

KONEKT LIMITED

A.C.N. 009 155 971

ASX Preliminary Final Report Appendix 4E

30 June 2010

Lodged with the ASX under Listing Rule 4.3A

ASX Announcement – Konekt Ltd – Full year Results

Financial Results for 2009 - 10

Konekt Limited (ASX: KKT) announces its unaudited financial results for the full year to 30 June 2010.

Konekt is pleased to announce record revenue and profits.

The trading result was an EBIT profit of \$2,210k. This was an \$863k improvement on the prior year, equating to a 64% improvement. The pre-tax profit was \$2,126k, compared with a net profit of \$1,174k in the previous year, representing an 81% improvement. After tax profit of \$3,880k was positively impacted by a \$2,430k tax credit from recognition of prior year tax losses and temporary differences offset by current year tax expense of \$676k.

The 2010 financial year was one that saw continued improvements delivering a higher level of efficiency, and higher margins as well as good revenue growth coming from differentiation through service delivery and technology.

There was a significant positive cashflow of \$2,868k resulting in clearance of bank debt and having funds on deposit of \$1,129k at year end.

Revenue

Revenue growth for the year was 12% with full year revenues of \$36.2m. Revenue growth was all organic as a result of continued growth of our customer base.

Outlook

We enter the 2011 financial year confident that our business is well placed to continue to deliver organic revenue and profit growth. We are looking at new offerings targeted at Corporates to significantly grow revenues. We anticipate further growth from our insurer customers as we differentiate ourselves and win additional value-add services.

In addition to organic growth Konekt expects to reignite its acquisition strategy subject to availability of suitable targets on economic terms.

KONEKT LIMITED AND CONTROLLED ENTITIES
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Summary Results for the year to 30 June 2010

The following is a summary of the financial results for the year ended 30 June 2010 (previous corresponding period 30 June 2009).

Results for announcement to the market

	Year ended 30 June 2010 \$000s	Year ended 30 June 2009 \$000s	Increase/ (Decrease)	% Change
Revenue from Continuing Operations	36,187	32,284	3,903	Up 12.1 %
Profit before interest, tax, depreciation and amortisation ("EBITDA")	2,596	1,814	782	Up 43.1 %
Profit before interest and tax ("EBIT")	2,210	1,347	863	Up 64.1 %
Net Profit before tax ("PBT")	2,126	1,174	952	Up 81.1 %
Income tax credit	1,754	-	1,754	
Net Profit attributable to members ("NPAT")	3,880	1,174	2,706	Up 230.5 %

Comparison of Half-Year Profits	Current Period \$000s	Previous Period \$000s
Consolidated Profit after tax attributable to members reported for the 1 st Half yearly report	1,378	409
Consolidated Profit after tax attributable to members reported for the 2 nd Half year	2,502	765

Dividends	Amount per security	Franked amount per security
Final dividend	0.5 cents	-
Interim dividend	-	-
	0.5 cents	-

Dividend payment date	15 October 2010
Record date for determining entitlement to final dividend	1 October 2010
Ex dividend date	24 September 2010

Annual Report and Annual General Meeting

Konekt expects to mail its Annual Report and Notice of Annual General Meeting to shareholders during the week commencing 11 October 2010.

Konekt expects to hold its 2010 Annual General Meeting in Sydney on 18 November 2010.

KONEKT LIMITED AND CONTROLLED ENTITIES
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PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	30 June 2010 \$000s	30 June 2009 \$000s
Revenue from continuing operations			
Services income		35,971	32,076
Sundry income		157	207
Interest income		2	-
Foreign exchange gain		50	-
Net gain on disposal of property, plant & equipment		7	1
	2	36,187	32,284
Expenses from continuing operations			
External consultants		(1,264)	(1,099)
Depreciation	3	(386)	(467)
Joint venture exit costs		-	(23)
Share option & performance right expense	3	(72)	(94)
Employment expenses		(24,524)	(22,201)
Property expenses		(2,865)	(2,563)
Communication expenses		(904)	(960)
Travel & accommodation expenses		(752)	(693)
Motor Vehicle & Equipment expenses		(1,250)	(888)
Other expense from continuing operations		(1,960)	(1,949)
Interest expense		(84)	(173)
		2,126	1,174
Profit before income tax expense			
Income tax credit relating to continuing operations		1,754	-
		3,880	1,174
Net Profit from continuing operations after Income Tax Expense			
		3,880	1,174
Total comprehensive income for the year		3,880	1,174
Basic earnings per share (cents per share)	4	5.5	1.8
Diluted earnings per share (cents per share)	4	5.3	1.8

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

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PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

		30 June 2010 \$000s	30 June 2009 \$000s
Current Assets			
Cash and cash equivalents		1,129	77
Trade and other receivables		4,167	4,574
Inventories		461	511
Other Assets		280	91
Total Current Assets		6,037	5,253
Receivables		98	-
Plant & equipment		761	930
Tax Assets		1,754	-
Intangible Assets		3,564	3,532
Total Non Current Assets		6,177	4,462
Total Assets		12,214	9,715
Current Liabilities			
Trade and other payables		4,235	3,807
Provisions		-	108
Interest bearing liabilities	7	67	1,816
Total Current Liabilities		4,302	5,731
Non Current Liabilities			
Provisions		168	176
Other Payables		190	410
Interest bearing liabilities		85	-
Total Non Current Liabilities		443	586
Total Liabilities		4,745	6,317
Net Assets		7,469	3,398
Equity			
Contributed equity	8	39,040	38,921
Reserves	9	230	158
Accumulated losses		(31,801)	(35,681)
Total Equity		7,469	3,398

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

KONEKT LIMITED AND CONTROLLED ENTITIES
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PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	30 June 2010 \$000s	30 June 2009 \$000s
Cash Flows from Operating Activities		
Receipts from customers	39,917	34,510
Payments to suppliers and employees	(36,996)	(33,405)
Interest received	2	-
Interest paid	(84)	(160)
Net cashflows provided by Operating Activities	2,839	945
Cash Flows from Investing Activities		
Purchase of plant & equipment	(253)	(478)
Proceeds from sale of plant & equipment	11	16
Settlement of Corpore Joint Venture exit	-	(227)
Net cashflows used in Investing Activities	(242)	(689)
Cash Flows from Financing Activities		
Net proceeds from issue of ordinary shares	140	53
Costs of share buy-back	(21)	-
Proceeds from borrowings	202	-
Repayment of borrowings	(50)	-
Net cashflows provided by Financing activities	271	53
Net increase in cash held	2,868	309
Cash at beginning of financial period	(1,739)	(2,048)
Cash at end of financial period	1,129	(1,739)

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

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PRELIMINARY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Contributed Equity \$000s	Accumulated losses \$000s	Option Reserves \$000s	Total equity \$000s
As at 30 June 2008	38,591	(36,855)	63	1,799
Total comprehensive income for the year	-	1,174	-	1,174
<u>Transactions with owners in their capacity as owners</u>				
Issue of share capital	330	-	-	330
Recognition of shares granted under Employee Share Acquisition Plan	-	-	53	53
Recognition of options issued	-	-	9	9
Recognition of Performance Rights	-	-	33	33
As at 30 June 2009	38,921	(35,681)	158	3,398
Total comprehensive income for the year		3,880		3,880
<u>Transactions with owners in their capacity as owners</u>				
Issue of share capital	140			140
Buy back of unmarketable parcels	(21)			(21)
Recognition of Performance Rights			72	72
As at 30 June 2010	39,040	(31,801)	230	7,469

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

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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010

1. DIVIDENDS

Final dividend resolved to be paid	0.5 cents per share unfranked
Date the dividend is payable	15 October 2010
Record date	1 October 2010
Ex dividend date	21 September 2010

	<u>Current Year</u>	<u>Prior Year</u>
Interim dividend	-	-
Final dividend	0.5 cents	-
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	0.5 cents	-

2. REVENUE

	30 June 2010	30 June 2009
	\$000s	\$000s
From continuing operations		
Services	35,971	32,076
Interest received – other persons	2	-
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	35,973	32,076
Other income		
Other income	157	207
Foreign exchange gain	50	-
Net gain on disposal of property, plant and equipment	7	1
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	214	208

3. EXPENSES

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

<u>Depreciation</u>		
Leasehold improvements	157	134
Plant and equipment	227	329
Motor Vehicles	2	4
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	386	467
<u>Share option payment expense</u>		
Options issued	-	9
Performance rights on issue	72	33
Employee Share Plan issue	-	52
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	72	94

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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010

4. EARNINGS PER SHARE

	30 June 2010 ¢	30 June 2009 ¢
Basic earnings per share	5.5	1.8
Diluted earnings per share	5.4	1.8
Weighted average number of shares used in the		
- calculation of basic EPS	70,892,959	64,792,473
- calculation of diluted EPS	72,559,625	65,259,139

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

5. NET TANGIBLE ASSETS BACKING

Net Tangible Asset Backing Per Share	30 June 2010	30 June 2009
Net Tangible Assets Backing Per Share (cents per share)	5.4	(0.2)

6. INCOME TAX

During the current financial year the consolidated entity has recognised prior year tax losses and other temporary differences for the first time. The following is an analysis of the income tax credit for the financial year;

	30 June 2010 \$000s
Prior year tax losses recognised	1,555
Prior year temporary differences recognised	875
Income tax expense on current year earnings	(676)

Net income tax credit	1,754

A further \$2,929,973 of pre-acquisition tax losses have not been recognised as the available fraction that can be utilised to apply these tax losses is such that it will probably take considerable time after utilisation of the existing group losses for these additional losses to be utilised.

7. INTEREST BEARING LIABILITIES

The consolidated entity has an approved debt finance facility to a maximum amount of \$5,000,000. At 30 June 2010 based on debtor balances this could have been drawn to \$3,324,000 of which \$ nil was actually utilised as at 30 June 2010.

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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010

	30 June 2010 \$000s	30 June 2009 \$000s
8. CONTRIBUTED EQUITY		
Issued and paid-up capital		
72,315,155 (June 2009 : 70,427,402) ordinary shares, fully paid	39,040	38,921
Movements during the period:		
Conversion of convertible notes	-	278
Share subscription (4,500,000 shares)		52
Exercise of options (2,000,000 shares)	140	-
Costs of share-buyback	(21)	-
	<u>119</u>	<u>330</u>
	30 June 2010 \$000s	30 June 2009 \$000s
9. RESERVES		
Option-based payments reserve		
Balance 1 July	158	63
Employee Share Plan issue to staff	-	53
Option expense	-	9
Performance rights expense	72	33
Balance 30 June	<u>230</u>	<u>158</u>

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NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2009

10.	c) SHARE BASED OPTIONS AND PERFORMANCE RIGHTS	30 June 2010 Number on issue	30 June 2009 Number on issue
	Non-Executive Directors Performance Rights	600,000	600,000
	Managing Director & CEO Performance Rights	1,500,000	1,500,000
	Executives Performance Rights	2,900,000	3,500,000
	Options	-	2,000,000
	Non-executive Director Remuneration Options	-	200,000

1). Performance rights were granted under the Executive Option and Performance Rights Plan which was approved by shareholders at the 2008 AGM.

These rights have a nil exercise price but right to exercise depends on certain performance conditions being achieved (refer 2009 Annual Financial Report). Rights will lapse if not exercised by a date determined by the Board not exceeding 10 years.

2). Options were issued on 18 April 2008. These options had an expiry date of 18 April 2010. 1 million options were exercised at an exercise price of 6 cents and 1 million options were exercised at an exercise price of 8 cents.

3). Non-executive Director remuneration options were issued on 16 November 2006 subsequent to shareholder approval being obtained at the November 2006 AGM. These options had an exercise price of \$0.50. These options expired on 16 November 2009.

4). 1,666,667 performance rights could be exercised 12 months after grant date based on 2008-9 & 2009-10 performance.

11. CONTINGENT LIABILITIES / ASSETS

The directors are not aware of any contingent liabilities as at 30 June 2010.

12. SUBSEQUENT EVENTS

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

13. COMPLIANCE STATEMENT

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

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The financial statements have been audited.

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The financial statements have been subject to review.

☒

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

☐

The financial statements have not yet been audited or reviewed.

The Company has a formally constituted Audit Committee.