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## **KLM GROUP REPORTS HALF YEAR RESULT IN LINE WITH GUIDANCE**

In line with market guidance KLM Group incurred an after-tax loss of \$1,389,000 in the six months to December 31 2008. The Company remains confident of recovery in the second half and to report a profit for the full year.

KLM Group incurred an after-tax trading loss of \$1,126,000, but this was increased by an impairment charge of \$263,000 after tax which was a write-down of the goodwill on the acquisition of QOLiT. Revenue in the December half fell 2.3% to \$78.46 million.

The Company has suspended payment of an interim dividend. KLM paid an interim dividend of 1.5 cents per share in 2007-08 financial year.

Managing Director Mr Peter Jinks said today the "loss in the December half was extremely disappointing and due to events associated with a small number of contracts in the Company's Victoria and Queensland divisions. These contracts have now been substantially completed and will have no further impact on the Company's second half results."

Mr Jinks said the Company has been upgrading its processes and procedures, strengthening management and completing implementation of a new accounting system over the period. In combination, these measures will minimise the risk of losses recurring on major contract works in the future.

Mr Jinks said that, while the outlook for the Company is strong with a record level of work in hand and the second half set to deliver a positive result, the Company regards management of its cash position as a key priority. KLM Group generated a positive cash flow from operations in the December half and at balance date had cash of \$1.83 million and debt of only \$0.97 million, which left no net debt on the balance sheet.

KLM Group entered the second half with a record volume of work on hand which was 13% higher than at this time last year. This was a positive position given the current economic environment. The challenge remains to continue to build on the existing order book as the Company moves into the 2010 financial year.

Mr Jinks said the Company had broadened the mix of work over recent years reducing exposure to any one sector of the electrical trades industry.

Mr Jinks said management had greatly reduced the cost base of the business. "The focus of senior management is on building the Company's order book and maximising profit margins."

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