KONEKT LIMITED AND CONTROLLED ENTITIES

A.C.N. 009 155 971

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

KONEKT LIMITED

ACN 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

Reena Minhas

Registered Office

Level 3
33 Erskine Street
SYDNEY NSW 2000
Tel: (02) 9307 4000
Fax: (02) 9307 4044

Principal Place of Business

Level 3
33 Erskine Street
SYDNEY NSW 2000
Tel: (02) 9307 4000
Fax: (02) 9307 4044

Auditors

BDO East Coast Partnership
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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ABOUT KONEKT

We are Australia's largest provider of return to work solutions. Konekt helps organisations prevent injury and minimise the impact of workplace injury and related workplace costs, resulting in reduced costs of workplace injury. Konekt has over 200 allied health professionals providing workplace and injury management services to our clients and their employees.

ASX Listed (ASX code: KKT)

Key Facts + Figures

- 25 years + experience
- Clients include major employers, in both public and private sectors, and Australia's largest insurance companies
- 34 offices in all capital cities and across major Australian regional centres
- 300 employees
- $35.1 million revenue
- $2.4 million EBITDA
- Enterprise value of $11.7 million at 30 June 2015

DATA DRIVEN DECISION MAKING

Improving performance and decision making for our customers and the industry by leveraging Konekt's extensive database – Konektiva®.

For many years OH&S professionals, workers compensation specialists, regulators and employers have lamented the lack of meaningful local Australian data available to help in their decision making.

In 2013 Konekt made a decision to utilise their extensive database of return to work case files to address this need by producing data analysis which would be valuable to customers and the industry in general.

The report we produced in November 2013 – Konekt Market Report - was the largest of its type and feedback indicated that it provided significant insight into the Australian landscape from the unique perspective of a national rehabilitation provider.

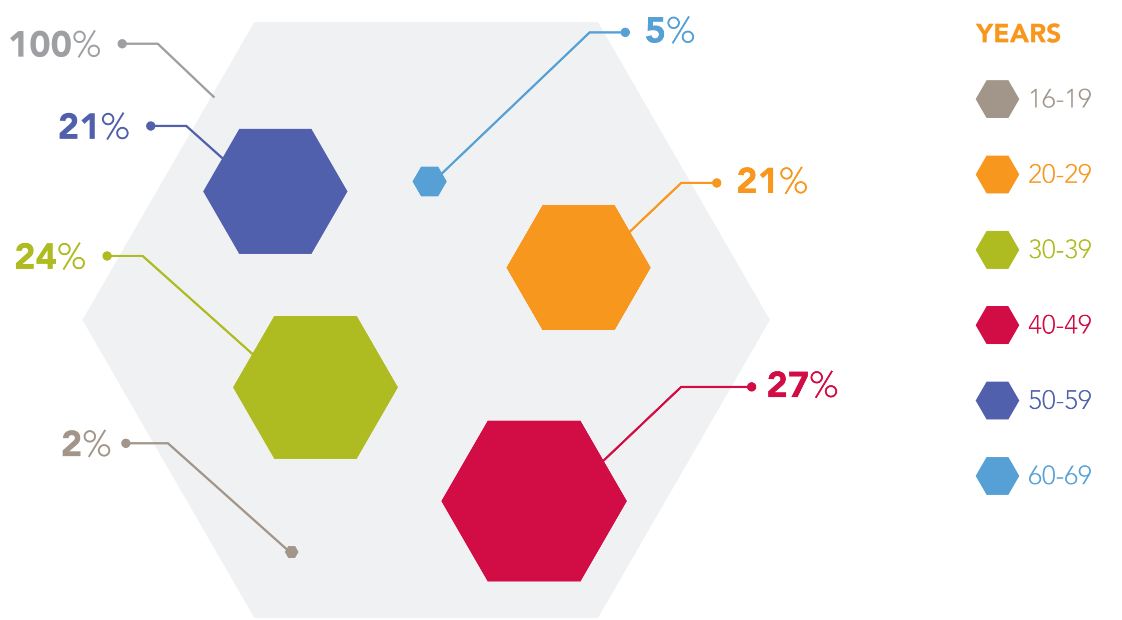
This report was followed up with our second issue – Konekt Market Report Volume 2 - which was published in March 2015. This report analyses data across more than 113,000 Konekt cases from the past six years looking at variables such as governing scheme, socioeconomic factors, injury type, service type, organisation size and industry type.

DATA DRIVEN DECISION MAKING (CONTINUED)

Key trends highlighted in the report include:

- Early intervention remains the key driver for positive outcomes
- Younger population is being referred
- Konekt return to work rates are improving (89% to 94%)
- Delay to referral times increasing for specific referrals
- Delay to referral times decreasing for return to work referrals
- Average service cost and duration decreasing
- Musculoskeletal injury referrals decreasing, but remain the largest injury category

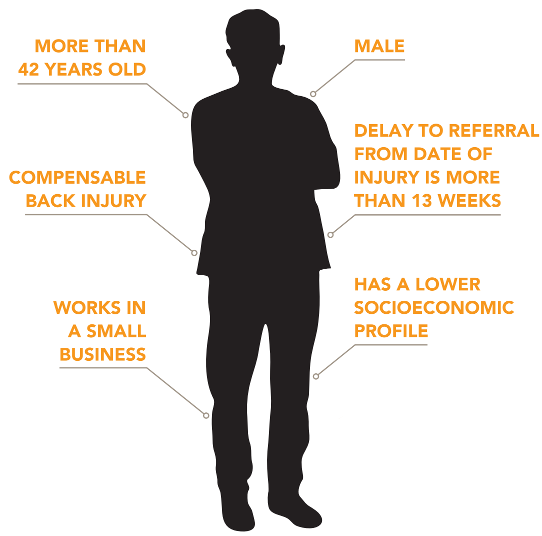
Age distribution for all referrals



In analysing the data we were able to build a profile of Australia's most at risk injured worker. That is, the characteristics which indicate the injured worker, referred to Konekt, who is least likely to return to work and to incur the greatest cost to his employer.

We call this individual Mike; he is a male who is more than 42 years old, he has sustained a back injury and works for a small business. He is classified as having a lower socioeconomic profile and has been referred for return to work services with a delay of more than 13 weeks.

DATA DRIVEN DECISION MAKING (CONTINUED)



Inversely, Jennifer is the worker most likely to return to work and incur the least cost. She is 39 years old or younger and has sustained a physical injury (but not a back injury). She works for a large employer and was referred within the first two weeks post injury.

Understanding the characteristics of those workers least and most likely to return to work helps Konekt identify areas for improvement as we constantly strive to improve service delivery and outcomes for our customers. Data derived from the Market Report also informs Konekt decision making with respect to product development and process improvement.

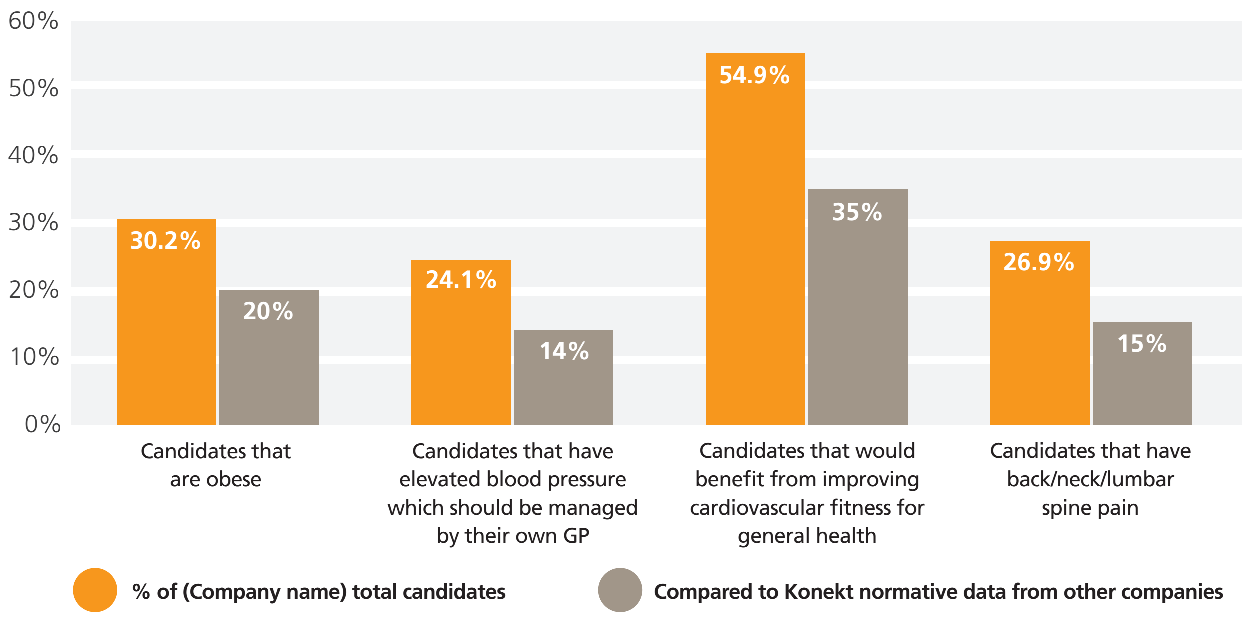
These developments include case triaging on referral and flag assessment reviews to identify likely barriers and determine the best case-management treatment path. With respect to managing cases one size does not fit all and we expect these new treatment approaches to significantly improve outcomes.

In addition to being a valuable internal information source, we view the production of the Market Report as part of our broader industry leadership and community engagement initiatives which focus on bringing education and driving positive change to the lives of injured Australians through a more effective return to work industry.

Our focus on data continues to grow and inform our decisions and those of our customers. One such example is the additional trend data reporting built into Konekt JobScreen™ to provide customers with a holistic view of their incoming workforces health and risk profile. Additionally the company specific data can be reported against Konekt normative data which highlights areas of specific concern.

This coming year will very much be about the data we can extract and use in a meaningful way to change the way we add value to our customers.

Sample report: Key risks identified for your business



CHAIRMAN AND MANAGING DIRECTOR'S REPORT

The year ended 30 June 2015 was a transformative year for Konekt and very pleasing on a number of fronts. The benefit of a range of initiatives undertaken over the past two years to improve our performance and strengthen our position, are clearly evident in our 2014-15 financial results.

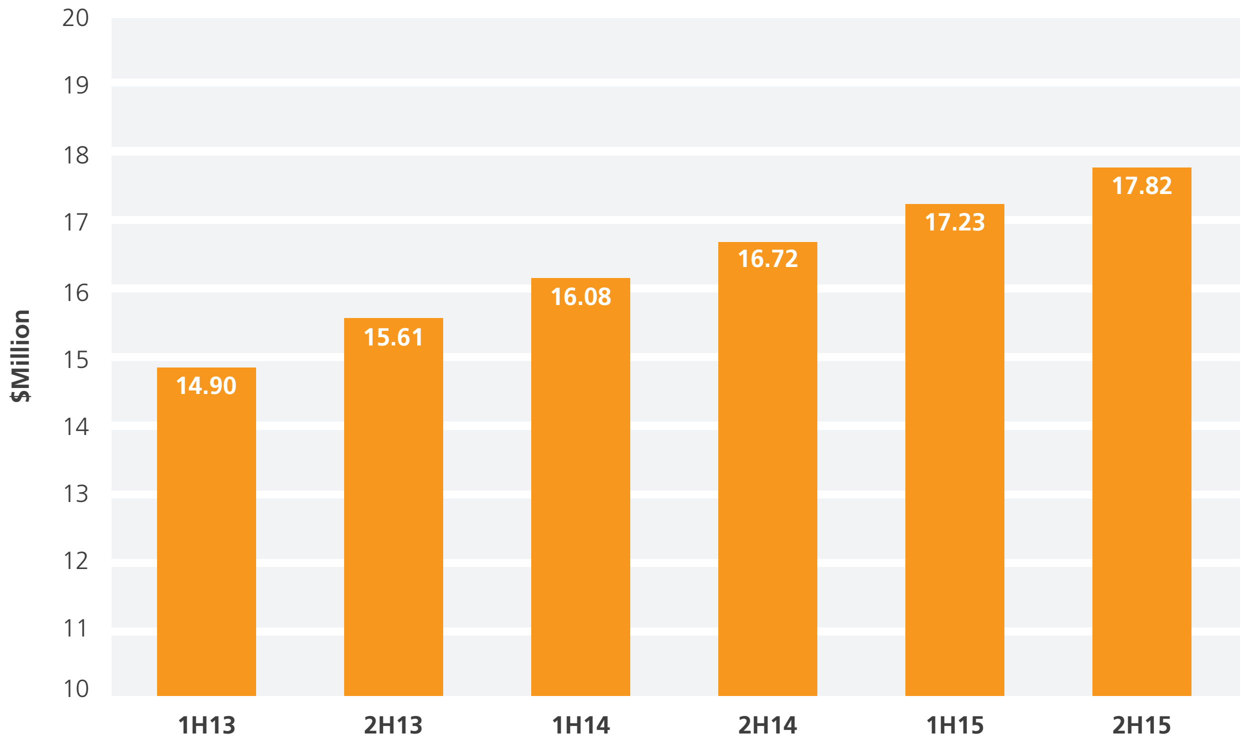
Our performance reflects the dedication of our staff and the support of our clients. We are committed to delivering the best in industry services to our clients and continue to invest in enhancing our services, capabilities and people.

We have strengthened our business platform with the successful implementation of our "Strengthening the Core" (STC) program in the first half of the year. The STC program focused on employee engagement, customer satisfaction and productivity. This has provided a stronger base to both drive and manage future growth. The benefit of this investment was evident in our stronger second half performance. In the year ahead, we intend to increase our focus on outward-based activities in support of our customers through better return to work solutions, a focus on products and business intelligence to continue driving our growth.

Our industry is relatively fragmented, and Konekt, as the market leader with a share of around 10%, is well positioned to continue growing its scale both organically and by targeted acquisitions.

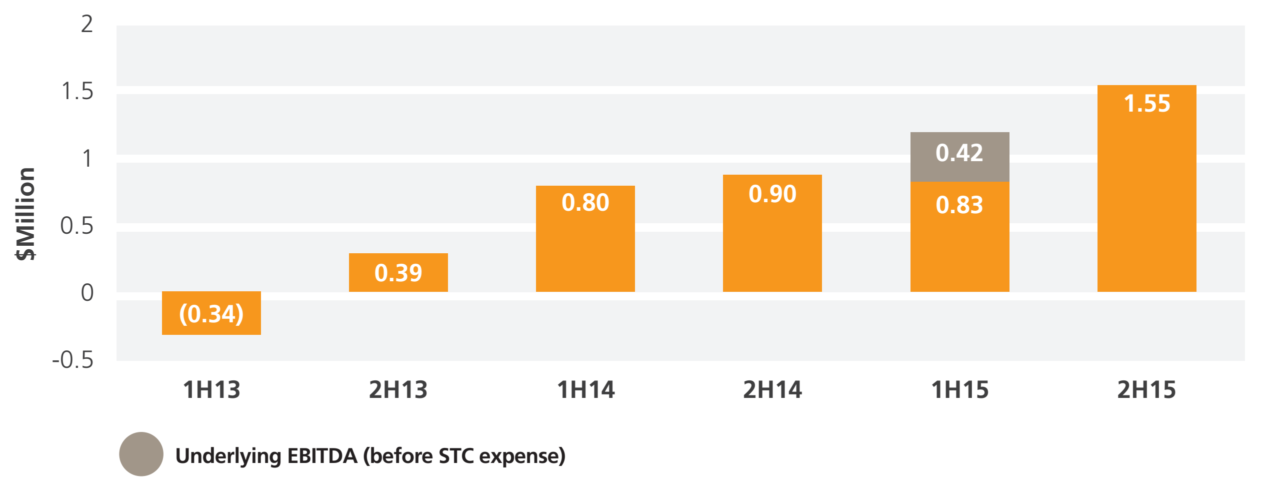
We delivered much improved financial performance in 2014-15. Revenue increased by $2.3m to $35.1m, EBITDA increased by 40% to $2.4m reflecting better cost management and utilization rates, and NPAT increased by 45% to $1.5 million. Importantly, the momentum we have seen half by half over the past three years continued, with the second half of the year again showing half on half growth.

Revenue from continuing operations

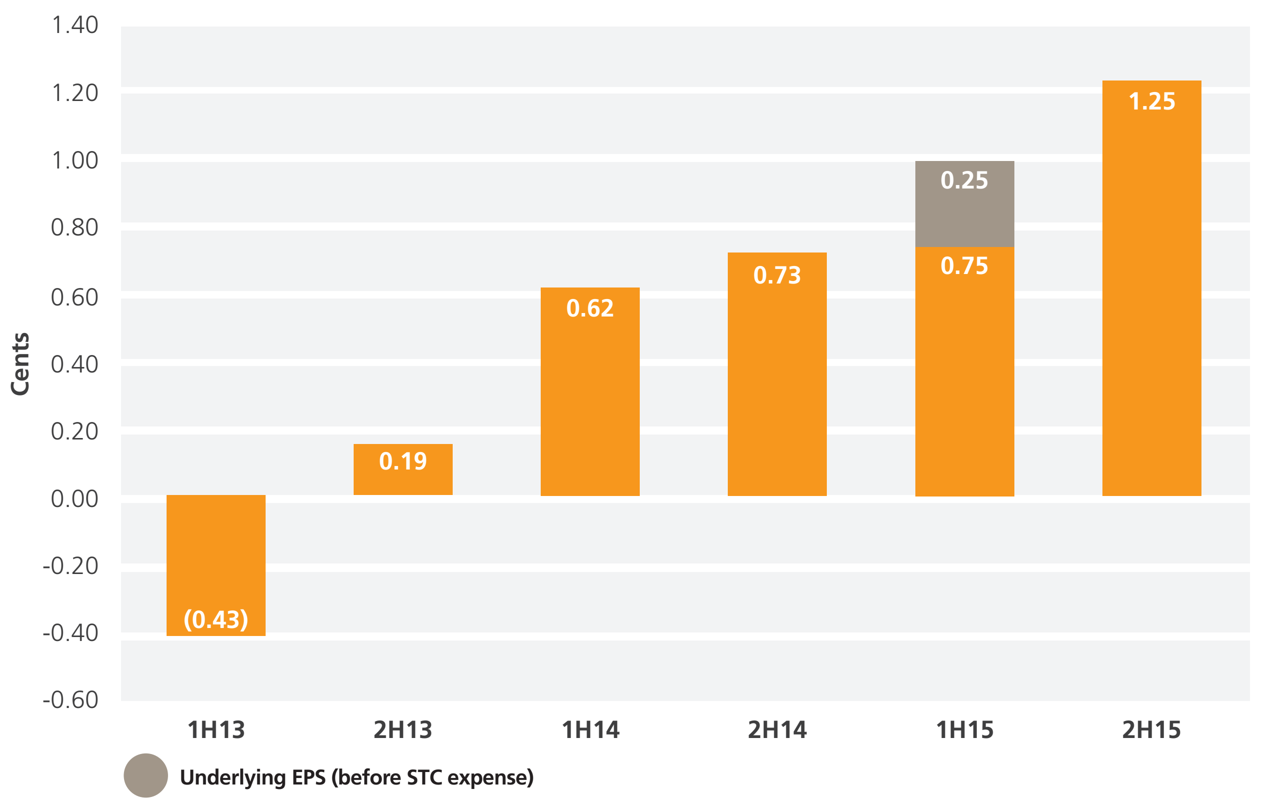


CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

EBITDA



EPS



CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

Our 2014-15 results are after expensing the $425,000 costs associated with our STC program, implemented in the first half of 2014-15. The investment has delivered service and quality benefits through improved productivity, training and culture.

Full year EPS was 2.0 cents per share, with the second half being 1.25 cents per share.

Highlights

- Revenue $35.1 million, up 7%
- NPAT $1.5 million, up 45%
- EPS 2.0 cents, up 48%
- Strong balance sheet, no net debt
- Excellent return to work and case management performance across our business
- Improved staff retention with improved leadership and investment in training
- Strongly improved customer Net Promoter Scores reflecting the benefits of our focus in putting the customer at the centre of everything we do

Summary financial results for the year ended 30 June 2015

The following is a summary of the financial results for the year ended 30 June 2015 (previous corresponding period 30 June 2014).

	2015	2014	Change
Revenue ($m)	**35.1**	**32.8**	**7%**
EBITDA ($m)	**2.38**	**1.70**	**40%**
EBITDA margin (%)	**6.74**	**5.12**	**31%**
EBITDA – underlying* ($m)	**2.80**	**1.70**	**64%**
EBITDA Margin - underlying (%)	**7.93**	**5.12**	**55%**
Interest ($m)	0.03	0.02	50%
Depreciation & Amortisation ($m)	0.55	0.33	(67%)
Net profit before Tax ($m)	**1.87**	**1.40**	**34%**
Tax ($m)	0.39	0.38	(3%)
Net Profit after Tax ($m)	**1.48**	**1.02**	**45%**
EPS (cents)	2.00	1.35	48%

*Underlying EBITDA includes $425,000 expensed during the year under the STC program.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

Year in review

Revenue

Revenue of $35.1m reflected growth of $2.3m (7%) over the prior year.

Revenue was evenly spread between Government, Corporate and Insurance companies clients.

The Medibank Health Solutions (MHS) contract for the Australian Defence Force (ADF) continued to be a source of growth for the Company, with revenues growing over the prior year. This is a four year contract awarded to MHS in late 2012 and we are one of two occupational rehabilitation suppliers to MHS for the ADF contract. We are again pleased to report that our work with MHS is being successfully completed Australia wide, with excellent feedback on Konekt's performance.

The Company achieved some very good business wins during the year. This reflects the increased capability we have built in the business and our improved customer focus, as seen in a substantial improvement in our customers' net promoter scores for Konekt.

In January 2015, we were reappointed by QBE Insurance Australia to provide return to work services under various state and territory workers compensation schemes. The appointment demonstrated QBE's confidence in Konekt's capability to meet the demands of one of Australia's largest workers compensation and general insurers.

We expect to see some growth in State based workers compensation return to work services spending in the year ahead, following a three year decline across Australia.

EBITDA

EBITDA increased by 40% to $2.4 million in 2014-15. This was driven by revenue growth and tighter expense management during the year. The leverage in our business by increasing staff utilisation rates is evident in the growth rates between revenue and EBITDA.

Investments

1. **Strengthening the Core (STC) Program**

   We invested $425,000 in the first half of the year in a number of initiatives designed to improve the forward operating and financial performance of Konekt. The costs associated with STC were fully expensed in 2014-15. The growth in our second half profitability demonstrated the benefit of this program being realised. The first half of 2015-16 will see year on year benefits associated with the STC program.

2. **Staff and Training**

   In November 2014, the Company conducted a comprehensive Cultural Audit, to support the management initiatives of ensuring high staff engagement. We are committed to building a strong culture and developing a high performing team. The insights provided in the survey research are being used to further improve the Konekt environment for all our team members. The Company continued to make a significant investment in training and quality.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

3. **Technology and Product**

   During the year we invested around $200,000 in selected product development, principally in our Pre-employment Product variations and our Same Employer Product. In 2015-16 we plan to at least double our capex in product development to around $500,000.

4. **Premises**

   Konekt invested in a number of new property fit-outs during the year, moving a number of sites, including moving to a smaller and improved Head Office in Sydney. In addition to generating ongoing savings, a key benefit of these expenditures is to support our cultural change initiatives focused on "people, activity and place" to create a better working environment.

   The three year investment in the reconfiguration of Konekt's offices is now largely complete, and the savings created will result in the proportion of premises costs as a ratio of revenue declining as revenue grows.

   We have budgeted for up to $1.0m in Capital Expenditure for 2015-16, in line with 2014-15. Up to $500,000 will be invested in product initiatives to speed up new product delivery and deliver enhancements. The balance will be invested in IT upgrades and other business improvements.

Our Goals & Our Performance in 2015

1. **#1 in Care**

   The Company mission of being #1 in Care (by any measure) is to ensure that it has achieved outstanding injury prevention and injury management outcomes for its customers.

   This year we successfully raised our Return to Work rates across both Original (Same) Employer and New Employer. We increased our urgency right across the business, resulting in lower case durations. Report turnaround times have improved significantly.

2. **Customer Focus**

   The Company received a significant double-digit lift in its Net Promoter Score during the year over the prior year reflecting deeper customer engagement and our commitment to customer service and outcomes.

3. **Product & Services**

   We upgraded our Same Employer, New Employer and Pre-employment products this year. We revamped our offering for the Life Insurance Sector and have seen a 100% lift in business across the year from those customers. The demand for our data services and intelligence continues to increase, allowing us to differentiate our products with factual analysis rather than just opinion.

4. **Trusted Advisor**

   This year we increased the level of strategic relationship discussions with our major customers and prospects. The significant increase in analysis on our customer data is adding value to our customers' decision making. In quarter 3 we launched the Konekt Market Report – Volume 2 including results of 6 years of Konekt case data covering some 116,000 qualifying cases. Konekt has a unique asset in compensable and non-compensable case data. The comprehensive analysis was well received by stakeholders.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

5. **Strong Sales Culture**

   "Sales is the lifeblood of Konekt's success" remains our sales mantra. We have a solid pipeline, and the second half of the year saw a significant conversion of pipeline opportunities to sales.

6. **People & Culture**

   We are committed to attracting, retaining and developing the best consultants for our customers. Retention rates again increased year over year. We conducted a comprehensive cultural survey during the year and are working to implement aspects of high performing organisations within Konekt. We will continue to invest in our culture and people to strengthen our capabilities, position and performance.

   Konekt has a workforce that is principally comprised of employees rather than contractors. We have a "employment commitment rate" of above 97% (commitment rate = number of permanent employees / (number of permanent employees + contractors). We consider this a source of distinctive advantage, enabling Konekt to deliver a consistent and controlled service to our customers, from employees who know and are committed to the "Konekt way".

Balance Sheet

Konekt has a strong balance sheet. As at 30 June 2015, Konekt had no net debt and cash of $3.0m. Shareholders' equity was $10.2m

Capital management

The Company completed an on-market buyback of shares during the year. A total of 2,074,878 shares were bought-back prior to 30 June 2015 at an average price of 11 cents per share. These shares have been cancelled. The buyback has been accretive to shareholders.

In April 2015 the 2014-15 share buyback program was closed and a new 2015-16 buyback program implemented for a further 12 months.

The Board actively considers capital management initiatives and weighs the ongoing needs of the Company, the possible acquisitions under consideration, possible dividends and taxation when considering the optimal capital needs.

No dividend was declared by the company this year. In the absence of franking credits, the Board decided not to declare a dividend and to retain the cash to provide flexibility to pursue growth opportunities that may become available.

Growth strategy

We are committed to growing both our scale within the return to work solutions industry and expanding our services for our clients where this adds value. We will continue our organic growth strategy and also look at acquisitions where they meet our criteria to accelerate growth, grow scale and build Konekt shareholder value. We have a disciplined approach to acquisitions and reviewed a number of opportunities in 2014-15. We will continue to actively review acquisition opportunities in 2015-16.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

Outlook

2015 was a transformative year for Konekt. In 2016 we expect low single digit growth in the overall market. Konekt is well positioned for growth above market rates. We expect the benefits of improved productivity together with contract wins during the last twelve months and a strong new business pipeline to deliver continued momentum in 2016.

On behalf of the Board, we would like to express our sincere thanks to all the Konekt team, our customers and our shareholders for their continued support.

Douglas Flynn
Chairman

Damian Banks
Chief Executive Officer

18 August 2015, Sydney

CORPORATE GOVERNANCE STATEMENT

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

This statement outlines the principal corporate governance procedures of Konekt Limited.

ASX Corporate Governance Council Recommendations

This Corporate Governance Statement of Konekt Limited (the 'company') has been prepared in accordance with the 3rd Edition of the Australian Securities Exchange's ('ASX') Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations') and is included in the company's Annual Report pursuant to ASX Listing Rule 4.10.3. This listing rule requires the company to disclose the extent to which it has followed the recommendations during the financial year, including reasons where the company has not followed a recommendation and any related alternative governance practice adopted.

The company's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in our Annual Report, is contained on our website at www.konekt.com.au.

Both this Corporate Governance Statement and the ASX Appendix 4G have been lodged with the ASX. This statement has been approved by the company's Board of Directors ('Board') and is current as at 18 August 2015.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: A listed entity should disclose:
a) the respective roles and responsibilities of its Board and management; and
b) those matters expressly reserved to the Board and those delegated to the 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.

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 and is available on the Company's website.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 1.2: A listed entity should:

a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a Director; and

b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Directors.

The Board is responsible for evaluating candidates and recommending individuals for appointment as Directors. The Board evaluates prospective candidates against a range of criteria including skills, experience, expertise and diversity that will best complement Board effectiveness at the time. The Board may engage an independent firm to undertake a recruitment firm to undertake a search for suitable candidates.

In its evaluation of candidates for the directorship, the Board will have regards to normally accepted nomination criteria, including:

- Honesty and integrity
- The ability to exercise sound business judgement
- Appropriate experience and professional qualifications
- Absence of conflict of interest or other legal impediment to severing on the Board
- Willingness to devote the require time and
- Ability to attend Board and committee meetings

In conserving the overall Board balance, the Board will give due consideration to the value of a diversity of backgrounds and experience of members.

Konekt undertakes appropriate background and screening checks prior to nominating a Director for election by shareholders, and provide to shareholder all material information in its possession concerning the Director standing for the re-election in explanatory notes accompanying the notice of meeting.

Recommendation 1.3: A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

The Company maintains written agreements with each Director and senior executive. The written agreements outline all relevant roles and obligations. Further, Directors and senior executives are provided with all other information they may require to fulfil their obligations and duties.

Recommendation 1.4: The Company Secretary of a listed entity should be accountable directly to the Board, through Chairman, on all matters to do with the proper functioning of the Board.

The Company Secretary is accountable to the Board, through the Chairman and is responsible for the following:

- Advising the Board and its Committees on governance matters;
- Monitoring that Board and Committee policies and procedures are followed;

- Coordinating the timely completion of Board and Committee papers;
- Ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- Helping to organise and facilitate the induction and professional development of Directors.

Details of the Company Secretary are set out in the Directors report.

Recommendation 1.5 A listed entity should:
a) have a diversity policy which includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
b) disclose that policy or a summary of it; and
c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them and the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation.

The company does not have a formal diversity policy however proposes to review and introduce a formal policy in the coming year. 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 indicates the organisation is comprised of 76% women, 55% in senior executive positions and nil on the Board.

Recommendation 1.6: A listed entity should:
a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board did not formally review it's performance during the year, however a review will be conducted in the coming year.

Recommendation 1.7: A listed entity should:
a) have and disclose a process for periodically evaluating the performance of its senior executives; and
b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Company has established a Remuneration Committee where the performance of its senior executives is discussed and resolved by the Board. A performance evaluation was undertaken during this reporting period as part of the Company's annual review process.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 2: Structure the Board to add value

Recommendation 2.1: The Board of a listed entity should: (a) have a nomination committee or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board does not have a separate Nomination Committee. Nomination matters are considered by the Remuneration Committee when such matters arise.

Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

Information relating to the Directors of the Company, including whether they are independent, their experience, skills and periods of office is detailed in the Directors' report section of the Annual report. A review of the Board skills matrix will be performed in the coming year.

Recommendation 2.3: A listed entity should disclose:

a) the names of the Directors considered by the Board to be independent Directors;

b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and

c) the length of service of each Director.

At the date of this report the Board comprises three Non-Executive Directors, who are regarded as Independent Directors. During the year, the Chairman, Douglas Flynn, Philip Small, and Anthony Crawford were Non-Executive Directors and thus independent. The Managing Director and CEO, Damian Banks is an Executive Director and thus not independent.

During the year ended 30 June 2015 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)
- **Philip Small** (Independent Non-Executive Director appointed 19 November 2009)
- **Anthony Crawford** (Independent Non-Executive Director appointed 16 July 2013)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 2.4: A majority of the Board of a listed entity should be independent Directors.

Please refer to 2.3 above.

Recommendation 2.5: The chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

At the date of this Corporate Governance Statement Mr. Douglas Flynn, an independent Director, is the Chairman of the Board. Mr. Damian Banks is employed as the CEO of the Company.

Recommendation 2.6 A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

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.

Principle 3: Act ethically and responsibly

Recommendation 3.1 A listed entity should:

a) have a code of conduct for its Directors, senior executives and employees; and

b) disclose that code or a summary of it.

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.

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 4: Safeguard integrity in corporate reporting

Recommendations 4.1 The Board of a listed entity should:

a) have an audit committee; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

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.

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

- **Anthony Crawford** (Appointed Committee Chairman on 16 July 2013);
- **Philip Small** (Appointed 8 February 2010); and
- **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 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

Recommendation 4.2 The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Both the CEO and CFO have provided declarations in accordance with Section 295A of the Corporations Act.

Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's external auditor, BDO, attends the Company's AGM and is available to answer questions from security holders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 A listed entity should:

a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

b) disclose that policy or a summary of it.

Konekt does have policies for compliance with continuous disclosure requirements. Senior Executives (on at least a monthly 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 Audit Risk and Compliance Committee) of that information for consideration against the ASX disclosure requirements.

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Principle 6: Respect the rights of security holders

Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.

Konekt has its website at www.konekt.com.au which is regularly updated to ensure that investors are informed of relevant major developments affecting the affairs of the Company. Such information is communicated via the Company's website, the annual and half year reports, disclosure made to the ASX, notices of meetings and occasional letter to investors where appropriate. All investors are invited to contact the Company Secretary regarding any queries they may have.

Recommendations 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

Please refer to 6.1 above.

Recommendations 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Security holders are encouraged by the Board to participate in the Annual General Meeting so as to promote transparency and accountability.

Recommendations 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

Security holders are given the option to receive communication from, and send communications to, the Company and its security registry Computer Share, electronically.

Principle 7: Recognise and manage risk

Recommendation 7.1 The Board of a listed entity should:

a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent Directors; and (2) is chaired by an independent Director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board has an Audit, Risk and Compliance Committee. Refer Recommendation 4.1 for details.

Recommendation 7.2: The Board or a committee of the Board should:

a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

b) disclose, in relation to each reporting period, whether such a review has taken place.

A review of the Company's risk management framework by the Board was conducted during this reporting period and is scheduled for review annually. The Company's Risk Register was formally reviewed by this committee during the year.

Recommendation 7.3: A listed entity should disclose:

a) if it has an internal audit function, how the function is structured and what role it performs; or

b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Company does not have an internal audit function. The Company's Audit and Risk Management Committee is responsible for carrying out the processes that would be employed by an internal audit function and are detailed in the Audit and Risk Management Committee's Charter.

Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company does not have any exposure to economic, environmental and social sustainability risks to disclose during the reporting period.

Principle 8: Remunerate fairly and responsibly

Recommendations 8.1 The Board of a listed entity should:

a) have a remuneration committee; or

b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board has established a Remuneration Committee which consists of only Independent Directors and is chaired by an Independent Chair. During 2014-15 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.

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.

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

- **Philip Small** (appointed Committee Chairman on 12 September 2011);
- **Douglas Flynn** (appointed 19 July 2012); and
- **Anthony Crawford** (appointed 16 July 2013).

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

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendations 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

The performance of the Board, individual Directors and senior executives is reviewed annually, and has taken place during the reporting period.

The Company has established a Remuneration Committee as a subcommittee of the Board. The Renumeration Committee reviews and makes recommendations on renumeration policies for the Company, including, in particular, those governing the Directors, the Managing Director and senior management. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining Directors and senior executives with skills to manage the Company's operation.

In 2014-15, 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 Non-Executive Directors' fees for 2014-15 were set at $50,000 p.a. (inclusive of superannuation), with $5,000 p.a. (inclusive of superannuation) being paid to Committee Chairs. The

Chairman's fee for 2014-15 was set at $92,000 p.a. (inclusive of superannuation). These fees will remain unchanged for 2015-16.

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

Recommendations 8.3: A listed entity which has an equity-based remuneration scheme should:

a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

b) disclose that policy or a summary of it.

Long term incentives are provided to the Managing Director and other senior executives under the Konekt Employee Option Plan. Participants in the Company's Employee Option Plan are prohibited from entering into any transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

DIRECTORS' REPORT

The Directors present their report together with the consolidated financial statements of Konekt Limited ("the Company"), being the Company and its subsidiaries ("the consolidated entity"), for the year ended 30 June 2015 ("the financial year") 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. He was appointed a Non-Executive Director of Aegis Group plc Board in 1996. Aegis Group is a marketing services Company operating in some sixty countries. After being appointed 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 ("WAN"). 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, a pastoral company in Australia's north west.

He also holds the positions of chairman of iSentia Group Limited, APN Outdoor Limited and NEXTDC Limited.

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

Date of appointment: 19 July 2012

DIRECTORS' REPORT (CONTINUED)

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. Mr Banks has been CEO of Konekt since April 2012.

In the prior period, 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.

Date of appointment: 12 September 2011

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.

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

Date of appointment: 19 November 2009

DIRECTORS' REPORT (CONTINUED)

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 and is on the Board of Hospitals Benefits Fund of Australia Ltd. 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.

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

Date of appointment: 16 July 2013

Company Secretary

Ms REENA MINHAS – Chief Financial Officer, Company Secretary

Ms. Minhas is a commercially and strategically focused senior finance executive with over 15 years' experience gained working in both a corporate environment and for leading professional services companies in Australia and the UK.

Ms Minhas is an experienced CFO and Company Secretary of ASX Listed businesses with a background in due diligence and capital markets projects.

Ms. Minhas' Industry experience includes professional services, information technology, infrastructure, government, transport, defense and healthcare. Major clients served include Macquarie, Toll Holdings, Queensland Government, PEP and APA Group.

Date of appointment: 2 March 2015

DIRECTORS' REPORT (CONTINUED)

Directors' Interests in shares and options of the Company as at 30 June 2015

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	-	3,047,752	-	-
Philip Small	-	1,000,000	-	-
Anthony Crawford	-	-	-	-
Damian Banks	-	14,450,000	-	1,200,000

Performance Rights

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

Meetings of Directors

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

	Board Meetings		Audit, Risk and Compliance Committe		Remuneration Committee	
Director	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
Anthony Crawford	8	8	2	2	2	2
Damian Banks	8	8	-	-	-	-

Principal Activities

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

Operating Results

The consolidated net profit after income tax of the Company for the financial year was $1.5m (2014: $1.0m). Total Revenue and Other Income was $35.3m (2014: $33.2m).

DIRECTORS' REPORT (CONTINUED)

Review of Operations

A review of operations of the Company 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 (2014: $Nil).

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the financial year.

Likely Developments – Outlook

2015 was a transformative year for Konekt. In 2016 we expect low single digit growth in the overall market. Konekt is well positioned for growth above market rates. We expect the benefits of improved productivity together with contracts wins during the last twelve months and a strong new business pipeline to deliver continued momentum in 2016.

Remuneration Report – Audited

The Directors are pleased to present the Company's 2015 Remuneration Report. This Report sets out remuneration details for Non-Executive Directors, the Managing Director and other key management personnel ("KMP") .

Remuneration Policies

The remuneration structures set out below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, align executive interests with the creation of value for shareholders, to be acceptable to shareholders and to be consistent with the Company's capital management strategy.

Non-Executive Directors' Remuneration

Fees paid to Non-Executive Directors are reviewed annually. Information comes from an independent survey and the benchmark is the median payments to Directors of comparable companies. Fees will remain unchanged for 2015-16.

Non-Executive Directors do not receive performance related remuneration or any retirement benefits.

Executive Remuneration

Remuneration for executives is a combination of fixed and variable components. The variable component is divided into short and long-term performance based incentives.

Fixed Remuneration

Fixed remuneration is calculated on a total cost basis and includes employer contributions to superannuation and the fringe benefit tax related to any benefits. The Remuneration Committee reviews fixed remuneration annually with reference to comparable roles in similar companies.

Short-term Incentive

The Remuneration Committee sets Key Performance Indicators ("KPIs") for the Managing Director and approves KPIs for certain other executives. KPIs cover financial, staff, customer and strategy areas. The measures are selected to align the incentive to the company's performance and strategy. At the end of the financial year the Remuneration Committee assesses actual performance against the KPIs and awards a percentage of the predetermined maximum amount depending on the results.

Long-term Incentive

Long term incentives are provided to the Managing Director and other senior executives under the Konekt Employee Option Plan. Under the plan options are granted which will only vest if financial performance targets are met. Options are issued for no consideration and have no dividend or voting rights. The vesting period is 3 years. The Remuneration Committee sets the vesting conditions. The exercise price is set at a premium to the share price immediately before the Board meeting which approves the grant of options. The hurdles for vesting are set to drive significant shareholder value.

Consequences of Performance on Shareholder Wealth

In considering the Company's performance and the consequences of its performance on shareholders' wealth the Remuneration Committee has regard to the following measures in respect of the current and previous financial years. Over the last 5 years short-term incentives have been paid to KMP in 2014 and 2015.

$'000	2015	2014	2013	2012	2011
Revenue	35,050	32,796	30,518	32,890	34,135
EBITDA	2,383	1,705	51	1,129	502
EBIT	1,839	1,378	(249)	887	182
Profit/(loss) after income tax	1,478	1,020	(184)	610	205
Cash bonuses to KMP's	105	70	-	-	-

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

$'000	2015	2014	2013	2012	2011
Share price at financial year end ($A)	0.20	0.13	0.027	0.06	0.05
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings per share (cents per share)	2.0	1.4	(0.2)	0.8	0.3

DIRECTORS' REPORT (CONTINUED)

		Short-term employee benefits Performance Rights			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	2015	**84,018**	-	-	**7,982**	-	-	-	**92,000**
	2014	78,794	-	-	4,047	-	-	-	82,841
John Randall	2015	-	-	-	-	-	-	-	-
	2014	-	-	-	3,454	-	-	-	3,454
Philip Small	2015	**43,728**	-	-	**11,272**	-	-	-	**55,000**
	2014	45,787	-	-	4,235	-	-	-	50,022
Damian Banks*	2015	**405,498**	**100,000**	-	**20,000**	**3,425**	-	**5,600**	**534,523**
	2014	389,574	70,000	15,994	20,000	1,603	-	12,697	509,868
Anthony Crawford	2015	**50,228**	-	-	**4,772**	-	-	-	**55,000**
	2014	42,787	-	-	3,958	-	-	-	46,745
Total Remuneration – Parent Entity Directors:									
Total	2015	**583,472**	**100,000**	-	**44,026**	**3,425**	-	**5,600**	**736,523**
	2014	556,942	70,000	15,994	35,694	1,603	-	12,697	692,930
Key Management Personnel of the Company:									
Reena Minhas**	2015	**52,791**	**5,000**	-	**4,625**	**36**	-	-	**62,452**
	2014	-	-	-	-	-	-	-	-
Matt Ranawake***	2015	**88,544**	-	-	**15,872**	-	-	-	**104,416**
	2014	187,611	-	-	25,000	1,571	-	2,255	216,437
Total Remuneration – Parent Entity Directors and Key Management Personnel of the Company:									
	2015	**724,807**	**105,000**	-	**64,523**	**3,461**	-	**5,600**	**903,391**
	2014	744,553	70,000	15,994	60,694	3,174	-	14,952	909,367

* Damian Banks received 62.5% of the target annual bonus payable
** Reena Minhas appointed as chief financial officer and company secretary on 2 March 2015. Reena Minhas received 12.5% of the target annual bonus payable
*** Matt Ranawake resigned as chief financial officer and company secretary on 28 November 2014

During the year 990,000 options were granted to the Managing Director and certain senior executives as long term incentives under the Konekt Performance Rights and Options Plan.

KMP are those directly accountable and responsible for the operational management and strategic direction of the Company.

Damian Banks received 62.5% of the target bonus payable.

DIRECTORS' REPORT (CONTINUED)

Share Options

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

During the year 990,000 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 400,000 options, approved by shareholders at the AGM on 31 October 2014. The following terms apply to the issue of options:

- Grant date: 24 November 2014
- First exercise date: 1 December 2017
- Issue price: $Nil
- Exercise price: $0.10
- Continuous employment with Konekt Limited up to and including 30 June 2017 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 30 June 2016, 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 30 June 2016, with the number increasing pro rata after that date. Any vested options would expire, 6 months after the date of termination.

The vesting of Options will be subject to Konekt achieving the earnings per share ("EPS") Target below.

November 2014 Invitation: EPS Target	Percentage of Options to vest if EPS Target achieved and Service to 30 June 2016	Percentage of Options to vest if EPS Target achieved and Service to 30 June 2017
Cumulative EPS of at least $0.075 over the three financial years 2015, 2016 and 2017 with the 2017 EPS being a minimum of $0.020.	66.67%	100%
Cumulative EPS of at least $0.06 over the three financial years 2015, 2016 and 2017 with the 2016 EPS being a minimum of $0.020.	33.33%	50%
Cumulative EPS of less than $0.06 over the three financial years 2015, 2016 and 2017.	0%	0%

- 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.
- No person entitled to exercise the options has any right by virtue of the option to participate in any share issue of the company.

DIRECTORS' REPORT (CONTINUED)

Service Agreements

Remuneration and other terms of employment for the Managing Director and KMP 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 90 days' notice in writing to terminate the agreement
- Current base salary, including superannuation, amounting to $410,000 to be reviewed annually by the Remuneration Committee. No part of this remuneration is performance related
- Target short term incentive equal to $160,000 (up to 28% of the total remuneration) is performance related, based on achieving performance criteria set at the Board's discretion
- The role is eligible for Long term incentives at the discretion of the Board and approved by the remuneration committee annually

Reena Minhas – Chief Financial Officer, Company Secretary

- Term of agreement: no fixed term
- Either party must give 60 days' notice in writing to terminate the agreement
- Current base salary, including superannuation, amounting to $210,000 to be reviewed annually by the Remuneration Committee. No part of this remuneration is performance related
- Target short term incentive equal to $40,000 (up to 16% of the total remuneration) is performance related
- The role is eligible for Long term incentives at the discretion of the Board and approved by the remuneration committee annually

DIRECTORS' REPORT (CONTINUED)

Additional disclosures relating to key management personnel

Shareholdings of Parent Entity Directors and Key Management Personnel

The number of shares in the Company during the 2015 and 2014 reporting periods by each parent entity Director and KMP of the Company are set out below:

30 June 2015	Balance 1 July 2014	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2015
	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Parent Entity Directors					
Douglas Flynn^	3,047,752	-	-	-	3,047,752
Philip Small**	800,000	-	-	200,000	1,000,000
Anthony Crawford	-	-	-	-	-
Damian Banks*	14,450,000	-	-	-	14,450,000
Key Management Personnel					
Matt Ranawake***	100,000	-	-	-	100,000
Reena Minhas	-	-	-	-	-
Total	**18,297,752**	**-**	**-**	**200,000**	**18,497,752**

^ 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
** Philip Small's shares are held indirectly through Hawks Hill Super Fund
*** Matt Ranawake resigned on 28 November 2014

30 June 2014	Balance 1 July 2013	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2014
	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Parent Entity Directors					
Douglas Flynn^	2,647,752	-	-	400,000	3,047,752
Philip Small	800,000	-	-	-	800,000
John Randall**	197,517	-	-	-	197,517
Anthony Crawford	-	-	-	-	-
Damian Banks*	13,150,000	-	-	1,300,000	14,450,000
Key Management Personnel					
Matt Ranawake***	50,000	-	-	50,000	100,000
Total	**16,845,269**	**-**	**-**	**1,750,000**	**18,595,269**

^ 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
** John Randall resigned on 16 July 2013
*** Matt Ranawake resigned on 28 November 2014

DIRECTORS' REPORT (CONTINUED)

Option holdings of Parent Entity Directors and Key Management Personnel

30 June 2015	Balance at 1 July 2014	Granted	Options exercised	Lapsed	Balance at 30 June 2015	Total vested at 30 June 2015	Total vested and exercisable at 30 June 2015	Total vested and un-exercisable at 30 June 2015
Options								
Damian Banks	2,441,587	400,000	-	(1,641,587)	1,200,000	-	-	-
Matt Ranawake*	473,598	-	-	(473,598)	-	-	-	-
Total	**2,915,185**	**400,000**	**-**	**(2,115,185)**	**1,200,000**	**-**	**-**	**-**

* Matt Ranawake resigned on 28 November 2014 and his options were forfeited on his resignation

30 June 2014	Balance at 1 July 2013	Granted	Options exercised	Lapsed	Balance at 30 June 2014	Total vested at 30 June 2014	Total vested and exercisable at 30 June 2014	Total vested and un-exercisable at 30 June 2014
Options								
Damian Banks	1,641,587	800,000	-	-	2,441,587	-	-	-
Matt Ranawake	273,598	200,000	-	-	473,598	-	-	-
Total	**1,915,185**	**1,000,000**	**-**	**-**	**2,915,185**	**-**	**-**	**-**

This concludes the remuneration report, which has been audited.

Audit Services

During the year, audit and review fees paid and payable to the Company's auditor BDO East Coast Partnership was $73,500 (2014: $71,750).

Non-audit Services

Details of the amount paid to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Environmental Regulations

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

DIRECTORS' REPORT (CONTINUED)

Significant Events after the End of the Reporting Period

There are no matters or circumstances that have arisen since 30 June 2015 that have significantly affected:

a) the Company's operations in future financial years;

b) the results of these operations in future financial years; and

c) the Company's state of affairs in future financial years.

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.

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.

DIRECTORS' REPORT (CONTINUED)

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company 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 11.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act can be found on page 34 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.

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

Douglas Flynn	**Damian Banks**
Chairman	Chief Executive Officer

18 August 2015, Sydney

AUDITOR'S INDEPENDENCE DECLARATION

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Level 11, 1 Margaret St
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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 2015, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Konekt Limted and the entities it controlled during the year.

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 18 August 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	Consolidated 2015 $'000	Consolidated 2014 $'000
Sales Revenue	**4**	**35,050**	**32,796**
Other revenue	4	37	29
Other income	4	235	415
Expenses			
External consultants		(916)	(1,248)
Depreciation and amortisation expenses	5	(545)	(327)
Finance costs	5	(6)	(5)
Share based payments expense	5	(38)	(19)
Salaries and employment related costs		(24,851)	(23,805)
Property expenses		(3,182)	(2,990)
Communication expenses		(903)	(959)
Motor vehicle and equipment expenses		(807)	(865)
Travel and accommodation expenses		(555)	(524)
Other expenses from continuing operations	5	(1,649)	(1,096)
Profit before income tax expense		**1,870**	**1,402**
Income tax expense	7	(392)	(382)
Profit after income tax expense for the year attributable to the owners of Konekt Limited		**1,478**	**1,020**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Konekt Limited		**1,478**	**1,020**
Earnings per share for profit attributable to the owners of Konekt Limited			
Basic earnings per share (cents per share)	6	2.00	1.35
Diluted earnings per share (cents per share)	6	1.96	1.29

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Notes	Consolidated 2015 $'000	Consolidated 2014 $'000
Current assets			
Cash and cash equivalents	8	3,012	1,891
Trade and other receivables	9	5,517	5,082
Work in progress	10	494	466
Other assets	11	218	261
Total current assets		**9,241**	**7,700**
Non current assets			
Other assets	12	142	52
Plant and equipment	13	1,144	535
Deferred tax asset	14	921	1,155
Intangibles assets	15	4,056	4,006
Total non current assets		**6,263**	**5,748**
Total assets		**15,504**	**13,448**
Current liabilities			
Trade and other payables	16	3,438	2,902
Provisions	17	1,394	1,245
Interest bearing liabilities	18	35	86
Total current liabilities		**4,867**	**4,233**
Non current liabilities			
Trade and other payables	16	148	23
Provisions	17	285	247
Interest bearing liabilities	18	-	29
Total non current liabilities		**433**	**299**
Total liabilities		**5,300**	**4,532**
Net assets		**10,204**	**8,916**
Equity			
Contributed equity	19	38,928	39,156
Reserves	19	322	284
Accumulated losses		(29,046)	(30,524)
Total Equity		**10,204**	**8,916**

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Notes	Consolidated 30 June 2015 $'000	Consolidated 30 June 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		38,224	35,766
Payments to suppliers and employees (inclusive of GST)		(35,701)	(33,976)
		2,523	**1,790**
Interest received		37	29
Interest paid		(6)	(5)
Net cash from operating activities	**28a**	**2,554**	**1,814**
Cash flows from investing activities			
Purchase of plant and equipment		(917)	(333)
Purchase of intangible assets		(288)	(278)
Net cash used in investing activities		**(1,205)**	**(611)**
Cash flows from financing activities			
Payments for on market share buyback		(228)	(9)
Net cash used in financing activities		**(228)**	**(9)**
Net increase in cash and cash equivalents		**1,121**	**1,195**
Cash and cash equivalents at the beginning of the financial year		**1,891**	**696**
Cash and cash equivalents at the end of the financial year	**28b**	**3,012**	**1,891**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Contributed equity $'000	Accumulated losses $'000	Option Reserve $'000	Total equity $'000
Balance at 1 July 2013	**39,165**	**(31,544)**	**265**	**7,886**
Profit after income tax benefit for the year	-	1,020	-	1,020
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**1,020**	**-**	**1,020**
Transactions with owners in their capacity as owners:				
Share buyback	(9)	-	-	(9)
Share based payments (note 19d)	-	-	19	19
Balance at 30 June 2014	**39,156**	**(30,524)**	**284**	**8,916**
Profit after income tax expense for the year	-	1,478	-	1,478
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**1,478**	**-**	**1,478**
Transactions with owners in their capacity as owners:				
Share buyback	(228)	-	-	(228)
Share based payments (note 19d)	-	-	38	38
Balance at 30 June 2015	**38,928**	**(29,046)**	**322**	**10,204**

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Konekt Limited for the year ended 30 June 2015 ("the financial year") cover Konet Limited as a consolidated entity, consisting of Konekt Limited and the entities it controlled during the year (referred to hereafter as the 'Company'). Konekt Limited is a listed public Company limited by shares, incorporated and domiciled in Australia.

In accordance with the Corporations Act 2001, these financial statements present the result of the consolidated entity only. Supplementary information about the parent entity can be found in Note 31.

The financial statments were authorised for issue in accordance with a resolution of Directors on 18 August 2015.

New, revised or amending Accounting Standards and Interpretations adopted

The Company 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 Company from the adoption of these Accounting Standards and Interpretations are disclosed below. 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 Company:

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The Company 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 Company 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The Company 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.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Reporting Basis and Conventions

The financial statements 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of Konekt Limited ("Company" or "parent entity") as at 30 June 2015 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 Company.

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 Company, including any unrealised profits or losses, have been eliminated on consolidation.

b) Foreign Currency

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

Transactions in foreign currencies of entities within the Company are converted to Australian dollars at the rate of exchange ruling at the date of the transaction.

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

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.

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 Company 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Trade and Other Receivables (continued)

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 Company 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 represents unbilled revenue, and is recognised at fair value less any provision for impairment.

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 Company 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 are depreciated using the straight line method over their estimated useful lives, with the exception of assets acquired under finance leases, which are amortised over the term of the relevant lease or, where it is likely the Company 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.

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 disposal are determined by comparing disposal proceeds with the carrying amount. These are included in profit or loss.

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

	2015
Plant and equipment	10% to 50%
Leasehold improvements	15% to 40%

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Trade and Other Payables

Liabilities for trade creditors and other payables are carried at cost. This represents the fair value of 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).

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 end of financial year.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Income Tax (continued)

Deferred 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 Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Under the Research and Development Tax Incentive scheme jointly administered by AusIndustry and the ATO, the Australian Government offers a Tax Offset for funds invested in research and development. The tax offset is recognized as a tax expense in the profit and loss and would be set off against tax provision if utilized in current period or recognized as a deferred tax asset if the offset will be utilised in future periods.

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 Company 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 company 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 installments. These amounts are recognised as current intercompany receivables or payables.

k) Employee Benefits

Provision is made for the Company'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 Company 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Employee Benefits (continued)

The fair value of options granted under the plan is recognised as an employee 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 Black Scholes 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.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

l) Provisions

Provisions are recognised when the Company has a present 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) Leases

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Leases (continued)

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.

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.

Finance leases

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.

n) Intangible Assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price exceeds the fair value attributed to the net assets acquired and contingent liabilities at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.

Goodwill is considered to have an indefinite useful life and is not amortised. As such, 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.

Trademarks

Trademarks are considered to have an indefinite useful life and are not amortised. As such they are tested annually for impairment, and are carried at cost less any impairment losses.

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future financial year benefits through revenue generation and/or cost reduction are capitalised to software and systems. IT development and software costs are capitalised to have a finite useful life. Costs capitalised include external direct costs of materials, and directly attributable employee costs, with amortisation calculated on a straight line-basis over 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 company has an intention and ability to use the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) Finance Costs

Finance costs are expensed when incurred unless they are attributable to qualifying assets in which case they are capitalised as part of the asset.

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.

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

s) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Rounding of Amounts

The Company 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.

u) Comparative Amount

Where required by accounting standards, the reclassification of comparatives has been performed in order to conform to the changes in presentation for the current financial year.

v) 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 Company for the annual reporting period ended 30 June 2015. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Company will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Company.

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 Company 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 Company 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.

Research and Development Tax Incentive

The Group recognises R&D Tax Incentive based on guidelines from the ATO and AusIndustry.

Income tax

The Company 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 determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company'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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Company 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 $2,481,000 at 30 June 2015 may only be utilised to shelter 7.3% of taxable income. 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.

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

3. DIVIDENDS

There were no dividends paid, recommended or declared during the current financial year. (2014: $Nil)

4. REVENUE AND OTHER INCOME

From continuing operations	Consolidated	
	2015 $'000	2014 $'000
Sales revenue		
Rendering of services	35,050	32,796
Other revenue		
Interest	37	29
Other income	235	415

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EXPENSES

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

	Consolidated	
	2015 $'000	2014 $'000
Depreciation		
Leasehold improvements	169	130
Plant and equipment	138	112
	307	**242**
Amortisation Expense		
Software development costs	238	85
Total depreciation and amortisation	**545**	**327**
Finance costs		
Interest expense	6	5
Share based payment expense		
Equity settled share based payments expense	38	19
Payments under operating leases		
Motor vehicle leases	370	358
Equipment	82	129
Property leases	2,300	2,259
	2,752	**2,746**
Other expenses from continuing operations includes the following major items		
Internal consultants costs	466	28
Insurance costs	109	102
Marketing costs	151	144
Computer expenses	174	168
Printing, stationery and office supplies	59	64
Professional fees	176	163
Bank charges	94	82
Bad debt expense	5	(17)
Other	415	362
	1,649	**1,096**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. EARNINGS PER SHARE

	Consolidated	
	2015 ¢	2014 ¢
Basic earnings per share	2.00	1.35
Diluted earnings per share	1.96	1.29
Weighted average number of shares used in the	**No.**	**No.**
calculation of basic earnings per share	74,000,272	75,514,075
calculation of diluted earnings per share	75,504,537	79,268,876

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

	Consolidated	
	2015	2014
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**74,000,272**	**75,514,075**
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,504,265	3,754,801
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**75,504,537**	**79,268,876**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

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

	Consolidated	
	2015 $'000	2014 $'000
Profit from continuing operations before income tax expense	**1,870**	**1,402**
Tax at the Australian tax rate of 30%	561	420
Non-deductible expenses:		
Entertainment	34	19
Other	2	(7)
Share based payments	12	6
Research & development tax offset - 2014	(53)	-
Previously unrecognised tax losses now recognised	(135)	-
Utilisation of previously unrecognised tax losses	(29)	-
Adjustment recognised for prior periods	-	(56)
Income tax expense	**392**	**382**
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in the balance sheet for the following items:		
Unused tax losses	2,481	3,029
	2,481	**3,029**
Potential benefit at 30% (2014: 30%)	744	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 2015 may only be utilised to shelter 7.3% of taxable income. There is no expiry date on the future deductibility of unused tax losses.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE (CONTINUED)

There were no franking credits available as at 30 June 2015.

	Consolidated	
	2015 $'000	2014 $'000
Current tax expense		
Current tax expense	659	692
Adjustment recognised for prior periods	(29)	-
Research and development offset	(53)	-
	577	**692**
Deferred tax		
Origination and reversal of temporary differences	(50)	(254)
Adjustment recognised for prior periods	(135)	(56)
Income tax expense	**392**	**382**

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2015 $'000	2014 $'000
Cash at bank	**3,012**	**1,891**

9. TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	2015 $'000	2014 $'000
Trade receivables	5,530	5,087
Less provision for impairment of receivables	(30)	(30)
	5,500	**5,057**
Other receivables	17	25
	5,517	**5,082**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TRADE AND OTHER RECEIVABLES (CURRENT) (CONTINUED)

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

	Consolidated					
	2015			2014		
	Total $'000	Amount Impaired $'000	Amount not Impaired $'000	Total $'000	Amount Impaired $'000	Amount not Impaired $'000
Not Past due	5,316	-	5,316	4,677	(12)	4,665
Past due > 30 days	133	-	133	249	(1)	248
Past due > 60 days	56	(10)	46	86	(2)	84
Past due > 90 days	25	(20)	5	75	(15)	60
Total	**5,530**	**(30)**	**5,500**	**5,087**	**(30)**	**5,057**

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 Company has been in direct contact with the relevant customers and is reasonably satisfied that payment will be received in full.

As at 30 June 2015 the Company had total current trade receivables of $30,000 (2014: $30,000) that were impaired. The amounts relate to customers where it is considered that recovery of the amounts is unlikely.

	Consolidated	
	2015 $'000	2014 $'000
Opening balance	30	50
Provision for impairment of receivables	-	(20)
Receivables written off during the year	-	-
Closing balance	**30**	**30**

10. WORK IN PROGRESS

	Consolidated	
	2015 $'000	2014 $'000
Work in progress	**494**	**466**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. OTHER ASSETS (CURRENT)

	Consolidated	
	2015 $'000	2014 $'000
Prepayments	164	246
Leasehold incentives	54	15
	218	**261**

12. OTHER ASSETS (NON CURRENT)

	Consolidated	
	2015 $'000	2014 $'000
Security deposits	5	21
Prepayments	-	27
Leasehold incentives	137	4
	142	**52**

13. PLANT AND EQUIPMENT

	Consolidated	
	2015 $'000	2014 $'000
Plant and equipment at cost	3,388	3,219
Less accumulated depreciation	(2,925)	(2,919)
	463	**300**
Leasehold improvements at cost	1,200	760
Less accumulated depreciation	(519)	(525)
	681	**235**
Total written down value	**1,144**	**535**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. PLANT AND EQUIPMENT (CONTINUED)

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	
	2015 $'000	2014 $'000
Plant and equipment		
Carrying amount at beginning of the year	300	294
Additions	301	119
Disposals	-	(1)
Depreciation	(138)	(112)
Carrying amount at end of the year	**463**	**300**
Leasehold improvements		
Carrying amount at beginning of the year	235	152
Additions	616	213
Disposals	(1)	-
Depreciation	(169)	(130)
Carrying amount at end of the year	**681**	**235**

14. DEFERRED TAX ASSETS

	Consolidated	
Deferred tax assets comprise temporary differences attributable to:	2015 $'000	2014 $'000
Amounts recognised in profit or loss		
Provision for impairment of receivables	9	9
Employee benefits and other provisions	858	788
FBT accrual	5	4
Leasehold Incentive	59	13
Audit fee accrual	16	12
Deferred income	19	23
Work in progress	(148)	(140)
Capitalised R&D expenses	(56)	-
Movement in depreciation	24	27
Pre-formation tax losses	135	-
	921	**736**
Tax losses	-	419
Total Deferred Tax Asset	**921**	**1,155**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. DEFERRED TAX ASSETS (CONTINUED)

Movements in deferred tax assets	Balance at 1 July 2014 $'000	(Charged) / credited to profit or loss $'000	(Charged) / credited to other compre-hensive income $'000	(Charged) / credited to equity $'000	Balance at 30 June 2015 $'000
Amounts recognised in profit or loss:					
Provision for impairment of receivables	9	-	-	-	9
Employee benefits and other provisions	788	71	-	-	859
FBT accrual	4	-	-	-	4
Leasehold Incentive	13	46	-	-	59
Audit fee accrual	12	4	-	-	16
Deferred income	23	(4)	-	-	19
Work in progress	(140)	(8)	-	-	(148)
Movement in depreciation	27	(3)	-	-	24
Tax losses	419	-	(419)	-	-
Preformation tax losses	-	135	-	-	135
Capitalised research & development assets	-	(56)	-	-	(56)
Total	**1,155**	**185**	**(419)**	**-**	**921**

15. INTANGIBLE ASSETS

	Consolidated	
	2015 $'000	2014 $'000
Goodwill		
At cost	21,680	21,680
Accumulated impairment	(18,157)	(18,157)
	3,523	**3,523**
Trademarks **		
At cost	27	27
Software development*		
At cost	949	661
Accumulated amortisation	(443)	(205)
	506	**456**
	4,056	**4,006**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. INTANGIBLE ASSETS (CONTINUED)

	Consolidated 2015 $'000	Consolidated 2014 $'000
Reconciliation - Goodwill		
Carrying amount at the beginning of the year	3,523	3,523
Impairment losses	-	-
Carrying amount at the end of the year	**3,523**	**3,523**
Reconciliation - Trademarks **		
Carrying amount at the beginning of the year	27	27
Additions	-	-
Carrying amount at the end of the year	**27**	**27**

	Consolidated 2015 $'000	Consolidated 2014 $'000
Reconciliation – IT Development		
Carrying amount at the beginning of the year	456	263
Additions	288	278
Amortisation	(238)	(85)
Carrying amount at the end of the year	**506**	**456**

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

The recoverable amount of a CGU 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 CGU operates.

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

- the discount rate used was 11% pre-tax (2014: 11%);
- forecasts are performed taking into consideration trading outlook and future growth prospects for the Company with revenues rising at 5% initially reducing to 2% in the longer term and operating costs rising at 3% initially then reducing to 2% growth in the longer term; and
- terminal value calculation includes 0% growth.

15. INTANGIBLE ASSETS (CONTINUED)

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 the Company 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 4% for the Company before goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase to more than 25% 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

	Consolidated	
	2015 $'000	2014 $'000
CURRENT		
Trade payables	455	318
Leasehold incentives	61	49
Other payables and accruals	2,922	2,535
	3,438	**2,902**
NON-CURRENT		
Leasehold incentives	137	12
Other payables and accruals	11	11
	148	**23**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. PROVISIONS

	Consolidated	
	2015 $'000	**2014 $'000**
CURRENT		
Lease make good	143	93
Employee benefits	1,093	1,122
Income tax provision	158	-
Other provisions	-	30
	1,394	**1,245**
NON-CURRENT		
Employee benefits	285	247
	285	**247**

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 company does not have an unconditional right to defer settlement.

18. INTEREST BEARING LIABILITIES

	Consolidated	
	2015 $'000	**2014 $'000**
CURRENT – unsecured		
Other loans	**35**	**86**
NON-CURRENT – unsecured		
Other loans	**-**	**29**
(a) The carrying amounts of assets pledged as security are:		
Floating charge over assets, including investments	**15,504**	**13,448**
(b) Refer to Note 29 for details of banking facilities.		

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CONTRIBUTED EQUITY

a) Issued and paid up capital

	Consolidated	
	2015 $'000	**2014 $'000**
Ordinary shares	**38,928**	**39,156**

The number of fully paid ordinary shares in issue at year end is 73,357,134 (2014:75,432,012). 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.

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			
	2015		**2014**	
	Number of Shares	$'000	Number of Shares	$'000
Beginning of the financial year	75,432,012	39,156	75,523,069	39,165
Less: Share buyback	(2,074,878)	(228)	(91,057)	(9)
End of the financial year	**73,357,134**	**38,928**	**75,432,012**	**39,156**

Share buyback

During the year the Company conducted an on-market share buyback within 10/12 limit which commenced on 16 April 2014. A total of 2,074,878 shares were bought back prior to 30 June 2015 at an average price of $0.11 per share. In April 2015 the 2014-15 share buyback was closed and a new 2015-16 buyback program implemented for a further 12 months.

19. CONTRIBUTED EQUITY (CONTINUED)

c) Capital risk management

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

In managing its capital, the Company'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 Company 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 Company 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 Company considers not only its short-term position but also its long-term operational and strategic objectives.

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

	Consolidated	
	2015 $'000	2014 $'000
Gearing ratios		
Debt	35	115
Total equity	10,204	8,916
Gearing Ratio	0.34%	1.29%

d) Share based options and performance rights

(i) Performance rights – There were no performance rights issued nor outstanding during the year.
(ii) Options

Senior Manager Long Term Incentive

During the year 990,000 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 400,000 options, approved by shareholders at the AGM on 31 October 2014. The following terms apply to the issue of options:

- Grant date 24 November 2014
- First exercise date 1 December 2017
- Issue price $Nil
- Exercise price $0.10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CONTRIBUTED EQUITY (CONTINUED)

d) Share based options and performance rights (continued)

- Continuous employment with Konekt Limited up to and including 30 June 2017 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 30 June 2016, 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 of the options would vest on 30 June 2016, 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.

November 2014 Invitation: EPS Target	Percentage of Options to vest if EPS Target achieved and Service to 30 June 2016	Percentage of Options to vest if EPS Target achieved and Service to 30 June 2017
Cumulative EPS of at least $0.075 over the three financial years 2015, 2016 and 2017 with the 2017 EPS being a minimum of $0.020.	66.67%	100%
Cumulative EPS of at least $0.06 over the three financial years 2015, 2016 and 2017 with the 2017 EPS being a minimum of $0.020.	33.33%	50%
Cumulative EPS of less than $0.06 over the three financial years 2015, 2016 and 2017.	0%	0%

- 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 of the movement in the share based payments reserve are provided below:

	Consolidated	
	2015 $'000	2014 $'000
Share-based payments reserve		
Opening balance of reserve	284	265
Share based payments expense	38	19
Closing balance of reserve	**322**	**284**

This reserve is used to record the value of equity benefits provided to the employees as a part of their compensation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CONTRIBUTED EQUITY (CONTINUED)

d) Share based options and performance rights (continued)

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 2015

Grant Date	Vesting Date	Expiry Date	Applicable exercise 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
Options				Number	Number	Number	Number	Number	$
10.09.2012	1.09.2015	29.02.2016	$0.07	2,462,381	-	-	(2,462,381)	-	-
28.09.2013	01.08.2016	31.01.2017	$0.05	1,760,000	-	-	(560,000)	1,200,000	8,400
24.11.2014	1.12.2017	31.05.2018	$0.10	-	990,000	-	-	990,000	46,530
				4,222,381	**990,000**	**-**	**(3.022,381)**	**2,190,000**	**54,930**

The fair value of options at grant date is independently determined using a Black Scholes 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
24.11.2014	31.05.2018	$0.115	$0.10	48.41%	0.0%	3.39%	$0.047

Consolidated 2014

Grant Date	Vesting Date	Expiry Date	Applicable exercise 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
Options				Number	Number	Number	Number	Number	$
10.09.2012	01.09.2015	29.02.2016	$0.07	2,735,979	-	-	(273,598)	2,462,381	54,720
28.09.2013	01.08.2016	31.01.2017	$0.05	-	1,760,000	-	-	1,760,000	12,320
				2,735,979	**1,760,000**	**-**	**(273,598)**	**4,222,381**	**67,040**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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							
	2015				2014			
	Equipment $'000	Motor Vehicle $'000	Property $'000	Total $'000	Equipment $'000	Motor Vehicle $'000	Property $'000	Total $'000
Due within 1 year	38	259	2,618	2,915	57	362	1,702	2,121
Due later than 1 year but less than 5 Year	17	134	1,584	1,735	60	262	1,246	1,568
Due later than 5 Years	-	-	-	-	-	-	-	-
Total	**55**	**393**	**4,202**	**4,650**	**117**	**624**	**2,948**	**3,689**

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

21. CONTINGENT LIABILITIES

As at 30 June 2015 Konekt had issued bank guarantees to the value of $676,928 primarily relating to property leases.

The Directors are not aware of any other contingent liabilities as at 30 June 2015.

22. SUPERANNUATION PLANS

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

Details of expenses related to the defined contribution plans during the year are as follows:

	Consolidated	
	2015 $'000	**2014 $'000**
Defined contribution superannuation expense	**1,921**	**1,807**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Remuneration of Parent Entity Directors and Key Management Personnel ('KMP')

	Consolidated	
	2015	2014
	$	$
Share-based payments reserve		
Short-term employee benefits	724,807	744,553
Cash bonus	105,000	70,000
Non-monetary benefits	-	15,994
Post-employment benefits	64,522	60,694
Long-term benefits	3,462	3,174
Termination benefits	-	-
Share-based payments	5,600	14,952
	903,361	**909,367**

KMP remuneration has been included in the Remuneration Report section of the Directors Report.

b) Services

There are no other services provided by Directors or KMP other than for their remuneration.

24. REMUNERATION OF AUDITORS

	Consolidated	
	2015	2014
	$	$
Amounts paid/payable to BDO East Coast Partnership for audit or review of the financial statements for the Company	73,500	71,750
Tax and accounting advisory services	7,900	1,000

25. SEGMENT REPORTING

The Company 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 is still considered that there is only one reporting segment in the Company which is Injury Management. All branch operations operate under similar regulatory environments, offer the same injury management service offerings and have a similar risk profile. They therefore satisfy the aggregation criteria under paragraph 12 of AASB 8 Operating Segments. Corporate overheads are also allocated to branches.

Revenues of $9,852,000 (2014: $7,859,000) and $5,271,000 (2014: $4,020,000) are derived from two single customers of the Company. Each of these separate revenues amounts to more than 10% of the Company's revenues from external customers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. SEGMENT REPORTING (CONTINUED)

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

The Chief Executive Officer reviews the performance of segments before aggregation based on Net Profit Before Tax. This performance measure is equal to profit before income tax expense as disclosed in the consolidated statement of profit or loss and other 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 Limited	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.

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. The consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position of the Closed Group are identical to the consolidated financial statements already disclosed in the financial report for Konekt Limited and its controlled entities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS DISCLOSURE

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company'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 Company 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 Company to incur a financial loss. The entity has no significant concentration of credit risk to a Company of debtors nor a single debtor. The Company is only exposed to risk in the health services sector. 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.

d) Interest rate risk exposure

The Company'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 2015	Weighted average interest rate	Floating interest rate $'000	Fixed interest rate maturing in less than 1 year $'000	Fixed interest rate maturing in 1 – 5 years $'000	Non-interest bearing $'000	Total $'000
Financial Assets						
Cash and cash equivalents	2.07%	3,012	-	-	-	3,012
Trade and other receivables		-	-	-	5,517	5,517
Total Financial Assets		**3,012**	**-**	**-**	**5,517**	**8,529**
Financial Liabilities						
Interest bearing liabilities	10.37%	-	35	-	-	35
Trade and other payables		-	-	-	3,586	3,856
Total Financial Liabilities		**-**	**35**	**-**	**3,586**	**3,621**
Net Financial (Liabilities)/ Assets		**3,012**	**(35)**	**-**	**1,931**	**4,908**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

d) Interest rate risk exposure (continued)

30 June 2014	Weighted average interest rate	Floating interest rate $'000	Fixed interest rate maturing in less than 1 year $'000	Fixed Interest rate maturing In 1 – 5 years $'000	Non-interest bearing $'000	Total 2014 $'000
Financial Assets						
Cash and cash equivalents	2.07%	1,891	-	-	-	1,891
Trade and other receivables		-	-	-	5,082	5,082
Total Financial Assets		**1,891**	**-**	**-**	**5,082**	**6,973**
Financial Liabilities						
Interest bearing liabilities	10.37%	-	86	29	-	115
Trade and other payables		-	-	-	2,925	2,925
Total Financial Liabilities			**86**	**29**	**2,925**	**3,040**
Net Financial (Liabilities)/ Assets		**1,891**	**(86)**	**(29)**	**2,157**	**3,933**

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

Sensitivity Analysis

For each 1% increase in interest rates, Company profit before income tax expense will increase by $30,120 (2014 increase by $18,910). Correspondingly for each 1% fall in interest rates Company profit before tax will decrease by $30,120 (2014 decrease by $18,910).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

e) Liquidity Risk

Bank overdraft facilities comprise the total Company 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 – Company 2015	Carrying Amount $'000	Contractual cashflows $'000	< 6 months $'000	6 – 12 months $'000	1-3 Years $'000	> 3 Years $'000
Financial Assets						
Trade Receivables	5,500	5,500	5,475	25	-	-
Other Receivables	17	17	17	-	-	-
Total Financial Assets	**5,517**	**5,517**	**5,492**	**25**	**-**	**-**
Financial Liabilities						
Bank overdraft	-	-	-	-	-	-
Other loans	35	35	35	-	-	-
Trade and other payables	3,586	3,586	2,900	538	148	-
Total Financial Liabilities	**3,621**	**3,621**	**2,935**	**538**	**148**	**-**

Maturity Analysis – Company 2014	Carrying Amount $'000	Contractual cashflows $'000	< 6 months $'000	6 – 12 months $'000	1-3 Years $'000	> 3 Years $'000
Financial Assets						
Trade Receivables	5,057	5,057	5,057	-	-	-
Other Receivables	25	25	25	-	-	-
Total Financial Assets	**5,082**	**5,082**	**5,082**	**-**	**-**	**-**
Financial Liabilities						
Bank overdraft	-	-	-	-	-	-
Other loans	115	121	-	86	35	-
Trade and other payables	2,925	2,925	2,902	23	-	-
Total Financial Liabilities	**3,040**	**3,046**	**2,902**	**109**	**35**	**-**

27. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

f) Risk management policies and objectives

Activities undertaken by Konekt Limited and its subsidiaries may expose the Company to risk. The Company 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 Company to maintain adequate committed credit facilities. The Company 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 Accounts Receivable department if amounts are overdue with further involvement of the Sales Team once amounts exceed 90 days.

28. CASH FLOW INFORMATION

a) Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2015 $'000	2014 $'000
Profit after income tax	**1,478**	**1,020**
Non cash items		
Depreciation and amortisation expense	545	327
Share based payments expense	38	19
Changes in assets and liabilities		
Movement in trade and other debtors	(435)	(612)
Movement in trade and other payables	581	774
Movement in deferred tax asset	234	382
Movement in other assets	(74)	(99)
Movement in other provisions	187	3
Net cash from operating activities	**2,554**	**1,814**

b) Reconciliation of Cash

	Consolidated	
	2015 $'000	2014 $'000
Cash and cash equivalent comprises		
Cash at bank	3,012	1,891
Cash and cash equivalent at the end of the financial year	**3,012**	**1,891**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCE FACILITIES

	Consolidated	
	2015 $'000	2014 $'000
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 2015 the credit facility amount represents 75% of the Company's debtor balance under 90 days that could be drawn under the $3,000,000 Debt Finance Facility. This facility is provided by the National Australia Bank and has an expiry date of 30 September 2016.

Finance will be provided under these facilities provided the Company and the Company have not breached any borrowing requirements and the required financial covenants are met. All covenants have been met during the financial year (note 19(c)).

The Company has a bank guarantee facility of $811,644 of which $134,723 was unused at 30 June 2015.

30. RELATED PARTY TRANSACTIONS

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. ADDITIONAL FINANCIAL INFORMATION OF THE PARENT ENTITY

	Consolidated	
	2015 $'000	2014 $'000
Current assets	8	8
Total assets	**775**	**1,162**
Current liabilities	299	7,278
Total liabilities	**299**	**7,278**
Shareholders' equity		
Issued capital	38,928	39,156
Reserves – share option	322	284
Accumulated losses	(38,774)	(45,556)
Total equity	**476**	**(6,116)**
Profit/(loss) after income tax expense for the year	6,780	(692)
Total comprehensive income for the year	6,780	(692)

For details of guarantees entered into by the parent entity in relation to debts of subsidiaries refer to 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 2015 that have significantly affected:

a) the Company's operations in future financial years;

b) the results of these operations in future financial years; and

c) the Company's state of affairs in future financial years.

DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. the financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated 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 Company's financial position as at 30 June 2015 and of its performance for the year ended on that date;

2. in the Directors' opinion, there are reasonable grounds to believe that the Company 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 the Company 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); and
5. the Company 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
Chief Executive Officer

18 August 2015, Sydney

INDEPENDENT AUDITOR'S REPORT

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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 2015, 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 Statements*, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 2015 and of its performance for the year ended on that date;

(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 the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

J Bresolin

John Bresolin
Partner

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 2015.

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
Size of holding						
1 – 1,000	105	41,751	-	-	-	-
1,001 – 5,000	223	551,379	-	-	-	-
5,001 – 10,000	85	621,487	-	-	-	-
10,001 – 100,000	248	8,949,809	-	-	-	-
100,001 and over	59	63,192,708	-	-	-	-
	720	**73,357,134**	**-**	**-**	**-**	**-**
The number of shareholders holding less than a marketable parcel of shares are:						
	236	256,260	-	-	-	-

ASX ADDITIONAL INFORMATION (CONTINUED)

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 June 2015 are:

		Listed ordinary shares	
		No. of Shares Held	% Held
Financial Assets			
1.	NIDMAS PTY LTD <BANKS FAMILY SUPER FUND A/C>	13,450,000	18.33
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,652,497	15.88
3.	DIXSON TRUST PTY LIMITED	9,936,363	13.55
4.	FALCASTLE PTY LTD <DAHL SUPERFUND A/C>	2,027,748	2.76
5.	DR & LC FLYNN NOMINEES PTY LTD <FLYNN SUPER FUND A/C>	1,659,808	2.26
6.	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY <LEKDAL FAMILY A/C>	1,429,834	1.95
7.	DR JON BERRICK	1,400,000	1.91
8.	DR VERN THOMAS MADDEN + MRS CLARE MAREE MADDEN <MAD-BOY SUPER FUND A/C>	1,251,025	1.71
9.	DR & LC FLYNN NOMINEES PTY LIMITED <FLYNN SUPER FUND TWO A/C>	1,206,361	1.64
10.	MR WILLIAM NEIL STEWART COATS	1,150,146	1.57
11.	DELTA REAL-TIME COMPUTERS PTY LTD	1,070,000	1.46
12.	BUMBLETON PTY LTD <WILLIAM COATS S/F A/C>	1,009,203	1.38
13.	J W GIJET PTY LTD	1,000,000	1.36
14.	NATIONAL NOMINEES LIMITED	1,000,000	1.36
15.	NIDMAS PTY LTD <BANKS FAMILY SUPER FUND A/C>	1,000,000	1.36
16.	MR EDWARD JAMES DALLY + MRS SELINA DALLY <E J DALLY SUPER FUND A/C>	901,950	1.23
17.	J P MORGAN NOMINEES AUSTRALIA LIMITED	838,365	1.14
18.	BFA SUPER PTY LTD <GDN SUPER FUND A/C>	700,000	0.95
19.	YARRAC PTY LTD <COLEBATCH PROPERTY A/C>	583,131	0.79
20.	MR PETER SCARF + MRS IDA SCARF <SCARF SUPER FUND ACCOUNT>	500,000	0.68
Total ordinary shares quoted on ASX – Held by the top 20 holders		**53,766,431**	**73.29**
Total ordinary shares quoted on ASX		**73,357,134**	**100%**

c) Unquoted Securities

There were 2,190,000 unquoted options as at 30 June 2015.

ASX ADDITIONAL INFORMATION (CONTINUED)

d) Substantial Shareholders

Substantial shareholders in the Company are set out below:

	No. of Shares Held	% Held
Nidmas Pty Ltd	14,450,000	19.70
AJ Berrick & Associates	13,421,002	18.30
Dixson Trust Pty Ltd	9,936,363	13.55
Helm Capital Pty Ltd	3,847,361	5.24

e) Other Disclosures

(i) The name of the Company secretary is Ms. Reena Minhas.

(ii) The address of the principal registered office in Australia is Level 3, 33 Erskine 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 3, 33 Erskine 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.