News Release
21st August 2015

K&S Corporation Announces Full Year Result

The Directors of K&S Corporation Limited (ASX: KSC) today announced a net profit after tax of $13.3 million, an increase of 49.4% on the previous year.

Operating revenue for the year was $699.2 million, an increase of 19.3% on the previous corresponding period.

Earnings per share increased to 11.4 cents per share.

This result included a number of one off items related to re organisation costs of $1.3 million and fraud related recoveries of $1.7 million.

Underlying profit before tax, after allowing for these one off costs, increased to $18.4 million.

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

	$m
Statutory profit before tax	18.8
Add back reorganisation costs	1.3
Less non-recurring fraud related recovery	(1.7)
Underlying profit before tax	18.4

Safety performance continued to improve. Excluding Scott Corporation, our total workplace incidents reduced by 19% in 2014/15. Our combined group LTIFR was 6.0.

Scott Corporation will be integrated into our Comcare self insurance license for workers' compensation in the 2015/16 financial year, subject to final approvals from Comcare.

The performance of our NZ business was extremely strong. Both revenue and underlying profit materially improved. We expect this business to provide similar ongoing performance.

During the year we continued our integration of Scott Corporation. Synergies achieved have materially exceeded our integration targets.

Organic revenue growth has been strong throughout the year; we were awarded annualised revenues in excess of $63 million. These revenues will have a favourable impact in the 2015/16 financial year.

Our Western Australian business was adversely impacted by the continued slowing of the resource sector. With declining commodity prices, the miners have reduced their costs and scaled back projects. This had a significant impact on activity levels and the profitability of our Regal business unit during the year.

Specific cost reduction strategies to partly offset this decline have been implemented. They include property lease cost reductions, the establishment of a new transport operations facility at Hazelmere which will be fully operational in September 2015, the rationalisation and replacement of specific motorized fleet, employee reductions and the introduction of new IT solutions to support customer service and operational efficiency and cost reduction initiatives.

The structural decline of manufacturing continued during the year with the closure of Alcoa's Port Henry and Yennora operations. The closure of these business units had a negative impact on our operations which was partly offset with the award of the Alcoa Portland logistics contract effective from April 2015.

Imports are still impacting the demand for locally manufactured goods, which in turn reduces demand for long haul transport services.

K&S Corporation Limited
ABN 67 007 561 837
591 Boundary Road
Truganina VIC 3029
PO Box 57
Laverton VIC 3028
Australia
Ph (03) 8744 3500
Fax (03) 8744 3599

Website
www.ksgroup.com.au

K&S CORPORATION LIMITED

Our capital expenditure program has been targeted to support new business growth, improve productivity and reduce cost in our existing business.

In March 2015, we acquired the business and assets of Northern Territory Freight Services ("NTFS"). NTFS is one of the largest rail freight forwarders on the Adelaide – Alice Springs – Darwin corridor. This acquisition presented immediate opportunities for K&S to expand our service offerings to Darwin and also in the northwest region of Western Australia. The acquisition was funded from our cash balance.

Operating cash flow for the year was $48.1 million.

Our gearing at year end is 25.0%, which is well within our target range. Our net debt is $98.1 million.

During the course of the year, we acquired fleet totaling $55.9 million. Funding of this equipment was $39.7 million via hire purchase agreements and the balance of $16.2 million was settled from our cash balance.

Our net asset position increased by 2.5% to $294.5 million. The Foreign Currency Reserve reduced in value by $0.7 million during the year. Profit after tax of $13.3 million for FY15 was offset by dividends paid of $5.9 million (Final FY14 and Interim FY15). As part of the Employee Share Scheme and Dividend Reinvestment Plan, $2.2 million of new shares were issued in FY15.

Fraudulent Misappropriations
As previously disclosed to the ASX on 25 February 2015, the Company has been the subject of a fraudulent misappropriation spanning the period from 2007 to 2014. Forensic investigation undertaken by McGrathNicol has determined that the total quantum of the fraud is $7.0 million. Approximately $400,000 of the fraudulent misappropriations occurred in the year ended 30 June 2015.

The Company has a comprehensive crime insurance policy with available cover of $5.0 million. The underwriters of the comprehensive crime insurance policy have granted indemnity and have paid the sum of $5.0 million to the Company in August 2015 under the policy.

The Company has commenced steps to recover losses sustained under the fraudulent misappropriations. At this stage, any recoveries to the Company are not expected to be material.

A provision for expenses, claims costs and potential liabilities has been made in the Company's accounts.

Victoria Police have arrested and charged two former employees of the Company for alleged fraudulent misappropriations of approximately $4.8 million.

Dividend
We have declared a fully franked final dividend of 3.5 cents per share (last year 3.0 cents per share). This follows the interim dividend of 3.5 cents per share paid in April 2015, making a total dividend of 7.0 cents per share. This represents an annualised yield of 5.30%. The final dividend will be paid on 2 November 2015, with the date for determining entitlements being 19 October 2015.

The dividend reinvestment plan (DRP) will once again apply in respect of the fully franked final dividend of 3.5 cents payable on 2 November 2015. The last election date for participation in the DRP is 20 October 2015.

The terms of the DRP will remain unchanged with issue price under the DRP based on the volume weighted average price for K&S shares in the five business days ending on 19 October 2015 (the record date of the final dividend) less a discount of 2.5%.

Outlook
Providing earnings guidance going forward remains a difficult task.

We are well placed with a strong balance sheet, low gearing and secure customer contracts.

Opportunities for potential acquisitions will also be closely evaluated within strategic guidelines.

Further Information:

Mr Paul Sarant
Managing Director
Ph: (03) 8744 3528
paul.sarant@ksgroup.com.au

Mr Bryan Walsh
Chief Financial Officer
Ph: (08) 8721 1706
bryan.walsh@ksgroup.com.au

K&S Corporation Limited
ABN 67 007 561 837
591 Boundary Road
Truganina VIC 3029
PO Box 57
Laverton VIC 3028
Australia
Ph (03) 8744 3500
Fax (03) 8744 3599

Website
www.ksgroup.com.au