ANNUAL REPORT 2008

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VISION

To be recognised as the most innovative and high quality managers of health and workplace solutions and a fantastic place to work.

ABOUT KONEKT

Konekt is a publicly listed Australian company and the largest private sector provider of workplace health solutions. Our focus is on helping organisations minimise the impact of workplace injury and related workplace costs, resulting in reduced workers' compensation premiums.

By examining key areas of an employee's lifecycle and a company's procedures and culture, Konekt can assist to improve processes and identify escalating costs or non-compliance in occupational health and safety, risk management and injury management.

EXPERTISE AND EXPERIENCE

With offices in all capital cities and regional centres throughout Australia, Konekt has both the expertise and reach to service any business, whether a large national organisation with multi-sites, or a small local business in regional Australia.

We have over 60 years of collective experience in delivering workplace health and OH&S services to industry and the community.

Our clients include major employers from government, manufacturing, health, mining, transport, hospitality, retail, and labour hire industries.

KONEKT SERVICES

Konekt takes a holistic approach to the various aspects of a business. We recognise that numerous often isolated elements are intimately connected in the delivery of a healthy and productive workforce. By taking an integrated solutions approach to workplace health, Konekt can help any business control and reduce their costs.

Our range of solutions, which can be tailored to any organisations needs, include:

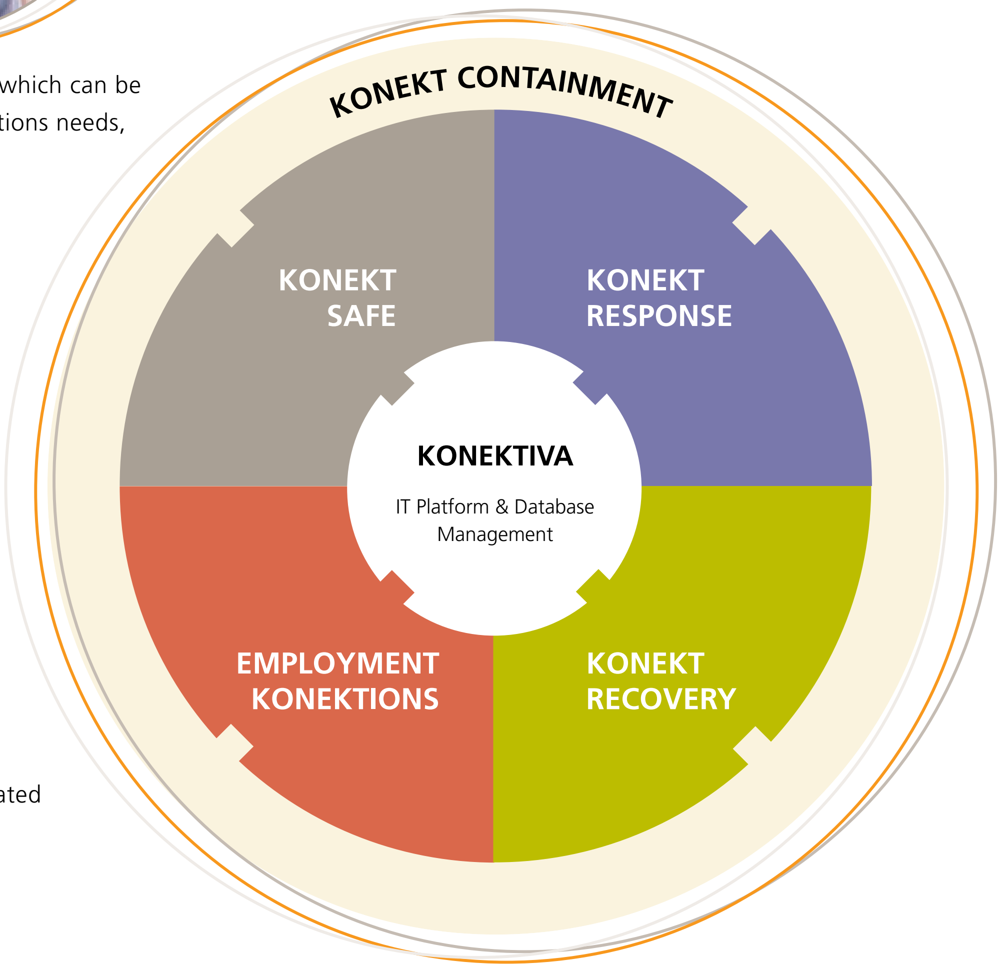
Containment is a workplace integrated business solution which enables employers to take control of, manage and minimise their workers compensation premiums and related workforce expenses. Containment addresses the fundamental factors that are causing a business' increased premiums and other related costs.

Konekt Safe provides injury prevention solutions aimed at improving productivity, organisational culture and therefore increasing any business' bottom line. The services include: pre-employment screening (physical & psychological), OH&S consultancy and training workshops.

Konekt Response is an injury and incident reporting facility that provides consistent and effective incident management reporting, injury triage and the mobilisation of early intervention strategies.

Konekt Recovery is made up of physical and psychological services and case management to assist organisations in the management of injury, illness and a timely return to work.

Employment Konektions provides a specialised redeployment program that assists injured workers to obtain new employment when return to the pre-injury employer is not possible.



KONEKT AND NAB

CASE STUDY

"The early invention has driven the difference at NAB. The Konekt program provides managers the support they need to get workers back to work. The critical factor is setting the expectation that you must work to come back to work."

Linda Hutchen,
National Workers' Compensation Manager, NAB

Konekt understands that corporations want their employees to be competitive and highly efficient while at work. That's why they have introduced their innovative workplace health solutions to financial giant, The National Australia Bank (NAB), knowing that employees' health is directly linked to the productivity of the business.

In 2005 NAB initiated a cultural shift within their self insurance operations which resulted in a dramatic increase in the Return To Work (RTW) rate and a reduction in outstanding liabilities.

A new approach

The goal was to move away from the compliance model to early intervention with a more structured method of returning employees back to the workplace.

Both Konekt and NAB identified their key objectives as simplifying the incident and injury management approach, eliminating administrative inefficiencies and improving productivity by reducing lost time caused by an injury or illness.

Sarah Denness, Konekt Account Manager said that the Konekt core services developed for NAB were part of an early intervention program.

"It was designed to support People Leaders, HR Case Managers and Injury Management consultants in the management of absenteeism, including sick leave and potentially-compensable injuries. The program also supports NAB's performance management framework."

All of the Konekt services are supported and enhanced by Konekt's IT platform Konektiva, which provides full control, flexibility and transparency to all stakeholders. This IT solution is the benchmark in software regarding incident and injury management.

Through the assistance of Konektiva both Konekt and NAB are able to consistently manage business rules around the country, collaborate electronically, in real time and analyse data such as incident trends, practice activity and effective return to work.

Changing Cultural Attitudes

Linda Hutchen, the National Workers' Compensation Manager for the NAB said that in 2003 they recognised major problems.

"We identified our Lost Time Injury rate was 45 days lost per worker and we had a less than 50% durable RTW rate. We identified the need to set an expectation of early return to work, and worked with our business partner Konekt to develop and implement a proactive program to support this goal."

At present the RTW rate for NAB is approaching 95% highlighting the significant results Konekt has accomplished. As well as an increase in RTW rates NAB has also noticed a significant reduction in outstanding liabilities, a 25% reduction in new claims per annum and a 68% reduction in claims with greater than 5 days lost in the first year. NAB also displayed a smooth transition into Comcare in April 2007.

"The early invention has driven the difference at NAB. The Konekt program provides managers the support they need to get workers back to work. The critical factor is setting the expectation that you must work to come back to work."

Continued Growth

With such positive results over such a short period of time both Konekt and NAB are committed to working with each other to improve other aspects of workplace safety such as injury prevention. Konekt and NAB form a true business partnership, with an open and honest relationship and multiple stakeholder involvement. Both parties have adopted an attitude of continuous improvement, and maintain the ability to be flexible and adaptive to changes in both businesses while keeping the end goal in sight.

CASE STUDY

PMP

PMP engaged the services of Konekt to help address the diversity of issues facing the company. Konekt's approach is holistic and therefore can cover multiple problems with specific solutions to target each issue.

PMP is Australia's leading provider of printed communications solutions. Due to its shear size, number of employees and varying office locations, PMP faces a range of workplace complications.

In 2005 PMP noted that their incident reporting lag time was extremely inefficient as it was on average 85 days. The reporting of incident statistics was also inconsistent and inaccurate due to the complexity of the organisation, differing jurisdictional requirements and multiple sites.

Encouraging Progress

Konekt and PMP began to work on improving PMP's Workers Compensation performance in early 2007. Konekt implemented a Containment audit. This was used to identify aspects of PMP's incident and injury management systems that were affecting their growing workers compensation premiums and impacting on the success of their incident notification and injury management programs.

Konekt implemented an integrated Incident and Injury Management system. This assisted PMP to improve incident reporting issues, identify site and group-level injury trends, guide injury prevention programs and arrest rising Workers' Compensation costs. This system is a part of the Konekt Response service which is used for logging all incidents and injuries.

Stephen Dowling, Health, Safety and Environment Group Manager from PMP said "Timely accurate reporting is crucial for PMP at a site, State and National level. Outsourcing these capabilities to Konekt enabled us to manage injured workers to better practiced standards."

"Konekt's Containment account managers were service orientated and delivered fact based, client focused outcomes," Mr Dowling said.

PMP also greatly benefited from the IT platform Konektiva which acts as a register of injuries and near misses for all business units within PMP nationally. Any significant injuries that turn into claims seamlessly transfer into the case management module. The module monitors all rehabilitation activity and tracks claims durations, claim cost as well as return to work status.

Reducing Time

Caroline Van Til, Director of Human Resources and Corporate Services with PMP Limited said that "Konekt's service quality, responsiveness and teamwork assisted PMP in reducing the average cost of claims by 38%."

Timely reporting has played a critical role in demonstrating the efficiency of the Konekt services with PMP's reporting lag time reduced from 66 days to 1.6 days within 6 months.

Konekt also implemented initial workplace conferencing within PMP. This service provides early intervention (within 48 hours of incident notification) workplace assessments with the worker and manager to identify appropriate suitable duties and gain agreement on a return to work plan immediately.

"Sites are now using the information provided by Konekt to identify trends and implement prevention programs to reduce the risk of injury. Konekt have implemented robust solution based services to meet PMP's business needs" Ms Van Til said.

The results achieved by Konekt in reducing reporting lag time and reducing workers' compensation claim cost have greatly benefitted PMP. The Konekt services have ensured that PMP now have a streamlined approach to addressing and resolving their workplace issues.

PMP LIMITED

"Konekt's Containment account managers were service orientated and delivered fact based, client focused outcomes..."

Stephen Dowling,
Health, Safety and Environment Group Manager, PMP

DELIVERING INNOVATIVE SOLUTIONS

Konekt are changing the way corporations think about and address workplace safety. Konekt are working with Australian technology company DeskActive, to deliver a new generation of software for office health, safety and wellbeing.

DeskActive is the most cost-effective way to achieve corporate health requirements and generate a healthier, happier, less-stressed and more productive staff.

DeskActive allows for businesses to easily deliver health & safety advice and training to their staff electronically. All content delivery is electronically audited and followed-up, so it's easy to ensure compliance with health & safety policy and best practices, even across a geographically dispersed workforce.

The DeskActive system is scalable to suit the different needs and sizes of organisations. The DeskActive Team product provides a complete service managed remotely by Konekt's own in-house health experts. Companies receive reports, updates and information regarding potential health and safety problem areas. It is the perfect health and safety solution for any business.

Alternatively, organisations can easily manage DeskActive themselves. They can customise activity programs, select and add content, assist staff remotely and generate reports easily.

DeskActive has the capability to reduce injury claims as it includes automated early detection capabilities. Early detection can occur from the messages recorded by staff members that cite discomfort, pain or problems.

The recovery process for injured staff is also addressed by the program. The Return to Work rate is faster as DeskActive can be used as a remote training and support tool by injury case managers such as occupational therapists and physios. This keeps their clients moving towards recovery, remotely. It also reduces the number of expensive face-to-face visits required.

The interactive nature of DeskActive means that staff are able to monitor and look after their own health while working from their desks. The program also encourages employees to exercise and have a break from their work by using 3D animated personal trainers who demonstrate specific stretches that are easy for them to follow.

The interactive nature of DeskActive means that staff are able to monitor and look after their own health while working from their desks.

DeskActive provides over 250 quick and effective office stretches designed to prevent common office injuries like OOS (occupational overuse syndrome), RSI, carpal tunnel and other musculoskeletal problems. DeskActive also offers over 500 specialised health and safety tips covering ergonomics, posture, office safety, manual handling and other corporate health areas such as stress-reduction, motivation and time management.

The information provided on DeskActive can be tailored to suit individual organisations, work environments and even individual staff members. For the first time, companies are being offered the opportunity to control their own workplace health capabilities which is not only financially beneficial, but also more time effective.

CHAIRMAN'S REPORT

STUART CRAIG, CHAIRMAN

This past year has been one of significant change within the Konekt group of companies. Although our trading profit was an improvement on the prior year, it was a year where substantial changes were required within the business to better position the company for a profitable future. Our revenue remained in line with the previous year's $27.298 million at $27.365 million. This resulted in a trading EBIT loss of $1.0 million before extraordinary items. The net loss after the extraordinary items was $7.2 million. Write offs of goodwill, our investment in Corpore and restructuring costs amounted to $6.2 million.

Strategic actions to unlock shareholder value

The first half of this financial year was very disappointing. Accordingly, the Board instigated a strategic review of the business which resulted in a decision by the Board to align the cost base with the revenue being generated. In April, the Chairman Mr Martin Spry resigned and I took over as Chairman of the Board. In late June, Managing Director Mr Carl Woodbridge also resigned and Mr Serhat Oguz took over as Acting Chief Executive Officer (CEO). He had previously filled the roles of Chief Financial Officer and Chief Operations Officer. Once the cost alignment process was complete, we had reduced the cost base of the business by some $2.0 million annually. Unfortunately, in the process, we lost a number of people who had been with the company for some time.

Business disposal

In addition to the reduction in the cost of our corporate overheads, a strategic decision was made to exit our UK joint venture, Corpore, to enable us to concentrate our resources totally upon our success in the Australian market. Our UK joint venture partner, Cunningham Lindsey, has taken over total responsibility for Corpore. As a result of this transaction, we had to write off $2.5 million.

Business model

Our business is now honed and completely focused on the Australian insurance and corporate marketplaces through our five service groups: Konekt Containment; Konekt Safe; Konekt Response; Konekt Recovery and Employment Konektions. The balance of our business continues to change. Last year (2006-07) our top ten customers occupied nearly 81% of our total business while in the reporting year that had moved to 68%. This is a much more secure position for the company. In addition, our overall customer base is undergoing a fundamental change from the major insurance groups to the broader major corporations. In 2007 some 70% of the company's revenue was derived from the major insurers. In the year just ended that had fallen to 48% which is solid evidence that our dual focus is now succeeding and we have a better balanced business.

Outlook

The company has succeeded in achieving its sales and EBIT targets since April 2008. The Board is predicting a profitable run rate that is equivalent to our past four month's achievements through until the end of the next financial year.

We do not expect the declining occupational rehabilitation market from insurers to improve substantially. We are however, confident that our reduced corporate spend, coupled with a balanced market approach across insurers and corporates, added to our excellent position as a key provider on most of the panels of the major insurers, will enable us to return a growing profitable result for the coming year. Once we have established a record of consistent profitable performance, the Board will look at other strategies to accelerate the growth of the company.

On behalf of the Board, I would like to thank all employees, shareholders and stakeholders for their support and resilience over the past twelve months. Your Board remains focused on the Company's sustainable profitable growth in order to maximise long-term shareholder returns. I thank the Board for its hard work, diligence and availability over a very busy and difficult year.

Stuart Craig, Chairman
Sydney, 25 September 2008

"Our excellent position as a key provider on most of the panels of the major insurers, will enable us to return a growing profitable result for the coming year."

CEO'S REPORT

Review of Operations

The 2007/08 year was significant for Konekt. We developed a new sales focus, restructured the organisation, diversified offerings, engaged and empowered all staff in the future success of the business.

In late 2007 the sales structure was reviewed and changed, transitioning from a direct sales model to a broad engagement model. This model leverages off our large operations teams and adds capability around marketing, lead generation activities and introduces a strategic alliance focus. This strategy has been highly successful with revenue from the corporate sector increasing by up to 10% on the previous year, to contribute 50% of our total revenues in 2008. This strategy, which has been in effect since early 2008, has also contributed to significantly increased referrals, resulting in Q4 figures closing at an annualised run rate of $29.5m.

Our new strategy is multi-faceted and is aimed at growing revenues from multiple markets through diversification of new services and balancing our risk portfolio.

In early 2008 we implemented a strategic review of our operations. The primary areas of focus were the UK investment, Corpore; the misalignment of the corporate overhead structure to the size of the business; and the organisational structure.

We have now exited from the UK investment Corpore. The total cost of the write off was $2.5m. We have since entered an agreement for the delivery of software licences and service to Corpore for the next three years, with the resulting revenue estimated to be approximately $0.7m.

Following a strategic review of our processes and the operational cost structure, we identified $2m of annualised cost savings which were all executed by 30 June. These savings included cost of redundancies, expensing of unused property expenses, and related legal fees. The 2008 cost of restructure was $0.7m.

Revenues

Despite having experienced declining revenues over the last couple of years, we are pleased to report that this trend has now been reversed and our revenues for the second half of the year demonstrated an upward trend. In Q4 2008, we delivered revenues of $7.4m which represented an increase of over 13% on the average of the preceding three quarters and translates into an annualised revenue run rate of $29.5m. This strong performance resulted from the structural changes which were effected earlier in the year and from the implementation of a our new sales and market strategy.

Two of our business lines, Containment and Response, have recorded significant growth, forecasting stronger demand and improved growth targets for the next financial year.

Our revenue mix has also changed significantly, with an increasing amount of revenue coming from corporate entities. We expect by the end of the financial year that revenue from corporate entities will contribute the majority of our revenue. This again is very positive from a number of perspectives. Our risk profile is lower and isn't determined by any one customer or group of customers and therefore our vulnerability is lower.

Results for 2007-2008

Our new sales focus, cost restructure, and structural changes contributed to an improvement of $517K on previous years ebit (before one off individually significant items), with a trading loss of $1.0m. Whilst making a loss is never a great result, the forecast is very positive in comparison to

historic results. With a growing revenue line and lower cost structure we are already operating profitably in the early part of the 08/09 year.

We exited the year with a significant loss of $7.2m, of which $6.2m were individually significant items The three main components of the loss were a goodwill write down of $3m which was completed in December, the write off of the Corpore investment of $2.5m and restructure costs of $0.7m.

Total revenues were slightly up on last year $27.4m compared to $27.3m in 2006/07.

Strategy

We believe our core competencies are instrumental in driving the business. These include:

- A large geographic footprint - we have branches in all states and territories, servicing all major cities and regional centres across Australia
- Comprehensive service offerings and broad range of skills and expertise across our workforce
- Konektiva - Industry leading software platform that allows us to deliver innovative solutions.

Our new strategy is multi-faceted and is aimed at growing revenues from multiple markets through diversification of new services and balancing our risk portfolio.

We believe the depth of our competencies allow us to pursue key differentiation strategies, within these markets rather than focusing on legacy markets.

In line with our product and service diversification strategy, we recently signed a reseller agreement with DeskActive to deliver its interactive injury prevention software package to complement our injury prevention service offerings. The DeskActive solution has been specifically developed for organisations with highly fixed administrative staff such as call centres. It is an ideal addition to our broad range of occupational health and safety services already being offered to the corporate sector.

We are currently represented on all major insurer panels across the country which positions us well in the workers compensation rehabilitation market. Whilst work place injuries are declining, Konekt is successfully assisting insurers in non traditional areas, delivering new and unique offerings.

In Q4 we were successful in our tender for the QBE national provider status. The finalised agreement allows us to deliver services in additional areas such as Different Employer, offering a higher return on service provision. This positive outcome places us as one of only two national providers.

At the operational level, we are focused on delivering value added services to ensure the highest level of value creation to our large customer base. This will increase customer intimacy by offering

SERHAT OGUZ, CHIEF EXECUTIVE OFFICER services tailored to their respective business needs, irrespective of their industry sector and situation.

We expect to complement the above organic growth strategies with a return to an acquisitive growth strategy in early calendar 2009. We will target areas of demonstrable market growth where our core competencies will be leveraged to provide the best outcomes

Providing leverage to Konekt's strategies is a new marketing focus. The key emphasis of the function is to develop and build a sustainable sales pipeline through a range of initiatives. Of significant importance is building brand awareness and developing brand equity through education and awareness across all mediums including print and internet.

In addition, we see the implementation of our communication strategy contributing to our reach of non-traditional market sectors, while also demonstrating our competencies through the publishing of case studies and success stories. Broadening our exposure will not only ensure we grow brand mindshare, it will also lead to market credibility, securing us as the recognised leader in the delivery of workplace health solutions in Australia.

Best Practise

We have implemented exciting new employee engagement initiatives which offer staff an opportunity to participate in our growth. Our employees are now engaged in the strategic development of the business, contributing to the company's new vision and direction. We believe this strong sense of involvement creates employee loyalty and greater job satisfaction.

To further capitalise on our strong position we have initiated best practice initiatives around customer engagement, responsiveness and intimacy, our internal process, and product leadership. This will lead to improved competitive advantage and deliver positive outcomes for customers.

Outlook

We enter the 2008-2009 year in a strong financial position focused purely on the Australian marketplace, with a lower cost structure, higher run rate and growing revenue. We are expecting this year to be our most profitable yet.

Our driving strategy for 2008/09 is multi-faceted and is focused at growing revenues from the corporate sector, improving our risk profile, expanding and refining our mix of services, and importantly improving margins.

We have developed many new innovative offerings which have specific appeal to the corporate sector and hence differentiate us from the competition. In the coming year, we look to leverage this business from our existing customer base who are looking for further value creation.

It is an exciting time for Konekt. We have built a formidable performance platform and the foundation for growth is set: new clients, new strategic alliances, new organisational structure with committed leadership and engaged employees.

I would like to thank our shareholders for their continued support and our staff for their contributions during the past year and look forward to a very successful 2008/09 year

Serhat Oguz, Chief Executive Officer
Sydney, 25 September 2008

FINANCIAL REPORT 2008

CORPORATE GOVERNANCE STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance.

This statement outlines the principal corporate governance procedures of Konekt Limited ("Company").

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

On 31 March 2003, the ASX Corporate Governance Council released its Principles of Good Corporate Governance and Best Practice Principles and Recommendations. The ASX Principles and Recommendations, in conjunction with the ASX Listing Rules, require companies to disclose in their Annual Reports whether their corporate governance practices follow the ASX Recommendations.

Unless disclosed below, all recommendations have been applied for the entire financial year ended 30 June 2008.

Recommendation 2.1 states that a majority of the Board be independent and Recommendation 2.2 states that the chairperson be independent. At the date of this report the Board comprises three Non-Executive Directors, all of whom are regarded as independent Directors. Mr Stuart Craig is a Director of S.M.A.C Group Pty Ltd, a private company that provided additional directorship and services through a period of significant change to the Company and Board.

During the year ended 30 June 2008 the Board comprised of:

Mr Martin Spry (Non-Executive Chairman)
Mr Carl Woodbridge (Managing Chairman)
Mr Stuart Craig (Independent Non-Executive Director)
Mr Max Lloyd-Jones (Independent Non-Executive Director)
Mr Alan Baxter (Independent Non-Executive Director)

Recommendation 2.4 requires listed entities to establish a Nomination Committee. During the year, the Company did not have a separately established Nomination Committee. Given the current size of the Board, the Board considers that this function is efficiently achieved with full Board support, in accordance with the guidelines set out in the Board's Charter.

Recommendation 7.1 requires that the Board should establish policies on risk oversight and management. The Board has implemented suitable practices and procedures, which are consistent with its size and maturity, and during the financial year the Board considered matters of internal control and risk management on a needs basis. The Audit, Risk and Compliance Committee assesses risk management and guides the development of further formal policies where appropriate.

ROLES OF THE BOARD AND MANAGEMENT

The Board has a Charter, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The Board is accountable to shareholders for the activities and performance of the Company and has overall responsibility for the Company's development of the Company's business, and its corporate governance. However, the Board does not itself manage the business and affairs of the Company.

Responsibility for management of the Company's business and affairs, within the scope of the framework established by the Board, is delegated to the CEO, who is accountable to the Board.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those goals. The key responsibilities of the Board include:

- Ensuring the Company is properly managed;
- Appointing and review the performance of the Managing Director;
- Approving strategy, planning, acquisitions and joint ventures, and major capital expenditure;
- Arranging for effective budgeting, capital management, financial supervision and monitoring financial performance against the strategic plan and budgets;
- Ensuring that appropriate audit arrangements are in place;
- Ensuring that effective and appropriate reporting systems are in place which will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately; and
- Reporting to shareholders.

BOARD STRUCTURE

The composition of the Board shall be determined in accordance with the following principles and guidelines:

- The Board shall comprise at least 3 Directors, increasing where additional expertise is considered desirable in certain areas;
- The Board should not comprise a majority of Executive Directors; and
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The composition of the Board is reviewed on an ongoing basis to ensure that the Board has an appropriate balance of experience and expertise. The Board considered that the existing composition of the Board was sufficient and there was no need to appoint any additional directors during the financial year.

The Directors in office at the date of this Annual Report are:

Name and qualification		Date of appointment
Mr Stuart Craig – FAICD, MIMarE, B Eng (Hons)	Non-Executive Chairman	19 June 2006
Mr Max Lloyd-Jones– PNA, FCES, FCIS, FICD	Independent Non-Executive Director	19 June 2006
Mr Alan Baxter– BSc, Dip Ed	Independent Non-Executive Director	19 June 2006

Details on the relevant skills and experience, and term of office of each of the Directors are set out in the Directors' Report.

DIRECTOR INDEPENDENCE

Directors are expected to bring independent views and judgement to the Board's deliberations. In response to the ASX Recommendations, the Board Charter requires the Board to include a majority of Non-Executive Independent Directors, a Non-Executive Independent Chairman and to have different persons filling the roles of Chairman and Chief Executive Officer

In considering whether a Director is independent, the Board has had regard to the independence criteria in ASX Principle 2, including the definition in Box 2.1, and other facts, information and circumstances that the Board considers relevant.

The Board considers that Mr Stuart Craig, Mr Max Lloyd-Jones and Mr Alan Baxter have continued to be Independent Directors since the date of their appointment.

MEETINGS OF THE BOARD

During the year the Board met 12 times to consider the business of the Company, its financial performance and other operational issues, and in the future will meet monthly or as required.

RETIREMENT AND RE-ELECTION

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders, reappointment is not automatic.

Having regard to these matters, Directors have not been appointed for a specific term.

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

BOARD PERFORMANCE

The Board reviews and evaluates its own performance and the individual performance of each Director, including the Chairman and Executive Directors. Having regard to the Company's size, operations and the Board's composition, the Board believes that a self assessment approach to performance evaluation is appropriate.

The Company has an established induction procedure which allows new Board appointees to participate fully and actively in board decision making at the earliest opportunity. Due to the significant amount of change at board level, the board did not conduct a performance during the year, and has determined that it will conduct a self evaluation before the end of the 2008 calendar year. At this time, the Board will also conduct an evaluation of the performance of its two committees, namely, the Audit, Risk and Compliance Committee and the Remuneration Committee.

DIRECTORS' REMUNERATION

The remuneration of Non-Executive Directors is different to that of Executives. Executive Directors receive a salary and may receive other benefits.

Non-Executive Directors receive a set fee per annum, in addition to their statutory superannuation entitlements, and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties. When reviewing Directors' fees the Board takes into account any changes in the size and scope of the Company's activities.

The Board will review the remuneration and policies applicable to Non-Executive Directors and the Managing Director on an annual basis. Remuneration levels will be competitively set to attract the most qualified and experienced Directors and senior Executives. Where necessary, the Board will obtain independent advice on the appropriateness of remuneration packages.

The structure and disclosure of the Company's remuneration policies for Directors and senior Executives are set out in the Directors' Report.

BOARD ACCESS TO INFORMATION

All Directors have unrestricted access to all employees of the group and, subject to the law, access to all Company records and information held by group employees and external advisers. The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties.

Non-executive Directors are also given the opportunity to meet informally with management and gain a greater understanding of the Company through attendance at internal company conferences, where appropriate.

Consistent with ASX Principle 2, each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

BOARD COMMITTEES

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner.

The Board Committees assist the Board in the discharge of its responsibilities and are governed by their respective Charters, as approved by the Board. The current Board Committees comprise:

- The Remuneration Committee; and
- The Audit, Risk and Compliance Committee.

REMUNERATION COMMITTEE

Among the specific responsibilities set out in its Charter, the Remuneration Committee reviews and makes recommendations on remuneration policies for the Company including, in particular, those governing the Directors, the Managing Director and senior management. The Committee makes recommendations to the Board on the Board's operation and performance; establishes an induction programme for Directors; undertakes a performance review of the Managing Director at least annually and establishes the goals for the forthcoming year with the Managing Director.

The members of the Remuneration Committee during the year were:

- Mr Martin Spry (Committee Chairman, resigned 16 April 2008)
- Mr Alan Baxter (Committee Chairman from 17 April 2008)
- Max Lloyd – Jones (appointed 17 April 2008)

AUDIT, RISK AND COMPLIANCE COMMITTEE

The Board has an Audit, Risk and Compliance Committee. The Committee monitors internal control policies and procedures designed to safeguard Company assets and to maintain the integrity of financial reporting, consistent with ASX Principle 4.

The Audit, Risk and Compliance Committee for the year ended 30 June 2008 comprised the following two Independent Non-Executive Directors:

- Mr Stuart Craig (Committee Chairman)
- Mr Max Lloyd-Jones

The relevant qualifications and background of Mr Stuart Craig and Mr Max Lloyd-Jones are summarised in the Directors' Report.

The Board considered the ASX recommendation that an audit committee have 3 members, and determined that due to the size and operations of the Company and the substantial technical expertise of the Committee's existing members, that a total of 2 members was sufficient for the Committee to fulfil its role effectively.

Part of the role of the Committee is to provide a direct link between the Board and the external auditors.

It also provides the Board of Directors with additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in Financial Statements.

The functions and responsibilities of the Committee are set out in the Audit, Risk and Compliance Committee Charter and include:

- Oversight of the reliability and integrity of the Company's accounting policies and financial reporting;
- Advising the Board on financial reporting and business risks;
- Monitoring compliance with regulatory requirements;
- Identifying key risks faced by the Company and ensuring appropriate risk management strategies and insurances are in place;
- Improving the quality of the accounting function;
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- Liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- Reviewing the performance of the external auditor, their qualifications and independence.

The Audit, Risk and Compliance Committee reviews the performance of the external auditors on an annual basis and can nominate and appoint external auditors at its discretion. During the year, the Committee held 2 meetings, all of which were attended by Mr Stuart Craig and Mr Max Lloyd-Jones,.

FINANCIAL INTEGRITY

The Board has policies designed to ensure that the Company's Financial Statements meet high standards of disclosure and provide the information necessary to understand the Company's financial performance and position. The policies require that the CEO and CFO (or acting equivalent) provide to the Board, prior to the Board approving the annual and half-yearly accounts, a written statement that the accounts present a true and fair view, in all material respects, of the Company's financial performance and position and are in accordance with relevant accounting standards, laws and regulations.

AUDIT PROCESS

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company's accounts are subject to an annual audit by an independent, professional auditor, who also reviews the half-yearly accounts.

Consistent with ASX Recommendation 6.2, the auditor attends and is available to answer questions at the Company's Annual General Meetings.

AUDITOR INDEPENDENCE

The Company has implemented procedures and policies to monitor the independence and competence of the Company's external auditors. Details of the amounts paid for both audit work and non-audit services are set out in this Annual Report.

The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner. The Audit, Risk and Compliance Committee will liaise with the auditors in this regard.

BUSINESS RISKS

Consistent with ASX Principle 7, the Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls. The Managing Director is charged with implementing appropriate risk management systems within the Company.

The Board will monitor and receive advice on areas of operational and financial risk and consider strategies for appropriate risk management arrangements.

Specific areas of risk identified initially and which will be regularly considered at Board meetings include performance of specific activities, human resources, the environment, Workers' Compensation legislation, statutory compliance and continuous disclosure obligations.

As part of the reporting process the CEO and CFO(or acting equivalent) provide to the Board, prior to the Board approving the annual and half-yearly accounts, a written statement that the integrity of the Financial Statements (as per ASX Recommendation 4.1) are founded on a system of risk management, internal compliance and control which implements the Board's policies and the Company's risk management and internal control system is operating efficiently and effectively in all material matters.

SHARE TRADING

Under the Company's share trading policy, all employees and Directors of the Company and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of "inside information". Subject to this condition and in light of the Australian Stock Exchange's continuous disclosure requirements, employee trading can occur at any time, except for Directors and Senior Executives who must comply with specified trading window restrictions set around the publication of financial results or price sensitive projects.

In addition, in order to trade, Directors of the Company must advise the Chairman or Company Secretary of their intention to trade and must also have been advised by the Company Secretary that there is no known reason to preclude them trading in the Company's shares or other securities. The Chairman is also required to communicate an intention to deal in securities with the Managing Director or Company Secretary.

CONTINUOUS DISCLOSURE

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Stock Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Stock Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications. The policy is reviewed periodically and updated as required.

The Company Secretary has responsibility for overseeing and coordinating disclosure of information to the Australian Stock Exchange. The Company Secretary also liaises with the Managing Director in relation to continuous disclosure matters. The Managing Director is responsible for overseeing and coordinating disclosure of information to analysts, brokers and shareholders.

CODE OF CONDUCT

The Board has adopted a Code of Conduct to establish and encourage observance by the Company's Directors, Executives and employees of standards of ethical and responsible decision making and behaviour, and to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. All new employees are provided with the Code of Conduct and related policies in induction. The Company has implemented an online compliance training program which includes all policies, updates and training.

COMMUNICATIONS WITH SHAREHOLDERS

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders through the distribution of Annual Reports; and by presentations to shareholders at the Annual General Meeting, which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by the Company throughout the year with respect to its activities, are distributed widely first via the Australian Stock Exchange and then on the Company's website.

COMPANY'S WEBSITE

The Company maintains the website at www.konekt.com.au

The website contains a corporate governance section which includes the Guidelines covering Board Membership, the Charters of the Board Committees, Policy on Directors and Senior Executives Dealings, Board Code of Conduct, Continuous Disclosure, Communications with Shareholders and this Corporate Governance Statement.

DIRECTORS' REPORT

The directors present their report together with the financial statements of Konekt Limited ("the company") and the consolidated accounts of the consolidated entity, being the company and its controlled entities, for the year ended 30 June 2008 and the auditors' report thereon.

DIRECTORS

The directors of the company during the financial year and up to the date of this report are:

Name and qualification	Date of appointment	Age
Stuart Craig – FIACD, B Eng (Hons)	19 June 2006	55
Alan Baxter – BSc, Dip Ed	19 June 2006	63
Max Lloyd-Jones – PNA, FCES, FCIS, FICD	19 June 2006	59
Martin Spry - FIAA	29 September 2004	59
Carl Woodbridge - ACII, FCILA, FCLA	11 July 2003	48

Name	Date of resignation	Age
Martin Spry - FIAA	16 April 2008	59
Carl Woodbridge - ACII, FCILA, FCLA	27 June 2008	48

MR STUART CRAIG, FAICD, B ENG (HONS) – CHAIRMAN NON-EXECUTIVE DIRECTOR

Mr Craig is a professional CEO/Director who in the past twenty years has worked in a variety of industries in both private and public companies. He headed the Coats Patons companies in Australia and New Zealand from 1991 to 1997, following this he headed the ICI/Orica explosives group in Asia Pacific. Over the past 8 years he has worked extensively in strategic change with a number of business groups including PricewaterhouseCoopers, CSIRO and SMAC Group. He currently holds a number of advisory roles and is Managing Director of a biotechnology group.

Mr Craig is Chairman of the Board of Directors and Chairman of the Audit, Risk and Compliance Committee.

Age: 55
Date of appointment: 19 June 2006

MR MAX LLOYD-JONES, PNA, FCES, FCIS, FICD – NON-EXECUTIVE DIRECTOR

Mr Lloyd-Jones is Managing Director of the Lloyd-Jones Meakin Group, a boutique consultancy specialising in cultural transformation in which the values of Safety Health Environment and Sustainability are developed as core value and drivers of business performance. The LJM Group has rapidly grown over the past 9 years with a particular focus in the resource mining and manufacturing markets. In addition to the LJM Group, Max works with a number of private and public companies in a variety of industry segments. Previously he spent 30 years in a broad range of line management roles in both Australia and internationally. He spent some 20 years with the DuPont Company, where he held senior executive positions in finance, strategic planning, sales, marketing, human resources and manufacturing, before being assigned to senior executive global business leadership positions in the core DuPont business portfolio. He left DuPont in 1998 to pursue his personal business interests.

Mr Lloyd-Jones is a member of the Audit, Risk and Compliance Committee and is a member of the Remuneration Committee.

Age: 59
Date of appointment: 19 June 2006

MR ALAN BAXTER, BSC, DIP ED – NON-EXECUTIVE DIRECTOR

Alan is an experienced executive who spent 35 years in a variety of roles in some of the world's largest information technology companies. These included 15 years with IBM, 7 years as Managing Director of DMR Consulting Australia and 3 years in London as Chief Operating Officer of Fujitsu Consulting's worldwide operations. Since retiring from Fujitsu Consulting he was Chairman of Fujitsu Australia and New Zealand from April 2004 to April 2006.

Mr Baxter is a member of the Remuneration Committee.

Age: 63
Date of appointment: 19 June 2006

MR MARTIN SPRY, FIAA – NON-EXECUTIVE DIRECTOR (FORMERLY CHAIRMAN – RESIGNED 16 APRIL 2008)

Mr Spry is an actuary who is a senior independent consultant to insurance companies and a Director of a number of private companies. From 1997 to 1999 he was Executive Director of GIO General Limited, responsible for all of GIO's general insurance business. Previously, he founded the Computations Group and led it for 17 years as it became a significant international force in insurance technology.

Mr Spry was Chairman of the Board of Directors and Chairman of the Remuneration Committee.

Age: 58
Date of appointment: 29 September 2004

DIRECTORS' REPORT (cont'd)

MR CARL WOODBRIDGE, ACII, FCILA, FCLA – (FORMERLY MANAGING DIRECTOR – RESIGNED 27 JUNE 2008)

Mr Woodbridge is a founding Director of Medepartner, one of Konekt's acquisitions, and has extensive experience in loss adjusting and the insurance industry in Australia and the United Kingdom.

Age: 47
Date of appointment: 11 July 2003

MR SERHAT OGUZ,– COMPANY SECRETARY (APPOINTED 30 NOVEMBER 2007), CHIEF EXECUTIVE OFFICER

Mr Serhat Oguz, BBus, Grad Dip Bus Adm, Grad Dip CSP, CPA, ACIS

Serhat is an experienced executive with over 20 years experience in Finance and General Management roles, both locally and internationally. Most recently Serhat was working with IBS Asia Pacific as Managing Director of Asean Operations. Immediately prior to this Serhat was Managing Director of CDC Software ANZ. Serhat has also held senior roles in multinational organizations such as SAP, Ariba, and ComputerVision.

Serhat holds professional qualifications in business and company secretarial practice, and is also Acting CEO.

MISS SAMANTHA DUNN, BA, LLB – COMPANY SECRETARY (RESIGNED 30 NOVEMBER 2007)

Miss Dunn is Chief Operating Officer of Corporate Compliance Partners, an independent group of professional company secretaries who specialise in the administration and corporate governance of publicly listed entities. Miss Dunn is a qualified lawyer and has significant experience as a company secretary, having managed the corporate secretarial and compliance requirements of multiple ASX listed entities.

Age: 30
Date of appointment: 11 April 2007

DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

The relevant interest of each director in shares and options of the company at the date of this report is as follows:

	Fully Paid Ordinary Shares		Performance Rights	Options Over Ordinary Shares
Director	**Direct**	**Indirect**	**Direct**	**Direct**
Stuart Craig	-	-	-	200,000
Max Lloyd-Jones	-	-	-	200,000
Alan Baxter	-	-	-	200,000
	-	-	-	600,000

OPTIONS

In total there were 4,250,000 options over ordinary shares outstanding at the date of this report. 1,500,000 options were employee options, 600,000 by the above directors and the balance of 2,150,000 by non related entities of the current directors. The following are details of these outstanding options:

No of options	Exercise price	Expiry date
150,000	$0.55	27 Feb 2009
650,000	$0.50	16 Nov 2009
1,000,000	$0.08	18 Apr 2010
1,000,000	$0.06	18 Apr 2010
1,500,000	$0.00	14 Aug 2013

MEETINGS OF DIRECTORS

During the year, the following meetings were held. Attendances were:

	Board Meetings		Audit, Risk and Compliance Committee		Remuneration Committee	
Director	**No. of meetings held whilst a Director**	**No. of meetings attended**	**No. of meetings held whilst a Member**	**No. of meetings attended**	**No. of meetings held whilst a Member**	**No. of meetings attended**
Martin Spry	9	9	-	-	1	1
Carl Woodbridge	12	11	-	-	-	-
Stuart Craig	12	12	2	2	-	-
Max Lloyd-Jones	12	11	2	2	1	1
Alan Baxter	12	11	-	-	2	2

DIRECTORS' REPORT (cont'd)

PRINCIPAL ACTIVITIES

The Group operates in the insurance management sector, principally involved in workplace health services.

OPERATING RESULTS

The consolidated net loss after income tax of the consolidated entity for the financial year was $7,228,980 (2007: $1,526,469). Total Revenue and Other Income was $27,365,268 (2007: $27,298,375).

REVIEW OF OPERATIONS

A review of operations of the consolidated entity during the year and subsequent to the end of financial year is contained in the Managing Director's and Chairman's Report on page 4.

DIVIDENDS PAID OR RECOMMENDED

No amounts have been paid or declared by way of a dividend by the company. The directors do not propose to recommend the payment of a dividend.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

After the significant structural changes that have been made, the company expects to deliver a good level of organic revenue growth and a good level of positive earnings. The company expects to return to its acquisitive growth strategy in Calendar year 2009.

DIRECTORS' REPORT (cont'd)

REMUNERATION REPORT – AUDITED

Details of Parent Entity Directors and Key Management Personnel

(i) Parent Entity Directors	*Position*	*Period of service*
S. Craig	Chairman	
	Non Executive Director	Director 19 June 2006 to current
A. Baxter	Non Executive Director	Director 19 June 2006 to current
M. Lloyd-Jones	Non Executive Director	Director 19 June 2006 to current
M. Spry	Non Executive Director	Resigned 16 April 2008
C. Woodbridge	Managing Director and Chief Executive Officer	Resigned 27 June 2008
(ii) Key Management Personnel		
S. Oguz	Chief Executive Officer	30 July 2007 to current

There were no other company or group executives during the financial year.

Directors' and Key Management Personnel Remuneration

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and key management personnel of the consolidated entity. The Board remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, level of performance and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

To assist in achieving the objectives, the Board links the nature and amount of executive directors' and officers' emoluments to the consolidated entity's financial and operational performance. Over the last four years bonus payments have only been paid to key management personnel in the 2007 and 2008 years. In the 2007 year Carl Woodbridge received a payment of $50,000 (inc super) for achieving performance criteria set by the board. Carl Woodbridge successfully achieved a significant diversification of revenue in the safe service line, as well as a revenue growth (after allowing for one major client).

In 2008 Serhat Oguz received a payment of $27,250, (inc super) for achieving agreed upon revenue and EBIT results for the six months ended 31 December 2007.

Remuneration and other terms of employment for the Managing Director, and Key Management Personnel are formalised in service agreements. Each of these provides for a performance related cash bonus and superannuation. Other major provisions of the agreements relating to remuneration are set out below:

	Short term employee benefits			Post-employment benefits		Long term benefits	Share based payments		
30 June 2008	**Cash salary & fees**	**Cash bonus**	**Annual leave**	**Super-annuation**	**Termination**	**Long service leave**	**Options**	**Total**	**Percentage of remuneration as share based payments**
Parent Entity Directors									
Stuart Craig	81,000	-	-	5,490		-	4,214	90,704	4.6 %
Alan Baxter	48,000	-	-	4,320		-	4,214	56,534	7.5 %
Max Lloyd-Jones	-	-	-	52,320		-	4,214	56,534	7.5 %
Carl Woodbridge	306,280	-	(3,630)	33,027	384,444	4,479	(45,683)	678,917	-6.7 %
Martin Spry	60,000	-	-	-		-	(11,420)	48,580	-23.5 %
Total Remuneration: Parent Entity Directors	495,280	-	(3,630)	95,157	384,444	4,479	(44,461)	931,269	
Key Management Personnel of the Consolidated Entity									
Serhat Oguz	183,326	25,000	18,541	12,035	-	3,477	-	242,379	0 %
Total Remuneration: Parent Entity Directors & Key Management Personnel	678,606	25,000	14,911	107,192	384,444	7,956	(44,461)	1,173,648	

On resignation of the Managing Director Carl Woodbridge, a 1 year consultancy agreement was entered into with a total cost of $384,444. Based on the terms of this agreement this cost has been accrued as 2008 expenses.

The reversal of the options expense relates to performance rights that did not vest because Carl Woodbridge and Martin Spry resigned prior to completion of their service periods. Had these options vested at the dates of resignation with all criteria being met the benefits to Carl Woodbridge and Martin Spry would have been $43,000 and $32,000 respectively.

The proportion of remuneration that was performance related for the directors was the same as the percentage of remuneration as share based payments. For Serhat Oguz the performance related remuneration related to the bonus paid and represented 10.3% of total remuneration.

DIRECTORS' REPORT (cont'd)

	Short term employee benefits			Post-employment benefits	Long term benefits	Share based payments		
30 June 2007	**Cash salary & fees**	**Cash bonus**	**Annual leave**	**Super-annuation**	**Long service leave**	**Options**	**Total**	**Percentage of remuneration as share based payments**
Parent Entity Directors								
Carl Woodbridge	366,972	45,872	43,433	37,156	18,551	39,026	551,010	7%
Martin Spry	120,000	-	-	-	-	9,756	129,756	8%
Alan Baxter	48,000	-	-	4,320	-	10,776	63,096	17%
Stuart Craig	48,000	-	-	4,320	-	10,776	63,096	17%
Max Lloyd-Jones	48,000	-	-	4,320	-	10,776	63,096	17%
Total Remuneration: Parent Entity Directors	630,972	45,872	43,433	50,116	18,551	81,110	870,054	
Key Management Personnel of the Consolidated Entity								
Paul Molloy	54,859	-	(7,953)	1,429	-	-	48,335	-
Total Remuneration: Parent Entity Directors & Key Management Personnel	685,831	45,872	35,480	51,545	18,551	81,110	918,389	

The elements of emoluments have been determined on the basis of the cost to the consolidated entity.

Key management personnel are those directly accountable and responsible for the operational management and strategic direction of the consolidated entity.

SHARE OPTIONS

During the financial year, the Company issued 1,000,000 unlisted options to Westvalley Superannuation Fund an entity controlled by former Managing director Carl Woodbridge as part of a commercial transaction to issue $244,246 in convertible notes. These notes are are exercisable any time after 18 April 2009 and before 18 April 2010 at an exercise price of 8 cents.

The following options issued during the previous financial year to directors were outstanding at 30 June 2008;

Name	**Options granted in the year**	**Exercise price**	**Expiry date**	**Fair value of options granted**	**Vested in the year**	**% of holding vested 2007**	**2008**	**2009**	**2010**
Share Options									
Stuart Craig	200,000	0.50	16.11.2009	18,145	100,000	50%	50%	-	-
Max Lloyd-Jones	200,000	0.50	16.11.2009	18,145	100,000	50%	50%	-	-
Alan Baxter	200,000	0.50	16.11.2009	18,145	100,000	50%	50%	-	-
	600,000			**54,435**	**300,000**				

During or since the end of the financial year, no ordinary shares were issued as a result of the exercise of options.

SERVICE AGREEMENTS

Remuneration and other terms of employment for the Managing Director and Key Management Personnel are formalised in service agreements. Each of these provides for a performance related cash bonus and superannuation. Other major provisions of the agreements relating to remuneration are set out below:

C Woodbridge – Managing Director

- Term of agreement: 16 June 2006 to 15 June 2009. (resigned 27 June 2008)
- Base salary, including superannuation, amounting to $400,000 to be reviewed annually by the Remuneration Committee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, was equal to the base salary for the remaining term of the agreement.

Serhat Oguz – Chief Executive Officer (became Key Management personnel on 30 July 2007). Mr Oguz commenced with Konekt as Chief Operations Officer/ Chief Financial Officer, and became Acting Chief Executive Officer on the 27th June 2008. Mr Oguz has now been appointed to Chief Executive Officer.

- Term of agreement: no fixed term
- Base salary, including superannuation, amounting to $250,700 to be reviewed annually by the Remuneration Committee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, is equal to 3 months notice.
- Short term incentive equal to $70,000 based on achieving performance criteria set at the board's discretion.

DIRECTORS' REPORT (cont'd)

BONUS SCHEME

Mr Oguz received a short term Incentive, including superannuation, amounting to $27,250 paid in March 2008. The payment was based on agreed upon revenue and EBIT results for the 6 months ended 31 December 2007.

PERFORMANCE RIGHTS

During the 2007 financial year performance rights existed for directors Martin Spry and Carl Woodbridge.

These lapsed on their resignation during the year. The following are details related to those performance rights:

Performance rights were granted under the Executive Option and Performance Rights Plan ('Plan') which was approved by shareholders at the 2005 Annual General Meeting. The Plan allows the Company to grant options or rights to selected key employees to acquire ordinary shares in the Company. Participants are required to satisfy performance and service conditions at the time of the offer.

The exercise price for performance rights is nil.

Rights cannot be transferred and will not be quoted on the ASX.

A right may only be exercised by a date determined by the Board and will lapse if not exercised at a date determined by the Board not exceeding 10 years, subject to applicable performance hurdles and other restrictions set in the offer letter. An unexpired option or right will also lapse on a date six months after a participant dies, retires, is made redundant or becomes disabled, or the date one month after the participant ceases to be employed by the Konekt group for any other reason.

SERVICE CONDITIONS

Tranche Number	%Available	First Exercise Date	Last Exercise Date	Number of Rights
1	25	17 May 2007	17 May 2011	250,000
2	25	17 May 2008	17 May 2011	250,000
3	25	17 May 2009	17 May 2011	250,000
4	25	17 May 2010	17 May 2011	250,000
	100.00			**1,000,000**

PERFORMANCE CONDITIONS

Performance conditions are deemed to be an essential component of all senior executive equity incentives. The proposed issue of rights is designed to provide both motivation to perform and to provide retention incentive. There are two (2) separate performance conditions to be applied to the rights, for 50% of the Tranche weightings, as follows:

Performance Condition 1 – 50% of the Tranche weighting – Earnings per Share (expressed in cps)

Tranche	Performance Condition	Threshold (25% vests)	Budget (50% vests)	Target (100% vests)
1	EPS for FYE 30/6/2006 equals or exceeds	3	4	6
2	EPS for FYE 30/6/2007 equals or exceeds	3.3	4.4	6.6
3	EPS for FYE 30/6/2008 equals or exceeds	3.63	4.84	7.32
4	EPS for FYE 30/6/2009 equals or exceeds	3.993	5.324	8.052
		13.923 cps	**18.564 cps**	**27.972 cps**

EPS means Earnings Per Share in cents per share ("cps"). EPS is defined as basic earnings per share (after tax) before any goodwill and/or amortisation, adjusted for significant items (as noted in the Company's financial statements), goodwill write-offs which represent more than 5% of the group's pre-tax profit for the year; and material capital restructurings that have occurred over the relevant period, as determined by the Board.

All rights are available up to the last performance measurement date. That is, if a prior year threshold, budget or target is not met, the rights are still available but prior year rights must then meet a cumulative EPS measure, that is, the sum of the relevant years.

DIRECTORS' REPORT (cont'd)

Performance Condition 2 – 50% of the Tranche weighting – Share price escalator

	Performance Condition	Threshold (25% vests)	Budget (50% vests)	Target (100% vests)
1	Share Price at 30/9/2006 equals or exceeds (1)	$ 0.70	$ 1.00	$ 1.50
2	Share Price at 30/9/2007 equals or exceeds (1)	$ 0.80	$ 1.30	$ 2.00
3	Share Price at 30/9/2008 equals or exceeds (1)	$ 1.00	$ 1.60	$ 2.50
4	Share Price at 30/9/2009 equals or exceeds (1)	$ 1.20	$ 1.80	$ 2.60

(1) On a five day volume weighted average basis at that date or up to the last available date.

All rights are available up to the last performance measurement date. That is, if a prior year threshold, budget or target is not met, the rights are still available but prior year rights must then meet the next year threshold, budget or target level. For example, if as at 30th September 2006, the share price had been below $0.70, none of the rights would have vested, none would be forfeited, but all would have been subject to the higher Tranche 2 hurdle, and so on.

General Conditions

Exercise Rights: Subject to any adjustments in accordance with the Plan Rules and/or the ASX Listing Rules, each Performance Right entitles the holder to acquire one (1) ordinary share in the capital of the Company on exercise of the Performance Right.

Exercise Parcels: Exercise may be in whole or in part, as long as they are in marketable parcels of no less than $5,000.00 worth of shares.

Timing of Exercises: Performance Rights, once vested, may be exercised only in accordance with any administrative restrictions as set out in the Plan.

Other Conditions: Unless the Board of the Company decides otherwise, the Performance Rights being offered will expire on the earlier of:

a) the Last Exercise Date (per above); or

b) a day at the determination of the Board in accordance with the Plan Rules if the participant ceases to be an employee of the Company; or

c) the day on which a participant defaults hereunder.

Performace rights which lapsed during the year were 200,000 for Martin Spry and 800,000 for Carl Woodbridge, which were granted in the 2006 financial year.

PERFORMANCE CONDITIONS

There are no performance conditions attached to the share options held by directors. For details of the performance conditions attached to the performance rights refer to Note 19c.

End of Audited Remuneration Report

NON-AUDIT SERVICES

The Board of directors, in accordance with advice from the Audit, Risk and Compliance Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. There were no non-audit services provided during the year. The directors are satisfied that the services disclosed below would not compromise the external auditors' independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit, Risk and Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in Professional Statement APES 110: Code of Ethics for Professional Accountants.

The fees for non-audit services were nil as disclosed in Note 24.

ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation.

AUDIT SERVICES

During the year, audit and review fees payable to BDO Kendalls amounted to $197,500.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no significant events which have occurred since balance date.

DIRECTORS' REPORT (cont'd)

INDEMNIFICATION AND INSURANCE OF DIRECTORS

The company has agreed to indemnify all current directors of the company and former directors of the company against all liabilities to another person (other than the company or a related body corporate) that may arise from their position as directors of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including costs and expenses.

The company has also agreed to indemnify the current directors of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including costs and expenses.

The company has agreed to indemnify executive officers and employees for all liabilities to another person (other than the company or a related body corporate) that may arise from their position in the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the company will meet the full amount of any such liabilities, including costs and expenses.

INSURANCE PREMIUMS

The directors have taken out a Directors' and Officers' Insurance policy but have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy as such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

TAX CONSOLIDATION

Effective from 1 December 2003, for the purposes of income taxation, Konekt Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into tax sharing agreements in order to allocate income tax expense to the relevant entity on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax obligations. At the balance date the possibility of default is remote. The head entity of the tax consolidated group is Konekt Limited. Konekt Limited has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Konekt support and have adhered to the principles of Corporate Governance except as outlined in the Corporate Governance Statement which is contained in the Corporate Governance Statement on page 12.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act can be found on page 60 of this report.

Signed in accordance with a Resolution of the Board of Directors.

Stuart Craig
Chairman

25 September 2008
Sydney, NSW

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		Consolidated Entity		Parent Entity	
		2008	2007	2008	2007
	Notes	$	$	$	$
Revenue from continuing operations	4	27,089,105	27,261,801	131,531	1,167,531
Other Income	4	276,163	36,574	-	-
External consultants		(1,191,944)	(1,271,466)	-	-
Depreciation	5	(563,924)	(813,660)	-	-
Goodwill impairment		(3,000,000)	-	-	-
Joint venture exit costs	5	(2,548,650)	-	(2,193,544)	-
Finance costs	5	(182,134)	(77,527)	-	-
Share based payments expense	5	44,458	(81,108)	44,458	(81,108)
Salaries and employment related costs		(19,540,669)	(19,320,629)	-	-
Property expenses		(2,943,258)	(2,555,011)	-	-
Communication expenses		(757,576)	(804,194)	-	-
Motor vehicle and equipment expenses		(789,829)	(689,257)	-	-
Travel and accommodation expenses		(652,941)	(787,586)	-	-
Other expenses from continuing operations	5	(2,467,781)	(2,417,707)	(180,262)	(206,390)
Share of net (losses) of joint venture partnerships accounted for using the equity method	13	-	(6,699)	-	-
Write down of investments to recoverable amount	5	-	-	(1,686,081)	(947,235)
Write down of receivables from controlled entities to recoverable amount	5	-	-	-	(7,659,772)
Loss from continuing operations before income tax expense		**(7,228,980)**	**(1,526,469)**	**(3,883,898)**	**(7,726,974)**
Income tax expense	7	-	-	-	-
Net loss from continuing operations after income tax expense		(7,228,980)	(1,526,469)	(3,883,898)	(7,726,974)
Net loss attributable to members of the parent entity		**(7,228,980)**	**(1,526,469)**	**(3,883,898)**	**(7,726,974)**
Basic earnings per share (cents per share)	6	(13.2)	(2.9)		
Diluted earnings per share (cents per share)	6	(13.2)	(2.9)		

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS AS AT 30 JUNE 2008

		Consolidated Entity		Parent Entity	
		2008	**2007**	**2008**	**2007**
	Notes	**$**	**$**	**$**	**$**
Current Assets					
Cash and cash equivalents	8	29,779	37,622	-	-
Trade and other receivables	9	3,875,766	3,767,855	2,161,137	-
Inventories	10	665,690	515,711	-	-
Other assets	11	128,904	52,072	17,254	14,857
Total Current Assets		**4,700,139**	**4,373,260**	**2,178,391**	**14,857**
Trade and other receivables	12	-	1,063,939	-	2,995,409
Investment accounted for using the equity method	13b	-	-	-	-
Other financial assets	13a	-	-	637,516	2,323,597
Plant & equipment	14	942,772	1,166,017	-	-
Intangible assets	15	3,522,627	6,522,627	-	-
Total Non Current Assets		**4,465,399**	**8,752,583**	**637,516**	**5,319,006**
Total Assets		**9,165,538**	**13,125,843**	**2,815,907**	**5,333,863**
Current Liabilities					
Trade and other payables	16	4,657,937	3,065,848	901,820	-
Provisions	17	107,863	-	-	-
Interest bearing liabilities	18	2,077,840	1,008,221	-	-
Total Current Liabilities		**6,843,640**	**4,074,069**	**901,820**	**-**
Non Current Liabilities					
Interest bearing liabilities	18	264,334	-	264,334	-
Provisions	17	258,751	223,769	-	-
Total Non Current Liabilities		**523,085**	**223,769**	**264,334**	**-**
Total Liabilities		**7,366,725**	**4,297,838**	**1,166,154**	**-**
Net Assets		**1,798,813**	**8,828,005**	**1,649,753**	**5,333,863**
Equity					
Contributed equity	19	38,590,949	38,346,703	38,590,949	38,346,703
Reserves		63,130	107,588	63,130	107,588
Accumulated losses		(36,855,266)	(29,626,286)	(37,004,326)	(33,120,428)
Total Equity		**1,798,813**	**8,828,005**	**1,649,753**	**5,333,863**

The above balance sheets should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	30 June 2008	**30 June 2007**	**30 June 2008**	**30 June 2007**
	$	**$**	**$**	**$**
Cash Flows from Operating Activities				
Receipts from customers	26,975,693	27,710,443	-	-
Payments to suppliers and employees	(28,112,169)	(27,978,367)	-	-
Interest received	1,745	1,969	-	-
Interest paid	(182,134)	(88,820)	-	-
Income taxes received	-	-	-	-
Net cashflows used in Operating Activities (note 28)	**(1,316,865)**	**(354,775)**	**-**	**-**
Cash Flows from Investing Activities				
Purchase of plant & equipment	(348,544)	(362,608)	-	-
Proceeds from sale of plant & equipment	200,367	-	-	-
Net cashflows used in Investing Activities	**(148,177)**	**(362,608)**	**-**	**-**
Cash Flows from Financing Activities				
Net proceeds from issue of ordinary shares	-	1,125,000	-	1,125,000
Payment of share issue expenses	-	(39,750)	-	(39,750)
Proceeds from borrowings	508,580	-	508,580	-
Repayment of borrowings	-	-	-	-
Loan to joint venture partnership	(121,000)	(623,174)	(121,000)	(623,174)
Loan to controlled entities	-	-	(387,580)	(462,076)
Net cashflows from Financing activities	**387,580**	**462,076**	**-**	**-**
Net decrease in cash held	**(1,077,462)**	**(255,307)**	-	-
Cash at beginning of financial year	(970,599)	(715,292)	-	-
Cash at end of financial year (note 28)	**(2,048,061)**	**(970,599)**	**-**	**-**

The above cash flows statements should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

Consolidated Entity	Issued capital	Accumulated losses	Option Reserve	Total equity
	$	$	$	$
As at 30 June 2006	**37,261,453**	**(28,099,817)**	**26,480**	**9,188,116**
Loss for the period		(1,526,469)		(1,526,469)
Issue of share capital	1,125,000			1,125,000
Share issue costs	(39,750)			(39,750)
Recognition of Director's Performance Rights (Note 5)			48,781	48,781
Recognition of options issued (Note 5)			32,327	32,327
As at 30 June 2007	**38,346,703**	**(29,626,286)**	**107,588**	**8,828,005**
Loss for the period		(7,228,980)		(7,228,980)
Issue of share capital	244,246			244,246
Recognition of Director's Performance Rights (Note 5)			(74,859)	(74,859)
Recognition of options issued (Note 5)			30,401	30,401
As at 30 June 2008	38,590,949	(36,855,266)	63,130	1,798,813
Parent Entity				
As at 30 June 2006	**37,261,453**	**(25,393,454)**	**26,480**	**11,894,479**
Loss for the period		(7,726,974)		(7,726,974)
Issue of share capital	1,125,000			1,125,000
Share issue costs	(39,750)			(39,750)
Recognition of Director's Performance Rights (Note 5)			48,781	48,781
Recognition of options issued (Note 5)			32,327	32,327
As at 30 June 2007	**38,346,703**	**(33,120,428)**	**107,588**	**5,333,863**
Loss for the period		(3,883,898)		(3,883,898)
Issue of share capital	244,246			244,246
Recognition of Director's Performance Rights (Note 5)			(74,859)	(74,859)
Recognition of options issued (Note 5)			30,401	30,401
As at 30 June 2008	**38,590,949**	**(37,004,326)**	**63,130**	**1,649,753**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report of Konekt Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of directors on 16 September 2008 and covers the consolidated entity of Konekt Limited and controlled entities. Konekt Limited is a listed public company, incorporated and domiciled in Australia.

Basis of Preparation

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Konekt Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

Reporting Basis and Conventions

The financial report is presented in Australian currency, has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

a) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Konekt Limited ("company" or "parent entity") as at 30 June 2008 and the results of all of its subsidiaries for the year then ended. Konekt Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

A subsidiary is any entity controlled by Konekt Limited. Control exists where Konekt Limited has the power to govern the financial and operating policies of another entity.

All inter-company balances and transactions between entities within the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Konekt Limited.

Joint Venture Operations

The interest in the joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement and the share of movements in reserves is recognised in reserves in the balance sheet. When the share of losses exceeds its interest, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

b) Going Concern

Notwithstanding the net loss for the year, the financial report has been prepared on a going concern basis which contemplates meeting budgeted expectations .Should budgets not be met the going concern of the group may be dependent on its ability to obtain further loans or equity funding. The financial report does not include any adjustments to the carrying value of assets that might be necessary should the group not be able to continue as a going concern.

c) Foreign Currencies

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts receivable and payable to and by the entities within the Consolidated Entity, that are outstanding at the balance date and are denominated in foreign currencies, have been converted to local currency using rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in operating profit as they arise.

d) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

e) Trade and Other Receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible debts and in the majority of cases have repayment terms between 14 and 30 days, although some customers have payment terms extending to 60 days.

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement. Objective evidence of impairment include financial difficulties of the debtor, default payments or debts more than 90 days overdue. On confirmation that the trade receivable will not be collectible the gross carrying value of the asset is written off against the associated provision.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading histroy. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and are not, in the view of the directors, sufficient to require the derecognition of the original instrument.

f) Inventories

Inventories are measured at the lower of cost or net realisable value. Cost consists of staff salary and direct expenses together with an appropriate level of overheads

g) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation or amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

All assets have limited useful lives and are depreciated using the straight line method over their estimated useful lives, with the exception of finance lease assets which are amortised over the term of the relevant lease or, where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated from the date of acquisition.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(p)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

The depreciation rates used for each class of asset are as follows:

	2008	**2007**
Plant and equipment	10% to 25%	10% to 25%
Leasehold improvements	15% to 40%	15% to 40%
Leased plant and equipment	25%	25%

h) Trade and other payables

Liabilities for trade creditors and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables on the balance sheet.

Cash flows are presented on a gross basis except, for the GST components of cash flows arising from investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

j) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of credits, trade allowances, duties and taxes paid. The following recognition criteria must be met before revenue is recognised.

Rendering of Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset

Dividends

Dividends are recognised when there is control of the right to receive the dividend payment.

GST

All revenue is stated net of the amount of Goods and Services Tax (GST).

k) Income Tax

The charge for current income tax expense is based on the results of the year adjusted for any non-assessable or disallowable items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled. Deferred tax is credited to the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is credited directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Konekt Limited and its 100% controlled entities have formed a tax consolidated group under the tax consolidation regime. Konekt Limited is responsible for recognising the current tax assets for the consolidated group and deferred tax assets related to income tax losses. Members of the consolidated entity have entered into a tax sharing arrangement and recognise deferred tax assets and liabilities (other than deferred tax assets relating to tax losses) and income tax. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity, Konekt Limited, default on its tax payment obligations.

l) Employee Benefits

Provision is made for the consolidated entity's liability for employee benefits arising from the services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

An Employee Share Acquisition Plan was implemented in 2006.

Superannuation Plan

The Group contributes to several superannuation plans. Contributions are charged as expenses as they are incurred.

Share-based Payments

Share-based compensation benefits are provided to directors via a Share Acquisition Plan. Information relating to this plan is set out in Note 19.

The fair value of options granted under the plan is recognised as a directors benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the directors become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

m) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

n) Segment reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of other segments operating in other economic environments.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, intangibles and plant and equipment, net of allowances and accumulated depreciation and amortisation. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings.

Business and Geographical Segments

Business Segments

The consolidated entity's business segment is the provision of Vocational Rehabilitation Services predominantly to the insurance industry and large employers.

Geographical Segments

During the period, the consolidated entity's geographical segment is predominantly in Australia (with the exception of the 50% interest in the UK joint venture as outlined in note 13).

o) Leased Assets

Leases are classified at their inception as either operating or finance leases based on the substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Provisions are made for onerous leases where property has been vacated and there is no foreseeable subletting likely under the lease because of vacancy rates within the area or building.

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the consolidated entity are capitalised at the fair value of the leased asset, or if lower, at the present value of the minimum lease payments and are disclosed as plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised leased assets are amortised over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the income statement.

The cost of improvements to or on leasehold assets is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

p) Intangible Assets - Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price exceeds the fair value attributed to its net assets and contingent liabilities at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill can not be reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

q) Business Combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the fair value of the equity instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill (refer Note1(p)). If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

r) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

s) Borrowing costs

Borrowing costs are expensed when incurred.

t) Earnings per share

Basic earnings per share is determined by dividing the profit attributable to members of Konekt Limited after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

Earnings used to calculate diluted earnings per share are calculated by adjusting the basic earnings by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

u) Interest-Bearing Liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the loans and borrowings using the effective interest method.

The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated on an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown as equity. Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

v) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and parent entities assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable to annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not effect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one as at the beginning of the comparative period. The group intends to apply the revised standard from 1 July 2009.

(ii) AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluation segment performance and deciding how to allocate resources to operating segments. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. The Company has not yet adopted AASB 8.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Key Estimates - Impairment

The group assess impairment at each balance date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Refer to Note 15 for the impairment assessment relating to intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

3. DIVIDENDS

The directors do not recommend that a dividend relating to the year ended 30 June 2008 be paid.

4. REVENUE & OTHER INCOME

	Consolidated Entity		Parent Entity	
	30 June 2008	**30 June 2007**	**30 June 2008**	**30 June 2007**
	$	$	$	$
From continuing operations				
Services	26,955,829	27,259,832	-	-
Interest received – other persons	133,276	1,969	131,531	-
Interest received – controlled entity	-	-	-	1,167,531
	27,089,105	**27,261,801**	**131,531**	**1,167,531**
Other income				
Other income	81,167	7,628	-	-
Net gain on disposal of property, plant and equipment	194,996	28,946	-	-
	276,163	**36,574**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

5. EXPENSES

	Consolidated Entity		Parent Entity	
	30 June 2008	**30 June 2007**	**30 June 2008**	**30 June 2007**
	$	**$**	**$**	**$**
The operating result before income tax includes the following specific expenses:				
Depreciation				
Leasehold improvements	110,829	114,807	-	-
Plant and equipment	384,961	514,480	-	-
Motor vehicles	68,134	184,373	-	-
	563,924	**813,660**	**-**	**-**
Finance costs				
Interest expense	182,134	77,527	-	-
Share option payment expense				
Options issued	30,401	32,327	30,401	32,327
Director's performance rights on issue	(74,859)	48,781	(74,859)	48,781
	44,458	**81,108**	**44,458**	**81,108**
Payments under operating leases				
Motor vehicle leases	356,699	286,414	-	-
Equipment	57,221	-	-	-
Property leases	2,391,490	1,999,794	-	-
	2,805,410	**2,286,208**	**-**	**-**
Other expense from continuing operations includes the following major items:				
Internal consultants costs	1,264,410	944,849	17,186	-
Insurance costs	178,389	198,010	47,246	44,302
Marketing costs	68,151	199,063	-	-
Computer expenses	149,822	200,748	-	-
Printing, stationery and office supplies	188,279	219,571	-	-
Other expenses from continuing operations	618,730	655,466	115,830	162,088
	2,467,781	**2,417,707**	**180,262**	**206,390**
Individually Significant Items				
Goodwill impairment	3,000,000	-	-	-
Corpore joint-venture exit costs	2,548,650	-	2,193,544	-
Restructuring costs	671,374	-		-
Write down of Investments to recoverable amount	-	-	1,686,081	947,235
Write down of receivables from controlled entities to recoverable amount	-	-	-	7,659,772
	6,220,024	**-**	**3,879,625**	**8,607,007**

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

6. EARNINGS PER SHARE

	2008 ¢	2007 ¢
Basic earnings per share	(13.2)	(2.9)
Diluted earnings per share	(13.2)	(2.9)
Weighted average number of shares used in the calculation of basic and diluted EPS	54,916,310	52,882,063

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

As described in Note 19, 2,750,000 options were outstanding during the year. These potential shares are not considered dilutive and have not been used to calculate earnings per share.

7. INCOME TAX

	Consolidated Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Loss from continuing operations before income tax expense	(7,228,980)	(1,526,469)	(3,883,898)	(7,726,974)
Tax at the Australian tax rate of 30%	(2,168,694)	(457,941)	(1,165,169)	(2,318,092)
Non deductible expenses:				
Entertainment	12,853	9,952	-	-
Other non-deductible	14,756			
Share based payment expense / (credit)	(13,337)	-	(13,337)	-
Goodwill impairment	900,000	-	-	-
Corpore joint-venture exit costs	751,395	-	658,063	
Impairment on investment	-	-	505,824	2,582,102
Utilisation of previously unrecognised tax losses	-	-	-	(264,010)
Tax losses not recognised as own asset	503,027	447,989	14,619	-
Income tax expense at effective tax rate of 30%	**-**	**-**	**-**	**-**
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in the balance sheet for the following items:				
Unused tax losses	9,179,625	3,444,167	-	-
Deductible temporary differences	2,096,964	1,787,871	-	-
	11,276,589	**5,232,038**	**-**	**-**
Potential benefit at 30% (2007: 30%)	**3,382,977**	**1,569,611**	**-**	**-**

The potential future income tax benefit will only be obtained if:

(i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions to be realised;

(ii) conditions for deductibility imposed by the law are complied with; and

(iii) no changes in income tax legislation adversely affect the realisation of the benefits from the deductions.

Prior year tax losses relating to the Group's previous activities have been lost as a result of the change in business.

Tax consolidation

For the purposes of income taxation, Konekt Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into tax sharing agreements in order to allocate income tax expense to the relevant entity on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax obligations. At the balance date the possibility of default is remote. The head entity of the tax consolidated group is Konekt Limited. Konekt Limited has formally notified the Australian Taxation Office of its adoption of the tax consolidation regime. The company is currently evaluating the availability of tax losses to the group, which may result in a variation of tax losses not brought to account.

There were no franking credits available as at 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
8. CASH ASSETS	**$**	**$**	**$**	**$**
Cash at bank	21,544	27,454	-	-
Cash on hand	8,235	10,168	-	-
	29,779	**37,622**	**-**	**-**
9. TRADE & OTHER RECEIVABLES (CURRENT)				
Trade debtors	3,772,879	3,809,816	-	-
Less provision for doubtful debts	(93,967)	(139,052)	-	-
	3,678,912	3,670,764	-	-
Amounts due from controlled entities	-		22,674,376	-
Write down to receivable amount	-		(20,513,239)	-
Other debtors	196,854	97,091	-	-
	3,875,766	**3,767,855**	**2,161,137**	**-**

Balance of amounts due from controlled entities in the Parent entity has not been impaired as the group is intending to settle these loans in the next financial period.

Age analysis of trade receivables that are past due but not impaired at the reporting date

Consolidated	2008			2007		
	Total	**Amount Impaired**	**Amount not Impaired**	**Total**	**Amount Impaired**	**Amount not Impaired**
	$	**$**	**$**	**$**	**$**	**$**
Not Past due	2,525,105	-	2,525,105	2,503,435	-	2,503,435
Past due > 30 days	1,025,330	-	1,025,330	525,458	-	525,458
Past due > 60 days	219,105	-	219,105	385,414	-	385,414
Past due > 90 days	3,339	(93,967)	(90,628)	395,509	(139,052)	256,457
Total	**3,772,879**	**(93,967)**	**3,678,912**	**3,809,816**	**(139,052)**	**3,670,764**

Past due amounts not impaired are unsecured. In most cases they are with large customers who regularly pay accounts and amounts have been held up for minor processing and approval reasons. Their fair value is equivalent to the amount outstanding. Trade receivables that are neither past due nor impaired related to long standing customers with good track record.

Payment terms on receivables past due but not considered impaired have not been re-negotiated. The group has been in direct contact with the relevant customer and is reasonably satisfied that payment will be received in full.

As at 30 June 2008 the group had total current trade receivables of $93,967 (2007 $139,052) that was impaired. The amounts relate to customers where it is considered that recovery of the amounts are unlikely. The impaired amount exceeds the 90 day balance as the 90 day balance is a net of amounts owed by some customers and credits not taken up by other customers. Customers with credits in 90 days usually have debit amounts owing in more current periods.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Analysis of allowance amount				
Opening Balance	139,052	189,041	-	-
Provisions for doubtful receivables	(291)	(49,989)	-	-
Receivables written off during the year	(43,394)	-	-	-
Transfers from Non-current*	-	-	20,513,239	-
Closing Balance	**93,967**	**139,052**	**20,513,239**	**-**
* In 2007 the movement in the non-current allowance was a write-down of $7,659,772				
10. INVENTORIES				
Work in progress	665,690	515,711	-	-
	665,690	**515,711**	**-**	**-**
11. OTHER ASSETS (CURRENT)				
Prepayments	128,904	52,072	17,254	14,857
	128,904	**52,072**	**17,254**	**14,857**
12. RECEIVABLES (NON CURRENT)				
Other debtors (Note i)				
Loan to 50% owned joint venture company	1,603,380	1,063,939	1,292,274	1,039,733
Provision for non-recoverability	(1,603,380)	-	(1,292,274)	-
	-	1,063,939	-	1,039,733
Amounts due from controlled entities	-	-	-	22,468,915
Write down to receivable amount (Note ii)	-	-	-	(20,513,239)
	-	-	-	1,955,676
	-	**1,063,939**	**-**	**2,995,409**

(i) This represents a loan to the UK Joint Venture, Corpore Limited which was for an indefinite term but has now been assessed as unlikely to be recoverable. This represents the only movement in the 2008 financial year.

(ii) Amounts due from controlled entities had been written down to their recoverable amount based on the underlying net assets of the controlled entities. In the current financial year they have been transferred to current assets. In the prior year the only movement was a write-down of $7,659,772.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
13. OTHER FINANCIAL ASSETS (NON CURRENT)	**$**	**$**	**$**	**$**
a) Controlled entities (see Note 26)				
Unlisted shares – at cost	-	-	7,566,016	7,566,016
Write down to recoverable amount	-	-	(6,928,500)	(5,242,419)
	-	**-**	**637,516**	**2,323,597**
b) Investments accounted for using the equity method				
At cost	-	-	-	-
Share of accumulated earnings	-	-	-	-
	-	-	-	-

Impairment of investments in controlled entities

During the year the value of the parent entity's investment in controlled entities was written down by $1,686,081. The impairment write down was required to bring the investment value in line with the net assets of the subsidiaries. The impairment related to the investments in Industrial Rehabilitation Services Pty Limited and Inergise Pty Limited as a result of transfer of assets to Konekt Australia Pty Ltd.

JOINT VENTURE PARTNERSHIPS

Corpore Limited (50% ownership, its principal activity is the provision of vocational rehabilitation services to the UK market).				
Retained earnings attributable to joint venture				
Share of joint venture's net profit/(loss) from ordinary activities before income tax expense	-	(6,699)	-	-
Share of joint venture's income tax expense	-	-	-	-
Share of joint venture's (loss)/profit from ordinary activities after income tax	-	(6,699)	-	-
Share of joint venture's retained profit at beginning of the financial year	-	6,699	-	-
Dividend received from joint venture entity	-	-	-	-
Write back of Losses - Corpore	-	-	-	-
Share of retained profits at end of financial year	**-**	**-**	**-**	**-**

Corpore Limited is incorporated in England and has a reporting date of 31 December. The interest in Corpore is written down to nil as the share in the losses exceeds the amount of the investment in the joint venture.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

The consolidated entity's share of cumulative losses in Corpore Limited at 31 December 2006 was 456,843 British Pounds. The figures as at 31 December 2006 have been disclosed as these have been taken from the latest available audited accounts due to the Joint Venture entity's reporting date in England. The consolidated entity's share of accumulated losses in Corpore Limited based on unaudited 31 December 2007 accounts is 781,680 British Pounds.

The group plans to exit the Corpore Joint Venture. Total costs to exit the joint venture of $2,548,650 have been provided for in the 30 June 2008 accounts. As part of the proposed settlement arrangement licences and services would be provided to Corpore which would result in a revenue stream of approximately $0.7m. Exit costs include a loan write-off of $1,603,380, settlement costs of $901,270 and legal fees of $44,000.

A summary of the financial results and position of Corpore Limited as at 31 December 2007 is as follows:

	31 Dec 2007 Unaudited	31 Dec 2006
	British Pounds	**British Pounds**
Current assets	395,797	281,320
Non-current assets	82,308	1,834
Current liabilities	(941,464)	(396,839)
Non-current liabilities	(950,000)	(650,000)
Results for year		
Income	1,203,521	481,341
Expenses	(1,853,195)	(993,754)

	Consolidated		Parent Entity	
	2008	**2007**	**2008**	**2007**
14. PLANT & EQUIPMENT	**$**	**$**	**$**	**$**
Plant and equipment at cost	4,245,721	4,657,811	-	-
Less accumulated depreciation	(3,544,600)	(3,741,535)	-	-
	701,121	916,276	-	-
Leasehold improvements at cost	738,979	636,412	-	-
Less accumulated amortisation	(497,328)	(386,671)	-	-
	241,651	249,741		
Total written down value	**942,772**	**1,166,017**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Consolidated		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Plant and equipment				
Carrying amount at beginning of the year	916,276	1,428,616	-	-
Additions	260,074	186,011	-	-
Disposals	(22,135)	502	-	-
Depreciation	(453,094)	(698,853)	-	-
Carrying amount at end of year	**701,121**	**916,276**	**-**	**-**
Leasehold improvements				
Carrying amount at beginning of the year	249,741	180,066	-	-
Additions	102,740	184,482	-	-
Amortisation	(110,830)	(114,807)	-	-
Carrying amount at end of year	**241,651**	**249,741**	**-**	**-**
15. INTANGIBLE ASSETS				
Goodwill				
At cost	21,680,391	21,680,391	-	-
Accumulated impairment	(18,157,764)	(15,157,764)	-	-
	3,522,627	**6,522,627**	**-**	**-**
Reconciliation				
Balance at beginning of period	6,522,627	6,522,627	-	-
Impairment losses	(3,000,000)	-	-	-
Balance at end of period	**3,522,627**	**6,522,627**	**-**	**-**

Impairment Charge

$3m impairment has been recognised in respect of goodwill for the year ended 30 June 2008.

Accumulated Impairment

Goodwill on consolidation from the investments in subsidiaries has been written down to its recoverable amount based on forecast discounted cash flows for the consolidated entity. Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to business segment. Only one CGU has been identified.

The recoverable amount of a cash-generating unit is based on value-in-use calculations which use cash flow projections based on budgets approved by management covering a 5 year period. The growth rate used in these budgets does not exceed the long-term average growth rate for the business in which the cash-generating unit operates.

Key assumptions used for value-in-use calculations are as follows:
- The discount rate used was 12% (2007: 11.5%)
- The forecast uses an internal projection for 2009 and then further 7% increases in revenue for the following year, 6% for year 3, 5% for years 4 & 5 and static thereafter.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

Management determined budgeted gross margins based on past performance and its expectations for the future. The weighted average growth rates used are consistent with those used in industry reports. The discount rate used is pre-tax and is specific to the relevant segment and country in which Konekt operates.

The recoverable amount of the goodwill is estimated to be $6.1m over 5 years and $10.1m over 10 years which exceeds the carrying amount at 30 June 2008 by $2.6m and $6.6m respectively. An impairment of $3m was booked at the half year due to lower expectations based on operating performance to that point and a conservative 5 year timeframe. Accounting standards do not permit reversal of this impairment at the full year.

	Consolidated		Parent Entity	
	2008	**2007**	**2008**	**2007**
16. PAYABLES (CURRENT)	**$**	**$**	**$**	**$**
Trade creditors	382,358	406,643	-	-
Other creditors and accruals	3,546,807	1,710,773	901,820	-
Employee benefits	728,772	948,432	-	-
	4,657,937	**3,065,848**	**901,820**	**-**
17. PROVISIONS				
Current				
Onerous lease provision *	107,863	-	-	-
Non-Current				
Onerous lease provision *	107,864	-	-	-
Employee benefits	150,887	223,769	-	-
	258,751	**223,769**	**-**	**-**

* Onerous lease provision relates to accrual for cost of vacant property lease which is unlikely to be released within the foreseeable future because of market conditions in the area.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated		Parent Entity	
	2008	**2007**	**2008**	**2007**
18. INTEREST BEARING LIABILITIES	**$**	**$**	**$**	**$**
Current - secured				
Bank overdrafts	2,077,840	1,008,221	-	-
	2,077,840	**1,008,221**	**-**	**-**
(a) Total current secured liabilities:				
Bank overdrafts	2,077,840	1,008,221	-	-
	2,077,840	**1,008,221**	**-**	**-**
(b) The carrying amounts of assets pledged as security are:				
Floating charge over assets, including investments at market value	9,165,538	13,125,843	2,815,907	5,333,863
Total assets pledged as security	**9,165,538**	**13,125,843**	**2,815,907**	**5,333,863**
(c) Refer to Note 29 for details of banking facilities.				
Non-Current - unsecured				
Convertible notes	264,334	-	264,334	-
	264,334	**-**	**264,334**	**-**
These notes were issued in April 2008. The balance represents $250,000 in principal convertible to shares at an exercise price of 6 cents plus interest of $14,334. The notes also have $1m attaching options exercisable at a price of 6 cents.				
19. CONTRIBUTED EQUITY				
a) Issued and paid up capital				
2008: 59,828,245 ordinary shares				
(2007: 54,916,310 ordinary shares)	**38,590,949**	**38,346,703**	**38,590,949**	**38,346,703**

	2008		2007	
	Number of Shares	**$**	**Number of Shares**	**$**
b) Movements in shares on issue				
Beginning of the financial year	54,916,310	38,346,703	50,416,310	37,261,453
Issued during the year	4,911,935	244,246	4,500,000	1,125,000
Less Share Issue costs	-	-	-	(39,750)
End of the financial year	**59,828,245**	**38,590,949**	**54,916,310**	**38,346,703**

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

c) Capital Risk Management

The Group considers its capital to comprise its ordinary share capital and accumulated retained earnings.

In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions and through the payment of annual dividends to shareholders. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives .

An increase in gearing has been bought about by the Board's decision to exit the Corpore Joint Venture and implement restructuring initiatives during the year. There have been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

	Consolidated		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Gearing ratios				
Net Debt	2,312,395	1,008,221	264,334	-
Total equity	1,798,813	8,828,005	1,649,753	5,333,863
Gearing Ratio	128.6%	11.4%	16.0%	0.0%

d) Share based options and performance rights

Options granted over ordinary shares (these options have no voting or dividend rights until exercised):

As at 30 June 2008 there were 600,000 unlisted options on issue which were issued to non-executive directors. There were 1,000,000 options on issue to Westvalley Superannuation fund an entity controlled by former Managing Director, Carl Woodbridge. There were also 1,150,000 unlisted options on issue to non-related entities.

(i) Performance Rights

Performance rights were granted under the Executive Option and Performance Rights Plan ('Plan') which was approved by shareholders at the 2005 Annual General Meeting. The Plan allows the Company to grant options or rights to selected key employees to acquire ordinary shares in the Company. Participants are required to satisfy performance and service conditions at the time of the offer.

The exercise price for performance rights is nil.

Rights cannot be transferred and will not be quoted on the ASX.

A right may only be exercised by a date determined by the Board and will lapse if not exercised at a date determined by the Board not exceeding 10 years, subject to applicable performance hurdles and other restrictions set in the offer letter. An unexpired option or right will also lapse on a date six months after a participant dies, retires, is made redundant or becomes disabled, or the date one month after the participant ceases to be employed by the Konekt group for any other reason.

All performance rights have now expired following resignation of directors Martin Spry and Carl Woodbridge.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

(ii) Options

2,000,000 Options were issued on 18 April 2008 as part of a transaction for the issue of convertible notes. 600,000 Options were issued on 16 November 2006. Details are provided below.

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Share-based payment expense recognised during the financial year				
Opening balance	107,588	26,480	107,588	26,480
Cost of options issued	30,401	81,108	30,401	81,108
Cancellation of Performance rights	(74,859)	-	(74,859)	-
Closing balance of reserve	63,130	107,588	63,130	107,588

Details of options outstanding as part of the share option plan during the financial year is as follows:

Consolidated and parent entity 2008

Grant Date	**Vesting Date**	**Expiry Date**	**Exercise Price**	**Applicable spot price**	Balance at beginning of year **Number**	Granted during the year **Number**	Lapsed during the year **Number**	Balance at end of the year **Number**	Fair Value **$**
Share options									
27.02.2006	27.02.2006	27.02.2009	$0.55	$0.38	150,000	-	-	150,000	18,159
16.11.2006	16.11.2006	16.11.2009	$0.50	$0.30	300,000	-	-	300,000	24,486
16.11.2006	01.10.2007	16.11.2009	$0.50	$0.30	300,000	-	-	300,000	29,949
13.04.2008	18.04.2009	18.4.2010	$0.06	$0.055	-	1,000,000	-	1,000,000	
13.04.2008	18.04.2009	18.4.2010	$0.08	$0.055	-	1,000,000	-	1,000,000	
Performance rights									
17.05.2006	17.05.2007	17.05.2011	-	$0.43	250,000	-	(250,000)	-	9,605
17.05.2006	17.05.2008	17.05.2011	-	$0.43	250,000	-	(250,000)	-	35,822
17.05.2006	17.05.2009	17.05.2011	-	$0.43	250,000	-	(250,000)	-	35,853
17.05.2006	17.05.2010	17.05.2011	-	$0.43	250,000	-	(250,000)	-	35,882
					1,750,000	**2,000,000**	**(1,000,000)**	**2,750,000**	

The above options and performance rights were issued as part of the share option plan with the exception of the options granted on 27.02.2006 and which were granted to unrelated external companies.

In determining the fair value of the options and in the case of options and rights that are not publicly traded over publicly-traded shares, a binomial option pricing model was used for determining the fair value taking into account, as at the grant date, the following variables and assumptions:

(i) Exercise price
(ii) Expected life of the instrument:
(iii) Current price of the underlying share the share price at the valuation date
(iv) Expected volatility: price volatility of the shares of the Company is approximately 83.99%;
(v) Expected dividends: there are no dividends presently expected to be paid in respect of the underlying shares; and
(vi) The risk-free interest rate for the expected life of the instrument: the average current risk free interest rate is 5.8650%.

On this basis, an exercise price of $0.50 to $0.55 for each option results in an implied value of $0.097 per option.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

e) Obligations to issue ordinary shares

There were Class B incentive shares as detailed below:

There are 30 Class B Converting shares on issue. The Class B Shares convert into ordinary shares (with each class B converting using a formula of 500,000 / weighted average price of the company's shares traded on the ASX on the 10 days prior to conversion) if the group achieves earnings before interest and tax (EBIT) of $20,000,000 in any financial year up to and including 30 June 2008.

These Class B shares have now lapsed.

f) Restricted Securities

There are no restricted securities at the date of this report.

g) Terms and conditions of contributed equity

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
20. CAPITAL AND LEASING COMMITMENTS	**$**	**$**	**$**	**$**
Non-cancellable operating lease commitments				
Future operating leases contracted for but not capitalised in the financial statements and payable:				
Within one year	2,527,450	1,752,283	-	-
Greater than one year but not later than five years	5,216,171	2,284,404		
Greater than 5 years	1,201,513	-	-	-
	8,945,134	4,036,687	-	-

The consolidated entity leases property, photocopiers and motor vehicles under non-cancellable operating leases expiring from one to five years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

21. CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities as at 30 June 2008.

22. SUPERANNUATION PLANS

The company and its controlled entities contribute to several defined contribution employee superannuation plans.

Details of contributions to the defined contribution plans during the year and contributions payable at balance date are as follows:

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Employer contributions to the plans	1,413,314	1,348,504	-	-
Employer contributions payable to the plans at balance date	258,422	183,779	-	-

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of Parent Entity Directors and Key Management Personnel

(i) Parent Entity Directors	Position	Period of service
S. Craig	Chairman Non Executive Director	Director 19 June 2006 to current
A. Baxter	Non Executive Director	Director 19 June 2006 to current
M. Lloyd-Jones	Non Executive Director	Director 19 June 2006 to current
M. Spry	Non Executive Director	Resigned 16 April 2008
C. Woodbridge	Managing Director and Chief Executive Officer	Resigned 27 June 2008

(ii) Key Management Personnel		
S. Oguz	Chief Executive Officer	30 July 2007 to current

There were no other company or group executives during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

b) Remuneration of Parent Entity Directors and Key Management Personnel

Remuneration of Parent Entity Directors and Key Management Personnel

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Short-term employee benefits	718,517	767,183	491,650	720,277
Post-employment benefits	491,636	51,545	479,601	50,116
Long-term benefits	7,956	18,551	4,479	18,551
Termination benefits	-	-	-	-
Share-based payments	(44,461)	81,110	(44,461)	81,110
	1,173,648	**918,389**	**931,269**	**870,054**

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

c) Option holdings of Parent Entity Directors and Key Management Personnel

30 June 2008	**Balance at 1 July 2007**	**Granted**	**Options exercised**	**Cancelled**	**Balance at 30 June 2008**	**Total vested at 30 June 2008**	**Total vested and exercisable at 30 June 2008**	**Total vested and un-exercisable at 30 June 2008**
Share options								
Stuart Craig	200,000	-	-	-	200,000	200,000	200,000	-
Alan Baxter	200,000	-	-	-	200,000	200,000	200,000	-
Max Lloyd-Jones	200,000	-	-	-	200,000	200,000	200,000	-
Carl Woodbridge	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Performance rights								
Martin Spry	200,000	-	-	(200,000)	-	-	-	-
Carl Woodbridge	800,000	-	-	(800,000)	-	-	-	-
	1,600,000	**1,000,000**	**-**	**(1,000,000)**	**1,600,000**	**1,600,000**	**600,000**	**1,000,000**

30 June 2007	**Balance at 1 July 2006**	**Granted as compensation**	**Options exercised**	**Other changes**	**Balance at 30 June 2007**	**Total vested at 30 June 2007**	**Total vested and exercisable at 30 June 2007**	**Total vested and un-exercisable at 30 June 2007**
Share options								
Stuart Craig	-	200,000	-	-	200,000	100,000	100,000	-
Max Lloyd-Jones	-	200,000	-	-	200,000	100,000	100,000	-
Alan Baxter	-	200,000	-	-	200,000	100,000	100,000	-
Performance rights								
Martin Spry	200,000	-	-	-	200,000	-	-	-
Carl Woodbridge	800,000	-	-	-	800,000	-	-	-
	1,000,000	**600,000**	**-**	**-**	**1,600,000**	**300,000**	**300,000**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

D) SHAREHOLDINGS OF PARENT ENTITY DIRECTORS AND KEY MANAGEMENT PERSONNEL

30 June 2008	Balance 1 July 2007	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2008
	Ordinary Shares	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**
Parent Entity Directors					
Martin Spry	700,000	-	-	475,000	1,175,000
Carl Woodbridge	746,000	-	-	5,153,983	5,899,983
Alan Baxter	-	-	-	-	-
Stuart Craig	-	-	-	-	-
Max Lloyd-Jones	-	-	-	-	-
Key Management Personnel					
Serhat Oguz	-	-	-	-	-
Total	**1,446,000**	**-**	**-**	**5,302,983**	**6,748,983**

30 June 2007	Balance 1 July 2006	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2007
	Ordinary Shares	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**
Parent Entity Directors					
Martin Spry	250,000	-	-	450,000	700,000
Carl Woodbridge	746,000	-	-	-	746,000
Alan Baxter	-	-	-	-	-
Stuart Craig	-	-	-	-	-
Max Lloyd-Jones	-	-	-	-	-
Key Management Personnel					
Paul Molloy	-	-	-	-	-
Total	**996,000**	**-**	**-**	**450,000**	**1,446,000**

Mr Woodbridge also has a direct interest in 13 Class B Converting Shares.

The terms of the Class A and B shares are detailed in Note 19(d).

e) Other Transactions and Balances with Parent Entity Directors and Key Management Personnel

There were no other transactions and balances with directors or key management personnel.

f) Services

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Corporate website provision performed by IRM Pty Ltd of which Martin Spry is a director.	17,534	16,625	17,534	15,165
Corporate advisory services, including company secretarial performed by Grange Consulting Group Pty Ltd of which Peter Landau is a director.	-	8,000	-	-

ii) Amounts recognised at the reporting date in relation to other transactions:

There are no other amounts recognised at reporting date in respect of other transactions with directors and key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
24. REMUNERATION OF AUDITORS	**$**	**$**	**$**	**$**
Amounts received or due and receivable by the auditors for: - Auditing and reviewing of financial reports - Other services	197,500	157,500	17,500	-
	197,500	**157,500**	**17,500**	**-**

25. SEGMENT REPORTING

There is only one primary reporting segment in the Group which is Injury Management

Secondary Reporting – Geographical

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of plant and equipment, intangibles and other non current segment assets	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**	**$**	**$**
Australia	27,365,268	27,298,375	9,165,538	12,061,904	362,814	370,493
United Kingdom	-	-	-	1,063,939	-	-
	27,365,268	**27,298,375**	**9,165,538**	**13,125,843**	**362,814**	**370,493**

26. CONTROLLED ENTITIES

a) Controlled Entities

	Country of Incorporation	**Percentage owned (%)**
Parent Entity:		
Konekt Limited	Australia	-
Subsidiaries of Konekt Limited:		
Konekt International Pty Ltd	Australia	100%
Konekt Australia Pty Ltd	Australia	100%
Industrial Rehabilitation Services Pty Ltd	Australia	100%
Konekt Workplace Health Solutions Pty Ltd	Australia	100%
Konektiva Pty Ltd	Australia	100%

The proportion of the voting interest is equal to the proportion of voting power held.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

b) Controlled Entities Acquired

There were no further acquisitions during the period.

c) Deed of guarantee

A deed of cross-guarantee between Konekt International Pty Ltd, Konekt Australia Pty Ltd, Industrial Rehabilitation Services Pty Ltd, Konekt Workplace Health Solutions Pty Ltd and Konekt Limited was enacted during the 2006 financial year and relief was obtained from preparing a financial report for Konekt International Pty Ltd, Konekt Australia Pty Ltd, Industrial Rehabilitation Services Pty Ltd and Konekt Workplace Health Solutions Pty Ltd under ASIC Class Order 98/1418 issued by the Australian Securities and Investments Commission. Under the deed, Konekt Limited guarantees to support the liabilities and obligations of Konekt International Pty Ltd, Konekt Australia Pty Ltd, Industrial Rehabilitation Services Pty Ltd, Konekt Workplace Health Solutions Pty Ltd and vice versa. Konekt International Pty Ltd, Konekt Australia Pty Ltd, Industrial Rehabilitation Services Pty Ltd and Konekt Workplace Health Solutions Pty Ltd are the only parties to the Deed of Cross Guarantee and are members of the Closed Group.

27. FINANCIAL INSTRUMENTS DISCLOSURE

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantative information in respect of these risks is presented throughout these financial statements.

a) Off balance sheet derivative instruments

The consolidated entity does not have any such instruments in place.

b) Credit risk exposure

Credit risk is the risk that counter parties to a financial asset will fail to discharge their obligations, causing the consolidated entity to incur a financial loss. The entity has no significant concentration of credit risk to a group of debtors nor a single debtor. The Group is only exposed to risk in health services sector and none of the debtors are credit rated. The maximum exposure to credit risk is that of the year-end trade receivables balance.

c) Fair values

The directors are satisfied that the carrying values of the financial assets and liabilities are the equivalent of the fair value of those items. For the methods of determining fair value and any significant assumptions, see Note 1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

d) Interest rate risk exposure

The consolidated entities exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted average interest rate	Floating interest rate	Fixed interest rate maturing in less than 1 year	Fixed interest rate maturing in 1 – 5 years	Non-interest bearing	Total
30 June 2008		**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash assets	1.25 %	21,544	-	-	8,235	29,779
Receivables		-	-	-	3,875,766	3,875,766
Total Financial Assets		**21,544**	**-**	**-**	**3,884,001**	**3,905,545**
Financial Liabilities						
Bank overdraft	9.3%	2,077,840	-	-		2,077,840
Convertible notes	15 %	-	-	264,334	-	264,334
Payables		-	-	-	4,144,892	4,144,,892
Total Financial Liabilities		**2,077,840**	**-**	**264,334**	**4,144,892**	**6,487,066**
Net Financial (Liabilities)/ Assets		**(2,056,296)**	**-**	**(264,334)**	**(260,091)**	**(2,581,521)**

	Weighted average interest rate	Floating interest rate	Fixed interest rate maturing in less than 1 year	Fixed interest rate maturing in 1 – 5 years	Non-interest bearing	Total
30 June 2007		**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash assets	1.5 %	27,454	-	-	10,168	37,622
Receivables		-	-	-	4,831,794	4,831,794
Total Financial Assets		**27,454**	**-**	**-**	**4,841,962**	**4,869,416**
Financial Liabilities						
Bank overdraft	8.1%	1,008,221	-	-	-	1,008,221
Payables		-	-	-	3,065,848	3,065,848
Total Financial Liabilities		**1,008,221**	**-**	**-**	**3,065,848**	**4,074,069**
Net Financial (Liabilities)/ Assets		**(980,767)**	**-**	**-**	**1,776,114**	**795,347**

No financial assets or liabilities are readily tradable on organised markets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

The Parent entities exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted average interest rate	Floating interest rate	Fixed interest rate maturing in less than 1 year	Fixed interest rate maturing in 1 – 5 years	Non-interest bearing	Total
30 June 2008		**$**	**$**	**$**	**$**	**$**
Financial Assets						
Receivables		-	-	-	637,516	637,516
Total Financial Assets		**-**	**-**	**-**	**637,516**	**637,516**
Financial Liabilities						
Payables					901,270	901,270
Convertible notes	15 %	-	-	264,334	-	264,334
Total Financial Liabilities		**-**	**-**	**264,334**	**901,270**	**1,165,604**
Net Financial (Liabilities)	**-**	**-**	**(264,334)**	**(263,754)**	**(528,088)**	

	Weighted average interest rate	Floating interest rate	Fixed interest rate maturing in less than 1 year	Fixed interest rate maturing in 1 – 5 years	Non-interest bearing	Total
30 June 2007		**$**	**$**	**$**	**$**	**$**
Financial Assets						
Receivables		2,995,409	-	-	-	2,995,409
Total Financial Assets		**2,995,409**	**-**	**-**	**-**	**2,995,409**
Net Financial Assets		**2,995,409**	**-**	**-**	**-**	**2,995,409**

No financial assets or liabilities are readily tradable on organised markets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

Sensitivity Analysis

For each 1% increase in interest rate group profit before tax will fall by $20,778 (2007 $10,082). Correspondingly for each 1% fall in interest rate group profit before tax will increase by $20,778 (2007 $10,282).

Maturity Analysis – Group 2008

	Carrying Amount	Contractual cashflows	< 6 mths	6 – 12 months	1-3 Years	> 3 Years
		$	$	$	$	$
Financial Assets						
Trade Receivables	3,678,912	3,678,912	3,678,912	-	-	-
Other Receivables	196,854	196,854	196,854	-	-	-
Total Financial Assets	**3,875,766**	**3,875,766**	**3,875,766**	**-**	**-**	**-**
Financial Liabilities						
Bank overdraft	2,077,840	2,077,840	2,077,840	-	-	-
Convertible notes	264,334	307,288	19,825	19,825	267,638	-
Trade & Other Payables	2,053,086	2,053,086	2,053,086	-	-	
Total Financial Liabilities	**4,395,260**	**4,438,214**	**4,150,751**	**19,825**	**267,638**	**-**

Maturity Analysis – Group 2007

	Carrying Amount	Contractual cashflows	< 6 mths	6 – 12 months	1-3 Years	> 3 Years
		$	$	$	$	$
Financial Assets						
Trade Receivables	3,670,764	3,670,764	3,670,764	-	-	-
Intercompany Receivable	1,063,939	1,063,939	-	-	-	1,063,939
Other Receivables	97,091	97,091	97,091	-	-	-
Total Financial Assets	**4,831,794**	**4,831,794**	**3,767,855**			**1,063,939**
Financial Liabilities						
Bank overdraft	1,008,221	1,008,221	1,008,221	-	-	-
Convertible notes	-	-	-	-	-	-
Trade & Other Payables	1,032,405	1,032,405	1,032,405	-	-	-
Total Financial Liabilities	**2,040,626**	**2,040,626**	**2,040,626**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

Maturity Analysis – Parent 2008

	Carrying Amount	Contractual cashflows	< 6 mths	6 – 12 months	1-3 Years	> 3 Years
		$	$	$	$	$
Financial Assets						
Intercompany						
Receivables	2,161,137	2,161,137	2,161,137	-	-	-
Total Financial Assets	**2,161,137**	**2,161,137**	**2,161,137**	**-**	**-**	**-**
Financial Liabilities						
Trade & Other Payables	901,820	901,820	901,820	-	-	-
Convertible notes	264,334	307,288	19,825	19,825	267,638	-
Total Financial Liabilities	**1,166,154**	**1,209,108**	**921,645**	**19,825**	**267,638**	**-**

Maturity Analysis – Parent 2007

	Carrying Amount	Contractual cashflows	< 6 mths	6 – 12 months	1-3 Years	> 3 Years
		$	$	$	$	$
Financial Assets						
Intercompany						
Receivables	2,995,409	2,995,409	-	-	-	2,995,409
Total Financial Assets	**2,995,409**	**2,995,409**	**-**	**-**	**-**	**2,995,409**

e) Risk management policies and objectives

Activities undertaken by Konekt Limited and its subsidiaries may expose the Group to risk. The Group has no market risk as it is not exposed to foreign exchange risk or price risk. Liquidity risk is managed by the board requiring the Group to maintain adequate committed credit facilities. The Group manages cash flow interest rate risk by having variable rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
28. CASH FLOW INFORMATION	**$**	**$**	**$**	**$**
a) Reconciliation of the loss from ordinary activities after income tax to the net cash flows from operations:				
Operating loss after income tax	(7,228,980)	(1,526,469)	(3,883,898)	(7,726,974)
Non cash items				
Goodwill impairment	3,000,000	-	-	-
Depreciation	563,924	813,660	-	-
Profit on sale of Plant & Equipment	(194,996)			
Share based payments expense	(44,458)	81,108	(44,458)	81,108
Write down of investments to recoverable amount	-	-	1,686,081	947,235
Expenses paid by controlled entity	-	-	180,262	206,390
Write down of receivables from controlled entities to recoverable amount	-	-	-	7,659,772
Interest on intercompany loans	-	-	-	(1,167,531)
Changes in assets and liabilities				
Movement in debtors and creditors	1,927,351	72,967	(131,531)	-
Movement in other assets	(629,096)	203,959	-	-
Movement in other liabilities		-	-	-
Movement in other provisions	1,289,390		2,193,544	
Net cash flow (used in) operating activities	**(1,316,865)**	**(354,775)**	**-**	**-**
b) Reconciliation of Cash				
Cash balance comprises:				
Cash at bank	21,544	27,454	-	-
Cash on hand	8,235	10,168	-	-
Cash Assets	29,779	37,622	-	-
Bank overdraft	(2,077,840)	(1,008,221)	-	-
Cash included in interest bearing liabilities	(2,077,840)	(1,008,221)	-	-
Cash at end of financial year	**(2,048,061)**	**(970,599)**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (cont'd) FOR THE YEAR ENDED 30 JUNE 2008

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
29. FINANCE FACILITIES	**$**	**$**	**$**	**$**
Credit Standby Arrangements with Banks				
Credit facility	2,903,013	4,169,865	-	-
Amount utilised	(2,077,840)	(1,422,543)	-	-
Unused credit facility	**825,173**	**2,747,322**	**-**	**-**

Banking Facilities

Debt Finance Facility
$5,000,000 variable interest rate facility.

Lease Facility – prior year
$1,000,000 lease facility

Finance will be provided under these facilities provided the company and the consolidated entity have not breached any borrowing requirements and the required financial covenants are met. There was a temporary breach of the capital adequacy ration during the second half of the financial year. Waiver was obtained for this breach and the Consolidated entity has renegotiated these covenants so that capital adequacy ratio at 30 June 2009 needs to be 5%.

The consolidated entity has a $500,000 bank guarantee facility of $500,000 of which $21,232 was unused at 30 June 2008.

On the 10th September 2007 the $1,000,000 lease facility was reduced to $nil and the bank guarantee facility was capped at the utilised amount. The credit facility of $4,169,865 stated above was effectively reduced by $1,085,678.

	Consolidated Entity		Parent Entity	
	2008	**2007**	**2008**	**2007**
30. RELATED PARTY TRANSACTIONS	**$**	**$**	**$**	**$**
Transactions wwith related parties, other than those dealt with elsewhere in the Financial Statements:				
Transactions between parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
a) Transactions with related parties:				
i) Interest received from controlled entity	-	-	-	1,167,531
ii) Loans to controlled entities	-	-	2,161,137	1,955,676
The loan is repayable on demand and is no longer interest bearing.				

31. SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 30 June 2008 that have significantly affected:

a) The Group's operations in future financial years,

b) the results of these operations in future financial years, and

c) the Group's state of affairs in future financial years

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and the consolidated entity.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in paragraphs on pages 19 to 22 of the directors' report (as part of audited Remuneration Report), for the year ended 30 June 2008, comply with section 300A of the Corporations Act 2001.

4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Stuart Craig
Chairman

25 September 2008
Sydney, NSW

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

To the members of Konekt Limited

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Konekt Limited for the year ended 30 June 2008 included on Konekt Limited's web site. The company directors are responsible for the integrity of Konekt Limited's web site. We have not been engaged to report on the integrity of Konekt Limited's web site. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying financial report of Konekt Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising Konekt Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

BDO Kendalls

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion

(a) the financial report of Konekt Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 22 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Konekt Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*

BDO Kendalls

BDO Kendalls
Chartered Accountants

Melissa Alexander

Melissa Alexander
Partner

Dated in Sydney, this 25th day of September 2008

BDO Kendalls

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**DECLARATION OF INDEPENDENCE BY MELISSA ALEXANDER
TO THE DIRECTORS OF KONEKT LIMITED**

As lead auditor of Konekt Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Melissa Alexander

Melissa Alexander
Partner

BDO Kendalls

BDO Kendalls
Chartered Accountants

Dated in Sydney, this 25th day of September 2008

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 29 August 2008.

(A) DISTRIBUTION OF EQUITY SECURITIES

The number of shareholders, by size of holding, in each class of share is:

	Ordinary shares		Options		Performance Rights	
	No. of Holders	**No. of Shares**	**No. of Holders**	**No. of Options**	**No. of Holders**	**No. of P.R.s**
1 – 1,000	469	173,052	-	-	-	-
1,001 – 5,000	265	667,611	-	-	-	-
5,001 – 10,000	99	719,668	-	-	-	-
10,001 – 100,000	211	7,294,834	-	-	-	-
100,001 and over	48	50,973,080	7	4,250,000	-	-
	1,092	**59,828,245**	**7**	**4,250,000**	**-**	**-**
The number of shareholders holding less than a marketable parcel of shares are:	808	1,312,441	-	-	-	-

(B) TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES QUOTED ON THE ASX

The names of the twenty largest holders of ordinary shares quoted on the ASX as at 29 August 2008 are:

		Listed ordinary shares	
		Number of Shares Held	**% Held**
1.	ANZ NOMINEES LIMITED (CASH INCOME A/C)	7,948,644	13.29
2.	COGENT NOMINEES PTY LTD	5,437,685	9.09
3.	MR CARL ALEXANDER WOODBRIDGE & MRS KAREN ANGELA WOODBRIDGE (WESTVALLEY SUPER FUND A/C)	5,097,100	8.52
4.	INVIA CUSTODIAN PTY LIMITED (BLACK A/C)	4,412,000	7.37
5.	LOFTUS LANE INVESTMENTS PTY LTD	4,265,425	8.40
6.	INVIA CUSTODIAN PTY LIMITED (THIRTY FIVE A/C)	4,024,363	6.73
7.	SALIDEN PTY LTD	3,600,000	6.02
8.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED (NO 1 A/C)	3,378,305	5.65
9.	MR MARTINUS COOLEN	1,217,759	2.04
10.	MR JERRY ADLER & MRS GITA ADLER (ADLER FAMILY SUPER FUND)	1,170,030	1.96
11.	FNL INVESTMENTS PTY LTD (SUPER FUND A/C)	1,123,302	1.88
12.	DELTA REAL-TIME COMPUTERS PTY LTD (DELTA SUPER FUND A/C)	1,000,000	1.67
13.	FNL INVESTMENTS PTY LTD	937,964	1.57
14.	CARL WOODBRIDGE	601,000	1.00
15.	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (MLCI A/C)	535,520	0.90
16.	MJ EWART INVESTMENTS PTY LTD (MJ EWART S/F A/C)	500,000	0.84
17.	DR JON BERRICK	400,000	0.67
18.	MR MALCOLM GEOFFREY HERON & MRS MELISSA ANN HERON (HERON SUPER FUND A/C)	400,000	0.67
19.	DELTA REAL-TIME COMPUTERS PTY LTD	370,000	0.62
20.	MR MARK ASHLEY EWART (EST JEAN EWART A/C)	300,000	0.50
Total ordinary shares quoted on ASX held by the top 20 holders		46,719,097	79.39
Total ordinary shares quoted on ASX		**59,828,245**	**100%**

ASX ADDITIONAL INFORMATION (cont'd)

(C) UNQUOTED SECURITIES

There were 4,250,000 unquoted options as at 30 June 2008.

Converting Shares

30 Class B Converting Shares LAPSED AT 30 June 2008.

(D) SUBSTANTIAL SHAREHOLDERS

Substantial shareholders in the Company are set out below:

	No. of shares	**% Held**
ANZ NOMINEES LIMITED (CASH INCOME A/C)	7,948,644	13.29
COGENT NOMINEES PTY LTD	5,437,685	9.09
MR CARL ALEXANDER WOODBRIDGE & MRS KAREN ANGELA WOODBRIDGE (WESTVALLEY SUPER FUND A/C)	5,097,100	8.52
INVIA CUSTODIAN PTY LIMITED (BLACK A/C)	4,412,000	7.37
LOFTUS LANE INVESTMENTS PTY LTD	4,265,425	8.40
INVIA CUSTODIAN PTY LIMITED (THIRTY FIVE A/C)	4,024,363	6.73
SALIDEN PTY LTD	3,600,000	6.02
AUSTRALIAN EXECUTOR TRUSTEES LIMITED (NO 1 A/C)	3,378,305	5.65

(e) Other Disclosures

(i) The name of the Company secretary is Mr Serhat Oguz.

(ii) The address of the principal registered office in Australia is Level 12, 234 Sussex Street, Sydney NSW 2000.

(iii) Registers of securities are held at the following addresses:

Computershare Investor Services
Level 2 Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

Konekt Limited
Level 12, 234 Sussex Street
Sydney NSW 2000

(iv) Stock Exchange Listing
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

CORPORATE DIRECTORY

DIRECTORS

Stuart Craig (Chairman)

Alan Baxter (Non-Executive Director)

Max Lloyd-Jones (Non-Executive Director)

COMPANY SECRETARY

Serhat Oguz

REGISTERED OFFICE

Level 12, 234 Sussex Street
SYDNEY NSW 2000
Tel: (02) 9650 5111
Fax: (02) 9650 5133

PRINCIPAL PLACE OF BUSINESS

Level 12, 234 Sussex Street
SYDNEY NSW 2000
Tel: (02) 9650 5111
Fax: (02) 9650 5133

AUDITORS

BDO Kendalls
Chartered Accountants and Advisers
Level 19, 2 Market Street
SYDNEY NSW 2000
Tel: (02) 9286 5555
Fax: (02) 9286 5599

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Tel: (08) 9323 2000
Fax: (08) 9323 2033

HOME EXCHANGE

Australian Stock Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: KKT

KONEKT.COM.AU