K&S CORPORATION LIMITED

Interim Financial Report as at 31 December 2019

Pages	2-4	Directors' Report
Page	5	Consolidated Statement of Comprehensive Income
Page	6	Consolidated Statement of Financial Position
Page	7	Consolidated Statement of Changes in Equity
Page	8	Consolidated Statement of Cash Flows
Pages	9-16	Notes to the Financial Statements
Page	17	Directors' Declaration
Pages	18-19	Independent Review Report
Page	20	Auditor's Independence Declaration

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Report

Your Directors submit their report for the half-year ended 31 December 2019.

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)
Ray Smith (Non-executive Director) retired 26th November 2019
Legh Winser (Non-executive Director)
Graham Walters AM (Non-executive Director)
Sallie Emmett (Non-executive Director) appointed 24th September 2019

CONSOLIDATED RESULTS

Financial Overview		6 month period to Dec 2019	6 month period to Dec 2018	% Movement
Operating revenue	$m	422.6	466.1	**(9.3)**
Statutory profit before tax	$m	4.2	13.8	**(69.7)**
Statutory profit after tax	$m	2.9	9.6	**(70.0)**
Significant items – Aurizon settlement[1]	$m	-	9.5	**(100.0)**
Significant items – Additional net costs relating to the sale of Regal General Freight[1]	$m	1.4	-	**100.0**
Operating profit before interest, tax and depreciation including significant items[1]	$m	36.2	41.0	**(11.8)**
Operating profit before interest and tax including significant items[1]	$m	8.0	17.7	**(55.0)**
Operating profit before interest, tax and depreciation excluding significant items[1]	$m	37.6	31.5	**19.5**
Operating profit before interest and tax excluding significant items[1]	$m	9.4	8.2	**14.7**
Underlying profit before tax[1]	$m	5.6	4.3	**31.9**
Underlying profit after tax[1]	$m	3.9	3.0	**30.9**
Total assets	$m	576.6	564.2	**2.2**
Net borrowings[2]	$m	147.0	143.1	**2.8**
Shareholders' funds	$m	243.4	230.7	**5.5**
Finance costs[2]	$m	3.8	3.9	**(3.9)**
Depreciation & amortisation[2]	$m	28.2	23.3	**21.2**
Earnings per share before significant items[1]	cents	3.4	2.4	**41.7**
Earnings per share	cents	2.3	7.7	**(70.1)**
Dividends per share	cents	2.0	2.0	**-**
Net tangible assets per share	$	1.6	1.8	**(9.0)**
Return on Shareholders' funds	%	1.2	4.2	**(71.4)**
Operating cash flow	$m	27.0	26.9	**0.5**
Gearing[2]	%	37.7	38.3	**(1.6)**

[1] 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 prior period. The adjustment in the current period relates 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 Consolidated Group. The non-IFRS information has not been subject to review by the auditor.
[2] Balances include amounts arising from the adoption of the new leasing accounting standard from 1 July 2019, refer to pages 9 and 10 for further details.

REVIEW AND RESULTS OF OPERATIONS

Operating revenue for the period was $422.6 million, 9.3% lower than the prior corresponding period. The Group recorded a statutory profit before tax of $4.2 million for the half-year ended 31 December 2019, 69.7% lower than the prior corresponding period. Statutory profit after tax was $2.9 million, down 70% on the previous year first half statutory profit after tax of $9.6 million.

Included in the statutory profit after tax for the current period was $1.0 million (post-tax) of costs relating to the sale of Regal General Freight. The statutory profit after tax in the prior comparable period included a non-recurring benefit of $6.6 million (post-tax) relating to finalisation of the Aurizon rail claim.

The underlying profit before tax of $5.6 million was 31.9% higher than the prior corresponding period. The underlying profit after tax of $3.9 million was 30.9% higher than the prior corresponding period.

Operating cashflow for the current period was $27.0 million, $0.1 million higher than the prior corresponding period.

Australian Transport

Steel volumes from our major customers remained strong. There has also been steady improvement within our K&S Energy and Chemtrans businesses in the first half of FY2020. These were offset by higher costs in our rail division, which continues to be negatively impacted by the increased rail network costs, and the bulk division which underperformed following the recent loss of a significant contract.

Our specialised aviation refuelling business, Aero Refuellers, performed well in the first half of FY2020; we continue to target growth opportunities.

The Group is pleased to announce that the sale of the Regal General Freight business and certain assets to Centurion Transport Co. Pty Ltd (Centurion) in August 2019 has now been finalised and we are now realising underlying financial improvements as a consequence. Remaining contributions from the contract logistics and heavy haulage sectors were also strong.

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 FY2020.

Fuels

The fuel trading business, K&S Fuels has performed well in the current period.

New Zealand

The New Zealand operation, which is predominately aligned to the contract logistics market sector, has performed in line with expectations.

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 $27.5 million repaid in the current period compared to $20.7 million in the prior period, reduced the overall gearing ratio from 35.4% (30 June 2019) to 32.4%, excluding the impact of the new lease accounting standard.

Safety

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

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

The updated Heavy Vehicle National Law (HVNL) came into effect on 1 October 2018. The amendments to the HVNL see the imposition of general duties on all parties involved in the transport of goods and deal with mass/dimension/load restraint, fatigue, speed, and vehicle standards.

K&S has developed a strong framework for compliance with chain of responsibility laws over many years. K&S' preparation for the introduction of the amended HVNL has built upon the strengths of its existing compliance and safety management systems.

Interim Dividend

A fully franked Interim Dividend of 2.0 cents per share (2018: 2.0 cents per share) has been declared by the Directors.

The Interim Dividend will be paid on the 3rd April 2020, with the date for determining entitlements being the 23rd March 2020. The last election date for participation in the Dividend Reinvestment Plan (DRP) is the 24th March 2020. Shares issued under the DRP will rank equally with the Company's Ordinary Fully Paid Securities.

The DRP will apply to the Interim Dividend and the issue price for the shares under DRP will be based on the volume weighted average price of K&S shares in the 5 trading days ended 23rd March 2020, with a discount of 2.5%.

Outlook

Providing specific earnings guidance for the second half remains difficult. However, we currently anticipate that our performance in the second half of FY2020 will be better than the prior corresponding period.

We believe the business is well positioned for growth as 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 25th February 2020, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $2,545,587 which represents a fully franked dividend of 2.0 cents per share. The dividend has not been provided for in the 31 December 2019 financial statements and is payable on 3rd April 2020.

The Dividend Reinvestment Plan (DRP) will apply to the 3rd April 2020 interim dividend and the issue price for shares under the DRP will be based on the volume weighted average trading price of K&S shares in the five business days ending on 23rd March 2020 (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 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 economic entity with an Auditors' Independence Declaration which is on page 20 of this report.

Dated at Melbourne this 25th day of February 2020.

Signed in accordance with a resolution of the Directors.

Tony Johnson
Chairman

Paul Sarant
Managing Director and CEO

K&S CORPORATION LIMITED

ABN 67 007 561 837

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	NOTE	CONSOLIDATED 31 December 2019 $'000	 31 December 2018 $'000
Revenue and other income			
Operating revenue	4	**422,606**	466,114
Other income		**2,952**	13,752
		425,558	479,866
Expenses			
Changes in inventories of fuel		**1,200**	671
Consumption of fuel held for sale		**(64,822)**	(61,862)
Contractor expenses		**(99,402)**	(111,927)
Employee expenses		**(134,513)**	(152,381)
Fleet expenses		**(77,711)**	(91,224)
Depreciation expense[1]		**(28,202)**	(23,265)
Finance costs[1]		**(3,793)**	(3,948)
Other expenses[1]		**(14,161)**	(22,195)
		(421,404)	(466,131)
Share of profits of associates		**24**	42
Profit before income tax		**4,178**	13,777
Income tax expense		**(1,279)**	(4,129)
Profit after income tax		**2,899**	9,648
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign subsidiaries		**176**	735
Other comprehensive income for the period, net of tax		**176**	735
Total comprehensive income for the period		**3,075**	10,383
Earnings per share (cents per share)			
Basic for profit for the period attributable to ordinary equity holders of the parent		**2.3**	7.7
Diluted for profit for the period attributable to ordinary equity holders of the parent		**2.3**	7.7
Dividends per share (cents per share)	9	**2.0**	2.0

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

[1] Balances include amounts arising from the adoption of the new leasing accounting standard AASB 16 *Leases* from 1 July 2019, refer to pages 9 and 10 for further details.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2019

	NOTE	CONSOLIDATED 31 Dec 2019 $'000	 30 June 2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**7,706**	16,564
Trade and other receivables		**104,557**	116,737
Assets held for resale		**4,380**	-
Inventories		**7,342**	6,142
Income tax receivable		**514**	-
Prepayments		**10,609**	10,185
Total current assets		**135,108**	149,628
Non-current assets			
Other receivables		**4,560**	4,933
Right of use assets[1]		**29,755**	-
Investments in associate		**345**	421
Property, plant & equipment		**388,431**	405,939
Intangibles		**6,354**	6,324
Deferred tax assets		**12,010**	12,533
Total non-current assets		**441,455**	430,150
TOTAL ASSETS		**576,563**	579,778
LIABILITIES			
Current liabilities			
Trade and other payables		**86,823**	95,920
Interest bearing loans and borrowings	**7**	**36,060**	39,743
Lease liabilities[1]		**9,146**	-
Income tax payable		**-**	1,596
Provisions		**30,601**	33,332
Total current liabilities		**162,630**	170,591
Non-current liabilities			
Trade and other payables		**-**	650
Interest bearing loans and borrowings	**7**	**88,207**	108,426
Lease liabilities[1]		**21,333**	-
Deferred tax liabilities		**41,590**	41,342
Provisions		**19,397**	18,438
Total non-current liabilities		**170,527**	168,856
TOTAL LIABILITIES		**333,157**	339,447
NET ASSETS		**243,406**	240,331
EQUITY			
Contributed equity	**8**	**162,408**	162,408
Reserves		**59,219**	59,043
Retained earnings		**21,779**	18,880
TOTAL EQUITY		**243,406**	240,331

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

1 Balances arise due to adoption of the new leasing accounting standard AASB 16 *Leases* from 1 July 2019, refer to pages 9 and 10 for further transition details. The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	Issued Capital $'000	Retained Earnings $'000	Asset Revaluation Reserves $'000	Forex Translation Reserves $'000	Common Control Reserves $'000	Total Equity $'000
CONSOLIDATED							
As at 1 July 2019		**162,408**	**18,880**	**57,997**	**1,359**	**(313)**	**240,331**
Profit for the half-year		-	2,899	-	-	-	2,899
Other comprehensive income		-	-	-	176	-	176
Total comprehensive income for the half year		-	**2,899**	-	**176**	-	**3,075**
Transactions with owners in their capacity as owners:							
Issue of share capital		-	-	-	-	-	-
Dividend Paid	**9**	-	-	-	-	-	-
At 31 December 2019		**162,408**	**21,779**	**57,997**	**1,535**	**(313)**	**243,406**
As at 1 July 2018		**158,099**	**21,814**	**40,885**	**382**	**(313)**	**220,867**
Effect of adoption of AASB 9 and AASB 15		-	(247)	-	-	-	(247)
At 1 July 2018 (restated)		**158,099**	**21,567**	**40,885**	**382**	**(313)**	**220,620**
Profit for the half-year		-	9,648	-	-	-	9,648
Other comprehensive income		-	-	-	735	-	735
Total comprehensive income for the half		-	**9,648**	-	**735**	-	**10,383**
Transactions with owners in their capacity as owners:							
Issue of share capital		2,140	-	-	-	-	2,140
Dividend Paid	**9**	-	(2,491)	-	-	-	(2,491)
At 31 December 2018		**160,239**	**28,724**	**40,885**	**1,117**	**(313)**	**230,652**

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	CONSOLIDATED	
	31 December 2019 $'000	31 December 2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	**495,386**	515,159
Cash payments to suppliers and employees	**(461,926)**	(508,347)
Lease payments (interest component)[1]	**(423)**	-
Interest received	**8**	17
Borrowing costs paid	**(3,406)**	(3,948)
Income taxes paid	**(2,623)**	(951)
Aurizon settlement claim receipts (net of related costs)	**-**	24,964
Net cash provided by operating activities	**27,016**	26,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	**4,031**	3,513
Dividends received from Associates	**100**	100
Payments for property, plant & equipment	**(8,022)**	(11,707)
Net cash used in investing activities	**(3,891)**	(8,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**-**	1,375
Repayments of borrowings	**(6,000)**	-
Hire purchase liability repayments	**(21,465)**	(21,752)
Lease payments (principal component)[1]	**(4,610)**	-
Dividends paid	**-**	(351)
Net cash used in financing activities	**(32,075)**	(20,728)
Net decrease in cash held	**(8,950)**	(1,928)
Cash at the beginning of the financial year	**16,564**	15,946
Effects of exchange rate variances on cash	**92**	83
Cash at the end of the financial year	**7,706**	14,101

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

[1] Balances arise due to adoption of the new leasing accounting standard AASB 16 *Leases* from 1 July 2019, refer to pages 9 and 10 for further transition details. The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes. In the previous half year, lease payments formed part of payments to suppliers and employees within operating cash flows. Under the new standard, lease payments are allocated between interest and principal components and classified within operating and financing cash flows respectively.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1 CORPORATE INFORMATION

The interim financial report of K&S Corporation Limited and its subsidiaries (collectively, the Group) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of Directors on 25 February 2020.

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 interim financial report for the half-year ended 31 December 2019 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 2019. 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 2019 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.

As at 31 December 2019, the Consolidated Statement of Financial Position reflected an excess of current liabilities over current assets of $27.5 million (June 2019: $21.0 million). The amount of the deficit is fully covered by the Group's undrawn banking facilities at 31 December 2019.

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 2019.

NEW ACCOUNTING STANDARDS

AASB 16 Leases – application date is 1 July 2019

AASB 16 introduced a single, on-balance sheet accounting model for lessees, which replaced AASB 117 Leases and Interpretation 4 Determining Whether an Arrangement contains a Lease. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying asset, and lease liabilities, representing its obligation to make lease payments. AASB 16 was adopted from 1 July 2019.

a) Types of leases

The Group has entered into non-cancellable leases on certain properties, motor vehicles and other items of plant and equipment. Leases vary in contract term, with renewal at the option of the Group.

b) Impact on comparatives

The Group has opted to take the modified retrospective approach to transition, which requires no restatement of comparative information.

c) Changes to accounting policy

i) In general

This standard requires recognition of a right of use asset and lease liability based on the present value of future lease payments. For the Group's leases, the nature and structure of the lease portfolio is such that the interest rate implicit in the leases is not readily determinable and therefore, the Group uses the Incremental Borrowing Rate (IBR) for terms which approximate the lease term to discount the future value of lease payments.

AASB 16 Leases – application date is 1 July 2019 (continued)

c) Changes to accounting policy (continued)

The right-of-use asset is initially measured to be equal to the lease liability and adjusted for any lease incentives received, initial direct costs and estimates of costs to dismantle or remove the underlying leased asset. Subsequently the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made.

Lease payments, previously expensed on a straight-line basis, are replaced in the Statement of Comprehensive Income by the straight-line depreciation of the right of use asset and an interest expense on the lease liability. As the lease liability is carried at present value, an interest expense arises over the duration of the lease term.

The principal component of lease payments is reclassified in the statement of cash flows from operating to financing activities.

The group uses the practical expedient allowed under AASB 16 to account for short term and low value asset leases using the previous method of accounting (in accordance with recognition exemption provided in the standard), whereby the sum of lease payments is recognised on a straight-line basis over the lease term in the income statement. Short term leases are those with terms equal to or less than 12 months and do not contain a purchase option, and low value assets may include tablet and personal computers, small items of office furniture and telephones.

ii) Transition

The opening lease liabilities balance has been determined as the present value of future lease payments, discounted using incremental borrowing rates for terms which approximate the remaining lease term as at the date of initial application.

Practical expedients included in the standard for transition that have been applied by the Group are as follows:

- Exclusion of leases with remaining terms of less than 12 months from the new accounting requirements
- Use of hindsight in determining the lease term where lease contracts include options to extend or terminate the lease
- Elected to use the assessment of whether the contracts are a lease or not based on the AASB 117 and interpretation 4 guidance; and
- Excluding indirect costs from measurement of right of use assets

The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 2.3%.

Determination of the lease term is a key judgement exercised by management on a recurring basis. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Notes to the Financial Statements continued

d) Financial impacts

Impacts on the financial statements and notes as at 1 July 2019 and for the half-year ended 31 December 2019 are shown throughout this report. As at the date of transition the impact of the new standard is summarised below as increases/decreases in the noted items:

Balance sheet as at 1 July 2019	**$'000**
Right of use assets	35,382
Lease liabilities	36,171
Deferred rental incentive liability	(789)

A reconciliation of total undiscounted operating lease commitments as at 30 June 2019 (as disclosed in our 2019 financial report) to the opening lease liability, as above, is shown below:

Opening lease liability reconciliation	
Operating lease commitments as at 30 June 2019[1]	45,775
Adjusted for impact of discounting using the group's incremental borrowing rate at date of initial application	(5,342)
Commitments relating to short-term leases	(4,262)
Lease liability as at 1 July 2019	36,171

The Group's income statement was impacted as follows:

Income statement (continuing operations) for the half-year ended 31 December 2019	
Operating lease expenses (previous lease accounting)[2]	6,328
Depreciation of right of use assets[2]	(5,932)
Net finance costs	(423)
Profit before income tax	(27)
Income tax expense	8
Profit for the half-year	(19)

[1] Represents the undiscounted sum of committed future lease payments.

[2] Under the previous standard, operating lease expenses were recognised within other expenses. Under the new standard, lease expenses are recognised in the income statement as depreciation of right of use assets and interest expenses arising from lease liabilities.

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 Note 2 to the accounts and in the prior period except as detailed below:

Inter-entity sales

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

Corporate charges

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

The entity has one customer which contributes greater than 10% of total revenue ($45.8m) and falls within the Australian Transport Segment.

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

3 OPERATING SEGMENTS (continued)

Half-year ended 31 Dec 2018	Australian Transport $'000	Fuel $'000	New Zealand Transport $'000	Total $'000
Revenue				
External customers	378,854	60,850	26,410	466,114
Finance revenue	13	-	4	17
Inter-segment sales	749	48,432	-	49,181
Total segment revenue	**379,616**	**109,282**	**26,414**	**515,312**
Results				
Depreciation and amortisation expense	20,809	-	2,456	23,265
Finance costs	3,580	-	368	3,948
Share of profits of associates	42	-	-	42
Segment Profit after Tax	**6,512**	**1,491**	**1,645**	**9,648**
Operating assets	497,633	36,199	44,920	578,752
Operating liabilities	292,670	13,413	11,664	317,747
Other disclosures				
Investments in associate	340	-	-	340
Capital expenditure*	(38,771)	-	(4,631)	(43,402)

Inter-segment revenues of $49.2 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, intangibles and deferred tax assets.

Reconciliation of segment operating assets to total assets:

	CONSOLIDATED	
Reconciliation of assets	31 December 2019 $'000	31 December 2018 $'000
Segment operating assets	589,343	578,752
Inter-segment eliminations	(25,304)	(23,755)
Deferred tax asset	12,010	9,179
Income Tax Receivable	514	-
Total assets per Statement of Financial Position	**576,563**	564,176

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

Australia	**396,470**	503,716
New Zealand	**32,975**	36,510
Total non-current assets per the Consolidated Statement of Financial Position	**429,445**	540,226

Reconciliation of liabilities		
Segment operating liabilities	**316,871**	317,747
Inter-segment eliminations	**(25,304)**	(23,756)
Deferred tax liabilities	**41,590**	32,271
Income Tax Payable	**-**	7,262
Total liabilities per Statement of Financial Position	**333,157**	333,524

4 REVENUE FROM CONTRACTS

For the half year ended 31 December 2019

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

For the half year ended 31 December 2018

Segments	Australian Transport $'000	New Zealand Transport $'000	Fuels $'000	Total $'000
Type of service				
Transport Services	369,958	26,410	-	396,368
Sale of Fuel (including agency commissions)	8,896	-	60,850	69,746
Total revenue from contracts with customers	378,854	26,410	60,850	466,114
Geographical markets				
Australia	378,854	-	60,850	439,704
New Zealand	-	26,410	-	26,410
	378,854	26,410	60,850	466,114
Total revenue from contracts with customers				
Timing of revenue recognition				
Services transferred over time	378,854	26,410	-	405,264
Goods transferred at a point in time	-	-	60,850	60,850
Total revenue from contracts with customers	378,854	26,410	60,850	466,114

5 INDIVIDUALLY SIGNIFICANT ITEMS

	31 December 2019 $'000	31 December 2018 $'000
Aurizon legal settlement	-	9,525
Recoveries relating to the sale of Regal General Freight	663	-
Costs relating to the sale of Regal General Freight	(2,095)	-
Total significant items pre-tax	(1,432)	9,525
Tax impact on significant items	430	(2,858)
Total significant items, net of tax	(1,002)	6,667

6 PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposal

During the half-year ended 31 December 2019, the Group acquired assets with a cost of $12.588 million (2018: $43.402 million). Assets with a net book value of $3.533 million were disposed of by the Group during the half-year ended 31 December 2019 (2018: $2.360 million), resulting in a gain on disposal of $0.848 million (2018: $1.791 million). The net carrying amount was $388.431 million (2018: $392.248 million).

7 INTEREST BEARING LOANS AND BORROWINGS

	31 December 2019 $'000	30 June 2019 $'000
Current		
Hire purchase liabilities – secured	**36,060**	39,743
	36,060	39,743
Non-current		
Non redeemable preference shares	**60**	60
Hire purchase liabilities – secured	**64,147**	78,366
Bank loans – secured	**24,000**	30,000
	88,207	108,426

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:

			Amounts drawn	
Facility and limit	Maturity	Interest rate	Dec 2019 $'000	June 2019 $'000
$25m bank bill facility [1,2]	February 2021	BBSY + margin	**20,000**	24,000
$33m bank bill facility [1]	November 2020	BBSY + margin	**-**	-
$40m bank bill facility [1]	April 2021	BBSY + margin	**4,000**	6,000
$7m bank overdraft facility [1]	On demand	BBSY + margin	**-**	-
Hire purchase facility [3]	1 – 60 months	4.52%	**100,207**	118,109
Total interest bearing liabilities			**124,207**	**148,109**

1. 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. In addition, the Company and all its subsidiaries have the following interlocking guarantees in support of the Company's banking facilities:

   - Interlocking guarantee and indemnity between Westpac Banking Corporation (WBC) and the Company and its wholly owned subsidiaries dated 23 September 2002, pursuant to which the Company and its wholly owned subsidiaries jointly and severally guarantee to WBC the performance by the Company and its wholly owned subsidiaries of their respective obligations under the WBC facility agreement.
   - Guarantee and indemnity between Commonwealth Bank of Australia (CBA) and the Company and its wholly owned subsidiaries dated 15 June 2007, pursuant to which the Company and its wholly owned subsidiaries jointly and severally guarantee to CBA the performance by the Company and its wholly owned subsidiaries of their respective obligations under the CBA facility agreement.
   - During the half-year ended 31 December 2019, the Group had bank guarantees provided by Westpac Banking Corporation to suppliers of $0.345 million (June 2019: $0.597 million).

2. $1m of this facility is a bank guarantee facility.

3. Hire purchase liabilities are secured by the relevant assets.

8 CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 December 2019 $'000	30 June 2019 $'000
Issued and paid-up share capital	**162,408**	162,408

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
Movements in ordinary shares on issue		
At 1 July 2019	127,279	162,408
At 31 December 2019	127,279	162,408

9 DIVIDENDS PAID AND PROPOSED

	CONSOLIDATED 31 December 2019 $'000	30 June 2019 $'000
Declared and paid during the period:		
Dividends on ordinary shares		
Final franked dividend for the financial year ended 30 June 2019: $Nil (2018: 2.0 cents)	-	2,491
Proposed (not recognised as a liability as at 31 December):		
Dividends on ordinary shares		
Interim franked dividend for the half year ending 31 December 2019: 2.0 cents (2018: 2.0 cents)	**2,546**	2,518
	2,546	5,009

Dividend reinvestment plan

The Group 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 Notes to the Financial Statements continued time to time) of their market value which is determined by reference 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 24th March 2020.

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 2019, the Group has capital commitments of $5.772 million (2018: $14.905 million) relating to property, plant and equipment.

Legal claims

There are a number of minor legal actions pending against companies within the Group. 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 Group.

11 EVENTS SUBSEQUENT TO BALANCE DATE

On 25 February 2020, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $2,545,587 which represents a fully franked dividend of 2.0 cents per share. The dividend has not been provided for in the 31 December 2019 financial statements and is payable on 3 April 2020.

The Dividend Reinvestment Plan (DRP) will apply to the 3rd April 2020 interim dividend and the issue price for shares under the DRP will be based on the weighted average trading price of the Company's shares in the five business days ending on 23rd March 2020 (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 Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Declaration

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

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 2019 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 2019 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

A J Johnson

Tony Johnson
Chairman

Paul Sarant
Managing Director and CEO

Melbourne, 25 February 2020

121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

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 statement of financial position as at 31 December 2019, 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.

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 the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial 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*.

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 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 2019 and its consolidated financial 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 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

David Sanders
Partner
Adelaide
25 February 2020

Ernst & Young
121 King William Street
Adelaide SA 5000 Australia
GPO Box 1271 Adelaide SA 5001

Tel: +61 8 8417 1600
Fax: +61 8 8417 1775
ey.com/au

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

As lead auditor for the review of the half-year financial report of K&S Corporation Limited for the half-year ended 31 December 2019, 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

Ernst & Young

David Sanders
Partner
Adelaide
25 February 2020