KONEKT LIMITED AND CONTROLLED ENTITIES

A.C.N. 009 155 971

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

KONEKT LIMITED
A.C.N. 009 155 971

ASX Code: KKT

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 and 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

CONTENTS

ABOUT KONEKT

Our Vision	To help Australian workplaces become injury free by 2025
Our Purpose	With the belief that work is good for all, our purpose is to maximise workforce participation and safety
Our Values	Integrity, Personal Impact, Innovation, Customer Focus, Financial Sustainability
Our Mission	To be number 1 in Care by any measure

We are Australia's leading provider of return to work solutions.

We help organisations prevent and minimise injuries and their the impact, resulting in increased workforce participation and reduced employment and social costs.

We have 400 employees, with over 350 allied health professionals providing workplace safety, injury prevention and injury management services to our clients and their employees.

Our Businesses include Konekt, SRC Solutions, CommuniCorp Group, Applied Innovative Solutions, Insight Services Group, Innovative Training & Recruitment and Insite.

ASX Listed (ASX code: KKT).

Key Facts + Figures

- More than 25 years' experience
- Clients include major employers, in both public and private sectors, and Australia's largest insurance companies
- Market leader (c. 11-12% market share) in a fragmented market
- National coverage - 43 offices in all capital cities and across major Australian regional centres
- 400 employees
- $43.9 million Revenue
- $4.0 million EBITDA
- 3.45 cents EPS

ABOUT KONEKT (CONTINUED)

Our Goals

1. **#1 in Care**

   To be #1 in Care (by any measure), delivering outstanding injury prevention and injury management outcomes.

2. **Customer Focus**

   A resolute commitment to deliver outstanding customer service and outcomes.

3. **Product & Services**

   Continually provide customers with best in market products and data services.

4. **Trusted Advisor**

   Develop trusted relationships with our customers and value to their businesses.

5. **Strong Sales Culture**

   Expand our reach and customer relationships through a strong sales focus and culture.

6. **People & Culture**

   Attract, retain and develop the best consultants for our customers - continually investing in our culture and people to strengthen our capabilities, position and performance.

7. **Grow Shareholder Value**

   To sustain and grow value for our shareholders.

Konekt and our Community

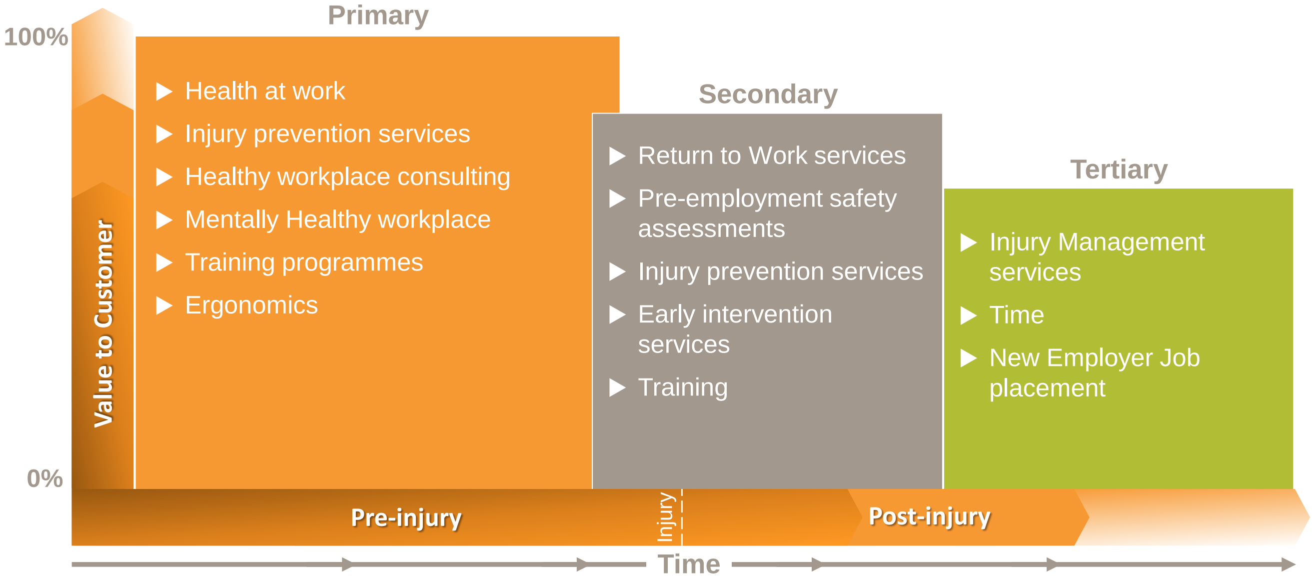
Konekt and its staff are committed to being active in its community and supporting organisations and people. During the year we supported organisations such as Soldier On (as a "Champion" supporter), The Smith Family and Helping Hand North Shore.

ABOUT KONEKT (CONTINUED)

Customer Value

Konekt is focused on delivering the greatest value possible to our customers. Konekt's businesses have product offerings in Primary, Secondary and Tertiary Injury Prevention and Injury Management Interventions across the nation.

Customers value Primary Intervention (pre-injury) more than Tertiary Intervention (post-injury)



Konekt's Injury Management Services (Tertiary, post injury) provides the core data and customer relationships to identify the most appropriate Primary and Secondary services for its customers. Konekt's access to injury management data differentiates our capabilities; enabling the development and provision of better Injury Prevention Solutions for customers.

Konekt's FY16 acquisitions were assessed against both financial metrics and fit with our "Customer Value" offerings. CommuniCorp operates solely in the Primary Intervention segment, whilst SRC has a strong Training and Ergonomic product suite, which is now being rolled out nationwide. AIS added a Registered Training Organisation, as well as capability in the New Employer job placement marketplace. Insight Services Group (ISG) offered a unique developed Licensing model, enhancing Konekt's geographic reach.

The (Corporate, Insurer and Government) Addressable Marketplace for Tertiary Injury Management Services in which Konekt operates, has an estimated size of around $350m p.a. Konekt has an estimated 11%-12% share of this market. The Addressable Marketplace for Primary and Secondary Intervention Products has an estimated size of around $700m p.a. Konekt has an estimated share of around 1% of this market. The acquisitions made in FY16 have increased our capabilities in these markets and the opportunity for growth.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

Konekt delivered strong growth in the financial year ended 30 June 2016 (FY16), with solid improvements in financial and operational performance.

The range of initiatives undertaken to improve our performance and strengthen our position over recent years has provided the platform for Konekt's continued organic growth and to complete five bolt-on acquisitions in FY16; expanding our geographic coverage, customer base and services. We continued to drive momentum in our business year on year, with above market growth rates from our existing businesses and the initial contributions from the acquisitions completed during the year. At the same time, our focus on productivity and cost control is delivering improved operating margins and profit growth at a faster rate than revenue growth.

Our performance in FY16 reflects the dedication of our staff and the support of our customers. We are committed to delivering the best in industry services to our customers and continue to invest in enhancing our services, capabilities and people.

The Injury Management market is relatively fragmented, and Konekt, as a market leader with an estimated share of around 11-12% in the post injury management (tertiary) segment, is well positioned to continue growing its scale both organically and by targeted acquisitions. The acquisitions completed in FY16 have also expanded Konekt's capabilities in the primary and secondary injury management markets (where Konekt has an estimated 1% market share), and provide Konekt with additional growth opportunities.

Summary financial results for the year ended 30 June 2016

	2016	2015	Change
Revenue ($m)	**43.92**	**35.29**	**24%**
EBITDA ($m)	**4.02**	**2.38**	**69%**
EBITDA margin (%)	***9.15%***	***6.74%***	***+241bp***
EBITDA – underlying ($m)[1]	**4.41**	**2.81**	**57%**
EBITDA Margin – underlying (%)	***10.04%***	***7.95%***	***+209bp***
Interest ($m)[2]	(0.16)	0.03	n.a.
Depreciation & Amortisation ($m)	(0.68)	(0.55)	(26%)
Net profit before Tax ($m)	**3.18**	**1.87**	**70%**
Tax ($m)	(0.67)	(0.39)	(72%)
Net Profit after Tax ($m)	**2.51**	**1.48**	**70%**
EPS (cents)	**3.45**	**2.00**	**73%**
DPS (cents - fully franked)	**0.5**	**nil**	**n.a.**

1. *Underlying EBITDA: FY16 adds back full year acquisition related costs of $570,000 expensed in the period, less estimated acquired SRC and CommuniCorp EBITDA of $180,000); FY15 adds back "Strengthening the Core" business optimization project costs of $425,000 expensed in the period.*
2. *FY16 includes Interest expense unwind of $186,000 for deferred consideration in relation to acquisitions in accordance with accounting standards.*

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

FY16 Financial Highlights

- Revenue grew 24% ($8.6m) vs. previous corresponding year (pcp), to $43.9m
- Organic revenue growth of 9.0% ($3.1m) over pcp
- Acquisitions contributed estimated revenue of $5.5m in FY16 from completion dates
- Five acquisitions completed for a combined cash consideration of $5.7m, with expected contingent deferred consideration of $3.8m in cash (discounted to $3.1m for accounting purposes as at 30 June 2016). Acquisition related costs of $570,000 fully expensed in FY16
- Continued productivity gains and cost management controls improved EBITDA margins by 241 basis points to 9.2%
- Operating cash flow of $2.3m ($2.6m in pcp) ($3.6m excluding one-off acquisition related payments)
- Strong balance sheet, with net debt of $0.1m as at 30 June 2016
- EPS up 73% to 3.45 cps (2.00 cps in pcp)
- Fully franked dividend declared of 0.5 cps

Operational Highlights

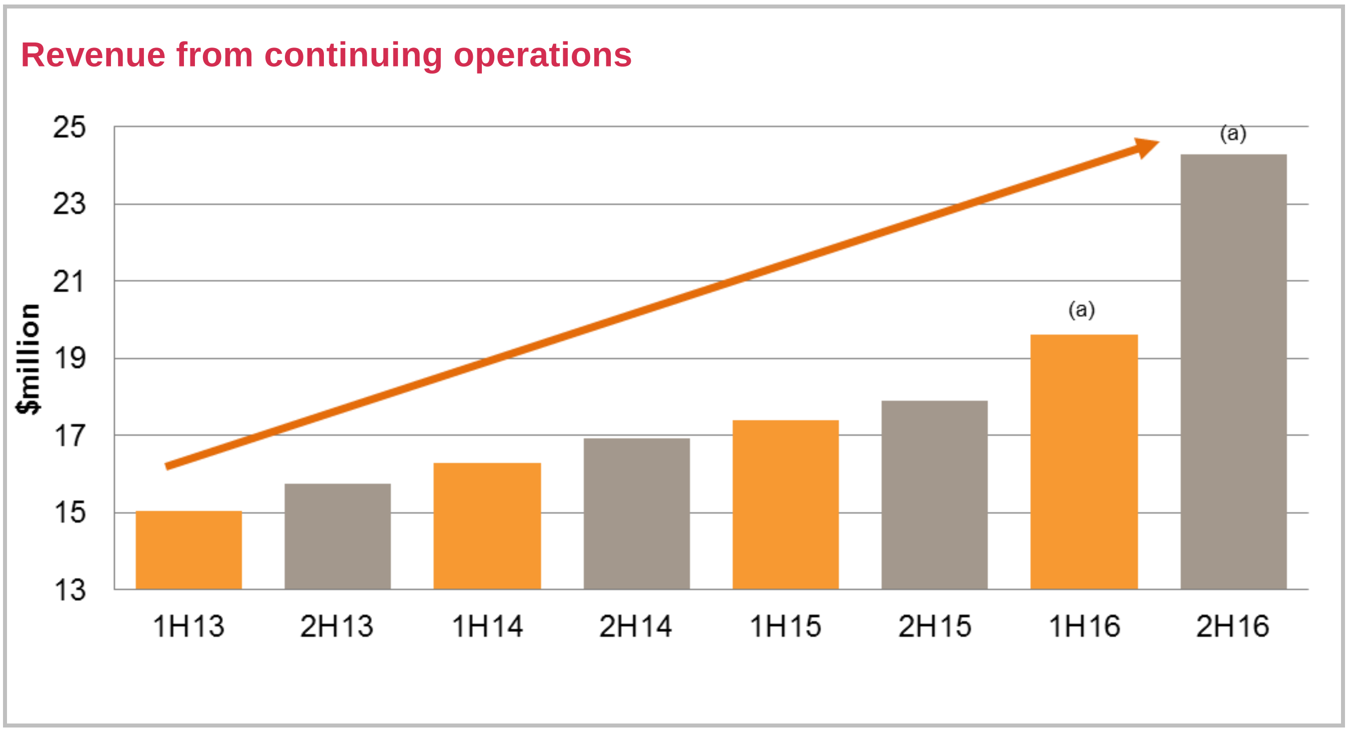
- Very solid Return To Work (Same Employer) rates achieved – 4th year of improvement
- Expanded customer base - organic growth with 30+ new major employer customers plus new customers added with the acquisitions
- Geographic coverage expanded with an increased presence in NSW and SA through acquisitions- Konekt now has 43 physical locations with permanent staff
- Product expansion
- Acquisitions included two small Registered Training Organisations (RTOs) and a market leading mental health consulting and training business
- Enhanced pre-employment product offering with good organic growth achieved
- Konektiva, our core operating system, performed well and managed increased volumes (record volumes in 4th quarter FY16)
- Continued productivity improvements, and scale, resulted in operating margin increasing by 241 basis points to 9.2%

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

Operational Highlights (continued)

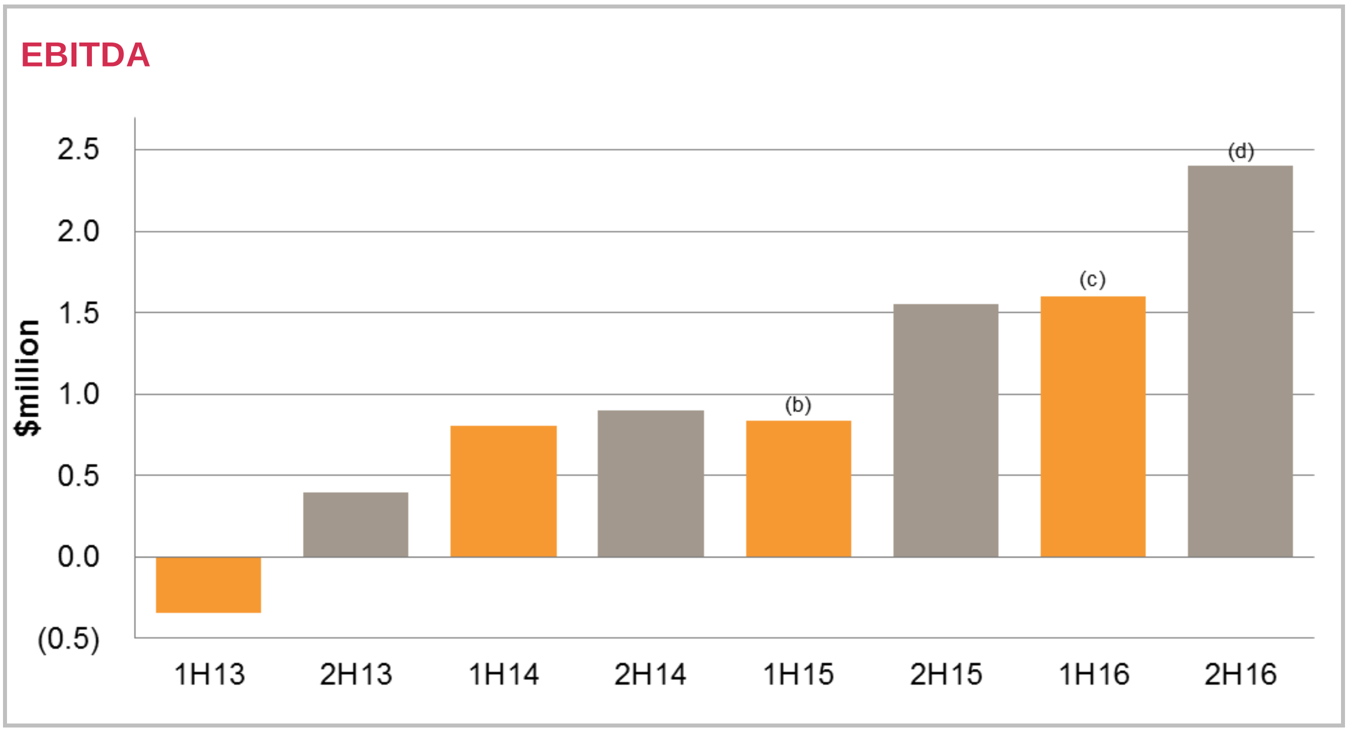
- Focus on removing unnecessary processes and increased automation of processes through technology enhancements
- Employee engagement increased (at highest level since measurement commenced in 2008)
- Increased investment in staff training, leadership development and Face to Face (F2F) communication across the enlarged group
- Top 5 customers continued to grow revenue contribution year on year. Acquisitions have diversified customer base.

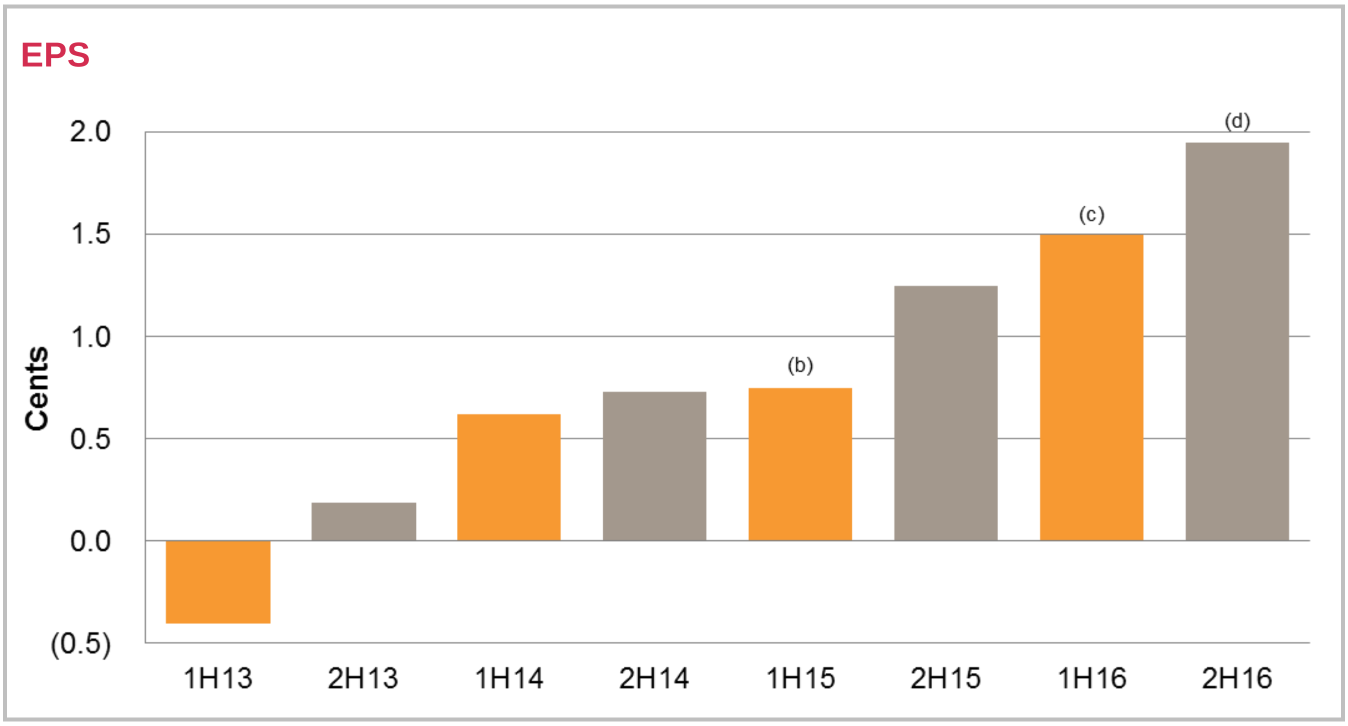
Year in Review



a) 1H16 Revenue of $19.6m includes revenue from three acquisitions of $1.0m; 2H16 Revenue of $24.3m includes revenue from all five acquisitions of $4.5m

Year in Review (continued)





b) Reported EBITDA / EPS in 1H15 after Strengthening the Core investment of $425,000 fully expensed in 1H15
c) Reported EBITDA / EPS 1H16 after one-off acquisition related costs of $340,000 expensed against negligible acquired EBITDA
d) Reported EBITDA / EPS 2H16 after one-off acquisition related costs of $230,000 less estimated acquired EBITDA from SRC and CommuniCorp of $180,000

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

Year in Review (continued)

Commentary

Revenue was spread between Corporate, Insurance and Government clients – our 3 target groups of Customers. It is our intent to retain a well-balanced customer portfolio between these groupings.

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.

The Company achieved several new business wins during the year, as well as retaining significant accounts and reflecting the increased capability we have built into the business.

We have most likely seen the final run-off of the Mining and Mining Services decline - a much more significant part of the Konekt Customer base 2-3 years ago than today. Whilst not predicted in the short term, Konekt is well placed should employment growth occur in these sectors in future years.

EBITDA margins grew by 241 basis points to 9.2% in FY16. On an underlying EBITDA basis, adding back the acquisition related costs we fully expensed in FY16, our underlying operating margin was 10.0% (underlying operating margin of 7.9% in the previous year). The growth in margin performance was driven by a combination of increased scale, tight expense management and productivity improvements during the year. The leverage in our business by increased staff utilization rates is evident in our operating margins growing at a faster rate than revenue growth.

EPS increased 73% to 3.45 cps (2015: 2.00 cps), a slightly higher rate than the growth in NPAT (70%) as a result of the small share buyback completed in the first half.

Acquisitions

In our 2015 Annual Report to shareholders we spoke about our intent in 2016 to increase our investment on outward-based activities to support our customers through better return to work solutions. We said we would focus on products and business intelligence to continue driving our revenue growth, whilst also looking for inorganic opportunities to compliment the overall business. We completed five bolt-on acquisitions in FY16 in support of this intent, including four workplace health solution providers and an organisational psychology provider.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

Acquisitions (continued)

October 2015

Applied Innovative Services (AIS) and Innovative Training & Recruitment (ITR)

Both based in South Australia (SA), AIS was the market leader in SA, operating from six locations and with a small office in the ACT. Founded in 1999, it had long-standing relationships with a number of local customers and is a significant provider to ReturnToWorkSA. ITR has an enviable position within the SA market – including being one of the few companies approved to provide return to work coordinator certificate training. In addition to strengthening Konekt's SA presence, AIS provides Konekt with an expanded product capability in training and ergonomic solutions as applied to injury management and prevention. The group had approximately 30 staff.

Insite Injury Management Group (IIMG)

Headquartered in SA and with operations in NSW, IIMG had operated for over 14 years and had a deep product range across injury management, mental health and return to work capability servicing the insurance market. IIMG had a staff of around 11 as well as an experienced contractor force of 20 with varying geographies of benefit to Konekt's customers.

Insight Services Group (ISG)

Headquartered in Orange NSW and with operations in regional NSW, Sydney and the ACT. Insight provided return to work, injury prevention, hearing testing, training and ergonomic solutions. Established in 2002, Insight had a strong presence in regional NSW and the ACT. In addition to its head office in Orange, Insight has other offices in the central and far west of NSW, the Riverina, South Coast, New England and the ACT.

February 2016

SRC Solutions Pty Ltd (SRC)

Located in the ACT, provided injury management, injury prevention, training and ergonomic solutions; adding some new capabilities to Konekt across these products. SRC had long standing relationships with a number of local ACT customers and many Federal Government departments and the ACT Government. SRC strengthens Konekt's ability to deliver services and meet the needs of its growing ACT customer base.

May 2016

CommuniCorp Group Pty Ltd

Headquartered in North Sydney. CommuniCorp specialises in developing positive workplace mental health, wellbeing and resilience capabilities across Australia, offering services in mental health and wellbeing training, resilience training, psychological risk assessment and mental health advisory services. Konekt and CommuniCorp have a number of shared long standing customer relationships, providing opportunities on both sides to expand service offerings to these customers and new prospects.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

Acquisitions (continued)

The above acquisitions contributed to our growth in FY16, delivering an estimated $5.5m of revenue from the date of their acquisition, and will deliver a full year's contribution in FY17. The process of integration into the Konekt group is proceeding smoothly.

The combined cash consideration paid on completion was $5.7m, with additional contingent deferred consideration, depending on performance, of up to a maximum of $4.6m over the next three years (refer to Note 32 for accounting treatment of this liability). Acquisition related costs of $570,000 were fully expensed in FY16.

The acquisitions were funded from existing cash reserves on our balance sheet, utilizing a small debt facility by year end.

People

We are committed to building a strong culture and developing a high performing team. The quality of our people is a key differentiator for Konekt and a source of competitive advantage for the business. With our growth through the past year, permanent staff numbers increased by 100 employees from the start of the year, with 400 total employees at the end of the year. We continue to differentiate ourselves through the use of permanent staff versus "ad hoc" contractors wherever possible. During the year, we strengthened our senior leaders and management group and continued to invest in training and staff development. Over the past two years we have increased our staff development budget by over 100%. The CEOs of all five acquired companies joined the Konekt team, and continue with important roles within the company today.

Balance Sheet

The Company's balance sheet had net debt of $0.1m as at 30 June 2016 ($3.0m net cash at 30 June 2015). The reduction in cash balances during the year was due to acquisition consideration paid and acquisition related payments of $5.7m. Goodwill and Intangibles on the balance sheet increased by $8.3m due to the acquisitions completed and recognition of contingent deferred consideration on the balance sheet of $3.1m based on future performance. Shareholders' equity was $12.6m at year end.

The company is currently reviewing its borrowing facilities and needs going forward.

Cash Flow

Operating cash flow was $2.3m (2015: $2.6m), or $3.6m excluding one off acquisition related payments of $1.3m (classified within operating cash flows).

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

Capital management

The company completed a small on-market buy-back of shares during the year. A total of 619,633 shares were bought-back prior to 30 June 2016 at an average price of 21 cents. These shares have been cancelled. The buy-back has been accretive to shareholders.

Shareholder approval was granted at the company's 2015 AGM held on 18 November 2015 to buy back up to 14,547,494 shares (being 20% of the lowest number of shares on issue in the 12 months prior to the date of the AGM) commencing 18 November 2015 and finishing no later than 12 months after this date. No shares have been bought back by the company since the date of the 2015 AGM.

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

Dividend

The Board is pleased to advise that it has resolved to declare a fully franked final dividend for the year of 0.5 cents per share. This is the maiden dividend declared by the company under current leadership and is as a result of the strengthened performance and position of Konekt. The company's approach to dividends is to balance shareholder dividends with franking credits and company's need to fund continued growth. The record date for the dividend is 13 October 2016 and payable on 8 November 2016.

FY17 focus

Our intent in the year ahead is to continue to be #1 in Care and drive further growth. Specifically, we will focus on:

- Fully integrating our FY16 acquisitions, leveraging the best attributes of each across the group
- Continuing to develop new sales opportunities, retain existing clients and deepen existing customer relationships – enhanced through Konekt's expanded geographic and product footprint
- Conversion of the sales pipeline to drive organic growth from existing customers
- Improving productivity and maintaining cost discipline
- Continuing to target acquisitions that accelerate growth, strengthen our position and add value
- Strengthening our leadership capabilities and continued improvements in staff development and employee retention

CHAIRMAN AND MANAGING DIRECTOR'S REPORT (CONTINUED)

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, whilst continuing to pursue further productivity enhancements and our cost disciplines.

We will continue our organic growth strategy and also continue to look at acquisitions in FY17 where they meet our criteria to accelerate growth, grow scale and build Konekt's shareholder value. There has been activity from major national and international companies for competitors during the year and we believe smaller market participants will face continued pressure on their market position.

Outlook

We believe that the Injury Management Market will continue growing at low to mid-single digits in FY17. The pre-employment market segment is exhibiting signs of recovery, with demand from the construction and services sectors increasing.

We are well positioned going into FY17 with good momentum in our business. Given our expectation of organic growth higher than market growth, together with a full year contribution from the acquisitions completed in FY16, we anticipate FY17 revenues in the range of $50 to $53 million. We will remain focused on cost control and extracting further productivity gains.

On behalf of the Board, we would like to sincerely thank all our staff, customers and shareholders for their commitment and continued support.

Douglas Flynn
Chairman

Damian Banks
Chief Executive Officer

17 August 2016, 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 17 August 2016.

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 fulfill 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;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 1.4 (continued)

- 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 is committed to creating an inclusive work environment where all employees are recognized and valued for their diverse perspectives and attributes. The Company has refreshed its Diversity policy in the year to comply with the corporate governance principles.

The Company annually reports to the Equal Opportunity for Women in the Workplace Agency and on the 27 June 2016, Konekt was notified in writing of compliance with the Workplace Gender Equality Act (2012). Konekt's workforce profile indicates the organisation is comprised of 75% women (down 1% on last year), and women in senior executive roles has risen to 55% (up 10% on the previous 12 months). The Konekt Executive Team, inclusive of the CEO, has risen from a 17% composition of females 12 months ago, to 50%.

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.

An internal Board performance review was undertaken during the period, and will be conducted annually going forward. The review is conducted in the form of a comprehensive questionnaire across a range of topics to evaluate Board effectiveness.

The Board takes this evaluation into consideration when recommending directors for re-election or election.

The results of the Board evaluation demonstrated the Board and Committees are suitably equipped to meet the current challenges and needs of the business.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 Nomination and 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.

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 has established a Nomination and Remuneration Committee. During 2015-16 the Committee consisted of 3 members, the 3 Non-Executive Directors. Details of the Committee Members can be found in Recommendation 8.1.

Among the specific responsibilities set out in its Charter, the Nomination and Remuneration Committee is responsible for the selection and appointment of new Directors, Board succession and related matters which is then overseen by the Board of Directors.

When reviewing potential Director candidates, the Board considers experience, skills and education and conducts appropriate background checks.

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.

The Board regularly review its composition and succession plans. A review of the Boards skills was performed in August 2016 and will be conducted annually going forward. Directors were assessed using a skills matrix which covered the following key criteria; industry experience, technical knowledge, governance and business/management competencies, to guide its assessment of the skills and experience of current directors, and to identify any gaps in the collective skills of the Board. Further the skills matrix considers gender diversity and independence.

Individual ratings are consolidated to determine a holistic view of the Board for each competency. The review concluded that the Board has a diverse range of skills and experience suitable for the current business and the Board are independent. Gender diversity is further discussed under Recommendation 1.5.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 2016 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)

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 3.1 (continued)

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.

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;

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 4.1 (continued)

- identifying key risks faced by the Company and ensuring appropriate risk management strategies and insurances are in place;
- improving the quality of the accounting function;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with external auditors and ensuring that the annual audit and half-year review are
- conducted in an effective manner; and
- reviewing the performance of the external auditor, their qualifications and independence

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

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 5.1 (continued)

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.

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 Nomination and Remuneration Committee which consists of only Independent Directors and is chaired by an Independent Chair.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 8.1 (continued)

During 2015-16 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 Nomination and 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 Nomination and 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 3 meetings, which were attended by the then appointed Committee members.

Recommendation 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 Nomination and Remuneration Committee as a subcommittee of the Board. The Nomination and 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. 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 2015-16, the Nomination and Remuneration Committee approved a 3.5% increase to the CEO's remuneration package based on a review of performance, the increased market capitalisation of Konekt and with reference to external market data.

Following an annual review Non-Executive Directors' fees for 2015-16 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 2015-16 was set at $92,000 p.a. (inclusive of superannuation). These fees will again remain unchanged for 2016-17.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation 8.2 (continued)

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 2016 ("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:

MR 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 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 Director of Hong Kong listed Qin Jia Yuan Media Services Ltd, a 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") and later 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.

He also currently 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 Nomination and Remuneration Committees.

Date of appointment: 19 July 2012

DIRECTORS' REPORT (CONTINUED)

MR 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.

Mr Banks had a 15 year career with Westpac Banking Corporation where as Managing Director and General Manager 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.

Mr Banks also worked at Citigroup and WR Grace after leaving University. Mr Banks has a Bachelor of Economics.

Date of appointment: 12 September 2011

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

Mr Small is an experienced executive and has worked in Australia, New Zealand and Europe for companies in financial services technology and professional services.

He has held a number of senior management positions and was President of Computer Sciences Corporation's (CSC) Financial Services Group in Asia Pacific.

Prior to CSC, Philip worked for Continuum and was responsible for their operations in Asia Pacific. He worked for Paxus Corporation where he was an executive director headed up their European division and led their expansion, through internal growth and acquisition, to become the leading provider of insurance software in Europe.

Philip is an experienced advisor and has worked with companies in the technology, professional services and outsourced business services.

Mr Small is a member of the Audit, Risk and Compliance Committee and Chair of the Nomination and 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 Nomination and 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 2016

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	-	1,200,000	-	-
Anthony Crawford	-	225,000	-	-
Damian Banks	-	13,500,000	-	1,450,000

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 Committed		Nomination and 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	10	9	2	2	3	3
Philip Small	10	10	2	2	3	3
Anthony Crawford	10	10	2	2	3	3
Damian Banks	10	10	-	-	-	-

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 $2.5m (2015: $1.5m). Total Revenue and Other Income was $43.9m (2015: $35.3m).

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 7.

Dividends Paid or Recommended

The Board is pleased to advise that it has resolved to declare a fully franked final dividend for the year of 0.5 cents per share (2015: 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

2015-16 was a year of significant growth for Konekt, both organically and from targeted acquisitions.

We believe that the Injury Management Market will continue growing at low to mid-single digits in FY17. The pre-employment market segment is exhibiting signs of recovery, with demand from the construction and services sectors increasing.

We are well positioned going into FY17 with good momentum in our business. Given our expectation of organic growth higher than market growth, together with a full year contribution from the acquisitions completed in FY16, we anticipate FY17 revenues in the range of $50 to $53 million. Further, we will remain focused on cost control and extracting further productivity gains.

Remuneration Report – Audited

The Directors are pleased to present the Company's 2016 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 2016-17.

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

DIRECTORS' REPORT (CONTINUED)

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 Nomination and Remuneration Committee reviews fixed remuneration annually with reference to comparable roles in similar companies.

Short-term Incentive

The Nomination and 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 Nomination and 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 Nomination and 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 Nomination and 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, 2015 and 2016.

$'000	2016	2015	2014	2013	2012
Revenue	43,829	35,050	32,796	30,518	32,890
EBITDA	4,020	2,383	1,705	51	1,129
EBIT	3,857	1,839	1,378	(249)	887
Profit/(loss) after income tax	2,510	1,478	1,020	(184)	610
Cash bonuses to KMP's	217	105	70	-	-

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

$'000	2016	2015	2014	2013	2012
Share price at financial year end ($A)	$0.37	$0.20	$0.13	$0.027	$0.06
Total dividends declared (cents per share)	0.5	-	-	-	-
Basic earnings per share (cents per share)	3.45	2.0	1.4	(0.2)	0.8

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	Superannuation	Long service leave	Termination benefits	Options	Total
		$	$	$	$	$	$	$	$
Parent Entity Directors:									
Douglas Flynn	2016	87,250	-	-	8,289	-	-	-	95,538
	2015	84,018	-	-	7,982	-	-	-	92,000
Philip Small	2016	45,410	-	-	11,705	-	-	-	57,116
	2015	43,728	-	-	11,272	-	-	-	55,000
Damian Banks*	2016	384,149	160,000	-	29,769	6,321	-	12,172	592,411
	2015	405,498	100,000	-	20,000	3,425	-	5,600	534,523
Anthony Crawford	2016	52,160	-	-	4,955	-	-	-	57,116
	2015	50,228	-	-	4,772	-	-	-	55,000
Total Remuneration – Parent Entity Directors:									
Total	2016	568,969	160,000	-	54,719	6,321	-	12,172	802,181
	2015	583,472	100,000	-	44026	3,425	-	5,600	736,523
Key Management Personnel of the Company:									
Reena Minhas**	2016	196,880	57,000	-	19,945	360	-	1,618	275,803
	2015	52,791	5,000	-	4,625	36	-	-	62,452
Matt Ranawake***	2015	88,544	-	-	15,872	-	-	-	104,416
Total Remuneration – Parent Entity Directors and Key Management Personnel of the Company:									
	2016	765,849	217,000	-	74,664	6,681	-	13,790	1,077,984
	2015	724,807	105,000	-	64,523	3,461	-	5,600	903,391

* *Damian Banks received 100% of the target annual bonus payable*
** *Reena Minhas appointed as chief financial officer and company secretary on 2 March 2015. Reena Minhas received 143% of the target annual bonus payable*
*** *Matt Ranawake resigned as chief financial officer and company secretary on 28 November 2014*

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

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 930,000 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 250,000 options, approved by shareholders at the AGM on 18 November 2015. The following terms apply to the issue of options:

- Grant date 30 September 2015 (Senior Executives)
- Grant date 18 November 2015 (Managing Director)
- First exercise date 1 September 2018
- Issue price $Nil
- Exercise price $0.20
- Continuous employment with Konekt Limited up to and including 30 June 2018 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 2017, 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 2017, 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 2015 Invitation: EPS Target	Percentage of Options to vest if EPS Target achieved and Service to 30 June 2017	Percentage of Options to vest if EPS Target achieved and Service to 30 June 2018
Cumulative EPS of at least $0.088 over the three financial years 2016, 2017 and 2018 with the 2018 EPS being a minimum of $0.026.	66.67%	100%
Cumulative EPS of at least $0.07 over the three financial years 2016, 2017 and 2018 with the 2018 EPS being a minimum of $0.023.	33.33%	50%
Cumulative EPS of less than $0.07 over the three financial years 2016, 2017 and 2018.	0%	0%

DIRECTORS' REPORT (CONTINUED)

Share Options (continued)

- Pro Rata vesting of Options between 50 and 100% on a straight-line basis for Cumulative EPS between $0.07 and $0.088. 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.

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 $425,000 p.a. to be reviewed annually by the Nomination and Remuneration Committee. From 29 August 2016, this will increase to $440,000 p.a. (inclusive of superannuation). No part of this remuneration is performance related
- A Target short term incentive equal to $160,000 was set for 2015-16 (up to 27% of the total remuneration) was performance related, based on achieving performance criteria set at the Board's discretion
- A short term incentive target of $175,000 has been set for 2016-17 (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 Nomination and 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 $217,500 p.a. to be reviewed annually by the Nomination and Remuneration Committee. From 29 August 2016, this will increase to $225,000 p.a. (inclusive of superannuation). No part of this remuneration is performance related

DIRECTORS' REPORT (CONTINUED)

Service Agreements (continued)

- Target short term incentive equal to $40,000 was set for 2015-16 (up to 16% of the total remuneration) was performance related.
- A short term incentive target of $50,000 has been set for 2016-17 (up to 18% of the total remuneration) is performance related, based on achieving performance criteria
- The role is eligible for Long term incentives at the discretion of the Board and approved by the remuneration committee annually

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 2016 and 2015 reporting periods by each parent entity Director and KMP of the Company are set out below:

30 June 2016	Balance 1 July 2015	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2016
	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares	Ordinary Shares
Parent Entity Directors					
Douglas Flynn^	3,047,752	-	-	-	3,047,752
Philip Small#	1,000,000	-	-	200,000	1,200,000
Anthony Crawford*	-	-	-	225,000	225,000
Damian Banks**	14,450,000	-	-	(950,000)	13,500,000
Key Management Personnel					
Reena Minhas	-	-	-	-	-
Total	**18,497,752**	**-**	**-**	**(525,000)**	**17,972,752**

^ *Douglas Flynn's shares are held indirectly through Flynn Superannuation Fund and Flynn Superannuation Fund Two*
# *Philip Small's shares are held indirectly through Hawks Hill Super Fund*
* *Anthony Crawford's shares are held indirectly through Crawford Superannuation Fund*
** *Damian Banks' shares are held indirectly through Nidmas Pty Ltd*

DIRECTORS' REPORT (CONTINUED)

Additional disclosures relating to key management personnel (continued)

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	**18,397,752**	**-**	**-**	**100,000**	**18,497,752**

^ *Douglas Flynn's shares are held indirectly through Flynn Superannuation Fund and Flynn Superannuation Fund Two*
** *Philip Small's shares are held indirectly through Hawks Hill Super Fund*
* *Damian Banks' shares are held indirectly through Nidmas Pty Ltd*
*** *Matt Ranawake resigned on 28 November 2014.*

Option holdings of Parent Entity Directors and Key Management Personnel

30 June 2016	Balance at 1 July 2015	Granted	Options exercised	Lapsed	Balance at 30 June 2016	Total vested at 30 June 2016	Total vested and exercisable at 30 June 2016	Total vested and un-exercisable at 30 June 2016
Options								
Damian Banks	1,200,000	250,000	-	-	1,450,000	-	-	-
Reena Minhas	-	100,000	-	-	100,000	-	-	-
Total	**2,915,185**	**350,000**	**-**	**-**	**1,550,000**	**-**	**-**	**-**

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*

This concludes the remuneration report, which has been audited.

DIRECTORS' REPORT (CONTINUED)

Audit Services

During the year, audit and review fees paid and payable to the Company's auditor BDO East Coast Partnership was $99,000 (2015: $73,500).

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.

Significant Events after the End of the Reporting Period

There are no matters or circumstances that have arisen since 30 June 2016 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.

DIRECTORS' REPORT (CONTINUED)

Indemnification and Insurance of Directors (continued)

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.

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 16.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act can be found on page 40 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
Chairman

Damian Banks
Chief Executive Officer

17 August 2016, Sydney

AUDITOR'S INDEPENDENCE DECLARATION

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

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 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 17 August 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

		Consolidated	
	Notes	2016 $'000	2015 $'000
Sales Revenue	**4**	**43,829**	**35,050**
Other revenue	4	27	37
Other income	4	95	235
Expenses			
External consultants		(2,964)	(916)
Depreciation and amortisation expenses	5	(675)	(545)
Finance costs	5	(190)	(6)
Share based payments expense	5	(53)	(38)
Salaries and employment related costs		(29,056)	(24,851)
Property expenses		(3,215)	(3,182)
Communication expenses		(878)	(903)
Motor vehicle and equipment expenses		(865)	(807)
Travel and accommodation expenses		(976)	(555)
Other expenses from continuing operations	5	(1,898)	(1,649)
Profit before income tax expense		**3,181**	**1,870**
Income tax expense	7	(671)	(392)
Profit after income tax expense for the year attributable to the owners of Konekt Limited		**2,510**	**1,478**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Konekt Limited		**2,510**	**1,478**
Earnings per share for profit attributable to the owners of Konekt Limited			
Basic earnings per share (cents per share)	6	3.45	2.00
Diluted earnings per share (cents per share)	6	3.38	1.96

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 2016

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Current assets			
Cash and cash equivalents	8	246	3,012
Trade and other receivables	9	8,382	5,517
Work in progress	10	395	494
Other assets	11	350	218
Total current assets		**9,373**	**9,241**
Non-current assets			
Other assets	12	128	142
Plant and equipment	13	1,190	1,144
Deferred tax asset	14	1,683	921
Intangibles assets	15	12,447	4,056
Total non-current assets		**15,448**	**6,263**
Total assets		**24,821**	**15,504**
Current liabilities			
Trade and other payables	16	5,027	3,375
Deferred Revenue		259	63
Deferred consideration	30	649	-
Provisions	17	1,537	1,236
Current Tax Liabilities		1,568	158
Interest bearing liabilities	18	326	35
Total current liabilities		**9,366**	**4,867**
Non-current liabilities			
Trade and other payables	16	69	148
Deferred consideration	30	2,410	-
Employee benefits	17	339	285
Total non-current liabilities		**2,818**	**433**
Total liabilities		**12,184**	**5,300**
Net assets		**12,637**	**10,204**
Equity			
Contributed equity	19	38,798	38,928
Reserves	19	375	322
Accumulated losses		(26,536)	(29,046)
Total Equity		**12,637**	**10,204**

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 2016

		Consolidated	
	Notes	30-Jun-16 $'000	30-Jun-15 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		45,545	38,224
Payments to suppliers and employees (inclusive of GST)		(41,924)	(35,701)
Payments of acquisition related liabilities		(709)	-
Payments of acquisition related expenses		(570)	-
		2,342	**2,523**
Interest received		27	37
Interest paid		(4)	(6)
Income taxes paid		(48)	
Net cash from operating activities	**28a**	**2,317**	**2,554**
Cash flows from investing activities			
Purchase of plant and equipment		(475)	(917)
Purchase of intangible assets		(292)	(288)
Payment for purchase of business, net of cash acquired		(4,448)	-
Payments for deferred consideration		(30)	-
Net cash used in investing activities		**(5,245)**	**(1,205)**
Cash flows from financing activities			
Payments for on market share buyback		(130)	(228)
Proceeds from borrowings		292	-
Repayment of borrowings		-	-
Net cash provided /(used in) financing activities		**162**	**(228)**
Net (decrease)/increase in cash and cash equivalents		**(2,766)**	**1,121**
Cash and cash equivalents at the beginning of the financial year		**3,012**	**1,891**
Cash and cash equivalents at the end of the financial year	**28b**	**246**	**3,012**

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 2016

	Contributed equity $'000	Accumulated losses $'000	Option Reserve $'000	Total equity $'000
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**
Profit after income tax expense for the year	-	2,510	-	2,510
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	**-**	**2,510**	**-**	**2,510**
Transactions with owners in their capacity as owners:				
Share buyback	(130)	-	-	(130)
Share based payments (note 19d)	-	-	53	53
Balance at 30 June 2016	**38,798**	**(26,536)**	**375**	**12,637**

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 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Konekt Limited for the year ended 30 June 2016 ("the financial year") cover Konekt 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 33.

The financial statements were authorised for issue in accordance with a resolution of Directors on 17 August 2016.

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.

There were no significant impacts on the accounting policies, financial position, performance or disclosures of the Company from the adoption of these Accounting Standards and Interpretations.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2016 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss. Objective evidence of impairment includes financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	2016
Plant and equipment	10% to 50%
Leasehold improvements	15% to 40%

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Lease incentives under operating leases are recognized as a liability and amortised on a straight-line basis over the lease term.

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) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

o) 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.

Customer Relationships

Customer relationships are recognised at fair value in connection with acquisitions. The values of these relationships are amortized over the estimated useful lives, between 5 and 15 years, using the straight-line method.

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)

p) 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 impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

q) 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.

r) 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.

s) 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.

t) 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)

u) 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.

v) Comparative Amounts

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.

w) 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 2016. 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)

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 fulfill a contract with a customer. The Company will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Company.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases typically. The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 by the company from 1 July 2019 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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 judgment. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

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 $912,000 at 30 June 2016 ($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.

Deferred consideration

Refer to note 32 for significant estimates & judgement.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

A Fully franked final dividend of 0.5 cents per share was declared on 17 August 2016. (2015: Nil)

As the dividend was declared after the year end no liability has been recognised in these financial statements.

4. REVENUE AND OTHER INCOME

From continuing operations	Consolidated	
	2016 $'000	2015 $'000
Sales revenue		
Rendering of services	43,829	35,050
Other revenue		
Interest	27	37
Other income	95	235

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. EXPENSES

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

	Consolidated	
	2016 $'000	2015 $'000
Depreciation		
Leasehold improvements	251	169
Plant and equipment	186	138
	437	**307**
Amortisation Expense		
Software development costs	218	238
Customer relationships	20	-
Total depreciation and amortisation	**675**	**545**
Finance costs		
Interest expense	4	6
Unwinding of the discount on deferred consideration	186	-
	190	**6**
Share based payment expense		
Equity settled share based payments expense	53	38
Payments under operating leases		
Motor vehicle leases	376	370
Equipment	84	82
Property leases	2,358	2,300
	2,818	**2,752**
Other expenses from continuing operations includes the following major items		
Internal consultants costs	297	466
Insurance costs	116	109
Marketing costs	205	151
Computer expenses	288	174
Printing, stationery and office supplies	79	59
Professional fees	344	176
Bank charges	90	94
Bad debt expense	6	5
Other	473	415
	1,898	**1,649**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. EARNINGS PER SHARE

	Consolidated	
	2016 ¢	2015 ¢
Basic earnings per share	3.45	2.00
Diluted earnings per share	3.38	1.96
Weighted average number of shares used in the		
calculation of basic earnings per share	72,864,451	74,000,272
calculation of diluted earnings per share	74,284,365	75,504,537

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	
	2016	2015
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**72,864,451**	**74,000,272**
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,419,914	1,504,265
Weighted average number of ordinary shares used s the denominator in calculating diluted earnings per share	**74,284,365**	**75,504,537**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

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

	Consolidated	
	2016 $'000	**2015 $'000**
Profit from continuing operations before income tax expense	**3,181**	**1,870**
Tax at the Australian tax rate of 30%	954	561
Non-deductible expenses:		
Entertainment	42	34
Other	58	2
Share based payments	16	12
Adjustment recognised for prior periods	37	-
Research & development tax offset	(87)	(53)
Reversal of acquisition temporary differences	170	-
Previously unrecognised tax losses now recognised	(519)	(135)
Utilisation of previously unrecognised tax losses	-	(29)
Income tax expense	**671**	**392**
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in the balance sheet for the following items:		
Unused tax losses	912	2,481
	912	**2,481**
Potential benefit at 30% (2015: 30%)	274	744

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 2016 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE (CONTINUED)

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.

Franking credits of $661,000 were available as at 30 June 2016.

	Consolidated	
	2016 $'000	2015 $'000
Current tax expense		
Current tax expense	1,507	659
Adjustment recognised for prior periods	(131)	(29)
Research and development offset	(87)	(53)
	1,289	**577**
Deferred tax		
Origination and reversal of temporary differences	(230)	(50)
Adjustment recognised for prior periods	(388)	(135)
Income tax expense	**671**	**392**

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2016 $'000	2015 $'000
Cash at bank	**246**	**3,012**

9. TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	2016 $'000	2015 $'000
Trade receivables	8,411	5,530
Less provision for impairment of receivables	(46)	(30)
	8,365	**5,500**
Other receivables	17	17
	8,382	**5,517**

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					
	2016			2015		
	Total $'000	Amount Impaired $'000	Amount not Impaired $'000	Total $'000	Amount Impaired $'000	Amount not Impaired $'000
Not Past due	7,779	-	7,779	5,316	-	5,316
Past due > 30 days	416	-	416	133	-	133
Past due > 60 days	104	-	104	56	(10)	46
Past due > 90 days	112	(46)	66	25	(20)	5
Total	**8,411**	**(46)**	**8,365**	**5,530**	**(30)**	**5,500**

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 2016 the Company had total current trade receivables of $46,000 (2015: $30,000) that were impaired. The amounts relate to customers where it is considered that recovery of the amounts is unlikely.

	Consolidated	
	2016 $'000	2015 $'000
Opening balance	30	30
Provision for impairment of receivables	16	-
Receivables written off during the year	-	-
Closing balance	**46**	**30**

10. WORK IN PROGRESS

	Consolidated	
	2016 $'000	2015 $'000
Work in progress	**395**	**494**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. OTHER ASSETS (CURRENT)

	Consolidated	
	2016 $'000	2015 $'000
Prepayments	300	164
Leasehold incentives	50	54
	350	**218**

12. OTHER ASSETS (NON CURRENT)

	Consolidated	
	2016 $'000	2015 $'000
Security deposits	69	5
Leasehold incentives	59	137
	128	**142**

13. PLANT AND EQUIPMENT

	Consolidated	
	2016 $'000	2015 $'000
Plant and equipment at cost	3,740	3,388
Less accumulated depreciation	(3,110)	(2,925)
	630	**463**
Leasehold improvements at cost	1,330	1,200
Less accumulated depreciation	(770)	(519)
	560	**681**
Total written down value	**1,190**	**1,144**

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	
	2016 $'000	2015 $'000
Plant and equipment		
Carrying amount at beginning of the year	463	300
Additions	330	301
Disposals	-	-
Acquisitions through Business Combinations	19	-
Depreciation	(182)	(138)
Carrying amount at end of the year	**630**	**463**
Leasehold improvements		
Carrying amount at beginning of the year	681	235
Additions	130	616
Disposals	-	(1)
Depreciation	(251)	(169)
Carrying amount at end of the year	**560**	**681**

14. DEFERRED TAX ASSETS

	Consolidated	
Deferred tax assets comprise temporary differences attributable to:	2016 $'000	2015 $'000
Amounts recognised in profit or loss		
Provision for impairment of receivables	14	9
Employee benefits and other provisions	1,108	858
FBT accrual	5	5
Leasehold Incentive	32	59
General accrual	122	-
Audit fee accrual	15	16
Deferred income	78	19
Movement in depreciation	22	24
Work in progress	(119)	(148)
Customer relationships	(40)	-
Capitalised R&D expenses	(78)	(56)
Pre-formation tax losses	524	135
Total Deferred Tax Asset	**1,683**	**921**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. DEFERRED TAX ASSETS (CONTINUED)

Movements in deferred tax assets	Balance at 1 July 2015 $'000	Recognised in Business Combination $'000	(Charged) / credited to profit or loss $'000	(Charged) / credited to other compre-hensive income $'000	Balance at 30 June 2016 $'000
Amounts recognised in profit or loss:					
Provision for impairment of receivables	9	-	5	-	14
Employee benefits and other provisions	859	136	113	-	1,108
FBT accrual	4	-	0	-	4
Leasehold Incentive	59	-	(27)	-	32
General accrual		47	75		122
Audit fee accrual	16	-	(1)	-	15
Deferred income	19	-	59	-	78
Work in progress	(148)	-	30	-	(118)
Customer relationships	-	(46)	6		(40)
Movement in depreciation	24	-	(2)	-	22
Tax losses	-	-	-	-	-
Preformation tax losses	135	-	389	-	524
Capitalised research & development assets	(56)	-	(22)	-	(78)
Total	**921**	**137**	**625**	**-**	**1,683**

15. INTANGIBLE ASSETS

	Consolidated	
	2016 $'000	2015 $'000
Goodwill		
At cost	29,864	21,680
Accumulated impairment	(18,157)	(18,157)
	11,707	**3,523**
Trademarks **		
At cost	27	27
Customer Relationships		
At cost	152	-
Accumulated amortisation	(20)	-
	132	**-**
Software development*		
At cost	1,242	949
Accumulated amortisation	(661)	(443)
	581	**506**
	12,447	**4,056**

** 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	
	2016 $'000	2015 $'000
Reconciliation - Goodwill		
Carrying amount at the beginning of the year	3,523	3,523
Acquisitions through Business Combinations (Note 30)	8,184	-
Impairment losses	-	-
Carrying amount at the end of the year	**11,707**	**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**
Reconciliation – Customer relationships		
Carrying amount at the beginning of the year	-	-
Acquisitions through Business Combinations (Note 30)	152	-
Amortisation	(20)	-
Carrying amount at the end of the year	**132**	**-**
Reconciliation – IT Development		
Carrying amount at the beginning of the year	506	456
Additions	293	288
Amortisation	(218)	(238)
Carrying amount at the end of the year	**581**	**506**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. INTANGIBLE ASSETS (CONTINUED)

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 15% pre-tax (2015: 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;
- operating costs rising at 3% initially then reducing to 2% growth in the longer term; and
- terminal value calculation includes 0% growth.

Management determined budgeted gross margins based on past performance and its expectations for the future. The weighted average growth rates used are consistent with those used in industry reports. The discount rate used is pre-tax and is specific to the relevant segment and country in which 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 5.25% for the Company before goodwill would need to be impaired, with all other assumptions remaining constant; and
- The discount rate would be required to increase to more than 49% 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	
	2016 $'000	2015 $'000
CURRENT		
Trade payables	541	392
Leasehold incentives	49	61
Other payables and accruals	4,436	2,922
	5,027	**3,375**
NON-CURRENT		
Leasehold incentives	59	137
Other payables and accruals	10	11
	69	**148**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. TRADE AND OTHER PAYABLES (CONTINUED)

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

17. PROVISIONS

	Consolidated	
	2016 $'000	2015 $'000
CURRENT		
Lease make good	229	143
Employee benefits	1,308	1,093
	1,537	**1,236**
NON-CURRENT		
Employee benefits	339	285
	339	**285**

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	
	2016 $'000	2015 $'000
CURRENT – [unsecured]		
Bank loans	**292**	**-**
Other loans	**34**	**35**
	326	**35**
NON-CURRENT – [unsecured]		
Other loans	**-**	**-**
(a) The carrying amounts of assets pledged as security are:		
Floating charge over assets, including investments	**24,821**	**15,504**
(b) Refer to Note 29 for details of banking facilities.		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CONTRIBUTED EQUITY

a) Issued and paid up capital

	Consolidated	
	2016 $'000	2015 $'000
Ordinary shares	**38,798**	**38,928**

The number of fully paid ordinary shares in issue at year end is 72,737,471 (2015: 73,357,134). 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			
	2016		2015	
	Number of Shares	$'000	Number of Shares	$'000
Beginning of the financial year	73,357,134	38,928	75,432,012	39,156
Less: Share buyback	(619,663)	(130)	(2,074,878)	(228)
End of the financial year	**72,737,471**	**38,798**	**73,357,134**	**38,928**

Share buyback

During the year the Company conducted an on-market share buyback within 10/12 limit which commenced on 16 April 2015. A total of 619,663 shares were bought back at an average price of $0.21 per share in September 2015 and duly cancelled from the share register. In November 2015, shareholder approval was granted at the AGM to buy back up to 14.5 million shares (being 20% of the lowest number of shares on issues in the prior 12 months) for a period of 12 months from approval.

c) Capital risk management

The Company considers its capital to comprise its ordinary share capital and accumulated retained earnings/ (Losses).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CONTRIBUTED EQUITY (CONTINUED)

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 have 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	
	2016 $'000	2015 $'000
Gearing ratios		
Debt	326	35
Total equity	12,637	10,204
Gearing Ratio	2.58%	0.34%

d) Share based options and performance rights

(i) Performance rights – There were no performance rights issued or outstanding during the year.

(ii) Options

Senior Manager Long Term Incentive

During the year 930,000 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 250,000 options, approved by shareholders at the AGM on 18 November 2015. The following terms apply to the issue of options:

- Grant date 30 September 2015 (Senior Executives)
- Grant date 18 November 2015 (Managing Director)
- First exercise date 1 September 2018
- Issue price $Nil
- Exercise price $0.20

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 2018 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 2017, 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 2017, 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 2015 Invitation: EPS Target	Percentage of Options to vest if EPS Target achieved and Service to 30 June 2017	Percentage of Options to vest if EPS Target achieved and Service to 30 June 2018
Cumulative EPS of at least $0.088 over the three financial years 2016, 2017 and 2018 with the 2018 EPS being a minimum of $0.026.	66.67%	100%
Cumulative EPS of at least $0.07 over the three financial years 2016, 2017 and 2018 with the 2018 EPS being a minimum of $0.023.	33.33%	50%
Cumulative EPS of less than $0.07 over the three financial years 2016, 2017 and 2018.	0%	0%

- Pro Rata vesting of Options between 50% and 100% on a straight-line basis for Cumulative EPS between $0.07 and $0.088. 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	
	2016 $'000	2015 $'000
Share-based payments reserve		
Opening balance of reserve	322	284
Share based payments expense	53	38
Closing balance of reserve	**375**	**322**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. CONTRIBUTED EQUITY (CONTINUED)

d) Share based options and performance rights (continued)

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

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 2016

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	$
28.09.2013	01.08.2016	31.01.2017	$0.05	1,200,000	-	-	(400,000)	800,000	5,600
24.11.2014	1.12.2017	31.05.2018	$0.10	990,000	-	-	(520,000)	470,000	22,090
18.11.2015	1.09.2018	28.02.2019	$0.20	-	930,000	-	(230,000)	700,000	44,100
				2,190,000	**930,000**	**-**	**(1,150,000)**	**1,970,000**	**71,790**

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
18.11.2015	28.02.2019	$0.325	$0.20	41.80%	0.00%	2.81%	$0.063

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**

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							
	2016				2015			
	Equipment $'000	Motor Vehicle $'000	Property $'000	Total $'000	Equipment $'000	Motor Vehicle $'000	Property $'000	Total $'000
Due within 1 year	89	302	2,180	2,571	38	259	2,618	2,915
Due later than 1 year but less than 5 Year	31	334	2,240	2,605	17	134	1,584	1,735
Due later than 5 Years	-	-	-	-	-	-	-	-
Total	**120**	**636**	**4,420**	**5,176**	**55**	**393**	**4,202**	**4,650**

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 2016 Konekt had issued bank guarantees to the value of $721,236 primarily relating to property leases.

The Directors are not aware of any other contingent liabilities as at 30 June 2016.

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:

	2016 $'000	2015 $'000
Defined contribution superannuation expense	2,216	1,921

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	Consolidated	
	2016 $	2015 $
Share-based payments reserve		
Short-term employee benefits	765,849	724,807
Cash bonus	217,000	105,000
Non-monetary benefits	-	-
Post-employment benefits	74,664	64,522
Long-term benefits	6,681	3,462
Termination benefits	-	-
Share-based payments	13,790	5,600
	1,077,984	**903,391**

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	
	2016 $	2015 $
Amounts paid/payable to BDO East Coast Partnership for audit or review of the financial statements for the Company	99,000	73,500
Tax and accounting advisory services	4,000	7,900

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. SEGMENT REPORTING (CONTINUED)

Revenues of $13,448,000 (2015: $9,852,000) and $5,765,000 (2015: $5,271,000) 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.

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

		2016	2015
	Country of Incorporation	Percentage owned (%)	Percentage owned (%)
Parent Entity:			
Konekt Limited	Australia	-	-
Subsidiaries of Konekt Limited:			
Konekt International Pty Ltd	Australia	100%	100%
Konekt Australia Pty Ltd	Australia	100%	100%
Konektiva Pty Limited	Australia	100%	100%
Konekt Workplace Health Solutions Pty Ltd	Australia	100%	100%
Innovative Training & Recruitment Pty Ltd	Australia	100%	-
Busiflow Nominees Pty Ltd	Australia	100%	-
SRC Solutions Pty Ltd	Australia	100%	-
Communicorp Group Pty Ltd	Australia	100%	-

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

b) Subsidiaries Acquired

Refer to Note 30.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. SUBSIDIARIES (CONTINUED)

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.

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 or 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

30 June 2016	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	0.41%	246	-	-	-	246
Trade and other receivables	-	-	-	-	8,382	8,382
Total Financial Assets	**-**	**246**	**-**	**-**	**8,382**	**8,628**
Financial Liabilities						
Interest bearing liabilities	7.87%	-	326	-	-	326
Deferred consideration	-	-	-	-	3,059	3,059
Trade and other payables	-	-	-	-	5,096	5,096
Total Financial Liabilities	**-**	**-**	**326**	**-**	**5,096**	**5,422**
Net Financial (Liabilities)/ Assets	**-**	**246**	**(326)**	**-**	**227**	**147**

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**

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 $800 (2015 increase by $30,120). Correspondingly for each 1% fall in interest rates Company profit before tax will decrease by $800 (2015 decrease by $30,120).

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 2016	Carrying Amount $'000	Contractual cashflows $'000	< 6 months $'000	6 – 12 months $'000	1-3 Years $'000	> 3 Years $'000
Financial Assets						
Cash and cash equivalents	246	246	246	-	-	-
Trade Receivables	8,365	8,365	8,326	37	2	-
Other Receivables	17	17	17	-	-	-
Total Financial Assets	**8,628**	**8,628**	**8,589**	**37**	**2**	**-**
Financial Liabilities						
Deferred consideration	3,059	3,802	658	30	3,114	-
Other loans	326	326	326	-	-	-
Trade and other payables	5,096	5,096	4,885	142	69	-
Total Financial Liabilities	**8,481**	**9,224**	**5,869**	**172**	**3,183**	**-**

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						
Cash and cash equivalents	3,012	3,012	3,012	-	-	-
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						
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**	**-**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. FINANCIAL INSTRUMENTS DISCLOSURE (CONTINUED)

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	
	2016	2015
	$'000	$'000
Profit after income tax	**2,510**	**1,478**
Non-cash items		
Depreciation and amortisation expense	675	545
Share based payments expense	53	38
Deferred Acquisition Interest Unwind	186	-
Changes in assets and liabilities		
Movement in trade and other debtors	(2,036)	(435)
Movement in trade and other payables	2,075	581
Movement in deferred tax asset	(615)	234
Movement in other assets	57	(74)
Movement in other provisions	(588)	187
Net cash from operating activities	**2,317**	**2,554**

b) Reconciliation of Cash

	Consolidated	
	2016 $'000	2015 $'000
Cash and cash equivalent comprises		
Cash at bank	246	3,012
Cash and cash equivalent at the end of the financial year	**246**	**3,012**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCE FACILITIES

	Consolidated	
	2016 $'000	2015 $'000
Credit Standby Arrangements with Banks		
Credit facility	3,000	3,000
Amount utilised	(292)	-
Unused credit facility	**2,708**	**3,000**

Banking Facilities

Debt Finance Facility

$3,000,000 variable interest rate facility.

Note that at 30 June 2016 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 $90,408 was unused at 30 June 2016.

30. BUSINESS COMBINATIONS

On 28 October 2015 Konekt Limited completed the acquisition of certain assets and liabilities of Insite Injury Management (Insite). The business is headquartered in South Australia with operations in NSW. Insite has a deep product range across injury management, mental health and return to work capability which will complement Konekt's current market offering.

On 29 October 2015 Konekt Limited completed the acquisition of 100% of the issued capital of Applied Innovative Services (AIS) and Innovative Training & Recruitment (ITR). AIS is headquartered in South Australia with operations in SA and ACT.

AIS is the market leader in SA and the acquisition will allow Konekt to strengthen it's SA presences and will also enable it to offer an expanded product capability in training and ergonomic solutions as applied to injury management and prevention.

On 16 November 2015 Konekt Limited completed the acquisition of certain assets and liabilities of Insight Services Group (ISG). The acquisition price comprises both an initial consideration payment and a deferred consideration based on the business performance. This is a regionally based service provider, with a strong footprint in regional NSW who provides return to work, injury prevention, hearing testing, rehabilitation of psychological injury cases, training and ergonomics solutions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. BUSINESS COMBINATIONS (CONTINUED)

On 4 March 2016 Konekt Limited completed the acquisition of 100% of the issued capital of SRC Solutions (SRC). SRC Solutions operates from their Canberra based office and are well respected in the ACT market. SRC Solutions provides injury management, injury prevention, training and ergonomic solutions.

On 27 May 2016 Konekt Limited completed the acquisition of 100% of the issued capital of Communicorp Group (CCG). The acquisition price comprises both an initial consideration payment and a deferred consideration based on the business performance.

The aggregate details of the business combinations are as follows:

Fair Value of consideration transferred	Fair value $'000
Amount settled in cash	5,708
Fair Value of contingent consideration	2,903
	8,611

Recognised amounts of identifiable net assets	Fair value $'000
Cash and cash equivalents	1,261
Trade and other receivables	637
Work in progress	174
Other assets	94
Intangible Assets	152
Plant & Equipment	19
Deferred Tax Asset	186
Trade and other payables	(1,182)
Provisions	(701)
Other liabilities	(163)
Deferred tax liability	(50)
Net assets acquired	427
Goodwill	8,184
Acquisition-date fair value of the total consideration transferred	8,611

Representing:	
Cash paid or payable to vendor	8,611
Acquisition costs expensed to profit or loss	570

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. BUSINESS COMBINATIONS (CONTINUED)

Cash used to acquire business, net of cash acquired:	Consolidated 30/06/2016 $'000
Acquisition-date fair value of the total consideration transferred	5,708
Less: cash and cash equivalents	(1,260)
Less: payments made in prior periods	-
Net cash outflow on acquisition	4,448
Acquisition costs expensed to profit or loss	570
Net Cash paid relating to the acquisition	5,018

Consideration transferred

The acquisition price comprises both an initial consideration payment and a deferred consideration based on the future performance objectives spread over a 3 year period. Refer to note 32 for further details.

Goodwill

The goodwill of $8,184,000 is primarily related to growth expectations, expected future profitability, the substantial skills and expertise of Insite, AIS, ISG, SRC & CCG workforce and the expected cost synergies from merging the business's with Konekt. The growth expectations includes the ISG licensing system which grants licenses to suitable licensees in new markets which will allow Konekt to expand the business, and ultimately improve the service it provides.

Acquisition-related costs amounting to $570,000 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income, as part of other expenses.

The $2,903,000 fair value of the contingent consideration liability initially recognised represents the present value of the Group's probability- weighted estimate of the cash outflow of $3,831,950 expected to be paid for future contingent consideration. As at 30 June 2016, there has been no change in the estimate of the probable cash outflow but the liability has increased to $3,059,000 due to the unwinding of the discount net of $30,000 of deferred consideration payments made to date.

As the acquisition took place near to the year end the accounting for the acquisition of CCG has been determined only provisionally in respect of the identification of intangible assets separate to goodwill. This treatment is in accordance with AASB 3 Business Combinations.

We are unable to provide profit & loss performance for the acquisitions due to the majority of revenue and expenses for the acquired businesses having been integrated into Konekt's reporting systems during the period and are no longer separately identifiable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. RELATED PARTY TRANSACTIONS

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

32. DEFERRED CONSIDERATION PAYABLE FOR ACQUISITIONS

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

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

Contingent consideration classified as a liability (categorised as a level 3 on the fair value hierarchy) is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

	Consolidated			
	2016		2015	
	Purchase Consideration Payable for Acquisitions $'000	Others $'000	Purchase Consideration Payable for Acquisitions $'000	Others $'000
Carrying amount at the beginning of the year	-	-	-	-
Additions	2,903	-	-	-
Settlement	(30)	-	-	-
Remeasurement of contingent payable	-	-	-	-
Interest unwind	186	-	-	-
Carrying amount at end of the year	**3,059**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. ADDITIONAL FINANCIAL INFORMATION OF THE PARENT ENTITY

	2016 $'000	2015 $'000
Current assets	9	8
Total assets	**1,014**	**775**
Current liabilities	1,416	299
Total liabilities	**1,416**	**299**
Shareholders' equity		
Issued capital	38,798	38,928
Reserves – share option	377	322
Accumulated losses	(39,578)	(38,774)
Total equity	**(402)**	**476**
Profit/(loss) after income tax expense for the year	(801)	6,780
Total comprehensive income for the year	(801)	6,780

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.

34. SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 30 June 2016 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 2016 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
Executive Officer

17 August 2016, Sydney

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Konekt Limited

Report on the Financial Report

We have audited the accompanying financial report of Konekt Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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.

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 2016 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

J Bresolin

John Bresolin
Partner

Sydney, 17 August 2016

2

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 31 July 2016.

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	42,185	-	-	-	-
1,001 – 5,000	231	566,131	-	-	-	-
5,001 – 10,000	104	770,926	-	-	-	-
10,001 – 100,000	244	8,491,088	-	-	-	-
100,001 and over	53	62,867,141	-	-	-	-
	737	**72,737,47**	**-**	**-**	**-**	**-**
The number of shareholders holding less than a marketable parcel of shares are:						
	125	63,479	-	-	-	-

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 31 July 2016 are:

		Listed ordinary shares	
		No. of Shares Held	% Held
Financial Assets			
1	NIDMAS PTY LTD <BANKS FAMILY SUPER FUND A/C>	12,500,000	17.19
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,652,497	16.02
3	DIXSON TRUST PTY LIMITED	9,936,363	13.66
4	CITICORP NOMINEES PTY LIMITED	3,257,573	4.48
5	DR & LC FLYNN NOMINEES PTY LTD <FLYNN SUPER FUND A/C>	1,841,391	2.53
6	PROF ALAN JONATHAN BERRICK	1,485,313	2.04
7	DR VERN THOMAS MADDEN + MRS CLARE MAREE MADDEN <MAD-BOY SUPER FUND A/C>	1,429,025	1.96
8	DR + LC FLYNN NOMINEES P/L <FLYNN SUPER FUND A/C>	1,206,361	1.66
9	NATIONAL NOMINEES LIMITED	1,200,000	1.65
10	BFA SUPER PTY LTD <GDN SUPER FUND A/C>	1,197,211	1.65
11	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY <LEKDAL FAMILY A/C>	1,180,334	1.62
12	MR WILLIAM NEIL STEWART COATS	1,155,490	1.59
13	DELTA REAL-TIME COMPUTERS PTY LTD	1,070,000	1.47
14	BUMBLETON PTY LTD <WILLIAM COATS S/F A/C>	1,009,203	1.39
15	NIDMAS PTY LTD <BANKS FAMILY SUPER FUND A/C>	1,000,000	1.37
16	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	887,270	1.22
17	J W GIJET PTY LTD	823,720	1.13
18	MR EDWARD JAMES DALLY + MRS SELINA DALLY <E J DALLY SUPER FUND A/C>	791,950	1.09
19	YARRAC PTY LTD <COLEBATCH PROPERTY A/C>	583,131	0.80
20	ETHEREAL PSF PTY LTD <KEITH LEATHER SUPER FUND A/C>	490,586	0.67
Total ordinary shares quoted on ASX – Held by the top 20 holders		**54,697,418**	**75.20**
Total ordinary shares quoted on ASX		**72,737,471**	**100%**

ASX ADDITIONAL INFORMATION (CONTINUED)

c) Unquoted Securities

There were 1,970,000 unquoted options as at 31 July 2016.

d) Substantial Shareholders

Substantial shareholders in the Company are set out below:

	No. of Shares Held	% Held
Nidmas Pty Ltd	13,500,000	18.6
AJ Berrick & Associates	13,421,002	18.5
Dixson Trust Pty Ltd	9,936,363	13.7
Helm Capital Pty Ltd	3,847,361	5.3

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.

(v) **Home Exchange**
Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000