KONEKT LIMITED

A.B.N. 79 009 155 971

Results for Announcement to the Market

Appendix 4E Incorporating the
ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2013

Lodged with the ASX under Listing Rule 4.3A

KONEKT LIMITED AND CONTROLLED ENTITIES
ACN 009 155 971

Summary Results for the year to 30 June 2013

The following is a summary of the financial results for the year ended 30 June 2013 (previous corresponding period 30 June 2012).

Results for announcement to the market

	Year ended 30 June 2013 $000s	Year ended 30 June 2012 $000s	Increase/ (Decrease)	% Change
Revenue from continuing operations	30,844	33,214	(2,370)	Down 7%
Net profit before tax ("PBT")	(236)	899	(1,135)	Down 126%
Net profit after tax attributable to members ("NPAT")	(184)	610	(794)	Down 130%

Dividends	Amount per security	Franked amount per security
Final dividend	-	-
Interim dividend	-	-

No dividend is proposed for the current financial year

Net tangible assets	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	3.4 cents	3.7 cents

Refer to the Chairman and Managing Director's Report in the attached Annual Report for an explanation of the above disclosures.

KONEKT LIMITED

A.C.N. 009 155 971

ANNUAL REPORT

2013

KONEKT LIMITED
ABN 79 009 155 971

CORPORATE DIRECTORY

Directors

Douglas Flynn (Chairman)
Philip Small (Non-Executive Director)
Anthony Crawford (Non-Executive Director)
Damian Banks (Chief Executive Officer and Managing Director)

Company Secretary

Matt Ranawake

Registered Office

Level 12
234 Sussex Street
SYDNEY NSW 2000
Tel: (02) 9307 4000
Fax: (02) 9307 4044

Principal Place of Business

Level 12
234 Sussex Street
SYDNEY NSW 2000
Tel: (02) 9307 4000
Fax: (02) 9307 4044

Auditors

BDO
Level 11
1 Margaret Street
Sydney NSW 2000

Tel: (02) 9251 4100
Fax: (02) 9240 9821

Share Registry

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067
Tel: (03) 9415 5000
Fax: (03) 9473 2500

Home Exchange

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: KKT

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CHAIRMAN & MANAGING DIRECTOR'S REPORT

Financial

The 2012-13 year saw some significant market challenges and underperformance at Konekt Ltd in the first three quarters of the year, being partially overcome by a solid fourth quarter performance, where the strategies of the Company started to bear fruit. The Company produced revenue of $30.8m, approximately 7.1% less than the previous year. The profitability of the Company declined significantly with profit after tax declining to a loss of $184,000 from a profit of $610,000 for the 2011-12 year. The profit after tax in the final quarter of $334,000 contrasted with a loss after tax of $518,000 for the first three quarters.

Konekt continued to make further inroads into lowering its fixed cost base, with overall expenses down 3.8% year on year. These costs have now been largely rebased at a more sustainable level for the Company.

Konekt reports 30 June cash moved to $696,000 from $1,133,000 a year earlier. The primary movements here were from the loss reported, with both receivables and work in progress being reduced over the course of the year. This occurred against a backdrop that the total liabilities of the Company also reduced significantly in the year.

Customer

Konekt's business mix moved 5 percentage points in favour of corporate and government revenue relative to insurer and agent revenue, ending the year at 57% corporate and government versus 43% insurer and agent (compared to the prior year of 53% and 47% respectively). This business mix is now in line with the desired longer term mix, with the 2 year reweighting of 8 percentage points.

The lower level of revenue was flagged at the quarterly reports during the year, and showed the impact of two key changes. Firstly, the changes in the insurer/agent market resulting from NSW Government changes to workers compensation announced in the prior year. Whilst in the final quarter insurers/agents revenue continued to be weak, the rate of decline temporarily slowed. It remains the Company view that some further market impact from the 2012 changes will be further felt in the coming year. The second major factor was the sharp and sustained slowdown in pre-employment volumes initially led by a sharp decline in the coal industry. The poor pre-employment market has continued to affect other sectors (including diversified mining, oil, gas, gold, retail and contracting). Konekt continues to retain its customers, albeit at lower volumes of new employment.

Despite this backdrop, Konekt has replaced some of the lost revenue with a new set of customers, and higher levels of share of each customer's spend. The largest win for the year was the Medibank Health Solutions (MHS) contract for the Australian Defence Force (ADF). We are pleased to report that this workflow is now fully embedded into the Company, with excellent results being observed on Konekt's performance. Other sectors of note which performed well were government, financial services, and segments of both manufacturing and logistics. Offsetting these were mining, mining services and some retail sectors.

Investment in Technology and Product

This year, Konekt continued its reinvestment in technology. During the year, the Company replaced and rebased much of its core IT hardware and selected software was also upgraded. This was largely performed in-house and without interruption. Your Company now has a modern, robust, fully duplicated, real time system making it capable of satisfying the most ardent due diligence by Customers.

In the fourth quarter, we also launched JobScreen, a customer driven pre-employment product designed around their feedback. The transition of customers to this new system is going well, with almost all customers now transitioning or completed.

Konekt expects to invest up to $750,000 in 2013-14 in future growth opportunities within the business, across technology, product and R&D spending. The balance will shift from base technology infrastructure (now largely complete) to improved product and customer systems.

Training

The Company continued to make a significant investment in training. The support for professional development of staff was again strong with the completion of the rollout of both the new starters induction program "All Aboard" being implemented for the full year, and the Company wide training program "Care2U" focusing on the 6 primary aspects of Care in its business completed for all staff members.

Locations

During the year Konekt reviewed its staffing and locations to ensure that it has the right resources in the right locations to fulfil its clients' needs. In the 12 month period, Konekt relocated and/or refurbished 7 office locations. Some readjustment in favour of faster growth locations has occurred, with a rebalancing at lower growth locations. Konekt continues with offices in 35 locations this year.

Goals

Of most importance to our customers, staff and shareholders is achieving the Company's goals. Konekt's Vision is that it leads the way in making Australian workplaces injury free by 2025. Below is an update on our progress towards these initiatives:

1) **#1 in Care** The Company mission of being #1 in Care (by any measure) is to ensure that it has achieved great injury prevention and injury management outcomes for its customers. We continue to report against the Care goals for our customers, and measure individual staff performance for their achievements. Good progress was made this year on reducing the complexity of our business, to make it easier for consultants and our customers to interact, for the betterment of all the clients involved in cases. Much work remains and we still have some way to go to achieve this aim. It is pleasing to report some progress this year, with average satisfaction rising somewhat, including across the Insurer/Agent portfolio. There is no doubt that the larger corporate and government customers who are concentrating their volume with us are ranking us very highly (often an outstanding #1) and our aim is to make this infectious across all customers.

2) **Customer Focus** Significant progress has been made in 2012-13 with the introduction of a new CRM system for customers. Last year Konekt restructured so it can improve the way it interfaces with customers and provide every customer with a relationship manager. This team and structure was implemented and is working well. Focusing the organisation's sales efforts with a dedicated sales team will result in a business uplift in 2013-14. Driven by improved relationship management, assisted by systems and technological enhancements, we will continue to ensure it is easier for our customers to do business with Konekt.

3) **Demanded Products** Konekt continues to re-work and optimise its product portfolio. In the 2012-13 year the Company reduced its Service lines from over 420 to around 180. Customers are demanding new, simpler, value based products, and we are growing and refining our product capability to match their needs. The focus for 2013-14 is to consolidate our current core products and services, and launch a suite of new products aligned with market and industry trends using the latest in technology. 3 significant new product launches are planned for the coming year.

4) **Trusted Advisor** Through our strategy of customer focus, we are being asked for, and are responding to a range of requests for value added services from our customers. Our consulting business is niche, focused on injury prevention and return to work, where our customers are seeking trusted advice. Further product definition will be completed in the first half of 2013-14 to enhance our position further.

5) **Strong Sales Culture** Last year we said "Sales is the lifeblood of Konekt's success". That remains true today. Konekt knows that when it builds a strong partnership the results delivered speak volumes, and given our geographic diversity, the concentration of volume is one of the most important features of service quality. We have a strong centrally managed opportunity portfolio, albeit, the soft economy has delayed some decision making in corporates and government alike. Konekt's delivered sales capability will continue to build and bear fruit in 2013-14.

6) **Best People** Konekt needs the best people to thrive – our customers demand it. From taking the best hiring decisions, ensuring market alignment of remuneration, inducting and training well. Whilst total FTE remained stable at the Company, we had 27% fewer new starters this year than last reflecting significant work on staff engagement and retention. We continue to develop and trial smarter hiring strategies to find the best recruits. This year, there remains a higher demand for good staff than there is supply available across many geographic areas, although the market in some areas has been softer allowing us to recruit some excellent high calibre candidates. The Konekt Team remains focused on a series of initiatives to further develop a strong and compelling employment value proposition that attracts and retains the right employees. Konekt retains a commitment rate

(permanent employees versus permanent employees plus contractors) of over 96% at year end, well above many of our competitors. We intend to continue this leadership.

Outlook

Getting the Company in a position to grow has taken all of the past 18 months. The Company is now much better positioned to grow albeit in a challenging market.

The Company anticipates a difficult period in our traditional areas in the upcoming half particularly with softness in workers compensation and employment prospects not being assisted by the upcoming election. Despite these headwinds, we are becoming more optimistic that Konekt can grow revenue and profit year on year.

Growth will mainly be organic, however, there are opportunities for growth through consolidation within the fragmented sectors the Company operates in.

Dividends

The Board has concluded that no dividends be paid in respect of the 2012-13 year. There are a number of current considerations for the Company in relation to dividend policy and capital management including the fact that the Company recorded a loss in 2012-13, still has unused tax losses and has no franking credits. In addition, opportunities to undertake sensible acquisitions are expected to emerge over the course of the next year or two.

Board

Since balance date, we have announced the appointment of Mr Tony Crawford as a new independent non-executive director. Mr John Randall announced his retirement from the Board. We would like to express our appreciation to John for his Service to the Company as our longest serving director.

Finally, the Board would like to record its thanks to all of our Konekt Team members for their work in 2012-13, and their support during a period of change for the Company. We look forward to this coming year with our Company in good shape to meet the challenges of the future.

Douglas Flynn
Chairman

Damian Banks
CEO

28 August 2013
Sydney

CORPORATE GOVERNANCE STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance.

This statement outlines the principal corporate governance procedures of Konekt Limited ("Company").

ASX Corporate Governance Council Recommendations

The ASX Principles and Recommendations, in conjunction with the ASX Listing Rules, require companies to disclose in their Annual Reports whether their corporate governance practices follow the ASX Recommendations.

Unless disclosed below, all recommendations have been applied for the entire financial year ended 30 June 2013.

Recommendation 1.1 states that companies should establish functions reserved to the board, and those delegated to senior executives. The Company has a Board Charter which is available on the Company's website which details these activities.

Recommendation 1.2 states that companies should disclose the process for evaluating the performance of senior executives. The Board, through the Remuneration Committee sets the goals for the CEO, and performs regular reviews of the CEO's performance. Targets are set by the Board for the CEO which also set short and long term performance based remuneration targets for the CEO. The CEO sets the targets for the Senior Executives of the Company, and regularly reviews their performance. The Remuneration Committee reviews the performance of the Senior Executives and approves any short or long term performance based remuneration.

Recommendation 2.1 states that a majority of the Board be Independent and Recommendation 2.2 states that the chairperson be Independent. At the date of this report the Board comprises three Non-Executive Directors, who are regarded as Independent Directors. The Chairman is Independent. During the year, the Chairman, Philip Small (until 19 July 2012) and Douglas Flynn (from 19 July 2012) were Non-Executive Directors and thus independent. The Managing Director, Damian Banks is an Executive Director and thus not independent, as guided by Recommendation 2.3.

During the year ended 30 June 2013 and up to the date of this report, the Board comprised of:

Douglas Flynn (Independent Non-Executive Director appointed 19 July 2012; Chairman from 19 July 2012)
Damian Banks (Executive Director appointed 12 September 2011; Chief Executive Officer and Managing Director from 20 April 2012)
John Randall (Independent Non-Executive Director appointed 27 March 2009; resigned 16 July 2013)
Philip Small (Independent Non-Executive Director appointed 19 November 2009; Interim Chairman from 20 April 2012 to 19 July 2012)
Anthony Crawford (Independent Non-Executive Director appointed 16 July 2013)

Recommendation 2.4 states that listed entities should establish a Nomination Committee. During the year, following the pending resignation of John Randall, the Company conducted a search for a new Director under the auspices of the Remuneration Committee. The Remuneration Committee Chair led the process of engagement with a Recruitment firm who conducted a search for a new Director for the Company. At the conclusion of this process Anthony Crawford was nominated as a Director then appointed on 16 July 2013.

Recommendation 2.5 states that companies should disclose the process for evaluating the performance of its board, committees and individual directors. The Konekt Board evaluated its performance during the year, and reviewed its committee agenda. The Board also evaluated the performance of individual Directors.

Recommendation 3.1 states that companies should establish a Code of Conduct and disclose a summary. Konekt has a Code of Conduct for Employees which was last updated in April 2011. This Code details guides to Ethical Conduct and Decision Making, Personal Responsibilities, Manager Responsibilities, Securities and Insider Trading, Client Records, Intellectual Property, Data Privacy, Personal Conduct and Financial Integrity, Giving Gifts and Gratuities, Receiving Gifts and Gratuities, Political and Charitable Contributions, Agreements and Contracts, Confidentiality, Use of Drugs and Alcohol and Conflicts of Interest. This code is published on the Company's intranet site, and reviewed from time to time.

Recommendations 3.2-3.4 deal with establishing policy, setting objectives and reporting on the results of gender diversity within the Company. Konekt is committed to providing all employees and potential employees with fair access to employment related opportunities. Decisions regarding recruitment, promotions, transfers, training and development are based on merit. The Company annually reports to the Equal Opportunity for Women in the Workplace Agency. Konekt's workplace profile indicate organisation as a whole comprise of 75% women, 17% in senior executive positions and nil on the board.

Recommendations 4.1-4.3 deal with the establishment and conduct of the Audit Committee. Konekt has an Audit Committee which is chaired by a Non-Executive Director who is not the Chairman. The Committee must have at least 3 members, which is does, and has a formal charter which was last reviewed in May 2012.

Recommendation 5.1 states companies should establish written policies designed to ensure compliance with ASX listing rule disclosure requirements. Konekt does have policies for compliance with disclosure requirements. Senior Executives (on at least a fortnightly basis) formally confirm any information which may need to be considered by the Board as a disclosure requirement. Upon receipt of significant information Executives are required to inform the CEO (or in their absence, the Chair of the Board Audit Committee) of that information for consideration against the ASX disclosure requirements.

Recommendation 6.1 states that companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. In 2011-12 the Company commenced voluntary quarterly reporting whilst considering the issues for and against such reporting.

Recommendation 7.1 requires that the Board should establish policies on risk oversight and management. The Board has implemented suitable practices and procedures, which are consistent with its size and maturity, and during the financial year the Board considered matters of internal control and risk management on a needs basis. The Audit, Risk and Compliance Committee assess risk management and guide the development of further formal policies where appropriate. The Company's Risk Register was formally reviewed by this committee during the year.

Recommendation 7.3 requires the Board to disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The CEO and CFO have provided the Board with this assurance.

Recommendations 8.1-8.4 deal with Remuneration. The Board has established a Remuneration Committee which consists of only Independent Directors and is chaired by an Independent Chair. During 2012-13 the Committee consisted of 3 members, the 3 Non-Executive Directors. The structure of Directors remuneration is distinguished from that of executive directors and senior executives.

In 2012-13, the Remuneration Committee independently sought and received remuneration advice in relation to the CEO remuneration package from a suitably qualified expert. This expert provided advice to the committee through the committee chair.

Following an annual review Director's fees for 2012-13 were set at $46,000 p.a. (inclusive of superannuation), with $4,000 p.a. (inclusive of superannuation) being paid to Committee Chairs. The Chairman's fee for 2012-13 was set at $82,840 p.a. (inclusive of superannuation). These will remain unchanged for 2013-14 year.

The shareholders approved a maximum pool of $350,000 for non-executive directors' remuneration at the 2012 AGM of the Company.

Roles of the Board and Management

The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The Board is accountable to shareholders for the activities and performance of the Company and has overall responsibility for the Company's development of the Company's business, and its corporate governance. However, the Board does not itself manage the business and affairs of the Company.

CORPORATE GOVERNANCE STATEMENT (cont'd)

Responsibility for management of the Company's business and affairs, within the scope of the framework established by the Board, is delegated to the Managing Director, who is accountable to the Board.

An updated Board Charter was adopted in December 2012.

Responsibilities of the Board

The Board is responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those goals.

The key responsibilities of the Board include:

- Ensuring the Company is properly managed;
- Appointing and review the performance of the Managing Director;
- Approving strategy, planning, acquisitions and joint ventures, and major capital expenditure;
- Arranging for effective budgeting, capital management, financial supervision and monitoring financial performance against the strategic plan and budgets;
- Ensuring that appropriate audit arrangements are in place;
- Ensuring that effective and appropriate reporting systems are in place which will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately; and
- Reporting to shareholders.

Board Structure

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;

- The Board should not comprise a majority of Executive Directors; and

- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The composition of the Board is reviewed on an ongoing basis to ensure that the Board has an appropriate balance of experience and expertise.

The Directors in office at the date of this Annual Report are:

Name and qualification		Date of appointment
Mr Douglas Flynn – BEng, MBA (Melb)	Chairman Independent Non-Executive Director	19 July 2012
Mr Philip Small - BEc (Syd), MSc (Lond), FCPA, GAICD.	Independent Non-Executive Director	19 November 2009
Mr John Randall - B.COM, MBA, FCA (Australia) FCA (England & Wales), ACMA, AFCHSE, MAICD	Independent Non-Executive Director	27 March 2009; Resigned 16 July 2013
Mr Anthony Crawford - BA, LLB (UNSW), GAICD	Independent Non-Executive Director	16 July 2013
Mr Damian Banks - BEc, MAICD	Chief Executive Officer and Managing Director	Executive Director from 12 September 2011; Chief Executive Officer and Managing Director from 20 April 2012

CORPORATE GOVERNANCE STATEMENT (cont'd)

Details on the relevant skills and experience, and term of office of each of the Directors are set out in the Directors' Report.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Recommendations, the Board Charter requires the Board to include a majority of Non-Executive Independent Directors, a Non-Executive Independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer. Mr John Randall resigned from the Board on 16 July 2013 with Mr Anthony Crawford appointed to the Board on the same date.

In considering whether a Director is independent, the Board has had regard to the independence criteria in ASX Principle 2, including the definition in Box 2.1, and other facts, information and circumstances that the Board considers relevant.

The Board considers that Mr Douglas Flynn, Mr John Randall (until his resignation on 16 July 2013), Mr Philip Small and Mr Anthony Crawford (since his appointment on 16 July 2013) have continued to be Independent Directors since the dates of their appointment. As Chief Executive Officer and Managing Director, Damian Banks is an Executive Director and thus not independent.

Meetings of the Board

During the year the Board met 8 times to consider the business of the Company, its financial performance and other operational issues, and in the future will continue to meet as required.

Retirement and Re-election

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders. Reappointment is not automatic.

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

Board Performance

The Board reviews and evaluates its own performance and the individual performance of each Director, including the Chairman and any Executive Directors. Having regard to the Company's size, operations and the Board's composition, the Board believes that a self-assessment approach to performance evaluation is appropriate.

The Company has an established induction procedure which allows new Board appointees to participate fully and actively in board decision making at the earliest opportunity. During the year, the Board reviewed its performance, and considered the appropriate mix of skills that were ideal in appointing a new Chairman. During 2013-14 the Board will again be conducting a self-evaluation. Similarly an evaluation of the performance of its two committees, namely, the Audit, Risk and Compliance Committee and the Remuneration Committee will be conducted in conjunction with this review.

Directors' Remuneration

The remuneration of Non-Executive Directors is different to that of Executives. Executive Directors receive a salary and may receive other benefits.

Non-Executive Directors receive a set fee per annum inclusive of their statutory superannuation entitlements, and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. When reviewing Directors' fees the Board takes into account any changes in the size and scope of the Company's activities.

The Board reviews the remuneration and policies applicable to Non-Executive Directors and the Managing Director on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior Executives. Where necessary, the Board will obtain independent advice on the appropriateness of remuneration packages. During the year, the Board completed 2 reviews of Chair and Non-Executive Director Remuneration.

The shareholders approved a maximum pool of $350,000 for non-executive director's remuneration at the 2012 AGM of the Company.

The structure and disclosure of the Company's remuneration policies for Directors and senior Executives are set out in the Directors' Report.

Board Access to Information

All Directors have unrestricted access to all employees of the Group and, subject to the law, access to all Company records and information held by Group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Non-executive Directors are also given the opportunity to meet informally with management and gain a greater understanding of the Company through attendance at internal Company conferences, where appropriate.

Consistent with ASX Principle 2, each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

Board Committees

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

The Board Committees assist the Board in the discharge of its responsibilities and are governed by their respective Charters, as approved by the Board. The current Board Committees comprise:

- The Remuneration Committee; and
- The Audit, Risk and Compliance Committee.

Remuneration Committee

Among the specific responsibilities set out in its Charter, the Remuneration Committee reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the Directors, the Managing Director and senior management. The Committee makes recommendations to the Board on the Board's operation and performance; establishes an induction programme for Directors; undertakes a performance review of the Managing Director at least annually and establishes the goals for the forthcoming year with the Managing Director.

CORPORATE GOVERNANCE STATEMENT (cont'd)

The members of the Remuneration Committee during the year and subsequently were:

- Philip Small (appointed Committee Chairman on 12 September 2011)
- John Randall (resigned on 16 July 2013)
- Douglas Flynn (appointed 19 July 2012)
- Anthony Crawford (appointed 16 July 2013)

During the year, the Committee held 2 meetings, which were attended by the then appointed Committee members.

Audit, Risk and Compliance Committee

The Board has an Audit, Risk and Compliance Committee. The Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting, consistent with ASX Principle 4.

The Audit, Risk and Compliance Committee during the year and subsequently comprised the following members:

- John Randall (Appointed Committee Chairman on 2 April 2009; resigned 16 July 2013)
- Anthony Crawford (Appointed Committee Chairman on 16 July 2013)
- Philip Small (Appointed 8 February 2010)
- Damian Banks (Appointed 12 September 2011; resigned 19 July 2012)
- Douglas Flynn (Appointed 19 July 2012)

The relevant qualifications and background of the above are summarised in the Directors' Report.

Part of the role of the Committee is to provide a direct link between the Board and the external auditors.

It also provides the Board of Directors with additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in Financial Statements.

The functions and responsibilities of the Committee are set out in the Audit, Risk and Compliance Committee Charter and include:

- Oversight of the reliability and integrity of the Company's accounting policies and financial reporting;
- Advising the Board on financial reporting and business risks;
- Monitoring compliance with regulatory requirements;
- Identifying key risks faced by the Company and ensuring appropriate risk management strategies and insurances are in place;
- Improving the quality of the accounting function;
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- Reviewing the performance of the external auditor, their qualifications and independence.

The Audit, Risk and Compliance Committee review the performance of the external auditors and makes recommendations to the Board of Directors in relation thereto. During the year, the Committee held 2 meetings, which were attended by the then appointed Committee members.

Financial Integrity

The Board has policies designed to ensure that the Company's Financial Statements meet high standards of disclosure and provide the information necessary to understand the Company's financial performance and position. The policies require that the Managing Director and CFO provide to the Board, prior to the Board approving the annual and half-yearly accounts, a written statement that the accounts present a true and fair view, in all material respects, of the Company's financial performance and position and are in accordance with relevant accounting standards, laws and regulations.

Audit Process

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company's accounts are subject to an annual audit by an independent, professional auditor, who also reviews the half-yearly accounts.

Consistent with ASX Recommendation 6.2, the auditor attends and is available to answer questions at the Company's Annual General Meetings.

Auditor Independence

The Company has implemented procedures and policies to monitor the independence and competence of the Company's external auditors. Details of the amounts paid for both audit work and non-audit services are set out in this Annual Report.

The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner. The Audit, Risk and Compliance Committee will liaise with the auditors in this regard.

At the 2012 AGM, the shareholders approved the removal Grant Thornton Audit Pty Ltd as the auditor of the Company and appointment of BDO East Coast Partnership as the new auditor. The Audit Committee and the Board led the process of change to the new auditor.

Business Risks

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Managing Director is charged with implementing appropriate risk management systems within the Company.

The Board will monitor and receive advice on areas of operational and financial risk and consider strategies for appropriate risk management arrangements.

Specific areas of risk identified initially and which will be regularly considered at Board meetings include performance of specific activities, human resources, workplace health and safety, the environment, Workers' Compensation legislation, statutory compliance, information systems, disaster recovery and continuous disclosure obligations.

As part of the reporting process the Managing Director and CFO provide to the Board, prior to the Board approving the annual and half-yearly accounts, a written statement that the integrity of the Financial Statements (as per ASX Recommendation 7.3) are founded on a system of risk management, internal compliance and control which implements the Board's policies and the Company's risk management and internal control system is operating efficiently and effectively in all material matters.

Share Trading

Under the Company's share trading policy, all employees and Directors of the Company are prohibited from trading in the Company's shares or other securities unless trading occurs in a designated trading window or with the permission of the Chairman of the Board. Trading windows where employees will be permitted to buy or sell securities will be for a period of four (4) weeks commencing 2 trading days after the public release by the Company of its annual and half year results to the ASX and for a period of 4 weeks commencing 2 trading days after the AGM. Despite the foregoing, the Company may declare a trading window closed at any time in its absolute discretion.

Full details of the Company's share trading policy are available on the Company's website and on the ASX announcements platform.

The most recent update to the trading policy was in February 2012.

Continuous Disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Managing Director in relation to continuous disclosure matters. The Managing Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

Code of Conduct

The Board has adopted a Code of Conduct to establish and encourage observance by the Company's Directors, Executives and employees of standards of ethical and responsible decision making and behaviour, and to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. All new employees are provided with the Code of Conduct and related policies in induction. The Company has implemented an online compliance training program which includes all policies, updates and training.

Communications with Shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through the distribution of Annual Reports; and by presentations to shareholders at the Annual General Meeting, which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by the Company throughout the year with respect to its activities, are distributed widely first via the Australian Stock Exchange and then on the Company's website.

Company's Website

The Company maintains the website at *www.konekt.com.au*.

The website contains a corporate governance section which includes the Guidelines covering Board Membership, the Charters of the Board and Board Committees, Policy on Directors and Senior Executives Dealings, Board Code of Conduct, Continuous Disclosure, Communications with Shareholders, Share Trading and this Corporate Governance Statement.

DIRECTORS' REPORT

The directors present their report together with the consolidated financial statements of Konekt Limited ("the Company"), being the Company and its subsidiaries, for the year ended 30 June 2013 and the auditors' report thereon.

Directors

The directors of the Company during the financial year and up to the date of this report are:

DOUGLAS FLYNN – *Chairman*

Mr Flynn has held senior management roles and directorships in major media organisations in Australia and overseas including News Corporation Limited subsidiaries. After leaving News International plc in 1998 he joined the Aegis Group plc board as a non-executive director. Aegis Group is a marketing services Company operating in some sixty countries. After becoming Chief Executive of Aegis Group in 1999 Doug was instrumental in doubling the size of the Company and established a global market research business Synovate and internet services business Isobar. In April 2005 he joined Rentokil Initial plc, a global business services Company, as Chief Executive and after an extensive restructuring of the Company's portfolio, balance sheet and organisation left the Company in 2008. From 2008 to early 2012 he was a consultant to and a director of Qin Jia Yuan Media services Ltd, the leading private television Company in China.

In mid 2008 Doug returned to Australia and in August that year he became a director of West Australian Newspapers Holdings Limited. From the second half of 2010 to deal completion in 2011 he was chairman of the Independent Directors and led the negotiation on their behalf for the $4.1b acquisition by WAN of Seven Media Group from Seven Group Holdings and KKR. The end result was the creation of Seven West Media Limited.

Doug graduated in chemical engineering from the University of Newcastle, New South Wales. He received an MBA with distinction from Melbourne University in 1979. During his university years he had a number of scholarships including Commonwealth, Commonwealth Postgraduate and Steel Industry Scholarship.

He has an active interest in a Kimberley region cattle station group, Youga Walla, in Australia's north west. He provides corporate financial advice to a number of private and public companies.

Mr Flynn is a member of both the Audit, Risk and Compliance, and Remuneration Committees.

Age: 64

Date of appointment: 19 July 2012

DAMIAN BANKS – *Chief Executive Officer, Managing Director*

Mr Banks has had a wide variety of roles across Banking, Finance, Health and Consulting in a career spanning over 25 years in Australia.

In the period 1994-2009, Mr Banks had a 15 year career with Westpac Banking Corporation where he led a number of businesses within the Institutional Bank including Equities, Financial Institutions, Health and Government and Transactional Banking. Prior to leading these businesses, Mr Banks was Head of Payments and Head of Telephone Banking in the Retail and Business Bank.

Prior to Westpac, he worked at Citigroup and WR Grace after leaving University where he received a Bachelor of Economics. He is a Director of Kincoppal Rose-Bay School in Sydney.

Age: 47

Date of appointment: 12 September 2011

MR JOHN RANDALL, B.COM, MBA, FCA (Australia) FCA (England & Wales), ACMA, AFCHSE, MAICD – *Non-Executive Director*

Mr Randall is a senior business executive and chartered accountant with 30 years international experience involving leadership positions in private and public companies in Australia, Africa and the USA. He has held the positions of CEO at Ramsay Health Care Ltd and CEO of The Hospitals Contribution Fund of Australia Ltd (HCF).

Mr Randall was Chairman of the Audit, Risk and Compliance Committee and is a member of the Remuneration Committee.

Age: 74

Date of appointment: 27 March 2009; resigned 16 July 2013

MR PHILIP SMALL, BEc (Syd), MSc (Lond), FCPA, GAICD – *Non-Executive Director*

Mr Small spent 10 years in the general insurance industry and is a member of the Australian & New Zealand Institute of Insurance and Finance. Since 1985 he has been involved in the insurance and banking software industry and has a detailed knowledge of the market in the Asia Pacific region. He has held a number of senior management positions as a technology executive and was President of Computer Science Corporation (CSC)'s Financial Services Group in Asia Pacific, a position he held until 2001. Prior to CSC, Philip worked for Continuum and was responsible for their operations in Asia Pacific between 1993 and 1996. Prior to this, he worked for Paxus Corporation where he headed up their European division from 1988 to 1993 and led their expansion to become the leading provider of insurance software in Europe. Philip is a Director of both Pillar Administration, a State Owned Corporation that provides back office administration services to superannuation funds and Fineos Corporation, an Irish software Company.

Mr Small is a member of the Audit, Risk and Compliance Committee and Chair of the Remuneration Committee.

Age: 63

Date of appointment: 19 November 2009

MR ANTHONY CRAWFORD, BA, LLB (UNSW), GAICD – *Non-Executive Director*

Mr Crawford is the Independent Chairman of accounting and advisory firm Grant Thornton Australia. He is also Chairman of Heart Research Australia. Tony has had an extensive career of over 30 years with leading Australian commercial law firm, DLA Phillip Fox. As a partner for 25 years, he served as that firm's Chief Executive between 1999 and 2010 and prior to that, Chairman of its Board. Amongst other achievements, Tony led the national integration of the firm in 1999 and, in 2010, the pathway to international merger with DLA Piper

Mr Crawford is Chairman of the Audit, Risk and Compliance Committee and is a member of the Remuneration Committee.

Age: 58

Date of appointment: 16 July 2013

Mr MATT RANAWAKE, BBus, MBA, CPA, FAICD – *Chief Financial Officer, Company Secretary*

Mr Ranawake is a senior executive with many years of experience in several industries in Asia Pacific, Australia, India and China, combined with a strong background in Finance, Commercial, Information Systems, Sales, Change Management, Strategy and Business Development. Currently he is also a non-executive director of Freshtel Holdings Limited. Prior to that he was the CFO of Consistel Group in Singapore where he was instrumental in raising funds from Intel Capital and JAFCO Asia. Prior to joining Consistel, Matt was the Chief Financial Officer of LongReach Group Limited, a ASX listed Australian telecommunications equipment manufacturer and vendor, where he was involved in raising capital and managing its merger. He has held senior management positions in Telstra Corporation, British Telecom and Marconi. Matt also has several years of experience in gas, electric and petroleum industries.

Age: 57

Date of appointment: 2 May 2011

Mr ANDREW WHITTEN, BA, MLLP, ACIS Public Notary – *Joint Company Secretary*

Mr Whitten is an admitted solicitor with a specialty in Corporate Finance and Securities Law and is a Solicitor Director of Whittens Lawyers and Consultants. Andrew is currently the Company secretary of a number of publicly listed companies. He is a responsible officer of a Nominated Adviser to the National Stock Exchange of Australia Limited, and has been involved in a number of corporate and investment transactions including Initial Public Offerings on ASX and NSX, corporate reconstructions, reverse mergers and takeovers. Andrew's firm currently acts for numerous publicly listed companies. Andrew holds the following professional qualifications: Bachelor of Arts (Economics UNSW); Master of Laws and Legal Practice (Corporate Finance and Securities Law-UTS); Graduate Diploma in Applied Corporate Governance from the Institute of Chartered Secretaries and is an elected Associate of that institute. Andrew is also a Public Notary.

Age: 36

Date of appointment: 1 June 2011; resigned 23 August 2012

Directors' Interests in shares and options of the Company as at 30 June 2013

The relevant interest of each director in shares and options of the Company at the date of this report is as follows:

	Fully Paid Ordinary Shares		Performance Rights	Options Over Ordinary Shares
Director	**Direct**	**Indirect**	**Direct**	**Direct**
Douglas Flynn	-	2,647,752	-	-
Philip Small	800,000	-	-	-
John Randall	197,517	-	-	-
Anthony Crawford	-	-	-	-
Damian Banks	-	13,150,000	-	1,641,587

Performance Rights

There were nil performance rights outstanding at the date of this report.

Deferred Employee Share Plan

Fully paid ordinary shares of Konekt Limited were acquired under Deferred Employee Share Plan (DESP). The balance at the date of this report is as follows:

No. of deferred shares	Exercise price	Exercise date
723,855	$0.00	1 August 2012

Meetings of directors

During the year, the following meetings were held. Attendances were:

Director	Board Meetings		Audit, Risk and Compliance Committee		Remuneration Committee	
	No. of meetings held whilst a Director	No. of meetings attended	No. of meetings held whilst a Member	No. of meetings attended	No. of meetings held whilst a Member	No. of meetings attended
Douglas Flynn	8	8	2	2	2	2
Philip Small	8	8	2	2	2	2
John Randall	8	8	2	2	2	2
Damian Banks	8	8	-	-	-	-

Principal Activities

The Group operates in workplace health services, conducting activities of injury prevention, injury management and consulting.

Operating Results

The consolidated net loss after income tax of the consolidated entity for the financial year was $184,000 (2012: net profit $610,000). Total Revenue and Other Income was $30,844,000 (2012: $33,214,000).

Review of Operations

A review of operations of the consolidated entity during the year and subsequent to the end of financial year is contained in the Chairman's and Managing Director's Report on page 4.

Dividends Paid or Recommended

Since the end of the financial year no dividends were declared (2012: Nil).

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

Likely Developments and Expected Results

Getting the Company in a position to grow has taken all of the past 18 months. The Company is now much better positioned to grow albeit in an expected flat market. The Company anticipates a difficult period in its traditional areas in the upcoming half particularly with softness in workers compensation and employment prospects not being assisted by the upcoming election. Despite these headwinds, the Company is becoming more optimistic that Konekt can grow revenue and profit year on year. Growth will mainly be organic, however, there are opportunities for growth through consolidation within the fragmented sectors the Company operates in.

Remuneration Report – Audited

Details of Parent Entity Directors and Key Management Personnel

(i)	*Parent Entity Directors*	*Position*	*Period of service*
	D. Flynn	Chairman	Director since 19 July 2012
	D. Banks	Chief Executive Officer, Managing Director	Director since 12 September 2011
	J. Randall	Non-Executive Director	Director since 27 March 2009; resigned 16 July 2013
	P. Small	Non-Executive Director	Director since 19 November 2009
	A. Crawford	Non-Executive Director	Director since 16 July 2013
(ii)	*Key Management Personnel*		
	M. Ranawake	Chief Financial Officer, Company Secretary	Employed since 2 May 2011

Directors' and Key Management Personnel Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company and consolidated entity; and
- performance incentives that allow executives to share in the success of Konekt

To assist in achieving this objective, the Board, in assuming the responsibilities of assessing remuneration to employees, links the nature and amount of executive directors' and officers' remuneration to the Company and consolidated entity's financial and operational performance. Over the last five years bonus payments have been paid to key management personnel in the 2009 and 2010 years.

The earnings of the Company for the five years to 30 June 2013 are summarised below:

$'000s	2013	2012	2011	2010	2009
Sales revenue	30,518	32,890	34,135	35,971	32,076
EBITDA	51	1,129	502	2,594	1,814
EBIT	(249)	887	182	2,208	1,347
Profit/(loss) after income tax	(184)	610	205	3,880	1,174
Cash bonuses to KMP's	-	-	-	153	87

The factors that are considered the affect total shareholder return ('TSR') are summarised below:

$'000s	2013	2012	2011	2010	2009
Share price at financial year end ($A)	0.027	0.06	0.05	0.15	0.05
Total dividends declared (cents per share)	-	-	-	-	0.5
Basic earnings per share (cents per share)	(0.2)	0.8	0.3	5.5	1.8

For a more comprehensive explanation of the Company's remuneration framework and the remuneration received by directors and key executives in the current period, please refer to the remuneration report, which is contained within the directors' report.

There is no scheme to provide retirement benefits to executive or non-executive directors.

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors themselves and the Chief Executive Officer and executive team.

Remuneration and other terms of employment for the Managing Director, and Key Management Personnel are formalised in service agreements. Each of these provides for a performance related cash bonus and superannuation. Other major provisions of the agreements relating to remuneration are set out below:

		Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments	
		Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	Termination benefits $	Options $	Total $
Parent Entity Directors:									
Douglas Flynn	**2013**	**77,105**	**-**	**-**	**-**	**-**	**-**	**-**	**77,105**
	2012	-	-	-	-	-	-	-	-
John Randall	**2013**	**25,000**	**-**	**-**	**24,923**	**-**	**-**	**-**	**49,923**
	2012	15,923	-	-	31,594	-	-	-	47,517
Philip Small	**2013**	**47,424**	**-**	**-**	**4,268**	**-**	**-**	**-**	**51,692**
	2012	31,594	-	-	20,523	-	-	-	52,117
Damian Banks	**2013**	**372,912**	**-**	**-**	**20,000**	**761**	**-**	**8,858**	**402,531**
	2012	315,243	-	-	11,880	269	-	-	327,392
Ken Carr	2013	-	-	-	-	-	-	-	-
	2012*	74,000	-	-	1,800	-	-	-	-
Total Remuneration: Parent Entity Directors:									
Total	**2013**	**522,441**	**-**	**-**	**49,191**	**761**	**-**	**8,858**	**581,251**
	2012	436,760	-	-	65,797	269	-	-	502,826
Key Management Personnel of the Consolidated Entity:									
Matt Ranawake	**2013**	**186,156**	**-**	**-**	**25,163**	**759**	**-**	**1,476**	**213,554**
	2012	172,680	-	-	48,543	(163)	-	-	221,060
Total Remuneration: Parent Entity Directors and Key Management Personnel of the Consolidated Entity:									
	2013	**708,597**	**-**	**-**	**74,354**	**1,520**	**-**	**10,334**	**794,805**
	2012	609,440	-	-	114,340	106	-	-	723,886

* Ken Carr's cash salary and fees includes $54,000 paid for performing the duties as Interim Managing Director

During the year 2,735,979 options were granted to the Managing Director and certain senior executives as long term incentives under the Konekt Performance Rights and Options Plan.

No part of Directors, Key Management Personnel, or Executive remuneration is performance based for 2013.

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the consolidated entity.

Share Options

During the financial year, no ordinary shares were issued as a result of the exercise of options.

During the year 2,735,979 options were granted to the Managing Director and certain senior executives as long term incentives under the Konekt Performance Rights and Options Plan. The Managing Director was issued with 1,641,587 options. All options were issued under the following terms:

- Grant date 10 September 2012
- First exercise date 1 September 2015
- Issue price $Nil
- Exercise price $0.07
- Fair value at grant date $0.02
- Continuous employment with Konekt Limited up to and including 20 April 2015 for 100% of the Options to vest (subject to satisfaction of the performance condition at the termination date); or continuous employment with Konekt Limited until at least 20 April 2014, where employment is subsequently terminated by the Company and employee is not a "Bad Leaver" under the Rules of the Plan for pro-rata vesting of the Options to vest meaning that (subject to satisfaction of the performance conditions on a pro rata basis at the termination date), 2/3 or the options would vest on 20 April 2014, with the number increasing pro rata after that date. Any vested options would expire at 5pm, 6 months after the date of termination.
- The vesting of Options will be subject to Konekt achieving the earnings per share (EPS*) Target below.

August 2012 Invitation: EPS* Target	Percentage of Options to vest
Cumulative EPS of at least **$0.075** over the three financial years 2013, 2014 and 2015 **with** the 2015 EPS being a minimum of **$0.020**.	100%
Cumulative EPS of at least **$0.06** over the three financial years 2013, 2014 and 2015 **with** the 2015 EPS being a minimum of **$0.020.**	50%

- Pro Rata vesting of Options between 50% and 100% on a straight-line basis for Cumulative EPS between $0.06 and $0.075. EPS is defined as Annual reported Net Profit after Tax divided by number of shares.

The Managing Director's options were approved at the 2012 AGM.

Service Agreements

Remuneration and other terms of employment for the Managing Director and Key Management Personnel are formalised in service agreements. Each of these provides for a performance related cash bonus and superannuation. Other major provisions of the agreements relating to remuneration are set out below:

Damian Banks – Chief Executive Officer, Managing Director

- Term of agreement: no fixed term
- Either party must give 3 months' notice in writing to terminate the agreement
- Base salary, including superannuation, amounting to $410,000 to be reviewed annually by the Remuneration Committee
- Short term incentive equal to $160,000 based on achieving performance criteria set at the Board's discretion.
- Long term incentive of $60,000 worth of market priced options at a price of 7c. Vesting period is 3 years. The percentage of remuneration that consists of options is 2.2%.

DIRECTORS' REPORT (cont'd)

Matt Ranawake – Chief Financial Officer, Company Secretary

- Term of agreement: no fixed term
- Base salary, including superannuation, amounting to $215,000 to be reviewed annually by the Remuneration Committee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, is equal to 3 months' notice.
- Short term incentive based on achieving performance criteria set at the Board's discretion.
- Long term incentive of $10,000 worth of market priced options at a price of 7c. Vesting period is 3 years. The percentage of remuneration that consists of options is 0.7%.

END OF AUDITED REMUNERATION REPORT

Audit Services

During the year, audit and review fees paid and payable to the entity's auditor BDO East Coast Partnership was $70,000 (2012: $85,000 paid to previous auditor Grant Thornton).

Non-audit Services

There were no non-audit services performed by the Group's external auditors for the year ended 30 June 2013.

Environmental Regulations

The Group's operations are not subject to significant environmental regulations under either Commonwealth or State legislation.

Significant Events after the end of the reporting period

There have been no significant events which have occurred since the end of the reporting period.

Indemnification and Insurance of Directors

The Company has agreed to indemnify all current directors of the Company and former directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith. Subject to the terms of the Directors' and Officers' Insurance policy the agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify the current directors of its subsidiaries for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has agreed to indemnify executive officers and employees for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums

The directors have taken out a Directors' and Officers' Insurance policy but have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy as such disclosure is prohibited under the terms of the contract.

DIRECTORS' REPORT (cont'd)

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Konekt support and have adhered to the principles of Corporate Governance except as outlined in the Corporate Governance Statement which is contained in the Corporate Governance Statement on page 7.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act can be found on page 24 of this report.

Rounding of Accounts

The parent entity has applied the relief available in ASIC Class Order 98/100 and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a Resolution of the Board of Directors.

Douglas Flynn
Chairman

Damian Banks
CEO

28 August 2013
Sydney

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Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF KONEKT LIMITED

As lead auditor of Konekt Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect Konekt Limited and the entities it controlled during the period.

John Bresolin

Partner

BDO East Coast Partnership

Sydney, 28 August 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Notes	2013 $'000s	2012 $'000s
Revenue from continuing operations	4	30,518	32,890
Other revenue	4	18	18
Other income	4	308	306
External consultants		(1,444)	(2,315)
Depreciation and amortisation expenses	5	(302)	(242)
Finance costs	5	(5)	(6)
Share based payments expense	5	(15)	(11)
Salaries and employment related costs		(22,636)	(22,627)
Property expenses		(2,974)	(3,006)
Communication expenses		(949)	(850)
Motor vehicle and equipment expenses		(955)	(1,123)
Travel and accommodation expenses		(468)	(403)
Other expenses from continuing operations	5	(1,332)	(1,732)
Profit/(loss) before income tax expense		**(236)**	**899**
Income tax (expense)/credit	7	52	(289)
Profit/(loss) after income tax expense for the year		**(184)**	**610**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**(184)**	**610**
Basic earnings per share (cents per share)	6	(0.2)	0.8
Diluted earnings per share (cents per share)	6	(0.2)	0.8

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

		Consolidated	
	Notes	2013 $'000s	2012 $'000s
Current Assets			
Cash and cash equivalents	8	696	1,133
Trade and other receivables	9	4,387	4,654
Work in Progress	10	426	545
Other assets	11	202	112
Total Current Assets		**5,711**	**6,444**
Non Current Assets			
Other assets	12	134	41
Plant & equipment	13	446	378
Tax assets	14	1,537	1,485
Intangible assets	15	3,813	3,801
Total Non Current Assets		**5,930**	**5,705**
Total Assets		**11,641**	**12,149**
Current Liabilities			
Trade and other payables	16	2,893	3,536
Provisions	17	96	69
Interest bearing liabilities	18	82	23
Total Current Liabilities		**3,071**	**3,628**
Non Current Liabilities			
Interest bearing liabilities	18	110	-
Provisions	17	503	423
Trade and other payables	16	71	43
Total Non Current Liabilities		**684**	**466**
Total Liabilities		**3,755**	**4,094**
Net Assets		**7,886**	**8,055**
Equity			
Contributed equity	19	39,165	39,165
Reserves		265	250
Accumulated losses		(31,544)	(31,360)
Total Equity		**7,886**	**8,055**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated	
	30 June 2013 $'000s	30 June 2012 $'000s
Cash Flows from Operating Activities		
Receipts from customers	33,966	36,312
Payments to suppliers and employees	(34,042)	(34,995)
Interest received	18	18
Interest paid	(5)	(6)
Net cash flows (used in)/provided by Operating Activities (note 28a)	**(63)**	**1,329**
Cash Flows from Investing Activities		
Purchase of plant & equipment	(280)	(108)
Purchase of intangible assets	(102)	(250)
Proceeds from sale of plant & equipment	8	-
Net cash flows used in Investing Activities	**(374)**	**(358)**
Cash Flows from Financing Activities		
Repayment of borrowings	-	-
Net cash flows (used in)/provided by Financing Activities	**-**	**-**
Net (decrease)/increase in cash held	(437)	971
Cash and cash equivalents at the beginning of the financial year	1,133	162
Cash and cash equivalents at the end of the financial year (note 28b)	**696**	**1,133**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Contributed Equity $'000s	Accumulated losses $'000s	Option Reserve $'000s	Total equity $'000s
As at 30 June 2011	**39,165**	**(31,970)**	**239**	**7,434**
Profit/(loss) after income tax for the year	-	610	-	610
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	610	-	610
Transactions with owners in their capacity as owners:				
Issue of share capital	-	-	-	-
Dividends paid	-	-	-	-
Recognition of shares granted under Employee Share Acquisition Plan	-	-	11	11
Recognition of Performance Rights (Note 5)	-	-	-	-
As at 30 June 2012	**39,165**	**(31,360)**	**250**	**8,055**
Profit/(loss) after income tax for the year	-	(184)	-	(184)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(184)	-	(184)
Transactions with owners in their capacity as owners:				
Issue of share capital	-	-	-	-
Dividends paid	-	-	-	-
Recognition of shares granted under Employee Share Acquisition Plan	-	-	-	-
Recognition of Performance Rights (Note 5)	-	-	15	15
As at 30 June 2013	**39,165**	**(31,544)**	**265**	**7,886**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Konekt Limited for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of the directors on 27 August 2013 and cover the consolidated entity of Konekt Limited and its subsidiaries as required by the Corporations Act 2001. Separate financial statements for Konekt Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001. However, limited financial information for Konekt Limited as an individual entity is included in Note 31. Konekt Limited is a listed public Company, incorporated and domiciled in Australia.

Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Reporting Basis and Conventions

The financial statements are presented in Australian currency, and have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

a) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Konekt Limited ("Company" or "parent entity") as at 30 June 2013 and the results of all of its subsidiaries for the year then ended. Konekt Limited and its subsidiaries together are referred to in these financial statements as the Group.

A subsidiary is any entity controlled by Konekt Limited. Control exists where Konekt Limited has the power to govern the financial and operating policies of another entity.

All inter-Company balances and transactions between entities within the Group, including any unrealised profits or losses, have been eliminated on consolidation.

b) Foreign Currencies

The consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

Transactions in foreign currencies of entities within the Group are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts receivable and payable to and by the entities within the Group, that are outstanding at the end of the reporting period and are denominated in foreign currencies, have been converted to local currency using rates of exchange ruling at that date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

c) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

d) Trade and Other Receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible debts and in the majority of cases have repayment terms between 14 and 30 days, although some Customers have payment terms extending to 60 days.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from Customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the directors, sufficient to require the de-recognition of the original instrument.

e) Work in Progress

Work in progress is measured at the lower of cost or net realisable value. Cost consists of staff salaries and direct expenses together with an appropriate level of overheads.

f) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation or amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation

All assets have limited useful lives and are depreciated using the straight line method over their estimated useful lives, with the exception of finance lease assets which are amortised over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset.

Assets are depreciated from the date of acquisition.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(o)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When re-valued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

The depreciation rates used for each class of asset are as follows:

	2013	2012
Plant and equipment	10% to 50%	10% to 50%
Leasehold improvements	15% to 40%	15% to 40%
Leased plant and equipment	25%	25%

g) Trade and Other Payables

Liabilities for trade creditors and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis except, for the GST components of cash flows arising from investing and financing activities, which are disclosed as operating cash flows.

i) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of credits, duties and taxes paid. The following recognition criteria must be met before revenue is recognised.

Rendering of Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset

GST

All revenue is stated net of the amount of Goods and Services Tax (GST).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j) Income Tax

The charge for current income tax expense is based on the results of the year adjusted for any non-assessable or disallowable items. It is calculated using the tax rates that have been enacted or are substantially enacted by the reporting period.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Deferred tax is credited to profit and loss except where it relates to items that may be credited directly to equity or to other comprehensive income, in which case the deferred tax is credited directly against equity or other comprehensive income.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Konekt Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Konekt Limited is the head entity in the tax consolidated Group. The stand-alone taxpayer within a Group approach has been used to allocate current income tax expense and deferred tax balances to wholly-owned subsidiaries that form part of the tax consolidated Group. Konekt Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated Group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax instalments. These amounts are recognised as current intercompany receivables or payables.

k) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from the services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

An Employee Share Acquisition Plan was implemented in 2006, refer to Note 19(d) for further details.

Superannuation Plan

The Group contributes to several superannuation plans. Contributions are charged as expenses as they are incurred.

Share-based Payments

Share-based compensation benefits are provided to directors and senior executives via options or performance rights under the Konekt Performance Rights and Options Plan. Information relating to this plan is set out in Note 19(d).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The fair value of options granted under the plan is recognised as a benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Offers are also made from time to time to all eligible staff under the Konekt Share Acquisition Plan and the Konekt Deferred Employee Share Plan. Any issues under these plans are recognised as a benefit expense with a corresponding increase in equity in relation to any portion which is not funded by the employee.

l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

m) Leased Assets

Leases are classified at their inception as either operating or finance leases based on the substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.
Provisions are made for onerous leases where property has been vacated and there is no foreseeable subletting likely under the lease because of vacancy rates within the area or building.

Capitalised leased assets are amortised over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to profit and loss.

The cost of improvements to or on leasehold assets is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

n) Intangible Assets

(i) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price exceeds the fair value attributed to its net assets and contingent liabilities at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill acquired is allocated to each of the cash generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Impairment losses or goodwill cannot be reversed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Trademarks

Trademarks are considered to have an indefinite useful life. As such they are tested annually for impairment, and are carried at cost less any impairment losses.

(iii) IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials, and directly attributable employee costs, with amortisation calculated on a straight line-basis between 2 and 3 years. IT web portal development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset

o) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash generating unit to which the asset belongs. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

p) Borrowing Costs

Borrowing costs are expensed when incurred.

q) Earnings Per Share

Basic earnings per share is determined by dividing the profit attributable to members of Konekt Limited after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

r) Interest-Bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit and loss over the period of the loans and borrowings using the effective interest method.

The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated on an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown as equity. Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

s) New Accounting Standards and Interpretations not yet Mandatory or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. This will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability and increase disclosures of the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income
The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012 9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments
These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

t) Rounding of Amounts

The Group has applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of assumptions including estimated discount based on the current cost of capital and growth rates of the estimated future cash flows.

Refer to note 15 for the impairment assessment relating to intangible assets.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax

outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Unrecognised tax losses
Unrecognised tax losses of $3,029,000 at 30 June 2013 may only be utilised to shelter 7.3% of taxable income once remaining recognised Group tax losses of $3,322,799 have first been utilised. There is no expiry date on the future deductibility of unused tax losses.

Long service leave provision
As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

3. DIVIDENDS

Final dividend resolved to be paid of $NIL. (2012: $Nil)

4. REVENUE & OTHER INCOME

From continuing operations

	Consolidated 2013 $'000s	2012 $'000s
Sales revenue		
Services	**30,518**	**32,890**
Other revenue		
Interest received – other persons	**18**	**18**
Other income	**308**	**306**

5. EXPENSES

The operating result before income tax includes the following specific expenses:

	Consolidated 2013	2012
	$'000s	$'000s
Depreciation		
Leasehold improvements	82	68
Plant and equipment	130	154
	212	**222**
Amortisation Expense		
Software development costs	**90**	**20**
Finance costs		
Interest expense	**5**	**6**
Share based payment expense		
Options issued	-	-
Recognition of Employee Share Plan issue	1	11
Share based payment expense	14	-
	15	**11**
Payments under operating leases		
Motor vehicle leases	385	496
Equipment	192	213
Property leases	2,181	2,274
	2,758	**2,983**
Other expenses from continuing operations includes the following major items:		
Internal consultants costs	191	533
Insurance costs	104	98
Marketing costs	87	145
Computer expenses	186	149
Printing, stationery and office supplies	58	79
Professional fees	242	387
Bank charges	87	77
Bad debt expense	(10)	(49)
Other	387	313
	1,332	**1,732**

6. EARNINGS PER SHARE

	2013	2012
	¢	¢
Basic earnings per share	(0.2)	0.8
Diluted earnings per share	(0.2)	0.8
	No:	**No:**
Weighted average number of shares used in the		
calculation of basic EPS	75,523,069	75,523,069
calculation of diluted EPS	75,523,069	75,523,069

6. EARNINGS PER SHARE (cont'd)

The amount used in the numerator in calculating basic and diluted EPS is the same as the net profit reported in the consolidated statement of profit or loss and other comprehensive income.

	2013	2012
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	75,523,069	75,523,069
Adjustments for calculation of diluted earnings per share:		
Performance rights that have met vesting conditions	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	75,523,069	75,523,069

7. INCOME TAX

	Consolidated	
	2013	2012
	$'000s	$'000s
Profit/(loss) from continuing operations before income tax expense	(236)	899
Tax at the Australian tax rate of 30%	(71)	270
Non-deductible expenses:		
Entertainment	16	19
Other non-deductible/(assessable)	(1)	(3)
Share based payment expense	4	3
Recognition of previously unrecognised tax losses	-	-
Income tax expense/(benefit)	(52)	289
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in the balance sheet for the following items:		
Unused tax losses	3,029	3,029
Deductible temporary differences	-	-
	3,029	3,029
Potential benefit at 30% (2012: 30%)	909	909

The potential future income tax benefit will only be obtained if:

(i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions to be realised;
(ii) conditions for deductibility imposed by the law are complied with; and
(iii) no changes in income tax legislation adversely affect the realisation of the benefits from the deductions.

Unrecognised tax losses at 30 June 2013 may only be utilised to shelter 7.3% of taxable income once remaining recognised Group tax losses of $3,322,799 have first been utilised. There is no expiry date on the future deductibility of unused tax losses.

The directors are satisfied that the Company will be able to utilise tax losses against future profits.

Tax consolidation

For the purposes of income taxation, Konekt Limited and its 100% owned subsidiaries have formed a tax consolidated Group. Members of the Group have entered into tax sharing agreements in order to allocate income tax expense to the relevant entity on a pro-rata basis and this is recorded via intercompany receivables/payables. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax obligations. At the end of the reporting period the possibility of default is remote. The head entity of the tax consolidated Group is Konekt Limited. Konekt Limited has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

7. INCOME TAX (cont'd)

There were no franking credits available as at 30 June 2013.

	Consolidated 2013 $'000s	2012 $'000s
Current tax expense		
Current tax expense	(140)	227
Income tax expense/(benefit)	(140)	227
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	88	62
Benefit of tax losses previously unrecognised	-	-
Total income tax (credit)/expense in profit or loss	(52)	289

8. CASH ASSETS

Cash at bank	696	1,133
Cash on hand	-	-
	696	1,133

9. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade debtors	4,433	4,694
Less provision for doubtful debts	(50)	(66)
	4,383	4,628
Other debtors	4	26
	4,387	4,654

Aged analysis of trade receivables that are past due but not impaired at the reporting date

	Consolidated 2013 Total $'000s	2013 Amount Impaired $'000s	2013 Amount not Impaired $'000s	2012 Total $'000s	2012 Amount Impaired $'000s	2012 Amount not Impaired $'000s
Not Past due	4,004	(19)	3,985	4,070	(20)	4,050
Past due > 30 days	234	(2)	232	441	(4)	437
Past due > 60 days	95	(4)	91	133	(5)	128
Past due > 90 days	100	(25)	75	50	(37)	13
Total	**4,433**	**(50)**	**4,383**	**4,694**	**(66)**	**4,628**

Past due amounts not impaired are unsecured. In most cases they are with large customers who regularly pay accounts and amounts have been held up for minor processing and approval reasons. Their fair value is equivalent to the amount outstanding. Trade receivables that are neither past due nor impaired related to long standing customers with a good track record.

Payment terms on receivables past due but not considered impaired have not been re-negotiated. The Group has been in direct contact with the relevant customers and is reasonably satisfied that payment will be received in full.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
FOR THE YEAR ENDED 30 JUNE 2013

9. TRADE AND OTHER RECEIVABLES (cont'd)

As at 30 June 2013 the Group had total current trade receivables of $50,000 (2012: $66,122) that was impaired. The amounts relate to customers where it is considered that recovery of the amounts is unlikely.

Analysis of allowance amount

	Consolidated	
	2013	**2012**
	$'000s	**$'000s**
Opening Balance	66	193
Provisions for doubtful receivables	(15)	(55)
Receivables written off during the year	(1)	(72)
Closing balance	**50**	**66**

10. WORK IN PROGRESS

Work in progress	426	545

11. OTHER ASSETS (CURRENT)

Prepayments	186	112
Lease incentive	16	-
	202	112

12. OTHER ASSETS (NON CURRENT)

Security Deposits	12	41
Leasehold incentive	20	-
Leased software	102	-
	134	41

13. PLANT & EQUIPMENT

Plant and equipment at cost	3,111	3,096
Less accumulated depreciation	(2,817)	(2,828)
	294	268
Leasehold improvements at cost	762	672
Less accumulated amortisation	(610)	(562)
	152	110
Total written down value	446	378

13. PLANT & EQUIPMENT (cont'd)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Consolidated 2013 $'000s	2012 $'000s
Plant and equipment		
Carrying amount at beginning of the year	268	373
Additions	163	49
Disposals	(7)	-
Depreciation	(130)	(154)
Carrying amount at end of year	294	268
Leasehold improvements		
Carrying amount at beginning of the year	110	120
Additions	125	59
Disposals	(1)	(1)
Amortisation	(82)	(68)
Carrying amount at end of year	152	110

14. TAX ASSETS

	2013	2012
Deferred tax assets comprise temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	15	20
Employee benefits and other provisions	535	605
FBT accrual	5	8
Leasehold Incentive	15	21
Audit fee accrual	11	20
Deferred income	10	-
Movement in depreciation	(53)	(47)
	538	627
Tax losses	999	858
Total Deferred Tax Asset	**1,537**	**1,485**

14. TAX ASSETS (cont'd)

Movements in Deferred Tax Assets	Opening balance at 1 July 2012	(Charged)/ credited to profit or loss	(Charged)/ credited to other compre-hensive income	(Charged)/ credited to equity	Closing balance at 30 June 2013
	$'000s	$'000s	$'000s	$'000s	$'000s
Amounts recognised in profit or loss					
Doubtful debts	20	(5)	-	-	15
Employee benefits and other provisions	605	(70)	-	-	535
FBT accrual	8	(3)	-	-	5
Leasehold Incentive	21	(6)	-	-	15
Audit fee accrual	20	(9)	-	-	11
Deferred income	-	10	-		10
Movement in depreciation	(47)	(6)	-	-	(53)
Tax losses	858	141	-	-	999
Total	**1,485**	**52**	**-**	**-**	**1,537**

15. INTANGIBLE ASSETS

	Consolidated 2013	2012
	$'000s	$'000s
Goodwill		
At cost	21,680	21,680
Accumulated impairment	(18,157)	(18,157)
	3,523	3,523
Trade Marks		
At cost	27	27
Software development*		
At cost	383	281
Accumulated amortisation	(120)	(30)
	263	251
	3,813	3,801

* Software development relates to internal costs incurred on products and related systems development. These assets are amortised over the expected life of the product, in all cases between 2-3 years. The remaining useful life of the product ranges 2-3 years.

	2013	2012
Reconciliation - Goodwill		
Balance at beginning of period	3,523	3,523
Impairment losses	-	-
Balance at end of period	3,523	3,523
Reconciliation - Trade Marks **		
Balance at beginning of period	27	27
Additions	-	-
Re-classification	-	-
Balance at end of period	**27**	**27**

** The Trade Mark relates to the Konektiva trade name registration.

15. INTANGIBLE ASSETS (cont'd)

	Consolidated Entity	
	2013	2012
	$'000s	$'000s
Reconciliation – IT Development		
Balance at beginning of period	251	20
Additions	102	251
Amortisation	(90)	(20)
Carrying amount at end of year	263	251

Accumulated Impairment

Goodwill on consolidation from the investments in subsidiaries has been written down to its recoverable amount based on forecast discounted cash flows for the Group. Goodwill is allocated to the overall Group (single CGU) as the Group operates on a national basis and maintaining a national footprint is essential to attracting and retaining major customers.

The recoverable amount of a cash-generating unit is based on value-in-use calculations which use cash flow projections based on budgets approved by management covering a 5 year period. The growth rate used in these budgets does not exceed the long-term average growth rate for the business in which the cash-generating unit operates.

Key assumptions used for value-in-use calculations are as follows:

- The discount rate used was 11.0% (2012: 10.75%)
- Forecasts are performed taking into consideration trading outlook and future growth prospects for the Group
- Terminal value calculation includes 0% growth

Management determined budgeted gross margins based on past performance and its expectations for the future. The weighted average growth rates used are consistent with those used in industry reports. The discount rate used is pre-tax and is specific to the relevant segment and country in which Konekt operates.

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill may vary in carrying amount. The sensitivities are as follows:

- Revenue would need to decrease by more than 2% for the Company before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by 5% for the Company before goodwill would need to be impaired, with all other assumptions remaining constant.

Should these assumptions prove to be incorrect and/or should there be unfavourable/favourable variances in actual results as compared to budgeted, an impairment write-down or write-back in relation to goodwill may be required in future periods.

16. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated 2013 $'000s	2012 $'000s
Trade creditors	261	391
Other creditors and accruals	1,791	2,159
Employee benefits	841	986
	2,893	**3,536**

TRADE AND OTHER PAYABLES (NON-CURRENT)

	2013 $'000s	2012 $'000s
Leasehold incentive	61	43
Other	10	-
	71	**43**

The carrying values of trade and other payables are considered a reasonable approximation of fair value.

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the Group expects to pay the full amount within the next 12 months.

17. PROVISIONS

Current

The carrying amounts and movements in the provision account is as follows:

	Restructuring $'000s	Other $'000s	Total $'000s
Carrying amount 1 July 2012	**20**	**49**	**69**
Additional provision	20	27	47
Amount utilised	(20)	-	(20)
Reversals	-	-	-
Carrying amount 30 June 2013	**20**	**76**	**96**

	Consolidated 2013 $'000s	2012 $'000s
Non-Current		
Employee benefits	**503**	**423**

18. INTEREST BEARING LIABILITIES

	Consolidated 2013 $'000s	2012 $'000s
Current – unsecured		
Other loans	82	23
	82	**23**
Non-Current - unsecured		
Other loans	**110**	**-**
(a) The carrying amounts of assets pledged as security are:		
Floating charge over assets, including investments	**11,641**	**12,149**
(b) Refer to Note 29 for details of banking facilities.		

Other loans current & non-current relates to a 3 year loan taken out in October 2012 to finance the acquisition of Microsoft licences.

19. CONTRIBUTED EQUITY

a) Issued and paid up capital

	Consolidated 2013 $'000s	2012 $'000s
Ordinary shares The number of fully paid ordinary shares in issue at year end is 75,523,069 (2012: 75,523,069). All shares rank equally.	39,165	39,165

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Weighted average share price during the year was $0.04 per share.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b) Movements in shares on issue

	2013		2012	
	Number of Shares	$'000s	Number of Shares	$'000s
Beginning of the financial year	75,523,069	39,165	75,523,069	39,165
End of the financial year	**75,523,069**	**39,165**	**75,523,069**	**39,165**

19. CONTRIBUTED EQUITY (cont'd)

c) Capital risk management

The Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions through the payment of dividends to shareholders. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There has been no significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

	Consolidated	
	2013	**2012**
	$'000s	**$'000s**
Gearing ratios		
Debt	192	23
Total equity	7,886	8,055
Gearing Ratio	2.43%	0.29%

Under the Group's debt finance facility (Note 29) the Group is required by its bankers under its covenants to have a capital adequacy of 5%. Capital adequacy ratio is measured as Net Tangible Assets divided by Total Tangible Assets. During the year the Company complied with banking covenants.

d) Share based options and performance rights

(i) Performance rights

There were no performance rights issued nor outstanding during the year.

(ii) Options

Employee Share Plan
2,837,835 shares were issued to employees on 12 February 2009 under the Konekt Employee Share Plan, where $500 in shares were granted to employees under a matching contribution from the employees. These shares are currently in the process of being transferred to the individual.

845,625 shares were issued to employees under the Konekt Employee Share Acquisition Plan (ESAP), and 845,625 shares were issued to employees under the Konekt Deferred Employee Share Plan (DESP) on 18 August 2010. The shares in the ESAP were acquired by employees via 100% salary sacrifice commitment, and the shares in the DESP were provided by Konekt free subject to satisfying 3 years' service. If the 3 year service period is not satisfied, the shares are forfeited.

19. CONTRIBUTED EQUITY (cont'd)

Senior Manager Long Term Incentive

During the year 2,735,979 options were granted to the Managing Director and certain senior executives as long term incentives under the Konekt Performance Rights and Options Plan. The Managing Director was issued with 1,641,587 options, as identified in key management personnel disclosures (note 23) and the remuneration report in the directors' report. The following terms apply to the issue of options:

- Grant date 10 September 2012
- First exercise date 1 September 2015
- Issue price $Nil
- Exercise price $0.07
- Continuous employment with Konekt Limited up to and including 20 April 2015 for 100% of the Options to vest (subject to satisfaction of the performance condition at the termination date); or continuous employment with Konekt Limited until at least 20 April 2014, where employment is subsequently terminated by the Company and employee is not a "Bad Leaver" under the Rules of the Plan for pro-rata vesting of the Options to vest meaning that (subject to satisfaction of the performance conditions on a pro rata basis at the termination date), 2/3 or the options would vest on 20 April 2014, with the number increasing pro rata after that date. Any vested options would expire at 5pm, 6 months after the date of termination.
- The vesting of Options will be subject to Konekt achieving the earnings per share (EPS*) Target below.

August 2012 Invitation: EPS* Target	Percentage of Options to vest
Cumulative EPS of at least **$0.075** over the three financial years 2013, 2014 and 2015 **with** the 2015 EPS being a minimum of **$0.020**.	100%
Cumulative EPS of at least **$0.06** over the three financial years 2013, 2014 and 2015 **with** the 2015 EPS being a minimum of **$0.020.**	50%

- Pro Rata vesting of Options between 50% and 100% on a straight-line basis for Cumulative EPS between $0.06 and $0.075. EPS is defined as Annual reported Net Profit after Tax divided by number of shares.

Details are provided below:

	Consolidated Entity 2013 $'000	Consolidated Entity 2012 $'000
Share-based payment expense recognised during the financial year		
Opening balance	250	239
Cost of options issued	15	-
Issue of Performance rights	-	-
Recognition of Employee Share Plan issue	-	11
Closing balance of reserve	**265**	**250**

19. CONTRIBUTED EQUITY (cont'd)

Details of options and performance rights outstanding as part of the Konekt Performance Rights and Options Plan during the financial year is as follows:

Consolidated 2013

Grant Date	Vesting Date	Expiry Date	Applicable spot price	Balance at beginning of year	Granted during the year	Exercised during the year	(Lapsed) during the year	Balance at end of the year	Fair Value
				Number	Number	Number	Number	Number	$
Options									
10.09.2012	01-09-2015	29.02.2016	$0.07	-	2,735,979	-	-	2,735,979	54,720
				-	**2,735,979**	**-**	**-**	**2,735,979**	**54,720**

The fair value of options at grant date is independently determined using a binomial pricing model. The valuation model inputs used to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk Free Interest Rate	Fair Value at Grant Date
10.09.2012	29.02.2016	$0.056	$0.07	59.1%	0.0%	2.45%	$0.02

Consolidated 2012

Grant Date	Vesting Date	Expiry Date	Applicable spot price	Balance at beginning of year	Granted during the year	Exercised during the year	(Lapsed) during the year	Balance at end of the year	Fair Value
				Number	Number	Number	Number	Number	$
Performance rights									
12.02.2009	05.02.2011	05.02.2014	$0.035	283,336	-	-	(283,336)	-	-
12.02.2009	05.02.2012	05.02.2014	$0.035	850,000	-	-	(850,000)	-	-
				1,133,336	**-**	**-**	**(1,133,336)**	**-**	**-**

e) Obligations to issue ordinary shares

There are no obligations to issue ordinary shares.

f) Restricted securities

There are no restricted securities at the date of these financial statements.

g) Terms and conditions of contributed equity

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

20. CAPITAL AND LEASING COMMITMENTS

Non-cancellable operating lease commitments

Future operating leases contracted for but not capitalised in the financial statements and payable:

	Consolidated Entity 2013				Consolidated Entity 2012			
	Equipment $'000s	Motor Vehicle $'000s	Property $'000s	Total $'000s	Equipment $'000s	Motor Vehicle $'000s	Property $'000s	Total $'000s
Due within 1 year	84	282	2,123	2,489	156	269	2,286	2,711
Due later than 1 year but less than 5 Year	45	326	1,519	1,890	104	103	2,903	3,110
Due later than 5 Years	-	-	-	-	-	-	-	-
Total	**129**	**608**	**3,642**	**4,379**	**260**	**372**	**5,189**	**5,821**

The Group leases property, photocopiers, computers and motor vehicles under non-cancellable operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated.

21. CONTINGENT LIABILITIES

As at 30 June 2013 Konekt held bank guarantees to the value of $662,000 primarily relating to property leases.

The directors are not aware of any other contingent liabilities as at 30 June 2013.

22. SUPERANNUATION PLANS

The Company and its subsidiaries contribute to several defined contribution employee superannuation plans.

Details of contributions to the defined contribution plans during the year and contributions payable at the end of the reporting period are as follows:

	Consolidated 2013 $'000s	2012 $'000s
Employer contributions to the plans	1,660	1,649
Employer contributions payable to the plans at the end of the reporting period	125	144

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Remuneration of Parent Entity Directors and Key Management Personnel

Remuneration of Parent Entity Directors and Key Management Personnel

	Consolidated 2013	2012
	$	$
Short-term employee benefits	708,597	609,440
Post-employment benefits	74,354	114,340
Long-term benefits	1,520	106
Termination benefits	-	-
Share-based payments	10,334	-
	794,805	**723,886**

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

b) Option holdings of Parent Entity Directors and Key Management Personnel

30 June 2013	Balance at 1 July 2012	Granted	Options exercised	Lapsed	Balance at 30 June 2013	Total vested at 30 June 2013	Total vested and exercisable at 30 June 2013	Total vested and un-exercisable at 30 June 2013
Options								
Damian Banks	-	1,641,587	-	-	1,641,587	-	-	-
Matt Ranawake	-	273,598	-	-	273,598	-	-	-
	-	**1,915,185**	**-**	**-**	**1,915,185**	**-**	**-**	**-**

30 June 2012	Balance at 1 July 2011	Granted	Options exercised	Cancelled	Balance at 30 June 2012	Total vested at 30 June 2012	Total vested and exercisable at 30 June 2012	Total vested and un-exercisable at 30 June 2012
Performance rights								
Alan Baxter	600,000	-	200,000	(400,000)	-	-	-	-
Serhat Oguz	1,500,000	-	500,000	(1,000,000)	-	-	-	-
Frank Hardiman	300,000	-	100,000	(200,000)	-	-	-	-
	2,400,000	**-**	**800,000**	**(1,600,000)**	**-**	**-**	**-**	**-**

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

c) Shareholdings of Parent Entity Directors and Key Management Personnel

The number of shares in the Company during the 2013 and 2012 reporting periods by each parent entity director and key management personnel of the Group are set out below:

30 June 2013	Balance 1 July 2012	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2013
	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Parent Entity Directors					
Douglas Flynn^	-	-	-	2,647,752	2,647,752
Philip Small	700,000	-	-	100,000	800,000
John Randall	197,517	-	-	-	197,517
Damian Banks*	12,849,909	-	-	300,091	13,150,000
Key Management Personnel					
Matt Ranawake	-	-	-	50,000	50,000
Total	**13,747,426**	**-**	**-**	**3,097,843**	**16,845,269**

^ Douglas Flynn's shares are held indirectly through Flynn Superannuation Fund and Flynn Superannuation Fund Two

* Damian Banks' shares are held indirectly through Nidmas Pty Ltd and Jacana Arch Pty Ltd.

30 June 2012	Balance 1 July 2011	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2012
	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Parent Entity Directors					
Philip Small	400,000	-	-	300,000	700,000
John Randall	197,517	-	-	-	197,517
Damian Banks*	1,990,000	-	-	10,859,909	12,849,909
Ken Carr	200,000	-	-	(200,000)	-
Key Management Personnel					
Matt Ranawake	-	-	-	-	-
Total	**2,787,517**	**-**	**-**	**10,959,909**	**13,747,426**

* Damian Banks' shares are held indirectly through Nidmas Pty Ltd.

d) Other Transactions and Balances with Parent Entity Directors and Key Management Personnel

There were no other transactions and balances with directors or key management personnel.

e) Services

There are no other services provided by directors or Key Management personnel other than for their remuneration.

24. REMUNERATION OF AUDITORS

	Consolidated 2013	Consolidated 2012
	$	$
Amounts paid/payable to BDO East Coast Partnership for audit or review of the financial statements for the Group	70,000	-
Amounts paid/payable Grant Thornton Audit Pty Ltd for audit or review of the financial statements for the Group	-	85,000

BDO East Coast Partnership replaced Grant Thornton Audit Pty Ltd as the Company's auditor during the year.

25. SEGMENT REPORTING

The Group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the Chief Executive Officer. This has not resulted in an increase in the number of reportable segments as it still considered that there is only one reporting segment in the Group which is Injury Management. All branch operations operate under similar regulatory environments, offer the same injury management service offerings and have similar risk profile. They therefore satisfy the Aggregation criteria under paragraph 12 of AASB 8. Corporate overheads are also allocated to branches.

Revenues of $3,841,000 (2012: $2,095,000) and $3,642,000 (2012: $4,169,000) are derived from two single customers of the Group. Each of these separate revenues amounts to more than 10% of the Group's revenues from external customers.

Total revenue as shown in note 4 is the total segment revenue.

The Managing Director reviews the performance of segments before aggregation based on Net Profit Before Tax. This performance measure is equal to Net Profit Before Tax as disclosed in the relevant comprehensive income.

26. SUBSIDIARIES

a) Subsidiaries

	Country of Incorporation	Percentage owned (%)
Parent Entity:		
Konekt Limited	Australia	-
Subsidiaries of Konekt Limited:		
Konekt International Pty Ltd	Australia	100%
Konekt Australia Pty Ltd	Australia	100%
Konektiva Pty Ltd	Australia	100%
Konekt Workplace Health Solutions Pty Ltd	Australia	100%

The proportion of the voting interest is equal to the proportion of voting power held.

b) Subsidiaries Acquired

There were no acquisitions during the year.

26. SUBSIDIARIES (cont'd)

c) Deed of cross guarantee

A deed of cross-guarantee between Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva Pty Ltd, Konekt Workplace Health Solutions Pty Ltd and Konekt Limited was enacted during the 2006 financial year and relief was obtained from preparing financial statements for Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva Pty Ltd and Konekt Workplace Health Solutions Pty Ltd under ASIC Class Order 98/1418 issued by the Australian Securities and Investments Commission. Under the deed, Konekt Limited guarantees to support the liabilities and obligations of Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva Pty Ltd, Konekt Workplace Health Solutions Pty Ltd and vice versa. Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva Pty Ltd and Konekt Workplace Health Solutions Pty Ltd are the only parties to the Deed of Cross Guarantee and are members of the Closed Group.

27. FINANCIAL INSTRUMENTS DISCLOSURE

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

a) Off balance sheet derivative instruments

The Group does not have any such instruments in place.

b) Credit risk exposure

Credit risk is the risk that counter parties to a financial asset will fail to discharge their obligations, causing the Group to incur a financial loss. The entity has no significant concentration of credit risk to a Group of debtors nor a single debtor. The Group is only exposed to risk in health services sector and none of the debtors are credit rated. The maximum exposure to credit risk is that of the year-end trade receivables, cash and other debtors balances.

c) Fair values

The directors are satisfied that the carrying values of the financial assets and liabilities are the equivalent of the fair value of those items. For the methods of determining fair value and any significant assumptions, see Note 1 to the financial statements.

27. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

d) Interest rate risk exposure

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

30 June 2013	Weighted average interest rate	Floating interest rate $'000s	Fixed interest rate maturing in less than 1 year $'000s	Fixed interest rate maturing in 1 – 5 years $'000s	Non-interest bearing $'000s	Total $'000s
Financial Assets						
Cash assets	2.60%	696	-	-	-	696
Receivables		-	-	-	4,387	4,387
Total Financial Assets		696	-	-	4,387	5,083
Financial Liabilities						
Other loans	10.37%	-	82	110	-	192
Payables		-	-	-	1,462	1,462
Total Financial Liabilities		-	82	110	1,462	1,654
Net Financial (Liabilities)/Assets		696	(82)	(110)	2,925	3,429

30 June 2012	Weighted average interest rate	Floating interest rate $'000s	Fixed interest rate maturing in less than 1 year $'000s	Fixed interest rate maturing in 1 – 5 years $'000s	Non-interest bearing $'000s	Total $'000s
Financial Assets						
Cash assets	2.98%	1,133	-	-	-	1,133
Receivables		-	-	-	4,648	4,648
Total Financial Assets		1,133	-	-	4,648	5,781
Financial Liabilities						
Other loans	10.37%	-	23	-	-	23
Payables					1,979	1,979
Total Financial Liabilities		-	23	-	1,979	2,002
Net Financial (Liabilities)/Assets		1,133	(23)	-	2,669	3,779

No financial assets or liabilities are readily tradable on organised markets.

Sensitivity Analysis

For each 1% increase in interest rates, Group profit before tax will increase by $6,960 (2012 increase by $11,330). Correspondingly for each 1% fall in interest rates Group profit before tax will decrease by $6,960 (2012 decrease by $11,330).

27. FINANCIAL INSTRUMENTS DISCLOSURE (cont'd)

e) Liquidity Risk

Bank overdraft facilities comprise the total Group borrowings and are concentrated with one lender being the National Australia Bank. Whilst this does increase liquidity risk due to concentration it would not be practical to spread this risk because of the low level of borrowing and the fact that security available is only one debtors ledger.

Maturity Analysis – Group 2013

	Carrying Amount $'000s	Contractual cashflows $'000s	< 6 months $'000s	6 – 12 months $'000s	1-3 Years $'000s	> 3 Years $'000s
Financial Assets						
Trade Receivables	4,383	4,383	4,383	-	-	-
Other Receivables	4	4	4	-	-	-
Total Financial Assets	4,387	4,387	4,387	-	-	-
Financial Liabilities						
Bank overdraft	-	-	-	-	-	-
Other loans	192	201	-	86	115	-
Payables	1,462	1,462	1,462	-	-	-
Total Financial Liabilities	1,654	1,663	1,462	86	115	-

Maturity Analysis – Group 2012

	Carrying Amount $'000s	Contractual cashflows $'000s	< 6 months $'000s	6 – 12 months $'000s	1-3 Years $'000s	> 3 Years $'000s
Financial Assets						
Trade Receivables	4,628	4,628	4,628	-	-	-
Other Receivables	20	20	20	-	-	-
Total Financial Assets	4,648	4,648	4,648	-	-	-
Financial Liabilities						
Bank overdraft	-	-	-	-	-	-
Other loans	23	23	23	-	-	-
Payables	1,979	1,979	1,979	-	-	-
Total Financial Liabilities	2,002	2,002	2,002	-	-	-

f) Risk management policies and objectives

Activities undertaken by Konekt Limited and its subsidiaries may expose the Group to risk. The Group has no market risk as it is not exposed to foreign exchange risk or price risk. Liquidity risk is managed by the board requiring the Group to maintain adequate committed credit facilities. The Group does not have a policy for managing interest rate risk because interest is a relatively insignificant cost and it is possible that net borrowings may be very low or nil at points during the year.

Credit risk arises from cash or cash equivalents and deposits with banks as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit checks are done on new customers. The majority of existing customers are very large insurance companies and large corporates. Follow-up on overdue accounts is done by branch offices if amounts are overdue with further involvement of head office credit once amounts exceed 90 days.

28. CASH FLOW INFORMATION

a) Reconciliation of cash flow from operations with profit after income tax:

	Consolidated	
	2013	2012
	$'000s	$'000s
Profit/(loss) after income tax	(184)	610
Non cash items		
Depreciation and amortisation expense	302	242
Loss / (profit) on disposal of plant & equipment	(8)	-
Share based payments expense	15	11
Deferred income	-	(52)
Changes in assets and liabilities		
Movement in trade and other debtors	159	69
Movement in trade and other payables	(329)	(22)
Movement in deferred tax asset	(52)	289
Movement in other assets	44	260
Movement in other provisions	(10)	(78)
Net cash flow provided by operating activities	**(63)**	**1,329**

b) Reconciliation of Cash

Cash balance comprises:		
Cash at bank	696	1,133
Cash on hand	-	-
Cash at the end of the financial year	**696**	**1,133**

29. FINANCE FACILITIES

Credit Standby Arrangements with Banks		
Credit facility	3,000	3,000
Amount utilised	-	-
Unused credit facility	**3,000**	**3,000**

Banking Facilities

Debt Finance Facility

$3,000,000 variable interest rate facility.

Note that at 30 June 2013 the credit facility amount represents 75% of the Group's debtor balance under 90 days that could be drawn under the $3m Debt Finance Facility. This facility is provided by the National Australia Bank and has an expiry date of 30 September 2014.

Finance will be provided under these facilities provided the Company and the Group have not breached any borrowing requirements and the required financial covenants are met. All covenants have been met during the 2012-13 Financial Year.

The Group has a bank guarantee facility of $776,509 of which $114,898 was unused at 30 June 2013.

30. RELATED PARTY TRANSACTIONS

There are no transactions between the Group and related parties, other than those disclosed elsewhere in the Financial Statements.

31. ADDITIONAL FINANCIAL INFORMATION OF THE PARENT ENTITY

	2013 $'000s	2012 $'000s
Current assets	8	58
Total assets	1,545	1,543
Current liabilities	6,980	6,718
Total liabilities	6,980	6,718
Shareholders' equity		
Issued capital	39,165	39,165
Reserves – share option	265	250
Accumulated losses	(44,865)	(44,590)
Total equity	**(5,435)**	**(5,175)**
Loss after tax	(275)	(496)
Total comprehensive income	(275)	(496)

Details of guarantees entered into by the parent entity in relation to debts of subsidiaries Refer note 26(c).

The Parent Entity has no other commitments or contingent liabilities.

32. SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 30 June 2013 that have significantly affected:

a) The Group's operations in future financial years,
b) The results of these operations in future financial years, and
c) The Group's state of affairs in future financial years

DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

4. Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva Pty Ltd, Konekt Workplace Health Solutions Pty Ltd and Konekt Limited identified in note 26(a) are parties to the deed of cross guarantee under which each Company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will as a consolidated entity be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in note 26 (c).

5. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Douglas Flynn
Chairman

Damian Banks
CEO

28 August 2013
Sydney

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Level 11, 1 Margaret St
Sydney NSW 2000

Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Konekt Limited

Report on the Financial Report

We have audited the accompanying financial report of Konekt Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Konekt Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Konekt Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 22 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Konekt Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

J Bresolin

John Bresolin
Partner

Sydney, 28 August 2013

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ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 30 June 2013.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share is:

	Ordinary shares		Options		Performance Rights	
	No. of Holders	**No. of Shares**	**No. of Holders**	**No. of Options**	**No. of Holders**	**No. of P.R.s**
1 – 1,000	99	41,646	-	-	-	-
1,001 – 5,000	223	549,222	-	-	-	-
5,001 – 10,000	88	645,727	-	-	-	-
10,001 – 100,000	235	9,143,094	-	-	-	-
100,001 and over	59	65,143,380	-	-	-	-
	704	**75,523,069**	**-**	**-**	**-**	**-**
The number of shareholders holding less than a marketable parcel of shares are:	455	1,861,468	-	-	-	-

(b) Twenty largest shareholders – ordinary shares quoted on the ASX

The names of the twenty largest holders of ordinary shares quoted on the ASX as at 30 July 2013 are:

		Listed ordinary shares	
		No. of Shares Held	**% Held**
1.	NIDMAS PTY LTD <BANKS FAMILY SUPER FUND A/C>	12,000,000	15.89
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,553,668	15.30
3.	DIXSON TRUST PTY LIMITED	9,936,363	13.16
4.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	3,047,036	4.03
5.	FALCASTLE PTY LTD <DAHL SUPERFUND A/C>	2,027,748	2.68
6.	J W GIJET PTY LTD <ADLER FAMILY S/F A/C>	1,920,030	2.54
7.	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY <LEKDAL FAMILY A/C>	1,729,834	2.29
8.	DR & LC FLYNN NOMINEES PTY LTD <FLYNN SUPER FUND A/C>	1,659,808	2.20
9.	DR JON BERRICK	1,400,000	1.85
10.	DR VERN THOMAS MADDEN + MRS CLARE MAREE MADDEN <MAD-BOY SUPER FUND A/C>	1,251,025	1.66
11.	BOND STREET CUSTODIANS LIMITED <JOPORT - I42922 A/C>	1,155,586	1.53
12.	DELTA REAL-TIME COMPUTERS PTY LTD	1,070,000	1.42
13.	NIDMAS PTY LTD <BANKS FAMILY SUPER FUND A/C>	1,000,000	1.32
14.	MR EDWARD JAMES DALLY + MRS SELINA DALLY <E J DALLY SUPER FUND A/C>	901,950	1.19
15.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	821,983	1.09
16.	DR & LC FLYNN NOMINEES PTY LIMITED <FLYNN SUPER FUND TWO A/C>	806,361	1.07
17.	HARDIMAN NOMINEES PTY LTD <HARDIMAN FAMILY SUPER A/C>	792,282	1.05
18.	KONEKT EMPLOYEE SHARE PLAN MANAGERS PTY LTD <DESP A/C>	723,855	0.96
19.	FRENCH ENTERPRISES PTY LTD	700,000	0.93
20.	GEGM INVESTMENTS PTY LTD	526,515	0.70
Total ordinary shares quoted on ASX held by the top 20 holders		55,024,044	72.86
Total ordinary shares quoted on ASX		**75,523,069**	**100%**

ASX ADDITIONAL INFORMATION (cont'd)

(c) Unquoted Securities

There were 2,462,381 unquoted options as at 30 June 2013.

(d) Substantial Shareholders

Substantial shareholders in the Company are set out below:

	No. of shares	% Held
AJ Berrick & Associates	13,041,002	17.27
Nidmas Pty Ltd	13,000,000	17.21
Dixson Trust Pty Ltd	9,936,363	13.16
Helm Capital Pty Ltd	3,847,361	5.09

(e) Other Disclosures

(i) The name of the Company secretary is Mr Matt Ranawake.

(ii) The address of the principal registered office in Australia is Level 12, 234 Sussex Street, Sydney NSW 2000.

(iii) Registers of securities are held at the following addresses:

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
ABBOTSFORD VIC 3067

Konekt Limited
Level 12, 234 Sussex Street
SYDNEY NSW 2000

(iv) **Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.