

# KONEKT LIMITED

A.C.N. 009 155 971

## ASX Preliminary Final Report Appendix 4E

30 June 2009

Lodged with the ASX under Listing Rule 4.3A

## **ASX Announcement – Konekt Ltd – Full year Results**

### **Financial Results for 2008 - 09**

Konekt Limited (ASX: KKT) announces its financial results for the full year to 30 June 2009.

The trading result was an EBIT profit of \$1,349k. This was a \$2,175k improvement on the prior year. The net profit was \$1,176k, compared with a net loss of \$7,229k in the previous year.

The 2009 financial year was one that saw substantial improvement building on the structural changes that were implemented towards the end of the previous financial year. The company fully exited the Corpore Joint Venture in the UK without any ongoing negative impacts. Revenue growth along with good cost management and a 30% reduction in staff turnover were the main contributing factors to this excellent result.

### **Revenue**

Revenue growth for the year was 18% with full year revenues of \$32.3m. This has been the first year of organic growth for Konekt since inception. Over the past year we have continued to consolidate our position on all major rehabilitation panels across the country and have been able to grow our revenues in a stable market, which indicates that we are continuing to increase our market share. Sales highlights included a 30% growth in insurer revenues, a 16% increase in government revenues along with adding 22 large corporates to our customer base. Two of our business lines, Containment and Response/Pre-Employment Co-ordination, whilst experiencing growth were nevertheless negatively impacted by the economy. Containment expenditures were viewed by some corporates as a discretionary spend whilst Pre-Employment Co-ordination testing was reduced with fewer corporate hires in the mining and construction industries.

### **Outlook**

We enter the 2010 financial year confident that our business is well placed to continue to deliver organic revenue growth of 10-15% with a target 5% EBIT. We are looking to transition our Containment group with a strategy to suit the current market with new offerings targeted at corporates. We are also looking to take advantage of the huge infrastructure boom announced by state and federal governments in recent budgets. We anticipate further growth from our insurer customers as we differentiate ourselves and win additional value add services. We also will execute our Konektiva strategy to strengthen customer intimacy with appropriate solutions and to grow revenue by selling further services, which leverage on the Konektiva platform.

**KONEKT LIMITED AND CONTROLLED ENTITIES**  
**ACN 009 155 971**

**Summary Results for the year to 30 June 2009**

The following is a summary of the financial results for the year ended 30 June 2009 (previous corresponding period 30 June 2008).

**Results for announcement to the market**

	Year ended 30 June 2009 \$000s	Year ended 30 June 2008 \$000s	Increase/ (Decrease)	% Change
Revenue from Continuing Operations	32,284	27,365	4,919	Up 18.0 %
Profit/(Loss) before interest, tax, depreciation and amortisation and individually significant items ("EBITDA")	1,818	(264)	2,080	
Profit/(Loss) before interest and tax and individually significant items ("EBIT")	1,349	(828)	2,175	
Profit/(Loss) before individually significant items ("EBIT")	1,176	(1,009)	2,183	
Individually significant items	-	(6,220)	6,220	
Net Profit/(Loss) before tax ("PBT")	1,176	(7,229)	8,403	
Income tax expense	-	-	-	
Net Profit/(Loss) attributable to members ("NPAT")	1,176	(7,229)	8,403	

<b>Comparison of Half-Year Profits</b>	<b>Current Period \$000s</b>	<b>Previous Period \$000s</b>
Consolidated Profit / (Loss) from ordinary activities after tax attributable to members reported for the 1 <sup>st</sup> Half yearly report	409	(3,281)
Consolidated Profit / (Loss) from ordinary activities after tax attributable to members reported for the 2 <sup>nd</sup> Half year	765	(3,948)

<b>Dividends</b>	<b>Amount per security \$000s</b>	<b>Franked amount per security \$000s</b>
Final dividend	0	0
Interim dividend	0	0

**Annual Report and Annual General Meeting**

Konekt expects to mail its Annual Report and Notice of Annual General Meeting to shareholders during the week commencing 12 October 2009.

Konekt expects to hold its 2009 Annual General Meeting in Sydney on 19 November 2009.

**KONEKT LIMITED AND CONTROLLED ENTITIES**  
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**PRELIMINARY CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Notes	30 June 2009 \$000s	30 June 2008 \$000s
<b>Revenue from continuing operations</b>			
Services income		32,258	26,956
Sundry income		25	81
Interest income		-	133
Net gain on disposal of property, plant & equipment		1	195
	2	32,284	27,365
<b>Expenses from continuing operations</b>			
External consultants		(1,099)	(1,192)
Depreciation	3	(467)	(564)
Goodwill impairment		-	(3,000)
Joint venture exit costs		(23)	(2,548)
Finance costs		(173)	(182)
Share option & performance right expense	3	(94)	44
Employment expenses		(22,201)	(19,541)
Property expenses		(2,563)	(2,944)
Communication expenses		(960)	(758)
Travel & accommodation expenses		(693)	(652)
Motor Vehicle & Equipment expenses		(888)	(790)
Other expense from continuing operations		(1,947)	(2,467)
		<b>1,176</b>	<b>(7,229)</b>
<b>Profit / (Loss) from continuing operations before income tax expense</b>			
Income tax expense relating to continuing operations		-	-
Net Profit / (loss) from continuing operations after Income Tax Expense		1,176	(7,229)
<b>Net loss attributable to members of the parent entity</b>			
		<b>1,176</b>	<b>(7,229)</b>
Basic earnings per share (cents per share)	4	1.8	(13.2)
Diluted earnings per share (cents per share)	4	1.8	(13.2)

*The above Income Statement should be read in conjunction with the accompanying notes.*

**KONEKT LIMITED AND CONTROLLED ENTITIES**  
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**PRELIMINARY CONSOLIDATED BALANCE SHEET**  
**AS AT 30 JUNE 2009**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$000s</b>	<b>\$000s</b>
<b>Current Assets</b>		
Cash and cash equivalents	77	30
Trade and other receivables	4,574	3,876
Inventories	511	666
Tax Assets	-	-
Other Assets	91	129
<b>Total Current Assets</b>	<b>5,253</b>	<b>4,701</b>
Plant & equipment	930	942
Intangible Assets	3,532	3,523
<b>Total Non Current Assets</b>	<b>4,462</b>	<b>4,465</b>
<b>Total Assets</b>	<b>9,715</b>	<b>9,166</b>
<b>Current Liabilities</b>		
Trade and other payables	3,806	4,658
Provisions	108	108
Interest bearing liabilities	6 1,816	2,078
<b>Total Current Liabilities</b>	<b>5,730</b>	<b>6,844</b>
<b>Non Current Liabilities</b>		
Provisions	176	258
Other Payables	410	-
Interest bearing liabilities	-	265
<b>Total Non Current Liabilities</b>	<b>586</b>	<b>523</b>
<b>Total Liabilities</b>	<b>6,316</b>	<b>7,367</b>
<b>Net Assets</b>	<b>3,399</b>	<b>1,799</b>
<b>Equity</b>		
Contributed equity	7 38,921	38,591
Reserves	8 158	64
Accumulated losses	(35,680)	(36,856)
<b>Total Equity</b>	<b>3,399</b>	<b>1,799</b>

*The above Balance Sheet should be read in conjunction with the accompanying notes.*

**KONEKT LIMITED AND CONTROLLED ENTITIES**  
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**PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	<b>30 June 2009</b> <b>\$000s</b>	<b>30 June 2008</b> <b>\$000s</b>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	34,510	26,976
Payments to suppliers and employees	(33,405)	(28,113)
Interest received	-	2
Interest paid	(160)	(182)
<b>Net cashflows (used in)/from Operating Activities</b>	<b>945</b>	<b>(1,317)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of plant & equipment	(478)	(348)
Proceeds from sale of plant & equipment	16	200
Settlement of Corpore Joint Venture exit	(227)	-
<b>Net cashflows used in Investing Activities</b>	<b>(689)</b>	<b>(148)</b>
<b>Cash Flows from Financing Activities</b>		
Net proceeds from issue of ordinary shares	52	-
Proceeds from borrowings	-	508
Loan to associate	-	(121)
<b>Net cashflows from Financing activities</b>	<b>52</b>	<b>387</b>
<b>Net increase/ (decrease) in cash held</b>	<b>308</b>	<b>(1,078)</b>
Cash at beginning of financial period	(2,048)	(970)
<b>Cash at end of financial period</b>	<b>(1,740)</b>	<b>(2,048)</b>

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

**KONEKT LIMITED AND CONTROLLED ENTITIES**  
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**PRELIMINARY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	Issued capital \$000s	Accumulated losses \$000s	Option Reserves \$000s	Total equity \$000s
<b>As at 30 June 2007</b>	<b>38,347</b>	<b>(29,627)</b>	<b>108</b>	<b>8,828</b>
Loss for the period	-	(7,229)	-	(7,229)
Issue of share capital	244	-	-	244
Recognition of options issued	-	-	30	30
Cancellation of Director's Performance Rights	-	-	(74)	(74)
<b>As at 30 June 2008</b>	<b>38,591</b>	<b>(36,856)</b>	<b>64</b>	<b>1,799</b>
Profit for the period	-	1,176	-	1,176
Issue of share capital	330	-	-	330
Recognition of shares granted under Employee Share Acquisition Plan	-	-	52	52
Recognition of options issued	-	-	9	9
Recognition of Performance Rights	-	-	33	33
<b>As at 30 June 2009</b>	<b>38,921</b>	<b>(35,680)</b>	<b>158</b>	<b>3,399</b>

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

1. **DIVIDENDS**

The directors do not recommend that a dividend relating to the year ended 30 June 2009 be paid.

2. <b>REVENUE</b>	<b>30 June 2009</b> <b>\$000s</b>	<b>30 June 2008</b> <b>\$000s</b>
<b>From continuing operations</b>		
Services	32,258	26,956
Other income	25	81
Interest received – other persons	-	133
	<hr/>	<hr/>
	32,283	27,170
<b>Other income</b>		
Net gain on disposal of property, plant and equipment	1	195
	<hr/>	<hr/>
	32,284	27,365

3. **EXPENSES**

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

<u>Depreciation</u>		
Leasehold improvements	134	111
Plant and equipment	329	385
Motor Vehicles	4	68
	<hr/>	<hr/>
	467	564
<u>Share option payment expense</u>		
Options issued	9	30
Performance rights on issue	33	(74)
Employee Share Plan issue	52	-
	<hr/>	<hr/>
	94	44
<u>Individually Significant items</u>		
Goodwill impairment	-	3,000
Corpore Joint venture exit costs	-	2,549
Restructuring costs	-	671
	<hr/>	<hr/>
	-	6,220



**KONEKT LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**4. EARNINGS PER SHARE**

	<b>30 June 2009</b>	<b>30 June 2008</b>
	¢	¢
Basic earnings per share	1.8	(13.2)
Diluted earnings per share	1.8	(13.2)
Weighted average number of shares used in the		
- calculation of basic EPS	64,792,473	54,916,310
- calculation of diluted EPS	65,250,806	54,916,310

The amount used in the numerator in calculating basic and diluted EPS is the same as the net loss reported in the Consolidated Income Statement.

**5. NET TANGIBLE ASSETS BACKING**

<b>Net Tangible Asset Backing Per Share</b>	<b>30 June 2009</b>	<b>30 June 2008</b>
Net Tangible Assets Backing Per Share (cents per share)	(0.2)	(2.9)

**6. INTEREST BEARING LIABILITIES**

The consolidated entity has an approved debt finance facility to a maximum amount of \$5,000,000. At 30 June 2009 based on debtor balances this could have been drawn to \$3,622,000 of which \$ 1,816,000 was actually utilised as at 30 June 2009.

**KONEKT LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2009**

		30 June 2009 \$000s	30 June 2008 \$000s
<b>7.</b>	<b>CONTRIBUTED EQUITY</b>		
	<b>Issued and paid-up capital</b>		
	70,427,402 (June 2008 : 59,828,245) ordinary shares, fully paid	38,921	38,591
	<b>Movements during the period:</b>		
	Conversion of convertible notes	278	244
	Share subscription (4,500,000 shares)	52	-
	Costs of share issue	-	-
		330	244
		30 June 2009 \$000s	30 June 2008 \$000s
<b>8.</b>	<b>RESERVES</b>		
	<b>Option-based payments reserve</b>		
	Balance 1 July	64	108
	Employee Share Plan issue to staff	52	-
	Option expense	9	12
	Performance rights expense	33	(56)
	Balance 30 June	158	64

**KONEKT LIMITED AND CONTROLLED ENTITIES**  
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**NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2009**

9.	c) <b>SHARE BASED OPTIONS AND PERFORMANCE RIGHTS</b>	<b>30 June 2009</b> Number on issue	<b>30 June 2008</b> Number on issue
	Non-Executive Directors Performance Rights	600,000	-
	Managing Director & CEO Performance Rights	1,500,000	-
	Executives Performance Rights	3,500,000	-
	Options	2,000,000	2,150,000
	Non-executive Director Remuneration Options	200,000	600,000

1). Performance rights were granted under the Executive Option and Performance Rights Plan which was approved by shareholders at the 2008 AGM. These rights have a nil exercise price but right to exercise depends on certain performance conditions being achieved (refer 2008 Annual Financial Report). Rights will lapse if not exercised by a date determined by the Board not exceeding 10 years.

2). Options were issued on 27 February 2006. These options expired on 27 February 2009. The exercise price was \$0.55.

3). Non-executive Director remuneration options were issued on 16 November 2006 subsequent to shareholder approval being obtained at the November 2006 AGM. These options have an exercise price of \$0.50. 50% of the options were available immediately with the balance becoming available pursuant to the company meeting profit and revenue expectations for the year ended 30 June 2007. If not exercised, options will expire on 30 September 2009.

4). 466,667 performance rights could be exercised 12 months after grant date based on 2008-9 performance.

**11. SEGMENT INFORMATION**

The consolidated entity operates predominantly in one business segment, being the provision of workplace health solutions including, Injury Prevention, Injury Management and Vocational Rehabilitation Services predominantly to the insurance industry.

**12. CONTINGENT LIABILITIES / ASSETS**

The directors are not aware of any contingent liabilities as at 30 June 2009.

**13. SUBSEQUENT EVENTS**

There have been no events subsequent to reporting date which affect the results contained in this financial report or the continuing operations of the Group.

**14. DETAILS OF ANY ASSOCIATES AND JOINT VENTURES**

In September 2008 the consolidated entity disposed of its' 50% interest in Corpore Limited, which provides Rehabilitation Services in the UK. The consolidated entity does not have any other associate or joint venture interests.

**KONEKT LIMITED AND CONTROLLED ENTITIES**  
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**15. COMPLIANCE STATEMENT**

This report is based on financial statements to which the following applies:

The financial statements have been audited.

The financial statements have been subject to review.

The financial statements are in the process of being audited or subject to review.

The financial statements have not yet been audited or reviewed.

The Company has a formally constituted Audit Committee.