KLM Group Limited

Appendix 4 D

For the Period Ended 31 December 2008

ACN 089 479 676

This Half Year Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.2A.3

In accordance with ASX Listing Rule 4.2C.2, this Half Year Report should be read in conjunction with the most recent annual financial report, being 30 June 2008.

Current Reporting Period:	Half Year Ended 31 December 2008
Previous Corresponding Period:	Half Year Ended 31 December 2007

KLM Group Limited
Half Year Report
for the Period Ended 31 December 2008

Contents **Page Number**

KLM Group Limited

Half Year Report
for the Period Ended 31 December 2008

Section A: Results For Announcement to the Market

Revenue and Net Profit

		Percentage Change %		Amount $'000
Revenue from ordinary activities	Down	2.33%	To	$78,460
Loss from ordinary activities before interest, taxation and impairment write down	Down	-	To	($1,447)
Net Loss from ordinary activities before impairment write down	Down	-	To	($1,126)
Net Loss	Down	-	To	($1,389)

Dividends

	Amount Per Security	Percentage Franked
Interim dividend	-	-
Date the dividend is payable:	-	-
Record date for determining entitlements to the dividend:	Not Applicable	

Amount of Dividend Per Security

	Amount Per Security	Percentage Franked
Interim Dividend		
In respect of the 2009 financial year as at 31 December 2008	-	-
In respect of the 2008 financial year as at 31 December 2007	1.5 cents	100%
Final Dividend		
In respect of the 2008 financial year as at 30 June 2008	1.0 cent	100%
In respect of the 2007 financial year as at 30 June 2007	1.5 cents	100%

KLM Group Limited

089 479 676

Financial Report for the Half-Year Ended 31 December 2008

Financial Report for the Half-Year Ended 31 December 2008

Page Number

Directors' Report

The Directors of KLM Group Limited submit herewith the financial report of KLM Group Limited and its subsidiaries for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names of the Directors of the company during or since the end of the half-year are:

Name

Mr R.L. Chadwick
Mr G.D. Jinks
Mr P.R. Jinks
Mr G.F. Lord
Mr M.W. Maine
Mr A.C. Moore

Each of the above named Directors held office at all times during and since the end of the half-year.

Review of Operations

KLM Group incurred a net loss after tax of $1,389,000 in the six months to December 31, 2008.

The Company incurred a loss before the write-off of goodwill, interest and tax of $1,447,000. The loss after tax excluding impairment charges was $1,126,000. An impairment charge of $263,000 represented a write-down of the goodwill on the QOLiT acquisition.

Revenue in the December half was $78.460m, down 2.3% on the previous corresponding period.

Because of the loss, the Company will not pay an interim dividend. It paid an interim dividend of 1.5c per share in 2007/08.

The loss in the December half was due entirely to losses incurred on bad contracts in Victoria and Queensland. These contracts have now been substantially completed and will not have any further impact on the Company's results. The Company has upgraded its processes and procedures, strengthened management and completed the implementation of the new accounting system to minimise the risk of these losses recurring.

The Company's new Group-wide information technology system is now bedded down and is making a significant difference to the quality and timeliness of management information reports. Importantly, people throughout the KLM Group are now familiar with the system.

The appointment of Mr Ray Buckley as General Manager of National Operations has already yielded significant benefits for the Company. Mr Buckley is making a major contribution in sophisticating the Group's contract administration and operations management.

Given the deterioration in the economy, it has been a priority of senior management to closely monitor and manage the Company's cash position. In the December half, KLM Group generated a positive cash flow from operations. At balance date, the Company had cash of $1.832m and debt of $.972m, so there is no net debt on the balance sheet.

Operations

The Company entered the second half-year with a record volume of work in hand, 13% higher than for the previous corresponding period.

KLM Group has a mix of work ranging from small service, technology solutions, small and large interior installation and fit out and base building construction to the commercial sector, the government sector and the defence sector and as such is not heavily dependent upon major commercial construction.

Trading conditions have definitely softened in recent months and there is evidence of some contracts being deferred or delayed. But all KLM continuing contracts have been reviewed and the Company is now in a better position to maximise profit on the work in hand with improved systems and management.

In major contracts, the Company has a good order book in Victoria and Queensland. The Company has just begun work on a major audio visual project for the ANZ Bank's new headquarters in Docklands.

The service and technology businesses are performing well. Both businesses are seeing an increased level of inquiries and there are still a number of opportunities available for boosting revenue.

Conditions in the ACT continue to be buoyant and the Company expects opportunities for new work to emerge during the June half-year. The Company continues to win new business in Queensland.

Outlook

KLM Group expects to earn a profit for the full year. The Company was on forecast for January and has a very strong order book.

Management has reduced the cost base of the business – particularly in Brisbane and Melbourne. Salary costs have been reduced by more than $1.5 million on an annualised basis.

The business is not expected to be directly affected by a downturn in the construction industry in the short term and there are still a number of prospective contracts that the Company is optimistic of winning. The focus of senior management is on building the Company's order book and maximising profit margins, taking advantage of the new IT system.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 3.

Rounding Off of Amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the directors' report and the accompanying half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of Directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

P.R. Jinks
Joint Managing Director
Signed at Melbourne
27 February 2009

Deloitte.

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The Board of Directors
KLM Group Limited
71 Capel Street
West Melbourne VIC 3003

27 February 2009

Dear Board Members

Auditors Independence Declaration - KLM Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of KLM Group Limited.

As lead audit partner for the review of the half year financial statements of KLM Group Limited for the half year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review
- any applicable code of professional conduct in relation to the review

Yours faithfully

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu

Chris Biermann
Partner

Member of
Deloitte Touche Tohmatsu

Deloitte.

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Independent Auditor's Review Report to the Members of KLM Group Limited

We have reviewed the accompanying half-year financial report of KLM Group Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 11.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of KLM Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

C Biermann
Partner
Chartered Accountants
Melbourne, 27 February 2009

Member of
Deloitte Touche Tohmatsu

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

P.R. Jinks
Joint Managing Director
Signed at Melbourne
27 February 2009

Condensed Consolidated Income Statement for the Half-Year Ended 31 December 2008

	Consolidated	
	Half-Year Ended 31 December 2008 $'000	Half-Year Ended 31 December 2007 $'000
Sales revenue	78,460	80,335
Other income	349	191
Materials and consumables used	(41,651)	(44,311)
Marketing and advertising expenses	(78)	(46)
Administration expenses	(1,371)	(1,752)
Premises expenses	(624)	(577)
Motor vehicle expenses	(1,204)	(1,172)
Employee benefit expenses	(34,688)	(29,191)
Depreciation & amortisation	(544)	(503)
Other expenses	(73)	(92)
Finance costs	(140)	(82)
Impaired goodwill write-off - Qolit P/L	(263)	-
(Loss)/Profit Before Income Tax Expense	(1,827)	2,800
Income tax benefit/(expense)	438	(854)
Net (Loss)/Profit For The Period	(1,389)	1,946
Attributable To:		
Equity holders of the parent	(1,389)	2,000
Minority interest	-	(54)
	(1,389)	1,946
(Loss)/Earnings Per Share:		
Basic (cents per share)	(2.32)	3.26
Diluted (cents per share)	(2.32)	3.18

Notes to the condensed consolidated financial statements are included on pages 10 to 11.

Condensed Consolidated Balance Sheet as at 31 December 2008

	Consolidated	
	31 December 2008 $'000	30 June 2008 $'000
Current Assets		
Cash	1,832	4,575
Trade and other receivables	24,077	21,161
Inventories	9,080	13,318
Current tax assets	285	179
Other assets	852	338
Total Current Assets	36,126	39,571
Non-Current Assets		
Plant and equipment	2,999	3,062
Deferred tax assets	1,287	1,389
Goodwill	4,136	4,399
Other intangible assets	635	658
Total Non-Current Assets	9,057	9,508
Total Assets	45,183	49,079
Current Liabilities		
Trade and other payables	28,039	26,095
Borrowings	1,086	4,131
Current tax payables	-	507
Provisions	2,894	3,299
Total Current Liabilities	32,019	34,032
Non-Current Liabilities		
Borrowings	178	216
Provisions	779	636
Total Non-Current Liabilities	957	852
Total Liabilities	32,976	34,884
Net Assets	12,207	14,195
Equity		
Issued capital	11,814	11,814
Retained Earnings	393	2,381
Equity attributable to equity holders of the parent	12,207	14,195
Minority interest	-	-
Total equity	12,207	14,195

Notes to the condensed consolidated financial statements are included on pages 10 to 11.

Condensed Consolidated Statement of Changes in Equity for the Half-Year Ended 31 December 2008

	Consolidated Half-Year Ended 31 December 2008 $'000	Consolidated Half-Year Ended 31 December 2007 $'000
Retained Earnings		
Retained earnings at the beginning of the period	2,381	1,994
Net profit/(loss) for period	(1,389)	2,000
Dividends paid	(599)	(897)
Retained Earnings At The End Of The Period	393	3,097
Issued Capital		
Issued capital at the beginning of the period – 59,875,731 fully paid ordinary shares (1 July 2007 – 59,783,718)	11,814	11,764
Issued Capital At The End Of The Period - 59,875,731 Fully Paid Ordinary Shares (31 Dec 2007 59,783,718)	11,814	11,764
Minority Interest		
Opening balance	-	-
Share of Qolit loss	-	(54)
Closing Balance	-	(54)
Attributable To:		
Equity holders of the parent	12,207	14,861
Minority interest	-	(54)
	12,207	14,807

Notes to the condensed consolidated financial statements are included on pages 10 to 11.

Condensed Consolidated Cash Flow Statement for the Half-Year Ended 31 December 2008

	Consolidated	
	Half-Year Ended 31 December 2008 $'000	Half-Year Ended 31 December 2007 $'000
Cash flows From Operating Activities		
Receipts from customers	79,852	87,142
Payments to suppliers and employees	(78,432)	(83,557)
Interest received	23	68
Interest and other costs of finance paid	(140)	(82)
Income tax paid	(73)	(1,769)
Net cash provided by operating activities	1,230	1,802
Cash Flows From Investing Activities		
Payment for plant and equipment	(407)	(573)
Balance of proceeds from sale of WA Maintenance Painting Business	-	344
Payment for intangible assets	(10)	-
Deposit and legal fees paid – TC Electrical acquisition	-	(106)
Proceeds from sale of plant and equipment	134	103
Net cash used in investing activities	(283)	(232)
Cash Flows From Financing Activities		
Repayment of borrowings	(65)	(333)
Dividends paid	(599)	(897)
Net cash used in financing activities	(664)	(1,230)
Net Increase In Cash	283	340
Cash At The Beginning Of The Period	577	(61)
Cash At The End Of The Period	860	279
Reconciliation Of Net Cash At The End Of The Period		
Cash at bank and on hand	1,832	1,296
Secured bank overdraft	(972)	(1,017)
	860	279

Notes to the condensed consolidated financial statements are included on pages 10 to 11.

Notes to the Condensed Consolidated Financial Statements for the Half-Year Ended 31 December 2008

1. Significant Accounting Policies

Statement of Compliance

The consolidated half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The consolidated half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The consolidated entity is of a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's 2008 annual financial report for the financial year ended 30 June 2008.

Going Concern Basis

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half year ended 31 December 2008, the consolidated entity incurred a net loss of $1.389 million. As a consequence of incurring the net loss, KLM breached certain financial covenants under its former bank facility agreement. A conditional waiver of the breach was received from KLM's bank on 5th February 2009.

On 27 February 2009, KLM accepted a letter of offer for revised bank facilities with its existing bank, which include an overdraft facility of $5 million, a bank guarantee facility of $10 million, as well as various changes to pricing, terms and financial covenants. The revised bank facilities have termination dates of not before the next annual review date, which is 14 August 2009.

To continue as a going concern, the Company may require the continued support of its bankers past the annual review date or the refinancing of its debt and guarantee facilities with another financier. The Directors are of the opinion that KLM will be able to retain the support of its existing bank past the review date or obtain refinancing with another financier for the following reasons:

1. As at 31 December 2008, KLM had net assets of $12.207 million, net current assets of $4.107 million and, in the half year then ended, generated $1.230 million in operating cash flows.
2. The Company entered the second half-year with a record volume of work in hand, 13% higher than for the previous corresponding period.
3. Major contracts currently in progress have been reviewed by management and the Company is confident that these contracts will be profitable in the second half of the 2009 financial year.
4. The consolidated entity is forecast to be profitable for the twelve months commencing 1st January, 2009.
5. The Company has reviewed its operations and has reduced expenses and overheads across its business.

The directors believe that there are reasonable grounds to expect the Company's operational and financial performance to be such as to enable it to pay its debts as and when they fall due and payable, that the profit improvement plans will deliver an improved financial performance over the next twelve months, cash flow will be maintained and the Company will retain the support of its existing bank past the annual review date or secure refinancing with another financier, and therefore continue as a going concern. However, if operational and financial performance falls below that required to meet required bank covenants, given the bank annual review date of 14th August, 2009, the rights of the bank to re-evaluate the total facility at that time, and the current state of global and Australian credit markets, there could be uncertainty as to the ability of the Company to refinance its overdraft and guarantee facilities at that time and therefore continue as a going concern.

No adjustments have been made to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

2. Subsequent Events

No material subsequent events have occurred since 31 December 2008.

3. Dividends

	Half-Year Ended 31 December 2008		Half-Year Ended 31 December 2007	
	Cents per share	Total $'000	Cents per share	Total $'000
Recognised Amounts				
Fully Paid Ordinary Shares				
Final dividend	1.0	599	1.5	897
	1.0	599	1.5	897
Unrecognised Amounts				
Fully Paid Ordinary Shares				
Interim dividend	-	-	1.5	897
	-	-	1.5	897

4. Segment Information

The company operates solely within the electrical, data, audio visual and communications cabling industry in Australia.

5. Contingent Liabilities

	Amount Available $A'000		Amount Used $A'000
Bank Guarantee Facility	10,000		9,691

The amount disclosed as a contingent liability represents the amounts guaranteed in contract retentions.

6. Net Tangible Assets Per Share

	31/12/08 $		31/12/07 $
Consolidated Net Tangible Assets Per Share	0.124		0.183

Net tangible assets at 31 December 2008 was $7.436 million (31 Dec 2007: $10.969 million).