

ASX Announcement 19 April 2013

Konekt Quarterly Report and Governance Update to Shareholders

This Quarterly Report is provided on a voluntary basis for the benefit of investors.

Unaudited Profit and Loss and Balance Sheet for 9 months ended 31 March 2013

Konekt today announced an unaudited loss after tax for the 9 months period to 31 March 2013 of \$518,000, which was a deterioration of \$1.0m compared to same period last year. This was struck on unaudited Revenues of \$22.5m, which were down 9.3% on the unaudited prior corresponding period of \$24.8m.

Management Commentary

Konekt continues to renew and reorient its business against market challenges and opportunities. Of note in during the first three quarters was the decline in NSW Insurer/Agent volumes and spend, coincident with the significant decline in injury prevention revenue, most notably in Queensland and in the coal sector, but also in general mining services wholesalers, augmented by a downturn in smaller businesses in Q3. During this period, Konekt saw an increased focus on injury prevention in the financial services, technology and insurance sectors with an increased investment by these firms in the future wellbeing of their staff clearly evident. Konekt continues to see most progressive firms in these sectors continue to pursue very early intervention strategies in their workplaces to their significant benefit.

Sales

The business flow into the sales pipeline remains steady, although several large contract decisions (Government, Insurance, Transport, Mining and Services), have either been delayed or are due in Q4. The conversion of sales opportunities on the back of improved Insurer performance, Government performance, reputation and our market leading Corporate portfolio remains a critical task in the coming months, to ensure an offset to systematically lower NSW Insurer revenue and an unpredictable timing upswing for mining in Queensland.

Wins

The 2012 appointment of Konekt by Medibank Health Solutions (MHS) to provide a range of health services to Australian Defence Force (ADF) under the Joint Health Command contract for a four year term has commenced showing the expected volume uplifts. We expect some modest further growth during Q4 on this account reflecting a fully operational environment and our very good performance to date. One high profile government entity (not previously a customer) has awarded Konekt with a two year contract. Four significant ASX "Top 100" listed companies are also newly using Konekt this quarter, and relationship proposals are in front of them for consideration following excellent work done by our Care team in providing Pre-employment, Return to Work and Manual Handling services to them. Konekt has seen an uplift associated contract wins during Q3, however this has not offset the revenue weakness in other sectors.



Expense Management

Konekt is continuing the program of managing expenses. Operating costs excluding depreciation were reduced by \$872,000 or 3.6% versus the prior corresponding period with the principal reduction being external contractor and service provider costs, and motor vehicle expenses.

Cash Position

Konekt's cash position on 31 March was \$6,000 versus 30 June of \$1.1m. This movement is due to Accounts Receivable improving by \$627,000, off-set by deterioration in profitability, payment for planned capital expenditure and product development of \$319,000, and the reduction in Current Trade and Other Payables by \$757,000 during the 9 months to 31 March.

Outlook

Despite the Q3 loss, the Board is confident that the strategy is correct, and significant action is being taken to grow market share, revenue and to improve profitability. General political and economic volatility has contributed to the year-to-date performance. The Board is expecting these actions to shift the company from loss to profit in coming quarters, with a sustainable strategy for the business into 2014 and beyond.

For further information:

Damian Banks
Chief Executive Officer
Konekt Limited
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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Konekt Limited

ABN

79 009 155 971

Quarter ended ("current quarter")

31 March 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	7,617	25,212
1.2 Payments for (a) staff and suppliers	(8,360)	(26,222)
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	16
1.5 Interest and other costs of finance paid	(2)	(4)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(741)	(998)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(741)	(998)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(117)	(327)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	8
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
	(117)	(319)
Net investing cash flows		
1.14 Total operating and investing cash flows	(858)	(1,317)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	245
1.18 Repayment of borrowings	(20)	(55)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
	(20)	190
Net financing cash flows		
Net increase (decrease) in cash held	(878)	(1,127)
1.21 Cash at beginning of quarter/year to date	884	1133
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	6	6

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	160
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	3,000	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	6	1,133
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	6	1,133

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Director

Date: 19 April 2013

Print name: Damian Banks

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR 9 MONTHS ENDED 31 MARCH 2013
(Unaudited)**

	Consolidated 31-Mar-13 \$'000s	Consolidated 31-Mar-12 \$'000s	Consolidated 2011-12 Year \$'000s
Revenue from continuing operations	22,428	24,627	32,890
Other income	70	186	324
External consultants	(1,209)	(1,767)	(2,315)
Depreciation and amortisation expenses	(209)	(179)	(242)
Finance costs	13	6	(6)
Share based payments expense	-	(21)	(11)
Salaries and employment related costs	(16,985)	(17,173)	(22,627)
Property expenses	(2,215)	(2,253)	(3,006)
Communication expenses	(701)	(623)	(850)
Motor vehicle and equipment expenses	(716)	(854)	(1,123)
Travel and accommodation expenses	(414)	(375)	(403)
Other expenses from continuing operations	(801)	(847)	(1,732)
Profit/(Loss) before income tax expense	(740)	728	899
Income tax (expense)/credit	222	(218)	(289)
Profit/(Loss) for the period	(518)	510	610
Total comprehensive income/(loss) for the period	(518)	510	610

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013
(Unaudited)**

	Consolidated 31-Mar-13 \$'000s	Consolidated 31-Mar-12 \$'000s	Consolidated 30-Jun-12 \$'000s
Current Assets			
Cash and cash equivalents	6	619	1,133
Trade and other receivables	4,027	4,328	4,654
Work in Progress	656	721	545
Other assets	255	193	112
Total Current Assets	4,943	5,860	6,444
Other receivables	161	44	41
Plant & equipment	477	409	378
Tax assets	1,707	1,556	1,485
Intangible assets	3,834	3,747	3,801
Total Non Current Assets	6,179	5,756	5,705
Total Assets	11,123	11,617	12,149
Current Liabilities			
Trade and other payables	2,779	3,147	3,536
Provisions	50	40	69
Interest bearing liabilities	82	44	23
Total Current Liabilities	2,911	3,231	3,628
Non Current Liabilities			
Interest bearing liabilities	130	-	-
Provisions	461	370	423
Trade and other payables	76	50	43
Total Non Current Liabilities	668	420	466
Total Liabilities	3,578	3,651	4,094
Net Assets	7,544	7,966	8,055
Equity			
Contributed equity	39,165	39,165	39,165
Reserves	256	260	250
Accumulated losses	(31,877)	(31,459)	(31,360)
Total Equity	7,544	7,966	8,055

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR 9 MONTHS ENDED 31 MARCH 2013
(Unaudited)**

	Consolidated 31-Mar-13 \$'000s	Consolidated 31-Mar-12 \$'000s	Consolidated 2011-12 Year \$'000s
Cash Flows from Operating Activities			
Receipts from customers	25,211	27,548	36,312
Payments to suppliers and employees	(26,222)	(26,774)	(34,933)
Interest received	16	11	18
Interest paid	(4)	(4)	(6)
Net cash flows (used in)/provided by Operating Activities	(998)	780	1,391
Cash Flows from Investing Activities			
Purchase of plant & equipment & intangible assets	(327)	(272)	(358)
Proceeds from sale of plant & equipment	8	-	-
Net cash flows used in Investing Activities	(319)	(272)	(358)
Cash Flows from Financing Activities			
Proceeds from borrowings	245	21	-
Repayment of borrowings	(56)	(74)	(62)
Net cash flows (used in)/provided by Financing Activities	189	(52)	(62)
Net (decrease)/increase in cash held	(1,128)	456	971
Cash and cash equivalents at the beginning of the period	1,133	162	162
Cash and cash equivalents at the end of the period	6	619	1,133