

News Release

25th February 2015

K&S Corporation Announces First Half Result

The Directors of K&S Corporation Limited (ASX: "KSC") today announced a net profit after tax of \$6.5 million for the half year ended 31 December 2014. The result was 16.1% higher than previous corresponding period's performance.

The underlying profit after tax, excluding one off costs, is \$8.2 million. This result is 30.2% higher than the previous corresponding period's performance.

The result was driven by a solid performance from Scott Corporation and K&S' traditional business.

Operating revenue for the period increased to \$360.0 million, up 39% on the prior corresponding period.

Profit before tax was \$9.1 million compared to the previous corresponding period of \$8.1 million, an increase of 12.3 %.

The pre tax result was impacted in the first half by re-organisational costs of \$0.5 million and fraud related costs of \$1.9 million.

The underlying net profit after tax for the first half was \$8.2 million. Reconciliation of statutory profit after tax to underlying profit after tax:

	\$m
Statutory profit after tax	6.5
Fraud related costs	1.3
Re-organisational costs	<u>0.4</u>
Underlying profit after tax	<u>8.2</u>

The Scott Corporation acquisition has bedded down well and we have realised strong synergies in the areas of equipment, property and back office functions. Across the whole business, we have also continued to focus on reducing our operating costs primarily in the areas of people, services and equipment.

K&S maintained its strong commitment to safety. Our LTIFR has reduced from 8.7 to 6.3 over the past twelve months.

Organic growth has been firm with additional annualised revenue in excess of \$32 million being awarded to the group.

Our Western Australian business continued to be impacted by the slowing of the resource sector. With the declining commodity prices, miners have continued to reduce both project and operational expenditure.

Operating cash flow for the half year was \$24.9 million up 334.9% on the previous corresponding period.

The gearing is 24.2%.

Interim Dividend

A fully franked interim dividend of 3.5 cents per share (2013: 3.0 cents per share) has today been declared by the Directors of K&S Corporation.

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The interim dividend will be paid on 3 April 2015, with the date for determining entitlements being 20 March 2015. The last election date for participation in the DRP is 24 March 2015. Shares issued under the DRP will rank equally with the Company's ordinary fully paid securities.

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 volume weighted average price of K&S shares in the five trading days ended 20 March 2015, less a discount of 2.5%.

Fraudulent Misappropriations

The Company has become aware that it has been the subject of a fraudulent misappropriation of approximately \$7.1 million, spanning the period from 2007 to 2014. Approximately \$400,000 of the fraudulent misappropriations occurred in the current financial year.

The Company has a comprehensive crime insurance policy. On 17 February 2014, McGrathNicol provided a preliminary forensic accountants report. Based on the McGrathNicol preliminary report, the Company has commenced the process to recover from its insurer.

A provision of \$1.9 million for expenses, claims costs and potential liabilities arising out of the fraud has been made in the Company's accounts.

Victoria Police have arrested and charged two former employees and their investigations are continuing.

Outlook

Providing earnings guidance for the second half remains difficult. However we are confident that the business is positioned well for the future.

The recently announced acquisition of NTFS provides K&S with opportunities to expand its current offering on the Adelaide to Darwin corridor. It will also provide additional services to the north west region of Western Australia, complimenting the existing services currently offered from Perth through the Regal business.

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