

Konekt Limited

ABN 79 009 155 971

Appendix 4D – Half Yearly Report 31 December 2015

Konekt Limited
Directors' report
31 December 2015

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 'Konekt' or 'consolidated entity') consisting of Konekt Limited (referred to hereafter as the 'company') and the entities it controlled for the half-year ended 31 December 2015.

Directors

The following persons were Directors of Konekt Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

- ▶ Douglas Flynn
- ▶ Philip Small
- ▶ Anthony Crawford
- ▶ Damian Banks

Principal activities

Konekt provides return to work solutions to major employers, in both public and private sectors, and Australia's largest insurance companies. During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- ▶ Injury management
- ▶ Injury prevention
- ▶ Workplace health and safety consulting

The core business was enhanced during the half-year with the acquisition of three workplace health solution providers.

Review of operations

Konekt reports a profit after tax for the 6 months period to 31 December 2015 of \$1,097,000, an improvement of \$536,000 (up 96%) compared to same period last year. This result is on revenues of \$19.6m, which were 14% higher than the prior corresponding period of \$17.2m. Organic revenue of \$18.6m grew by 8%, with the acquisitions completed in the second half of the six month period contributing a further \$1.0m of revenue and contributing to strong total revenue growth.

The cash balance of \$2.0m at 31 December 2015 was down \$1.0m from \$3.0m at the end of June 2015 due to initial payments for the acquisition of three workplace health solutions businesses and other acquisition related costs. Net cash provided by operating activities was \$1.0m for the six months (31 Dec 2014: \$1.1m). Earnings per share improved by 100% reflecting improved after tax earnings and some capital management undertaken through a small share buy-back.

Management Commentary

The momentum built from the 2014-15 financial year has continued into the first half of 2015-16 with a strong improvement in both financial and operational performance. Organic revenue grew by 8% with acquisitions contributing to total revenue growth of 14%. Konekt expensed \$340,000 worth of acquisition costs to the profit or loss within this result. These were offset at the NPAT line by the recognition of some off balance sheet tax benefits recognising that future tax profits will be available against which the tax assets can be utilised.

Government volumes rose versus the first half of 2014-15 revenue driven by the Medibank/ADF contracts. The on-going softness in injury prevention revenue continued this half.

Our mission – "to be #1 in Care" resonates well with all our stakeholders and we retain it as a garnering catch cry across our staff and customers. Urgency, Quality and Reliability remain themes that our Customers are focused on, and our acquisitions in the half support our ability to respond to these needs. We have enhanced our geographic network – meaning we have employees available in more local locations than any other company. Our Capital Investment program continues to support improvement in these elements. The continued improvement in the quality of Konekt's work is being recognised by our Customers.

Konekt Limited
Directors' report
31 December 2015

The completion of the acquisition of three workplace health solution providers strengthening our workplace solutions product capabilities, including acquiring a Registered Training Organisation and strengthening capacity with an additional 50 staff across new geographies. The acquired businesses contributed \$1.0 million of revenue in the first half, being from the date of their respective acquisition in the period from late October to mid November 2015, and integration has commenced well.

Sales and Customers

A stable engagement program is in place with our customers and has been executed well through the acquisition programme. The conversion of both new customers and the re-signing of existing customers through the sales pipeline remains steady. The conversion of leads to wins then to revenue continues to have extended lead times, although 8% organic growth includes some flow through of recent wins. Konekt's business mix was largely unchanged over the prior half, with corporate and government revenue relative to insurer and agent revenue. The acquisitions of Insite and AIS were Insurer/Agent focused, Insight has a wide mix of corporate, insurer and government work, and the proposed acquisition of SRC solutions is government focused.

The Medibank Health Solutions (MHS) contract for the Australian Defence Force continued to be a source of growth for the company, with revenues increasing over the prior year. We are again pleased to report that work with MHS is being successfully completed Australia wide, with excellent feedback again observed on Konekt's performance.

Pre-employment

The pre-employment market grew slightly versus the prior year, the first market increase in 5 years. Very soft new employment hiring in mining and mining services continues, but Konekt has seen some offset in other sectors (including construction) and services stronger this half. Konekt continues to retain its key customers.

Insurers and Agents

The changes in the insurer/agent market resulting from NSW Government and SA Government changes have now fully flowed through the marketplace. During the first half Konekt cemented its position in the SA market by acquiring to leading providers in South Australia. Applied Innovative Services (AIS), the market leader in the South Australia was founded in 1999 and has long standing relationships with a number of local customers and a significant provider to ReturnToWorkSA.

Corporate

With the exception of lower volumes of pre-employment, the Corporate sector is performing well with a 2% increase versus prior corresponding period.

Government

The Government sector (including MHS/ADF) continues to perform well in the first half. Demand from government in the full year 2016 is expected to remain steady.

Cash Position

The Company's cash balance reduced to \$2.0m from \$3.0m at the end of June 2015 due to acquisition related outflows of over \$1.0m, capital expenditure of \$256,000 and a share buyback of 619,663 shares at a cost of \$130,000, partially offset by increase in profit during the period together with good receivables and payables management.

Outlook

The Board is confident that the strategies and actions being taken to grow revenue and to reduce the cost base will continue to drive improved performance. The acquisitions conducted in latter part of the first half will yield incremental results in the second half. The proposed acquisition of SRC solutions announced on February 9 2016 will also see increased revenue. The Board is expecting above market revenue growth with 2HFY16 revenue expected to be between \$22.0m - \$24.0m including the proposed SRC Solutions acquisition, versus prior year revenue of \$17.9m.

Dividends and Capital

The Board has not declared a dividend for the half year. Discussion on the capital management for the Company remains an ongoing subject for the Board. Buy-back of shares, capital return and dividends are weighed up against the needs of the company, potential corporate M&A activity and the generation of franking credits.

Taxation

Subject to the Company's continued profitable results, Konekt believes that within the next 12 months, that it will commence paying corporate tax. The first half taxation expense is partially offset by some off balance sheet losses brought to account to be used in future periods. It is likely that the 2HFY16 tax rate will be higher than the 1HFY16 tax rate.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Rounding of accounts

Konekt has applied the relief available in ASIC Class Order 98/100 and, accordingly, amounts in the financial statements and Directors' report have been rounded.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Douglas Flynn
Chairman

16 February 2016
Sydney

Konekt Limited
Director's Report
31 December 2015

Summary results for the 6 months to 31 December 2015

The following is a summary of the financial results for the 6 months ended 31 December 2015 (previous corresponding period 31 December 2014):

	Six months ended 31-Dec-15 \$000s	Six months ended 31-Dec-14 \$000s	Increase/ (decrease) \$000s	% Change
Revenue from services	19,568	17,233	2,335	14%
Profit before interest and tax ("EBIT")	1,268	604	664	110%
Net interest income	(19)	18	(37)	(207)%
Profit before tax	1,249	622	627	101%
Income tax (expense) / benefit	(152)	(61)	(91)	149%
Net profit attributable to members ("NPAT")	1,097	561	536	96%

Dividends

No dividends have been declared or paid during the period.

Earnings per share	Six months to 31 December 2015	Six months to 31 December 2014
Basic earnings per share (cents per share)	1.50	0.75

The weighted average number of ordinary shares used in the calculation of earnings per share was 72,991,431 (2014: 74,632,924)

Net tangible asset backing per share	31 December 2015	31 December 2014
Net tangible asset backing per share (cents per share)	3.44	5.62

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Financial Report

General information

The financial report covers Konekt Limited as a consolidated entity consisting of Konekt Limited and the entities it controlled during the half year ended 31 December 2015. The financial report is presented in Australian dollars, which is Konekt Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Konekt Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered Office

Level 3
33 Erskine Street
Sydney NSW 2000

Principal Place of Business

Level 3
33 Erskine Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 16th February 2016.

Konekt Limited

Statement of profit or loss and other comprehensive income

For the half year ended 31 December 2015

	Note	Consolidated	
		31/12/2015 \$'000	31/12/2014 \$'000
Revenue from continuing operations			
Sales Revenue	3	19,568	17,233
Other revenue	3	69	183
Expenses			
Salaries and employee related costs		(13,670)	(12,742)
External consultants		(476)	(490)
Share based payments expense		(39)	(29)
Communications expense		(406)	(415)
Travel and accommodation expense		(547)	(421)
Property expense		(1,506)	(1,539)
Motor vehicles and equipment expense		(447)	(414)
Finance costs		(40)	(3)
Depreciation and amortisation expense		(342)	(233)
Other expense from continuing operations		(915)	(508)
Profit before income tax expense from continuing operations		1,249	622
Income tax expense		(152)	(61)
Profit after income tax expense for the half-year		1,097	561
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		1,097	561
Profit for the half-year is attributable to:			
Owners of Konekt Limited		1,097	561
Earnings per share for profit attributable to the owners of Konekt Limited			
		Cents	Cents
Basic earnings per share		1.50	0.75
Diluted earnings per share		1.47	0.73

The above statement of profit or loss and other comprehensive income should be read in conjunction with accompanying notes.

Konekt Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated	
		31/12/2015 \$'000	30/06/2015 \$'000
Assets			
Current assets			
Cash and cash equivalents		1,952	3,012
Trade and other receivables		5,230	5,517
Work in progress		816	494
Other assets		500	218
Total current assets		8,498	9,241
Non-current assets			
Other assets		99	142
Plant and equipment		1,185	1,144
Intangible assets	4	7,471	4,056
Deferred tax		1,236	921
Total non-current assets		9,991	6,263
Total assets		18,489	15,504
Liabilities			
Current liabilities			
Trade and other payables	5	3,903	3,438
Deferred consideration	7	95	-
Interest bearing liabilities		-	35
Provisions		1,121	1,394
Total current liabilities		5,119	4,867
Non-current liabilities			
Trade and other payables	5	94	148
Deferred consideration	7	1,694	-
Provisions		372	285
Total non-current liabilities		2,160	433
Total liabilities		7,279	5,300
Net assets		11,210	10,204
Equity			
Contributed equity	6	38,798	38,928
Reserves		362	322
Accumulated losses		(27,950)	(29,046)
Total equity		11,210	10,204

The above statement of financial position should be read in conjunction with accompanying notes.

Konekt Limited
Statement of changes in equity
For the half year ended 31 December 2015

	Contributed equity \$'000	Accumulated losses \$'000	Option reserve \$'000	Total equity \$'000
Consolidated				
Balance at 1 July 2014	39,156	(30,524)	284	8,916
Profit after income tax for the half year	-	561	-	561
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	561	-	561
Transactions with owners in their capacity as owners:				
Share buy-back	(228)	-	-	(228)
Recognition of shares granted under Employee Share Acquisition Plan	-	-	29	29
Balance at 31 December 2014	38,928	(29,963)	313	9,278

	Contributed equity \$'000	Accumulated losses \$'000	Option reserve \$'000	Total Equity \$'000
Consolidated				
Balance at 1 July 2015	38,928	(29,047)	322	10,203
Profit after income tax for the half year	-	1,097	-	1,097
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	1,097	-	1,097
Transactions with owners in their capacity as owners:				
Share buy-back	(130)	-	-	(130)
Recognition of shares granted under Employee Share Acquisition Plan	-	-	40	40
Balance at 31 December 2015	38,798	(27,950)	362	11,210

The above statement of changes in equity should be read in conjunction with accompanying notes.

Konekt Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Note	Consolidated	
		31/12/2015 \$'000	31/12/2014 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		21,731	19,642
Payments to suppliers and employees (inclusive of GST)		(20,702)	(18,585)
		1,029	1,058
Interest received		20	21
Interest paid		(1)	(3)
Net cash provided by operating activities		1,048	1,075
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	7	(783)	-
Payments for plant, equipment and intangibles		(1,195)	(299)
Net cash used in investing activities		(1,978)	(299)
Cash flows from financing activities			
Payments for on market share buy-back	6	(130)	(228)
Net cash used in financing activities		(130)	(228)
Net increase (decrease) in cash and cash equivalents		(1,060)	548
Cash and cash equivalents at the beginning of the financial half-year		3,012	1,891
Cash and cash equivalents at the end of the financial half-year		1,952	2,439

The above statement of cash flows should be read in conjunction with accompanying notes.

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2015

Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Note 2. Operating segments

Segment information is provided on the same basis as information used for internal reporting purposes by the Managing Director. This has not resulted in an increase in the number of reportable segments as it still considered that there is only one reporting segment in the Group which is Injury Management. All branch operations operate under similar regulatory environments, offer the same injury management service offerings and have similar risk profile. They therefore satisfy the Aggregation criteria under paragraph 12 of AASB 8.

Total revenue as per note 3 is the total segment revenue.

The Managing Director reviews the performance of segments before aggregation based on Net Profit Before Tax. This performance measure is equal to Net Profit Before Tax as disclosed in the statement of comprehensive income.

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2015

Note 3. Revenue

	Consolidated	
	31/12/2015	31/12/2014
	\$'000	\$'000
From continuing operations		
<i>Sales revenue</i>		
Rendering of services	19,568	17,233
<i>Other revenue</i>		
Interest	20	21
Other revenue	49	162
	69	183
Revenue from continuing operations	19,637	17,416

Note 4. Non-current assets – intangible assets

	Consolidated	
	31/12/2015	30/06/2015
	\$'000	\$'000
Goodwill - at cost	24,901	21,680
Less: Accumulated impairment	(18,157)	(18,157)
	6,744	3,523
Software development - at cost	1,118	949
Less: Accumulated amortisation	(570)	(443)
	548	506
Customer relationships - at cost	152	-
Less: Accumulated amortisation	-	-
	152	-
Trademarks - at cost	27	27
	7,471	4,056

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2015

Note 4. Non-current assets – intangible assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Goodwill	Customer Relationships	Software development	Trademarks	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated					
Balance at 1 July 2015	3,523	-	506	27	4,056
Additions	3,221	152	169	-	3,542
Amortisation expense	-	-	(127)	-	(127)
Balance at 31 December 2015	6,744	152	548	27	7,471

Note 5. Trade and other payables

	Consolidated	
	31/12/2015	30/06/2015
	\$'000	\$'000
Current		
Trade creditors	518	455
Current Tax Liability	548	-
Other creditors and accruals	2,788	2,922
Leasehold incentive	49	61
	3,903	3,438

	Consolidated	
	31/12/2015	30/06/2015
	\$'000	\$'000
Non-current		
Leasehold incentive	84	137
Other creditors and accruals	11	11
	94	148

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2015

Note 6. Contributed equity

a) Issued and paid up capital

	Consolidated	
	31/12/2015 \$'000	30/06/2015 \$'000
Ordinary shares		
The number of fully paid ordinary shares in issue at 31 December 2015 is 72,737,471 (30 June 2015: 73,357,134). All shares rank equally.	38,798	38,928

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Weighted average share price during the half year was \$0.25 per share.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

b) Movements in shares on issue

	31/12/2015	
	Number of Shares	\$'000
Balance at 1 July 2015	73,357,134	38,928
Less: Share buy-back	(619,663)	(130)
Balance at 31 December 2015	72,737,471	38,798

Share Buy-back

During the half-year ending 31 December 2015 the Company has conducted an on-market share buy-back within the 10/12 limit which commenced on 13 April 2015. In total since buy back commencement until balance date 619,663 shares have been bought back and duly cancelled from the share register.

In the half year ending 31 December 2015 619,663 shares were bought back and cancelled. The lowest price paid per share was \$0.21, and the highest \$0.21 per share.

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2015

Note 7. Business Combinations

On 28 October 2015 Konekt Limited completed the acquisition of certain assets and liabilities of Insite Injury Management (Insite). The business is headquartered in South Australia with operations in NSW. Insite has a deep product range across injury management, mental health and return to work capability which will complement Konekt's current market offering.

On 29 October 2015 Konekt Limited completed the acquisition of 100% of the issued capital of Applied Innovative Services (AIS) and Innovative Training & Recruitment (ITR). AIS is headquartered in South Australia with operations in SA and ACT. AIS is the market leader in SA and the acquisition will allow Konekt to strengthen its SA presences and will also enable it to offer an expanded product capability in training and ergonomic solutions as applied to injury management and prevention.

On 16 November 2015 Konekt Limited completed the acquisition of certain assets and liabilities of Insight Services Group (ISG). The acquisition price comprises both an initial consideration payment and a deferred consideration based on the business performance. This is a regionally based service provider, with a strong footprint in regional NSW who provides return to work, injury prevention, hearing testing, rehabilitation of psychological injury cases, training and ergonomics solutions.

The aggregate details of the business combinations are as follows:

	Fair value \$'000
Fair Value of consideration transferred	
Amount settled in cash	949
Fair value of contingent consideration	1,751
	<u>2,700</u>
	Fair value \$'000
Recognised amounts of identifiable net assets	
Cash and cash equivalents	166
Trade and other receivables	221
Work in progress	110
Other assets	55
Customer relationships	152
Deferred tax asset	122
Trade and other payables	(907)
Provisions	(394)
Deferred tax liability	(46)
	<u>(521)</u>
Net assets acquired	(521)
Goodwill	3,221
	<u>2,700</u>
Acquisition-date fair value of the total consideration transferred	<u>2,700</u>

Konekt Limited
Notes to the financial statements
For the half-year ended 31 December 2015

Note 7. Business Combinations (continued)

Representing:

Cash paid or payable to vendors	2,700
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Acquisition costs expensed to profit or loss	340
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Consolidated
31/12/2015
\$'000

Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	949
Less: cash and cash equivalents	(166)
Less: payments made in prior periods	-
Net cash outflow on acquisition	783
Acquisition costs expensed to profit or loss	340
Net cash paid relating to the acquisitions	1,123

Consideration transferred

The acquisition price comprises both an initial consideration payment and a deferred consideration based on the future performance objectives spread over a 3 year period.

Goodwill

The goodwill of \$3,221,000 is primarily related to growth expectations, expected future profitability, the substantial skills and expertise of Insite, AIS & ISG workforce and the expected cost synergies from merging the business's with Konekt. The growth expectations includes the ISG licensing system which grants licenses to suitable licensees in new markets which will allow Konekt to expand the business, and ultimately improve the service it provides.

Acquisition-related costs amounting to \$340,000 are not included as part of the consideration transferred and have been recognised as an expense in the consolidated statement of comprehensive income, as part of other expenses.

The acquired businesses contributed revenues of \$977,000 to the consolidated entity for the period from completion to 31 December 2015. We are unable to provide profit & loss performance for the three acquisitions due to the majority of expenses for the acquired businesses having been integrated into Konekt's reporting systems during the period and are no longer separately identifiable.

Note 8. Events after the reporting period

On 9 February 2016 Konekt entered an agreement to acquire 100% of the shares of SRC Solutions Pty Ltd. SRC Solutions operates from their Canberra based office and are well respected in the ACT. The acquisition will be funded from Konekt's existing cash and is expected to complete within four weeks.

Konekt Limited
Directors' declaration

In the directors' opinion:

- ▶ the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- ▶ the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- ▶ there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Douglas Flynn
Chairman

16 February 2016
Sydney

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF KONEKT LIMITED

As lead auditor for the review of Konekt Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Konekt Limited and the entities it controlled during the period.



John Bresolin
Partner

BDO East Coast Partnership

Sydney, 16 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Konekt Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Konekt Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Konekt Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Konekt Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Konekt Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'John Bresolin'. Above the signature, the letters 'BDO' are written in a stylized, cursive script.

John Bresolin
Partner

Sydney, 16 February 2016