

Appendix 4D

Half Year report

Name of entity

K&S Corporation Limited

ABN

67 007 561 837

Half yearly
(tick)



Preliminary
final (tick)



Half year/financial year ended ('current
period')

31st December 2016

Results for announcement to the market

\$A'000

Revenues from ordinary activities	Up / down	0.9%	To	352,041
Profit (loss) from ordinary activities after tax attributable to members	Up / down	104.5%	To	4,017
Net profit (loss) for the period attributable to members	Up / down	104.5%	To	4,017
Dividends (distributions)	Amount per security		Franked amount per security	
Interim dividend	1.5c		1.5c	
Previous corresponding period	1.5c		1.5c	
Record Date for determining dividend Entitlements	21 March 2017			
Last date for receipt of election notices for the dividend reinvestment plan	22 March 2017			
Date Dividend Payable	4 April 2017			
	Current Period		Previous Corresponding Period	
Net tangible asset backing per ordinary security	\$1.63		\$1.59	

This half year report is to be read in conjunction with the most recent annual financial report.

The logo for K&S Corporation Limited is a red, stylized arrow pointing downwards, with the company name written in white, bold, uppercase letters across its center.

K&S CORPORATION LIMITED

Interim Financial Report

as at

31 December 2016

Pages	2-4	Directors' Report
Page	5	Statement of Comprehensive Income
Page	6	Statement of Financial Position
Page	7	Statement of Changes in Equity
Page	8	Statement of Cash Flows
Pages	9-19	Notes to the Financial Statements
Page	20	Directors' Declaration
Pages	21-22	Independent Review Report
Page	23	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 2016.

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)

Lekh Winsor (Non-executive Director)

CONSOLIDATED RESULTS

Financial overview		6 month period to Dec 2016	6 month period to Dec 2015	% change
Operating revenue	\$m	352.0	355.1	(0.9)
Operating profit / (loss) after tax	\$m	4.0	(88.4)	104.5
Shareholders' funds	\$m	203.5	206.4	(1.4)
Total assets	\$m	448.5	456.3	(1.7)
Earnings per share	cents	3.3	(73.4)	104.5
Interim dividend per share	cents	1.5	1.5	-
Net tangible assets per share	\$	1.6	1.6	-
Return on Shareholders' funds	%	2.0	(42.8)	104.7
Net debt	\$m	110.1	111.6	(1.3)
Gearing	%	34.8	35.1	(0.9)

REVIEW AND RESULTS OF OPERATIONS

The consolidated net profit before tax of the economic entity for the half year was \$5.8 million.

The result is 13.6% higher than the previous corresponding period underlying performance.

Profit after tax was \$4.0 million compared to previous years underlying profit after tax of \$3.6 million.

We have maintained our strong commitment to safety with the Lost Time Injury Frequency Rate (LTIFR) reducing 16.8% over the previous corresponding period.

Operating revenue for the period was \$352.0 million, down 0.9% on the previous corresponding period.

Revenue from our resource based businesses, supporting iron ore and coal, continued to decline. This decline was partly offset by increased revenue from fuel and aviation transport realised through the operating divisions of K&S Energy and Aero Refuellers.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Report continued

Commodity prices have improved significantly during the last quarter of 2016. To date we have not realised any material increase in associated activity.

The performance of our east coast operations during the first half year period has improved; this includes both intermodal and contract logistics operations. New Zealand performance continues to be strong.

Cost reduction strategies have continued to be implemented across the business, including the rationalisation and replacement of specific fleet, employee reductions and IT solutions introduced to improve customer service, operational efficiencies and cost reduction initiatives. The cost reduction strategies have had a positive impact on the result for the first half year period.

Operating cash flow for the half year was \$19.1 million, down 29.0% on the previous corresponding period. The reduction is predominantly as a result of the timing of some large debtor receipts, which have subsequently been collected.

Interim Dividend

A fully franked interim dividend of 1.5 cents per share (2016, 1.5 cents per share) has been declared by the Directors.

The interim dividend will be paid on 4th of April 2017, with the date for determining entitlements being 21st of March 2017. The last election date for participation in the Dividend Reinvestment Plan (DRP) is the 22nd of March 2017. 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 the DRP will be based on the volume weighted average price of K&S shares in the 5 trading days ended 21st March 2017, with a discount of 2.5%.

Outlook

Providing earnings guidance for the second half remains difficult.

Our new contracts that have recently commenced will provide additional revenues.

We currently anticipate FY17 second half earnings will be lower than the FY17 first half, but higher than the previous corresponding period.

We are confident 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 21 February 2017, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is \$1,818,020 which represents a fully franked dividend of 1.5 cents per share. The dividend has not been provided for in the 31 December 2016 financial statements and is payable on 4 April 2017.

The Dividend Reinvestment Plan (DRP) will apply to the 4 April 2017 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 21 March 2017 (the record date for the interim dividend), less a discount of 2.5%.

On 30 January 2017, K&S Corporation Limited merged the business of Scott's Transport Industries Pty Ltd (STI) via the transfer of certain assets into K&S Corporation's subsidiary K&S Freighters Pty Ltd. STI was established more than 60 years ago by the late Allan Scott AO and is recognised as one of Australia's largest privately owned transport companies. STI operates a general freight and fuel cartage division, having several blue chip customers within the manufacturing, Fast Moving Consumer Goods and fuel sectors. K&S Corporation views this as an excellent opportunity to further expand its K&S Energy division through increased fuel cartage operations and provide additional volume and competitiveness in its existing intermodal and contract logistics divisions.

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Report continued

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 23 of this report.

Dated at Melbourne this 21st day of February 2017.

Signed in accordance with a resolution of the Directors.



Tony Johnson
Chairman



Paul Sarant
Managing Director

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTE	CONSOLIDATED 31 December 2016 \$'000	31 December 2015 \$'000
Operating revenue	5(a)	352,041	355,081
Cost of goods sold		(37,462)	(32,262)
Gross profit		314,579	322,819
Other income	5(b)	1,944	2,097
Contractor expenses		(89,908)	(95,443)
Employee expenses	5(e)	(115,223)	(113,460)
Fleet expenses		(67,536)	(68,559)
Depreciation and amortisation expense	5(d)	(18,279)	(19,351)
Finance costs	5(c)	(3,321)	(3,601)
Other expenses		(16,545)	(19,484)
Share of profits of associates		55	58
Impairment of intangibles, land and buildings, plant and equipment		-	(94,690)
Profit / (Loss) before income tax		5,766	(89,614)
Income tax (expense) / benefit	6	(1,749)	1,174
Profit / (Loss) after income tax		4,017	(88,440)
 Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		124	849
Other comprehensive income for the period, net of tax		124	849
Total comprehensive income for the period		4,141	(87,591)
 Earnings per share (cents per share)			
▪ basic for profit for the period attributable to ordinary equity holders of the parent		3.3	(73.4)
▪ diluted for profit for the period attributable to ordinary equity holders of the parent		3.3	(73.4)
Dividends per share (cents per share)	8	1.5	1.5

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Financial Position

AS AT 31 DECEMBER 2016

	NOTE	CONSOLIDATED	
		31 December 2016 \$'000	30 June 2016 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	55	7,392
Trade and other receivables		72,315	66,632
Inventories		5,024	4,229
Income tax receivable		-	897
Prepayments		9,334	9,171
Total current assets		86,728	88,321
Non-current assets			
Other receivables		1,301	1,509
Investments in associate	14	300	395
Property, plant & equipment	12	340,517	334,365
Intangibles	4	6,363	6,307
Deferred tax assets		13,309	14,107
Total non-current assets		361,790	356,683
TOTAL ASSETS		448,518	445,004
LIABILITIES			
Current liabilities			
Bank Overdraft	7	1,618	-
Trade and other payables		63,433	62,274
Interest bearing loans and borrowings		31,998	32,238
Income tax payable		62	-
Provisions		25,254	24,179
Total current liabilities		122,365	118,691
Non-current liabilities			
Interest bearing loans and borrowings		76,522	82,069
Deferred tax liabilities		32,771	32,061
Provisions		13,331	12,795
Total non-current liabilities		122,624	126,925
TOTAL LIABILITIES		244,989	245,616
NET ASSETS		203,529	199,388
EQUITY			
Contributed equity	9	152,518	152,518
Reserves		42,089	41,965
Retained earnings		8,922	4,905
TOTAL EQUITY		203,529	199,388

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Changes in Equity FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued capital \$'000	Retained earnings \$'000	Asset revaluation reserves \$'000	Forex translation Reserves \$'000	Total equity \$'000
CONSOLIDATED					
At 1 July 2016	152,518	4,905	40,885	1,080	199,388
Profit / (Loss) for period	-	4,017	-	-	4,017
Other comprehensive income	-	-	-	124	124
Total comprehensive income / (loss) for the half-year	-	4,017	-	124	4,141
Transactions with owners in their capacity as owners					
Issue of share capital	-	-	-	-	-
Dividends	-	-	-	-	-
At 31 December 2016	152,518	8,922	40,885	1,204	203,529
At 1 July 2015	147,674	115,018	31,948	(71)	294,569
Underlying Profit / (Loss) for period	-	6,250	-	-	6,250
Impairment of intangibles, land and buildings, plant and equipment	-	(94,690)	-	-	(94,690)
Other comprehensive income	-	-	-	849	849
Total comprehensive income / (loss) for the half-year	-	(88,440)	-	849	(87,591)
Transactions with owners in their capacity as owners					
Issue of share capital	3,651	-	-	-	3,651
Dividends	-	(4,131)	-	-	(4,131)
At 31 December 2015	151,325	22,447	31,948	778	206,498

K&S CORPORATION LIMITED

ABN 67 007 561 837

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	CONSOLIDATED	
NOTE	31 December 2016 \$'000	31 December 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	380,946	402,004
Cash payments to suppliers and employees	(346,973)	(360,758)
Interest received	10	22
Borrowing costs paid	(3,321)	(3,601)
Income taxes paid	702	(281)
Net goods and services tax paid	(12,282)	(10,530)
Net cash provided by operating activities	19,082	26,856
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets	2,586	2,812
Acquisition of new business	-	(6,724)
Payments for property plant & equipment	(8,362)	(8,918)
Net cash (used in) investing activities	(5,776)	(12,830)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	-	561
Proceeds from borrowings	10,000	14,000
Repayments of borrowings	(14,000)	(7,000)
Lease and hire purchase liability repayments	(18,214)	(17,493)
Dividends paid	-	(1,418)
Net cash used in financing activities	(22,214)	(11,350)
Net increase/(decrease) in cash held	(8,907)	2,676
Cash and cash equivalents at the beginning of the financial period	7,392	7,326
Effects of exchange rate variances on cash	(48)	94
Cash and cash equivalents at the end of the financial period	7 (1,563)	10,096

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016 was authorised for issue in accordance with a resolution of Directors on 21 February 2017.

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 2016 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 2016. It is also recommended that the half-year 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 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

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 2016. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

Reference	Title	Summary
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 <i>Property Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances
AASB 1057	Application of Australian Accounting Standards	This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible. The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.
AASB 2014-9	Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements	AASB 2014-9 amends AASB 127 <i>Separate Financial Statements</i> , and consequentially amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and AASB 128 <i>Investments in Associates and Joint Ventures</i> , to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>:</p> <ul style="list-style-type: none"> Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p>AASB 7 <i>Financial Instruments: Disclosures</i>:</p> <ul style="list-style-type: none"> Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is ‘continuing involvement’ for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure–Offsetting Financial Assets and Financial Liabilities</i> is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134. <p>AASB 119 <i>Employee Benefits</i>:</p> <ul style="list-style-type: none"> Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. <p>AASB 134 <i>Interim Financial Reporting</i>: Disclosure of information ‘elsewhere in the interim financial report’ - amends AASB 134 to clarify the meaning of disclosure of information ‘elsewhere in the interim financial report’ and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</p>
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB’s Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.
AASB 2015-5	Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception	This makes amendments to AASB 10, AASB 12 <i>Disclosure of Interests in Other Entities</i> and AASB 128 arising from the IASB’s narrow scope amendments associated with Investment Entities.
AASB 2015-9	Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	This Standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.

The Group has not elected to early adopt any other new Standards or Interpretations that are issued but not yet effective.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

3 OPERATING SEGMENTS

Identification of reportable segments

The Group has operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The Group has three operating segments based on the Group's internal management reporting systems and business model, which monitors resource allocation and working capital fall.

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

Accounting policies and inter-segment transactions

The same accounting policies apply to the operating segments as those described in the Group financial statements for the year ended 30 June 2016.

Inter-segment sales

Inter-segment 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.

Segment loans payable and loans receivable

Segment loans are initially recognised at the consideration received excluding transaction costs. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates.

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2016 and 31 December 2015.

	Australian Transport	Fuel	New Zealand Transport	Total
	\$'000	\$'000	\$'000	\$'000
Half-year ended 31 December 2016				
Revenue				
Sales to external customers	298,344	32,473	21,214	352,031
Finance revenue	2	-	8	10
Inter-segment sales	217	30,036	-	30,253
Total segment revenue	298,564	62,509	21,221	382,294
Segment net operating profit / (loss) after tax				
	1,894	906	1,217	4,017

Inter-segment revenues of \$30,252,850 are eliminated on consolidation.

Half-year ended 31 December 2015

Revenue				
Sales to external customers	305,058	32,211	17,790	355,059
Finance revenue	11	-	11	22
Inter-segment sales	206	32,914	-	33,120
Total segment revenue	305,275	65,125	17,801	388,201
Segment net operating profit / (loss) after tax				
	(90,274)	929	905	(88,440)
Impairment charges				
	(96,525)	(165)	-	(96,690)

Inter-segment revenues of \$33,120,367 are eliminated on consolidation.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

3 OPERATING SEGMENTS (continued)

The following table presents segment assets of the Group's operating segments as at 31 December 2016 and 31 December 2015:

	Australian Transport \$'000	Fuel \$'000	New Zealand Transport \$'000	Total \$'000
Segment assets at 31 December 2016	384,279	25,715	43,198	453,192
Segment assets at 30 June 2016	381,519	24,320	42,530	448,369

Reconciliation of profit	31 December 2016 \$'000	31 December 2015 \$'000
Segment profit / (loss)	5,766	(89,614)
Income tax expense	(1,749)	1,174
Total net profit / (loss) before tax per Statement of Comprehensive Income	4,017	(88,440)

Reconciliation of assets	31 December 2016 \$'000	30 June 2016 \$'000
Segment operating assets	453,192	448,369
Income tax receivable	-	897
Deferred tax asset	13,309	14,107
Inter-segment eliminations	(17,983)	(18,369)
Total assets per Statement of Financial Position	448,518	445,004

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

4 IMPAIRMENT TESTING OF GOODWILL

Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired. The Group's impairment test for goodwill is based on value-in-use calculations that use a discounted cash flow model. The key assumptions used to determine the recoverable amount for the different cash generating units were discussed in the annual financial statements for the year ended 30 June 2016.

The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2016, the market capitalisation of the Group was below the book value of its equity, indicating a potential impairment of goodwill. As a result, management performed an impairment calculation as at 31 December 2016.

Cash generating units

For the purpose of undertaking impairment testing, the Group identify cash generating units (CGU's) according to the smallest group of assets that generate cash inflows that are largely independent of the cash inflows from the other assets or groups of assets. The group has three cash generating units: Australian Transport, New Zealand Transport and Fuel. Goodwill in the Australian Transport and Fuel CGU's was impaired in the previous financial year.

Goodwill allocated to the NZ Transport cash generating is as follows:

	December 2016 \$'000	June 2016 \$'000
New Zealand Transport	<u>6,363</u>	<u>6,307</u>
	<u>6,363</u>	<u>6,307</u>

The Group has used the following key assumptions in determining the recoverable amount of the New Zealand Transport CGU:

	Discount rate		Terminal growth rate	
	December 2016 %	June 2016 %	December 2016 %	June 2016 %
New Zealand Transport	13.38	13.38	2.5	2.5

Discount rate

The discount rate represents the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Terminal growth rate

The terminal growth rate represents the growth rate applied to the extrapolated cash flows beyond the five year forecast period. This is based on Senior Management expectations of the cash generating units' long term performance in their respective markets.

i) Sensitivity to changes in assumptions

Whilst there are a range of possible outcomes, the modelling shows the recoverable amount of the New Zealand Transport CGU exceeds its carrying value by 17.7m. This excess in recoverable amount could be reduced should changes in the following key assumptions occur:

- Discount rate- an increase in the discount rate of over 4.67% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal growth rate- a decrease in the growth rate of over 7.00% would result in a reduction of the recoverable amount to below the carrying value.
- Terminal cash flow- a decrease in terminal cash flow of over 52.71% would result in a reduction of the recoverable amount to below the carrying value.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

5 REVENUE AND EXPENSES

	CONSOLIDATED	
	2016	2015
	\$'000	\$'000
(a) Revenue		
- Rendering of services	307,844	318,600
- Sale of goods	44,187	36,459
- Finance revenue	10	22
Total revenue	352,041	355,081
(b) Other income		
- Net gains on disposal of property, plant and equipment	823	858
- Other	1,121	1,239
Total other income	1,944	2,097
(c) Finance costs		
- Bank loans and overdrafts	1,049	879
- Finance charges on hire purchase contracts	2,272	2,722
Total finance costs	3,321	3,601
(d) Depreciation and amortisation expense		
Depreciation		
- Buildings	1,123	1,129
- Motor vehicles	15,033	15,520
- Plant and equipment	2,123	2,275
Amortisation		
- IT development costs	-	298
- Customer contracts	-	129
Total depreciation and amortisation expense	18,279	19,351
(e) Employee expenses		
- Wages and salaries	92,753	90,693
- Workers' compensation costs	4,043	4,079
- Long service leave provision	808	1,211
- Annual leave provision	5,813	5,752
- Payroll tax	5,144	5,124
- Defined contribution plan expense	6,660	6,584
- Directors retirement scheme expense	2	17
Total employee expenses	115,223	113,460

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

6 INCOME TAX

The major components of income tax expense are:

Statement of Comprehensive Income

Current income tax

	31 Dec 2016	30 June 2016
	\$'000	\$'000
- Current income tax charge	1,335	252
- Adjustments in respect of current income tax on previous years	63	(74)

Deferred income tax

- Relating to origination and reversal of income tax expense reported in the Statement of Comprehensive Income temporary differences	351	(5,908)
Income tax expense reported in the Statement of Comprehensive Income	1,749	(5,730)

7 CASH AND CASH EQUIVALENTS

For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:

	31 Dec 2016	30 June 2016
	\$'000	\$'000
Cash	55	7,392
Bank Overdraft	(1,618)	-
	(1,563)	7,392

Cash at bank earns interest at floating rates based on daily bank deposit rates.

8 DIVIDENDS PAID AND PROPOSED

Declared and paid during the period:

Dividends on ordinary shares

Final franked dividend for the financial year ended 30 June 2016: 0.0 cents (2015: 3.5 cents)	-	4,131
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Proposed (not recognised as a liability as at 31 December):

Dividends on ordinary shares

Interim franked dividend for the half year ending 31 December 2016: 1.5 cents (2015: 1.5 cents)	1,818	1,806
	1,818	5,937

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Dividend reinvestment plan

The consolidated entity 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 time to time) of their market value which is determined by referenced 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 22 March 2017.

9 CONTRIBUTED EQUITY

	CONSOLIDATED	
	31 Dec 2016	30 June 2016
	\$'000	\$'000
Issued and paid-up share capital	152,518	152,518

(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
<i>Movements in ordinary shares on issue</i>		
At 1 July 2016	121,202	152,518
At 31 December 2016	121,202	152,518

10 COMMITMENTS 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 2016, the Group has capital commitments of \$41,500,472 relating to plant and equipment.

Legal claims

DTM Pty Ltd ("DTM"), a subsidiary of the Company, was served with legal proceedings out of the Supreme Court of Victoria in December 2013. DTM is one of five named defendants to those proceedings. DTM has joined a further five parties as defendants to those proceedings. The claims relate to property damage sustained in a fire at a DTM warehouse in 2007. The quantum of the claims the subject of those proceedings is \$8.65 million. Liability has not been admitted and the claims against DTM are being defended. If not resolved in the meantime, it is anticipated that the claims will be heard at trial in the course of the 2017 calendar year.

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

11 EVENTS SUBSEQUENT TO BALANCE DATE

On 21 February 2017, the Directors of K&S Corporation Limited declared an interim dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is \$1,818,020 which represents a fully franked of 1.5 cents per share. The dividend has not been provided for in the 31 December 2016 financial statements and is payable on 4 April 2017.

The Dividend Reinvestment Plan (DRP) will apply to the 4 April 2017 interim dividend and the issue price for shares under the DRP will be based on the weighted average trading price of K&S shares in the five business days ending on 21 March 2017 (the record date for the interim dividend), less a discount of 2.5%.

On 30 January 2017, K&S Corporation Limited merged the business of Scott's Transport Industries Pty Ltd (STI) via the transfer of certain assets into K&S Corporation's subsidiary K&S Freighters Pty Ltd. STI was established more than 60 years ago by the late Allan Scott AO and is recognised as one of Australia's largest privately owned transport companies. STI operates a general freight and fuel cartage division, having several blue chip customers within the manufacturing, Fast Moving Consumer Goods and fuel sectors. K&S Corporation views this as an excellent opportunity to further expand its K&S Energy division through increased fuel cartage operations and provide additional volume and competitiveness in its existing intermodal and contract logistics divisions. The transaction is a combination of businesses under common control. The accounting for the merger was still being finalised prior to the signing of the interim financial report.

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

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

12 PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposal

During the half-year ended 31 December 2016, the Group acquired assets, with a cost of \$25,742,000 (2015: \$39,430,000).

Assets with a net book value of \$1,312,000 were disposed of by the Group during the half-year ended 31 December 2016 (2015: \$1,957,000), resulting in a gain on disposal of \$823,000 (2015: \$858,000).

	CONSOLIDATED			
	<i>Freehold Land and Buildings</i>	<i>Motor Vehicles</i>	<i>Plant & Equipment</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000
Reconciliation of carrying amounts at the beginning and end of the period:				
Year ended 31 December 2016				
As at 1 July 2016 net of accumulated depreciation and impairment	118,856	198,123	17,386	334,365
Additions	723	23,443	1,576	25,742
Disposals	-	(1,304)	(8)	(1,312)
Depreciation charge for the year	(1,123)	(15,033)	(2,123)	(18,279)
Exchange adjustment	-	373	(372)	1
At 31 December 2016 net of accumulated depreciation and impairment	118,456	205,602	16,459	340,517
At 31 December 2016				
Cost or fair value	125,664	452,188	66,006	643,858
Accumulated depreciation	(7,208)	(246,586)	(49,547)	(303,341)
Net carrying amount	118,456	205,602	16,459	340,517

	CONSOLIDATED			
	<i>Freehold Land and Buildings</i>	<i>Motor Vehicles</i>	<i>Plant & Equipment</i>	<i>Total</i>
	\$'000	\$'000	\$'000	\$'000
Reconciliation of carrying amounts at the beginning and end of the period:				
Year ended 31 December 2015				
As at 31 December 2015 net of accumulated depreciation and impairment	106,839	204,511	17,550	328,900
Additions	22	12,353	2,040	14,415
Disposals	-	(1,741)	(17)	(1,758)
Depreciation charge for the year	(771)	(18,681)	(2,634)	(22,086)
Revaluation	12,766	-	-	12,766
Exchange adjustment	-	1,681	447	2,128
At 30 June 2016 net of accumulated depreciation and impairment	118,856	198,123	17,386	334,365
At 30 June 2016				
Cost or fair value	124,941	430,049	64,438	619,428
Accumulated depreciation	(6,085)	(231,926)	(47,052)	(285,063)
Net carrying amount	118,856	198,123	17,386	334,365

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

13 INTEREST-BEARING LOANS AND BORROWINGS

During the half-year, the economic entity acquired property, plant and equipment with an aggregate fair value of \$16,257,000 by means of finance lease or hire purchase arrangements (2015: \$26,024,000).

Standby letters of credit

During the half-year ended 31 December 2016, the Group had the following amended guarantees:

- Bank guarantee of \$15,873,000 (June 2016: \$14,140,000) provided by the Westpac Banking Corporation to Comcare for the due discharge of its liabilities to pay compensation and other amounts under the Safety Rehabilitation and Compensation Act 1988.
- Bank guarantees provided by Westpac Banking Corporation to suppliers is \$847,884 (June 2016: \$847,884).

Fair value disclosures

The carrying amount of the Group's current and non-current borrowings is \$108,520,000, the fair value of these is \$106,203,000.

Fair Value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Lease assets and liabilities are categorised as Level 2, the valuation contains observable Level 2 price inputs. The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2016 was assessed to be insignificant.

14 INVESTMENT IN ASSOCIATE

a) Investment details

	Interest owned		Investment carrying amount consolidated	
	31 December	30 June	31 December	30 June
	2016	2016	2016	2016
	%	%	%	%
Smart Logistics Pty Ltd	50	50	300	395
			<u>300</u>	<u>395</u>

b) Movements in the carrying amount of the Group's investment in associates

	CONSOLIDATED	
	31 December	30 June
	2016	2016
	\$'000	\$'000
Smart Logistics Pty Ltd		
At 1 July	395	413
Dividend Paid	(150)	(150)
Share of profit after tax	55	132
At 31 December	<u>300</u>	<u>395</u>

15 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions entered into with related parties during the six months ended as well as balances as at 31 December 2016.

	Purchases	Sales
Scott's Transport Industries Pty Ltd	214,616	485,201
The Border Watch Pty Ltd	12,051	-
Ascot Haulage (NT) Pty Ltd	36,040	-
Johnson, Winter and Slattery	2,355	-
Transpacific Industries Limited	136,305	-
AA Scott Pty Ltd	-	-
	Receivables	Payables
Scott's Transport Industries Pty Ltd	161,942	127,928
Smart Logistics Australia Pty Ltd	852,704	45,355
Transpacific Industries Limited	-	5,269
AA Scott Pty Ltd	-	45,334

K&S CORPORATION LIMITED

ABN 67 007 561 837

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

As a result of the Scott's Transport merger, the above purchase and sales will be eliminated on consolidation from 30/1/17.

On 30 January 2017, K&S Corporation Limited merged the business of Scott's Transport Industries Pty Ltd (STI) via the transfer of certain assets into K&S Corporation's subsidiary K&S Freighters Pty Ltd. STI was established more than 60 years ago by the late Allan Scott AO and is recognised as one of Australia's largest privately owned transport companies. STI operates a general freight and fuel cartage division, having several blue chip customers within the manufacturing, Fast Moving Consumer Goods and fuel sectors. K&S Corporation views this as an excellent opportunity to further expand its K&S Energy division through increased fuel cartage operations and provide additional volume and competitiveness in its existing intermodal and contract logistics divisions.

K&S CORPORATION LIMITED

ABN 67 007 561 837

Directors' Declaration

In accordance with a resolution of the Directors of K&S Corporation Limited, I 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 2016 are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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

Melbourne, 21 February 2017

Independent Review Report to members of K&S Corporation Limited

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of K&S Corporation Limited, which comprises the statement of financial position as at 31 December 2016, 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim 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 interim 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, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its 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 K&S Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

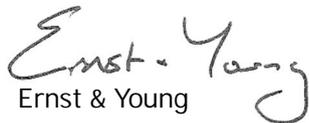
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of K&S Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its 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*.



Ernst & Young
Ernst & Young



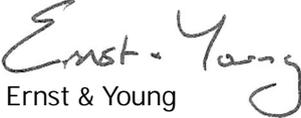
Mark Phelps
Partner
Adelaide
21 February 2017

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

As lead auditor for the review of K&S Corporation Limited for the half-year ended 31 December 2016, 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



Mark Phelps
Partner
21 February 2017