

**ASX Announcement 16/04/12**

**Konekt Quarterly Report and Governance Update to Shareholders**

The Board of Konekt is committed to keeping you informed and updated on the progress of your company. This report is provided on a voluntary basis by the Directors.

**Unaudited Profit and Loss and Balance Sheet for 9 months ended 31 March 2012.**

Konekt today announced an unaudited profit before tax of \$728,000 for the 9 months ended March 31<sup>st</sup> which was 18.3% above the unaudited profit before tax for the prior corresponding period of \$616,000. This was struck on unaudited Revenues of \$24.8m, which were down 4.1% on the unaudited prior corresponding period of \$25.9m.

**Unaudited Profit and Loss and Balance Sheet for 3 months ended 31 March 2012.**

The unaudited profit before tax was \$190,000 for the quarter ended March 31<sup>st</sup>, 2012. This was struck on unaudited Revenues of \$8.0m, which were down 0.9% on the unaudited prior corresponding period of \$8.1m.

**Management Commentary**

Revenue for the quarter declined 0.9% versus the prior corresponding period. The trend commencing in 2010, and into 2011, where Konekt lost some Customer business and some market share in both the insurance and corporate sectors has continued, albeit with the pace of decline slowing this quarter. Some of the impact of the losses will continue to flow through for the full year. Partially offsetting these losses are a number of Customer wins, and re-signs.

The business flow into the sales pipeline remains steady, but still not compelling. Whilst much of the pipeline has not yet been converted, some promise of improvement is becoming evident. The conversion of leads to revenue is an area of focus for current management that is continuing.

Operating costs excluding depreciation were reduced by 4.4% versus the prior corresponding period with the principal reduction being staff costs and travel, being partially offset by increased external provider costs. These External Consultants are primarily used by Konekt to complete Functional and Medical testing as part of our pre-employment services, and will continue to fluctuate in line with both demand for these services and Konekt's Branch location footprint.

Overall Costs in 3Q 2011-12 were 2.0% lower than 2Q 2011-12, reflecting the continued management of costs within the company.

### Cash Position

The company's cash position on March 31<sup>st</sup> was \$619,000 versus December 31<sup>st</sup> at \$439,000, \$78,000 on September 30<sup>th</sup> and \$162,000 on June 30<sup>th</sup>. The primary explanations for this movement are Current Receivables improving \$340,000, increased Profit before Tax, offset by reduction in Current Trade and Other Payables by \$296,000 during the 9 months to March 31<sup>st</sup>.

### Capitalised Software

During the third quarter, we invested \$109,000 as an ongoing investment on a new software product designed to capture report and manage safety risks, hazards and incidents. This investment will continue next quarter, however, the first Customers have gone live during March, 2012. We await their feedback as we continue the new product solutions.

### 4<sup>th</sup> Quarter Comparison 2010-11

The company did not produce a quarterly report for the 4<sup>th</sup> quarter 2010-11, and therefore provides this prior corresponding period comparison for the benefit of shareholders looking to the 4<sup>th</sup> quarter 2011-12.

\$000s	Q1	Q2	Q3	Q4*	FY11	Q1	Q2	Q3	FY12 YTD
Revenue	9,019	8,756	8,095	8,402	34,272	8,655	8,135	8,024	24,814
Expenses	8,615	8,534	8,105	8,491	33,745	8,264	7,988	7,834	24,085
PBT	404	222	-10	-89	527	391	147	190	728

\* Q4 2010-11 expenses exclude CEO payout of \$342,108

## **Outlook**

The company remains somewhat cautious on its outlook. The business remains at low margins, and whilst the revenue decline has somewhat halted this quarter, for the 9 months this year it is nevertheless negative.

However, on the basis of customer feedback the Company is becoming more confident of its ability to improve its Care outcomes for our Customers. On that basis, the company is currently expecting a profit in 4<sup>th</sup> quarter 2011-12, versus the loss before tax of \$431,000 after the CEO payout, and a loss of \$89,000 before the CEO payout in the prior corresponding period.

Your Directors are, however, increasingly confident of the ability to convert your working capital and profits to cash. As a consequence, your Directors expect to report a higher cash balance at year end than the \$619,000 reported on March 31<sup>st</sup>.

*For further information:*

Damian Banks  
Chairman  
Konekt Limited  
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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Konekt Limited

ABN

79 009 155 971

Quarter ended ("current quarter")

31 March 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	8,877	27,548
1.2 Payments for (a) staff and suppliers	(8,535)	(26,774)
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	11
1.5 Interest and other costs of finance paid	(3)	(4)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net operating cash flows</b>	344	781

+ See chapter 19 for defined terms.



**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	344	781
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(34)	(87)
(e) other non-current assets	(109)	(184)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
	(143)	(271)
<b>Net investing cash flows</b>		
1.14 <b>Total operating and investing cash flows</b>	201	510
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	21
1.18 Repayment of borrowings	(21)	(74)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
	(21)	(53)
<b>Net financing cash flows</b>		
	180	457
<b>Net increase (decrease) in cash held</b>		
1.21 Cash at beginning of quarter/year to date	439	162
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	619	619

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	142
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	3,000	-

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**Appendix 4C**  
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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	619	439
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>619</b>	<b>439</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	N/A	N/A
5.3 Consideration for acquisition or disposal	N/A	N/A
5.4 Total net assets	N/A	N/A
5.5 Nature of business	N/A	N/A

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 16 April 2012  
 Director

Print name: Damian Banks

**Notes**

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1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR 9 MONTHS ENDED 31 MARCH 2012  
(Unaudited)**

	Consolidated 31-March-12 \$'000s	Consolidated 2010-11 Year \$'000s
<b>Revenue from continuing operations</b>	24,627	34,135
Other income	197	176
External consultants	(1,767)	(2,250)
Depreciation and amortisation expenses	(179)	(320)
Finance costs	(4)	(8)
Share based payments expense	(21)	(9)
Salaries and employment related costs	(16,755)	(23,315)
Property expenses	(2,253)	(3,163)
Communication expenses	(623)	(864)
Motor vehicle and equipment expenses	(854)	(1,310)
Travel and accommodation expenses	(304)	(710)
Other expenses from continuing operations	(1,336)	(2,177)
<b>Profit from before income tax expense</b>	<b>728</b>	<b>185</b>
Income tax credit / (expenses)	(218)	20
<b>Profit for the period</b>	<b>510</b>	<b>205</b>
<b>Total comprehensive income for the period</b>	<b>510</b>	<b>205</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2012  
(Unaudited)**

	Consolidated 31-March-12 \$'000s	Consolidated 2010-11 Year \$'000s
<b>Current Assets</b>		
Cash and cash equivalents	619	162
Trade and other receivables	4,328	4,668
Work in Progress	721	725
Other assets	193	175
<b>Total Current Assets</b>	<b>5,861</b>	<b>5,730</b>
Other receivables	44	113
Plant & equipment	409	493
Tax assets	1,556	1,774
Intangible assets	3,747	3,570
<b>Total Non Current Assets</b>	<b>5,756</b>	<b>5,950</b>
<b>Total Assets</b>	<b>11,617</b>	<b>11,680</b>
<b>Current Liabilities</b>		
Trade and other payables	3,147	3,514
Provisions	40	300
Interest bearing liabilities	44	67
<b>Total Current Liabilities</b>	<b>3,231</b>	<b>3,881</b>
<b>Non Current Liabilities</b>		
Interest bearing liabilities	-	17
Provisions	370	273
Trade and other payables	50	75
<b>Total Non Current Liabilities</b>	<b>420</b>	<b>365</b>
<b>Total Liabilities</b>	<b>3,651</b>	<b>4,246</b>
<b>Net Assets</b>	<b>7,966</b>	<b>7,434</b>
<b>Equity</b>		
Contributed equity	39,165	39,165
Reserves	260	239
Accumulated losses	(31,459)	(31,970)
<b>Total Equity</b>	<b>7,966</b>	<b>7,434</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR 9 MONTHS ENDED 31 MARCH 2012  
(Unaudited)**

	Consolidated 31-March-12 \$'000s	Consolidated 2010-11 Year \$'000s
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	27,548	36,911
Payments to suppliers and employees	(26,774)	(37,534)
Interest received	11	11
Interest paid	(4)	(8)
<b>Net cash flows (used in)/provided by Operating Activities</b>	<b>781</b>	<b>(620)</b>
<b>Cash Flows from Investing Activities</b>		
Payment for acquisition of physical non-current assets	(87)	(50)
Payment for acquisition of other non-current assets	(184)	-
<b>Net cash flows used in Investing Activities</b>	<b>(271)</b>	<b>(50)</b>
<b>Cash Flows from Financing Activities</b>		
Net proceeds from issue of ordinary shares	-	125
Cost of share buy-back	-	-
Proceeds from borrowings	21	-
Repayment of borrowings	(74)	(48)
Dividends paid	-	(374)
<b>Net cash flows (used in)/provided by Financing Activities</b>	<b>(53)</b>	<b>(297)</b>
<b>Net (decrease)/increase in cash held</b>	<b>457</b>	<b>(967)</b>
Cash and cash equivalents at the beginning of the financial year	162	1,129
<b>Cash and cash equivalents at the end of the financial year</b>	<b>619</b>	<b>162</b>