Konekt Limited

ABN 79 009 155 971

Appendix 4D – Half Yearly Report 31 December 2014

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 'Konekt' or 'consolidated entity') consisting of Konekt Limited (referred to hereafter as the 'company') and the entities it controlled for the half-year ended 31 December 2014.

Directors
The following persons were Directors of Konekt Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Douglas Flynn
Philip Small
Anthony Crawford
Damian Banks

Principal activities
During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Injury management
- Injury prevention
- Workplace health and safety consulting

Review of operations
Konekt reports a profit after tax for the 6 months period to 31 December 2014 of $561,000 which was an improvement of $94,000 (up 20%) compared to same period last year. This result includes $425,000 one off pre-tax expense in the period for Konekt's "Strengthening the Core" (STC) program. This result was struck on revenues of $17.2m, which were higher by 7% on the prior corresponding period of $16.1m. The cash balance improved to $2.4m from $1.9m at the end of June 2014. Earnings per share improved by 21% reflecting improved after tax earnings and some capital management undertaken through the share buy-back.

Management Commentary

In the first half of 2014-15 Konekt saw that some of the strategies adopted by it to position itself for growth have started to produce desired outcomes. The company's improved revenue and profit after tax versus the first half of 2013-14 is testimony to this. Of note is that Konekt expensed $425,000 within this result for the STC program which will be non-recurring. The national insurer/agent volumes rose versus the first half of 2013-14, at 6.2% almost in line with the overall Revenue increase of the company. The ongoing softness in injury prevention revenue, notably in the employment and change of roles for employees remains subdued. The green shoots mentioned in our previous reports remain, albeit in line with a slower economy,

The overall quality of Konekt's work continues to rise in the eyes of our Customers. Our mission – "to be #1 in Care" resonates well with all our stakeholders, and our staff are continually striving for this recognition. Urgency, Quality and Reliability remain themes that our Customers are focused on – and our investments have been designed to support improvement in these elements.

Sales and Customers

The conversion of both new customers and the re-signing of existing customers through the sales pipeline remains steady. Konekt was delighted that QBE reappointed it across various State and Territory jurisdictions, representing a culmination of Konekt's mission in action. The conversion of leads to wins then to revenue remains tough, although 7% organic growth includes some flow through of recent wins. Konekt's business mix was unchanged over the prior half, with corporate and government revenue relative to insurer and agent revenue, ending the half at 64% corporate and government versus 36% insurer and agent (compared to the prior year of 60% and 40% respectively).

Wins

The Medibank Health Solutions (MHS) / Australian Defence Force (ADF) contracts continue to perform well and, once again, excellent feedback has been observed on Konekt's performance. Other sectors of note which performed well were government, financial services, and segments of security and safety services. Insurers held steady, with a 6.2% gain, being offset by further falls in mining, mining services and some technology sectors.

Pre-employment

The decline in the pre-employment market has slowed this half, with 1 of the 6 months showing volumes above the prior year. Soft new employment hiring in mining and mining services continues, but Konekt has seen some offset in other sectors (including diversified mining, oil, gas, gold, retail and contracting). Konekt continues to retain its key customers, albeit at the lower volumes of new employment.

Insurers and Agents

The changes in the insurer/agent market resulting from NSW Government and SA Government changes have now largely flowed through the marketplace. These schemes will be smaller, and require fewer rehabilitation interventions. However, the 6.2% growth in insurer and agent revenue is testament to market share gains with these customers and the improved quality of work this half.

Corporate

With the exception of lower volumes of pre-employment, the Corporate sector is performing well. Volumes and revenue are slower than we would have preferred, although customers are satisfied with our service with customer feedback positive. Konekt's introduction of the ErgoScreen product last half has seen increased enquiry from Corporates with disbursed workforces. At an entry level price point, this product differentiates Konekt with the Corporate market.

Government

The Government sector (including MHS/ADF) continues to perform well in the first half. Governments are seeing risk in rising Workers Compensation premiums across various departments, and Konekt's early intervention product helps lower those premiums. Demand from government in 2015 is expected to remain steady.

Expense Management

Konekt is almost at the end of its cost reduction program, albeit retaining a continuing focus on managing expenses closely. Operating expenses (excluding employee salaries and related costs and depreciation) were again reduced this half, despite the STC costs. Konekt will likely see a small decline in 2H (non-salary, salary on cost and depreciation) operating costs versus the 1H STC inclusive costs, to complete the 3 year rebasing of expenses.

Strengthening the Core (STC)

The STC program saw $425,000 expensed in the half, as a non-recurring expense. The STC program had 4 elements :

1. Employee Engagement: Focused on reviewing and enhancing recruitment, induction, training and customer orientation across the company.
2. Customer: Focused on improving satisfaction by better training our staff and streamlining our technology.
3. Scheme, Agent and Insurer: Focused on monitoring the scheme/ insurer cycle and being ready to increase share when market begins to grow.
4. Productivity: Reviewing all aspects of Company productivity from non billable work, travel and work processes – to Overhead, Sales and Head Office Cost optimisation.

The program has now completed with benefits expected to flow through in H2 2014-15 and full year 2015-16.

Cash Position

The Company's cash balance improved to $2.4m from $1.9m at the end of June 2014 This repeated good result was due to increase in profit during the period, good receivables and payables management partially offset by capital expenditure of $299,000 and the share buyback of 2,074,878 shares at a cost of $228,000. The rebalancing of payment terms with suppliers is now largely completed.

Outlook

The Board is increasingly confident that the strategies and actions being taken to grow revenue and to reduce the cost base will continue to yield better performance from the company. The STC project expense from the first half will yield incremental results in the second half. Second half headwinds are likely from the sluggish economy, and delayed decision making from Corporates and Government. The Board is expecting an overall profit for the Company for the year, including a profitable second half. The Company continues to seek merger and acquisition opportunities.

Dividends and Capital

The Board has not declared a dividend for the half year. Discussion on the capital management for the Company remains an ongoing item for the Board, and buy-back of shares, capital return and dividends are weighed up against the needs of the company, potential corporate M&A activity and the lack of franking credits available to shareholders.

Taxation

Subject to the Company's continued profitable results, Konekt believes that within the next 12 months, that it will commence paying corporate tax. The first half taxation expense reflected an R+D tax credit, and some off balance sheet losses brought to account to be used in future periods.

Significant changes in the state of affairs

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

Rounding of amounts

Konekt is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Douglas Flynn
Chairman

19 February 2015
Sydney

Konekt Limited
Director's Report
31 December 2014

Summary results for the 6 months to 31 December 2014

The following is a summary of the financial results for the 6 months ended 31 December 2014 (previous corresponding period 31 December 2013).

	Six months ended 31-Dec-14 $000s	Six months ended 31-Dec-13 $000s	Increase/ (decrease) $000s	% Change
Revenue from services	17,233	16,076	1,157	7%
Profit before interest and tax ("EBIT")	604	654	(50)	(8%)
Net interest income	18	13	5	38%
Profit before tax	622	667	(45)	(7%)
Income tax (expense) / benefit	(61)	(200)	(139)	(70%)
Net profit attributable to members ("NPAT")	561	467	94	20%

Dividends

No dividends have been declared or paid during the period.

Earnings per share	**Six months to 31 December 2014**	**Six months to 31 December 2013**
Basic earnings per share (cents per share)	0.75	0.62

The weighted average number of ordinary shares used in the calculation of earnings per share was 74,632,924 (2013: 75,523,069)

Net tangible asset backing per share	**31 December 2014**	**31 December 2013**
Net tangible asset backing per share (cents per share)	5.62	4.07

For further information contact:

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Konekt Limited
Financial report
31 December 2014

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General information

The financial report covers Konekt Limited as a consolidated entity consisting of Konekt Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Konekt Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Konekt Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	*Principal place of business*
Level 12	Level 12
234 Sussex Street	234 Sussex Street
Sydney NSW 2000	Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on19th February 2015.

Konekt Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2014

		Consolidated	
	Note	**31/12/2014 $'000**	**31/12/2013 $'000**
Revenue from continuing operations	3	17,233	16,076
Other income	3	183	226
Expenses			
Salaries and employee related costs		(12,742)	(11,626)
External consultants		(490)	(578)
Share based payments expense		(29)	(11)
Communications expense		(415)	(492)
Travel and accommodation expense		(421)	(275)
Property expense		(1,539)	(1,483)
Motor vehicles and equipment expense		(414)	(446)
Finance costs		(3)	(2)
Depreciation and amortisation expense		(233)	(147)
Other expense from continuing operations		(508)	(575)
Profit before income tax expense from continuing operations		622	667
Income tax expense		(61)	(200)
Profit after income tax expense for the half-year		561	467
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		561	467
Profit for the half-year is attributable to:			
Owners of Konekt Limited		561	467
		Cents	**Cents**
Earnings per share for profit attributable to the owners of Konekt Limited			
Basic earnings per share		0.75	0.62
Diluted earnings per share		0.73	0.59

The above statement of profit or loss and other comprehensive income should be read in conjunction with accompanying notes.

Konekt Limited
Statement of financial position
As at 31 December 2014

	Note	Consolidated 31/12/2014 $'000	30/06/2014 $'000
Assets			
Current assets			
Cash and cash equivalents		2,439	1,891
Trade and other receivables		4,255	5,082
Work in progress		594	466
Other assets		299	261
Total current assets		7,587	7,700
Non-current assets			
Other assets		55	52
Plant and equipment		579	535
Intangible assets	4	4,064	4,006
Deferred tax		1,094	1,155
Total non-current assets		5,792	5,748
Total assets		13,379	13,448
Liabilities			
Current liabilities			
Trade and other payables	5	2,845	2,902
Interest bearing liabilities	6	84	86
Provisions		875	1,245
Total current liabilities		3,804	4,233
Non-current liabilities			
Trade and other payables	5	11	23
Interest bearing liabilities	6	-	29
Provisions		286	247
Total non-current liabilities		297	299
Total liabilities		4,101	4,532
Net assets		9,278	8,916
Equity			
Contributed equity	7	38,928	39,156
Reserves		313	284
Accumulated losses		(29,963)	(30,524)
Total equity		9,278	8,916

The above statement of financial position should be read in conjunction with accompanying notes.

Konekt Limited
Statement of changes in equity
For the half year ended 31 December 2014

	Contributed equity $'000	Accumulated losses $'000	Option reserve $'000	Total equity $'000
Consolidated				
Balance at 1 July 2013	39,165	(31,544)	265	7,886
Profit after income tax for the half year	-	467	-	467
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	467	-	467
Transactions with owners in their capacity as owners:				
Recognition of shares granted under Employee Share Acquisition Plan	-	-	11	11
Balance at 31 December 2013	39,165	(31,077)	276	8,364

	Contributed equity $'000	Accumulated losses $'000	Option reserve $'000	Total equity $'000
Consolidated				
Balance at 1 July 2014	39,156	(30,524)	284	8,916
Profit after income tax for the half year	-	561	-	561
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	561	-	561
Transactions with owners in their capacity as owners:				
Share buy-back	(228)	-	-	(228)
Recognition of shares granted under Employee Share Acquisition Plan	-	-	29	29
Balance at 31 December 2014	38,928	(29,963)	313	9,278

The above statement of changes in equity should be read in conjunction with accompanying notes.

Konekt Limited
Statement of cash flows
For the half-year ended 31 December 2014

	Note	Consolidated 31/12/2014 $'000	Consolidated 31/12/2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,642	19,076
Payments to suppliers and employees (inclusive of GST)		(18,585)	(16,762)
		1,058	2,314
Interest received		21	15
Interest paid		(3)	(2)
Net cash provided by operating activities		1,075	2,327
Cash flows from investing activities			
Payments for plant, equipment and intangibles		(299)	(368)
Net cash used in investing activities		(299)	(368)
Cash flows from financing activities			
Payments for on market share buy-back		(228)	-
Net cash used in financing activities		(228)	-
Net increase in cash and cash equivalents		548	1,959
Cash and cash equivalents at the beginning of the financial half-year		1,891	696
Cash and cash equivalents at the end of the financial half-year		2,439	2,655

The above statement of cash flows should be read in conjunction with accompanying notes.

Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 ‘Interim Financial Reporting’ and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-3 from 1 July 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.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)
The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

Note 2. Operating segments

Segment information is provided on the same basis as information used for internal reporting purposes by the Managing Director. 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 $4,746,793 (2013: $3,550,750) and $2,500,775 (2013: $2,006,209) are derived from two single customers of the Group. These revenues amounts to more than 42% of the group’s revenues from external customers.

Total revenue as per note 3 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 statement of comprehensive income.

Note 3. Revenue

	Consolidated	
	31/12/2014 $'000	**31/12/2013 $'000**
From continuing operations		
Sales revenue		
Rendering of services	17,233	16,076
Other revenue		
Interest	21	15
Other revenue	162	211
	183	226
Revenue from continuing operations	17,416	16,302

Note 4. Non-current assets – intangible assets

	Consolidated 31/12/2014 $'000	Consolidated 30/06/2014 $'000
Goodwill - at cost	21,680	21,680
Less: Accumulated impairment	(18,157)	(18,157)
	3,523	3,523
Software development - at cost	819	661
Less: Accumulated amortisation	(305)	(205)
	514	456
Trademarks - at cost	27	27
	4,064	4,006

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill $'000	Software development $'000	Trademarks $'000	Total $'000
Consolidated				
Balance at 1 July 2014	3,523	456	27	4,006
Additions	-	158	-	158
Amortisation expense	-	(100)	-	(100)
Balance at 31 December 2014	3,523	514	27	4,064

Note 5. Trade and other payables

	Consolidated	
	31/12/2014	**30/06/2014**
	$'000	**$'000**
Current		
Trade creditors	305	318
Other creditors and accruals	2,507	2,535
Lease incentive	33	49
	2,845	2,902

	Consolidated	
	31/12/2014	**30/06/2014**
Non-current	**$'000**	**$'000**
Leasehold incentive	-	12
Other creditors and accruals	11	11
	11	23

Note 6. Interest bearing liabilities

	Consolidated	
	31/12/2014	**30/06/2014**
	$'000	**$'000**
Current		
Lease liability	84	86
	84	86
Non-current		
Lease liability	-	29
	-	29

Assets pledged as security

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing facilities
A Debt Finance Facility is provided by the National Australia Bank and has an expiry date of 30 September 2015:

	Consolidated	
	31/12/2014	**30/06/2014**
	$'000	**$'000**
Total facilities		
Debt finance	3,000	3,000
	3,000	3,000
Used at the reporting date		
Debt finance	-	-
	-	-
Unused at the reporting date		
Debt finance	3,000	3,000
	3,000	3,000

As at 31 December 2014 the credit facility amount represents 72% of the Group's debtor balance under 90 days that could be drawn under the $3m Debt Finance Facility.

Note 7. Contributed equity

a) Issued and paid up capital

	Consolidated	
	31/12/2014 $'000	**30/06/2014 $'000**
Ordinary shares The number of fully paid ordinary shares in issue at 31 December 2014 is 73,357,134 (30 June 2014: 75,432,012). All shares rank equally.	38,928	39,156

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 half year was $0.12 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

	31/12/2014		30/06/2014	
	Number of Shares	**$'000**	**Number of Shares**	**$'000**
Balance at 31 July 2014	75,432,012	39,156	75,523,069	39,165
Less: Share buy-back	(2,074,878)	(228)	(91,057)	(9)
Balance at 31 December 2014	**73,357,134**	**38,928**	**75,432,012**	**39,156**

Share Buy-back

During the year the Company has conducted an on-market share buy-back within 10/12 limit which commenced on 16 April 2014. In total since buy back commencement until balance date 2,165,935 shares have been bought back and duly cancelled from the share register.

In the half year ending 31 December 2014 2,074,878 were bought back and cancelled. The lowest price paid per share was $0.11, and the highest $0.11 per share.

Note 8. Events after the reporting period

No matter or circumstance has arisen since 31 December 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Konekt Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

Douglas Flynn
Chairman

19 February 2015
Sydney

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Australia

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

As lead auditor for the review of Konekt Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 19 February 2015

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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Konekt Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Konekt Limited, which comprises the statement of financial position as at 31 December 2014, the of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Konekt Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Konekt Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

BDO

John Bresolin
Partner

Sydney, 19 February 2015