

Konekt Limited

ABN 79 009 155 971

Appendix 4D – Half Yearly Report 31 December 2016

Konekt Limited
Directors' report
31 December 2016

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 2016.

Directors

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

- ▶ Douglas Flynn
- ▶ Philip Small
- ▶ Anthony Crawford
- ▶ Damian Banks

Principal activities

Konekt provides Workplace Health Solutions to major employers, in both public and private sectors, and Australia's largest insurance companies. 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 month period to 31 December 2016 of \$1,794,000, an improvement of \$697,000 (up 64%) compared to same period last year. This result is on revenue of \$26.5m (including a write back of \$222,000 for revaluation of deferred consideration). Operating revenue of \$26.3m was 34% higher than the prior corresponding period of \$19.6m. Revenue growth was driven by both organic growth and the full impact of acquisitions conducted during FY16. The cash balance of \$3.2m at 31 December 2016 was up \$3.0m from \$0.2m at 30 June 2016 due to strong cashflow from operating activities of \$4.7m (31 Dec 2015: \$1.0m) only being partially offset by capital expenditure (\$1.0m) and dividend payments (\$0.4m). Earnings per share improved by 63% reflecting improved after tax earnings.

Management Commentary

The momentum built from the FY16 has continued into the first half of FY17 with a strong improvement in both financial and operational performance. Operating Revenue grew by 34% versus the prior corresponding period through continued organic growth, which was further augmented by the full period impact of the acquisitions conducted in FY16, which have been successfully embedded and are performing well.

Our mission – “to be #1 in Care” resonates well with all our stakeholders including our staff and customers. Urgency, Quality and Reliability remain themes that our Customers are focused on, and we continue to listen to this and respond to these needs.

We continued to strengthen our customer relationships with a significant panel appointment in the Commonwealth government sector, re-appointments by two major financial institutions and one major industrial client and a major insurance customer re-appointment to panels.

Our Capital Investment program continues to support our geographic network and enhancement of products and services. Capex of \$1.0m for the half year was invested in property, plant and equipment, product development and technology platforms, continuing our data driven thematic. The continued improvement in the quality of Konekt's work is being recognised by our Customers.

Konekt Limited
Directors' report
31 December 2016

Sales and Customers

A stable engagement program is in place with our customers and has, once again, been executed well. The conversion of both new customers and the re-signing of existing customers through the sales pipeline remains steady. The conversion of leads to wins then to revenue continues to have extended lead times. Konekt saw a reweighting within its customer portfolio towards Insurance from a low of 36% in FY14 to 39% in 1HFY17, with Government 44% and Corporate 17%.

Pre-employment

Konekt observed a more buoyant pre-employment market which grew slightly versus the prior year. There appeared to be little change in sector performance, very soft new employment hiring in mining and mining services continues, but services and health growing this half. Konekt continues to retain its key customers.

Insurers and Agents

Konekt saw growth in the Insurer portfolio in 1HFY17 including the reweighting of the portfolio to 39% of revenue. The market changes in the insurer/agent market across Australia are continuing, with NSW likely to be the state with the most changes happening over the next 18 month timeframe.

Corporate

The Corporate sector is performing well with the Corporate Portfolio being the largest users of CommuniCorp Group in the first half – across both prevention consulting and training product lines.

Government

The Government sector, including Medibank Health Solutions (MHS)/(ADF), continues to perform well in the first half.

On 5 January 2017 Konekt announced that it had received notice from MHS advising:

- ▶ MHS has decided to change certain requirements relating to the rehabilitation services provided under the MHS Contract; and
- ▶ Due to these changes and the requirement for new contractual terms, MHS has provided the required 90 days' notice for termination of the existing contract, being 6 April 2017.

Konekt is currently in discussion with MHS on a new contract. As at the date of this report, the company continues to provide services to MHS under the current contract at similar volumes to 2HFY16 and 1HFY17.

Cash Position

The Company's cash balance increased to \$3.2m at 31 December 2016 from \$0.2m at 30 June 2016, with profit and receivables timing only being partially offset by capital expenditure (\$1.0m), dividend (\$0.4m) and debt repayments (\$0.3m).

Outlook

We believe that the Injury Management market will continue growing at mid-single digits in 2HFY17. The pre-employment market segment is exhibiting signs of recovery, with demand from the construction and services sectors increasing.

We are well positioned going into 2HFY17 with good momentum in our business and subject to final terms of a MHS contract, expect:

- ▶ FY17 full year revenue to be in line with guidance provided of \$51.0m – \$53.5m;
- ▶ FY17 full year EBITDA to be in line with guidance provided of 10.5% - 11.5% of Revenue; and
- ▶ FY17 capital expenditure to be at or above upper level of previous guidance of \$1.5m.

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 subject for the Board. Buy-back of shares, capital return and dividends are weighed up against the needs of the company, potential corporate M&A activity and the generation of franking credits.

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 accounts

Konekt has applied the relief available in ASIC Class Order 98/100 and, accordingly, amounts in the financial statements and Directors' report have been rounded.

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

15 February 2017
Sydney

Summary results for the 6 months to 31 December 2016

The following is a summary of the financial results for the 6 months ended 31 December 2016 (previous corresponding period 31 December 2015):

	Six months ended 31 Dec 16 \$000s	Six months ended 31 Dec 15 \$000s	Increase/ (decrease) \$000s	Change
Revenue from services	26,073	19,568	6,505	33%
Profit before interest and tax ("EBIT")	2,735	1,268	1,467	116%
Net interest income / (expense)	(164)	(19)	(145)	(763%)
Profit before tax	2,571	1,249	1,322	106%
Income tax (expense) / benefit	(777)	(152)	(625)	(411%)
Net profit attributable to members ("NPAT")	1,794	1,097	697	64%

Dividends

No dividend has been declared for the half year. A final Dividend in respect of 2016 year of 0.5 cents per fully paid ordinary share was paid on 8 November 2016.

Earnings per share	Six months to 31 December 2016	Six months to 31 December 2015
Basic earnings per share (cents per share)	2.45	1.50

The weighted average number of ordinary shares used in the calculation of earnings per share was 73,154,137 (2015: 72,991,431).

Net tangible asset backing per share	31 December 2016	31 December 2015
Net tangible asset backing per share (cents per share)	(0.59)	3.44

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Financial Report

General information

The financial report covers Konekt Limited as a consolidated entity consisting of Konekt Limited and the entities it controlled during the half year ended 31 December 2016. 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

Level 3
33 Erskine Street
Sydney NSW 2000

Principal Place of Business

Level 3
33 Erskine Street
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, on 15 February 2017.

Konekt Limited

Statement of profit or loss and other comprehensive income

For the half year ended 31 December 2016

	Notes	Consolidated	
		31/12/2016	31/12/2015
		\$'000	\$'000
Sales Revenue	3	26,073	19,568
Other revenue	3	459	49
Other income	3	3	20
Expenses			
External consultants		(2,230)	(476)
Depreciation and amortisation expenses		(470)	(342)
Finance costs		(167)	(40)
Share based payments expense		14	(39)
Salaries and employment related costs		(16,604)	(13,670)
Property expenses		(1,673)	(1,506)
Communication expenses		(450)	(406)
Motor vehicle and equipment expenses		(496)	(447)
Travel and accommodation expenses		(530)	(547)
Other expenses from continuing operations		(1,358)	(915)
Profit before income tax expense		2,571	1,249
Income tax expense		(777)	(152)
Profit after income tax expense for the half year attributable to the owners of Konekt Limited		1,794	1,097
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the half year attributable to the owners of Konekt Limited		1,794	1,097
Earnings per share for profit attributable to the owners of Konekt Limited			
Basic earnings per share (cents per share)		2.45	1.50
Diluted earnings per share (cents per share)		2.41	1.47

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 2016

	Notes	Consolidated	
		31/12/2016	30/06/2016
		\$'000	\$'000
Current assets			
Cash and cash equivalents		3,216	246
Trade and other receivables		5,296	8,382
Work in progress		542	395
Other assets		598	350
Total current assets		9,652	9,373
Non current assets			
Other assets		176	128
Plant and equipment		1,435	1,190
Deferred tax asset		1,623	1,683
Intangibles assets	4	12,893	12,447
Total non current assets		16,127	15,448
Total assets		25,779	24,821
Current liabilities			
Trade and other payables	5	4,438	5,027
Deferred Revenue		80	259
Deferred consideration	7	1,503	649
Employee benefits		1,227	1,308
Provisions		226	229
Current Tax Liabilities		2,307	1,568
Interest bearing liabilities		30	326
Total current liabilities		9,811	9,366
Non current liabilities			
Trade and other payables	5	121	69
Deferred consideration	7	1,431	2,410
Employee benefits		335	339
Total non current liabilities		1,887	2,818
Total liabilities		11,698	12,184
Net assets		14,081	12,637
Equity			
Contributed equity	6	38,829	38,798
Reserves		361	375
Accumulated losses		(25,109)	(26,536)
Total Equity		14,081	12,637

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 2016

	Contributed equity	Accumulated losses	Option Reserve	Total equity
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015	38,928	(29,047)	322	10,203
Profit after income tax expense for the half year	-	1,097	-	1,097
Other comprehensive income for the half year, net of tax	-	-	-	-
Total comprehensive income for the half year	-	1,097	-	1,097
<i>Transactions with owners in their capacity as owners:</i>				
Share buyback	(130)	-	-	(130)
Share based payments	-	-	40	40
Balance at 31 December 2015	38,798	(27,950)	362	11,210

Balance at 1 July 2016	38,798	(26,536)	375	12,637
Profit after income tax expense for the half year	-	1,794	-	1,794
Other comprehensive income for the half year, net of tax	-	-	-	-
Total comprehensive income for the half year	-	1,794	-	1,794
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of Equity	31	-	-	31
Dividends Paid or provided for	-	(367)	-	(367)
Share based payments	-	-	(14)	(14)
Balance at 31 December 2016	38,829	(25,109)	361	14,081

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 2016

	Notes	Consolidated	
		31/12/2016	31/12/2015
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		31,809	21,731
Payments to suppliers and employees (inclusive of GST)		(27,051)	(20,702)
		4,758	1,029
Interest received		3	20
Interest paid		(1)	(1)
Income taxes paid		(48)	-
Net cash from operating activities		4,712	1,048
Cash flows from investing activities			
Purchase of plant and equipment		(513)	(256)
Purchase of intangible assets		(532)	(939)
Payments for Deferred Consideration	7	(69)	-
Payment for purchase of business, net of cash acquired		-	(783)
Net cash used in investing activities		(1,114)	(1,978)
Cash flows from financing activities			
Payments for on market share buyback		-	(130)
Proceeds from Issue of Shares	6 b)	31	-
Proceeds from borrowings		-	-
Dividends Paid	8	(367)	-
Repayment of borrowings		(292)	-
Net cash used in financing activities		(628)	(130)
Net increase/ (decrease) in cash and cash equivalents		2,970	(1,060)
Cash and cash equivalents at the beginning of the financial half-year		246	3,012
Cash and cash equivalents at the end of the financial half-year		3,216	1,952

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

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2016

Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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.

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 and have similar risk profile. They therefore satisfy the Aggregation criteria under paragraph 12 of AASB 8.

Total revenue as per note 3 is the total segment revenue.

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2016

Note 3. Revenue

From continuing operations

	Consolidated	
	31/12/2016	31/12/2015
	\$'000	\$'000
Sales revenue		
Rendering of services	26,073	19,568
Other revenue		
Remeasurement of contingent consideration	222	-
Interest	3	20
Other income	237	49

Note 4. Non-current assets – intangible assets

	Consolidated	
	31/12/2016	30/06/2016
	\$'000	\$'000
Goodwill		
At cost	29,712	29,864
Accumulated impairment	(18,157)	(18,157)
	11,555	11,707
Trademarks *		
At cost	27	27
Customer Relationships		
At cost	391	152
Accumulated amortisation	(56)	(20)
	335	132
Software development**		
At cost	1,774	1,242
Accumulated amortisation	(798)	(661)
	976	581
	12,893	12,447

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

** Software development relates to internal costs incurred on products and related systems development. These assets are amortised over the expected life of the product, which is typically 3 years.

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2016

Note 4. Non-current assets – intangible assets (continued)

Reconciliations

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

	Consolidated	
	31/12/2016	30/06/2016
	\$'000	\$'000
Reconciliation - Goodwill		
Carrying amount at the beginning of the half year	11,707	6,744
Acquisitions through Business Combinations	-	4,963
Reclassification to other intangibles	(152)	-
Carrying amount at the end of the half year	11,555	11,707
Reconciliation - Trademarks		
Carrying amount at the beginning of the half year	27	27
Additions	-	-
Carrying amount at the end of the half year	27	27

	Consolidated	
	31/12/2016	30/06/2016
	\$'000	\$'000
Reconciliation – Software Development		
Carrying amount at the beginning of the half year	581	548
Additions	532	124
Amortisation	(137)	(91)
Carrying amount at the end of the half year	976	581
Reconciliation – Customer relationships		
Carrying amount at the beginning of the half year	132	152
Acquisitions through Business Combinations	-	-
recognition of Customer Relationships Intangibles	239	-
Amortisation	(36)	(20)
Carrying amount at the end of the half year	335	132

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2016

Note 5. Trade and other payables

	Consolidated	
	31/12/2016	30/06/2016
	\$'000	\$'000
CURRENT		
Trade payables	618	541
Leasehold incentives	82	49
Other payables and accruals	3,738	4,437
	4,438	5,027

NON-CURRENT		
Leasehold incentives	121	59
Other payables and accruals	-	10
	121	69

Note 6. Contributed equity

a) Issued and paid up capital

	Consolidated	
	31/12/2016	30/06/2016
	\$'000	\$'000
Ordinary shares	38,829	38,798

The number of fully paid ordinary shares in issue at year end is 73,350,804 (30 June 2016: 72,737,471). All shares rank equally.

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 \$0.54 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

	Consolidated	
	31/12/2016	
	Number of Shares	\$'000
Balance at 1 July 2016	72,737,471	38,798
Issue of New Shares	613,333	31
Balance at 31 December 2016	73,350,804	38,829

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2016

Note 7. Deferred Consideration Payable for Acquisitions

Konekt Ltd recognises the fair value of deferred considerations for acquisitions, as of their respective acquisition dates as part of the consideration transferred in exchange for the acquired businesses. These fair value measurements require, among other things, significant estimation of post-acquisition financial performance of the acquired businesses. These calculations use cash flow projections for post-acquisition performance.

Any projected earn out payments are discounted to present value, using a discount rate deemed appropriate by Konekt to account for the time value of money in addition to the inherent risk in the earn out calculation projection. The discount rate used is 15% pre-tax (2015: N/A).

Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

During the period the deferred consideration was remeasured and reduced by \$222,000 and resulted in an adjustment in the Statement of profit or loss and other comprehensive income.

	Consolidated			
	31/12/2016	31/12/2016	30/06/2016	30/06/2016
	\$'000	\$'000	\$'000	\$'000
	Purchase Consideration Payable for Acquisitions	Others	Purchase Consideration Payable for Acquisitions	Others
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	3,059	-	-	-
Additions	-	-	2,903	-
Settlement	(69)	-	(30)	-
Remeasurement of contingent consideration	(222)	-	-	-
Interest unwind	166	-	186	-
Carrying amount at end of the period	2,934	-	3,059	-

Note 8. Dividends paid

	Consolidated	
	31/12/2016	30/06/2016
	\$'000	\$'000
Distributions Paid		
Final Dividend in respect of 2016 year of 0.5 cents (2015: nil) per fully paid ordinary share 100% franked at 30% tax rate	367	-

The company's franking account at 31 December 2016 has a balance of \$378,000.

Konekt Limited

Notes to the financial statements

For the half-year ended 31 December 2016

Note 9. Business Combination

In the 2016 Annual Report we advised that because the CommuniCorp Group (CCG) acquisition took place near to the year end the accounting for the acquisition of CCG was determined only provisionally in respect to the identification of intangible assets separate to Goodwill. Konekt has subsequently finalised its review of the identification of intangible assets and as a result have recognised a \$239,000 Customer relationship intangible asset.

Note 10. Events after the reporting period

On 5 January 2017 Konekt announced that it had received a notice in relation to its contract with Medibank Health Solutions (MHS) advising that they were providing 90 days' notice for terminating the existing MHS Contract due to change requirements relating to the rehabilitation services provided under the contract and that MHS wishes to meet with Konekt with a view to agreeing a new contract.

Konekt is currently in discussion with MHS on a new contract. As at the date of this report, the company continues to provide services to MHS under the current contract at similar volumes to 2HFY16 and 1HFY17.

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 2016 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

15 February 2017
Sydney

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 2016, 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, 15 February 2017

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 consolidated statement of financial position as at 31 December 2016, 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 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 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of 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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'John Bresolin'. The signature is written in a cursive style with a large initial 'J'.

John Bresolin
Partner

Sydney, 15 February 2017