

KONEKT LIMITED

**Annual General Meeting 2014
31 October 2014**

CHAIRMAN AND CEO'S ADDRESS

Dear Shareholders,

Chairman's Address

Our Annual Report for 2014 laid out the Company's performance for the year. The 2013-14 year saw significant improvement in the performance of Konekt versus the prior year. Both the halves were profitable, with the second half showing growth over the first half. The Company produced revenue of \$33.2m, 7.8% more than the previous year. The profitability of the Company improved with profit after tax of \$1,020,000 against a loss of \$184,000 for the prior year. The profit after tax in the second half of \$553,000 contrasted with a profit after tax of \$467,000 for the first half.

Konekt continued to make further inroads into lowering its fixed cost base, with overall non staff related expenses down 4.9% year on year. Konekt reported 30 June 2014 cash of \$1,891,000 (up from \$696,000 a year earlier). This result showed a conversion rate of more than 100% of net profit after tax to cash, despite capital expenditure of \$611,000 for the year.

Last year's top line Revenue growth in a tough market demonstrates the success that our Customer strategy and Care focus has commenced delivering. Our staff engagement was at a 7 year high, reflecting enhanced leadership across the organization. After careful consideration the Board saw enough optimism in the emerging trends in the business to authorize management to invest up to \$750,000 in this half as part of a change program named "Strengthening the Core". Targeting Staff, Customers, and Productivity, this program will see some short term cost designed to reap medium and longer term reward.

The Board announced and commenced an on-market buy-back of shares during the year. A total of 91,057 shares were bought-back prior to balance date, with additional purchases of 1,151,132 since then, a total of 1.6% of issued shares prior to buy-back commencement. The Board actively considers the capital management of the Company and weighs the ongoing needs of the Company, the possible acquisitions under consideration, possible dividends and taxation when considering the optimal capital needs. This year, after considering these issues, the Board did not declare a dividend.

Konekt has commenced the first 4 months of this year with Revenue ahead of the prior year, likely to be around 6% higher. After implementation of the "Strengthening the Core" initiatives, we are planning for this growth to at least continue. We are now slightly more optimistic than we were at the full year.

Your Directors remain focused on the next 3-5 year horizon, and guiding the company to realise its full potential. The Company continues to explore Mergers and Acquisitions, and whilst no significant deals have been executed, we have remained disciplined, undistracted and value oriented in our approach.

CEO's Address

The Annual Results for 2013-14 were a significant improvement over the prior year. Our Balance Sheet continues to be in good shape with cash continuing to grow. The market remains tough, but we continue to gain strength – and, as Doug said, are now more optimistic about our full year prospects this year.

Konekt's business mix moved 5 percentage points in favour of corporate and government revenue relative to insurer and agent revenue, ending the year at 64% corporate and government versus 36% insurer and agent (compared to the prior year of 57% and 43% respectively). Given the unprecedented changes in state based Workers Compensation in the past 3 years, we made the right call to switch the mix. However, we now foresee the likely low of State based workers compensation return to work spending occurring during the next 12-18 months, following the 2 to 3 year decline across Australia. We intend to re-contest the Insurance markets more vigorously in line with our views.

Pre-employment markets are more difficult to predict, with growth being restarted when significant expansion in construction and mining is observed. Last year did see the first full year effect of the Medibank Health Solutions (MHS) contract for the Australian Defence Force (ADF). We are again pleased to report that this workflow is successfully embedded into our company, with excellent results again being observed on Konekt's performance, and relationship with both parties.

Across the year, and continuing into 2014-15, the government portfolio grew strongly during the year, across a number of accounts, including MHS/ADF as well as a strong contribution from transport and diversified industrials. Portfolios with declines in revenue were insurers/agents, telecommunications, mining and mining services.

We are pleased with our implementation of a new customer relationship management System (CRM) during last year, with all historic records successfully imported and all financial histories included. We believe we know more than ever about our customer's needs and can reliably respond to them wherever and whenever required. The Company achieved some solid, but not outstanding business wins during the year. New business offset lost and declined business, but Konekt's sales potential is yet to be fully realised. This is currently a strong focus in 2014-15, with some new customer mandates already awarded. Delayed decision making remains a feature of the market.

Strengthening the Core

The Change project "Strengthening the Core" commenced in July 1st, and will complete by December 31st, with a potential investment of up to \$750,000 this half. It is our largest (in recent history) investment in the operating business of Konekt. The Core initiatives in the areas of Staff (improving training, leadership and engagement), Customer (improving targeting, data delivery, product definitions) and Productivity (making it easier for staff to generate value for customers) are being implemented this quarter.

Update on Goals

Of most importance to our customers, staff and shareholders is achieving the Company's goals. Konekt's Vision is to lead the way in making Australian workplaces injury free by 2025. I will now update you on our progress towards these initiatives:

1) **#1 in Care** The Company mission of being #1 in Care (by any measure) is to ensure that it has achieved great injury prevention and injury management outcomes for our customers.

We are focused on 3 key items in Care - urgency, duration and quality. We have successfully raised our Return to Work rates across both Original (Same) Employer and New Employer. We have also reduced our latency of process with a focus on urgency right across the business, resulting in lower durations of cases.

2) **Customer Focus** The Company has undoubtedly become more customer focused this year and we are taking steps in Strengthening the Core to give even more emphasis over the next 2 quarters. In April 2014 we completed a customer survey which showed a Net Promoter Score increase of 8 points over the prior year. Whilst this was a good improvement, we are looking forward to improving upon that again this year.

3) **Demanded Products** A new ergonomic cost effective product “ErgoScreen” was added to the suite with a heavy emphasis on cost savings for customers from our improved technology. It has received a good reception so far. We are also reviewing our “Same Employer” Return to Work product to ensure the latest academic and case study research is incorporated into our workflows. Once again, a number of new product launches are planned for the coming year.

4) **Trusted Advisor** Our ability to capture, analyse and gain insight for customers is at the heart of our Trusted Advisor goal. Good progress on this initiative is being felt by our key customers, including the launch of our “Customer Portal” – providing secure, anywhere, anytime access for our customers to their records.

5) **Strong Sales Culture** We remain focused on building our sales capability and conversion to revenue cycle. We have a solid sales base, have built a pipeline of short, medium and longer term opportunities and they remain available to convert. The Strengthening the Core project includes a large element of Sales Culture build to move forward this goal.

6) **Best People** Our customers demand that we have the best consultants. Retention of our best people and ensuring their development and growth is improving - but is still not where we aspire for it to be. Having a strong and compelling employment value proposition that attracts and retains the right employees is a further area of focus this year. Konekt retains a commitment rate of above 97% (commitment rate = number of permanent employees / (number of permanent employees + contractors)). Staff Engagement continues to rise and we aim to improve this further in 2014-15.

As mentioned earlier, the Board has allocated an additional expense and capital amount of up to \$750,000 to a new project “Strengthening the Core”. More than half this amount will be expensed in the first half with benefits to flow from the second half. In the half year results we will provide a reconciliation of STC costs versus our Business as Usual performance.

The Leadership Team of the company has a plan to deliver on each of these items, and we look forward to reporting on the success of the initiatives to you.

Douglas Flynn
Chairman

Damian Banks
CEO