

The logo for K&S Corporation Limited features the company name in white, uppercase letters inside a red, stylized arrow shape pointing to the right. The arrow has a central diamond-shaped cutout.

**K&S CORPORATION LIMITED**

# Interim Financial Report as at 31 December 2020

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# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Directors' Report

Your Directors submit their report for the half-year ended 31 December 2020.

### 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)

**Paul Sarant** (Managing Director)

**Lekh Winsler** (Non-executive Director)

**Graham Walters AM** (Non-executive Director)

**Sallie Emmett** (Non-executive Director)

### CONSOLIDATED RESULTS

<b>Financial Overview</b>		<b>6 month period to Dec 2020</b>	<b>6 month period to Dec 2019</b>	<b>% Movement</b>
Operating Revenue	\$'000	<b>341,750</b>	422,606	<b>(19.1)</b>
Statutory profit after tax	\$'000	<b>17,205</b>	2,899	<b>493.5</b>
Statutory profit before tax	\$'000	<b>24,548</b>	4,178	<b>487.6</b>
Earnings before interest and tax (EBIT)	\$'000	<b>26,563</b>	7,971	<b>233.3</b>
Earnings before interest, tax and depreciation (EBITDA)	\$'000	<b>51,920</b>	36,173	<b>43.5</b>
Less JobKeeper income	\$'000	<b>(16,235)</b>	-	<b>100.0</b>
Less bad debts recovered	\$'000	<b>(199)</b>	-	<b>100.0</b>
Less other significant items	\$'000	<b>1,156</b>	1,432	<b>(19.3)</b>
Underlying profit before interest, tax & depreciation <sup>1</sup>	\$'000	<b>36,642</b>	37,605	<b>(2.6)</b>
Underlying profit before interest & tax <sup>1</sup>	\$'000	<b>11,285</b>	9,403	<b>20.0</b>
Underlying profit before tax <sup>1</sup>	\$'000	<b>9,271</b>	5,610	<b>65.3</b>
Underlying operating profit after tax <sup>1</sup>	\$'000	<b>6,498</b>	3,901	<b>66.6</b>
Total assets	\$'000	<b>536,839</b>	576,563	<b>(6.9)</b>
Net borrowings excluding lease liabilities	\$'000	<b>46,842</b>	116,561	<b>(59.8)</b>
Shareholders' funds	\$'000	<b>268,803</b>	243,406	<b>10.4</b>
Finance costs	\$'000	<b>2,015</b>	3,793	<b>(46.9)</b>
Depreciation	\$'000	<b>25,357</b>	28,202	<b>(10.1)</b>
Dividend per share	cents	<b>3.0</b>	2.0	<b>50.0</b>
Net tangible assets per share	\$	<b>1.9</b>	1.6	<b>15.9</b>
Operating cash flow	\$'000	<b>40,479</b>	27,016	<b>49.8</b>
Return on shareholders' funds	%	<b>6.4</b>	1.2	<b>437.4</b>
Gearing ratio (excluding lease liabilities)	%	<b>14.8</b>	37.7	<b>(60.6)</b>
Employee numbers		<b>2,052</b>	2,398	<b>(14.4)</b>
Lost time injuries		<b>12</b>	21	<b>(42.9)</b>
Lost time injuries frequency rate		<b>5.9</b>	8.4	<b>(29.8)</b>

<sup>1</sup> Underlying profits are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial 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 better to understand the financial performance of the underlying business in each reporting period. The adjustments in the current period relate to the receipt of \$16.2 million of JobKeeper subsidies, as well as a \$0.2 million bad debt recovery from a prior period and \$1.2 million in restructuring and wage top up costs. The adjustments in the prior comparable period related to the sale of Regal General Freight. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the Group. The non-IFRS information has not been subject to review by the auditor.

# K&S CORPORATION LIMITED

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## Directors' Report continued

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### REVIEW AND RESULTS OF OPERATIONS

Operating revenue for the period was \$341.8 million, 19.1% lower than the prior corresponding period. The Group recorded a statutory profit before tax of \$24.5 million for the half-year ended 31 December 2020, 487.6% higher than the prior corresponding period. Statutory profit after tax was \$17.2 million, up 493.5% on the previous year first half statutory profit after tax of \$2.9 million.

Included in the Group's statutory result for the current period was \$16.2 million (before tax) attributable to JobKeeper subsidies received up until October 2020. The JobKeeper subsidies assisted the Group to maintain its existing workforce. The statutory result also included \$0.2 million of bad debt recovery from a prior period and \$1.2 million in restructuring and wage top up costs which were treated as significant items.

Excluding the abovementioned significant items, the underlying profit before tax of \$9.3 million was 65.3% higher than the prior corresponding period. The underlying profit after tax of \$6.5 million was 66.6% higher than the prior corresponding period. The underlying profit benefited from a number of operational improvements, cost savings measures and procurement initiatives as well as a \$2.8 million reduction in depreciation expenses realised through an alignment in the estimated residual values of the motor vehicle assets to be consistent with their financial lifecycle. In line with the accounting requirements, the change in the estimated residual values has been accounted for prospectively and the full year impact of this change to depreciation expense is expected to be in the range of \$5 million - \$6 million.

Operating cashflow for the current period was \$40.5 million, \$13.5 million higher than the prior corresponding period.

#### Australian Transport

Steel volumes from our major customers remained strong, increasing compared to the prior half year. Performance of the contract logistics business was sound. Activity in our Western Australia based heavy haulage business has been strong, underpinned by the mining sector which continues to be relatively unaffected by COVID-19.

Our specialised aviation refuelling business, Aero Refuellers, has experienced the full impact of COVID-19 with minimal activity, as well as low fire season activity. Collectively these have resulted in a material activity decline in the first half of FY2021.

Cost reduction strategies have continued to be implemented across the business, in particular, operational efficiencies, supplier re-negotiations, and the rationalisation and replacement of specific fleet. Ongoing cost reduction initiatives have continued to have a positive impact on the result for the first half of FY2021.

#### Fuels

The fuel trading business, K&S Fuels, experienced softening in volume as a consequence of the impact of COVID-19 on the fuel retailing and wholesaling markets.

#### New Zealand

The New Zealand operation had a very strong performance underpinned by the strength of the domestic economy.

#### Balance sheet and Funding

The Group maintains a strong focus on the balance sheet through careful management of its capital expenditure program. This combined with a significant repayment of debt facilities, being \$24.9 million repaid in the current period compared to \$27.5 million in the prior period, improved the overall gearing ratio from 21.4% (30 June 2020) to 14.8%, excluding the impact of the lease accounting standard.

#### Safety

Safety remains a key priority for K&S. Our lost time injury frequency rate is 5.9.

Our lost time injury frequency rate in New Zealand has also decreased slightly to 2.1.

#### Interim Dividend

A fully franked interim dividend of 3.0 cents per share (2019: 2.0 cents per share) has been declared by the Directors. The interim dividend will be paid on the 1<sup>st</sup> April 2021, with the date for determining entitlements being the 22<sup>nd</sup> March 2021.

The Directors remain cognisant of the fact that whilst the statutory earnings for the first half include a significant contribution from government wage subsidies, the Group's underlying earnings have continued to strengthen. The interim dividend was determined with reference to the underlying net profit after tax, as opposed to the statutory profit after tax, and specifically excludes any impact of government wage subsidies from the dividend calculation.

The operation of the Dividend Reinvestment Plan ('DRP') remains suspended and the DRP will not apply to the interim dividend.

# K&S CORPORATION LIMITED

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## Directors' Report continued

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### Outlook

Providing specific earnings guidance for the second half remains difficult, particularly having regard to the uncertainties created by COVID-19. We believe the business is well positioned for growth as economic conditions improve. It is not possible to predict with any certainty the extent or duration of COVID-19 related impacts on the Australian and New Zealand economies or upon the Group itself.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been nil significant changes in the state of affairs of the economic entity during the half-year under review.

### EVENTS SUBSEQUENT TO BALANCE DATE

On 23<sup>rd</sup> February 2021, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is \$3,863,563 which represents a fully franked dividend of 3.0 cents per share. The dividend has not been provided for in the 31 December 2020 financial statements and is payable on 1<sup>st</sup> April 2021.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

### ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

### AUDITOR INDEPENDENCE

The entity's auditor, Ernst & Young has provided the Group with an Auditors' Independence Declaration which is on page 18 of this report.

Dated at Melbourne this 24<sup>th</sup> day of February 2021.

Signed in accordance with a resolution of the Directors.



**Tony Johnson**

Chairman



**Paul Sarant**

Managing Director and CEO

# K&S CORPORATION LIMITED

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## Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

		CONSOLIDATED	
		31 December 2020	31 December 2019
	NOTE	\$'000	\$'000
<b>Revenue and other income</b>			
Operating revenue	4	341,750	422,606
Other income		19,558	2,952
		<b>361,308</b>	<b>425,558</b>
<b>Expenses</b>			
Changes in inventories of fuel		(311)	1,200
Consumption of fuel held for sale		(40,161)	(64,822)
Contractor expenses		(84,691)	(99,402)
Employee expenses		(111,679)	(134,513)
Fleet expenses		(58,434)	(77,711)
Depreciation expense		(25,357)	(28,202)
Finance costs		(2,015)	(3,793)
Other expenses		(14,112)	(14,161)
		<b>(336,760)</b>	<b>(421,404)</b>
Share of profits of associates		-	24
<b>Profit before income tax</b>		<b>24,548</b>	<b>4,178</b>
Income tax expense		(7,343)	(1,279)
<b>Profit after income tax</b>		<b>17,205</b>	<b>2,899</b>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		95	176
<b>Other comprehensive income for the period, net of tax</b>		<b>95</b>	<b>176</b>
<b>Total comprehensive income for the period</b>		<b>17,300</b>	<b>3,075</b>
<b>Earnings per share (cents per share)</b>			
Basic for profit for the period attributable to ordinary equity holders of the parent		13.4	2.3
Diluted for profit for the period attributable to ordinary equity holders of the parent		13.4	2.3
<b>Dividends per share (cents per share)</b>	<b>9</b>	<b>3.0</b>	<b>2.0</b>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# K&S CORPORATION LIMITED

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## Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2020

		CONSOLIDATED	
	NOTE	31 Dec 2020 \$'000	30 June 2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		15,328	17,237
Trade and other receivables		90,593	102,116
Inventories		5,338	5,649
Assets held for sale		3,178	2,896
Prepayments		10,780	9,539
<b>Total current assets</b>		<b>125,217</b>	<b>137,437</b>
<b>Non-current assets</b>			
Other receivables		4,316	4,406
Property, plant & equipment		364,763	376,514
Intangibles		6,203	6,181
Right of use assets		23,752	25,708
Deferred tax assets		12,588	13,098
<b>Total non-current assets</b>		<b>411,622</b>	<b>425,907</b>
<b>TOTAL ASSETS</b>		<b>536,839</b>	<b>563,344</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		79,473	96,313
Lease liabilities		7,699	7,691
Income tax payable		5,534	2,079
Provisions		28,947	29,345
<b>Total current liabilities</b>		<b>121,653</b>	<b>135,428</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	7	62,170	86,845
Lease liabilities		17,102	18,915
Deferred tax liabilities		45,610	45,964
Provisions		21,501	20,825
<b>Total non-current liabilities</b>		<b>146,383</b>	<b>172,549</b>
<b>TOTAL LIABILITIES</b>		<b>268,036</b>	<b>307,977</b>
<b>NET ASSETS</b>		<b>268,803</b>	<b>255,367</b>
<b>EQUITY</b>			
Contributed equity	8	164,613	164,613
Reserves		63,277	63,182
Retained earnings		40,913	27,572
<b>TOTAL EQUITY</b>		<b>268,803</b>	<b>255,367</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# K&S CORPORATION LIMITED

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## Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	Issued Capital \$'000	Retained Earnings \$'000	Asset Revaluation Reserves \$'000	Forex Translation Reserves \$'000	Common Control Reserves \$'000	Total Equity \$'000
<b>CONSOLIDATED</b>							
<b>As at 1 July 2020</b>		164,613	27,572	62,663	832	(313)	255,367
Profit for the half-year		-	17,205	-	-	-	17,205
Other comprehensive income		-	-	-	95	-	95
<b>Total comprehensive income for the half year</b>		-	17,205	-	95	-	17,300
<b>Transactions with owners in their capacity as owners:</b>							
Dividend Paid	9	-	(3,864)	-	-	-	(3,864)
<b>At 31 December 2020</b>		164,613	40,913	62,663	927	(313)	268,803
<b>As at 1 July 2019</b>							
Profit for the half-year		-	2,899	-	-	-	2,899
Other comprehensive income		-	-	-	176	-	176
<b>Total comprehensive income for the half</b>		-	2,899	-	176	-	3,075
<b>Transactions with owners in their capacity as owners:</b>							
Dividend Paid	9	-	-	-	-	-	-
<b>At 31 December 2019</b>		162,408	21,779	57,997	1,535	(313)	243,406

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# K&S CORPORATION LIMITED

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## Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	31 December 2020 \$'000	CONSOLIDATED 31 December 2019 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	390,382	495,386
Cash payments to suppliers and employees	(367,737)	(461,926)
Government wage subsidies received	23,208	-
Lease payments (interest component)	(338)	(423)
Interest received	1	8
Borrowing costs paid	(1,294)	(3,406)
Income taxes paid	(3,743)	(2,623)
<b>Net cash provided by operating activities</b>	<b>40,479</b>	<b>27,016</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of non-current assets	12,190	4,031
Dividends received from Associates	-	100
Payments for property, plant & equipment	(21,527)	(8,022)
<b>Net cash used in investing activities</b>	<b>(9,337)</b>	<b>(3,891)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings	(24,867)	(6,000)
Hire purchase liability repayments	-	(21,465)
Lease payments (principal component)	(4,332)	(4,610)
Dividends paid	(3,864)	-
<b>Net cash used in financing activities</b>	<b>(33,063)</b>	<b>(32,075)</b>
<b>Net decrease in cash held</b>	<b>(1,921)</b>	<b>(8,950)</b>
Cash at the beginning of the financial year	17,237	16,564
Effects of exchange rate variances on cash	12	92
<b>Cash at the end of the financial year</b>	<b>15,328</b>	<b>7,706</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Notes to the Financial Statements

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### FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

#### 1 CORPORATE INFORMATION

The interim financial report of K&S Corporation Limited ("the Company") and its subsidiaries ("The Group") for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of Directors on 23<sup>rd</sup> February 2021.

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

##### a) Basis of preparation

The interim financial report for the half-year ended 31 December 2020 has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim financial report does not include all the information and disclosures required in the annual financial report and should be read in conjunction with the Annual Report of K&S Corporation Limited as at 30 June 2020. It is also recommended that the interim 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 2020 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated financial statements have been prepared on a going concern basis.

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.

##### b) Compliance with IFRS

The financial report complies with the International Financial Reporting Standard IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board.

##### c) New Accounting Standards and Interpretations

There are no new or amended standards applicable for the first time for the December 2020 half-year report that affect the Group's accounting policies or any of the amounts recognised in the financial statements.

# K&S CORPORATION LIMITED

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## Notes to the Financial Statements continued

### 3 OPERATING SEGMENTS

#### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Management in assessing performance and in determining the allocation of resources.

The Executive Management determined that the Group has three operating segments.

The Group's internal management reporting systems and business model, which monitors resource allocation and working capital fall under the following three segments:

- **Australian Transport** - The provision of logistics services to customers within Australia.
- **Fuels** - The distribution of fuel to fishing, farming and retail customers within the South East of South Australia.
- **New Zealand Transport** - The provision of logistics services to customers within New Zealand.

#### Accounting policies and inter-segment transactions

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

##### *Inter-entity sales*

Inter-entity sales are recognised based on an internally set transfer price. The price is set periodically and aims to reflect what the business operations could achieve if they sold their output and services to external parties at arm's length.

##### *Corporate charges*

Corporate charges are allocated to each operating segment on a proportionate basis linked to segment revenue so as to determine a segmental result.

The entity has one customer which contributes greater than 10% of total revenue (\$49.5m) and falls within the Australian Transport Segment.

	Australian Transport \$'000	Fuel \$'000	New Zealand Transport \$'000	Total \$'000
<b>Half-year ended 31 Dec 2020</b>				
<b>Revenue</b>				
External customers	268,486	43,251	30,013	341,750
Finance revenue	-	-	1	1
Inter-segment sales	-	24,891	-	24,891
<b>Total segment revenue</b>	<b>268,486</b>	<b>68,142</b>	<b>30,014</b>	<b>366,642</b>
<b>Results</b>				
Depreciation and amortisation expense	21,440	-	3,917	25,357
Finance costs	1,805	-	210	2,015
<b>Segment Profit after Tax</b>	<b>13,330</b>	<b>1,455</b>	<b>2,420</b>	<b>17,205</b>
<b>Operating assets</b>	<b>467,193</b>	<b>28,450</b>	<b>46,783</b>	<b>542,426</b>
<b>Operating liabilities</b>	<b>208,829</b>	<b>9,350</b>	<b>16,888</b>	<b>235,067</b>
<b>Other disclosures</b>				
Capital expenditure	(16,809)	-	(3,453)	(20,262)

Inter-segment revenues of \$24.9 million are eliminated on consolidation

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## Notes to the Financial Statements continued

### 3 OPERATING SEGMENTS (continued)

Half-year ended 31 Dec 2019	Australian Transport \$'000	Fuel \$'000	New Zealand Transport \$'000	Total \$'000
<b>Revenue</b>				
External customers	345,580	47,693	29,333	422,606
Finance revenue	5	-	3	8
Inter-segment sales	753	33,392	-	34,145
<b>Total segment revenue</b>	<b>346,338</b>	<b>81,085</b>	<b>29,336</b>	<b>456,759</b>
<b>Results</b>				
Depreciation and amortisation expense	24,187	-	4,015	28,202
Finance costs	3,426	-	367	3,793
Share of profits of associates	24	-	-	24
<b>Segment Profit after Tax</b>	<b>386</b>	<b>1,279</b>	<b>1,234</b>	<b>2,899</b>
<b>Operating assets</b>	<b>505,454</b>	<b>40,704</b>	<b>43,185</b>	<b>589,343</b>
<b>Operating liabilities</b>	<b>290,244</b>	<b>14,631</b>	<b>11,996</b>	<b>316,871</b>
<b>Other disclosures</b>				
Investments in associate	345	-	-	345
Capital expenditure*	(12,081)	-	(507)	(12,588)

Inter-segment revenues of \$34.1 million are eliminated on consolidation.

\* Capital expenditure includes assets acquired through hire-purchase arrangements.

#### i) Segment assets reconciliation to the consolidated statement of financial position

Segment assets are those operating assets of the entity that the executive views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory and intangibles.

Reconciliation of segment operating assets to total assets:

	31 December 2020 \$'000	CONSOLIDATED 31 December 2019 \$'000
<b>Reconciliation of assets</b>		
Segment operating assets	542,426	589,343
Inter-segment eliminations	(18,175)	(25,304)
Deferred tax asset	12,588	12,010
Income tax receivable	-	514
<b>Total assets per Statement of Financial Position</b>	<b>536,839</b>	<b>576,563</b>

The analysis of location of non-current assets excluding deferred tax assets are as follows:

Australia	363,836	396,470
New Zealand	35,198	32,975
Total non-current assets per the Consolidated Statement of Financial Position	<b>399,034</b>	<b>429,445</b>

#### Reconciliation of liabilities

Segment operating liabilities	235,067	316,871
Inter-segment eliminations	(18,175)	(25,304)
Deferred tax liabilities	45,610	41,590
Income tax payable	5,534	-
<b>Total liabilities per Statement of Financial Position</b>	<b>268,036</b>	<b>333,157</b>

# K&S CORPORATION LIMITED

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## Notes to the Financial Statements continued

### 4 REVENUE FROM CONTRACTS

For the half year ended 31 December 2020

Segments	Australian Transport \$'000	New Zealand Transport \$'000	Fuels \$'000	Total \$'000
<b>Type of service</b>				
Transport Services	263,041	30,013	-	293,054
Sale of Fuel (including agency commissions)	5,445	-	43,251	48,696
<b>Total revenue from contracts with customers</b>	<b>268,486</b>	<b>30,013</b>	<b>43,251</b>	<b>341,750</b>
<b>Geographical markets</b>				
Australia	268,486	-	43,251	311,737
New Zealand	-	30,013	-	30,013
	<b>268,486</b>	<b>30,013</b>	<b>43,251</b>	<b>341,750</b>
<b>Total revenue from contracts with customers</b>				
<b>Timing of revenue recognition</b>				
Services transferred over time	268,486	30,013	-	298,499
Goods transferred at a point in time	-	-	43,251	43,251
<b>Total revenue from contracts with customers</b>	<b>268,486</b>	<b>30,013</b>	<b>43,251</b>	<b>341,750</b>

For the half year ended 31 December 2019

Segments	Australian Transport \$'000	New Zealand Transport \$'000	Fuels \$'000	Total \$'000
<b>Type of service</b>				
Transport Services	317,889	29,333	-	347,222
Sale of Fuel (including agency commissions)	27,691	-	47,693	75,384
<b>Total revenue from contracts with customers</b>	<b>345,580</b>	<b>29,333</b>	<b>47,693</b>	<b>422,606</b>
<b>Geographical markets</b>				
Australia	345,580	-	47,693	393,273
New Zealand	-	29,333	-	29,333
	<b>345,580</b>	<b>29,333</b>	<b>47,693</b>	<b>422,606</b>
<b>Total revenue from contracts with customers</b>				
<b>Timing of revenue recognition</b>				
Services transferred over time	345,580	29,333	-	374,913
Goods transferred at a point in time	-	-	47,693	47,693
<b>Total revenue from contracts with customers</b>	<b>345,580</b>	<b>29,333</b>	<b>47,693</b>	<b>422,606</b>

### 5 INDIVIDUALLY SIGNIFICANT ITEMS

	31 December 2020 \$'000	31 December 2019 \$'000
Government wage subsidies received	16,235	-
Bad debts recovered	199	-
Restructuring costs	(812)	-
JobKeeper wage top-ups to employees	(344)	-
Net costs relating to the sale of Regal General Freight	-	(1,432)
<b>Total significant items pre-tax</b>	<b>15,278</b>	<b>(1,432)</b>
<b>Tax impact on significant items</b>	<b>(4,583)</b>	<b>430</b>
<b>Total significant items, net of tax</b>	<b>10,695</b>	<b>(1,002)</b>

### 6 PROPERTY, PLANT AND EQUIPMENT

#### Acquisition and disposal

During the half-year ended 31 December 2020, the Group acquired assets with a cost of \$20.262 million (2019: \$12.588 million). Assets with a net book value of \$11.119 million were disposed of by the Group during the half-year ended 31 December 2020 (2019: \$3.533 million), resulting in a gain on disposal of \$1.295 million (2019: \$0.848 million). The net carrying amount was \$364.763 million (2019: \$388.431 million). In accordance with AASB 116 *Property, Plant and Equipment*, the Group performed a review of the residual values for its Motor Vehicle assets in the period. This review led to a reduction in the depreciation expense of \$2.8 million in the period. The Group estimates the reduction to depreciation expense for the full financial year ending 30 June 2021 to be in the range of \$5 million - \$6 million.

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Notes to the Financial Statements continued

### 7 INTEREST BEARING LOANS AND BORROWINGS

	31 December 2020 \$'000	30 June 2020 \$'000
<b>Current</b>	-	-
<b>Non-current</b>		
Non-redeemable preference shares	60	60
Bank loans – secured	63,097	87,944
Directly attributable transaction costs	(987)	(1,159)
	<b>62,170</b>	<b>86,845</b>

#### Summary of financing arrangements

Credit facilities are provided as part of the overall debt funding structure of the Group. Maturity dates as well as the drawn component of each facility is shown below:

Facility and limit	Maturity	Interest rate	Amounts drawn	
			Dec 2020 \$'000	June 2020 \$'000
\$150m bank bill facility <sup>1,2</sup>	April 2023	BBSY + margin	43,097	67,944
\$50m bank bill facility <sup>1</sup>	April 2025	BBSY + margin	20,000	20,000
Total interest bearing liabilities			<b>63,097</b>	<b>87,944</b>

<sup>1</sup> The bank loans are secured by fixed and floating charges over the assets of the Group. Bank loans are also secured by registered mortgages over a number of freehold properties of the Group.

<sup>2</sup> \$1m of this facility is a bank guarantee facility.

### 8 CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 December 2020 \$'000	30 June 2020 \$'000
Issued and paid-up share capital	<b>164,613</b>	164,613

#### 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>Movements in ordinary shares on issue</b>		
At 1 July 2020	128,785	164,613
At 31 December 2020	128,785	164,613

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Notes to the Financial Statements continued

### 9 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED	
	31 December	30 June
	2020	2020
	\$'000	\$'000
<i>Declared and paid during the period:</i>		
Dividends on ordinary shares		
Final franked dividend for the financial year ended 30 June 2020:	3,864	-
3.0 cents (2019: 0.0 cents)		
<i>Proposed (not recognised as a liability as at 31 December):</i>		
Dividends on ordinary shares		
Interim franked dividend for the half year ending 31 December 2020:	3,864	2,545
3.0 cents (2019: 2.0 cents)		
	<u>7,728</u>	<u>2,545</u>

### 10 COMMITMENT 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 2020, the Group has capital commitments of \$26.447 million (2019: \$5.772 million) relating to property, plant and equipment.

### 11 EVENTS SUBSEQUENT TO BALANCE DATE

On 23<sup>rd</sup> February 2021, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is \$3,863,563 which represents a fully franked dividend of 3.0 cents per share. The dividend has not been provided for in the 31 December 2020 financial statements and is payable on 1<sup>st</sup> April 2021.

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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

# K&S CORPORATION LIMITED

ABN 67 007 561 837

## Directors' Declaration

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### FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

In accordance with a resolution of the Directors of K&S Corporation Limited, we state that:

In the opinion of the Directors:

- (a) The financial statements and notes of K&S Corporation Limited for the half-year ended 31 December 2020 are in accordance with the Corporations Act 2001, including;
  - (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
  - (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



**Paul Sarant**  
Managing Director and CEO

Melbourne, 24<sup>th</sup> February 2021



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## **Independent auditor's review report to the members of K&S Corporation Limited**

### **Report on the half-year financial report**

#### **Conclusion**

We have reviewed the accompanying half-year financial report of K&S Corporation Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, other information as set out in Appendix 4D to the Australian Securities Exchange (ASX) Listing Rules and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with:

- a. The *Corporations Act 2001*, including:
  - i. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and
  - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- b. The ASX Listing Rules as they relate to Appendix 4D.

#### **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 complies with the ASX Listing Rules as they relate to Appendix 4D. The directors are also responsible for such internal control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of the Group, 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*.

*Ernst + Young*

Ernst & Young

A handwritten signature in black ink, appearing to read 'David Sanders', written over a faint, stylized signature line.

David Sanders  
Partner  
Adelaide  
24 February 2021



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## **Auditor's independence declaration to the directors of K&S Corporation Limited**

As lead auditor for the audit of the financial report of K&S Corporation Limited for the half year ended 31 December 2020, 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 audit; and
- b. No contraventions of any applicable code of professional conduct in relation to the audit.

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

*Ernst + Young*

Ernst & Young

A handwritten signature in black ink, appearing to be 'David Sanders', written over a faint horizontal line.

David Sanders  
Partner  
Adelaide  
24 February 2021