

News Release
23rd August 2016

K&S Corporation Announces Full Year Result

This year has been a difficult and challenging one for the Company.

Our results have been impacted by the continued severe downturn in the resource sector in our Western Australia businesses and a softening of mining related chemical demand. Our east coast operations were also impacted by the downturn in the resources sector.

We have recorded a statutory after tax loss of \$104.2 million for the year ended 30 June 2016. This included pre tax asset impairments of \$115.3 million. The underlying profit before tax was \$5.4 million.

Operating revenue for the year was \$688.8 million, a decrease of 1.5 % on the previous corresponding period.

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

	\$m
Statutory loss before tax	(109.9)
Impairment of intangibles	86.6
Impairment of physical assets	16.9
Impairment of receivables (Arrium)	<u>11.8</u>
Underlying profit before tax	<u>5.4</u>

We have written off intangible assets in the Australian Transport CGU of \$86.6 million. The non cash write off was made up of \$77.8 million of goodwill, \$6.2 million of brand names, \$1.8 million customer contracts and \$0.8 million of software.

The carrying value of land and buildings surplus to our requirements was also written down by \$8.2 million.

We have also 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.

In March 2016, we completed an independent revaluation of freehold land and buildings that resulted in an increase to the asset revaluation reserve of \$8.9 million for core land and buildings.

Our normalised profit after tax was \$3.9 million, 70.0 % lower than the previous corresponding period.

Operating cashflow for the year was \$41.1 million.

As a result of the Administration of our largest customer Arrium, we have written off the carrying value of our receivable of \$11.8 million. Korda Mentha the Administrators of the Arrium Group have commenced a process to sell the various divisions of Arrium. The timing and size of any recoveries out of the administration of Arrium is unknown.

On a positive note, our Comcare self insurance licence was extended by Comcare for a further eight years to June 2024.

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The performance of our New Zealand business continues to improve, as have a number of our other business units.

The acquisition of Aero Refuellers has made a positive contribution to the Group and will provide growth opportunities.

Cost reduction strategies have continued to be implemented across the business. These include significant property lease cost reductions, the rationalisation and replacement of specified fleet, employee reductions and IT solutions introduced to support customer service, operational efficiencies and cost reduction initiatives.

Imports are still impacting the demand for locally manufactured goods, which in turn reduces demand for long haul transport services. Our capital expenditure program has been targeted to support new business growth, improve productivity and reduce cost in our existing business.

Dividend

The Directors have decided not to declare a final dividend (last year 3.5 cents per share).

This follows the interim dividend of 1.5 cents per share paid in April 2016, making a total dividend of 1.5 cents per share for FY16.

Outlook

Providing earnings guidance going forward remains a difficult task.

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

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

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