan expense                      | 6,584          | 6,511          |
| - Directors retirement scheme expense                    | 17             | 5              |
| <b>Total employee expenses</b>                           | <b>113,460</b> | <b>109,763</b> |

# K&S CORPORATION LIMITED

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## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 7 INCOME TAX

The major components of income tax expense are:

#### Statement of Comprehensive Income

##### Current income tax

|  |       |       |
|--|-------|-------|
| - Current income tax charge                                      | 1,288 | 4,416 |
| - Adjustments in respect of current income tax on previous years | (72)  | (146) |

##### Deferred income tax

|  |         |       |
|--|---------|-------|
| - De-recognition of Deferred Tax Asset arising from write down Land and Buildings  | 2,463   | -     |
| - Relating to origination and reversal of income tax expense reported in the Statement of Comprehensive Income temporary differences | (4,853) | 1,220 |

#### Income tax expense / (benefit) reported in the Statement of Comprehensive Income

#### CONSOLIDATED

| 31 Dec 2015 | 30 June 2015 |
|-------------|--------------|
| \$'000      | \$'000       |

### 8 CASH AND CASH EQUIVALENTS

For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:

|                          |               |              |
|--------------------------|---------------|--------------|
| Cash                     | 59            | 52           |
| Cash deposits with banks | 10,037        | 7,274        |
|                          | <b>10,096</b> | <b>7,326</b> |

#### CONSOLIDATED

| 31 Dec 2015 | 30 June 2015 |
|-------------|--------------|
| \$'000      | \$'000       |

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

### 9 DIVIDENDS PAID AND PROPOSED

*Declared and paid during the period:*

Dividends on ordinary shares

|  |       |       |
|--|-------|-------|
| Final franked dividend for the financial year ended 30 June 2015: 3.5 cents<br>(2014: 3.0 cents) | 4,131 | 3,498 |
|--|-------|-------|

*Proposed (not recognised as a liability as at 31 December):*

Dividends on ordinary shares

|  |              |              |
|--|--------------|--------------|
| Interim franked dividend for the half year ending 31 December 2015:<br>1.5 cents (2014: 3.5 cents) | 1,806        | 4,096        |
|  | <b>5,937</b> | <b>7,594</b> |

#### CONSOLIDATED

| 2015   | 2014   |
|--------|--------|
| \$'000 | \$'000 |

# K&S CORPORATION LIMITED

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## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### *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 22 March 2016.

## 10 CONTRIBUTED EQUITY

|                                  | CONSOLIDATED |              |
|----------------------------------|--------------|--------------|
|                                  | 31 Dec 2015  | 30 June 2015 |
|                                  | \$'000       | \$'000       |
| Issued and paid-up share capital | 151,325      | 147,674      |

### *(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  |
|---|-----------|---------|
| <b><i>Movements in ordinary shares on issue</i></b> |           |         |
| At 1 July 2015                                      | 117,617   | 147,674 |
| Issued through Employee Share Plan                  | 430       | 537     |
| - 429,900 ordinary shares at \$1.25 per share       |           |         |
| Issued through Dividend Reinvestment Plan           | 2,070     | 2,714   |
| - 2,070,245 ordinary shares at \$1.31 per share     |           |         |
| Issued through Aero Refuellers Purchase –           | 301       | 400     |
| 300,979 Ordinary shares at \$1.33 per share         |           |         |
| At 31 December 2015                                 | 120,418   | 151,325 |

## 11 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 2015, the Group has capital commitments of \$16,660,500 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.

## 12 EVENTS SUBSEQUENT TO BALANCE DATE

On 23 February 2016, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is \$1,806,266 which represents a fully franked dividend of 1.5 cents per share. The dividend has not been provided for in the 31 December 2015 financial statements and is payable on 4 April 2016.

The Dividend Reinvestment Plan (DRP) will apply to the 4 April 2016 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 21 March 2016 (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.

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### 13 PROPERTY, PLANT AND EQUIPMENT

#### Acquisition and disposal

During the half-year ended 31 December 2015, the Group acquired assets, with a cost of \$39,430,000 (2014: \$25,736,000).

Assets with a net book value of \$1,957,000 were disposed of by the Group during the half-year ended 31 December 2015 (2014: \$5,186,000), resulting in a gain on disposal of \$858,000 (2014: \$585,000).

|  | CONSOLIDATED                           |                           |                                  |              |
|--|--|---------------------------|----------------------------------|--------------|
|  | <i>Freehold Land<br/>and Buildings</i> | <i>Motor<br/>Vehicles</i> | <i>Plant &amp;<br/>Equipment</i> | <i>Total</i> |
|  | \$'000                                 | \$'000                    | \$'000                           | \$'000       |
| Reconciliation of carrying amounts at the beginning and end of the period: |  |                           |                                  |              |
| <b>Year ended 31 December 2015</b>   |  |                           |                                  |              |
| As at 1 July 2015 net of accumulated depreciation and impairment           | 116,150                                | 195,201                   | 15,491                           | 326,842      |
| Additions  | 30                                     | 34,086                    | 5,314                            | 39,430       |
| Disposals  | -                                      | (1,954)                   | (3)                              | (1,957)      |
| Depreciation charge for the year   | (1,129)                                | (15,520)                  | (2,275)                          | (18,924)     |
| Impairment   | (8,212)                                | (8,688)                   | -                                | (16,900)     |
| Exchange adjustment  | -                                      | 1,386                     | (977)                            | 409          |
| At 31 December 2015 net of accumulated depreciation and impairment         | 106,839                                | 204,511                   | 17,550                           | 328,900      |
| <b>At 31 December 2015</b>   |  |                           |                                  |              |
| Cost of fair value   | 125,217                                | 430,730                   | 62,625                           | 618,572      |
| Accumulated depreciation   | (10,166)                               | (217,531)                 | (45,075)                         | (272,772)    |
| Impairment   | (8,212)                                | (8,688)                   | -                                | (16,900)     |
| Net carrying amount  | 106,839                                | 204,511                   | 17,550                           | 328,900      |

In December 2015 intangibles with the Australian Transport CGU were impaired as a result of standard annual impairment testing (Note 5). A review of physical asset values was also undertaken resulting in write downs of Land and Building and Property, which were impaired to the amount of \$16,900,000. The value of write downs was determined by an analysis of current carrying values and best use scenarios. This was recognised in the statement of comprehensive income.

### 14 INTEREST-BEARING LOANS AND BORROWINGS

During the half-year, the economic entity acquired property, plant and equipment with an aggregate fair value of \$26,024,000 by means of finance lease or hire purchase arrangements (2014: \$21,192,000).

#### Stand by letters of credit

During the half-year ended 31 December 2015, the Group had the following amended guarantees:

- Bank guarantee of \$14,077,000 (June 2015: \$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.
- Bank guarantees provided by the Commonwealth Bank of Australia to suppliers at 30 June 2015 are no longer in place.
- Bank guarantees provided by Westpac Banking Corporation to suppliers reduced to \$206,000 (June 2015: \$1,338,250).

#### Fair value disclosures

The carrying amount of the Group's current and non-current borrowings is \$121,712,000, the fair value of these is \$158,722,000.

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

### 15 INVESTMENT IN ASSOCIATES

#### a) Investment details

|                         | Interest owned |         | Investment carrying amount consolidated |         |
|-------------------------|----------------|---------|---|---------|
|                         | 31 December    | 30 June | 31 December                             | 30 June |
|                         | 2015           | 2015    | 2015                                    | 2015    |
|                         | %              | %       | %                                       | %       |
| Smart Logistics Pty Ltd | 50             | 50      | 321                                     | 413     |
|                         |                |         | 321                                     | 413     |
|                         |                |         | 321                                     | 413     |

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

|                                | CONSOLIDATED |         |
|--------------------------------|--------------|---------|
|                                | 31 December  | 30 June |
|                                | 2015         | 2015    |
|                                | \$'000       | \$'000  |
| <b>Smart Logistics Pty Ltd</b> |              |         |
| At 1 July                      | 413          | 303     |
| Dividend Paid                  | (150)        | -       |
| Share of profit after tax      | 58           | 110     |
| At 31 December                 | 321          | 413     |
|                                | 321          | 413     |

### 16 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions entered into with related parties during the six months ended as well as balances as at 31 December 2015.

|  | Purchases          | Sales          |
|--|--------------------|----------------|
| Scott's Transport Industries Pty Ltd                       | 785,556            | 150,439        |
| The Border Watch Pty Ltd                                   | 9,644              | -              |
| Ascot Haulage (NT) Pty Ltd                                 | 5,938              | -              |
| Johnson, Winter and Slattery                               | 17,710             | -              |
| Transpacific Industries Limited                            | 27,909             | -              |
| 128 Bedford St Pty Ltd                                     | 103,884            | -              |
| AA Scott Pty Ltd   | 136,666            | -              |
|  |                    |                |
| <b>Current receivables (included within Trade Debtors)</b> | <b>Receivables</b> | <b>Payable</b> |
| Scott's Transport Industries Pty Ltd                       | 106,839            | -              |
|  |                    |                |
| <b>Current Payables (included within trade payables)</b>   |                    |                |
| Transpacific Industries Limited                            | -                  | 33             |

# 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 2015 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, 23 February 2016**

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 2015, 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 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 2015 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.

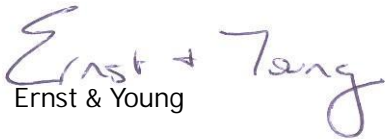
### Independence

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 2015 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  
23 February 2016

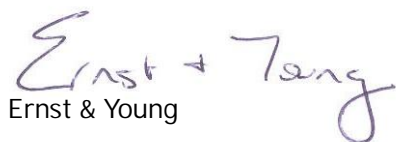


## Auditor's Independence Declaration to the Directors of K&S Corporation Limited

As lead auditor for the review of K&S Corporation Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of K&S Corporation Limited and the entities it controlled during the financial period.



Ernst & Young



Mark Phelps  
Partner  
23 February 2016