# 2009 ANNUAL REPORT

KLMGROUP

# Contents



*Notice of Annual General Meeting 2009*

Notice is hereby given that the Annual General Meeting of KLM Group Limited will be held at the Radisson on Flagstaff Gardens. 380 William Street, Melbourne, Victoria on Tuesday 20th October 2009 at 11.00am.

*Bridges of Melbourne City – Yarra Footbridge project*
*Front cover – Revolab wireless microphones installed for NetApp's audio conferencing solution*

# Our **Growth**

**Since 1981, KLM Group has significantly expanded the depth and geographical spread of its operations. A number of senior management appointments and the acquisition of several electrical and data communications businesses have given the Company genuine national service coverage.**

While continuing to develop and expand core activities, KLM Group has positioned itself to increase its national market share in the growth areas of electrical service integration, building automation, energy management solutions and professional audio visual installations. These markets are logical extensions of the Company's operations and build a platform for growth.

The increase in revenue for 2009 indicates that the underlying business is in good shape and that the Company is winning an increasing share of its core markets. The Company maintains a strong management team around Australia. This is a critical factor in enabling the Company to continue improving its performance in 2010 and beyond.



**KLM Group staged a strong recovery in the second half of the 2009 financial year to record an after-tax profit of more than $1 million for the year. This was despite incurring a loss in the December six months.**

# Chairman's **Review**

> **The turnaround in the June half was significant, particularly when considered against the background of challenging economic conditions. The Company's earnings before interest and tax in the June half totalled more than $3.5 million, giving KLM Group a record result for any six-month period.**

**KLM Group staged a strong recovery in the second half of the 2009 financial year to record an after-tax profit of more than $1 million for the year. This was despite incurring a loss in the December six months.**

After-tax profit for the 2009 financial year was $1.04 million compared with $2.18 million in the previous year. Pre-tax profit was $1.72 million against $3.20 million previously.

The turnaround in the June half was significant, particularly when considered against the background of challenging economic conditions. The Company's earnings before interest and tax in the June half totalled more than $3.5 million, giving KLM Group a record result for any six-month period. This is in stark contrast to results reported for the December half where the Company incurred a loss before interest and tax of $1.71 million.

Revenue for the full year rose 4.5% from $154 million to $161 million, demonstrating that the Company continued to win new business despite softening market conditions.

The disappointing trading results in the 18 months to December 31 2008 were due entirely to losses incurred on bad contracts in Victoria and Queensland, and to the costs and disruption associated with installation of the Company's new information technology system. The loss contracts have been completed and their impact has dissipated.

The new information technology system was bedded down during the December half and KLM Group staff worked hard to ensure that it was fully operational. The system has made a material difference to the Group by providing better quality and more timely management information reports. This in turn has enabled the group to manage contract execution much more tightly.

Following the strong second half performance the Company will pay a final dividend of one cent per share. This is in line with the final dividend paid in 2008. Because of the trading loss incurred in the December half-year, the Company suspended an interim payout.

The dividend is well covered by earnings of 1.73 cents per share, compared with 3.62 cents per share in the previous year.

Shareholders should note that the Company's net tangible asset backing is now 17.7 cents per share based on the June 30 balance sheet figures. The Company's shares have been selling for many months at a substantial discount to the net tangible asset backing.

The profit for the latest year has been calculated after allowing for an impairment charge of $263,000 which represents a write-down of the goodwill paid as part of the acquisition price for QOLiT. This impairment charge was recognised in the December half-year accounts and there has been no need for further impairment charges.

A key objective of the Company's management since the onset of the global financial crisis has been to ensure that KLM Group's cash position is managed tightly. This focus has yielded excellent results: at balance date, KLM Group had cash of $4.15 million – up from $1.83 million at December 31 – and generated a positive cash flow from operations throughout the year.

The Company entered the current financial year with a strong order book. The volume of work in hand is comparable to last year's record level. The new IT system has enabled the Company to exercise much tighter management of contracts and there has been a consequent progressive improvement in profit margins. KLM Group is certainly operating in a much softer market than in previous years, but opportunities to win new business continue to emerge.

KLM Group has had two disappointing years, but there was a significant improvement during the June half and the Company is now budgeting for a healthy improvement in earnings for 2009-10.

**Mr Rod Chadwick**
Chairman

# Joint Managing Directors' Review

**In sharp contrast to the December result, the June half-year was the most profitable six months trading period in the Company's history with earnings before interest and tax of more than $3.5 million.**

*Financial Performance*

**KLM Group experienced contrasting fortunes in the year to 30 June 2009. A disappointing performance in the first half-year was followed by a record second half performance.**

To December 2008 the Company reported a trading loss after tax of $1.13 million. This was further compounded by an impairment charge of $263,000 to recognise a write-down in goodwill on the QOLiT acquisition.  As a result a total after-tax loss of $1.39 million was recorded for the six months to 31 December.

In sharp contrast to the December result, the June half-year was the most profitable six months trading period in the Company's history with earnings before interest and tax of more than $3.5 million.

The strength of the June half-year performance can be seen when one considers that EBIT for the full year totalled $1.83 million. Revenue in the first half-year was down 2.3% to $78.46 million from $80.26 million in December 2007 while revenue in the second half was $82.80 million – 12.29% higher than the $73.74 million generated in the corresponding period to 30 June 2008. The strong June half performance enabled the Company to improve full-year revenue by 4.5% from $154 million to $161 million.

In spite of the challenging economic conditions prevailing during the year, the Company has been able to develop a strong momentum in top-line growth in line with that achieved over the past four years. It is interesting to reflect that revenue in the 2005 financial year was $61 million, so in revenue terms, the Company has experienced a growth of 164% in four years.

We are looking to maintain growth into the future while at the same time also improving bottom-line performance.

Management focused on four key priorities during the past year:

- reducing costs across all areas of the business while maintaining and improving operational efficiencies to arm the Company to meet the challenges of tougher market conditions that have flowed from the global financial crisis;
- closely managing the Company's cash resources;

> **"The strong June half performance enabled the Company to improve full-year revenue by 4.5% from $154 million to $161 million.**

- implementing tighter contract management to maximise margins on the business that the Company was winning;
- improving contract management processes to resolve any outstanding contractual issues in a more timely fashion and put in place processes to manage and reduce downside exposure that existed in delinquent contracts.

All four of these programs have yielded important benefits for the Company's financial performance. Management has undertaken a comprehensive review of the cost structure of the business and achieved a significantly lower cost base. This was undertaken while ensuring that the appropriate internal resources were on hand to enable the Company to fully capitalize on more favourable conditions as the economic environment begins to improve.

Considerable attention has been given to cash management processes and strategy. At the beginning of the year, the Company's cash position was adequate but tight. Through a focused approach, the Company has managed to generate positive cash flow from operations throughout the year and at June 30, KLM Group had cash on hand of $4.2 million and, while having retention guarantees in place, had minimal debt on the balance sheet. This has placed KLM Group in a strong position to weather any further impacts of the current economic downturn and to take full advantage of opportunities as they emerge during the recovery phase.

A new information technology system has now been introduced across the group and bedded down. This is a very powerful system which is making a material difference to the Company's operational and financial management processes. The new system has the capacity to accommodate the group's needs for many years to come, regardless of our growth rate. All staff are now thoroughly familiar with the system and are using it routinely to generate timely and comprehensive management information reports.

A critical outcome of implementing the new IT system was that it has enabled the Company to exercise much tighter management control of contracts. This assists in ensuring that profit margins are maximised on the business that the Company is winning.

*Operations*

At the end of the financial year, the Company's order book was strong and while trading conditions continue to be challenging there are opportunities emerging for new work.

The Company's major contracts operations are expected to come under more pressure over the next 12 months than any other part of the business. 0On an individual market basis, trading in Brisbane and Melbourne was difficult during the past year.

# Our **Operation**

**The nature of our business means we need to make long-term commitments to our operations, systems and people. This commitment continues through to the KLM Group service offering, to deliver a quality installation every time.**

As a fully integrated electrical & communications solutions provider, KLM Group also provides audio visual, video conferencing, security & energy management services nationally. We make careful decisions throughout our operation's life to maximise related service opportunities for our customers.

For every service we offer, we follow the same, defined path of customer engagement. Our people combine to bring different skill sets to each installation, to meet customer needs.

KLM Group provides services that will deliver best value for our customers and shareholders, within the framework of a complete national service offering.

# Joint Managing **Directors' Review**

Melbourne conditions in particular suffered during the first half of the year, but have steadily improved since then with further improvement expected in the Melbourne market during the 2010 calendar year. Operational challenges encountered in the Brisbane market have been worked through and conditions are now much more conducive to profitability in future periods.

The trading outlook for the Canberra market is positive for the 2010 calendar year. Prospects are also promising in Townsville with strong work flow currently being experienced. A focus on contract delivery is being put into place to ensure problems of resource constraints do not create difficulties.

KLM Group has built a strong presence in the Australian defence sector. While defence services are primarily provided through the Allied Technologies Australia division, the group is progressively integrating defence service product offering into marketing efforts from KLM Group's traditional operations.

The audio visual and video conferencing operations of the business are now well-resourced and positioned to take full advantage of the opportunities for growth that the market has to offer. Audio visual and video conferencing has been a source of improvement in business performance over the past year, offering the prospect of further solid growth in future years.

Over the past 12 months, the Company has been awarded a number of significant audio visual and video conferencing contracts, including the ANZ Bank's new headquarters in Melbourne's Docklands, Australia Post's head office in Bourke Street, Melbourne, Sydney University, Canberra University and James Cook University in Townsville. KLM Group is now emerging as a lead provider of these services within Australia and is looking to entrench its position in coming years.

Video conferencing has exhibited strong growth trends over the past 12 months which appears to be counter-cyclical to other sectors of the economy. As a result of the global financial crisis and consequent economic downturn, organisations are seeking to reduce costs through efforts to contain substantial travel budgets. This has led many corporations to substitute video conferencing for face-to-face contact.

> **Audio visual and video conferencing has been a source of improvement in business performance over the past year, offering the prospect of further solid growth in future years.**

The move has been facilitated by technical improvements to this product offering, making it a more than viable alternative of communication, and saving companies both time and cost. This has led to an increase in demand for these services over the past year.

KLM Group is now engaged in delivering video conferencing solutions both directly to client organisations and indirectly through partnering with telecommunications service providers. An accredited partner for the two leading video conferencing technology providers, Polycom and Tandberg, KLM Group is also an accredited partner of AMX which is the control system that drives the video conferencing facilities.

In recent years, there have been two significant trends in the KLM Group business:

- KLM Group has sought greater involvement in upstream processes; and
- A number of specialist services that the Company was offering have progressively become standard inclusions in many contracts as a result of progressive thinking by client organisations.

Traditionally, the KLM Group operations have comprised purchasing, logistics, cabling and installation. By incorporating new product opportunities, the Company is moving further up the value chain by becoming involved in programming. This is a particularly important development in opening up new growth opportunities.

During the December half-year, the Company appointed Mr. Ray Buckley as General Manager of National Operations. Mr. Buckley immediately made a contribution to the group in the development of improved contract administration and operations management processes. The appointment continues to yield positive outcomes in contract management directed towards the enhancement of profit margins.

The Company has, and continues to undertake a thorough review of occupational health and safety performance. Policies and procedures have been revamped and the Company is progressively improving its training, management and practices in the field.

The Company has also embarked on a program to improve and standardise its quality assurance procedures. This is an important element in contract delivery and is directly related to the Company's marketing strategies. A continuous improvement in contract execution will result in greater client satisfaction and those clients are an increasingly likely source of repeat business and new client referrals.

### *Outlook*

We anticipate a solid improvement in earnings over the next 12 months. While the financial performance of the group has been disappointing and unacceptable in the preceding two years the strong turnaround experienced in the June half-year and the volume of work in hand give us encouragement that financial performance in the 2010 financial year will be at a more acceptable level.

This outlook is tempered with some reservation about market conditions. The market has definitely softened over the past year, particularly the commercial construction sector, but the Company is well-positioned to take full advantage of any economic recovery.

Finally, we would like to thank all KLM Group staff for the way in which they have risen to the challenge imposed upon us over the past 18 months. The Company is fortunate to have assembled a talented and dedicated group of people.

**Mr Peter Jinks**
Joint Managing Director

**Mr Greg Jinks**
Joint Managing Director

# 2008/09 Our Review

Over the past year, each KLM Group branch has established a strong platform for growth over the coming year and beyond. The Company will expand its opportunities through a strategy of organic growth, improved operational controls and consistent adherence to process and procedures.

**KLM Group provides a fully integrated electrical and communications solution. We offer our customers the opportunity to benefit from having the one Company provide a range of related services in the one installation.**

Extended services include audio visual, lighting control systems, security services, data cabling and energy management installations.

We provide these installation, service and maintenance services to 9000 customers across a broad range of private sector and government bodies around Australia, in the construction, defence, retail, education, health, justice, financial and hospitality markets.

Our Company offers extensive geographic coverage. KLM Group has eight locations around Australia: Melbourne, Sydney, Canberra, Perth, Brisbane, Adelaide, Townsville and Hobart.

KLM Group's 800 directly employed staff includes qualified electricians, apprentices, data cabling approved technicians, audio visual technicians with AMX accreditations and CBUS lighting solution specialists.

The Group's capabilities are delivered through two divisions, KLM Group and Allied Technologies Australia. The acquired businesses of North East Electrical (Adelaide branch) and TC Electrical (Tasmanian branch) will be re-branded as KLM Group in the next financial year.

> "KLM Group has eight locations around Australia, including Melbourne, Sydney, Canberra, Perth, Brisbane, Adelaide, Townsville and Hobart.

Both divisions specialise in the full service offering, however Allied Technologies Australia has a strong market in the defence sector with many skilled staff members working on locations that require high-level clearances.

## KEY FACTS

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Revenue | 161,259 | 154,092 | 122,337 |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | 2,935 | 4,269 | 6,405 |
| Depreciation and amortisation | 1,103 | 1,028 | 817 |
| Earnings before interest and tax (EBIT) | 1,832 | 3,241 | 5,588 |
| Net profit attributable to members | 1,035 | 2,181 | 3,862 |
| Earnings per share (EPS) | | | |
| Basic (cents per share) | 1.73 | 3.65 | 6.55 |
| Diluted (cents per share) | 1.73 | 3.62 | 6.42 |
| Total Assets | 44,399 | 49,079 | 41,878 |
| Total Equity | 14,704 | 14,195 | 13,758 |

ALLIED TECHNOLOGIES

KLMGROUP

# Our Year

**During the financial year our Company experienced contrasting fortunes, but in spite of the challenging economic conditions we were able to generate top-line growth.**

The successful implementation of a powerful new information technology system enabled us to tighten controls across the business. We now have the system and the capabilities necessary to realise our philosophy, "delivering a wide variety of electrical and communications services to private sector and government bodies across Australia".

With better focus will come a greater degree of service integration, organic growth opportunities, maximised profit margins and support for our audio visual and video conferencing business which is transforming itself into one of our key business areas.

The strong turnaround experienced in the June half-year and the volume of work in hand for the next financial year provide encouragement that the financial performance in 2010 will be at a more acceptable level.

# Our Projects

**Our projects vary in complexity. Whether a job involves a single discipline, or draws on the full range of our capabilities, we approach every task with the same high standards of workmanship and integrity.**

Our project managers play an essential role in delivering projects. They accurately plan each project to specifications, identify the key requirements, then marshall the resources to deliver. They also endeavour to understand the vision for each project to ensure priorities are carefully ranked.

With more than 800 staff and offices in eight locations around Australia, KLM Group has a proven ability to service clients nationally with a well-equipped directly employed workforce. The Company delivers both industry and government accredited client installations and is a certified installer for a majority of industry vendors.

# Our Organisation

KLM Group's prime strengths are national coverage and fully integrated projects – including electrical, voice, data, security, video conferencing, audio visual, intelligent lighting control, automation and energy management installations.

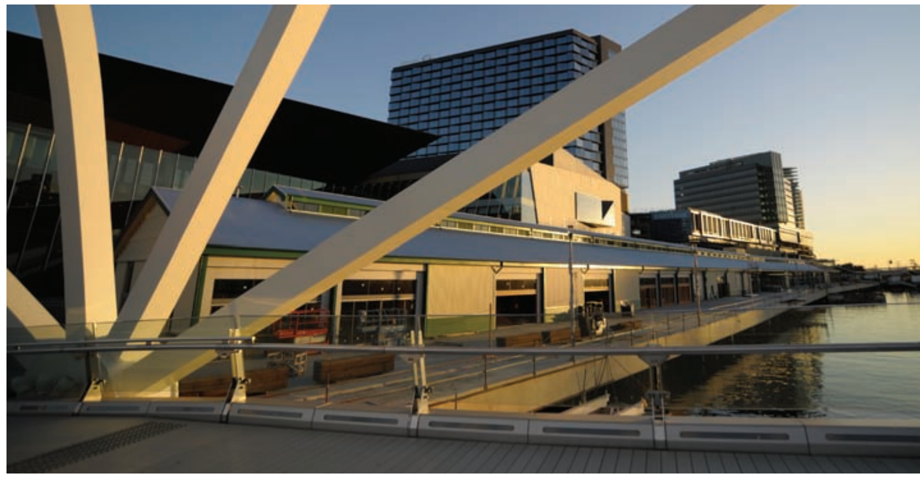
**During the past financial year KLM Group has continued to build on its reputation for consistently delivering an excellent level of service to its customers.**

Despite softening market conditions KLM Group delivered a record $161 million worth of contracts nationwide. Revenue growth came from a combination of increased core business activities and value-added service offerings.

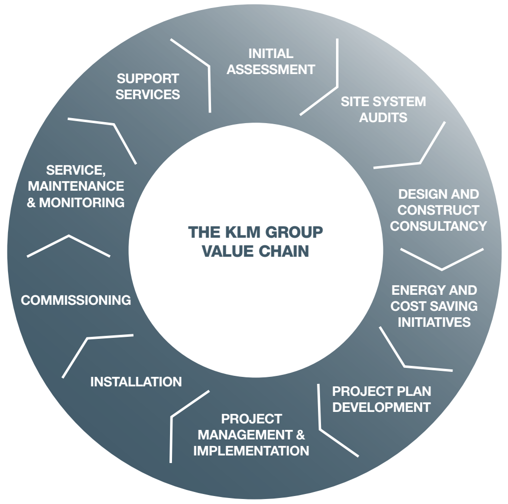
KLM Group is a solid business with a comprehensive offering of quality system solutions and complementary installation services. With over 28 years of experience in designing and implementing efficient electrical and communications solutions, KLM Group has delivered applications in the construction, defence, government, financial, commercial and infrastructure sectors.

KLM Group performs and co-ordinates activities such as service fulfilment, fully project-managed installation services, solution deployment and end-to-end integration in both large and small scale projects. With KLM Group's highly skilled workforce nationwide, customers can have the one company deliver their electrical, data and communications requirements.

KLM Group and Allied Technologies Australia have completed projects that have included service and maintenance, fit-out and construction projects - power, lighting, security surveillance, energy audits, voice & data structured cabling, optical fibre and copper cabling, MATV cabling, audio and video conferencing, interactive whiteboards and digital display systems.



*South Wharf complex from Yarra Footbridge*




> Revenue growth came from a combination of increased core business activities and value-added service offerings.

## OUR CAPABILITIES

**ELECTRICAL & LIGHTING**
- > General lighting and power
- > High voltage
- > Earthing systems
- > Uninterruptible power systems
- > Power quality analysis
- > Power factor correction
- > Intelligent lighting control systems

**DATA/COMMUNICATIONS**
- > Voice and data structured cabling
- > Optical fibre and copper
- > Patch panel management
- > Active equipment
- > Cable networking auditing

**ENERGY MANAGEMENT**
- > Energy audits
- > Energy saving timers and sensors
- > Energy monitoring
- > Power analysis and data logging
- > Lighting efficiency analysis

**VIDEO SURVEILLANCE**
- > Digital surveillance
- > Access control
- > Perimeter security
- > Monitoring
- > Alarm systems

**INTELLIGENT MONITORING AND CONTROL**
- > Active monitoring of essential services to facilitate timely fault detection

**MAINTENANCE/ESSENTIAL SERVICES**
- > Desktop power and data works
- > Light level audits
- > Exit and emergency light tests
- > Lamp replacements
- > Test and tag electrical equipment
- > Switchboard testing

**AUDIO VISUAL**
- > Audio visual solutions
- > Interactive whiteboards
- > AMX Solutions
- > High-tech boardrooms
- > Display and projector systems
- > Specialist controlled lighting
- > Public address systems
- > Video conferencing
- > Touch panel control
- > Motorised projector screens

green building council australia MEMBER

C-Bus PLATINUM

DEFENCE RECOGNISED SUPPLIER Department of Defence

# Our Projects

## OLD PARLIAMENT HOUSE

*Old Parliament House in Canberra*

Working together to complete a high-level solution for the Old Parliament House (OPH) KLM Group and Allied Technologies Australia respectively provided the electrical and lighting, and data communications infrastructure solution for the South East Wing Refurbishment.

The South East Wing is a three-storey extension to the OPH building which was added in two distinct stages in 1947 and 1964. This introduced many challenges including extremely restricted floor and ceiling space access. Removal of asbestos and other dangerous workplace hazards, and the need to work close to retained valuable heritage building elements, added further difficulties.

*Installation of sub-mains cables to main switchboard*

New mains cabling from the OPH existing main switchboards and new distribution switchboards were installed on each building level within the 1940s and 1960s zones.

The works incorporated a C-Bus lighting control system, suitably scalable to accommodate the entire OPH site. The configuration is fully automated with reliance upon motion sensors. With virtually no light switches, the system is primarily set up for minimal user intervention to maximise energy efficiency.

Beyond the main services pathways, power and communications reticulation relies heavily on the use of skirting duct for wiring and the mounting of outlets within the 1960s zones and entirely on flush mounted floor boxes with in-floor conduits within the 1940s zones. Secure communications cabinets are located within dedicated rooms on each of the three levels, which are linked via FO and Cu backbone cabling systems to each other and the OPH main server room.

## LINK MARKET SERVICES

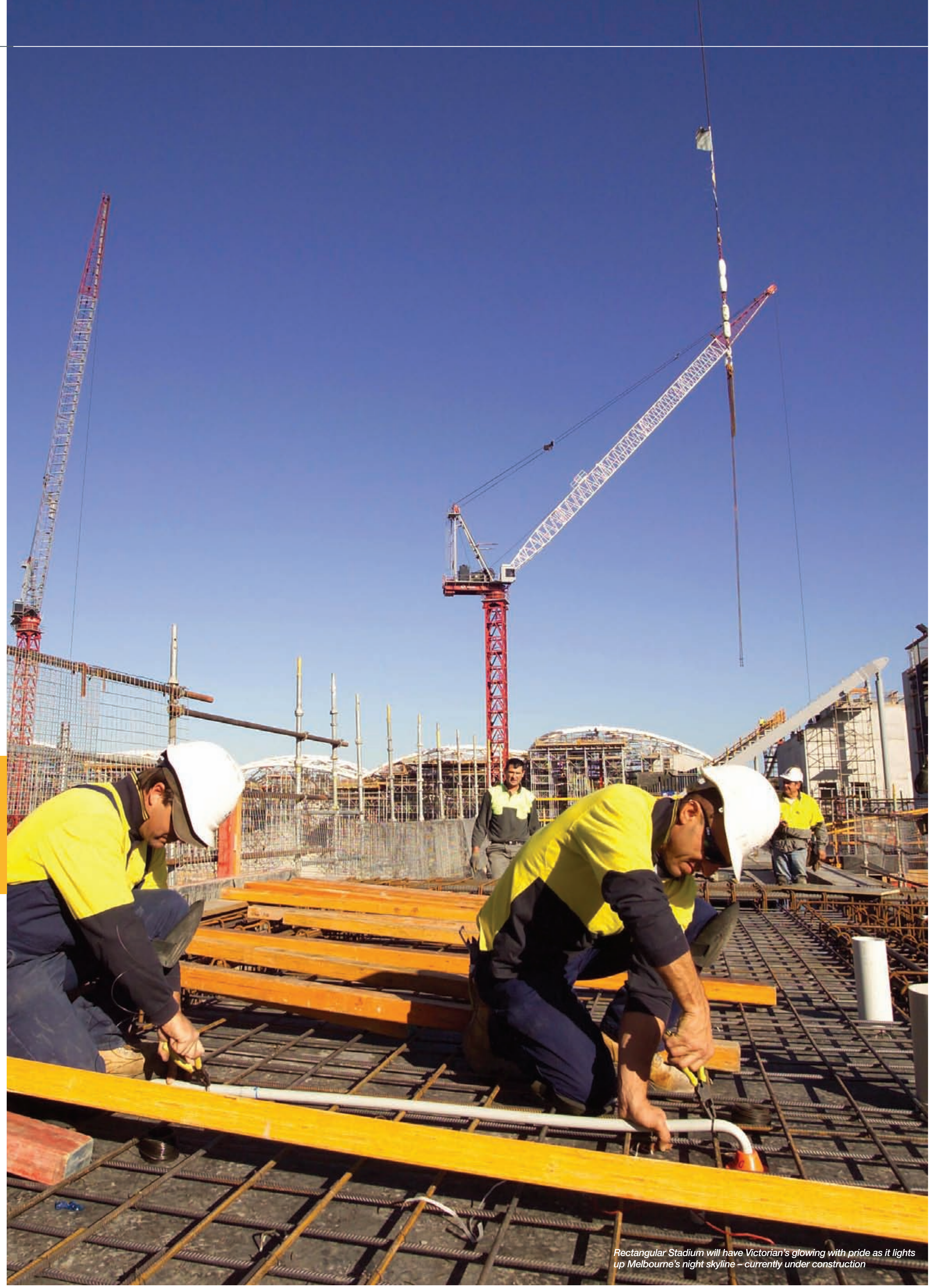
KLM Group was awarded the contract to handle the complete installation of the electrical and communications package for the new Link Market Services office at Rhodes, NSW. The scope included the installation of electrical, communications and audio visual services to six levels over 16 weeks for Akalan Projects Pty Ltd.

This multi-faceted project consisted of general light, power and C Bus lighting control to all general office areas including meeting rooms, boardrooms, utility areas, break rooms and reception.

*Communications patch panel*

To accommodate the site's present and future communications requirements, a computer room comprising UPS and base building generator back power was installed, which included a Panduit Category 6 copper and Fibre Optic infrastructure.

This comprehensive, state-of-the-art solution includes audio visual services to the boardroom, meeting room, reception and breakout areas. High-resolution NEC display panels, NEC projectors, Polycom sound station and RTI wireless control systems were incorporated to complete the solution.



*Rectangular Stadium will have Victorian's glowing with pride as it lights up Melbourne's night skyline – currently under construction*


*Installation of cable support systems at Melbourne Rectangular Stadium*

# Our Projects

## C-17 INFRASTRUCTURE AMBERLEY

Allied Technologies Australia installed and commissioned a fully integrated communications system for the Department of Defence in Townsville. It consisted of four buildings including simulator building, AMS building (air movements), HBW building (home base warehouse) and 36 Squadron headquarters.

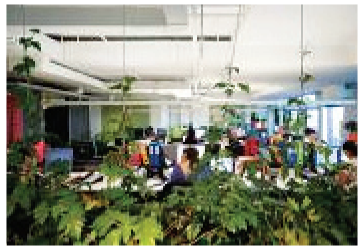
The installation included external pit and pipe infrastructure, external voice cabling between buildings, external inter-building back-bone blown fibre, internal infrastructure using AMP Cat 5e and AMP horizontal fibre to the desktop, internal blown fibre interlinking cabinets, audio visual infrastructure, MATV system including external fibre from head end to each building. There were also MATV outlets within each building, defence standards communications cabinets and upgrade of existing PABX system – all within each of the buildings.

## THE GREEN BUILDING COUNCIL AUSTRALIA

The Green Building Council Australia's (GBCA) fit-out of its Sydney office, the Greenhouse, has been short-listed for a National Interior Design Award. This nomination is particularly significant because it emphasises that even small, low-cost and fast fit-outs can still achieve high environmental standards.

The 800m2 space has been developed as a sustainability showcase and to support GBCA's rapidly expanding team and dynamic culture.

The fit-out included a range of sustainable initiatives. KLM Group was contracted by Schiavello to provide a total solution comprising light fittings, lighting control (Dynalite), security system, power and data cabling, communications rack and associated equipment.



*Greenhouse, Sydney*

*The Greenhouse embodies principles of sustainable building practices*

*SINO IRON Fortescue River Village*

## SINO IRON FORTESCUE RIVER VILLAGE

SINO Iron, Fortescue River Village is a remote infrastructure project near Cape Preston, 100km south-west of Karratha, Western Australia. The mining camp being built by CPM will house employees and contractors during construction of the nearby Sino Iron project.

KLM Group was selected to design and construct electrical, communication and MATV services to cater for a 400-person village.

The total solution incorporated underground pit and pipe network, HV ring main system, generator power station, water pumping station, sewerage treatment plant, LV distribution system, pathway and street lighting, MATV distribution system and a communications network.

# Our Projects

## BAE SYSTEMS


*Australia's largest Defence Company*

BAE Systems is Australia's largest defence company. Allied Technologies Australia (ATA) won the contract to commission the infrastructure for a new four-level commercial building in Richmond, Victoria in which BAE Systems was to be the main tenant.

In meeting the project specifications, ATA supplied and installed base building telecommunications infrastructure, including two site building distributors with diverse feeds to each of the 10-floor distribution frames.

This comprehensive solution included the supply and installation of an unclassified copper Category 6 network to over 1000 outlets across 3 levels, classified optical fibre network to over 700 outlets across 2 levels and top-secret optical fibre network to 84 outlets in 3 highly secure vault areas.

ATA liaised with accreditation authorities and ensured installations complied with Defence, DSM and ACSI 33 standards.

## ANDEL HOLDINGS

North East Electrical, a division of KLM Group, completed an electrical, data communications project for Commercial & General's client Andel Holdings' in Adelaide.

The project consisted of three floors of base building and two levels of car park. The project also included base building power, communications and access control. Fit-out works were completed on one floor for both the builder and tenant to occupy.

Challenges arose when North East Electrical won the project before the first concrete deck pour.  In-slab conduits had to be installed as soon as possible to ensure the project continued to meet tight timeframes and best practices.

*Customised light fittings at Andel Holdings*

## JAMES COOK UNIVERSITY

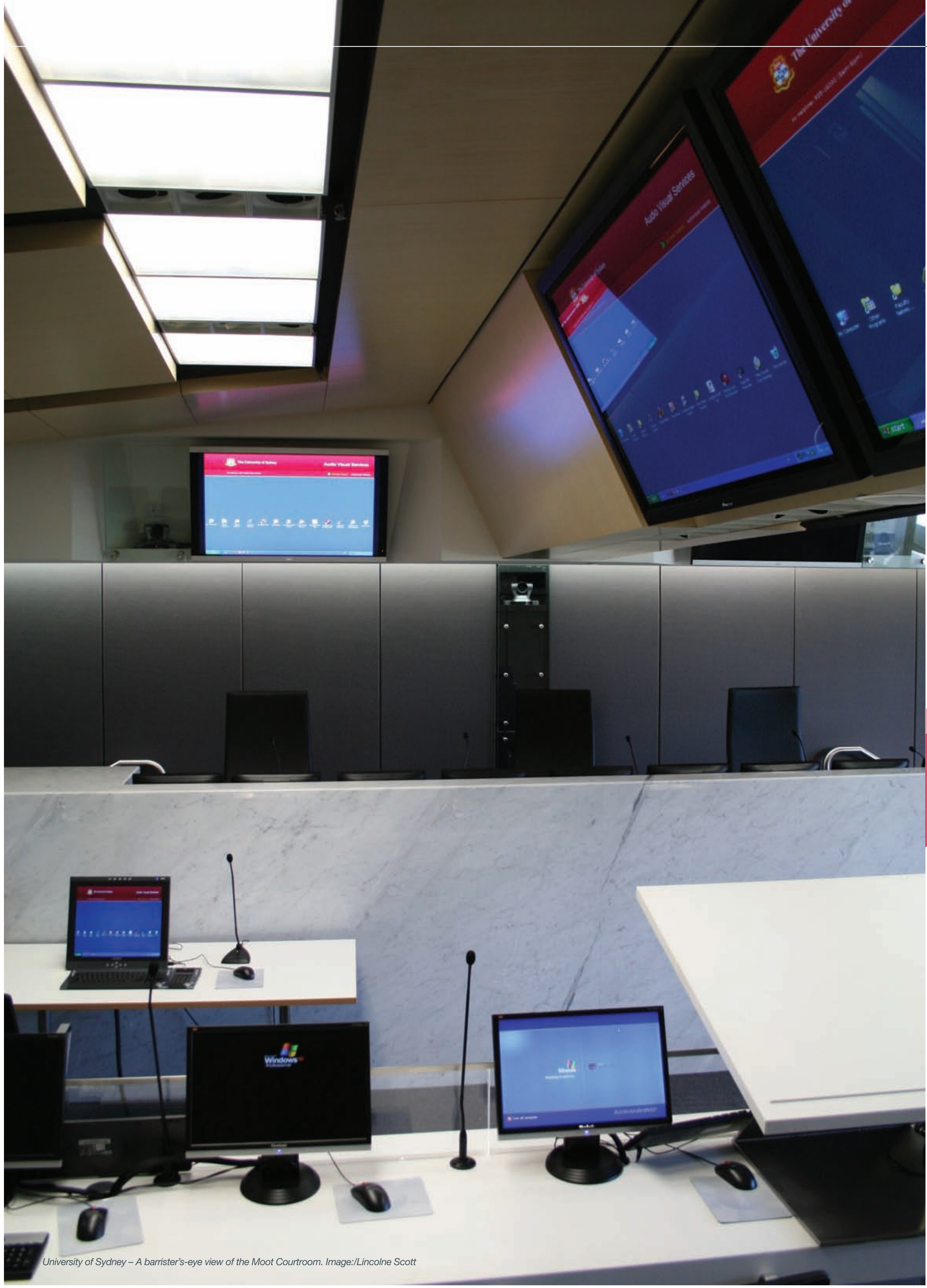
James Cook University, Townsville Campus, recently expanded its medical teaching facilities. KLM Group's scope of works directly to Abi Group was to provide a fully integrated electrical and communication solution, including a complete CBUS lighting system, installation of high voltage transformers and an extensive audio visual installation.

*New lecture theatre at James Cook University*

The installation allows audio visual signal distribution between all the new facilities through a combination of fibre optic links, Cat 5 cabling and video-conferencing systems. Furthermore KLM Group installed CCTV and MATV throughout this project.

The overall audio visual system comprised 15 interconnected AMX central controllers, 14 interconnected Biamp Audio DSP, 20 high resolution high brightness Mitsubishi data projectors, 22 Pioneer LCD screens, 4 Tandberg Video Conference codec, 16 Sony PTZ cameras, 29 equipment racks and thousands of metres of different types of audio visual cabling.


*Mains circuit breaker in main switchboard*



*University of Sydney – A barrister's-eye view of the Moot Courtroom. Image:/Lincolne Scott*

# Our **Projects**

## UNIVERSITY OF SYDNEY

KLM Group was commissioned by Baulderstone Hornibrook to work with a large design team (AV Consultant Lincolne Scott, integrator KLM Group and programmer AT Controls) to produce a high-quality audio visual (AV) solution with full AMX control for the University of Sydney.

The building features a large complement of AV- enabled rooms, including a 300-seat lecture theatre, three 100-seat lecture theatres, a dedicated 100-seat congress lecture theatre and 18 seminar rooms; a moot court facility comprising main moot court, remote witness room, boardroom and four preparation rooms; and a faculty boardroom, seminar room, common room, foyer and law library with two computer training rooms.

The moot court is the stand-out room for sheer quantity of AV equipment. This included a total of six flat panels, five HD cameras, multiple loudspeaker zones, 15 microphones, video processors, streaming devices, HD videoconferencing and live record and playback capability for classroom critique of students' performances.

## SPECSAVERS

As part of Specsavers' rapid expansion, KLM Group was involved in the new Melbourne head office fit-out for Australia/New Zealand Manufacturing.

The project incorporates the specialist services of electrical and data cabling infrastructure, installation and commissioning of manufacturing and production equipment in a new high-tech laboratory and provision of data cabling to general office, despatch and general areas. This solution includes audio visual and video conferencing solutions for boardrooms, meeting room and training rooms.

KLM Group also installed and commissioned a comprehensive security system for the new premises, incorporating integrated alarm, intercom and access control system. A control system provides for 24/7 secure access for over 300 staff with customized user access groups.

*Specsavers office fit-out*

Key areas of the building are covered by a digital surveillance system consisting of IP cameras and milestone recording software (intruder detection).

## YARRA FOOTBRIDGE

*Intelligent lighting control solution at Yarra Footbridge*

The Yarra Footbridge is a recent addition to the Yarra River crossings in Melbourne. The bridge stands between Princes Bridge and Sandridge Bridge. It is the closest footbridge to Federation Square and the Melbourne tourist information office.

This interesting bridge, with a metal arch and a kink in the middle links Flinders Street and station with the Yarra Promenade on the Southbank. KLM Group was proud to be involved in such a unique project with Fitzgerald Constructions. The Bridge features the use of advanced Metal Halide, LED and Fluorescent lighting controlled via C-Bus and Dali lighting systems.

One feature is the changing colours of the lights as the water level rises and falls changing the look of the bridge as the tide changes and highlighting the design of the arches. With an innovative project of this type the design skills and expertise required in areas of C-Bus programming, lighting design and project management are a speciality of the KLM Group.

# Our Projects

## SOUTH WHARF

KLM Group is proud to have been involved in what will become one of Melbourne's outstanding Riverside precincts. The South Wharf complex is a multipurpose retail, commercial and residential development. KLM Group's scope of works directly to Contexx was to design and construct a complete power, lighting, communications and MATV system for the entire complex.

The complex includes retail outlets such as DFO shopping, Bulky Goods, a hotel venue, wharf shed restaurants and hawkers market located on the wharf. The retail area also has a basement car park and an outdoor car park.

The commercial tower is a 12-floor complex of which nine floors are base building tenant space with 10 studio offices, car park facility and plant room. There are also 28 two-story residential town houses with car park.

KLM Group has designed a power solution for all sub mains, distribution boards and metering systems from the consumers mains through to the end users distribution boards, as well as all mains supplies to the mechanical plant.

*South Wharf Complex*

The lighting system is a full designed system including light fitting arrangement, C Bus lighting control and a fully monitored exit and emergency lighting system throughout the complex.

The communications system is a fully designed voice backbone system from 2 MDFs through to the end user floors with an optical fibre solution installed to all floor distributors throughout the building for future communications infrastructure.

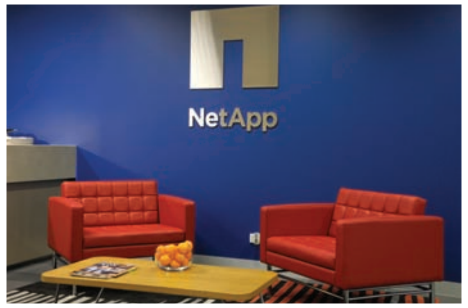
The MATV system is a fully designed Foxtel-compliant installation connected to all floor distributors throughout the complex with a complete connected system to the town houses ready for Foxtel connection.

## NETAPP

As a big multinational, NetApp's new Melbourne office required a seamlessly integrated audio visual solution.

Awarded the contract by Renascent, KLM Group commissioned four conference rooms, a training room, two meeting rooms, a breakout area and the reception – nine spaces in all. A fully automated Crestron touch panel interface was installed, where a conference call or training session can be set up without any specialist help.

The main training room incorporated wide screen projection for presentations, audio conferencing using Revolab wireless microphones and ceiling speakers including lectern with laptop input and microphone.




*NetApp's Melbourne Office*

## MULTIROLE HELICOPTER FACILITY

The Multirole Helicopter Facility project at Townsville RAAF base is the new home for the MP90 helicopters.

Working with Baulderstone Qld Pty Ltd, this project entailed refurbishment of three buildings. Allied Technologies Australia (ATA) commissioned a full electrical upgrade including C-Bus, Nexus, 400 HZ system and 28V system for testing the new helicopters.

The installation comprised the upgrade to both the Defence Restricted communications network and Defence secure network and the high-voltage ring main upgrade to 5th Aviation. This work included 3km of high-voltage cabling, redevelopment of three existing 11KV substations and construction of a complete new 2 MVA 11KV substation. ATA also installed audio visual services in the buildings for mission planning and training.

*Speciality Dali lighting controlled by C-BUS, highlights the design of the Yarra Footbridge arches*

# Our **People**

**We rely on our people – their enthusiasm, their ability, their commitment – to maintain and build on the success of our business. We depend on our people to deliver excellent service to our customers.**

KLM Group aims to attract, develop and retain the best people by engaging employees, providing career opportunities and ensuring all our people are treated with respect. We want to ensure that the working environments we create have an open two-way channel of communication.

Ensuring our people can perform their work safely is a priority. We believe incidents and injuries are preventable. We also aim to help employees balance work and family commitments, manage stress and have a healthy lifestyle.

All our relationships are founded on integrity, trust and ethical behaviour.

# Our **Directors**

**KLM Group's Board of Directors is responsible for corporate governance of the Company. The Board supports management with the development of the strategic direction of the Company, reviews strategic objectives, and monitors performance against those objectives. The Board of Directors is ultimately accountable to the company's shareholders. The board consists of the following members:**

**Rod Chadwick**
*Chairman*

Mr. Chadwick is Non-Executive Chairman of Ausmelt Limited, and a Director of TT Line Pty Ltd and Selpam Pty Ltd. He is a former Managing Director of Pacific Dunlop Limited. He is an advisory board member of PGA Management Pty Ltd, and Chairman of the Monash University Medical Foundation. He is past Chairman of Lighting Corporation Limited and a past advisory board member of Oracle Corporation Australia and New Zealand. He is a Fellow of the Australian Society of Certified Practising Accountants and the Australian Institute of Company Directors. He is a graduate of the Advanced Management Program, Harvard Business School. Rod was appointed Chairman in November 2004.

**Greg Jinks**
*Joint Managing Director*

Greg has specific responsibility for strategy and business development. Greg was a co-founder of the KLM Group and, with his brother, was a key driver of a business that has become one of Australia's major communications and data network infrastructure contractors. Greg has more than twenty-five years experience in the telecommunications sector particularly in the area of cabling and infrastructure, voice and laser and microwave wireless products. Greg was appointed Joint Managing Director of the Company in 2002.

**Peter Jinks**
*Joint Managing Director*

Peter has specific responsibility for operations and administration. Peter co-founded the KLM Group in 1980 and has been involved in the management of the business from its inception. He has over thirty years experience in technical services, specifically in electrical, data and communication consultation and management. Peter has been crucial to the positioning of the KLM Group as one of Australia's major communications and data network infrastructure contractors. Peter was appointed Joint Managing Director of the Company in 2002.

*Left to right: Alan Moore, Gary Beaton, Peter Jinks, Greg Jinks, Geoff Lord, Rod Chadwick, Mark Maine.*

**Geoff Lord**
*Non Executive Director*

Mr Lord has over 35 years experience in business management, and is Executive Chairman UXC Limited, Chairman and Chief Executive Officer of Belgravia Group and Chairman of LCM Limited. He is a director of Ausmelt Limited, IDT Australia, MaxiTRANS Industries Limited, Northern Energy Corporation Limited. He is also ex Chairman of the Hawthorn Football Club and current founder and Chairman of Melbourne Victory Football Club. Mr Lord holds a Bachelor of Economics (Honours) from Monash University, an M.B.A (Distinction) from Melbourne University, and ASSA, from Australian Institute of Company Directors. He joined KLM Group as a Non – Executive Director in May 2006.

**Mark Maine**
*Non Executive Director*

Mr Maine is an Accountant with significant experience in public company administration, corporate regulation and finance. Mr Maine has a Master of Commerce, Post Graduate Diploma in Commercial Law, a Bachelor of Business (Accounting) and is a Certified Practicing Accountant (CPA). Mr Maine is currently Executive Chairman of Peak Resources Limited and a Non Executive Director of Pacrim Energy Limited. Mr Maine has experience in corporate acquisitions, mergers, and capital raisings, as well as having an understanding of compliance and reporting standards required by a publicly listed company. Mr Maine joined KLM Group's predecessor Eftnet, as a Non-Executive Director in 2001.

**Alan Moore**
*Non Executive Director*

Mr Moore has had extensive experience at senior executive level over the last 25 years in major manufacturing businesses and has an extensive background in the electrical industry. His history includes consulting to the electrical industry and as Australian General Manager Sales and Operations, Hagemeyer Electrical Group. Mr Moore's understanding of the electrical industry and his strategic planning abilities will enable him to make a strong contribution to the ongoing development of the company. Mr Moore is a member of the National Institute of Accountants (NIA) and the Australian Institute of Company Directors (MAICD). He joined KLM Group as a Non – Executive Director in November 2004.

**Gary Beaton**
*Company Secretary*

Mr Gary Beaton has 23 years experience in the construction industry having spent 14 years with Clough Engineering (an Australian listed construction & engineering company) and 4 years with Global Pacific Group (a project management & civil engineering construction group) in senior financial roles. Within Clough his responsibility scope extended to (at times) the Eastern Australian States, Papua New Guinea and Fiji, while his role at Global was as Chief Financial Officer of the group. Prior to this time he gained 10 years of experience in industry and commerce in various financial positions. Mr Beaton is a Certified Practicing Accountant (CPA), holds a Graduate Diploma in Applied Corporate Governance and has first hand experience in corporate joint ventures with companies such as Siemens, Roche Bothers, Thiess and Kvearner. He joined KLM Group as Chief Financial Officer and Company Secretary in February 2004.

**Our vision is to be a successful national provider of totally integrated electrical and communications solutions, providing excellent customer service.**

Our business model is designed to work alongside our customers to help them manage the infrastructure assets for which they are held accountable throughout the life of those assets.

We offer a quality service, backed by 28 years of combined experience.

The Company sets out quality objectives that assist in the delivery of services that we provide. These include maximising customer satisfaction; continually improving and streamlining systems, policies, procedures and processes; investing in our people and instilling our commitment to quality in all our employees and suppliers.

Not only do we focus on important business success areas, we also integrate objectives with safety. KLM Group's Environmental Health and Safety policy is focused on developing, implementing and measuring numerous programs aimed at maintaining and enhancing the well-being of both our employees and customers, and minimising the environmental impacts of our business operations.

*Our Commitment to Quality;*

We are committed to providing a quality service. We work hard to maintain and improve the standard of service we provide. We are also committed to reducing the burden on our customers by providing many related services in the one installation – electrical, data communications, audio visual, video conferencing, security, energy management and lighting control solutions.

**Our company is committed to supporting our customers while maintaining our uncompromising principles of quality, service and integrity. We apply these principles to every aspect of our business and strive for continual improvement.**

# Our Committment, **Service, Quality**

Our highly skilled technical staff are knowledgeable in the range of installation services, hardware and software, and are continually updated by vendor training.

Flexibility is our specialty here at KLM Group, with the understanding that every installation is unique and that each customer's needs and expectations are unique. We offer custom designed services, and most of these designs originate from the customer.

Commitment is the cornerstone of KLM Group's accomplishments. KLM Group operates with a commitment to quality, service, and integrity.

*Our Commitment to Service;*

One of the reasons that 9000 customers have chosen KLM Group is because our employees listen to our customers and add value by providing products, installation and support services that take account of each customer's needs.

*Our Commitment to Integrity;*

Even in today's competitive markets, KLM Group is dedicated to consistently doing what is right for our customers, vendors, and employees.

# Our **Future**

**Our strength is based on national coverage, financial resources and 28+ years of business experience. We are committed to meeting the level of service quality expected by our customers, specifically professionalism, timely responses & accountability.**

Our future success will hinge on the Group's continued delivery of related services, providing our customers with the opportunity to have the one company deliver their electrical, data and communications requirements across Australia.

KLM Group is committed to delivering quality services, and enabling customers to benefit from our experience.

Skilled and motivated people are our most valuable resource as they shape the fundamental platform of our strategic drivers and are essential to our success. As an integrated electrical & communications solutions provider, our people represent our brand and they are our future.

KLM GROUP LIMITED ACN 089 479 676

*Financial report for the financial year ended 30 June 2009*

# Annual Financial **Report**

*Financial report for the financial year ended 30 June 2009*





## CORPORATE GOVERNANCE STATEMENT

KLM Group is committed to implementing the highest practical standards of corporate governance. The Company is pleased to advise that its practices are consistent with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The overriding objective of the corporate governance practices adopted by the company is to maintain and increase shareholder value in the company within an appropriate framework that protects the rights and interests of shareholders and ensures the company and its controlled entities are properly managed. This objective is supported by an organisation-wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

A summary of how the company complies with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations is included below. The various charters and policies are all available on the KLM Group web site: www.klmgroup.com.au.

| ASX Principle | Status | Reference/Comment |
|---|---|---|
| **Principle 1 Lay solid foundation for management oversight** | | |
| **1.1** Formalise and disclose the functions reserved to the Board and those delegated to management. | Complying | The Board has adopted a Corporate Governance policy which establishes the role of the Board and its relationship with management. The Board's role is to govern the Company rather than to manage it. In governing the Company, the Director's must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board. The functions and responsibilities of the Board and management are consistent with ASX Principle 1.A copy of the Corporate Governance policy is posted on the Company's website. |
| **Principle 2 Structure the Board to add value** | | |
| **2.1** A majority of the Board should be independent directors. | Complying | The composition of the KLM Board complies with practices recommended as a majority of the directors are Non-Executives. Directors are appointed on the specific skills required by the Company and on the independence of their decision-making and judgement. The current Board comprising four Non-Executive Directors and two Executive Directors is appropriate for the size of the company. |
| **2.2** The chairman should be an independent director. | Complying | The Chairman, Mr R.L Chadwick has been Chairman of the Company since November 2004 and was, at the date of his appointment and continues to be, independent. |
| **2.3** The roles of the Chairman and the Chief Executive Officer (or equivalent) should not be exercised by the same individual. | Complying | The positions of Chairman and Chief Executive Officer (or equivalent) are held by separate persons. |
| **2.4** The Board should establish a Remuneration committee. | Complying | The Remuneration Committee has three members. The current members of the Remuneration Committee are Non-Executive Directors', Mr A.C Moore, Mr G.F Lord and Mr R.L Chadwick. |
| **2.5** Provide the information indicated in the ASX Guidance Note 9A to reporting on principle 2. | Complying | The following information is set out in the Company's annual report:<br>• The skills and experience of Directors;<br>• The Directors considered by the Board to constitute independent Directors and the Company's materiality thresholds;<br>• A statement regarding Director's ability to take independent professional advice at the expense of the Company;<br>• The term of office held by each Director in office at the date of the report;<br>• The names of members of the Company's committees and their attendance at committee meetings. |
| **Principle 3 Promote ethical and responsible decision-making** | | |
| **3.1** Establish a code of conduct to guide the directors, the Chief Executive Officer (or equivalent) and any other key executives as to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Complying | The Company has formulated a Code of Conduct which can be viewed on the Company's website. |

## CORPORATE GOVERNANCE STATEMENT

| ASX Principle | Status | Reference/Comment |
|---|---|---|
| **Principle 3 Promote ethical and responsible decision-making (continued)** | | |
| **3.2** Disclose the policy concerning trading in company securities by directors, officers and employees. | Complying | The Company has adopted a Securities Trading Policy which can be viewed on its website. |
| **Principle 4 Safeguard integrity in financial reporting** | | |
| **4.1** Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. | Complying | The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Audit Committee reviews the Company's half yearly and annual financial statements and makes recommendations to the Board. The Board requires the Managing Director and Chief Executive Officer (or equivalent) and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. |
| **4.2** The Board should establish an audit Committee. | Complying | The Company has an Audit Committee. The Audit Committee provides a forum for the effective communication between the Board and the Company's external auditors. |
| **4.3** The audit committee should be structured so that it consists of only non-executive directors; a majority of independent directors, and have an independent chairperson who is not the chairman of the Board and have at least three members. | Complying | The Audit Committee has three members. Members are appointed by the Board and consist of the Non-Executive Directors Mr A.C Moore, Mr M.W Maine and Mr R.L Chadwick. The Audit Committee has an independent Chairman who is not the Chairman of the Board. Mr Alan Moore is the Chairman of the Audit Committee. |
| **4.4** The audit committee should have a formal charter. | Complying | The Audit Committee has a formal charter which sets out the Audit Committee's role and responsibilities, composition, structure and membership requirements. The Audit Committee is given the necessary power and resources to meet its charter. |
| **4.5** Provide the information indicated in the ASX Guidance Note 9A to reporting on Principle 4. | Complying | Details of the names and qualifications of the members of the Audit Committee and the number of meetings held and attended by each member are contained in the Director's Report of the Annual report. |
| **Principle 5 Make timely and balanced disclosure** | | |
| **5.1** Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. | Complying | The Company has a documented policy which has established procedures designed to ensure compliance with Australian Stock Exchange Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The policy can be viewed on the Company's website.<br>The Company Secretary is responsible for all communications with the Australian Stock Exchange. |
| **Principle 6 Respect the rights of shareholders** | | |
| **6.1** Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings. | Complying | The Board informs shareholders of all major developments affecting the Company's state of affairs as follows:<br>1. The Annual Report is distributed to all shareholders, including relevant information about the operations of the consolidated entity during the year and changes in the state of affairs.<br>2. The half-yearly report to the Australian Stock Exchange contains summarised financial information and a review of the operations of the consolidated entity during the period.<br>3. All major announcements to the Australian Stock Exchange are posted on the Company's website.<br>4. Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.<br>5. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. |





## CORPORATE GOVERNANCE STATEMENT

| ASX Principle | Status | Reference/Comment |
|---|---|---|
| **Principle 6 Respect the rights of shareholders (continued)** | | |
| **6.2** Request the external auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report. | Complying | The Company's auditor attends the Annual General Meeting. |
| **Principle 7 Recognise and manage risk** | | |
| **7.1** The Board or appropriate Board Committee should establish policies on risk oversight and management. | Complying | The Board is responsible for the Company's system of internal controls. The Board constantly monitors the operational and financial aspects of the Company's activities and, through the audit committee, the Board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the Company. The Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel. |
| **7.2** The Chief Executive Officer (or equivalent) and the Chief Financial Officers should state to the Board in writing that the statement given regarding the integrity of financial statements is founded on a sound system of risk management and internal compliance and control, that is operating efficiently and effectively in all material aspects. | Complying | The Managing Director and the Chief Financial Officer are required to state to the Board in writing that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects. |
| **Principle 8 Encourage enhanced performance** | | |
| **8.1** Disclose the process for performance evaluation of the Board, its committees and individuals, and key executives. | Complying | The Company has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Remuneration Committee takes responsibility for evaluating the Board's performance and the Company's key executives. |
| **8.2** Disclose whether a performance evaluation for the Board and its members has taken place in the reporting period and how it was conducted, in the corporate governance section of the Company's Annual Report. | Complying | The annual performance evaluation for the Board and its Members has recently been completed by the Remuneration Committee. No material internal deficiencies or issues were identified through the process. |
| **Principle 9 Remunerate fairly and responsibly** | | |
| **9.1** Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance. | Complying | Details of the Directors and key senior executives remuneration are set out in the Remuneration Report of the Annual report. |
| **9.2** The Board should establish a remuneration committee. | Complying | The Board has in place a Remuneration Committee.<br>The Remuneration Committee has three members, who are independent directors. This Committee is responsible for setting the terms and conditions of employment for the Joint Managing Directors, the Chief Financial Officer and senior executives. The Committee reviews and makes recommendations to the Board on the Company's incentive schemes and superannuation arrangements. |

## CORPORATE GOVERNANCE STATEMENT

| ASX Principle | Status | Reference/Comment |
|---|---|---|
| **Principle 9 Remunerate fairly and responsibly (continued)** | | |
| **9.3** Clearly distinguish the structure of non-executive directors' remuneration from that of executives. | Complying | The structure of non-executive Directors' remuneration is distinct from that of executives and is further detailed in the Remuneration Report of the Annual Report. |
| **9.4** Ensure that payment of equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. | Complying | The consolidated entity has an ownership-based remuneration scheme (ESOP) for executives. The scheme has shareholder approval. The Remuneration Committee is responsible for reviewing and monitoring executive performance, remuneration and incentive policies and the manner in which they should operate, the introduction and operation of share plans (ESOP), executive succession planning and development programs. |
| **9.5** Provide the information indicated in the ASX Guidance Note 9A to reporting on Principle 9. | Complying | The charter setting out the responsibilities of the Remuneration Committee has been adopted and a copy of this charter is posted on the Company's website. |
| **Principle 10 Recognise the legitimate interests of stakeholders** | | |
| **10.1** Establish and disclose a code of conduct to guide compliance with legal and other legitimate stakeholders. | Complying | The Company has in place a Code of Conduct which sets standards for the Board and employees in dealing with the Company's customers, suppliers, shareholders and other stakeholders. A copy of this Code of Conduct has been posted on the Company's website. |

## DIRECTORS' REPORT

The directors of KLM Group Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

### Directors

| *Name* | *Particulars* |
|---|---|
| R.L Chadwick | Chairman, Non-Executive Director |
| G.D Jinks | Executive Director |
| P.R Jinks | Executive Director |
| G.F Lord | Non-Executive Director |
| M.W Maine | Non-Executive Director |
| A.C Moore | Non-Executive Director |

The above named directors held office during and since the end of the financial year.

### Company Secretary

- Mr Gary Beaton – Certified Practicing Accountant, aged 51, Graduate Diploma in Applied Corporate Governance and Chief Financial Officer of the company.

### Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

| Name | Company | Period of directorship |
|---|---|---|
| **R.L Chadwick** | Ausmelt Limited | Since January 2008 |
| | Lighting Corporation Limited | September 2006 - January 2008 |
| **G. F Lord** | UXC Limited | Since September 2002 |
| | Triako Resources Limited | May 2000 - September 2006 |
| | Ausmelt Limited | Since February 2001 |
| | IDT | Since October 1998 |
| | Northern Energy Corporation Limited | Since November 2007 |
| | MaxiTRANS Industries Limited | Since October 2000 |
| | The MAC Services Group | April 2007 - July 2009 |
| **M.W Maine** | Pacrim Energy Limited | Since April 2005 |
| | Peak Resources Limited | Since August 2006 |
| | Balkans Gold Limited | March 2006 - October 2007 |
| | Newera Uranium Limited | March 2007 - April 2007 |
| **A. C Moore** | Longreach Group Limited | July 2006 - March 2007 |

Particulars of Directors and the Company Secretary are included on page 23 of the Annual Report.

## DIRECTORS' REPORT

### Principal activities

The consolidated entity's principal activities during the course of the financial year were the design, supply and installation of electrical, data, audio visual and communications cabling.

### Review of operations

Consolidated sales revenue for the financial year ended 30 June 2009 was $161.259 million (2008:$154.092 million).

Consolidated net profit after tax for the financial year ended 30 June 2009 was $1.035 million (2008:$2.181 million). A commentary on results is contained on page 4 of the Annual Report.

### Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

### Subsequent events

On 28 August 2009, the Board of Directors declared a fully franked dividend of 1.0 cent per ordinary share. Record date is 2 October 2009 and the dividend will be paid on 16 October 2009.

On 28 August 2009, the Board of Directors resolved to accept a revised financing facility offer from the Australia and New Zealand Banking Group (ANZ). The next review date for the facility will be the 14th August 2010. The revised facility consists of a total facility of $14 million, including a bank guarantee facility of $11 million and an overdraft facility of $3 million.

### Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

### Environmental regulations

The consolidated entity operates solely within the electrical, data, audio visual and communications industry and conducts its business activities with respect for the environment while continuing to meet the expectations of shareholders, customers, employees and suppliers. During the current period under review, the directors are not aware of any particular or significant environmental issues, which have been raised in relation to the consolidated entity's operations.

### Dividends

In respect of the financial year ended 30 June 2008, as detailed in the directors' report for that financial year, a final dividend of 1.0 cent per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 24 October 2008.

In respect of the financial year ended 30 June 2009, no interim dividends have been paid or declared since the start of the financial year.

In respect of the financial year ended 30 June 2009, the directors recommend the payment of a final dividend of 1.0 cent per share franked to 100% at 30% corporate income tax rate to the holders of fully paid ordinary shares on 16 October 2009.

### Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, and all office bearers of the company and of any related body corporate against any liability incurred whilst acting in the capacity of director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

KLM Group Limited, to the extent permitted by law, indemnifies each Director or Secretary against any liability, which results from their service as an officer of KLM Group Limited which does not arise out of conduct involving a lack of good faith and for costs incurred in defending proceedings in which judgement is given in favour of the person in which the person is acquitted.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.



DIRECTORS' REPORT

### Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 13 board meetings, 1 remuneration committee meeting and 2 audit committee meetings were held.

| | Board of directors | | Remuneration Committee | | Audit Committee | |
|---|---|---|---|---|---|---|
| Directors | Held | Attended | Held | Attended | Held | Attended |
| Rod Chadwick | 13 | 13 | 1 | 1 | 2 | 2 |
| Greg Jinks | 13 | 10 | - | - | - | - |
| Peter Jinks | 13 | 13 | - | - | - | - |
| Geoff Lord | 13 | 11 | 1 | 1 | - | - |
| Mark Maine | 13 | 11 | - | - | 2 | 2 |
| Alan Moore | 13 | 13 | 1 | 1 | 2 | 2 |

### Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

| Directors | Fully paid ordinary shares |
|---|---|
| Rod Chadwick | 300,000 (i) |
| Greg Jinks | 7,652,500 (i) |
| Peter Jinks | 7,157,500 (i) |
| Geoff Lord | 5,368,001 (i) |
| Mark Maine | 216,475 (i) |
| Alan Moore | 703,000 (i) |

(i) All directors' acquired their securities at market price and not via any executive or director share or benefit scheme.

## DIRECTORS' REPORT

### Share options

***Share options granted to directors and executives***

During and since the end of the financial year 1,000,000 share options each were granted to executives Clinton Chin and Romano Koncurat, in accordance with the terms of their remuneration contract.

***Share options held by directors and executives as at 30 June 2009***

| Executives | Number of options held | Issuing entity | Number of ordinary shares under option |
|---|---|---|---|
| Clinton Chin | 1,000,000 | KLM Group Ltd | 1,000,000 |
| Romano Koncurat | 1,000,000 | KLM Group Ltd | 1,000,000 |

Share options totalling 2,000,000 held by directors and executives at 30 June 2008 expired on 1 July 2008.

### Non-audit services

The directors are satisfied that the provision of non-audit services, during the 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.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 9 to the financial statements.

The directors are of the opinion that the services as disclosed in note 9 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### Auditors' independence declaration

The auditors' independence declaration is included on page 42 of the annual report.

### Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

### Remuneration report

***Remuneration policy for directors and executives***

The remuneration committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board. Remuneration packages are reviewed with due regard to performance, relevant comparative information and independent expert advice.

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the company's operations, the remuneration committee seeks the advice of external advisers in connection with the structure of remuneration packages.

Remuneration packages contain the following key elements:

- Short-term employee benefits – salary/fees, bonuses and non-monetary benefits including the provision of motor vehicles;
- Post-employment benefits – including superannuation and prescribed retirement benefits;
- Equity – share options granted under executive employment agreements;
- Other benefits.

## DIRECTORS' REPORT

***Remuneration policy for directors and executives (continued)***

The Board currently has no policy in respect of management personnel limiting their exposure to risk in relation to securities.

***Components of Remuneration***

| Elements of remuneration | Summary of performace condition |
|---|---|
| Fixed remuneration packages include base salary, motor vehicle provisions or allowances, other benefits and post employment superannuation. | No elements are dependent on performance conditions. |
| Variable remuneration - Short term incentive | Under the Group's short term incentive program, group executives annual cash bonus payments are based on performance against annual budgets and business plans.<br>The Group undertakes a rigorous and detailed annual planning and budgeting process. The Remuneration Committee in evaluating the short term performance of group executives considers the most relevant short term performance criteria as the achieving or exceeding of annual budgets, business plans and relevant qualitative objectives. |
| Retention options - Share based payments | No elements are dependent on performance conditions. Conditions are contained in individual employment agreements. |

### Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009. The decline in the company's share price this financial year has impacted the options issued to management.

Further details of the relationship between the remuneration policy and company performance are contained on pages 38-40.

| | 30 June 2009 $'000 | 30 June 2008 $'000 | 30 June 2007 $'000 | 30 June 2006 $'000 | 30 June 2005 $'000 |
|---|---|---|---|---|---|
| Revenue | 161,259 | 154,092 | 122,338 | 87,371 | 61,083 |
| Net Profit before tax | 1,717 | 3,199 | 5,651 | 3,605 | 1,913 |
| Net Profit after tax | 1,035 | 2,181 | 3,862 | 2,501 | 1,928 |

| | 30 June 2009 | 30 June 2008 | 30 June 2007 | 30 June 2006 | 30 June 2005 |
|---|---|---|---|---|---|
| Share price at start of year | $0.250 | $0.660 | $0.350 | $0.210 | $0.170 |
| Share price at end of year | $0.105 | $0.250 | $0.660 | $0.350 | $0.210 |
| Interim dividend[1] | 0 | 1.5cps | 1.5cps | 1.0cps | 1.0cps |
| Final dividend[1] | 1.0cps[2] | 1.0cps[2] | 1.5cps | 1.0cps | 1.0cps |
| Basic earnings cents per share | 1.73 | 3.65 | 6.55 | 5.02 | 4.79 |
| Diluted earnings cents per share | 1.73 | 3.62 | 6.42 | 4.75 | 4.49 |

[1] Franked to 100% at 30% corporate income tax rate.

[2] Declared after the balance date and not reflected in the financial statements.

# DIRECTORS' REPORT

## Specific Disclosure

This report covers the key management personnel of the Group. This includes the Directors of the parent company and the five highest remunerated executives of the Group.

### Director and senior management details

The following persons acted as directors of KLM Group Limited during and since the end of the financial year:

- Rod Chadwick (Chairman, Non-Executive)
- Greg Jinks (Executive)
- Peter Jinks (Executive)
- Geoff Lord (Non-Executive)
- Mark Maine (Non-Executive)
- Alan Moore (Non-Executive)

Except as noted, the five highest remunerated group executives of KLM Group Limited held their current position for the whole of the financial year and since the end of the financial year:

- Gary Beaton (Chief Financial Officer)
- Raymond Buckley (General Manager National Operations), appointed 14th October 2008
- Clinton Chin (Joint General Manager Central Region)
- Romano Koncurat (Joint General Manager Central Region)
- Brett Nash (General Manager Northern Region), resigned 19th December 2008
- Craig O'Brien (General Manager Southern Region),) redundant 10th February 2009
- Gerald Phelan (General Manager Northern Region), commenced 19th December 2008

# DIRECTORS' REPORT

## Employment contracts

Remuneration and other employment terms for the Executives and other key management personnel are formalised in a contract of employment. The major remuneration provisions of the contracts are set out below:

### Greg Jinks - Executive

*Term of agreement*

- The Company may terminate the contract on 12 months notice or by making payment in lieu of notice equal to 12 months total remuneration. Accrued untaken annual and long service leave will be entitled to be paid out. He may terminate the contract on 6 months notice.
- Where termination with cause occurs, only fixed compensation is payable up to the date of termination. Cash incentive and shares that may have been issued under a share and options plan shall be forfeited.

### Peter Jinks - Executive

*Term of agreement*

- The Company may terminate the contract on 12 months notice or by making payment in lieu of notice equal to 12 months total remuneration. Accrued untaken annual and long service leave will be entitled to be paid out. He may terminate the contract on 6 months notice.
- Where termination with cause occurs, only fixed compensation is payable up to the date of termination. Cash incentive and shares that may have been issued under a share and options plan shall be forfeited.

### Gary Beaton - Chief Financial Officer

*Term of agreement*

- Either party may terminate the agreement on 4 weeks notice, however the Company can terminate immediately for misconduct.
- No termination payments are applicable.

### Raymond Buckley - General Manager National Operations

(appointed 14th October 2008)

*Term of agreement*

- Either party may terminate the agreement on 4 weeks notice, however the Company can terminate immediately for misconduct.
- No termination payments are applicable.

### Clinton Chin - Joint General Manager Central Region

*Term of agreement – 1 July 2008 for a 3 year term.*

- Either party may terminate the agreement on 3 months notice, however the Company can terminate immediately for misconduct.
- No termination payments are applicable.

### Romano Koncurat - Joint General Manager Central Region

*Term of agreement – 1 July 2008 for a 3 year term.*

- Either party may terminate the agreement on 3 months notice, however the Company can terminate immediately for misconduct.
- No termination payments are applicable.

### Brett Nash - General Manager Northern Region

(resigned 19th December 2008)

*Term of agreement*

- Either party may terminate the agreement on 4 weeks notice, however the Company can terminate immediately for misconduct.
- No termination payments are applicable.

### Craig O'Brien - General Manager Southern Region

(redundant 10th February 2009)

*Term of agreement*

- Either party may terminate the agreement on 4 weeks notice, however the Company can terminate immediately for misconduct.
- No termination payments are applicable.

### Gerald Phelan - General Manager Northern Region

(commenced 19th December 2008)

*Term of agreement*

- Either party may terminate the agreement on 4 weeks notice, however the Company can terminate immediately for misconduct.
- No termination payments are applicable.

## REMUNERATION REPORT

### *Remuneration of directors and senior management*

The directors and the five identified group executives received the following amounts as compensation for their services as directors and executives of the company and/or the consolidated entity during the year:

| 2009 | Short-term employee benefits | | | Post-employment | Other long-term employee benefits | Equity | Termination benefits | Total | Performance Bonus Achieved |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Other | Super-annuation | | Options | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | % |
| **Non-executive directors** | | | | | | | | | |
| Rod Chadwick | 55,046 | - | - | 4,954 | - | - | - | 60,000 | - |
| Geoff Lord | 30,000 | - | - | - | - | - | - | 30,000 | - |
| Mark Maine | 27,523 | - | - | 2,477 | - | - | - | 30,000 | - |
| Alan Moore | 34,500 | - | - | - | - | - | - | 34,500 | - |
| **Executives directors** | | | | | | | | | |
| Greg Jinks (i) | 291,743 | 25,000 | - | 26,257 | 4,862 | - | - | 347,862 | - |
| Peter Jinks (i) | 291,743 | 25,000 | - | 26,257 | 4,862 | - | - | 347,862 | - |
| **Executives** | | | | | | | | | |
| Gary Beaton (ii) | 229,358 | - | - | 20,642 | 3,823 | - | - | 253,823 | - |
| Raymond Buckley (appointed 14/10/08) | 183,980 | - | - | 16,558 | 4,587 | - | - | 205,126 | - |
| Clinton Chin (iii) | 236,009 | 45,873 | - | 25,369 | 3,933 | 37,218 | - | 348,403 | 100% |
| Romano Koncurat (iii) | 236,009 | 45,873 | - | 25,369 | 3,933 | 37,218 | - | 348,403 | 100% |
| Brett Nash (iv),(v), (resigned 19/12/08) | 111,660 | - | - | 10,394 | 1,356 | - | - | 123,409 | - |
| Craig O'Brien (v), (redundant 10/2/09) | 123,676 | - | - | 9,938 | 1,731 | - | 16,201 | 151,546 | - |
| Gerald Phelan (vi),(commenced 19/12/08) | 192,661 | 20,000 | - | 17,339 | 3,211 | - | - | 233,212 | - |
| | 2,043,907 | 161,746 | - | 185,556 | 32,300 | 74,436 | 1 6,201 | 2,514,145 | |





## REMUNERATION REPORT (CONTINUED)

### *Remuneration of directors and senior management*

The directors and the five identified group executives received the following amounts as compensation for their services as directors and executives of the company and/or the consolidated entity during the year:

| 2008 | Short-term employee benefits | | | Post-employment | Other long-term employee benefits | Equity | Termination benefits | Total | Performance Bonus Achieved |
|---|---|---|---|---|---|---|---|---|---|
| | Salary & fees | Bonus | Other | Super-annuation | | Options | | | |
| | $ | $ | $ | $ | $ | $ | $ | $ | % |
| **Non-executive directors** | | | | | | | | | |
| Rod Chadwick | 55,044 | - | - | 4,954 | - | - | - | 59,998 | - |
| Geoff Lord | 30,000 | - | - | - | - | - | - | 30,000 | - |
| Mark Maine | 27,523 | - | - | 2,477 | - | - | - | 30,000 | - |
| Alan Moore | 31,125 | - | - | - | - | - | - | 31,125 | - |
| **Executives directors** | | | | | | | | | |
| Greg Jinks (i) | 274,524 | - | - | 24,707 | 4,587 | - | - | 303,818 | - |
| Peter Jinks (i) | 274,524 | - | - | 24,707 | 4,587 | - | - | 303,818 | - |
| **Executives** | | | | | | | | | |
| Gary Beaton (ii) | 210,480 | - | - | 18,943 | 3,517 | - | - | 232,940 | - |
| Clinton Chin (iii) | 220,181 | 16,000 | - | 19,816 | 3,413 | - | - | 259,410 | 32% |
| Romano Koncurat (iii) | 224,505 | 20,000 | - | 20,205 | 3,413 | - | - | 268,123 | 40% |
| Brett Nash (iv),(v), (resigned 19/12/08) | 182,703 | 207,225 | - | 15,173 | 2,725 | - | - | 407,826 | - |
| Craig O'Brien (v), (redundant 10/2/09) | 194,120 | - | | 17,471 | 2,808 | - | - | 214,399 | - |
| | 1,724,729 | 243,225 | - | 148,454 | 25,050 | - | - | 2,141,458 | |

### Elements of remuneration related to performance for the current financial year:

(i) G Jinks and P Jinks received a discretionary bonus in 2009 based on the consolidated entity's performance for the second half of the 2009 financial year. They did not receive a bonus in 2008 as they did not attain a targeted earning per share value. Their bonus was not linked to performance.

(ii) G Beaton did not receive a bonus in 2009 or 2008 as he is not under a formal bonus plan.

(iii) C Chin and R Koncurat received an incentive bonus for the 2009 financial year. This bonus is guaranteed to be paid to them every September for the next three years, as per their new employment agreement that commenced on 1 July 2008. This bonus is not linked to company performance. C Chin and R Koncurat each received a performance bonus for the financial year ended 30 June 2008 upon partly meeting specific revenue, net profit and debtor collection targets and subject to the final approval by directors. Their targets were based on stretch numbers with a maximum bonus payable of $50,000 each.

(iv) B Nash received a discretionary retention bonus on 13 May 2008. His bonus was not linked to performance.

(v) B Nash and C O'Brien did not receive an incentive bonus in 2009 or 2008. Their targets were based on full achievement of both Branch and Group EBIT targets. Had they reached these targets they would have been entitled to a bonus equating to 20% of their total remuneration package.

(vi) G Phelan received an incentive bonus in the 2009 financial year. His targets were based on full achievement of both Branch and Group EBIT targets.

As at the date of this report, the remuneration committee has decided not to implement the option grant scheme that was to be applied in the 2009 financial year, as stated in the 2008 annual report.

## REMUNERATION REPORT (CONTINUED)

### Remuneration of directors and senior management

***Executives' share option plan (ESOP)***

The consolidated entity has an ownership-based remuneration scheme for executives. In accordance with the provisions of the scheme, as approved by shareholders at an annual general meeting, executives of the consolidated entity may be granted options to purchase parcels of ordinary shares at an exercise price of not less than $0.20 per ordinary share. The number of options granted is at the absolute discretion of the Board, in accordance with the terms and conditions approved by shareholders at an annual general meeting.

The total number of options on issue under the ESOP at any time must not exceed 10 per cent of the total number of shares in the company on issue at that time. Each option entitles the holder to subscribe for one share at the exercise price. Exercising the options is subject to the terms of the ESOP and meeting any additional performance criteria imposed by the Board. Outstanding options do not carry the right to participate in any new issues of securities by the company. All shares issued under the ESOP rank equally in all respects with other shares of the company on issue.

The options expire within five years from the date of issue or the date on which the holder ceases to be an employee, whichever is the earlier, or such day that the Board in their absolute discretion determines.

To the date of this report, no options have been issued under the ESOP.

***Options issued under remuneration contracts***

On 28 November 2008 the Board of Directors issued 2,000,000 options to two executives, as per their remuneration contracts. In accordance with the conditions stated in their remuneration contracts, the options fully vested on 1 July 2009 and can be exercised at any time between the vesting date and the date of expiry (1 July 2011) and have an exercise price of $0.45. The options were not issued as part of the ESOP.



## DIRECTORS' REPORT

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

**Peter Jinks**
*Joint Managing Director*
28 August 2009

**Rod Chadwick**
*Chairman*
28 August 2009

*Auditor's Independence declaration to the directors of KLM Group Limited*

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
KLM Group Limited
71 Capel Street
WEST MELBOURNE
3003

28 August 2009

Dear Board Members

**Auditors Independence Declaration to KLM Group Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of KLM Group Limited.

As lead audit partner for the audit of the financial statements of KLM Group Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

DELOITTE TOUCHE TOHMATSU

**Chris Biermann**
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
**Deloitte Touche Tohmatsu**

*Independent Auditor's Report to the Members of KLM Group Limited*

Deloitte.

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# Independent Auditor's Report to the Members of KLM Group Limited

**Report on the Financial Report**

We have audited the accompanying financial report of KLM Group Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end as set out on pages 42 to 87.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated and company financial statements and notes, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of
**Deloitte Touche Tohmatsu**

*Independent Auditor's Report to the Members of KLM Group Limited*

Deloitte.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Auditor's Independence Declaration*

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

*Auditor's Opinion*

In our opinion:

(a) the financial report of KLM Group Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated and company financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 34 to 40 of the directors' report for the year ended 30 June 2009. 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.

*Auditor's Opinion*

In our opinion the Remuneration Report of KLM Group Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Biermann
Partner
Chartered Accountants
Melbourne, 28 August 2009

## DIRECTORS' DECLARATION

The directors declare that:

(a) 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;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

**Peter Jinks**
*Joint Managing Director*
28 August 2009

**Rod Chadwick**
*Chairman*
28 August 2009

## INCOME STATEMENT

*For the financial year ended 30 June 2009*

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| Sales revenue | 3 | 161,259 | 154,092 | 124,211 | 111,782 |
| Other revenue | 3 | 535 | 359 | 5,749 | 276 |
| Materials and consumables used | | (87,005) | (79,984) | (72,490) | (61,129) |
| Marketing and advertising expenses | | (146) | (146) | (105) | (108) |
| Administration expenses | | (2,894) | (2,734) | (3,052) | (2,039) |
| Premises expenses | | (1,245) | (1,205) | (939) | (792) |
| Motor vehicle expenses | | (2,764) | (2,601) | (1,688) | (1,634) |
| Employee benefit expenses | | (64,233) | (62,838) | (50,006) | (43,336) |
| Depreciation and amortisation | 5(b) | (1,103) | (1,028) | (787) | (770) |
| Finance costs | 4 | (153) | (171) | (153) | (171) |
| Impairment of goodwill | 5(c) | (263) | - | - | - |
| Other expenses | | (271) | (545) | (257) | (399) |
| **Profit before tax** | | 1,717 | 3,199 | 483 | 1,680 |
| Income tax (expense)/benefit | 6 | (682) | (1,018) | 274 | (558) |
| **Profit for the year** | | 1,035 | 2,181 | 757 | 1,122 |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity holders of the parent | 23 | 1,035 | 2,181 | 757 | 1,122 |
| Minority interest | | - | - | - | - |
| | | 1,035 | 2,181 | 757 | 1,122 |
| | | | | | |
| **Earnings per share:** | | | | | |
| Basic (cents per share) | 24 | 1.73 | 3.65 | | |
| Diluted (cents per share) | 24 | 1.73 | 3.62 | | |

*Notes to the financial statements are included on pages 50 to 87.*

## BALANCE SHEET

*As at 30 June 2009*

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **Current assets** | | | | | |
| Cash | 34(a) | 4,151 | 4,575 | 3,192 | 3,452 |
| Trade and other receivables | 10 | 20,392 | 21,161 | 14,239 | 13,938 |
| Inventories | 11 | 10,280 | 13,318 | 8,958 | 11,442 |
| Current tax assets | 6(b) | - | 179 | - | 59 |
| Other assets | 12 | 463 | 338 | 356 | 307 |
| **Total current assets** | | 35,285 | 39,571 | 26,745 | 29,198 |
| **Non-current assets** | | | | | |
| Plant and equipment | 13 | 2,834 | 3,062 | 1,783 | 2,045 |
| Deferred tax assets | 6(c) | 1,544 | 1,389 | 1,480 | 1,120 |
| Goodwill | 14 | 4,136 | 4,399 | 1,152 | 1,152 |
| Other intangible assets | 15 | 601 | 658 | 601 | 658 |
| Other financial assets | 16 | - | - | 4,505 | 5,866 |
| **Total non-current assets** | | 9,115 | 9,508 | 9,521 | 10,841 |
| **Total assets** | | 44,399 | 49,079 | 36,266 | 40,039 |
| **Current liabilities** | | | | | |
| Trade and other payables | 17 | 24,760 | 26,095 | 19,815 | 20,395 |
| Borrowings | 18 | 88 | 4,131 | 56 | 4,068 |
| Current tax payables | 6(b) | 206 | 507 | 92 | - |
| Provisions | 19 | 4,317 | 3,712 | 3,528 | 2,947 |
| **Total current liabilities** | | 29,371 | 34,445 | 23,491 | 27,410 |
| **Non-current liabilities** | | | | | |
| Borrowings | 18 | 132 | 216 | 131 | 181 |
| Provisions | 19 | 192 | 223 | 151 | 188 |
| **Total non-current liabilities** | | 325 | 439 | 282 | 369 |
| **Total liabilities** | | 29,695 | 34,884 | 23,774 | 27,779 |
| **Net assets** | | 14,704 | 14,195 | 12,492 | 12,260 |
| **Equity** | | | | | |
| Issued capital | 21 | 11,814 | 11,814 | 11,814 | 11,814 |
| Share based payment reserve | 22 | 74 | - | 74 | - |
| Retained profits | 23 | 2,817 | 2,381 | 604 | 446 |
| **Total equity** | | 14,704 | 14,195 | 12,492 | 12,260 |

*Notes to the financial statements are included on pages 50 to 87.*

## STATEMENT OF CHANGES IN EQUITY

*For the financial year ended 30 June 2009*

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **Retained earnings** | | | | | |
| Retained profits at the beginning of the year | | 2,381 | 1,994 | 446 | 1,118 |
| Net profit for year | | 1,035 | 2,181 | 757 | 1,122 |
| Dividends | 25 | (599) | (1,794) | (599) | (1,794) |
| **Retained earnings at the end of the year** | 23 | 2,817 | 2,381 | 604 | 446 |
| **Issued capital** | | | | | |
| Issued capital at the beginning of the year– 59,875,731 fully paid ordinary shares (1 July 2007 – 59,783,718) | | 11,814 | 11,764 | 11,814 | 11,764 |
| Securities issued to vendors to acquire TC Electrical - 92,013 shares | | - | 50 | - | 50 |
| **Issued capital at the end of the year- 59,875,731 fully paid ordinary shares (30 June 2008 59,875,731)** | 21 | 11,814 | 11,814 | 11,814 | 11,814 |
| **Shared based payment reserve** | | | | | |
| Shared based payment reserve | 22 | 74 | - | 74 | - |
| **Attributable to:** | | | | | |
| **Equity holders of the parent** | | 14,704 | 14,195 | 12,492 | 12,260 |
| Minority interest | | - | - | - | - |
| | | 14,704 | 14,195 | 12,492 | 12,260 |

*Notes to the financial statements are included on pages 50 to 87.*

## CASH FLOW STATEMENT

*For the financial year ended 30 June 2009*

| | | Consolidated | | Company | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 172,339 | 161,744 | 136,415 | 120,137 |
| Payments to suppliers and employees | | (165,998) | (155,146) | (132,701) | (115,390) |
| Interest received | | 38 | 129 | 20 | 94 |
| Interest and other costs of finance paid | | (153) | (171) | (153) | (171) |
| Income tax (paid)/refund received | | (954) | (2,204) | 66 | (1,718) |
| Net cash provided by operating activities | 34(e) | 5,272 | 4,352 | 3,648 | 2,952 |
| **Cash flows from investing activities** | | | | | |
| Amounts advanced from related parties | | - | - | 1,361 | 307 |
| Payment for plant and equipment | | (1,145) | (1,148) | (665) | (939) |
| Payment for intangible assets | 15 | (66) | (438) | (66) | (438) |
| Proceeds from sale of plant and equipment | | 240 | 276 | 123 | 173 |
| Proceeds from prior year sale of business | 34(c) | - | 344 | - | 344 |
| Payment for businesses acquired | 34(b) | - | (588) | - | (588) |
| Net cash (used in)/provided by investing activities | | (970) | (1,554) | 754 | (1,141) |
| **Cash flows from financing activities** | | | | | |
| Repayment of borrowings | | (129) | (366) | (64) | (174) |
| Dividends paid | 25 | (599) | (1,794) | (599) | (1,794) |
| Net cash used in financing activities | | (728) | (2,160) | (663) | (1,968) |
| **Net increase/(decrease) in cash** | | 3,574 | 638 | 3,738 | (157) |
| **Cash and cash equivalents at the beginning of the financial year** | | 577 | (61) | (546) | (389) |
| **Cash and cash equivalents at the end of the financial year** | 34(a) | 4,151 | 577 | 3,192 | (546) |
| **Reconciliation of net cash at the end of the year** | | | | | |
| Cash at bank and on hand | | 4,151 | 4,575 | 3,192 | 3,452 |
| Secured bank overdraft | | - | (3,998) | - | (3,998) |
| | 34(a) | 4,151 | 577 | 3,192 | (546) |

*Notes to the financial statements are included on pages 50 to 87.*

## NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 30 June 2009*

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. Significant accounting policies

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the consolidated entity. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated and company financial statements and notes comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 August 2009.

#### Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### (a) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all entities, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 29 to the financial statements. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Minority interest represents the portion of profit or loss and net assets in QOLIT Pty Ltd not held by the consolidated entity and are presented separately in the income statement and within equity in the consolidated balance sheet. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the consolidated entity except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### (b) Borrowings and other financial liabilities

Borrowings and other financial liabilities are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings and other financial liabilities are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (c) Cash

Cash comprises cash on hand and cash in banks, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### (d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

***Defined contribution plans***

Defined contribution plans are limited to making contributions in accordance with the minimum statutory requirements. The Company does not have any legal or constructive obligation to pay further contributions other than the amount that it agrees to contribute to the fund. Contributions to defined contribution plans are recorded as an expense in the income statement when incurred.

#### (e) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statments and the cost method in the company financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Significant accounting policies (continued)

***Loans and receivables***

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

***Investments***

Investments in subsidiaries are recorded at cost less impairment, where identified.

***Impairment of financial assets***

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequently recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

#### (f) Financial instruments issued by the company

***Debt and equity instruments***

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. The convertible note issued in prior periods is measured at amortised cost. No transaction costs were incurred.

***Transaction costs on the issue of equity instruments***

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

***Financial Liabilities***

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 35.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

#### (g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

#### (h) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

#### (i) Intangible assets

***Intangible assets acquired separately***

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

#### (j) Impairment of other tangible and intangible assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill and indefinite-life intangibles is tested annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.



NOTES TO THE FINANCIAL STATEMENTS

### 1. Significant accounting policies (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

#### (k) Income tax

***Current tax***

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

***Deferred tax***

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

***Current and deferred tax for the period***

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

***Tax consolidation***

The company, with its wholly-owned Australian resident entities have not elected to be taxed as a consolidated entity for taxation purposes as at reporting date.

#### (l) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals are recognised as expenses in the periods in which they are incurred.

#### (m) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

#### (n) Plant and equipment

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| • Leasehold improvements | 5 years |
| • Plant and equipment | 4 - 5 years |
| • Other assets | 3 - 5 years |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Significant accounting policies (continued)

#### (o) Provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### (p) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

***Sale of goods***

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the Buyer the significant risks and rewards of ownership of the goods.

***Rendering of services***

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

(i) installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at reporting date;

(ii) revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

***Interest revenue***

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

#### (q) Recoverable works

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the financial year plus the margin percentage earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Where a loss is expected to occur it is recognised immediately and is made for both work in progress completed to date and for future work on the contract.

#### (r) Share-based payments

Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

#### (s) New standards and interpretations not yet adopted

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the financial statements of the Company or the consolidated entity.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Significant accounting policies (continued)

At the date of authorisation of the financial report, the following Standards and Interpretations that are relevant to the company and the consolidated entity were in issue but not yet effective:

| | |
|---|---|
| Interpretation 15 'Agreements for the Construction of Real Estate' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 101 'Presentation of Financial Statements' (revised September 2007) AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' AASB 2007-10 ' Further Amendments to Australian Accounting Standards arising from AASB 101' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 123 'Borrowing Costs' (revised) AASB 2007-6 'Amendments to Australian Standards arising from AASB 123' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 8 'Operating Segments' AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 2008-1 'Amendments to Australian Accounting Standards - Share-based Payments: Vesting Conditions and Cancellations' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process' | Effective for annual reporting periods beginning on or after 1 January 2010 |
| AASB 2009-6 'Amendments to Australian Accounting Standards' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 2009-7 'Amendments to Australian Accounting Standards' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 3 'Business Combinations' | Effective for annual reporting periods beginning on or after 1 January 2009 |
| AASB 127 'Consolidated and Seperate Financial Statements' | Effective for annual reporting periods beginning on or after 1 January 2009 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

## 2. Critical accounting judgements and key sources of estimation uncertainty

***Critical judgements in applying the entity's accounting policies***

The following is the critical judgement (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

***Employee entitlements***

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries;
- future on cost rates; and
- experience of employee departures and period of service.

***Key sources of estimation uncertainty***

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

***Work in progress***

Management estimation on the cost to complete is by determining the stage of completion of the installation and time & material contracts incurred at the labour hours rate.

The revenue recognition is based on the stage of completion. Management have used judgement in recognising a portion of any unapproved variations and determining the final cost to complete of projects which forms the basis of revenue recognition based on cost to complete as discussed in Note 1(p). The outcomes within the next annual reporting period that are different from the assumptions applied could require a material adjustment to the carrying value of the WIP balance and the revenue recognised through the profit and loss.

***Intangible assets***

Useful lives of intangible assets with finite lives are reviewed annually. Any reassessment of useful lives in a particular year will affect the amortisation expense (either increasing or decreasing) through to the end of the reassessed useful life for both the current and future years.

***Impairment of goodwill***

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was $4.136 million (2008:$4.399 million). Impairment losses of $263 thousand (2008: nil) were recognised during the current financial year.

Details of the assumptions used are provided in note 14.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009<br>$'000 | 2008<br>$'000 | 2009<br>$'000 | 2008<br>$'000 |
| **3. Revenue** | | | | |
| An analysis of the consolidated entity's revenue for the year is as follows: | | | | |
| Sales revenue – rendering of services | 161,259 | 154,092 | 124,211 | 111,782 |
| Interest revenue – cash at bank | 38 | 129 | 20 | 94 |
| Management fees | - | - | 3,690 | - |
| Dividend income | - | - | 1,643 | - |
| Other revenue | 497 | 230 | 396 | 182 |
| **Total other revenue** | 535 | 359 | 5,749 | 276 |
| **Total revenue** | 161,794 | 154,451 | 129,960 | 112,058 |
| **4. Finance Costs** | | | | |
| Interest on bank overdrafts and loans | 153 | 171 | 153 | 171 |
| | 153 | 171 | 153 | 171 |

NOTES TO THE FINANCIAL STATEMENTS

## 5. Profit for the year

**(a) Gains and losses**

Profit for the year has been arrived at after crediting the following gains:

| | Consolidated | |
|---|---|---|
| | 2009<br>$'000 | 2008<br>$'000 |
| Gain on disposal of plant and equipment | 20 | 37 |
| Government assistance received for staff training | 182 | 74 |
| | 202 | 111 |

| | Company | |
|---|---|---|
| | 2009<br>$'000 | 2008<br>$'000 |
| Gain on disposal of plant and equipment | 30 | 12 |
| Government assistance received for staff training | 137 | 61 |
| | 167 | 73 |

**(b) Other expenses**

Profit for the year includes the following expenses:

| | Consolidated | |
|---|---|---|
| | 2009<br>$'000 | 2008<br>$'000 |
| Employee benefit expenses: | | |
| Post employment benefits: | | |
| Defined contribution plans | (3,625) | (3,912) |
| Equity-settled share based payments | (74) | - |
| | (3,699) | (3,912) |
| Other employee benefits: | | |
| Termination benefits | (157) | (73) |
| Doubtful Debts written off | (43) | (43) |
| Amortisation of intangibles | (66) | - |
| Depreciation of non-current assets – Plant & Equipment | (1,037) | (1,028) |
| | (1,103) | (1,028) |
| Operating lease rental expenses: | | |
| Minimum lease payments: | | |
| Premises | (934) | (876) |
| Motor vehicles | (1,423) | (1,158) |
| | (2,357) | (2,034) |

NOTES TO THE FINANCIAL STATEMENTS

## 5. Profit for the year (continued)

### (b) Other expenses

| | Company | |
|---|---|---|
| | 2009 $'000 | 2008 $'000 |
| Employee benefit expenses: | | |
| Post employment benefits: | | |
| Defined contribution plans | (2,845) | (2,732) |
| Equity-settled share based payments | ( 74) | - |
| | (2,919) | (2,732) |
| Other employee benefits: | | |
| Termination benefits | (65) | (11) |
| Doubtful Debts written off | (43) | (43) |
| Amortisation of intangibles | (66) | - |
| Depreciation of non-current assets – Plant & Equipment | (721) | (770) |
| | (787) | (770) |
| Operating lease rental expenses: | | |
| Minimum lease payments: | | |
| Premises | (703) | (556) |
| Motor vehicles | (848) | (753) |
| | (1,551) | (1,309) |

### (c) Impairment of goodwill and investments

| | Consolidated | |
|---|---|---|
| | 2009 $'000 | 2008 $'000 |
| Write-down of goodwill to recoverable amount | (263) | - |

| | Company | |
|---|---|---|
| | 2009 $'000 | 2008 $'000 |
| Write-down of goodwill to recoverable amount | - | - |

| | Consolidated | |
|---|---|---|
| | 2009 $'000 | 2008 $'000 |
| Impairment of subsidiary loan | - | - |

| | Company | |
|---|---|---|
| | 2009 $'000 | 2008 $'000 |
| Impairment of subsidiary loan | (682) | - |

NOTES TO THE FINANCIAL STATEMENTS

## 6. Income taxes

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **(a) Income tax expense/(benefit) recognised in profit** | | | | |
| **Tax expense/(benefit) comprises:** | | | | |
| Current tax expense | 821 | 1,239 | 77 | 746 |
| Deferred tax income relating to the origination and reversal of temporary differences | (155) | (220) | (360) | (187) |
| Adjustments recognised in the current year in relation to the current tax of prior years | 17 | (1) | 9 | (1) |
| **Total tax expense/(benefit)** | 682 | 1,018 | (274) | 558 |
| **The prima facie income tax expense/(benefit) on pre-tax accounting profit from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:** | | | | |
| Profit from operations | 1,717 | 3,199 | 483 | 1,680 |
| Income tax expense calculated at 30% | 515 | 960 | 145 | 504 |
| Impairment losses on goodwill that are not deductible | 79 | - | - | - |
| Effect of tax concessions (investment allowance) | (31) | - | (14) | - |
| Effect of revenue that is exempt from taxation | - | - | (493) | - |
| Effect of expenses that are not deductible in determining taxable profit | 102 | 59 | 79 | 55 |
| | 665 | 1,019 | (283) | 559 |
| Adjustments recognised in the current year in relation to the current tax of prior years | 17 | (1) | 9 | (1) |
| **Income tax expense/(benefit)** | 682 | 1,018 | (274) | 558 |

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

| | Consolidated 2009 | Consolidated 2008 | Company 2009 | Company 2008 |
|---|---|---|---|---|
| **(b) Current tax liabilities** | | | | |
| **Income tax payable/(receivable) attributable to:** | | | | |
| Parent entity | - | (59) | - | (59) |
| Subsidiaries | - | (120) | - | - |
| **Income tax receivables** | - | (179) | - | (59) |
| Parent entity | 92 | - | 92 | - |
| Subsidiaries | 114 | 507 | - | - |
| **Income tax payables** | 206 | 507 | 92 | - |

NOTES TO THE FINANCIAL STATEMENTS

## 6. Income taxes (continued)

**(c) Deferred tax assets**

Temporary differences

Deferred tax assets/(liabilities) arise from the following:

| 2009 | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Opening balance $'000 | Charged to income $'000 | Charged to equity $'000 | Acquisitions/ disposals $'000 | Exchange differences $'000 | Changes in tax rate $'000 | Closing balance $'000 |
| **Temporary differences** | | | | | | | |
| Trade Debtors | 158 | (22) | - | - | - | - | 136 |
| Employee benefit provisions | 1,016 | 213 | - | - | - | - | 1,229 |
| Accrued expenses | 67 | (19) | - | - | - | - | 49 |
| Plant & equipment | 168 | (20) | - | - | - | - | 148 |
| Other | (20) | 1 | - | - | - | - | (19) |
| | 1,389 | 155 | - | - | - | - | 1,544 |

| 2008 | Consolidated | | | | | | |
|---|---|---|---|---|---|---|---|
| | Opening balance $'000 | Charged to income $'000 | Charged to equity $'000 | Acquisitions/ disposals $'000 | Exchange differences $'000 | Changes in tax rate $'000 | Closing balance $'000 |
| **Temporary differences** | | | | | | | |
| Trade Debtors | 149 | 9 | - | - | - | - | 158 |
| Employee benefit provisions | 823 | 193 | - | - | - | - | 1,016 |
| Accrued expenses | 79 | (12) | - | - | - | - | 67 |
| Plant & equipment | 138 | 30 | - | - | - | - | 168 |
| Other | (20) | - | - | - | - | - | (20) |
| | 1,169 | 220 | - | - | - | - | 1,389 |

NOTES TO THE FINANCIAL STATEMENTS

## 6. Income taxes (continued)

**(c) Deferred tax assets**

| 2009 | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Opening balance $'000 | Charged to income $'000 | Charged to equity $'000 | Acquisitions/ disposals $'000 | Exchange differences $'000 | Changes in tax rate $'000 | Closing balance $'000 |
| **Temporary differences** | | | | | | | |
| Trade Debtors | 52 | 188 | - | - | - | - | 240 |
| Employee benefit provisions | 836 | 204 | - | - | - | - | 1,040 |
| Accrued expenses | 67 | 2 | - | - | - | - | 69 |
| Plant & equipment | 170 | (19) | - | - | - | - | 152 |
| Other | (5) | (16) | - | - | - | - | (21) |
| | 1,120 | 360 | - | - | - | - | 1,480 |

| 2008 | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Opening balance $'000 | Charged to income $'000 | Charged to equity $'000 | Acquisitions/ disposals $'000 | Exchange differences $'000 | Changes in tax rate $'000 | Closing balance $'000 |
| **Temporary differences** | | | | | | | |
| Trade Debtors | 51 | 1 | - | - | - | - | 52 |
| Employee benefit provisions | 670 | 168 | - | - | - | - | 836 |
| Accrued expenses | 79 | (12) | - | - | - | - | 67 |
| Plant & equipment | 138 | 32 | - | - | - | - | 170 |
| Other | (5) | - | - | - | - | - | (5) |
| | 933 | 187 | - | - | - | - | 1,120 |

NOTES TO THE FINANCIAL STATEMENTS

## 7. Key management personnel compensation

Except as noted, the key management personnel of KLM Group Limited held their current position for the whole of the financial year and since the end of the financial year:

**Directors:**

- Rod Chadwick (Chairman, Non-Executive)
- Greg Jinks (Executive)
- Peter Jinks (Executive)
- Geoff Lord (Non-Executive)
- Mark Maine (Non-Executive)
- Alan Moore (Non-Executive)

**Executives:**

- Gary Beaton (Chief Financial Officer)
- Raymond Buckley (General Manager National Operations), appointed 14th October 2008
- Clinton Chin (Joint General Manager Central Region)
- Romano Koncurat (Joint General Manager Central Region)
- Brett Nash (General Manager Northern Region), resigned 19th December 2008
- Craig O'Brien (General Manager Southern Region), redundant 10th February 2009
- Gerald Phelan (General Manager Northern Region), commenced 19th December 2008

The compensation of each member of key management personnel of the consolidated entity and the company for the current year is set out below:

| | Consolidated and Company | |
|---|---|---|
| | 2009<br>$ | 2008<br>$ |
| Short-term employee benefits | 2,205,653 | 1,967,954 |
| Post-employment benefits | 185,556 | 148,454 |
| Other long-term benefits | 32,300 | 25,050 |
| Share-based payments | 74,436 | - |
| Termination benefits | 16,201 | - |
| | 2,514,145 | 2,141,458 |

NOTES TO THE FINANCIAL STATEMENTS

## 8. Share based payments

### (a) Executives' share option plan (ESOP)

The consolidated entity has an ownership-based remuneration scheme for executives. In accordance with the provisions of the scheme, as approved by shareholders at an annual general meeting, executives of the consolidated entity may be granted options to purchase parcels of ordinary shares at an exercise price of not less than $0.20 per ordinary share. The number of options granted is at the absolute discretion of the Board, in accordance with the terms and conditions approved by shareholders at an annual general meeting.

The total number of options on issue under the ESOP at any time must not exceed 10 per cent of the total number of shares in the company on issue at that time. Each option entitles the holder to subscribe for one share at the exercise price. Exercising the options is subject to the terms of the ESOP and meeting any additional performance criteria imposed by the Board. Outstanding options do not carry the right to participate in any new issues of securities by the company.

All shares issued under the ESOP rank equally in all respects with other shares of the company on issue.

The options expire within five years from the date of issue or the date on which the holder ceases to be an employee, whichever is the earlier, or such day that the Board in their absolute discretion determines.

To the date of this report, no options have been issued under the ESOP.

### (b) Options issued under remuneration contracts

On 28 November 2008 the Board of Directors issued 2,000,000 options to two executives, as per their remuneration contracts. In accordance with the conditions stated in their remuneration contracts, the options fully vested on 1 July 2009 and can be exercised at any time between the vesting date and the date of expiry (1 July 2011) and have an exercise price of $0.45. The options were not issued as part of the ESOP.

The following options issued to executives expired on 1 July 2008.

**2008 Options – Series**

| Grant Date | Number | Vesting date | Expiry date | Exercise price<br>$ | Fair value at grant date<br>$ |
|---|---|---|---|---|---|
| 30/06/2003 | 500,000 | 30/06/2003 | 1/07/2008 | $0.20 | 22,500 |
| 30/06/2003 | 500,000 | 30/06/2004 | 1/07/2008 | $0.25 | 22,500 |
| 30/06/2003 | 500,000 | 30/06/2005 | 1/07/2008 | $0.30 | 22,500 |
| 30/06/2003 | 500,000 | 30/06/2006 | 1/07/2008 | $0.35 | 22,500 |

Options granted and on issue to executives as at 30 June 2009 are as follows;

**2009 Options – Series**

| Grant Date | Number | Vesting date | Expiry date | Exercise price<br>$ | Fair value at grant date<br>$ |
|---|---|---|---|---|---|
| 28/11/2008 | 1,000,000 | 1/07/2009 | 1/07/2011 | $0.45 | 37,218 |
| 28/11/2008 | 1,000,000 | 1/07/2009 | 1/07/2011 | $0.45 | 37,218 |

In accordance with the terms of the remuneration contracts, these options have vested and can be exercised at any time between the vesting date and date of expiry.

NOTES TO THE FINANCIAL STATEMENTS

The following reconciles the outstanding share options granted to executives at the beginning and end of the financial year:

## 8. Share based payments (continued)

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price $ | Number of options | Weighted average exercise price $ |
| Balance at beginning of the financial year | 2,000,000 | 0.28 | 2,000,000 | 0.28 |
| Granted during the financial year | 2,000,000 | 0.45 | - | - |
| Expired during the financial year | (2,000,000) | (0.28) | - | - |
| Balance at end of the financial year(i) | 2,000,000 | 0.45 | 2,000,000 | 0.28 |
| Exercisable at end of the financial year | 2,000,000 | 0.45 | 2,000,000 | 0.28 |

**(i) Balance at end of the financial year**

The share options outstanding at the end of the financial year had an exercise price between $0.45 and a weighted average remaining contractual life of 731 days.

## 9. Remuneration of auditors

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **Auditor of the parent entity** | | | | |
| Audit or review of the financial report | 188,017 | 131,300 | 188,017 | 131,300 |
| Taxation services | 28,613 | 26,475 | 28,613 | 26,475 |
| Other assurance services* | 25,000 | - | 25,000 | - |
| | 241,630 | 157,775 | 241,630 | 157,775 |

The auditor of KLM Group Limited is Deloitte Touche Tohmatsu.

* Review of JD Edwards data migration and the general computer control environment.

## 10. Trade and other receivables

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Trade receivables(i) | 20,516 | 21,357 | 15,035 | 14,109 |
| Allowance for doubtful debts | (124) | (196) | (796) | (171) |
| | 20,392 | 21,161 | 14,239 | 13,938 |



NOTES TO THE FINANCIAL STATEMENTS

## 10. Trade and other receivables (continued)

(i) The average credit period on invoiced amounts is 44 days (2008: 46 days). No interest is charged on receivables. An allowance has been made for estimated irrecoverable amounts from sales revenue, determined by reference to past default experience. The movement in the allowance for doubtful debts was recognised in the income statement for the current financial year.

The trade receivables balances at the end of the financial year include $3.964 million (2008: $1.104 million) due from the Group's two largest debtors at 30 June 2009. There are no other customers who represent more than 5% of the total balance of trade receivables.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| *Ageing of past due but not impaired* | | | | |
| 60 days | 797 | 1,931 | 490 | 1,296 |
| 90 days | 375 | 757 | 291 | 364 |
| >120 days | 1,380 | 2,284 | 519 | 1,738 |
| Total* | 2,552 | 4,972 | 1,300 | 3,398 |

* Included in total is $793 thousand (2008:$1.457 million) of contract retentions that are collectible 12 months from the completion of a number of projects.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| *Movement in the allowance for doubtful debts* | | | | |
| Balance at the beginning of the year | 196 | 169 | 171 | 169 |
| Additional provision/(impairment losses) recognised on receivables | (29) | 70 | (14) | 45 |
| Amounts written off as uncollectible | (43) | (43) | 639 | (43) |
| Balance at the end of the year | 124 | 196 | 796 | 171 |
| *Ageing of impaired trade receivables* | | | | |
| >120 days | 158 | 170 | 146 | 93 |
| Total | 158 | 170 | 146 | 93 |

## 11. Inventories

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Finished goods at cost | 252 | 252 | 177 | 177 |
| Work in progress | 10,027 | 13,066 | 8,781 | 11,265 |
| | 10,280 | 13,318 | 8,958 | 11,442 |

## 12. Other Assets

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Prepayments | 426 | 298 | 321 | 270 |
| Security deposits* | 37 | 40 | 35 | 37 |
| | 463 | 338 | 356 | 307 |

* These relate to the bond deposit for Melbourne and WA premises and storage bonds.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Plant and equipment

| | Consolidated | | | |
|---|---|---|---|---|
| | Leasehold improvements at cost<br>$'000 | Plant and equipment at cost<br>$'000 | Other assets at cost<br>$'000 | Total<br>$'000 |
| **Gross carrying amount** | | | | |
| **Balance at 1 July 2007** | 1,693 | 2,648 | 236 | 4,577 |
| Additions | 137 | 1,120 | 225 | 1,482 |
| Disposals | - | (79) | (252) | (331) |
| Acquisitions through business combinations | - | 155 | 141 | 296 |
| Reinstatement[i] | - | (577) | (116) | (693) |
| **Balance at 1 July 2008** | 1,830 | 3,267 | 234 | 5,331 |
| Additions | 365 | 476 | 238 | 1,078 |
| Disposals | (40) | (13) | (250) | (303) |
| Acquisitions through business combinations | - | - | - | - |
| **Balance at 30 June 2009** | 2,155 | 3,730 | 221 | 6,106 |
| **Accumulated depreciation/amortisation and impairment** | | | | |
| Balance at 1 July 2007 | (702) | (1,229) | (95) | (2,026) |
| Disposals | - | 66 | 26 | 92 |
| Depreciation expense | (333) | (612) | (83) | (1,028) |
| Reinstatement[i] | - | 577 | 116 | 693 |
| **Balance at 1 July 2008** | (1,035) | (1,198) | (36) | (2,269) |
| Disposals | - | 3 | 32 | 35 |
| Depreciation expense | (314) | (652) | (72) | (1,037) |
| **Balance at 30 June 2009** | (1,349) | (1,847) | (76) | (3,272) |
| **Net book value** | | | | |
| As at 30 June 2008 | 795 | 2,069 | 198 | 3,062 |
| As at 30 June 2009 | 806 | 1,883 | 145 | 2,834 |

[i] These related to the reinstatement of cost and accumulated depreciation for Allied Technologies Australia Pty Ltd at acquisition in 2007. The net impact is nil.



## NOTES TO THE FINANCIAL STATEMENTS

### 13. Plant and equipment (continued)

| | Company | | | |
|---|---|---|---|---|
| | Leasehold improvements at cost<br>$'000 | Plant and equipment at cost<br>$'000 | Other assets at cost<br>$'000 | Total<br>$'000 |
| **Gross carrying amount** | | | | |
| **Balance at 1 July 2007** | 1,327 | 2,225 | 56 | 3,608 |
| Additions | 93 | 852 | 137 | 1,082 |
| Disposals | - | (79) | (163) | (242) |
| Acquisitions through business combinations | - | 90 | 86 | 176 |
| **Balance at 1 July 2008** | 1,420 | 3,088 | 116 | 4,624 |
| Additions | 152 | 324 | 121 | 598 |
| Disposals | (40) | (11) | (105) | (156) |
| **Balance at 30 June 2009** | 1,532 | 3,402 | 132 | 5,067 |
| **Accumulated depreciation/amortisation and impairment** | | | | |
| Balance at 1 July 2007 | (675) | (1,201) | (17) | (1,893) |
| Disposals | - | 66 | 18 | 84 |
| Depreciation expense | (256) | (490) | (24) | (770) |
| **Balance at 1 July 2008** | (931) | (1,625) | (23) | (2,579) |
| Disposals | 1 | 1 | 13 | 15 |
| Depreciation expense | (210) | (474) | (37) | (721) |
| **Balance at 30 June 2009** | (1,140) | (2,098) | (47) | (3,285) |
| **Net book value** | | | | |
| As at 30 June 2008 | 489 | 1,463 | 93 | 2,045 |
| As at 30 June 2009 | 392 | 1,305 | 85 | 1,783 |

The following useful lives are used in the calculation of depreciation:

- Leasehold improvements 5 years
- Plant and equipment 4 - 5 years
- Other assets 3 - 5 years

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009<br>$000 | 2008<br>$000 | 2009<br>$000 | 2008<br>$000 |
| Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year: | | | | |
| Leasehold improvements | 314 | 333 | 210 | 256 |
| Plant and equipment | 652 | 612 | 474 | 490 |
| Other assets | 72 | 83 | 37 | 24 |
| | 1,037 | 1,028 | 721 | 770 |

NOTES TO THE FINANCIAL STATEMENTS

## 14. Goodwill

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **Gross carrying amount** | | | | |
| Balance at beginning of financial year | 4,399 | 3,598 | 1,152 | 614 |
| Additional amounts recognised from business combinations occurring during the period (note 30) | - | 801 | - | 538 |
| Balance at end of financial year | 4,399 | 4,399 | 1,152 | 1,152 |
| **Accumulated impairment losses** | | | | |
| Balance at beginning of financial year | - | - | - | - |
| Impairment losses for the year [i] | (263) | - | - | - |
| Balance at end of financial year | (263) | - | - | - |
| **Net book value** | | | | |
| At the beginning of the financial year | 4,399 | 3,598 | 1,152 | 614 |
| At the end of the financial year | 4,136 | 4,399 | 1,152 | 1,152 |

[i] During the financial year, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's Security Division (Qolit) was impaired by $.263 million (2008: $nil).The recoverable amount of the Security Division was assessed by reference to the cash-generating unit's value in use. A pretax discount factor of 17% per annum (2008:15% per annum) was applied in the value in use model.

No write-down of the carrying amount of goodwill for any other cash-generating unit was necessary.

Goodwill has been allocated for impairment testing purposes to cash generating units. Refer below for the allocation of goodwill to cash generating units.

| **Allocation of goodwill to cash-generating units** | Consolidated | |
|---|---|---|
| | 2009 $'000 | 2008 $'000 |
| Qolit (Security Division) | - | 263 |
| KLM Group Limited | 1,152 | 1,152 |
| North East Electrical Projects Pty Ltd | 518 | 518 |
| Allied Technologies Australia Pty Ltd | 2,466 | 2,466 |
| | 4,136 | 4,399 |

Each cash generating unit represents one or more operational divisions within the consolidated entity. Each cash generating unit's recoverable amount has been tested on the basis of its value in use. The key assumptions used in the value in use calculations for the various cash-generating units with significant indefinite life assets are as follows:

| Key assumption | KLM Group LTD | North East Electrical Projects Pty Ltd | Allied Technologies Australia Pty Ltd |
|---|---|---|---|
| Year one cash flows based on 5 year budget | Yes | Yes | Yes |
| Annual % revenue increase from year 3 | 5% | 5% | 5% |
| Pre-tax discount rate of 17% | Yes | Yes | Yes |
| Revenue increase of 5% beyond 4 years | Yes | Yes | Yes |
| Gross profit & net profit remains consistent as a % of sales | Yes | Yes | Yes |

All of the assumptions have been determined based on management's understanding of each cash generating unit with variables based on budgets prepared.



NOTES TO THE FINANCIAL STATEMENTS

## 15. Other intangible assets

| | Consolidated & Company |
|---|---|
| | Software Development |
| **Gross carrying amount** | |
| Balance at 1 July 2008 | 658 |
| Additions | 10 |
| Balance at 30 June 2009 | 668 |
| **Accumulated amortisation and impairment** | |
| Balance at 1 July 2008 | - |
| Amortisation expense | (66) |
| Balance at 30 June 2009 | (66) |
| **Net book value** | |
| As at 30 June 2009 | 601 |

## 16. Other financial assets

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Loans to subsidiaries | - | - | 1,280 | 2,641 |
| Investments in subsidiaries [i] | - | - | 3,225 | 3,225 |
| | - | - | 4,505 | 5,866 |

(i) Relates to investments in subsidiaries North East Electrical Projects Pty Ltd (June 2006) and Allied Technologies Australia Pty Ltd (July 2006).

## 17. Trade and other payables

| | | | | |
|---|---|---|---|---|
| Trade payables[i] | 16,896 | 16,714 | 14,437 | 14,071 |
| Accrued expenses | 2,007 | 2,619 | 1,505 | 2,139 |
| Goods and services tax (GST) payable | 756 | 831 | 756 | 389 |
| Deferred revenue | 5,101 | 5,931 | 3,117 | 3,796 |
| | 24,760 | 26,095 | 19,815 | 20,395 |

(i) The average credit period on major purchases of goods is 60 days. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest is charged on trade payables.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. Borrowings

| | Consolidated 2009 $'000 | Consolidated 2008 $'000 | Company 2009 $'000 | Company 2008 $'000 |
|---|---|---|---|---|
| **Current:** | | | | |
| Bank overdraft[i] | - | 3,998 | - | 3,998 |
| Bank loan[i] | - | 25 | - | 25 |
| Finance lease liabilities[ii] (note 27) | 88 | 108 | 56 | 45 |
| | 88 | 4,131 | 56 | 4,068 |
| **Non-Current:** | | | | |
| Finance lease liabilities[ii] (note 27) | 132 | 216 | 131 | 181 |
| | 220 | 4,347 | 187 | 4,249 |
| **Disclosed in the financial statements as:** | | | | |
| Current borrowings | 88 | 4,131 | 56 | 4,068 |
| Non-current borrowings | 132 | 216 | 131 | 181 |
| | 220 | 4,347 | 187 | 4,249 |

(i) Secured by a fixed charge over assets of the company.
(ii) Secured by the assets leased (refer note 13)

## 19. Provisions

| | Consolidated 2009 $'000 | Consolidated 2008 $'000 | Company 2009 $'000 | Company 2008 $'000 |
|---|---|---|---|---|
| **Current** | | | | |
| Employee benefits (note 20) | 4,251 | 3,610 | 3,462 | 2,845 |
| Deferred purchase price liability | 66 | 102 | 66 | 102 |
| | 4,317 | 3,712 | 3,528 | 2,947 |
| **Non-Current** | | | | |
| Employee benefits (note 20) | 192 | 123 | 151 | 88 |
| Deferred purchase price liability | - | 100 | - | 100 |
| | 192 | 223 | 151 | 188 |
| | 4,509 | 3,935 | 3,680 | 3,135 |

## 20. Aggregate employee benefits

The aggregate employee benefit liability recognised and included in the financial statements is as follows:

| | Consolidated 2009 $'000 | Consolidated 2008 $'000 | Company 2009 $'000 | Company 2008 $'000 |
|---|---|---|---|---|
| Provision for employee benefits: | | | | |
| Current (note 19) | 4,251 | 3,610 | 3,462 | 2,845 |
| Non-current (note 19) | 192 | 123 | 151 | 88 |
| Accrued wages and salaries[i] | 1,650 | 1,485 | 1,123 | 1,121 |
| | 6,093 | 5,218 | 4,737 | 4,054 |

(i) Accrued wages and salaries are included in the current trade payables balances as disclosed in note 17.

| | 2009 No. | 2008 No. | 2009 No. | 2008 No. |
|---|---|---|---|---|
| Number of employees at end of financial year | 736 | 810 | 560 | 633 |





NOTES TO THE FINANCIAL STATEMENTS

## 21. Issued capital

| | Consolidated 2009 $'000 | Consolidated 2008 $'000 | Company 2009 $'000 | Company 2008 $'000 |
|---|---|---|---|---|
| 59,875,731 fully paid ordinary shares (2008:59,875,731) | 11,814 | 11,814 | 11,814 | 11,814 |

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

| | Consolidated and Company | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | No. '000 | $'000 | No. '000 | $'000 |
| **Fully paid ordinary shares** | | | | |
| Balance at beginning of financial year | 59,876 | 11,814 | 59,784 | 11,764 |
| Shares issued on acquisition[i] | - | - | 92 | 50 |
| Balance at end of financial year | 59,876 | 11,814 | 59,876 | 11,814 |

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(i) On 5 February 2008, 92,013 shares were issued (subject to 12 months escrow) in part consideration for acquired business from TC Electrical Pty Ltd.

## 22. Share based payment reserve

| | Consolidated 2009 $'000 | Consolidated 2008 $'000 | Company 2009 $'000 | Company 2008 $'000 |
|---|---|---|---|---|
| Share based payment reserve[i] | 74 | - | 74 | - |

(i) On 28 November 2008, 1,000,000 options each were issued to executives Clinton Chin and Romano Koncurat. These options have fully vested and can be exercised anytime between now and the date of expiry (1 July 2011). The method used to value these options was Black Scholes.

| | Consolidated and Company | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | No. '000 | Exercise Price | No. '000 | Exercise Price |
| **Options** | | | | |
| Balance at beginning of financial year | 500 | 20c | 500 | 20c |
| Balance at beginning of financial year | 500 | 25c | 500 | 25c |
| Balance at beginning of financial year | 500 | 30c | 500 | 30c |
| Balance at beginning of financial year | 500 | 35c | 500 | 35c |
| Issue of options to executives | 2,000 | 45c | - | - |
| | 4,000 | | 2,000 | |
| Options expired | (500) | 20c | - | - |
| Options expired | (500) | 25c | - | - |
| Options expired | (500) | 30c | - | - |
| Options expired | (500) | 35c | - | - |
| Balance at end of financial year[ii] | 2,000 | | 2,000 | |

(i) Refer also to note 8(b) for further information.

NOTES TO THE FINANCIAL STATEMENTS

## 23. Retained earnings

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Balance at beginning of financial year | 2,381 | 1,994 | 446 | 1,118 |
| Net profit attributable to members of the parent entity | 1,035 | 2,181 | 757 | 1,122 |
| Dividends provided for or paid (note 25) | (599) | (1,794) | (599) | (1,794) |
| Balance at end of financial year | 2,817 | 2,381 | 604 | 446 |

## 24. Earnings per share

| | Consolidated | |
|---|---|---|
| | 2009 Cents per share | 2008 Cents per share |
| **Basic earnings per share** | 1.73 | 3.65 |
| **Diluted earnings per share:** | 1.73 | 3.62 |

**Basic earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Earnings[a] | 1,035 | 2,181 |
| | **2009 No.' 000** | **2008 No.' 000** |
| Weighted average number of ordinary shares for the purposes of basic earnings per share[b] | 59,876 | 59,821 |

(a) Earnings used in the calculation of total basic earnings per share is equal to the net profit in the income statement.

(b) The options (note 22) are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share. Where dilutive, potential ordinary shares are included in the calculation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

## 24. Earnings per share (continued)

**Diluted earnings per share**

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Earnings[a] | 1,035 | 2,181 |
| | **2009 No.' 000** | **2008 No.' 000** |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share[b] | 59,876 | 60,221 |

(a) Earnings used in the calculation of total diluted earnings per share reconciles to net profit in the income statement as follows:

| | 2009 $'000 | 2008 $'000 |
|---|---|---|
| Net profit | 1,035 | 2,181 |
| Earnings used in the calculation of diluted EPS | 1,035 | 2,181 |

(b) The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

| | 2009 No.' 000 | 2008 No.' 000 |
|---|---|---|
| Weighted average number of ordinary shares used in the calculation of basic EPS | 59,876 | 59,821 |
| Options | - | 400 |
| Weighted average number of ordinary shares used in the calculation of diluted EPS | 59,876 | 60,221 |

## NOTES TO THE FINANCIAL STATEMENTS

### 25. Dividends

| | Consolidated and Company | | | |
|---|---|---|---|---|
| | 2009 | | 2008 | |
| | Cents per share | Total $'000 | Cents per share | Total $'000 |
| **Recognised amounts** | | | | |
| Fully paid ordinary shares | | | | |
| Interim dividend: | | | | |
| Fully franked at a 30% tax rate | - | - | 1.5 cents | 897 |
| Final dividend: | | | | |
| Fully franked at a 30% tax rate | 1.0 cent | 599 | 1.5 cents | 897 |
| | | 599 | | 1,794 |
| **Unrecognised amounts** | | | | |
| Fully paid ordinary shares | | | | |
| Final dividend: | | | | |
| Fully franked at a 30% tax rate | 1.0 cent | 599 | 1.0 cent | 599 |

In respect of the financial year ended 30 June 2009, a dividend of $599 thousand (1.0 cent per share) was declared subsequent to year end. This dividend has not been provided for in the financial statements as at 30 June 2009. Payment of this dividend will decrease the franking account by $257 thousand.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Adjusted franking account balance | 3,255 | 3,169 | 2,940 | 2,873 |

### 26. Contingent liabilities

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| **Bank guarantee facility:** | | | | |
| Amount used(i) | 9,233 | 7,755 | 9,233 | 7,755 |
| Amount available | 767 | 2,245 | 767 | 2,245 |
| | 10,000 | 10,000 | 10,000 | 10,000 |

(i) This represents amounts guaranteed as contract retentions.

Details of the new facility arrangment that came into effect on 28 August 2009 are provided in note 33.



## NOTES TO THE FINANCIAL STATEMENTS

### 27. Leases

**Finance lease liabilities**

The Group has finance leases and hire purchase contracts for motor vehicles.

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minumum lease payments are as follows:

| | 2009 Minimum future lease payments $'000 | 2009 Present value of minimum future lease payments $'000 | 2008 Minimum future lease payments $'000 | 2008 Present value of minimum future lease payments $'000 |
|---|---|---|---|---|
| **Consolidated** | | | | |
| No later than 1 year | 102 | 88 | 125 | 108 |
| Later than 1 year and not later than 5 years | 145 | 132 | 246 | 216 |
| Minimum future lease payments* | 247 | 220 | 371 | 324 |
| Less future finance charges | (27) | - | (47) | - |
| Present value of minimum lease payments | 220 | 220 | 324 | 324 |
| Included in the financial statements are as: (note 18) | | | | |
| Current borrowings | | 88 | | 108 |
| Non-current borrowings | | 132 | | 216 |
| | | 220 | | 324 |

| | 2009 Minimum future lease payments $'000 | 2009 Present value of minimum future lease payments $'000 | 2008 Minimum future lease payments $'000 | 2008 Present value of minimum future lease payments $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| No later than 1 year | 70 | 56 | 63 | 45 |
| Later than 1 year and not later than 5 years | 144 | 131 | 210 | 181 |
| Minimum future lease payments* | 214 | 187 | 273 | 226 |
| Less future finance charges | (27) | - | (47) | - |
| Present value of minimum lease payments | 187 | 187 | 226 | 226 |
| Included in the financial statements are as: (note 18) | | | | |
| Current borrowings | | 56 | | 45 |
| Non-current borrowings | | 131 | | 181 |
| | | 187 | | 226 |

* Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

## NOTES TO THE FINANCIAL STATEMENTS

### 27. Leases (continued)

**Non-cancellable operating leases primarily relating to premises and motor vehicles.**

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $'000 | $'000 | $'000 | $'000 |
| **Non-cancellable operating lease payments** | | | | |
| Minimum lease payments: | | | | |
| Not longer than 1 year | 1,556 | 1,639 | 1,056 | 1,046 |
| Longer than 1 year and not longer than 5 years | 1,588 | 2,282 | 1,063 | 1,431 |
| | 3,144 | 3,921 | 2,119 | 2,477 |

The consolidated entity leases a number of premises throughout Australia. The rental period of each individual lease varies between one and five years with renewal options ranging from one to five years. The majority of lease agreements are subject to rental adjustments in line with movements in the Consumer Price Index.

The consolidated entity leases the majority of its motor vehicles from external suppliers over a lease period of up to five years with payments being monthly.

### 28. Segment reporting

The company operates solely within the electrical, data, audio visual and communications cabling industry in Australia.

### 29. Subsidiaries

| Name of entity | Country of incorporation | Ownership interest 2009 % | Ownership interest 2008 % |
|---|---|---|---|
| Parent entity | | | |
| KLM Group Ltd | Australia | | |
| Subsidiaries | | | |
| Qolit Australia Pty Ltd (i) | Australia | 70 | 70 |
| Allied Technologies Australia Pty Ltd (ii) | Australia | 100 | 100 |
| North East Electrical Projects Pty Ltd (ii) | Australia | 100 | 100 |

(i) Qolit Australia Pty Ltd was incorporated on 1 March 2007, with an issued capital of $1,000. KLM Group Ltd owns 70% of the ordinary shares on issue and Qolit Holdings Pty Ltd owns the remaining 30% of the ordinary shares on issue.

(ii) These controlled subsidiaries have entered into a deed of cross guarantee with KLM Group Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

## NOTES TO THE FINANCIAL STATEMENTS

The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee are:

### 29. Subsidiaries (continued)

| | Consolidated 2009 $'000 | Consolidated 2008 $'000 |
|---|---|---|
| **Income statement** | | |
| Sales revenue | 160,962 | 153,566 |
| Other revenue | 524 | 359 |
| Materials and consumables used | (86,901) | (79,864) |
| Marketing and advertising expenses | (146) | (145) |
| Administration expenses | (2,856) | (2,674) |
| Premises expenses | (1,237) | (1,137) |
| Motor vehicle expenses | (2,755) | (2,575) |
| Employee benefit expenses | (64,149) | (62,243) |
| Depreciation and amortisation | (1,076) | (997) |
| Finance costs | (153) | (171) |
| Other expenses | (271) | (536) |
| **Profit before tax** | 1,942 | 3,583 |
| Income tax | (670) | (1,133) |
| **Profit for the year** | 1,272 | 2,450 |
| **Balance sheet** | | |
| **Current assets** | | |
| Cash | 4,143 | 4,554 |
| Trade and other receivables | 20,390 | 21,147 |
| Inventories | 10,254 | 13,313 |
| Current tax assets | - | 59 |
| Other assets | 463 | 338 |
| **Total current assets** | **35,250** | **39,411** |
| **Non-current assets** | | |
| Plant and equipment | 2,766 | 2,966 |
| Deferred tax assets | 1,544 | 1,390 |
| Goodwill | 4,136 | 4,136 |
| Other intangible assets | 601 | 658 |
| Other financial assets | 682 | 569 |
| **Total non-current assets** | **9,730** | **9,719** |
| **Total assets** | **44,979** | **49,130** |
| **Current liabilities** | | |
| Trade and other payables | 24,754 | 25,963 |
| Borrowings | 56 | 4,047 |
| Current tax payables | 318 | 507 |
| Provisions | 4,317 | 3,702 |
| **Total current liabilities** | **29,445** | **34,219** |
| **Non-current liabilities** | | |
| Borrowings | 131 | 222 |
| Provisions | 192 | 224 |
| **Total non-current liabilities** | **323** | **446** |
| **Total liabilities** | **29,768** | **34,665** |
| **Net assets** | **15,212** | **14,465** |
| **Equity** | | |
| Issued capital | 11,814 | 11,814 |
| Share based reserves | 74 | - |
| Retained earnings* | 3,324 | 2,651 |
| **Total equity** | **15,212** | **14,465** |
| ***Retained earnings** | | |
| **Retained earnings at the beginning of the financial year** | 2,651 | 1,994 |
| Net Profit | 1,272 | 2,450 |
| Dividends provided for or paid | (599) | (1,794) |
| **Retained earnings as at the end of the financial year** | **3,324** | **2,651** |

## NOTES TO THE FINANCIAL STATEMENTS

### 30. Acquisition of businesses

| Names of businesses acquired | Principal activity | Date of acquisition | Proportion of shares acquired (%) | Cost of acquisition $'000 |
|---|---|---|---|---|
| **2009** | | | | |
| - | - | - | - | - |
| - | - | - | - | - |
| **2008** | | | | |
| TC Electrical [i] | Contracting | 1-Feb-08 | NA | 840 |
| Qolit [ii] | Security Integrator | 1-Jul-07 | 100 | - |

(i) The cost of this business acquisition comprises cash consideration and costs directly attributable to the acquisition. Included in the net loss after tax for the 2008 financial year is $111 thousand attributable to the additional business generated by TC Electrical.

(ii) No cash consideration was paid for this share acquisition. The acquisition included net liabilities acquired of $263 thousand. The acquisition has contributed a loss of $269 thousand from acquisition date to the end of the prior financial year.

No businesses were acquired during the 2009 financial year.

| 2008 | TC Electrical | | | Qolit | | | Total fair value on acquisition |
|---|---|---|---|---|---|---|---|
| | Book value | Fair value adjustment | Fair value on acquisition | Book value | Fair value adjustment | Fair value on acquisition | |
| **Net assets acquired** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Current assets:** | | | | | | | |
| Cash | - | - | - | - | - | - | - |
| Trade and other receivables | 406 | (116) | 290 | 104 | - | 104 | 394 |
| Inventories | 57 | - | 57 | 1 | - | 1 | 58 |
| **Non-current assets:** | | | | | | | |
| Plant & equipment | 176 | - | 176 | 120 | - | 120 | 296 |
| **Current liabilities:** | | | | | | | |
| Trade and other payables | (191) | 115 | (76) | (373) | - | (373) | (449) |
| Lease liabilities | (107) | - | (107) | (41) | - | (41) | (148) |
| Employee benefits | (38) | - | (38) | - | - | - | (38) |
| **Non-current liabilities:** | | | | | | | |
| Lease liabilities | - | - | - | (74) | - | (74) | (74) |
| | 303 | (1) | 302 | (263) | - | (263) | 39 |
| **Goodwill on acquisition** (note 14) | | | 538 | | | 263 | 801 |
| | | | 840 | | | - | 840 |
| **Cost of acquisition:** | | | | | | | |
| Share issued, at fair value (note 21) | | | 50 | | | - | 50 |
| Costs associated with the acquisition | | | 790 | | | - | 790 |
| **Total cost of acquisition** | | | 840 | | | - | 840 |

Further details of the businesses acquired is disclosed in note 34(b).



## NOTES TO THE FINANCIAL STATEMENTS

### 31. Related party transactions

**(a) Equity interests in related parties**

**Equity interests in subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 29 to the financial statements.

**(b) Key management personnel compensation**

Details of key management personnel remuneration are disclosed in note 7 to the financial statements.

**(c) Transactions with subsidiaries**

Details of amounts receivable from and payable to subsidiaries are disclosed in Note 16 to the financial statements. These amounts are unsecured and on commercial terms and conditions.

During the financial year ended 30 June 2009, the following transactions occurred between KLM Group Limited and its related parties:

- Qolit Australia Pty Ltd incurred $103,000 (2008:$194,000) and nil (2008:$1,000) in relation to providing materials and labour hire services to KLM Group Limited and Allied Technologies Australia Pty Ltd respectively. These amounts were recharged to these inter-companies during the financial year.
- KLM Group Limited incurred $837,000 (2008:$2,149,000), $375,000 (2008:$179,000) and nil (2008:$274,000) in relation to providing administration, labour hire,materials and consumables to Allied Technologies Australia Pty Ltd, North East Electrical Projects Pty Ltd and Qolit Australia Pty Ltd respectively. These amounts were recharged to these subsidiaries during the financial year.
- Allied Technologies Australia Pty Ltd incurred $150,000 (2008:$1,250,000), nil (2008:$6,000) and nil (2008:$1,000) in relation to providing materials and consumables to KLM Group Limited, Qolit Australia Pty Ltd and North East Electrical Projects Pty Ltd respectively. These amounts were recharged to these inter-companies during the financial year.
- North East Electrical Projects Pty Ltd incurred nil (2008:$103,000) and nil (2008:$14,000) in relation to providing materials and consumables to KLM Group Limited and Allied Technologies Australia Pty Ltd respectively. These amounts were recharged to these inter-companies during the financial year.
- KLM Group Ltd received dividends of $1,643,000 (2008:nil) from its subsidiary Allied Technologies Australia Pty Ltd during the financial year.

**(d) Transactions with other related parties**

During the financial year ended 30 June 2009, KLM Group Limited incurred $288,000 from Jigsaw Services as part of the integration costs of JD Edwards, an Oracle based financial system. Jigsaw Services is a wholly-owned subsidiary of UXC Limited of which Geoff Lord is Executive Chairman.

**(e) Key management personnel equity holdings**

*Fully paid ordinary shares of KLM Group Limited*

| | Balance at 1 July No. 2008 | Shares purchased No. | Granted as compensation No. | Received on exercise of options | Shares sold No. | Net other change | Balance at 30 June No. 2009 |
|---|---|---|---|---|---|---|---|
| **2009** | | | | | | | |
| **Directors** | | | | | | | |
| Chadwick, R | 300,000 | - | - | - | - | - | 300,000 |
| Jinks, G [i] | 7,152,500 | 500,000 | - | - | - | - | 7,652,500 |
| Jinks, P [i] | 7,157,500 | - | - | - | - | - | 7,157,500 |
| Lord, G [vi] | 9,569,907 | 5,185,701 | - | - | ( 9,387,607) | - | 5,368,001 |
| Maine, M | 216,475 | - | - | - | - | - | 216,475 |
| Moore, A | 703,000 | - | - | - | - | - | 703,000 |
| **Executives** | | | | | | | |
| Beaton, G | 85,000 | - | - | - | - | - | 85,000 |
| Buckley, R [ii] | - | 100,000 | - | - | - | - | 100,000 |
| Chin, C | - | - | - | - | - | - | - |
| Koncurat, R | - | - | - | - | - | - | - |
| Nash, B [iii] | 157,000 | - | - | - | - | (157,000) | - |
| O'Brien, C [iv] | 40,000 | - | - | - | - | (40,000) | - |
| Phelan, G [v] | 50,000 | - | - | - | - | - | 50,000 |
| **Totals** | 25,431,382 | 5,785,701 | - | - | ( 9,387,607) | (197,000) | 21,632,476 |
| **2008** | | | | | | | |
| **Directors** | | | | | | | |
| Chadwick, R | 300,000 | - | - | - | - | - | 300,000 |
| Jinks, G [i] | 6,752,500 | 400,000 | - | - | - | - | 7,152,500 |
| Jinks, P [i] | 6,757,500 | 400,000 | - | - | - | - | 7,157,500 |
| Lord, G | 9,569,907 | - | - | - | - | - | 9,569,907 |
| Maine, M | 216,475 | - | - | - | - | - | 216,475 |
| Moore, A | 703,000 | - | - | - | - | - | 703,000 |
| **Executives** | | | | | | | |
| Beaton, G | 85,000 | - | - | - | - | - | 85,000 |
| Chin, C | - | - | - | - | - | - | - |
| Koncurat, R | - | - | - | - | - | - | - |
| Nash, B [iii] | - | 157,000 | - | - | - | - | 157,000 |
| O'Brien, C [iv] | 40,000 | - | | | | | 40,000 |
| **Totals** | 24,424,382 | 957,000 | - | - | - | - | 25,381,382 |

(i) The shares owned by the director are held by a personally related entity. (ii) The shares owned by the executive are held by a personally related entity. He was appointed 14th October 2008. (iii) Resigned 19th December 2008. (iv) Redundant 10th February 2009. (v) Commenced 19th December 2008. (vi) Shares were involved in a funding arrangement with ANZ and Prime Brokers.

NOTES TO THE FINANCIAL STATEMENTS

## 31. Related party transactions (continued)

**(e) Key management personnel equity holdings (continued)**

*Share options of KLM Group Limited*

| | Balance at 1 July 2008 | Granted as compensation | Exercised | Expired | Balance at 30 June 2009 | Balance vested at 30 June 2009 | Vested and exercisable | Options vested during year |
|---|---|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. | No. | No. | No. |
| **2009** | | | | | | | | |
| **Directors** | | | | | | | | |
| Chadwick, R | - | - | - | - | - | - | - | - |
| Jinks, G | - | - | - | - | - | - | - | - |
| Jinks, P | - | - | - | - | - | - | - | - |
| Lord, G | - | - | - | - | - | - | - | - |
| Maine, M | - | - | - | - | - | - | - | - |
| Moore, A | - | - | - | - | - | - | - | - |
| **Executives** | | | | | | | | |
| Beaton, G | - | - | - | - | - | - | - | - |
| Buckley, R (appointed 14/10/08) | - | - | - | - | - | - | - | - |
| Chin, C [i] | 1,000,000 | 1,000,000 | - | (1,000,000) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Koncurat, R [i] | 1,000,000 | 1,000,000 | - | (1,000,000) | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Phelan, G (commenced 19/12/08) | - | - | - | - | - | - | - | - |

*Share options of KLM Group Limited*

| | Balance at 1 July 2007 | Granted as compensation | Exercised | Expired | Balance at 30 June 2008 | Balance vested at 30 June 2008 | Vested and exercisable | Options vested during year |
|---|---|---|---|---|---|---|---|---|
| | No. | No. | No. | No. | No. | No. | No. | No. |
| **2008** | | | | | | | | |
| **Directors** | | | | | | | | |
| Chadwick, R | - | - | - | - | - | - | - | - |
| Jinks, G | - | - | - | - | - | - | - | - |
| Jinks, P | - | - | - | - | - | - | - | - |
| Lord, G | - | - | - | - | - | - | - | - |
| Maine, M | - | - | - | - | - | - | - | - |
| Moore, A | - | - | - | - | - | - | - | - |
| **Executives** | | | | | | | | |
| Beaton, G | - | - | - | - | - | - | - | - |
| Chin, C [i] | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Koncurat, R [i] | 1,000,000 | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Nash, B (resigned 19/12/ 08) | - | - | - | - | - | - | - | - |
| O'Brien, C (redundant 10/2/09) | - | - | - | - | - | - | - | - |

(i) Share options granted via remuneration contracts. Further details of these options are contained in note 8.

**(f) Loan with director related entity**

None noted for the year.

**(g) Parent entity**

The parent entity in the consolidated entity is KLM Group Limited.

NOTES TO THE FINANCIAL STATEMENTS

## 32. Net tangible assets per share

| | Consolidated 2009 $ | Consolidated 2008 $ |
|---|---|---|
| Consolidated net tangible assets per share | 0.177 | 0.163 |

Net tangible assets as at 30 June 2009 was $10.568 million (2008:$9.796 million).

Net tangible assets includes all assets and liabilities but excludes goodwill.

## 33. Subsequent events

On 28 August 2009, the Board of Directors declared a fully franked dividend of 1.0 cent per ordinary share. Record date is 2 October 2009 and the dividend will be paid on 16 October 2009.

On 28 August 2009, the Board of Directors resolved to accept a revised financing facility offer from the Australia and New Zealand Banking Group (ANZ). The next review date for the facility will be the 14th August 2010. The revised facility consists of a total facility of $14 million, including a bank guarantee facility of $11 million and an overdraft facility of $3 million.

## 34. Notes to the cash flow statement

**(a) Reconciliation of cash**

For the purposes of the cash flow statement, cash includes cash on hand and in banks, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 $'000 | 2008 $'000 | 2009 $'000 | 2008 $'000 |
| Cash and cash equivalents | 4,151 | 4,575 | 3,192 | 3,452 |
| Bank overdraft (note 18) | - | (3,998) | - | (3,998) |
| | 4,151 | 577 | 3,192 | (546) |

**(b) Businesses acquired**

During the financial year, the consolidated entity did not acquire any businesses (2008: two businesses), nor were there any cash outflows on acquisitions. The total purchase consideration on acquisition was initially $840 thousand of which $588 thousand of cash was paid with the remainder being $50 thousand of shares and $202 thousand of deferred consideration. Deferred consideration has since been revised to $66 thousand. Refer note 30 for further details of these acquisitions.

**(c) Businesses disposed**

No businesses were disposed during the current financial year for the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

## 34. Notes to the cash flow statement (continued)

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $'000 | $'000 | $'000 | $'000 |
| **(d) Financing facilities** | | | | |
| *Secured bank overdraft facility:* | | | | |
| • amount used | - | 3,998 | - | 3,998 |
| • amount unused | 5,000 | 3,002 | 5,000 | 3,002 |
| | 5,000 | 7,000 | 5,000 | 7,000 |
| *Finance lease liabilities:* | | | 0 | |
| • amount used | 220 | 324 | 187 | 226 |
| • amount unused | - | - | - | - |
| | 220 | 324 | 187 | 226 |
| *Secured bank loan:* | | | | |
| • amount used | - | 25 | - | 25 |
| • amount unused | - | - | - | - |
| | - | 25 | - | 25 |
| *Interchangeable facility:* | | | | |
| • amount used | - | - | - | - |
| • amount unused | - | 8,000 | - | 8,000 |
| | - | 8,000 | - | 8,000 |

Further details regarding the company's new facility arrangement are contained in note 33.

| | Consolidated 2009 $'000 | Consolidated 2008 $'000 | Company 2009 $'000 | Company 2008 $'000 |
|---|---|---|---|---|
| **(e) Reconciliation of profit/(loss) for the year to net cash flows from operating activities** | | | | |
| Profit/(loss) for the year | 1,035 | 2,181 | 757 | 1,122 |
| (Gain) on disposal of non-current assets | (20) | (37) | (30) | (12) |
| Depreciation and amortisation | 1,103 | 1,028 | 787 | 770 |
| Decrease in current tax liability | (122) | (966) | 151 | (973) |
| Increase in current tax assets | (155) | (220) | (360) | (187) |
| Impairment of goodwill and investments | 263 | - | - | - |
| Equity settled share-based payment | 74 | - | 74 | - |
| Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses: | | | | |
| (Increase)/decrease in assets: | | | | |
| Current receivables | 769 | 1,627 | (301) | 4,215 |
| Current inventories | 3,038 | (2,816) | 2,484 | (4,358) |
| Other current assets | ( 88) | (137) | (14) | (115) |
| Increase/(decrease) in liabilities: | | | | |
| Current payables | (1,335) | 2,806 | (580) | 1,691 |
| Current provisions | 641 | 731 | 617 | 709 |
| Non-current provisions | 69 | 155 | 63 | 90 |
| Net cash provided by operating activities | 5,272 | 4,352 | 3,648 | 2,952 |



NOTES TO THE FINANCIAL STATEMENTS

## 35. Financial instruments

**(a) Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The consolidated entity and the company do not hold derivative financial instruments to hedge other market risk exposures, and do not hold or trade derivative financial instruments for speculative purposes.

Financial risks for the consolidated entity and the company include capital risk, liquidity risk and credit risk.

**(b) Capital risk management**

The consolidated entity manages its capital to ensure that entities in the consolidated entity will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Board of Directors reviews the capital structure on an annual basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the consolidated entity will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issues of new debt or the redemption of exisiting debt.

Under the bank facility agreement entered into in February 2009 (expires August 2009), the consolidated entity has not breached any of the covenants listed in the agreement.

Details of the new facility arrangement that came into effect on 28 August 2009 are provided in note 33.

| | Consolidated | | Company | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets/liabilities** | | | | |
| Debts (i) | ( 220) | (4,347) | (187) | (4,249) |
| Cash and cash equivalents | 4,151 | 4,575 | 3,192 | 3,452 |
| Net cash/(debt) | 3,931 | 228 | 3,005 | (797) |
| Equity (ii) | 14,704 | 14,195 | 12,492 | 12,260 |
| Net debt to equity ratio | 26.73% | 1.61% | 24.05% | -6.50% |

(i) Debt is defined as long- and short-term borrowings, as detailed in note 18.

(ii) Equity includes all capital and reserves.

**(c) Liquidity risk management**

The liquidity risk management rests with the Board of Directors and management, who have built an appropriate liquidity risk management framework for the management of the consolidated entity's short, meduim and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities 35(d) is a listing of additional undrawn facilities that the company/consolidated entity has at its disposal to further reduce liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

## 35. Financial instruments (continued)

**Liquidity and interest risk tables**

The following tables detail the maturity profile of financial assets and financial liabilties held by the consolidated entity and the company. The tables have been drawn up based on the undiscounted cash flows of financial liabilties based on the earliest date on which the consolidated entity can be required to pay. The table includes both interest and principal cash flows.

| Consolidated 2009 | Weighted average effective interest rate % | Less than 1 month $'000 | 1-3 months $'000 | 3 months to 1 year $'000 | 1-5 years $'000 | 5+ years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | | |
| Non interest bearing trade payables | - | 10,861 | 5,745 | 290 | - | - | 16,896 |
| Variable interest bank overdraft | 10.43 | - | - | - | - | - | - |
| Fixed interest rate bank loans | 7.70 | - | - | - | - | - | - |
| Finance lease liabilities | 9.32 | 9 | 27 | 66 | 145 | - | 247 |
| Non interest bearing employee benefits | - | - | - | 4,251 | 192 | - | 4,443 |
| | | 10,870 | 5,772 | 4,607 | 337 | - | 21,586 |

| Consolidated 2008 | Weighted average effective interest rate % | Less than 1 month $'000 | 1-3 months $'000 | 3 months to 1 year $'000 | 1-5 years $'000 | 5+ years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | | |
| Non interest bearing trade payables | - | 12,316 | 3,189 | 1,209 | - | - | 16,714 |
| Variable interest bank overdraft | 10.70 | - | - | 3,998 | - | - | 3 ,998 |
| Fixed interest rate bank loans | 7.70 | 2 | 4 | 22 | - | - | 28 |
| Finance lease liabilities | 8.74 | 13 | 26 | 86 | 246 | - | 371 |
| Non interest bearing employee benefits | - | - | - | 3,610 | 123 | - | 3,733 |
| | | 1 2,331 | 3,219 | 8,925 | 369 | - | 24,844 |



NOTES TO THE FINANCIAL STATEMENTS

## 35. Financial instruments (continued)

**Liquidity and interest risk tables** (continued)

| Company 2009 | Weighted average effective interest rate % | Less than 1 month $'000 | 1-3 months $'000 | 3 months to 1 year $'000 | 1-5 years $'000 | 5+ years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | | |
| Non interest bearing trade payables | - | 9,102 | 5,140 | 195 | - | - | 14,437 |
| Variable interest bank overdraft | 10.43 | - | - | - | - | - | - |
| Fixed interest rate bank loans | 7.70 | - | - | - | - | - | - |
| Finance lease liabilities | 8.88 | 5 | 16 | 49 | 144 | - | 214 |
| Non interest bearing employee benefits | - | - | - | 3,462 | 151 | - | 3,614 |
| | | 9,107 | 5,156 | 3,706 | 295 | - | 18,265 |

| Company 2008 | Weighted average effective interest rate % | Less than 1 month $'000 | 1-3 months $'000 | 3 months to 1 year $'000 | 1-5 years $'000 | 5+ years $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Financial liabilities:** | | | | | | | |
| Non interest bearing trade payables | - | 10,111 | 3,079 | 881 | - | - | 14,071 |
| Variable interest bank overdraft | 10.70 | - | - | 3,998 | - | - | 3 ,998 |
| Fixed interest rate bank loans | 7.70 | 2 | 4 | 22 | - | - | 28 |
| Finance lease liabilities | 8.88 | 6 | 12 | 45 | 210 | - | 273 |
| Non interest bearing employee benefits | - | - | - | 2,845 | 88 | - | 2,933 |
| | | 10,119 | 3,095 | 7,791 | 298 | - | 21,303 |

## NOTES TO THE FINANCIAL STATEMENTS

### 35. Financial instruments (continued)

**(d) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The consolidated entity has purchased a credit guarantee insurance cover for all customers, subject to the ongoing credit evaluation performed by the insurer on the financial condition of the customers and may reject some customer accounts subject to the outcome of the evaluation performed.

Except as disclosed in Note 10, the consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

**(e) Fair value of financial instruments**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value of receivables, net of impairment provision, and payables approximate their fair values due to their short-term nature.

**(f) Market risk**

***Interest rate risk management***

The consolidated entity is exposed to bank overdraft interest rate risk as the Group borrows funds at floating interest rates. The risk is managed by the Company and Group keeping the bank overdraft to a minimum level by increasing cash collections and obtaining favourable payment terms with suppliers. Refer to capital risk management section of this note.

The consolidated entity's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

***Interest rate sensitivity analysis***

The following table summarises the sensitivity of the Consolidated entity and the Company as at the reporting date to movements in interest rates. It is important to note that this interest rate sensitivity analysis assumes that all other economic variables remain constant. The information presented includes the type of sensitivity analysis used when reporting to key management personnel. The table illustrates the impact of a change in rates of 0.5%, a level that management believes to be a reasonably possible movement.

| | Per Note 3 & 4 | | | | 0.5% Increase | | | | 0.5% Decrease | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Consolidated | | Company | | Consolidated | | Company | | Consolidated | | Company | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest revenue | 38 | 129 | 20 | 94 | 44 | 168 | 23 | 122 | 32 | 90 | 17 | 66 |
| Interest expense | 153 | 171 | 153 | 171 | 161 | 195 | 161 | 195 | 145 | 147 | 145 | 147 |

Net impact on earnings at a 0.5% increase in interest rates will result in earnings decreasing by $2 thousand (2008:$15 thousand increase) for the Consolidated entity.

Net impact on earnings at a 0.5% increase in interest rates will result in earnings decreasing by $5 thousand (2008:$4 thousand increase) for the Company.

A net impact on earnings at a 0.5% decrease in interest rate will result in earnings increasing by $2 thousand (2008: $15 thousand decrease) for the Consolidated entity.

A net impact on earnings at a 0.5% decrease in interest rate will result in earnings increasing by $5 thousand (2008: $4 thousand decrease) for the Company.



## NOTES TO THE FINANCIAL STATEMENTS

### 36. Additional company information

KLM Group Limited is a listed public company, incorporated and operating in Australia.

#### KLM Group Limited

***Registered office***
71 Capel Street
West Melbourne
VIC 3003
Telephone (03) 9320-3444

***Principal place of business***
71 Capel Street
West Melbourne
VIC 3003
Telephone (03) 9320-3444

***Sydney Office***
Unit 1, 9-11 Chaplin Drive
Lane Cove
NSW 2066

***Brisbane Office***
Unit 2, 119 Breakfast Creek Road
Newstead
QLD 4006

***Canberra Office***
42 Hoskins Street
Mitchell
ACT 2911

***Perth Office***
28 Brown Street
East Perth
WA 6004

***Townsville Office***
151 Ingham Road
Townsville
QLD 4810

***Tasmania Office***
2/68 Sunderland Street
Derwent Park
TAS 7009

#### North East Electrical Projects Pty Ltd

***Adelaide Office***
28 Sunbeam Road
Glynde
SA 5070

#### Allied Technologies Australia Pty Ltd

***Townsville Office***
151 Ingham Road
Townsville
QLD 4810

***Brisbane Office***
Unit 1, 119 Breakfast Creek Road
Newstead
QLD 4006

***Adelaide Office***
28 Sunbeam Road
Glynde
SA 5070

***Canberra Office***
40 Hoskins St
Mitchell
ACT 2911

#### QOLiT Australia Pty Ltd

***Melbourne Office***
71 Capel Street
West Melbourne
VIC 3003

#### TCE Electrical

***Tasmania Office***
2/68 Sunderland Street
Derwent Park
TAS 7009

## ADDITIONAL STOCK EXCHANGE INFORMATION

*As at 12 August 2009*

**Number of holders of equity securities**

***Ordinary share capital***

- 59,875,731 fully paid ordinary shares are held by 1,062 individual shareholders.

All issued ordinary shares carry one vote per share, however, partly paid shares do not carry the rights to dividends.

***Options***

- 2,000,000 options are held by 2 individual option holders.

**Distribution of holders of equity securities**

| | | | Fully paid ordinary shares |
|---|---|---|---|
| 1 | - | 1,000 | 235 |
| 1,001 | - | 5,000 | 260 |
| 5,001 | - | 10,000 | 152 |
| 10,001 | - | 100,000 | 351 |
| 100,001 and over | | | 64 |
| | | | 1,062 |
| **Holding less than a marketable parcel** | | | 336 |

**Twenty largest holders of quoted equity securities**

| | Fully paid | |
|---|---|---|
| | Number | Percentage |
| Moller Volantor Pty Ltd | 14,285,000 | 23.86 |
| Belgravia Strategic Equities | 5,185,701 | 8.66 |
| Sandhurst Trustees Ltd | 3,334,561 | 5.57 |
| Fortis Clearing Nom PL | 3,188,000 | 5.32 |
| Cogent Nom PL | 2,219,719 | 3.71 |
| Avoca Cap Ptnrs PL | 1,247,420 | 2.08 |
| Aloizos John + Muriel P | 900,000 | 1.5 |
| Hedley John | 800,000 | 1.34 |
| Hobbs Mary Therese | 710,000 | 1.19 |
| Moore Alan Charles | 703,000 | 1.17 |
| Luton PL | 623,581 | 1.04 |
| Erith Nom PL | 580,000 | 0.97 |
| Sandhurst Trustees Ltd | 552,680 | 0.92 |
| Di Iulio Homes PL | 550,000 | 0.92 |
| Jinks Greg + Dorothy | 500,000 | 0.84 |
| Edmunds Shane Thomas | 427,272 | 0.71 |
| Cancer Ascendant Cap PL | 400,000 | 0.67 |
| Selpam PL | 390,000 | 0.65 |
| SG & KM Andrews PL | 364,460 | 0.61 |
| Dunn & Horne PL | 358,660 | 0.6 |
| | 37,320,054 | 62.33 |

## IBC - CORPORATE DIRECTORY

### Director's

Mr Rod Chadwick (Chairman)
Mr Greg Jinks (Joint Managing Director)
Mr Peter Jinks (Joint Managing Director)
Mr Geoff Lord (Non-Executive Director)
Mr Mark Maine (Non-Executive Director)
Mr Alan Moore (Non-Executive Director)

### Company Secretary

Mr Gary Beaton

### Registered Office

KLM GROUP LIMITED
71 Capel Street
West Melbourne Victoria 3003

### Bankers

AUSTRALIA AND NEW ZEALAND BANK (ANZ)
Level 8, 287 Collins Street
Melbourne Victoria 3000

### Auditors

DELOITTE TOUCHE TOHMATSU
550 Bourke St
Melbourne Victoria 3000

### Share Register

SECURITY TRANSFER REGISTRARS PTY LTD
770 Canning Highway
Applecross Western Australia 6153
Telephone +61 8 9315 2333
Facsimile +61 8 9315 2233

### Solicitors & Lawyers

HEBERT GEER & RUNDLE
Level 21, 385 Bourke Street
Melbourne Victoria 3000

### KLM Group Websites

**www.klmgroup.com.au**
**www.allied.com.au**
**www.northeastelectrical.com.au**
**www.tcelectrical.com.au**

KLMGROUP

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