

**ASX Announcement 26 October 2012**

**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 Quarterly Report is provided on a voluntary basis for the benefit of investors.

**Unaudited Profit and Loss and Balance Sheet for 3 months ended 30 September 2012**

Konekt today announced an unaudited loss before tax for the 3 months period to 30 September 2012 of \$58,000 which was a deterioration of \$449,000 compared to same period last year. This was struck on unaudited Revenues of \$7.7m, which were down 10.5% on the unaudited prior corresponding period of \$8.6m.

**Management Commentary**

The trend commencing in 2011, and into 2012, where Konekt lost some Customer volumes and business in the insurance and corporate sectors, has continued. Offsetting these losses are a number of Customer wins, and re-signs.

Sales

The business flow into the sales pipeline remains steady. The conversion of leads to revenue is an area of focus for management that is continuing.

Wins

Most significant among the wins is appointment of Konekt by Medibank Health Solutions to provide a range of health services to Australian Defence Force (ADF) under the Joint Health Command contract for a four year term. Konekt has been selected as one of two occupational rehabilitation suppliers. Prior to the MHS contract Konekt supplied occupational rehabilitation services directly to the ADF as one of over 30 suppliers. This agreement will make MHS one of Konekt's largest clients. Three significant ASX listed companies have also committed to Konekt during the quarter.

Pre-employment

Pre-employment volumes (led by Queensland) are down significantly due to a slow hiring cycle in mining and construction this quarter.

### Insurance and Agents

In the Insurance sector, led by a fall in NSW, Konekt has seen significant volume reductions of 19% and 30% from 2 large scheme agents.

### Corporate

With the exception of volumes of Pre-employment, particularly in Queensland, the Corporate use of injury management and injury prevention is performing well. Customer feedback is positive, and volumes and revenue are performing relatively well.

### Government

Government has been subdued in the quarter. Despite significant double digit increases in workers compensation premiums year over year, reflecting increased claims costs, spend on early intervention and injury rehabilitation has not increased. Konekt is in active dialogue with Government customers to promote the business case that early intervention and injury rehabilitation will ameliorate further drastic claims cost increases.

### Expense Management

The Company is continuing the program of managing expenses. Operating costs excluding depreciation were reduced by \$442,000 or 5.4% versus the prior corresponding period with the principal reduction being staff costs and 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. This is because these tests are largely completed by suppliers located beyond Konekt's physical locations.

### **Cash Position**

The company's cash position on 30 September was \$371,000 versus 30 June at \$1.1m. The primary explanations for this movement are Current Receivables improving \$181,000, offset by deterioration in work in progress of \$162,000, payment for planned capital expenditure, planned payment of profit share for 2011-12 year to staff and the reduction in Current Trade and Other Payables by \$522,000 during the 3 months to 30 September.

### **Governance**

The Company's AGM will be held at 11am on 23<sup>rd</sup> November in Sydney.



## **Outlook**

The company remains cautious on its short term outlook, but increasingly confident about the likely success of the changes it is undertaking. The business remains at low margins and the company is continuing to work on improving order intake and productivity whilst containing operating costs.

On the basis of Customer feedback the Company is confident of its ability to improve its Care outcomes for our Customers.

Despite the small loss in the September quarter the Board is confident that the right actions are being taken to grow market share, revenue and improve profitability. A number of factors are contributing to short term volatility: (a) the current modest operating margin; (b) the further rate of improvement in Care outcomes being offset by NSW Agent and Insurer volumes and soft Pre-employment volumes; (c) the uncertain economic climate being experienced by our Corporate Customers driven by the high Australian dollar affecting exports, their employment growth and thus our pre-employment business; and (d) the revenue/expense balance in the quarter from the costs associated with the MHS contract win.

*For further information:*

Damian Banks  
Chief Executive Officer  
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")

30 September 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	8,717	8,717
1.2 Payments for (a) staff and suppliers	(9,343)	(9,343)
(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	6	6
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net operating cash flows</b>	<b>(621)</b>	<b>(621)</b>

+ 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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(621)	(621)
<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	(121)	(121)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	3	3
(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)	-	-
	(118)	(118)
<b>Net investing cash flows</b>		
1.14 <b>Total operating and investing cash flows</b>	(739)	(739)
<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	-	-
1.18 Repayment of borrowings	(23)	(23)
1.19 Dividends paid	-	-
1.20 Other (provide details if material)	-	-
	(23)	(23)
<b>Net financing cash flows</b>		
	(762)	(762)
<b>Net increase (decrease) in cash held</b>		
1.21 Cash at beginning of quarter/year to date	1133	1133
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	371	371

+ 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	155
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	-

+ See chapter 19 for defined terms.

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

**Reconciliation of cash**

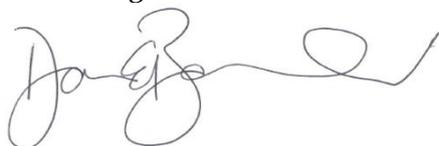
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	37 <sup>1</sup>	1,133
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>37<sup>1</sup></b>	<b>1,133</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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: .....  
 Director

Date: 26 October 2012

Print name: Damian Banks

+ See chapter 19 for defined terms.

## Notes

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 3 MONTHS ENDED 30 SEPTEMBER 2012  
(Unaudited)**

	Consolidated 30-Sep-12 \$'000s	Consolidated 30-Sep-11 \$'000s	Consolidated 2011-12 Year \$'000s
<b>Revenue from continuing operations</b>	7,746	8,653	32,890
Other income	3	2	324
External consultants	(448)	(596)	(2,315)
Depreciation and amortisation expenses	(58)	(68)	(242)
Finance costs	6	1	(6)
Share based payments expense	-	(21)	(11)
Salaries and employment related costs	(5,673)	(5,843)	(22,627)
Property expenses	(749)	(803)	(3,006)
Communication expenses	(235)	(209)	(850)
Motor vehicle and equipment expenses	(239)	(286)	(1,123)
Travel and accommodation expenses	(132)	(133)	(403)
Other expenses from continuing operations	(280)	(305)	(1,732)
<b>Profit/(Loss) before income tax expense</b>	<b>(58)</b>	<b>392</b>	<b>899</b>
Income tax (expense)/credit	17	(117)	(289)
Profit/(Loss) for the period	(41)	275	610
<b>Total comprehensive income/(loss) for the period</b>	<b>(41)</b>	<b>275</b>	<b>610</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2012**  
**(Unaudited)**

	Consolidated 30-Sep-12 \$'000s	Consolidated 30-Sep-11 \$'000s	Consolidated 30-Jun-12 \$'000s
<b>Current Assets</b>			
Cash and cash equivalents	371	226	1,133
Trade and other receivables	4,472	4,860	4,654
Work in Progress	708	797	545
Other assets	213	320	112
<b>Total Current Assets</b>	<b>5,764</b>	<b>6,203</b>	<b>6,444</b>
Other receivables	45	89	41
Plant & equipment	448	465	378
Tax assets	1,503	1,657	1,485
Intangible assets	3,796	3,568	3,801
<b>Total Non Current Assets</b>	<b>5,791</b>	<b>5,780</b>	<b>5,705</b>
<b>Total Assets</b>	<b>11,554</b>	<b>11,983</b>	<b>12,149</b>
<b>Current Liabilities</b>			
Trade and other payables	2,961	3,440	3,536
Provisions	69	196	69
Interest bearing liabilities	-	234	23
<b>Total Current Liabilities</b>	<b>3,030</b>	<b>3,870</b>	<b>3,628</b>
<b>Non Current Liabilities</b>			
Interest bearing liabilities	-	-	-
Provisions	471	318	423
Trade and other payables	37	64	43
<b>Total Non Current Liabilities</b>	<b>508</b>	<b>383</b>	<b>466</b>
<b>Total Liabilities</b>	<b>3,538</b>	<b>4,252</b>	<b>4,094</b>
<b>Net Assets</b>	<b>8,016</b>	<b>7,731</b>	<b>8,055</b>
<b>Equity</b>			
Contributed equity	39,165	39,165	39,165
Reserves	251	260	250
Accumulated losses	(31,400)	(31,695)	(31,360)
<b>Total Equity</b>	<b>8,016</b>	<b>7,731</b>	<b>8,055</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR 3 MONTHS ENDED 30 SEPTEMBER 2012**  
**(Unaudited)**

	Consolidated 30-Sep-12 \$'000s	Consolidated 30-Sep-11 \$'000s	Consolidated 2011-12 Year \$'000s
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	8,717	9,188	36,312
Payments to suppliers and employees	(9,344)	(9,261)	(34,933)
Interest received	6	2	18
Interest paid	(1)	(1)	(6)
<b>Net cash flows (used in)/provided by Operating Activities</b>	<b>(621)</b>	<b>(73)</b>	<b>1,391</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of plant & equipment & intangible assets	(121)	(15)	(358)
Proceeds from sale of plant & equipment	3	-	-
<b>Net cash flows used in Investing Activities</b>	<b>(118)</b>	<b>(15)</b>	<b>(358)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings	-	21	-
Repayment of borrowings	(23)	(18)	(62)
<b>Net cash flows (used in)/provided by Financing Activities</b>	<b>(23)</b>	<b>3</b>	<b>(62)</b>
<b>Net (decrease)/increase in cash held</b>	<b>(762)</b>	<b>(84)</b>	<b>971</b>
Cash and cash equivalents at the beginning of the period	1,133	162	162
<b>Cash and cash equivalents at the end of the period</b>	<b>371</b>	<b>78</b>	<b>1,133</b>