ANNUAL REPORT 2010

Contents

About Konekt

Konekt is a publicly listed Australian company and the largest private sector provider of organisational health and risk management 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 20 years 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, building, hospitality, retail, and labour hire industries.

Mission

To be partner of choice in organisational health and risk management through;

- The provision of workplace safety and injury management solutions established through expertise, knowledge, partnering, innovation and technology to create superior value to our customers
- The engagement, continual development and growth of our people in an inspiring and rewarding environment
- Maximising return to shareholders whilst being mindful of our overall responsibilities to the community, our staff, and our customers.

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 and will help any business control and reduce their costs.

Providing an innovative beginning-to-end solution for Australia's employers

The Workers' Compensation and Occupational Health and Safety framework in Australia is complex, highly regulated and constantly evolving. It's a difficult proposition for most employers, to navigate. The impact of any workplace injury and workers' compensation claim on any business is rarely limited to just the premiums payable impact. It consumes employer resources and detracts from core business.

Incident Management and Early Intervention

Konekt Incident Management and Early Intervention solution (IMEI) is an innovative approach to the reduction in lost time injuries, notification compliance costs, claims liabilities, and workers' compensation premiums.

This unique and stand alone combination of a 24/7 call centre, shared online customer portal and national coverage of allied health professionals to supply immediate injury intervention and service transparency, has proven to reduce the claims cost of Konekt customers by an average of 35%.

Konekt IMEI utilises an integrated call centre and robust IT solution that supports your business' OHS, injury, and risk management strategies by collecting incident data from all your national sites, providing you with real-time incident and injury status and compliance reports. Konekt's Call Centre professionals plus integrated software messaging ensures that nominated employer representatives and key users are alerted to reportable incidents, selected risks and lost time injuries as soon as an event is logged, to ensure critical actions are completed in required timeframes and format.

Some of the unique features offered by IMEI include:

- Quick and easy notification of workplace incidents, injuries and dangerous occurrences via a 24 hour call centre
- Compliance with workers' compensation and OHS legislation employer obligations for the reporting of incidents and injuries to claims agents and authorities preventing company fines and penalties as well as maximising the financial benefits and excess waivers for early reporting of claims
- Automated lodgement process of workers' compensation claims documentation as well as an electronic repository for the viewing and retrieving of workers' compensation claims forms and medical certificates
- Complete transparency as Konekt's allied health and call centre professionals plus the employer share the same system creating organisational accountability and efficiencies
- Immediate triage provided with the guidance of our national team of allied health professionals
- Early intervention of injury management services

- Customised data collection that meets your business' specific information needs and tracks live performance against internal targets and industry benchmarks
- Complete range of management reporting available at the touch of a button.

Pre-employments

For businesses wanting a consistent approach to the coordination of all their functional and medical assessments, irrespective of where the candidate is in Australia, the Konekt pre-employment coordination service model provides you complete peace of mind. By engaging Konekt, we'll track every part of the pre-employment process, providing you reports of all the data in a timely manner.

Some of the benefits of our outsourcing model include:

- One point of contact via a 1300 number for coordination of all pre-employments, managed by a dedicated account manager
- Real-time access to log and track referrals, track assessment times and results, via a secure, web-based health management system Priority access to appointment times through our extensive network of providers across the country
- Guidance provided in information kits and via telephone for candidates and contractors so that they are aware of the processes and pre-testing requirements Training and education to ensure that your businesses specific requirements and pro-formas are consistent for every candidate referral
- Organisation at no further cost, of further testing by specialists where required Quality assurance of every assessment guaranteed
- Statistical reporting on your pre-employment numbers and results by project, region, state and holistic national data
- Centralised invoicing so that all your associated pre-employment costs are received by, and made to Konekt, your only supplier in the pre-employment process.

By engaging Konekt, we'll track every part of the pre-employment process, providing you reports of all the data in a timely manner.

Case Management System and Services

Legislation in some Australian states mandates that organisations of a certain size employ an on-premises return to work coordinator. Konekt's Case Management System (CMS) alleviates the need for you to recruit, develop and retain case managers and return to work coordinators on location, through the provision of our in house coordination services.

Konekt CMS offers a series of services and technology that can be combined with complete flexibility to provide you with a completely customised solution. Whether purchased as a stand-alone software package, or coupled with in-house or externally based case management services, the system will provide you real efficiencies by assisting you in the management of all aspects of return to work coordination, allocating suitable duties and developing return to work plans.

As an employer that already has existing case management staff, or prefers to manage the return to work coordination with your own people, Konekt CMS provides you the choice of having just the IT solution. Our CMS module provides you with a framework which is guided by the legislative requirements of all states and territories in Australia. The CMS software module can also be supported by discreet Konekt case management services where resources may be lacking.

Konekt CMS is designed to provide you with superior return to work outcomes through quality injury management, as well as a system for achieving legislative compliance. The end result is improved return to work rates and less disruption in the workplace from injury, resulting in reduced workers' compensation premiums.

By using Konekt CMS you'll benefit by a solution that provides:

- A complete repository of information for each case including case notes, future actions, documentation and workflow
- Cross jurisdictional relevance that facilitates case management compliance whether it be state, territory or national
- Integration of all aspects of the return to work coordinator's library of tools such as; task analysis, preferred provider network information, injury management programs, and company policies and procedures.
- Real time access to any aspect of any case providing an effective internal audit process and a risk management platform for the management of workplace injuries
- A customisable workflow system which is designed to highlight all key case actions using intuitive functionality (state and jurisdiction specific) and provides an easy-to-use framework for task management
- A suitable duties register which is a powerful tool for pre-identification of job tasks and matching an injured worker's capacity back to employment.
- The required level of accountability and transparency to ensure efficiencies in decision making, return to work outcomes and legal compliance.

Konekt - your resource of choice for all classes of Insurance

Konekt isn't just about Workers Compensation; we have extensive experience in providing services to all classes of Insurance. We provide a diverse range of services to some of

Australia's largest Compulsory Third Party, Public Liability and Income Protection insurers. Our comprehensive offerings are tailored to suit the level of intervention required by our clients.

Containment

Our unique Containment solution addresses the fundamental factors that cause increased premiums and related costs. The workplace risk consulting services provided through Konekt Containment is supported by expertise, intellectual property, technology and resources, delivering you a holistic and tailored end-to-end solution that can significantly assist you in reducing your organisation's workers compensation related expenses.

Injury Prevention

Konekt Safe provides you injury prevention solutions that are aimed at not only improving productivity, and organisational culture, but also contribute to increasing your company's bottom line. The services include pre-employment assessment - physical & psychological, corporate health and wellness programs, and training and education workshops. Prevention is always better than a cure. In this regard Konekt can meet all your needs be they ergonomic assessment and advice to efficiency management studies.

Konekt isn't just about Workers Compensation; we have extensive experience in providing services to all classes of Insurance.

Injury Response

Our injury response solutions are aimed to facilitate early recovery and return to work of injured employees, while also assisting in minimising workers compensation claims duration and cost.

Rehabilitation

We provide a range of services aimed at assisting you in the rehabilitation of injured workers from the early reporting and identification of the injury, through to physical and psychological assessments and case management. Our rehabilitation services help you in the management of injured workers, and contribute to a timely return to work.

Redeployment

Our redeployment solution is made up of a host of specialised programs that assist injured workers to obtain new employment when return to the pre-injury employer is not possible. These programs can positively impact the length and duration an injured employee remains out of the workforce, while also reducing claims costs.

Konekt Board of Directors

ALAN BAXTER BSc, Dip Ed
Chairman of the Board

Mr Baxter 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 and was a Director of Mincom Ltd between July 2004 and May 2007. He is Chairman of the Advisory Board for the School of Business Systems at the University of Sydney. He is Chairman of Innogence Limited. He has also been a non-executive director of Integrated Research Limited a listed public company since 16 June 2009.

SERHAT OGUZ BBus, Grad Dip Bus Adm, Grad Dip CSP, MBA, FCPA, ACIS
CEO/Managing Director

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 organisations such as SAP, Ariba and ComputerVision.

JOHN RANDALL B.COM, MBA, FCA (Australia) FCA (England & Wales), ACMA, AFCHSE, MAICD
Non executive Director

John is a senior business executive and chartered accountant with 30 years international experience involving leadership positions in private and public companies in Australia, Africa, and the USA.

John Randall has held the positions of CEO at Ramsay Health Care Ltd and CEO of The Hospitals Contribution Fund of Australia Ltd (HCF). He has held numerous other executive positions in the health sector. As a seasoned networked professional in both the health and insurance sectors he is an asset to the Board of Konekt.

PHILIP SMALL BEc (Syd), MSc (Lond), FCPA, GAICD
Non Executive Director

Philip spent 10 years in the general insurance industry and is a member of the Australian & New Zealand Institute of Insurance and Finance. Since 1985, he has held a number of senior management positions as a technology executive and was President of Computer Science Corporation (CSC)'s Financial Services Group in Asia Pacific, a position he held until 2001. Prior to CSC, Philip worked for Continuum and was responsible for their operations in Asia Pacific between 1993 and 1996.

Formerly, Philip worked for Paxus Corporation where he headed up their European division from 1988 to 1993 and led their expansion to become the leading provider of insurance software in Europe. Philip is a Director of Pillar Administration, a State Owned Corporation that provides back office administration services to superannuation funds, FINEOS Corporation, an Irish software company.

Chairman's Report

Financial year 2008/09 was the year we consolidated the business and returned our first profit ever. In 2009/10, we continued the growth achieved in the previous year and grew our profitability through better operational management. We are very proud to report that revenue grew by 12% to $36.2m and EBIT by 64% to $2.2m. After tax profit of $3.88m was positively impacted by a $2.43m tax credit from recognition of prior year tax losses and temporary differences offset by current year tax expense of $676k. The board was very pleased to be able to announce the company's first ever dividend of 0.5 cents per share.

This year saw the company achieve a debt free cash position with continued cash positive operations.

With a sound financial base now well established, the board announced at its May shareholder briefing that it would now seek to accelerate its growth with some targeted acquisitions. Acquisitions will be sought in geographies where Konekt is under represented and in business areas which complement Konekt's current workplace health services.

During the second half of the financial year, the company invested significant funds into the development of its new service offerings Konekt Integrated Employer Solution (KIES) and Konekt Pre-employment services. These investments were funded from operating profits and we anticipate significant new business from these offerings in future years.

In conjunction with the launch of the new service offerings, Konekt has established a professional sales function which is tasked with marketing the new offerings and already we are seeing a strong pipeline of opportunities emerge. Success in this venture will see the traditional worker's compensation services become a smaller proportion of the total revenue base as well as providing a stream of value-add higher margin revenue.

The board initiated a number of activities in the past year to keep the market informed on noteworthy activities within Konekt. We still believe that the current share price undervalues the true value of the company.

Konekt has a strong engaged management team which has built on the achievements of 2008/09 to return another creditable performance. On behalf of the directors I want to congratulate the CEO, Serhat Oguz and his management team and all our talented staff on a great year. I also want to thank my fellow directors for their contributions and support. We look forward to the continued growth and success of Konekt.

Alan Baxter, Chairman
Sydney, 23 September 2010

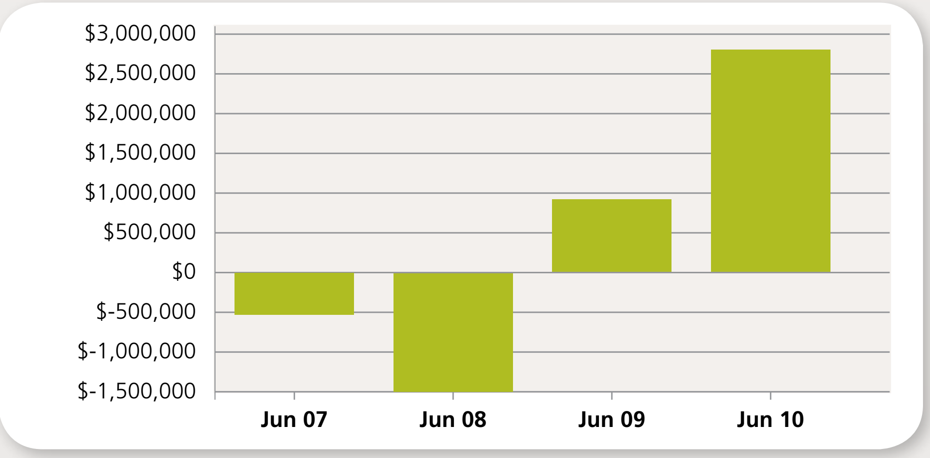
Alan Baxter, Chairman

This year saw the company achieve a debt free cash position with continued cash positive operations.

CEO's Report

Serhat Oguz, Chief Executive Officer

Cash flow from operations
Jun 07 – Jun 10



I am extremely pleased to be able to report that Konekt has had another excellent financial year in 2010. Last year I committed a 10-15% revenue growth with at least an EBIT of 5%. We delivered on what we promised, with 12% revenue growth and an EBIT of over 6%.

Our strategy was well executed with strong organic growth, as well as entering into several strategic alliances. In the latter half of the year, we began to actively pursue acquisition targets and that task continues.

A number of highlights during the year were achieved, some of these being:

- We traded out of our debt position with a positive cash from operations of $2.8m - this was a 200% improvement on the previous year and we finished the year with not only no debt but with a positive cash balance of $1.1m.
- We declared a dividend for the first time in the company's history.

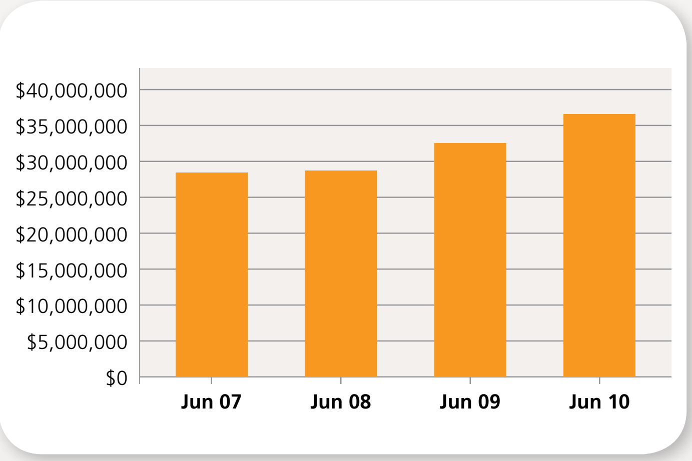
We continued our balanced approach across the business, investing significant effort around our customers, staff, shareholders and processes, with the strong view that these will flow on to sound financial results.

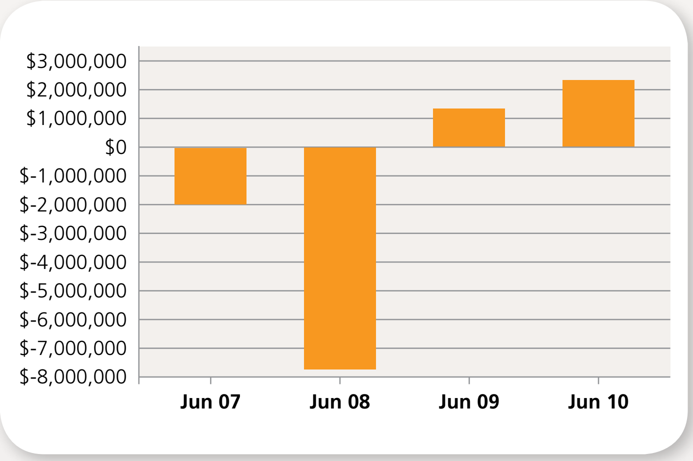
In the first half of the year we formed an investor relations committee headed up by Philip Small. The purpose of the committee was to develop an investor relations strategy to ensure that an appropriate level of information about the company is available to the market.

We traded out of our debt position with a positive cash from operations of $2.8m

The continued focus on internal efficiency and processes saw us complete a full year using our balanced scorecard approach. Each one of our branches has its own targets which drive them to continuous improvement across the four perspectives of financial, customer, internal, and people. This continues to assist our bottom line and drives positive change in our processes as we continually seek improvements.

We completed our second annual employee engagement survey which indicated a 76% staff engagement, slightly up from last year's 75%, and placing us in the top quartile of all organisations worldwide. This was another pleasing result, which reflects our continued focus around employee initiatives.





Revenue Jun 07 – Jun 10

EBIT Jun 07 – Jun 10

We identified and invested in two new areas of product development in order to not only offer our existing customers opportunities to improve efficiency in their own businesses but also to bring new offerings to the market. The first, Konekt Integrated Employer Solution (KIES) provides businesses the option to outsource part, or all, of their OHS, injury and workers compensation risk management function. The second, Konekt Pre-employment Services is a partnership with the Health Advantage Group where we have embarked on the design and implementation of a landmark product offering which revolutionises the medical pre-employment industry.

We launched a new and improved website to better meet the informational needs of our various audiences while also extending the back office functionality to promote our services.

We expanded our geographic footprint and opened several new offices across the country after experiencing strong demand from these locations.

We added 15 more staff to our headcount finishing at 304 for the year.

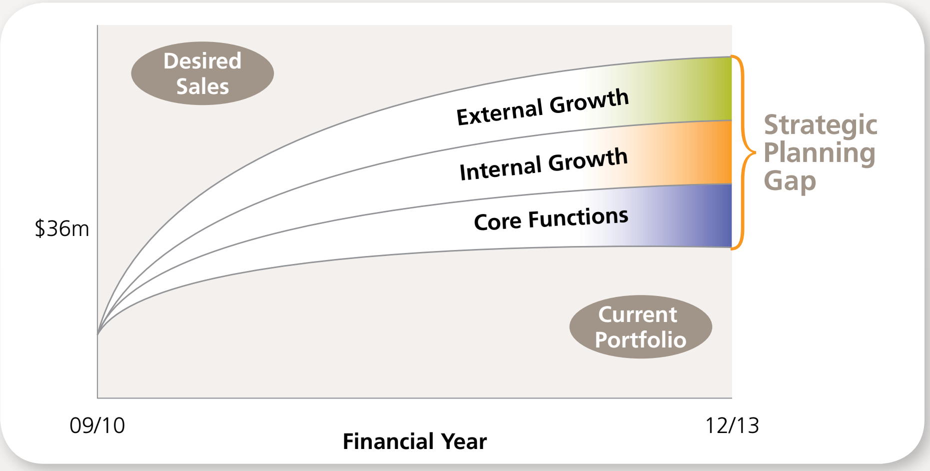
Financial Results

Results were a very impressive 64% up on EBIT, reinforcing our previous stated views that profitability will continue to increase as we focus on our complete business and pursue best practice and continuous improvement initiatives. Our EBIT profitability went to 6.1% up from 4%. This was 1% better than the target we set ourselves.

First half vs. 2nd half

Our first half was exceptionally strong with a revenue growth of 15.8% and EBIT growth of 175% from the corresponding period last year. The second half was impacted by several factors. Firstly, in line with the strategic direction, the company elected to build a stronger focus around the corporate marketplace including the development of the KIES solution. This required enhancement of Konektiva and the establishment of a professional sales team to drive this new service offering into the corporate marketplace. Both these initiatives required investment, which was funded from operating results. Secondly, NSW WorkCover went through their periodic workers compensation claims agency tender. Both the process and results of the tender caused some softening in the level of referrals in the 2nd half of the year.

> We expect to deliver improving profitability and remain committed to focusing on increasing shareholder value. Our updated strategy provides an excellent pathway to strong growth and profitability.



Revenues

Despite the slowness in the 2nd half, we were able to grow revenue from our largest customers year- on- year and retain all of our major clients. Revenue from our pre employment business grew significantly on the back of the infrastructure boom and whilst we continued to derive 60% of our business from the insurance agents, in the 2nd half we saw this decrease. With our new product offerings, as well as our enhanced sales force we are confident that we will see this move more in favour of the corporate marketplace.

Strategy

The board reviewed the company strategy and refined it further in order to set the direction for the next three years. The board recognises that it must have a broad strategy which encompasses both organic growth and acquisitions to support its target to double revenue over the next three years.

Outlook

We expect to deliver improving profitability and remain committed to focusing on increasing shareholder value. Our updated strategy provides an excellent pathway to strong growth and profitability. As our strategy is multifaceted it reduces risk and focuses the company in three key areas:

- The core business
- Organic growth through internal initiatives
- External growth through alliances and acquisitions.

Conclusion

We have completed another highly successful year and have continued to improve on the foundations we laid last year. Continuous improvement is paramount and with a highly motivated and engaged management team and staff, as well as an excellent strategy, I look forward to providing you with another strong year in my next report.

I would like to thank the board for their insight and guidance, my management team for their perseverance and dedication and my staff for all their hard work, as without total commitment, such results would not be possible.

Serhat Oguz, Chief Executive Officer
Sydney, 23 September 2010

FINANCIAL REPORT 2010

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

In August 2007, the ASX Corporate Governance Council released its Revised 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 2010.

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, who are regarded as independent Directors and the Managing Director.

During the year ended 30 June 2010 the Board comprised of:

Mr Alan Baxter (Chairman from 19 March 2009, Independent Non-Executive Director)
Mr Serhat Oguz (Managing Director appointed 19 March 2009)
Mr John Randall (Independent Non-Executive Director appointed 27 March 2009)
Mr Philip Small (Independent Non-Executive Director appointed 19 November 2009)

Recommendation 2.3 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 the composition of the Board during the year and recommended to shareholders at the 2009 AGM to elect a further non-executive director Mr Phillip Small to enhance the skill set of the Board. Mr Philip Small was duly elected 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 Alan Baxter – BSc, Dip Ed	Independent Non-Executive Chairman	19 June 2006
Mr Serhat Oguz – BBus, Grad Dip Bus Adm, Grad Dip CSP, MBA, FCPA, ACIS	Managing Director	19 March 2009
John Randall – B.COM, MBA, FCA (Australia), FCA (England & Wales), ACMA, AFCHSE, MAICD	Independent Non-Executive Director	27 March 2009
Mr Philip Small – BEc (Syd), MSc (Lond), FCPA, GAICD	Independent Non-Executive Director	19 November 2009

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 Alan Baxter, Mr John Randall and Mr Philip Small have continued to be Independent Directors since the dates of their appointment.

Meetings of the Board

During the year the Board met 13 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 has not conducted a performance review. The Board is currently in the process of conducting a self evaluation. Similarly an evaluation of the performance of its two committees, namely, the Audit, Risk and Compliance Committee and the Remuneration Committee will be conducted in conjunction with this review.

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 reviews 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.

Senior Executive Performance

Consistent with recommendation 1.3 a performance evaluation of all senior executives is undertaken in conjunction with the company's formal annual appraisal processes.

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 Alan Baxter (Committee Chairman)
- Mr John Randall

Recommendation 8.1 requires that the remuneration committee should consist of at least three members. In view of the company Board size it was considered that the composition of two members was appropriate during the current year.

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 2010 comprised the following Independent Non-Executive Directors:

- Mr John Randall (Committee Chairman, appointed 2 April 2009)
- Mr Alan Baxter (Appointed 2 April 2009)
- Mr Philip Small (Appointed 8 February 2010)

The relevant qualifications and background of the above are summarised in the Directors' Report.

The Board considered the ASX recommendation that an audit committee have 3 members, Mr Philip Small's appointment to the Committee brought the company in line with this recommendation.

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 the then appointed Committee members.

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 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. Specifically Directors and Senior Executives are prohibited from trading in the Company's shares from the end of the half-yearly and annual financial periods until 2 workdays after release of the Company's results.

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 consolidated financial statements of Konekt Limited ("the company"), being the company and its subsidiaries, for the year ended 30 June 2010 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
Alan Baxter – BSc, Dip Ed	19 June 2006	65
Serhat Oguz – BBus, Grad Dip Bus Adm, Grad Dip CSP, MBA, FCPA, ACIS	19 March 2009	46
John Randall - B.COM, MBA, FCA (Australia) FCA (England & Wales), ACMA, AFCHSE, MAICD.	27 March 2009	71
Philip Small BEc (Syd), MSc (Lond), FCPA, GAICD.	19 November 2009	60

MR ALAN BAXTER, BSc, Dip Ed – Chairman, Non-Executive Director

Mr Baxter 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 and was a Director of Mincom Ltd between July 2004 and May 2007. He is Chairman of the Advisory Board for the School of Business Systems at the University of Sydney. He is Chairman of Innogence Limited. He has also been a non-executive director of Integrated Research Limited a listed public company since 16 June 2009.

Mr Baxter is Chairman of the Remuneration Committee and a member of the Audit Risk and Compliance Committee.

Age: 65
Date of appointment: 19 June 2006

MR SERHAT OGUZ, BBus, Grad Dip Bus Adm, Grad Dip CSP, MBA, FCPA, ACIS – Managing Director

Serhat is an experienced executive with over 21 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.

Age: 46
Date of appointment: 19 March 2009

MR JOHN RANDALL, B.COM, MBA, FCA (Australia) FCA (England & Wales), ACMA, AFCHSE, MAICD. – Non-Executive Director

John is a senior business executive and chartered accountant with 30 years international experience involving leadership positions in private and public companies in Australia, Africa and the USA. He has held the positions of CEO at Ramsay Health Care Ltd and CEO of The Hospitals Contribution Fund of Australia Ltd (HCF).

Mr Randall is Chairman of the Audit Risk and Compliance Committee and is a member of the Remuneration Committee.

Age: 71
Date of appointment: 27 March 2009

MR PHILIP SMALL, BEc (Syd), MSc (Lond), FCPA, GAICD. – Non-Executive Director

Philip spent 10 years in the general insurance industry and is a member of the Australian & New Zealand Institute of Insurance and Finance. Since 1985 he has been involved in the insurance and banking software industry and has a detailed knowledge of the market in the Asia Pacific region. He has held a number of senior management positions as a technology executive and was President of Computer Science Corporation (CSC)'s Financial Services Group in Asia Pacific, a position he held until 2001. Prior to CSC, Philip worked for Continuum and was responsible for their operations in Asia Pacific between 1993 and 1996. Prior to this, he worked for Paxus Corporation where he headed up their European division from 1988 to 1993 and led their expansion to become the leading provider of insurance software in Europe. Philip is a Director of both Pillar Administration, a State Owned Corporation that provides back office administration services to superannuation funds and Fineos Corporation, an Irish software company.

Mr Small is a member of the Audit Risk and Compliance Committee

Age: 60
Date of appointment: 19 November 2009

DIRECTORS’ REPORT (cont’d)

MR FRANK HARDIMAN, BBus, FCPA – Company Secretary

Mr Hardiman is also Chief Financial Officer of the Konekt Group, a position he was appointed to on 15 September 2008. He has had over 34 years experience in senior financial positions. Prior to joining Konekt he was Chief Financial Officer for 16 years of the publically listed PPK Group Limited (formerly Plaspak Group Ltd) and is a Fellow of the Australian Society of CPAs.

Age: 56
Date of appointment: 19 March 2009.

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**
Alan Baxter	50,000	1,055,586	550,000	-
Serhat Oguz	500,000	13,530	1,000,000	-
John Randall	197,517	-	-	-
Philip Small	300,000	-	-	-
	1,047,517	1,069,116	1,550,000	-

Performance Rights

In total there were 3,941,669 performance rights outstanding at the date of this report. 1,550,000 were by the above directors and the balance of 2,391,669 by senior executives. The following are details of these outstanding performance rights;

No of rights	**Exercise price**	**Expiry date**
1,000,000	$0.00	14 Aug 2013
550,000	$0.00	23 Dec 2013
2,391,669	$0.00	5 Feb 2014

No performance rights were exercised during the year. Since the end of the financial year 783,331 ordinary shares were issued as a result of the exercise of performance rights and 275,000 performance rights lapsed leaving the above balances.

Options

There are no options over ordinary shares outstanding at the date of this report. 200,000 Non-Executive Director options expired during the year and 2,000,000 options were exercised by non related entities of the current directors. The following are details of the options exercised;

No of options	**Exercise price**
1,000,000	$0.08
1,000,000	$0.06

DIRECTORS' REPORT (cont'd)

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**
Alan Baxter	13	13	2	2	2	2
Serhat Oguz	13	13	-	-	-	-
John Randall	13	13	2	2	2	2
Philip Small	8	8	1	1	-	-

Principal Activities

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

Operating Results

The consolidated net profit after income tax of the consolidated entity for the financial year was $3,880,000 (2009: Profit $1,174,000). Total Revenue and Other Income was $36,187,000 (2009: $32,284,000).

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 7.

Dividends Paid or Recommended

Since the end of the financial year the Directors have declared an unfranked Final Dividend of 0.5 cents per share to be paid on 15 October 2010.

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

The company expects to continue 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 as and when suitable opportunities arise.

DIRECTORS' REPORT (cont'd)

Remuneration Report – Audited

Details of Parent Entity Directors and Key Management Personnel

(i) Parent Entity Directors	*Position*	*Period of service*
A. Baxter	Chairman	
	Non Executive Director	Director 19 June 2006 to current
S. Oguz	Managing Director	Director 19 March 2009 to current
		Employed since 30 July 2007
J. Randall	Non Executive Director	Director 27 March 2009 to current
P Small	Non Executive Director	Director 19 November 2009 to current
(ii) Key Management Personnel		
F.Hardiman	Chief Financial Officer	15 September 2008 to current
	Company Secretary	Company Secretary from 19 March 2009

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 Group. 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 Group's financial and operational performance. Over the last five years bonus payments have been paid to key management personnel in the 2007, 2008, 2009 and 2010 years.

The table below includes cash bonuses accrued for the year ended 30 June 2010 which were paid in August 2010. In August 2010 Serhat Oguz received a bonus of $128,269 for exceeding total revenue and total EBIT budgets for the year ending 30 June 2010. 100% of this cash bonus vested at 30 June 2010.

In September 2009 Serhat Oguz received a bonus of $75,508 for exceeding total revenue and total EBIT budgets for the year ending 30 June 2009.

In August 2010 Frank Hardiman received a bonus of $24,932 for exceeding total EBIT budget for the year ending 30 June 2010 and achieving other KPIs. 100% of this cash bonus vested at 30 June 2010.

In August 2009 Frank Hardiman received a bonus of $11,108 for exceeding total EBIT budget for the year ending 30 June 2009 and achieving other KPIs.

Remuneration and other terms of employment for the Managing Director, and Key Management Personnel are formalized 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 2010	**Cash salary & fees**	**Cash bonus**	**Annual leave**	**Super-annuation**	**Termina-tion**	**Long service leave**	**Options**	**Perform-ance Rights**	**Total**	**Percentage of remuneration as share based payments**
Parent Entity Directors										
Alan Baxter	100,000	-	-	9,000	-	-	-	7,088	116,088	6.1%
Serhat Oguz	261,226	128,269	22,637	23,510	-	6,054	-	19,686	461,382	4.3%
John Randall	-	-	-	52,320	-	-	-	-	52,320	0%
Philip Small	29,609	-	-	2,665	-	-	-	-	32,278	0%
Total Remuneration: Parent Entity Directors	390,835	128,269	22,637	87,495	-	6,054	-	26,774	662,064	
Key Management Personnel of the Consolidated Entity										
Frank Hardiman	157,504	24,932	13,335	15,175	-	3,093	-	3,138	217,177	1.4%
Total Remuneration: Parent Entity Directors & Key Management Personnel	548,338	153,201	35,972	102,670	-	9,147	-	29,912	879,241	

The proportion of remuneration that was performance related for the non-executive 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 performance rights and represented 32.1% of total remuneration.

For Frank Hardiman the performance related remuneration related to the bonus paid and performance rights and represented 12.9% of total remuneration.

DIRECTORS' REPORT (cont'd)

	Short term employee benefits			Post-employment benefits		Long term benefits	Share based payments			
30 June 2009	**Cash salary & fees**	**Cash bonus**	**Annual leave**	**Super-annuation**	**Termina-tion**	**Long service leave**	**Options**	**Perform-ance Rights**	**Total**	**Percentage of remuneration as share based payments**
Parent Entity Directors										
Alan Baxter	54,495	-	-	15,805	-	-	3,155	5,362	78,817	10.8%
Serhat Oguz	209,654	75,508	13,531	16,426	-	4,435	-	36,646	356,200	10.3%
John Randall	-	-	-	13,783	-	-	-	-	13,783	0%
Stuart Craig	63,000	-	-	31,709	-	-	3,155	5,362	103,226	8.3%
Max Lloyd-Jones	-	-	-	38,659	-	-	3,155	5,362	47,176	18.1%
Total Remuneration: Parent Entity Directors	327,149	75,508	13,531	116,382	-	4,435	9,465	52,732	599,202	
Key Management Personnel of the Consolidated Entity										
Frank Hardiman	118,038	11,108	10,298	9,606	-	2,352	-	1,580	152,982	1.0%
Total Remuneration: Parent Entity Directors & Key Management Personnel	445,187	86,616	23,829	125,988	-	6,787	9,465	54,312	752,184	

There were no performance rights granted to key management personnel as compensation during the reporting period.

Short term incentives

If the Group achieves a pre-determined EBIT target set by the remuneration committee a portion of cash incentives (bonuses) are payable after the 30 June year end results are released. The following is a table of total cash bonuses paid to directors and Key Management personnel over the last 5 years.

Year	EBIT $'000s	Cash bonuses to KMP $'000s
2010	2,210	153
2009	1,347	87
2008	(7,047)	25
2007	(1,448)	46
2006	(1,256)	-

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.

DIRECTORS' REPORT (cont'd)

Share Options

During the prior financial year, the Company cancelled 1,000,000 unlisted options to Westvalley Superannuation Fund an entity controlled by former Managing director Carl Woodbridge that was part of a commercial transaction to issue $244,246 in convertible notes.

The following options issued during the 2006-7 financial year to directors lapsed during the year;

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									
Alan Baxter	200,000	0.50	16.11.2009	18,145	100,000	50%	50%	-	-

During the financial year, no ordinary shares were issued as a result of the exercise of options. Since the end of the financial year the following ordinary shares were issued as a result of the exercise of performance rights.

- 500,000 Serhat Oguz
- 50,000 Alan Baxter
- 25,000 Frank Hardiman
- 208,331 Other senior executives

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:

Serhat Oguz – Managing Director

- Term of agreement: till 30 June 2013.
- Base salary from 1 July 2010, including superannuation, amounting to $342,000 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 a minimum of 6 months notice unless the unexpired portion is greater than 6 months in which case it will be the unexpired portion capped at 12 months.
- Short term incentive equal to $108,000 based on achieving performance criteria set at the board's discretion.

Frank Hardiman – Chief Financial Officer & Company Secretary

- Term of agreement: no fixed term
- Base salary, including superannuation, amounting to $179,212 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 $32,884 based on achieving performance criteria set at the board's discretion.

Performance Rights

Performance rights were granted under the Executive Option and Performance Rights Plan ('Plan') which was approved by shareholders at the 2008 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 – Managing Director, Serhat Oguz

Tranche Number	%Available	First Exercise Date	Last Exercise Date	Number of Rights
1	33	14 August 2009	14 August 2013	500,000
2	33	14 August 2010	14 August 2013	500,000
3	34	14 August 2011	14 August 2013	500,000
	100			**1,500,000**

Service Conditions – Non-executive Directors, Alan Baxter

Tranche Number	%Available	First Exercise Date	Last Exercise Date	Number of Rights
1	33	23 December 2009	23 December 2013	200,000
2	33	23 December 2010	23 December 2013	200,000
3	34	23 December 2011	23 December 2013	200,000
	100			**600,000**

Service Conditions – Chief Financial Officer & Company Secretary, Frank Hardiman

Tranche Number	%Available	First Exercise Date	Last Exercise Date	Number of Rights
1	33	5 February 2009	5 February 2014	100,000
2	33	5 February 2009	5 February 2014	100,000
3	34	5 February 2009	5 February 2014	100,000
	100			**300,000**

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. The performance conditions are the same for the Managing Director, Non-executive directors and each executive who has been granted performance rights. 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 30/6/2009 equals or exceeds	1.6	2.0	2.4
2	EPS for FYE 30/6/2010 equals or exceeds	1.8	2.2	2.8
3	EPS for FYE 30/6/2011 equals or exceeds	2.4	2.8	3.4

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 30/9/2009 equals or exceeds (1)	$0.08	$0.10	$0.15
2	Share Price at 30/9/2010 equals or exceeds (1)	$0.18	$0.22	$0.25
3	Share Price at 30/9/2011 equals or exceeds (1)	$0.30	$0.35	$0.40

(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, at at 30th June 2009, the share price was below $0.08, and so none of the rights have vested, and none have been forfeited, but all are still 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.

Konekt Limited do not have a policy for KMPs restricting or removing the 'at risk' element of their options/rights.

End of Audited Remuneration Report

Non-audit Services

There were no non-audit services performed by the Group's external auditors for the year ended 30 June 2010.

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 amounted to $119,000.

Significant Events after the end of the reporting period

There have been no significant events which have occurred since the end of the reporting period.

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 subsidiaries, 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.

DIRECTORS' REPORT (cont'd)

The company has also agreed to indemnify the current directors of its subsidiaries 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 subsidiaries, 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.

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 57 of this report.

Rounding of Accounts

The parent entity has applied the relief available in ASIC Class Order 98/100 and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

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

Alan Baxter
Chairman

23 September 2010
Sydney, NSW

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
		2010	**2009**
	Notes	**$'000s**	**$'000s**
Revenue from continuing operations	4	35,971	32,076
Other Income	4	216	208
External consultants		(1,264)	(1,099)
Depreciation	5	(386)	(467)
Joint venture exit costs		-	(23)
Finance costs	5	(84)	(173)
Share based payments expense	5	(72)	(95)
Salaries and employment related costs		(24,524)	(22,201)
Property expenses		(2,865)	(2,563)
Communication expenses		(904)	(960)
Motor vehicle and equipment expenses		(1,250)	(888)
Travel and accommodation expenses		(752)	(693)
Other expenses from continuing operations	5	(1,960)	(1,948)
Profit before income tax expense		**2,126**	**1,174**
Income tax credit	7	1,754	-
Profit for the year		3,880	1,174
Total comprehensive income for the year		**3,880**	**1,174**
Basic earnings per share (cents per share)	6	5.5	1.8
Diluted earnings per share (cents per share)	6	5.3	1.8

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

		Consolidated	
		2010	2009
	Notes	$'000s	$'000s
Current Assets			
Cash and cash equivalents	8	1,129	77
Trade and other receivables	9	4,167	4,574
Inventories	10	461	511
Other assets	11	280	91
Total Current Assets		**6,037**	**5,253**
Other receivables	12	98	-
Plant & equipment	13	761	930
Tax assets	14	1,754	-
Intangible assets	15	3,564	3,532
Total Non Current Assets		**6,177**	**4,462**
Total Assets		**12,214**	**9,715**
Current Liabilities			
Trade and other payables	16	4,235	3,807
Provisions	17	-	108
Interest bearing liabilities	18	67	1,816
Total Current Liabilities		**4,302**	**5,731**
Non Current Liabilities			
Interest bearing liabilities	19	85	-
Provisions	17	168	176
Other payables	16	190	410
Total Non Current Liabilities		**443**	**586**
Total Liabilities		**4,745**	**6,317**
Net Assets		**7,469**	**3,398**
Equity			
Contributed equity	19	39,040	38,921
Reserves		230	158
Accumulated losses		(31,801)	(35,681)
Total Equity		**7,469**	**3,398**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	30 June 2010	**30 June 2009**
	$'000s	**$'000s**
Cash Flows from Operating Activities		
Receipts from customers	39,917	34,510
Payments to suppliers and employees	(36,996)	(33,405)
Interest received	2	-
Interest paid	(84)	(160)
Net cashflows provided by Operating Activities (note 28a)	**2,839**	**945**
Cash Flows from Investing Activities		
Purchase of plant & equipment & intangible assets	(253)	(478)
Proceeds from sale of plant & equipment	11	16
Settlement of Corpore Joint Venture exit	-	(227)
Net cashflows used in Investing Activities	**(242)**	**(689)**
Cash Flows from Financing Activities		
Net proceeds from issue of ordinary shares	140	53
Cost of share buy-back	(21)	-
Proceeds from borrowings	202	-
Repayment of borrowings	(50)	-
Net cashflows from Financing activities	**271**	**53**
Net increase in cash held	2,868	309
Cash and cash equivalents at beginning of financial year	(1,739)	(2,048)
Cash and cash equivalents at end of financial year (note 28b)	**1,129**	**(1,739)**

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

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

Consolidated Entity	Contributed Equity $'000s	Accumulated losses $'000s	Option Reserve $'000s	Total equity $'000s
As at 30 June 2009	**38,591**	**(36,855)**	**63**	**1,799**
Total comprehensive income for the year	-	1,174	-	1,174
Transactions with owners in their capacity as owners:				
Issue of share capital	330	-	-	330
Recognition of employee share plan issue (Note 5)	-	-	53	53
Recognition of options issued (Note 5)	-	-	9	9
Recognition of Performance Rights (Note 5)	-	-	33	33
As at 30 June 2009	**38,921**	**(35,681)**	**158**	**3,398**
Total comprehensive income for the year	-	3,880	-	3,880
Transactions with owners in their capacity as owners:				
Issue of share capital	140	-	-	140
Recognition of Performance Rights (Note 5)	-	-	72	72
Buy back of unmarketable parcels	(21)	-	-	(21)
As at 30 June 2010	**39,040**	**(31,801)**	**230**	**7,469**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial statements of Konekt Limited for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of directors on 23 September 2010 and cover the consolidated entity of Konekt Limited and its subsidiaries as required by the Corporations Act 2001. Separate financial statements for Konekt Limited as an individual entity are no longer presented as a consequence of a change to the Corporations Act 2001. However, limited financial information for Konekt Limited as an individual entity is included in Note 31. Konekt Limited is a listed public company, incorporated and domiciled in Australia.

Basis of Preparation

Compliance with IFRS

The financial statements as issued by the International Accounting Standards Board and comply with International Financial Reporting Standards (IFRS).

Reporting Basis and Conventions

The financial statements are presented in Australian currency, have been prepared on an accruals basis and are 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 statements.

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 2010 and the results of all of its subsidiaries for the year then ended. Konekt Limited and its subsidiaries together are referred to in these financial statements as the Group.

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 Group, including any unrealised profits or losses, have been eliminated on consolidation.

b) Foreign Currencies

Transactions in foreign currencies of entities within the Group 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 Group, that are outstanding at the end of the reporting period 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.

c) Cash and Cash Equivalents

For purposes of the statement of cash flows, 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 in the statement of financial position.

d) 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.

Collectability 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 profit and loss. 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 history. 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 de-recognition of the original instrument.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

e) Inventories

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

f) 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 profit and loss 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 Group 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 the end of each reporting period.

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(o)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit and loss. When re-valued 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:

	2010	**2009**
Plant and equipment	10% to 50%	10% to 50%
Leasehold improvements	15% to 40%	15% to 40%
Leased plant and equipment	25%	25%

g) 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.

h) 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 in the statement of financial position.

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.

i) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of credits, 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

GST

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

j) 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 reporting period.

Deferred tax is accounted for using the 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 profit and loss except where it relates to items that may be credited directly to equity or to other comprehensive income, in which case the deferred tax is credited directly against equity or other comprehensive income.

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 Group 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 wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Konekt Limited is the head entity in the tax consolidated Group. The stand-alone taxpayer within a Group approach has been used to allocate current income tax expense and deferred tax balances to wholly-owned subsidiaries that form part of the tax consolidated Group. Konekt Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated Group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year. The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly-owned subsidiaries in order for the head entity to be able to pay tax instalments. These amounts are recognised as current intercompany receivables or payables.

k) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from the services rendered by employees to reporting 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 and senior executives via options or performance rights under the Konekt Performance Rights and Options Plan. Information relating to this plan is set out in Note 19(d).

The fair value of options granted under the plan is recognised as a 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 binomial 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.

Offers are also made from time to time to all eligible staff under the Konekt Share Acquisition Plan and the Konekt Deferred Employee Share Plan. Any issues under these plans are recognised as a benefit expense with a corresponding increase in equity in relation to any portion which is not funded by the employee.

l) 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 FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

m) 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 Group 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 profit and loss.

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.

n) Intangible Assets - Goodwill

(i) 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.

(ii) Trademarks

Trademarks do not have a finite useful life and are carried at cost less impairment losses.

(iii) IT website development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials, with amortisation calculated on a straight line-basis over 3 years.IT website development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the group has an intention and ability to use the asset.

o) 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 the end of each reporting period.

p) Borrowing Costs

Borrowing costs are expensed when incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

q) 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.

r) 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 profit and loss 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 end of the reporting period.

s) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 (issued December 2009) amends the requirements for classification and measurement of financial assets for periods beginning on or after 1 January 2013. Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the Group has not yet made an assessment of the impact of these amendments.

AASB 7 deletes various disclosures relating to credit risk, re-negotiated loans and receivables the fair value of collateral held for periods commencing on or after 1 January 2011. There will be no impact on initial adoption to amounts recognised in the financial statements as the amendments result in fewer disclosures only.

AASB 2009-8 (issued July 2009) clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving the goods/services when that entity has no obligation to settle the share-based payment transaction. This supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions for periods beginning on or after 1 January 2010. However there are no such transactions within the Group.

AASB Interpretation 19 (issued December 2009) states that equity instruments issued to a creditor to extinguish all or part of a financial liability are 'consideration paid' to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the 'consideration paid' is recognised in profit or loss for periods beginning on or after 1 July 2010. However there will be no impact as the entity has not undertaken any debt for equity swaps.

t) Rounding of Amounts

The Group has applied the relief available under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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 Group and that are believed to be reasonable under the circumstances.

Key Estimates - Impairment

The Group assesses impairment at the end of each reporting period 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.

Unrecognised tax losses

Unrecognised tax losses at 30 June 2010 may only be utilised to shelter 7.3% of taxable income once remaining recognised Group tax losses of $2,955,965 have first been utilised. There is no expiry date on the future deductibility of unused tax losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

3. DIVIDENDS

Final dividend resolved to be paid	0.5 cents per share unfranked
Date the dividend is payable	15 October 2010
Record date	1 October 2010
Ex dividend date	27 September 2010

4. REVENUE & OTHER INCOME

	Consolidated	
	30 June 2010	**30 June 2009**
	$'000s	**$'000s**
From continuing operations		
Sales revenue		
Services	**35,971**	**32,076**
Other income		
Interest received – other persons	2	-
Other income	157	207
Foraign exchange gain	50	-
Net gain on disposal of property, plant and equipment	7	1
	216	**208**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

5. EXPENSES

	Consolidated	
	30 June 2010	**30 June 2009**
	$'000s	**$'000s**
The operating result before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	157	134
Plant and equipment	229	333
	386	**467**
Finance costs		
Interest expense	**84**	**173**
Share option payment expense		
Options issued	-	9
Recognition of Employee Share Plan issue	-	53
Performance rights on issue	72	33
	72	**95**
Payments under operating leases		
Motor vehicle leases	521	424
Equipment	204	94
Property leases	2,075	2,071
	2,800	**2,589**
Other expenses from continuing operations includes the following major items:		
Internal consultants costs	1,264	917
Insurance costs	118	153
Marketing costs	126	163
Computer expenses	179	108
Printing, stationery and office supplies	171	213
Other	102	394
	1,960	**1,948**
Individually Significant Items		
Income tax credit from recognition of prior year tax losses and temporary differences	2,430	-
	2,430	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

6. EARNINGS PER SHARE

	2010 ¢	2009 ¢
Basic earnings per share	5.5	1.8
Diluted earnings per share	5.3	1.8
Weighted average number of shares used in the		
calculation of basic EPS	70,892,959	64,792,473
calculation of diluted EPS	72,559,625	65,259,139

The amount used in the numerator in calculating basic and diluted EPS is the same as the net profit reported in the consolidated statement of comprehensive income.

	2010	2009
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	70,892,959	64,792,473
Adjustments for calculation of diluted earnings per share:		
Performance rights that have vested	1,666,666	466,666
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	72,559,625	65,259,139

7. INCOME TAX

	Consolidated	
	2010	**2009**
	$'000s	**$'000s**
Profit from continuing operations before income tax expense	2,126	1,174
Tax at the Australian tax rate of 30%	638	352
Non deductible expenses:		
Entertainment	15	14
Other non-deductible	1	14
Share based payment expense	22	28
Recognition of previously unrecognised tax losses	(1,555)	-
Utilisation of previously unrecognised tax losses	-	(408)
Recognition of previously unrecognised temporary differences	(875)	-
Income tax (benefit) at effective tax rate of 30%	**(1,754)**	**-**
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in the balance sheet for the following items:		
Unused tax losses	3,029	8,527
Deductible temporary differences	-	1,702
	3,029	**10,229**
Potential benefit at 30% (2009: 30%)	**909**	**3,069**

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.

Unrecognised tax losses at 30 June 2010 may only be utilised to shelter 7.3% of taxable income once remaining recognised Group tax losses of $2,955,965 have first been utilised. There is no expiry date on the future deductibility of unused tax losses.

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 and this is recorded via intercompany receivables/payables. 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 the end of the reporting period 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 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

	Consolidated 2010 $'000s	2009 $'000s
Current tax expense		
Current tax expense	-	-
Adjustment for previous years	-	-
Income tax (benefit) at effective tax rate of 30%	**-**	**-**
Deferred tax expense / (credit)		
Origination of previously unrecognised temporary differences	(875)	-
Benefit of tax losses previously unrecognised	(1,555)	-
Utilisation of tax losses in current year	676	-
Potential benefit at 30% (2009: 30%)	**(1,754)**	**-**

8. CASH ASSETS

	Consolidated 2010 $'000s	2009 $'000s
Cash at bank	1,220	69
Cash on hand	9	8
	1,129	**77**

9. TRADE & OTHER RECEIVABLES (CURRENT)

	2010	2009
Trade debtors	4,223	4,544
Less provision for doubtful debts	(69)	(96)
	4,154	4,448
Other debtors	13	126
	4,167	**4,574**

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

Consolidated	**2010**			**2009**		
	Total	**Amount Impaired**	**Amount not Impaired**	**Total**	**Amount Impaired**	**Amount not Impaired**
	$'000s	**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Not Past due	3,291	-	3,291	2,994	-	2,994
Past due > 30 days	756	-	756	1,159	-	1,159
Past due > 60 days	386	-	386	374	-	374
Past due > 90 days	(210)	(69)	(279)	17	(96)	(79)
Total	**4,223**	**(69)**	**4,154**	**4,544**	**(96)**	**4,448**

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 2010 the Group had total current trade receivables of $68,566 (2009 $96,438) that was impaired. The amounts relate to customers where it is considered that recovery of the amount 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 FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

	Consolidated 2010 $'000s	Consolidated 2009 $'000s
Analysis of allowance amount		
Opening Balance	96	94
Provisions for doubtful receivables	(19)	32
Receivables written off during the year	(8)	(30)
Closing Balance	**69**	**96**

10. INVENTORIES

	2010	2009
Work in progress	**461**	**511**

11. OTHER ASSETS (CURRENT)

	2010	2009
Prepayments	**280**	**91**

12. OTHER RECEIVABLES (NON CURRENT)

	2010	2009
Security Deposits	**98**	**-**

13. PLANT & EQUIPMENT

	2010	2009
Plant and equipment at cost	3,215	4,438
Less accumulated depreciation	(2,683)	(3,806)
	532	632
Leasehold improvements at cost	807	922
Less accumulated amortisation	(578)	(624)
	229	298
Total written down value	**761**	**930**

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.

	2010	2009
Plant and equipment		
Carrying amount at beginning of the year	632	701
Additions	132	289
Disposals	(3)	(25)
Depreciation	(229)	(333)
Carrying amount at end of year	532	632
Leasehold improvements		
Carrying amount at beginning of the year	298	242
Additions	88	190
Amortisation	(157)	(134)
Carrying amount at end of year	229	298

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

14. TAX ASSETS

	Consolidated 2010	Consolidated 2009
	$'000s	**$'000s**
Deferred tax assets comprise temporary differences attributable to:		
Amounts recognised in profit or loss		
Doubtful debts	21	-
Employee benefits	751	-
FBT accrual	9	-
Audit fee accrual	19	-
Deferred income	67	-
	867	-
Tax losses	887	-
Total Deferred Tax Asset	**1,754**	**-**

Movements in Deferred Tax Assets	**Opening balance at 1 July 2009**	**(Charged)/ credited to profit or loss**	**(Charged)/ credited to other compre-hensive income**	**(Charged)/ credited to equity**	**Closing balance at 30 June 2010**
	$'000s	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Amounts recognised in profit or loss					
Doubtful debts	-	21	-	-	21
Employee benefits	-	751	-	-	751
FBT accrual	-	9	-	-	9
Audit fee accrual	-	19	-	-	19
Deferred income	-	67	-	-	67
Tax losses	-	887	-	-	887
Total	**-**	**1,754**	**-**	**-**	**1,754**

There were no movements or balances in Deferred Tax Assets in the year ended and as at 30 June 2009.

15. INTANGIBLE ASSETS

	Consolidated	
	2010	**2009**
	$'000s	**$'000s**
Goodwill		
At cost	21,680	21,680
Accumulated impairment	(18,157)	(18,157)
	3,523	3,523
Trade Marks		
At cost	11	9
Website development		
At cost	30	-
	3,564	**3,532**
Reconciliation - Goodwill		
Balance at beginning of period	3,523	3,523
Impairment losses	-	-
Balance at end of period	3,523	3,523

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 Group. Goodwill is allocated to the Group's cash-generating units (CGU's) identified according to business segment. Only one CGU has been identified being Injury Management.

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 10% (2009: 10%)

The forecast uses an internal projection for 2011 and then further 7% increases in revenue for the following year, and 6% for years 2, 3, 4 & 5.

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 $21.7m over 5 years, which exceeds the carrying amount at 30 June 2010 by $18.2m.

Reconciliation - Trade Marks		
Balance at beginning of period	9	-
Additions	2	9
Balance at end of period	**11**	**9**

The Trade Mark relates to the Konektiva trade name registration.

Reconciliation - Website Development		
Balance at beginning of period	-	-
Additions	30	-
Balance at end of period	**30**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

16. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated 2010 $'000s	2009 $'000s
Trade creditors	312	369
Other creditors and accruals	2,748	2,505
Employee benefits	1,175	933
	4,235	**3,807**

TRADE AND OTHER PAYABLES (NON-CURRENT)

	2010	2009
Deferred income	73	260
Leasehold incentive	117	150
	190	**410**

17. PROVISIONS

	2010	2009
Current		
Onerous lease provision *	**-**	**108**
Non-Current		
Employee benefits	**168**	**176**

* Onerous lease provision relates to accrual for cost of vacant property lease which was unlikely to be re-leased within the foreseeable future because of market conditions in the area. The property lease has since expired.

	2010	2009
Movements in onerous lease provisions		
Carrying amount at the start of the year	108	216
Payment of leases	(108)	(107)
Carrying amount at the end of the year	**-**	**108**

18. INTEREST BEARING LIABILITIES

	2010	2009
Current – secured		
Bank overdrafts	-	1,816
Current – unsecured		
Other loans	67	-
	67	**1,816**
(a) Total current secured liabilities:		
Bank overdrafts	**-**	**1,816**
(b) The carrying amounts of assets pledged as security are:		
Floating charge over assets, including investments	**12,214**	**9,715**
(c) Refer to Note 29 for details of banking facilities.		
Non-Current - unsecured		
Other loans	**85**	**-**

Other loans current & non-current relates to a 3 year loan taken out in October 2009 to finance acquisition of Microsoft licences

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

19. CONTRIBUTED EQUITY

a) Issued and paid up capital

	Consolidated	
	2010	**2009**
	$'000s	**$'000s**
2010: 72,315,155 ordinary shares		
2009: 70,427,402 ordinary shares	**39,040**	**38,921**

b) Movements in shares on issue

	2010		2009	
	Number of Shares	**$'000s**	**Number of Shares**	**$'000s**
Beginning of the financial year	70,427,402	38,921	59,828,245	38,590
Issued during the year				
Exercise of options	2,000,000	140		
Buyback of un-marketable parcels	(112,247)	(21)		
Conversion of convertible notes			7,761,322	278
Employee share plan issue			2,837,835	53
End of the financial year	**72,315,155**	**39,040**	**70,427,402**	**38,921**

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 .

There has been no 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	
	2010	**2009**
	$'000s	**$'000s**
Gearing ratios		
Net Debt	-	1,739
Total equity	7,469	3,398
Gearing Ratio	-	51.2%

The Group is required by its bankers under its covenants to have a capital adequacy of 5%. Capital adequacy ratio is measured as Net Tangible Assets divided by Total Tangible Assets. During the year the company complied with banking covenants.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

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 2010 there are no outstanding options on issue. 200,000 unlisted options issued to non-executive directors lapsed. During the year 1,000,000 options on issue to Westvalley Superannuation fund, an entity controlled by former Managing Director, Carl Woodbridge, and a further 1,000,000 unlisted options on issue to non-related entities were exercised.

(i) Performance rights

Performance rights were granted under the Executive Option and Performance Rights Plan ('Plan') which was approved by shareholders at the 2009 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 Group for any other reason.

There were no performance rights issued or exercised during the year. During the prior year, 1,500,000 performance rights were issued to the C.E.O. Serhat Oguz, who was subsequently appointed a director. 1,800,000 performance rights were issued to non-executive directors. 3,600,000 performance rights were issued to executives. 1,200,000 non-executive director and 700,000 executive performance rights have subsequently expired following termination of services.

(ii) Options & Performance Rights

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. 400,000 of these lapsed when Stuart Craig and Max-Lloyd-Jones ceased to be directors. 1,500,000 Performance Rights were issued to the CEO on 14 August 2008, 1,800,000 Performance Rights were issued to non-executive Directors on 23 December 2008. 3,600,000 Performance Rights were issued to employees on 12 February 2009. 2,837,835 shares were issued to employees on 12 February 2009 under the Konekt Employee Share Plan, where $500 in shares were granted to employees under a matching contribution from the employees. Details are provided below.

	Consolidated	
	2010	**2009**
	$	**$**
Share-based payment expense recognised during the financial year		
Opening balance	157,617	63,130
Cost of options issued	-	9,465
Issue of Performance rights	72,753	32,522
Recognition of Employee Share Plan issue	-	52,500
Closing balance of reserve	**230,370**	**157,616**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

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

Consolidated 2010

Grant Date	Vesting Date	Expiry Date	Exercise Price	Applicable spot price	Balance at beginning of year Number	Granted during the year Number	Exercised/ (Lapsed) during the year Number	Balance at end of the year Number	Fair Value $
Share options									
16.11.2006	16.11.2006	16.11.2009	$0.50	$0.30	100,000	-	(100,000)#	-	24,486
16.11.2006	01.10.2007	16.11.2009	$0.50	$0.30	100,000	-	(100,000)#	-	29,949
18.04.2008	18.04.2009	18.4.2010	$0.06	$0.055	1,000,000	-	(1,000,000)*	-	
18.04.2008	18.04.2009	19.11.2009	$0.08	$0.055	1,000,000	-	(1,000,000)#	-	
19.11.2009	19.11.2009	18.4.2010	$0.08	$0.125	-	1,000,000	(1,000,000)*	-	
Weighted average exercise price					$0.109	$0.08	$0.10	-	
Performance rights									
14.08.2008	14.08.2009	14.08.2013	-	$0.056	500,000	-	-	500,000	22,375
14.08.2008	14.08.2010	14.08.2013	-	$0.056	500,000	-	-	500,000	20,475
14.08.2008	14.08.2010	14.08.2013	-	$0.056	500,000	-	-	500,000	20,275
23.12.2008	23.12.2009	23.12.2013	-	$0.0408	200,000	-	-	200,000	15,660
23.12.2008	23.12.2010	23.12.2013	-	$0.0408	200,000	-	-	200,000	15,720
23.12.2008	23.12.2011	23.12.2013	-	$0.0408	200,000	-	-	200,000	16,200
12.02.2009	05.02.2010	05.02.2014	-	$0.035	1,166,655	-	(200,000)#	966,655	24,180
12.02.2009	05.02.2011	05.02.2014	-	$0.035	1,166,673	-	(200,000)#	966,673	25,320
12.02.2009	05.02.2012	05.02.2014	-	$0.035	1,166,672	-	(200,000)#	966,672	26,520
					7,800,000	**1,000,000**	**(3,800,000)**	**5,000,000**	

Lapsed 1,800,000 * Exercised 2,000,000

Consolidated 2009

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	-	(200,000)	100,000	24,486
16.11.2006	01.10.2007	16.11.2009	$0.50	$0.30	300,000	-	(200,000)	100,000	29,949
18.04.2008	18.04.2009	18.4.2010	$0.06	$0.055	1,000,000	-	-	1,000,000	
18.04.2008	18.04.2009	18.4.2010	$0.08	$0.055	1,000,000	-	-	1,000,000	
Weighted average exercise price					$0.19	-	$0.51	$0.109	
Performance rights									
14.08.2008	14.08.2009	14.08.2013	-	$0.056	-	500,000	-	500,000	22,375
14.08.2008	14.08.2010	14.08.2013	-	$0.056	-	500,000	-	500,000	20,475
14.08.2008	14.08.2010	14.08.2013	-	$0.056	-	500,000	-	500,000	20,275
23.12.2008	23.12.2009	23.12.2013	-	$0.0408	-	600,000	(400,000)	200,000	15,660
23.12.2008	23.12.2010	23.12.2013	-	$0.0408	-	600,000	(400,000)	200,000	15,720
23.12.2008	23.12.2011	23.12.2013	-	$0.0408	-	600,000	(400,000)	200,000	16,200
12.02.2009	05.02.2010	05.02.2014	-	$0.035	-	1,199,988	(33,333)	1,166,655	24,180
12.02.2009	05.02.2011	05.02.2014	-	$0.035	-	1,200,006	(33,333)	1,166,673	25,320
12.02.2009	05.02.2012	05.02.2014	-	$0.035	-	1,200,006	(33,334)	1,166,672	26,520
					2,750,000	**6,900,000**	**(1,850,000)**	**7,800,000**	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2010 was $0.1625 (2009 – not applicable).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.00 years (2009 – 0.7 years)

The weighted average remaining contractual life of performance rights outstanding at the end of the period was 3.6 years (2009 – 4.6 years)

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 1 million options granted on 18.04.2008 which were granted to unrelated external companies. 1 million options also granted on 18.04.2008 were granted to Westvalley Superannuation Fund, a related party of then Managing Director Carl Woodbridge, which was granted as part of a convertible note issue. The 1 million options granted to Westvalley Superannuation fund were cancelled at the Annual General Meeting on 19 November 2009 and a replacement 1 million options granted to Westvalley Superannuation fund at the same meeting.

Performance right granted during 2009

In determining the fair value of the performance rights a binomial option pricing model was used for determining the fair value of the share price hurdle and a Barrier "Up-and-in" Call Pricing Model was used in determining the fair value of the Earnings Per Share components. As at the grant date, the following variables and assumptions were used in the models:

(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 in table below
(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 as per table below;

	Price Volatility	**Risk-free rate**
1.5m Performance rights granted to Chief Executive on 14-8-08	68.28%	5.72%
1.8m Performance rights granted to Non-executive directors on 23-12-08	71.06%	3.17%
3.6m Performance rights granted to executives on 12-2-09	69.98%	2.79%

e) Obligations to issue ordinary shares

There are no obligations to issue ordinary shares.

f) Restricted securities

There are no restricted securities at the date of these financial statements.

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.

20. CAPITAL AND LEASING COMMITMENTS

Non-cancellable operating lease commitments

Future operating leases contracted for but not capitalised in the financial statements and payable:

	Consolidated				Consolidated			
	2010				2009			
	Equipment $'000s	Motor Vehicle $'000s	Property $'000s	Total $'000s	Equipment $'000s	Motor Vehicle $'000s	Property $'000s	Total $'000s
Due within 1 year	185	488	1,633	2,306	156	61	2,405	2,622
Due later than 1 year but less than 5 years	187	461	3,160	3,808	194	212	3,899	4,305
Due later than 5 years	-	-	1,058	1,058	-	-	1,472	1,472
Total	**372**	**949**	**5,851**	**7,172**	**350**	**273**	**7,776**	**8,399**

The Group leases property, photocopiers, computers and motor vehicles under non-cancellable operating leases expiring from one to five years. Leases generally provide the Group 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 2010.

22. SUPERANNUATION PLANS

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

Details of contributions to the defined contribution plans during the year and contributions payable at the end of the reporting period are as follows:

	Consolidated	
	2010	**2009**
	$'000s	**$'000s**
Employer contributions to the plans	1,822	1,585
Employer contributions payable to the plans at the end of the reporting period	116	329

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Remuneration of Parent Entity Directors and Key Management Personnel

Remuneration of Parent Entity Directors and Key Management Personnel

	Consolidated	
	2010	**2009**
	$'000s	**$'000s**
Short-term employee benefits	737,511	555,632
Post-employment benefits	102,670	125,988
Long-term benefits	9,147	6,787
Termination benefits	-	-
Share-based payments	29,912	63,777
	879,241	**752,184**

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

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

30 June 2010	Balance at 1 July 2009	Granted	Options exercised	Lapsed	Balance at 30 June 2010	Total vested at 30 June 2010	Total vested and exercisable at 30 June 2010	Total vested and un-exercisable at 30 June 2010
Share options								
Alan Baxter	200,000	-	-	(200,000)	-	-	-	-
Performance rights								
Alan Baxter	600,000	-	-	-	600,000	200,000	50,000	150,000
Serhat Oguz	1,500,000	-	-	-	1,500,000	500,000	125,000	375,000
Frank Hardiman	300,000	-	-	-	300,000	100,000	25,000	75,000
	2,600,000	**-**	**-**	**(200,000)**	**2,400,000**	**800,000**	**200,000**	**600,000**

30 June 2009	Balance at 1 July 2008	Granted	Options exercised	Cancelled	Balance at 30 June 2009	Total vested at 30 June 2009	Total vested and exercisable at 30 June 2009	Total vested and un-exercisable at 30 June 2009
Share options								
Stuart Craig	200,000	-	-	(200,000)	-	-	-	-
Alan Baxter	200,000	-	-	-	200,000	200,000	200,000	-
Max Lloyd-Jones	200,000	-	-	(200,000)	-	-	-	-
Performance rights								
Alan Baxter	-	600,000	-	-	600,000	-	-	-
Stuart Craig	-	600,000	-	(600,000)	-	-	-	-
Max Lloyd-Jones	-	600,000	-	(600,000)	-	-	-	-
Serhat Oguz	-	1,500,000	-	-	1,500,000	-	-	-
Frank Hardiman	-	300,000	-	-	300,000	-	-	-
	600,000	**3,600,000**	**-**	**(1,600,000)**	**2,600,000**	**200,000**	**200,000**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

c) Shareholdings of Parent Entity Directors and Key Management Personnel

30 June 2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
	Ordinary Shares	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**
Parent Entity Directors					
Alan Baxter	755,586	-	-	300,000	1,055,586*
Philip Small	-	-	-	300,000	300,000
Serhat Oguz	-	-	-	-	-
John Randall	-	-	-	197,517	197,517
Key Management Personnel					
Frank Hardiman	508,232	-	-	(100,000)	408,232*
Total	**1,263,818**	**-**	**-**	**697,517**	**1,961,335**

* Alan Baxter's shares are all held indirectly through Bond Street Custodians Ltd and 8,232 of Frank Hardiman's shares are held indirectly through Hardiman Nominees Pty Ltd.

30 June 2009	Balance 1 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2009
	Ordinary Shares	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**	**Ordinary Shares**
Parent Entity Directors					
Alan Baxter	-	-	-	755,586	755,586*
Stuart Craig	-	-	-	-	-
Max Lloyd-Jones	-	-	-	-	-
Serhat Oguz	-	-	-	-	-
John Randall	-	-	-	-	-
Key Management Personnel					
Frank Hardiman	-	-	-	508,232	508,232*
Total	**-**	**-**	**-**	**1,263,818**	**1,263,818**

* Alan Baxter's shares are all held indirectly through Bond Street Custodians Ltd and 8,232 of Frank Hardiman's shares are held indirectly through Hardiman Nominees Pty Ltd.

d) 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.

e) Services

There are no services provided by directors or Key Management personnel other than for their remuneration.

24. REMUNERATION OF AUDITORS

	Consolidated	
	2010	**2009**
	$	**$**
Amounts received or due and receivable by the auditors for:		
Auditing and reviewing of financial statements	119,000	111,991
- Other services	-	-
	119,000	**111,991**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

25. SEGMENT REPORTING

The Group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the Chief Executive Officer. This has not resulted in an increase in the number of reportable segments as it still considered that there is only one reporting segment in the Group which is Injury Management. All branch operations operate under similar regulatory environments, offer the same injury management service offerings and have similar risk profile. They therefore satisfy the Aggregation criteria under paragraph 12 of AASB 8. Corporate overheads are also allocated to branches.

Revenues of $6,963,000 (2009: $5,687,000), $5,157,000 (2009: $5,110,150), $4,804,000 (2009: $3,519,000) and $4,166,000 (2009: $3,370,098) are derived from four single customers of the Group. Each of these separate revenues amounts to more than 10% of the Group's revenues from external customers.

Total revenue as per note 4 is the total segment revenue. With regards to segment assets, trade receivables are monitored as disclosed in note 9.

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

26. CONTROLLED ENTITIES

a) Subsidiaries

	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%
Konektiva Pty Ltd	Australia	100%
Konekt Workplace Health Solutions Pty Ltd	Australia	100%

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

b) Subsidiaries Acquired

There were no acquisitions during the year.

c) Deed of cross guarantee

A deed of cross-guarantee between Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva Pty Ltd, Konekt Workplace Health Solutions Pty Ltd and Konekt Limited was enacted during the 2006 financial year and relief was obtained from preparing financial statements for Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva 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, Konektiva Pty Ltd, Konekt Workplace Health Solutions Pty Ltd and vice versa. Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva 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 quantitative information in respect of these risks is presented throughout these financial statements.

a) Off balance sheet derivative instruments

The Group 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 Group 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, cash and other debtors balances.

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 FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

d) Interest rate risk exposure

The Group's 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 2010		**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Financial Assets						
Cash assets	4.5%	1,120	-	-	9	1,129
Receivables		-	-	-	4,167	4,167
Total Financial Assets		**1,120**	**-**	**-**	**4,167**	**5,296**
Financial Liabilities						
Other loans	10.37%	-	67	85	-	152
Payables		-	-	-	2,101	2,101
Total Financial Liabilities		**-**	**-**	**-**	**2,101**	**2,253**
Net Financial (Liabilities)/ Assets		**1,120**	**(67)**	**-**	**2,075**	**3,043**

	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 2009		**$'000s**	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Financial Assets						
Cash assets	0 %	69	-	-	8	77
Receivables		-	-	-	4,574	4,574
Total Financial Assets		**69**	**-**	**-**	**4,582**	**4,651**
Financial Liabilities						
Bank overdraft	7.48 %	1,816	-	-	-	1,816
Payables		-	-	-	1,728	1,728
Total Financial Liabilities		**1,816**	**-**	**-**	**1,728**	**3,544**
Net Financial (Liabilities)/ Assets		**(1,747)**	**-**	**-**	**2,854**	**1,107**

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

Sensitivity Analysis

For each 1% increase in interest rate group profit before tax will increase by $11,000 (2009 decrease by $18,163). Correspondingly for each 1% fall in interest rate Group profit before tax will decrease by $11,000 (2009 increase by $18,163).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

e) Liquidity Risk

Bank overdraft facilities comprise the total Group borrowings and are concentrated with one lender being the National Australia Bank. Whilst this does increase liquidity risk due to concentration it would not be practical to spread this risk because of the low level of borrowing and the fact that security available is only one debtors ledger.

Maturity Analysis – Group 2010

	Carrying Amount	Contractual cashflows	< 6 mths	6 – 12 months	1-3 Years	> 3 Years
		$'000s	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Financial Assets						
Trade Receivables	4,154	4,154	4,154	-	-	-
Other Receivables	13	13	13	-	-	-
Total Financial Assets	**4,167**	**4,167**	**4,167**	**-**	**-**	**-**
Financial Liabilities						
Bank overdraft	-	-	-	-	-	-
Other loans	152	152	34	33	85	-
Trade Payables	2,101	2,101	2,101	-	-	-
Total Financial Liabilities	**2,253**	**2,253**	**2,135**	**33**	**85**	**-**

Maturity Analysis – Group 2009

	Carrying Amount	Contractual cashflows	< 6 mths	6 – 12 months	1-3 Years	> 3 Years
		$'000s	**$'000s**	**$'000s**	**$'000s**	**$'000s**
Financial Assets						
Trade Receivables	4,448	4,448	4,448	-	-	-
Other Receivables	126	126	126	-	-	-
Total Financial Assets	**4,574**	**4,574**	**4,574**	**-**	**-**	**-**
Financial Liabilities						
Bank overdraft	1,816	1,816	1,816	-	-	-
Trade Payables	1,728	1,728	1,728	-	-	-
Total Financial Liabilities	**3,544**	**3,544**	**3,544**	**-**	**-**	**-**

f) 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 does not have a policy for managing interest rate risk because interest is a relatively insignificant cost and it is possible that net borrowings may be very low or nil at points during the year.

Credit risk arises from cash or cash equivalents and deposits with banks as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit checks are done on new customers. The majority of existing customers are very large insurance companies and large corporates. Follow-up on overdue accounts is done by branch offices if amounts are overdue with further involvement of head office credit once amounts exceed 90 days.

28. CASH FLOW INFORMATION

a) Reconciliation of casflow from operations with profit after income tax:

	Consolidated	
	2010	**2009**
	$'000s	**$'000s**
Profit after income tax	3,880	1,174
Non cash items		
Depreciation	386	467
Profit on sale of Plant & Equipment	(7)	(1)
Share based payments expense	72	94
Convertible note interest	-	14
Deferred Income	(162)	(261)
Changes in assets and liabilities		
Movement in debtors and creditors	410	(1,125)
Movement in deferred tax asset	(1.754)	-
Movement in other assets	(139)	192
Movement in other provisions	153	391
Net cash flow provided by / (used in) operating activities	**2,839**	**945**

b) Reconciliation of Cash

Cash balance comprises:		
Cash at bank	1,120	69
Cash on hand	9	8
Cash Assets	1,129	77
Bank overdraft	-	(1,816)
Cash included in interest bearing liabilities	-	(1,816)
Cash at end of financial year	**1,129**	**(1,739)**

29. FINANCE FACILITIES

	Consolidated	
	2010	**2009**
	$,000s	**$,000s**
Credit Standby Arrangements with Banks		
Credit facility	3,324	3,622
Amount utilised	-	(1,816)
Unused credit facility	**3,324**	**1,806**

Banking Facilities

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

Note that at 30 June 2010 the credit facility amount represents 75% of the Group's debtor balance under 90 days that could be drawn under the $5m Debt Finance Facility.

Finance will be provided under these facilities provided the company and the Group have not breached any borrowing requirements and the required financial covenants are met. All covenants have been met during the2009-10 Financial Year.

The Group has a bank guarantee facility of $700,000 of which $136,711 was unused at 30 June 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010 (cont'd)

30. RELATED PARTY TRANSACTIONS

There are no transactions between the Group and related parties, other than those disclosed elsewhere in the Financial Statements.

31. ADDITIONAL FINANCIAL INFORMATION OF THE PARENT ENTITY

	2010	2009
	$,000s	**$,000s**
Current assets	8	1,598
Total assets	1,763	2,236
Current liabilities	6,081	1
Total liabilities	6,081	1
Shareholders' equity		
Issued capital	39,040	38,921
Reserves – share option	230	158
Accumulated losses	(43,588)	(36,844)
Total equity	**(4,318)**	**2,235**
Profit or (loss)	(6,744)	160
Total comprehensive income	(6,744)	160

Details of guarantees entered into by the parent entity in relation to debts of subsidiaries, refer note 26(c).

The Parent Entity has no other commitments or contingent liabilities.

32. SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 30 June 2010 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.

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, 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

   (a) give a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included on pages 19 to 23 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2010, 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.
5. Konekt International Pty Ltd, Konekt Australia Pty Ltd, Konektiva Pty Ltd, Konekt Workplace Health Solutions Pty Ltd and Konekt Limited identified in note 26 (a) are parties to the deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will as a consolidated entity be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in note 26 (c).
6. The financial records of the Group have been properly maintained under section 286 of the Corporation Act.
7. The Group has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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:

Alan Baxter
Chairman

23 September 2010
Sydney, NSW

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Fax: +61 2 9286 5599
www.bdo.com.au

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Sydney NSW 2000
GPO Box 2551, Sydney NSW 2001
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INDEPENDENT AUDITOR'S REPORT

To the members of Konekt Limited

Report on the Financial Report

We have audited the accompanying financial report of Konekt Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 the company 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 the financial statements comply 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.

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

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

(c) 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 23 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

BDO

BDO Audit (NSW-VIC) Pty Ltd

Melissa Alexander

Melissa Alexander

Director

Dated in Sydney, this 23rd day of September 2010

Tel: +61 2 9286 5555
Fax: +61 2 9286 5599
www.bdo.com.au

Level 19, 2 Market St
Sydney NSW 2000
GPO Box 2551, Sydney NSW 2001
Australia

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

As lead auditor of Konekt Limited for the year ended 30 June 2010, 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
Director

BDO

BDO Audit (NSW-VIC) Pty Ltd

Dated in Sydney, this 23rd day of September 2010

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 3 September 2010.

(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	103	45,864	-	-	-	-
1,001 – 5,000	248	624,886	-	-	-	-
5,001 – 10,000	97	709,991	-	-	-	-
10,001 – 100,000	220	8,783,531	-	-	-	-
100,001 and over	66	64,625,464	-	-	19	5,600,000
	734	**74,789,736**	**-**	**-**	**19**	**5,600,000**
The number of shareholders holding less than a marketable parcel of shares are:	293	414,853	-	-	-	-

(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 3 September 2010 are:

		Listed ordinary shares	
		Number of Shares Held	**% Held**
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,632,108	15.55
2.	SALIDEN PTY LTD	6,090,000	8.14
3.	ANZ NOMINEES LIMITED (CASH INCOME A/C)	4,296,968	5.75
4.	USB NOMINEES PTY LTD	4,062,000	5.43
5.	MR CARL ALEXANDER WOODBRIDGE & MRS KAREN ANGELA WOODBRIDGE (WESTVALLEY SUPER FUND A/C)	4,033,411	5.39
6.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED (NO 1 A/C)	3,840,648	5.14
7.	KONEKT EMPLOYEE SHARE PLAN MANAGERS PTY LIMITED	3,770,122	5.04
8.	DIXSON TRUST PTY LIMITED	1,850,000	2.47
9.	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY (LECKDAL FAMILY ACCOUNT)	1,729,834	2.31
10.	JACANA ARCH PTY LTD	1,500,000	2.01
11.	MR JERRY ADLER & MRS GITA ADLER (ADLER FAMILY SUPER FUND)	1,420,030	1.90
12.	DR JON BERRICK	1,400,000	1.87
13.	DELTA REAL-TIME COMPUTERS PTY LTD (DELTA SUPER FUND A/C)	1,370,000	1.83
14.	BOND STREET CUSTODIANS LIMITED	1,055,586	1.41
15.	NIDMAS PTY LTD (BANKS FAMILY SUPER FUND A/C)	1,000,000	1.34
16.	MR CARL WOODBRIDGE + MRS KAREN ANGELA WOODBRIDGE	942,685	1.26
17.	MR EDWARD JAMES STEPHEN DALLY + MRS SELINA DALLY (LECKDAL FAMILY ACCOUNT)	901,950	1.21
18.	DR VERN THOMAS MADDEN + MRS CLARE MAREE MADDEN (MAD BOY SUPER FUND ACCOUNT)	862,000	1.15
19.	MR GARETH WILLIAM PERNASE & MRS SUSAN ANNE BOTICA	800,000	1.07
20.	FALCASTLE PTY LTD (DAHL SUPER FUND A/C)	717,967	0.96
Total ordinary shares quoted on ASX held by the top 20 holders		53,275,309	71.23
Total ordinary shares quoted on ASX		**74,789,736**	**100%**

ASX ADDITIONAL INFORMATION (cont'd)

(c) Unquoted Securities

There were 2,200,000 unquoted options as at 30 June 2009.

(d) Substantial Shareholders

Substantial shareholders in the Company are set out below:

	No. of shares	% Held
A J BERRICK AND ASSOCIATES	13,041,002	17.44
THORNEY INVESTMENT GROUP	8,086,363	10.81
SALIDEN PTY LTD	6,090,000	8.14
MR CARL ALEXANDER WOODBRIDGE & MRS KAREN ANGELA WOODBRIDGE (WESTVALLEY SUPER FUND A/C)	4,977,096	6.65

(e) Other Disclosures

(i) The name of the Company secretary is Mr Frank Hardiman.

(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

Alan Baxter (Chairman)

Serhat Oguz (Managing Director)

John Randall (Non-Executive Director)

Philip Small (Non-Executive Director)

Company Secretary

Frank Hardiman

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 Audit (NSW-VIC) Pty Limited
Level 19, 2 Market Street
SYDNEY NSW 2000
Tel: (02) 9286 5555
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Share Registry

Computershare Investor Services Pty Ltd
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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

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