16 August 2012

The Manager
Company Announcements Office
Australian Stock Exchange Limited
(online lodgement)

Dear Sir

RE: Annual Report & Statutory Accounts for the year ended 30 June 2012

Please find attached the 2012 Annual Report which will be distributed to shareholders on 19 October 2011.

The report is currently available electronically from the Oakton Limited website, http://www.oakton.com.au/investors/financial-reports

Yours faithfully

Michael Miers
Company Secretary

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Consulting Technology

oakton

This is how we think

Annual Report 2012

Oakton Annual Report 2012

We're an Australian **consulting** and **technology** firm founded in 1988.

Our business is collaborating with customers to create tangible value, bringing together business insight and technology solutions to give them a distinct advantage in today's rapidly changing world.

How you **think about a problem** is more important than **the problem itself**.

OAKTON LIMITED ABN 50 007 028 711

2012 Highlights

	2012	2011
Revenue ($m)	**171.22**	183.96
EBITDA ($m)	**18.85**	20.96
NPAT ($m)	**11.84**	13.11
Interim dividend (¢)	**5.5**	3.5
Final dividend (¢)	**5.5**	5.0
Diluted EPS (¢)	**12.6**	14.0
Cash ($m)	**9.32**	1.02
Borrowings ($m)	**0**	5.5

- Revenue of $171.22m (down 7% on the prior corresponding period).
- EBITDA of $18.85m (down 10% pcp).
- NPAT of $11.84m (down 10% pcp).
- Diluted EPS of 12.6 cents (down 10% pcp).
- Final fully franked dividend of 5.5 cents.
  Total dividend pay-out for the year 11 cents
  (up from 8.5 cents pcp).
- Operating cash flow of $26.57m.
  Ratio of operating cash flow to NPAT of 125%
  (after adjusting for Tenix one off net receipts).
- Ended June 2012 with 1,133 total staff
  (down 10 staff pcp).
  India at 187 resources (up 18 staff pcp).
- Improved Q4 FY2012 performance in most locations across all key metrics – utilisation, sales and staff churn.
- Sales in H2 FY2012 up 27% on the pcp and included an increased level of multi-year deals.
- Finished FY2012 with booked and committed revenue at 43% (42% pcp) of FY2013 full year revenue budget which is targeted at a small increase on the pcp.
- Executed share buyback with 2,088,361 (2.23%) of issued shares purchased up to reporting date.

Complexity & Clarity

We take complexity

Oakton has been in business for 24 years and listed on the Australian Stock Exchange since June 2000. In the last 12 years there has been seven acquisitions and significant organic growth which now sees the company operating in Victoria, NSW, ACT, QLD, WA and Hyderabad (India). Oakton provides consulting and technology services to Federal and State government departments and leading Australian and international organisations operating primarily within the Australian market.

We continue to focus on evolving our service offers to match the continuous technology innovation cycle and our customers' requirements. It is our goal to be recognised in key areas of specialisation as having the highest level of capability about how we think about a customer problem, how we engage and how we deliver a successful outcome.

We have a specialised focus that combines Industry, Domain and Technology experience which quickly enables us to develop Solutions that meet the specific requirements of our customers. In many situations this approach allows for the reuse of knowledge and assets that reduce the risk, time and investment required to deliver a successful outcome for our customers.

At the very heart of our business model is a new strategic focus on the three dimensions of capability we believe creates long-lasting and real value for our customers.

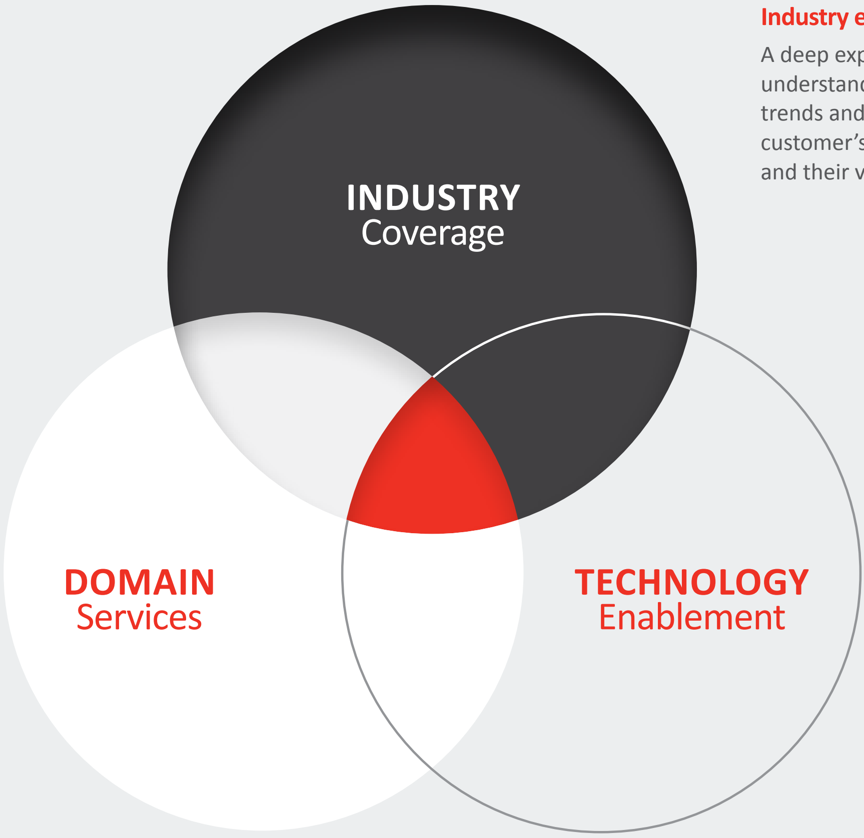
Inside Oakton there are over 1,100 consultants and technologists; professionals with deep experience, knowledge and specialist skills. How we draw on these experienced-based capabilities amassed over many years in a specialised industry, domain and technology combination is the very foundation of how we create differentiating value.

What is IDT (Industry, Domain and Technology)? IDT is a model for managing our service offers, our skills and experience and our intellectual property that enables repeatability of solutions for our customers. An example of an IDT combination solution is Higher Education (Industry) student lifecycle management (Domain – the business activity) and Microsoft Customer Relationship Management technology (Technology). This combination is repeatable across universities and each time it is repeated it becomes enriched and the time to deliver accelerated and the risk to deliver successfully reduced. Oakton is focussed on finding the IDT combinations most sought after in the market and establishing clear brand differentiation for the provision of services in these specialised areas.

The continued development of our staff and the ongoing recruitment of industry, domain and technology leaders is a key component of our strategy in this area.

We continue to focus on evolving our service offers to match the continuous technology innovation cycle and our customers' requirements. It is our goal to be recognised in key areas of specialisation as having the highest level of capability about how we think about a customer problem, how we engage and how we deliver a successful outcome.

and give you clarity



Industry expertise

A deep experienced-based understanding of the dynamics, trends and concerns of the customer's specific industry and their vertical market.

Domain expertise

The service being provided to enable the solution across the Consulting, Implementation and Manage Lifecycle.

Technical knowledge

Detailed and in-depth technical knowledge, experience and know-how of the underlying technologies from leading partners that satisfy the requirements for the specific customer engagement.

Solutions

Our Industry, Domain and Technology framework defines our services catalogue to enable repeatability of solutions to our customers.

DOMAIN SERVICES

Consult	Implement	Manage
Accounting + Assurance Business Systems Consulting	Project Services Testing	Managed Services

Online + Integration Services
Information Management
Core Systems (Back Office)
Relationship Management (Front Office)

INDUSTRY COVERAGE

Government
Education
Healthcare
Financial Services
Resources
Utilities
Construction + Property Management
Telecommunications
Wholesale + Retail
Transport + Logistics

Solutions

TECHNOLOGY ENABLEMENT

Microsoft
Oracle
IBM
SAP
Cloud infrastructure providers
Emerging

Chairman & Managing Director's Review

To our fellow owners

As we wrote last year, we are in a period of increased technological innovation, globalisation and ongoing changes to most industry models. This has influenced and directed change to our business to ensure ongoing relevance to this changing business environment. Our response to these influences has been to transform our company towards being a more specialised Services Integration provider that has an increasing relevance to our customers' changing business models and demands for contemporary consulting and technology services. We refocussed our business model; we repositioned our brand to focus on specialised integration and project and managed services outcomes leveraging our global resourcing model; and we invested in people development programs, new business processes, systems and new partnerships, including cloud based service providers, required to enable broader service capability. Throughout FY2012 we continued to invest in these operational changes that underpin our plans to deliver improved returns to our customers, employees and shareholders over the medium to long term.

We faced a number of market driven challenges in FY2012 and consequently we have not yet fully realised the benefits of our investment in the transformation of the business. Our second half of FY2012 showed positive advancement over the first half on most measures. However, trading conditions continue to be challenging and it appears that these difficult conditions will not ease in the near term. For FY2012, our revenue of $171.22m is 7% lower than last year and EBITDA decreased by 10% to $18.85m.

On a positive note, the business is now debt free holding a cash balance of $9.3m at year end, which is the result of very strong operating cash flows of $26.57m. Accordingly, we have been able to maintain our strong dividend payout ratio and the company has declared a fully franked final dividend of 5.5 cents per share, taking the full year dividend to 11 cents per share.

Our focus on specialisation, through the combination of our Industry, Domain and Technology positioning, is we believe, starting to resonate well with our markets. Sales increased by 8% on a 2012 first half to second half comparison and in the last quarter of 2011/2012, our sales increased again considerably on the previous quarter.

On many measures we are not happy with our overall financial performance in the last 24 months, although our trading performance in the last six months of FY2012 has shown improvement and we think this again demonstrates that our strategy and direction is correct.

Paul Holyoake
Chairman

Neil Wilson
Managing Director

We remain of the firm belief that technology is increasingly interwoven with every aspect of business and society, and that our ability to exploit the opportunities presented by the increased consumerisation of technology and the pervasive application of mobility and online internet based services will increase in the future.

Our Industry, Domain and Technology model allows us to turn our expertise, knowledge and processes into an integrated and specialised set of services that enable customer successes through lower risk engagement and increased return on their investment. Together with some of the leading software vendors such as Microsoft, Oracle, SAP and IBM we are delivering enterprise-based solutions utilising the full spectrum of Oakton's consulting and technology expertise. We position ourselves as a partner with deep and intimate knowledge of a customer's industry sector, coupled with the complementary ability to turn that knowledge into relevant application of process and systems capability to deliver the benefits our customers expect. We assist customers with the planning, the implementation and the ongoing management of their solutions in a similar approach to the architect, the builder and the maintenance services within the building industry.

Our specialisation allows us to be clear about the outcomes expected and to apply proven techniques to deliver new capability for our customers within the timeframes and investment parameters that have been established.

Our customer base is diverse and spread across a range of government and commercial industry sectors and geographies – of note is our increased focus on the Resources sector and our recent move in the Western Australian market with the establishment of a new branch office. We are seeing good levels of demand in a number of sectors, in particular:

- Property and Construction;
- Utilities;
- Transport; and
- Resources.

We believe focussing on key areas of specialisations and building deep capability is a key competitive advantage. Get it right and we grow customer satisfaction and customer references, lower risk, drive repeat business, and improved profitability.

We would like to thank the 1100 strong Oakton team for their ongoing commitment and contribution to our company.

We want to thank our shareholders for the continued confidence and support and our customers for their loyalty and support.

Finally we would like to express our appreciation of the efforts of our fellow Directors over the past 12 months. We look forward to working with them and the Oakton management team as we address the opportunities that will arise in FY2013.

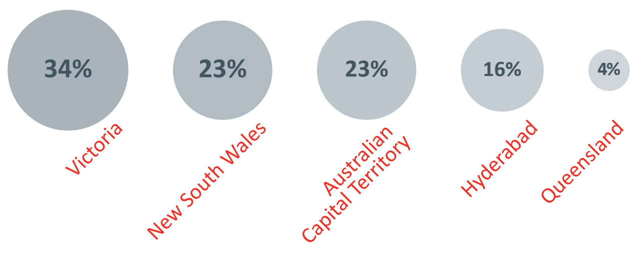
Location Update

Victoria

As we have previously reported, the performance of our Victorian operation in the past two years had been less than what we would have expected. During the latter part of FY2011, we took corrective action to rectify this position and we are pleased to report that in FY2012 we have seen the benefits of the performance improvement plan in the operations of the Victorian business. The management and operational changes have had a positive impact on the business and there is encouraging news on many fronts. Sales and utilisation have increased, customer satisfaction with outcomes is positive, and we have secured a number of key strategic long term assignments. We have also secured several new customers.

Looking from the employee perspective – employee turnover has stabilised, a number of high performing former employees have returned to the business and the average time to hire is one of the best in the company. While the market in Victoria remains challenging, we believe we are well positioned to build on the momentum generated in the second half of FY2012.

Employees by location (1,133 employees)



New South Wales

Our New South Wales office operated in a very challenging market where the investment in consulting and IT projects has been under pressure for the last 12 months across most sectors. As a result we suffered from a prolonged round of project delays and deferrals which adversely impacted utilisation – with this key indicator being well under benchmark for the first time in many years. Notwithstanding this, our customer relationships remained strong and we have retained our significant customer base which helped to underpin the financial performance of the office.

Our sales pipeline in New South Wales remains stable, and our market positioning through our Industry/Domain/Technology and multi sourcing model focus is a clear differentiator. We have significantly increased our Managed Services annuity business in New South Wales over the past year.

Queensland

The financial performance in the Queensland office improved in the second half of FY2012 when compared to the first half of the financial year. The election and subsequent change of government has had an impact on the local industry and our immediate pipeline of work with a number of projects now on hold. Notwithstanding the slowdown in spending on IT projects by the Queensland State government there is growth in the resources sector and we are well positioned to take advantage of these opportunities. In addition, we have a small number of key customers where we have secured long term work which represents a solid base for growth.

Australian Capital Territory

In the Australia Capital Territory, we are continuing to transform our business from a consulting company with a small IT services footprint to a consulting business that continues to grow with a much larger footprint in delivering key IT projects, with associated longer term annuity opportunities. We are winning more Federal Government IT project and managed services orientated work and opening up new opportunities through the integration of our Accounting and Assurance consulting services, business consulting and delivery services. We have won a number of large IT projects that are a testament to this transformation. Notwithstanding that we anticipate a reduction in the amount of work available from the Federal Government overall, we remain positive about our ability to continue to grow in this challenging market. Our sales pipeline is as strong as it has been since we entered this market over five years ago.

India

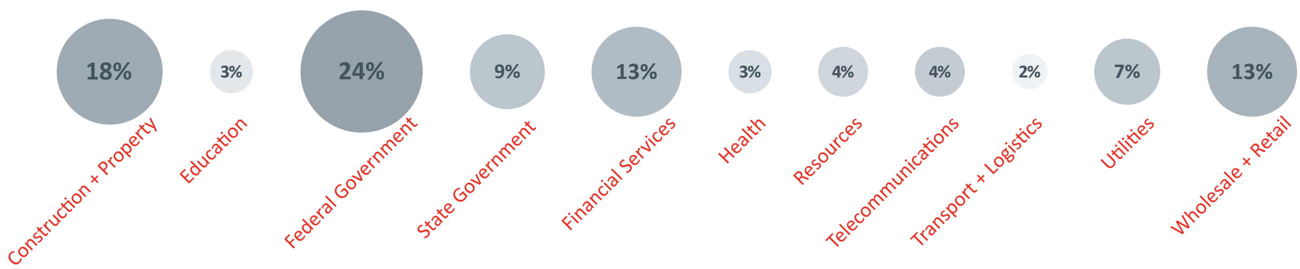
Our office in India continues to grow; both in terms of the number of people, improved utilisation and the proportion of the business that is performed from that location. Increasingly larger components of projects are being completed by our offshore team – in particular the on shore growth in Managed Services is in part due to our ability to deliver large parts of this service from off shore. This is a powerful and differentiating service model. We draw on the optimum mix of our local and overseas expertise, skills, knowledge and capabilities to deliver and deploy projects more quickly and more cost effectively than otherwise achievable domestically. This is a key competitive advantage in a market increasingly focussed on cost. We are seeing customers with a heightened awareness and willingness to consider a range of multi sourced models that deliver competitive results because we can offer our customers' access to increasingly scarce resources with deeper specialist capability at a better price point than our domestic competitors. Pleasingly, our off shore headcount grew again in FY2012 and employee turnover remained well below the company average.

Customer satisfaction with outcomes is extremely positive, and we have secured a number of key strategic long term assignments.

Western Australia

We have opened an office in Western Australia on the back of a large, multi-year Managed Services Contract secured in the latter half of the financial year, with a multi-national mining company. We have created a platform in the resources and government sectors and have high expectations of our growth and penetration in the Western Australian Market.

FY2012 Industry sector revenue contribution



Directors

Paul Holyoake
B Eng Mech (Hons), MEngSci, GradDipCompSci (Melb)

Executive Chairman

Paul, as a founder of Oakton, delivered the drive and business pragmatism to grow a start-up company into a profitable enterprise. Paul was appointed Executive Chairman in July 2005 and at that time stepped away from the day-to-day activities of Oakton to focus on strategic initiatives. Paul has been an integral part of the success and growth of Oakton since listing. Paul has a proven ability to detect the direction of technology and to align the business focus accordingly. Paul has been involved in the information technology sector since 1980, and worked for a robotics company and CRA (now Rio Tinto) prior to founding Oakton in 1988.

Neil Wilson
B Bus (Accounting) (MIS), CPA

Managing Director and Chief Executive Officer

Neil was appointed Managing Director and Chief Executive Officer of Oakton in July 2005. From October 2002 until June 2005, Neil was the Chief Operating Officer of Oakton. Neil became a Director of Oakton in November 2000, when Charter Wilson and Associates Pty Ltd (a company he had founded in 1997) was acquired by Oakton. Prior to this Neil held a number of senior IT positions with Coles Myer. In his role as Oakton's Chief Executive Officer, Neil plays a key role in communicating with the investment community and regularly presents on behalf of Oakton at industry forums and investment seminars. He drives the business planning process and is key to the setting of strategy for the company. He manages the day to day operations of the business and maintains active relationships with key customers.

Gordon Hughes
LLB (Hons), LLM, PhD

Non-executive Director

Gordon is a partner at Ashurst Australia, practising in the area of IT contract law, intellectual property and related matters. He has had a long-standing involvement with Oakton and has been a Board member since the company listed.

Gordon has previously served as a president of the Law Institute of Victoria, the Law Council of Australia, Lawasia and the Victorian Society for Computers and the Law. He has also served on several federal and state committees focusing on e-commerce and data protection.

Chris Gillies
FAICD

Non-executive Director

Chris has more than 30 years experience in the Information Technology industry. She is a full time Non-Executive Director focusing on IT governance. Her background includes executive appointments with St George Bank, as Group Executive Integration and Group Executive Group Services, Chief Information Officer for the Bank of Melbourne and Director of DMR Victoria. Chris chairs board IT committees for Centrelink and UCMS and is an advisor to the Bendigo Bank board IT committee. In addition, Chris has a wide range of consulting experience in mergers and acquisitions and in designing and implementing major change programs.

Anthony Larkin
FCPA, FAICD

Non-executive Director

Tony had a successful career with BHP spanning 39 years, during which he held various senior finance executive roles including General Manager Accounting, General Manager Finance BHP Minerals, and Corporate Treasurer. While employed by BHP, he was seconded to the role of Chief Finance Officer with Fosters Brewing Group for 4 years. In 1998 Tony was appointed to the position of Executive Director Finance with Orica Limited from which he retired in 2002.

Company Secretary

Michael Miers
B Ec, FCPA

Company Secretary

Michael was appointed Company Secretary in March 2003. Joining Oakton in 2001, he was the Group's Chief Financial Officer until June 2008. As a member of the senior executive he provides key support to the governance of the Company. Prior to joining Oakton, Michael was Head of Finance & Planning at Bank of Melbourne. Michael has more than 25 years experience in the financial services industry, holding senior finance roles in the retail banking, merchant banking and stockbroking sectors.

Our Leadership Group

John Phillips
B Acc, CA, MAICD

Chief Financial Officer

John, a Chartered Accountant, was appointed to the position of Chief Financial Officer in July 2008 after being General Manager of Oakton's Victorian operations and National Consulting. Prior to this John held the position of Chief Executive Officer at Acumen Alliance from August 2006, and at the same time was Managing Director of Acumen's Victorian Office. He has more than 25 years experience in financial administration and management, governance and accountability and has consulted extensively in these areas to a range of corporate and government agencies. John is a member of the Loreto Mandeville Hall Council and was previously Joint Vice Chairman of the Melbourne Football Club.

Karen Lowe
B Bus, CPA

Executive General Manager Organisational Capability

Prior to joining Oakton, Karen had a variety of roles in industries including Utilities and Consulting. She spent over 10 years at TRUenergy (previously TXU) and had several roles including heading up a large integration program to establish shared services, business planning and reporting, heading up the HR function and finally as a Retail Director. Karen then joined Bluescope Steel as Vice President of Organisational Capability. Karen leads Oakton's human resources, organisation and culture initiatives focused on continually improving the operations of the business and the employees' experience.

Michael Sneddon
LLB, B Com (Hons)

General Counsel

Michael joined Oakton in 2005 as General Counsel and member of the Executive team, having previously spent over 20 years in private legal practice. Prior to joining Oakton, Michael specialised in IT contract law and data protection law, practising at one of the major national law firms for six years and before that as a partner for eight years at a Melbourne based law firm. Michael's role is to advise the Oakton Group on its legal obligations and ensure compliance with relevant legislative and legal requirements, including responsibility for overseeing the negotiation and drafting of contractual arrangements with Oakton's customers and partners.

James Watson
B App Sci (Comp.), MBA

Chief Architect

James is Oakton's Chief Architect. His primary areas of responsibility include understanding market and technology directions and to assist in evolving Oakton service and solution offerings accordingly. Prior to this role, James managed the Enterprise Strategy and Architecture service line in the NSW office between 2003 and 2005. James joined Oakton through Charter Wilson in 1998 and has been a key contributor to Oakton service development as well as a regular speaker at Oakton and industry forums.

Bob Peebles

General Manager
Client Management and Marketing

Bob was appointed General Manager of Client Management and Marketing in 2007. Bob is responsible for attaining revenue and sales targets, executing opportunities for sales and client management, business improvement and providing strategic direction for the Oakton sales function, in addition to managing the national marketing programs and brand development, and national partner relationships. Bob joined Oakton in September 2002 from Tier Australia, one of Oakton's acquisitions, where he was the National Sales and Marketing Manager.

Phillip O'Brien
B Sc Computing

General Manager
National Managed Services

Phillip joined Oakton in 1992 and is the longest serving Oakton employee. Phillip is Oakton's General Manager of National Managed Services and is responsible for delivery of all support services to Oakton's customers nationally. Prior to his current role, he spent 3 years in India as Vice President of Oakton GTSC (India) establishing and managing Oakton's offshore operation in Hyderabad. Phillip has previously held a variety of roles at Oakton including Location Services Manager, delivery manager and technical delivery roles.

Our Leadership Group continued

Bruce Minahan
B Surv

Executive General Manager
Victoria

Bruce has more than 25 years' experience in IT services, and has a strong focus on delivering business value to customers through the well-managed application of information technology. Bruce is the Executive General Manager Victoria, responsible for all aspects of the performance of Oaktons operations in Victoria, a role Bruce has held since November 2010. Previous roles with Oakton have included national roles, operational roles over the period 2007 – 2010 and prior to that, General Manager for the Victorian operation for a number of years. Bruce has been with Oakton since 1997. Prior to joining Oakton, Bruce held IT positions with Anderson Consulting, Hitachi Data Systems, Fujitsu, ICL and the Victorian State Government.

Simon Williams
B Sc (Computer Science/ Accounting)

Executive General Manager
Queensland

Simon joined Oakton through the acquisition of Aston IT Group in 2003, where he was the Practice Manager focused on ERP and CRM business solutions. After establishing Oakton's mid-market Package Solutions offering across Victoria and New South Wales. Simon moved to Queensland in late 2005 to establish Oakton's Queensland office and has grown this business organically across all of Oakton's service domains. Simon is an active participant in the local ICT industry through the Australian Information Industry Association, where he was the Queensland Chair for the past 2 years.

Gary Pascoe
B Bus (Computing)

Executive General Manager
Australian Capital Territory

Gary joined Oakton in 2010 and was appointed to the role of Executive General Manager ACT in July 2011. Prior to this appointment Gary was the ACT Delivery Manager and responsible for all of Oakton's IT delivery services within the ACT. Gary has had an extensive career working both as a member of the Australian Public Service as well as over 17 years providing a range of consulting, IT delivery and business development services to governments in Australia and overseas. Gary has held senior positions with Capgemini, Unisys and Accenture and his focus is on continued growth across all aspects of Oakton's ACT business.

Dennis Papakyriakopoulos
B Sc (Computing)

Vice President Oakton GTSC (India)

Dennis was appointed Vice President of Oakton GTSC (India) in April 2009 and is responsible for the operations of Oakton's offshore facility in Hyderabad. Dennis joined Oakton in September 2005 as a Senior Consultant in the Project Management Practice which ultimately led to his appointment of Location Services Manager for Managed Services in Victoria. Prior to joining Oakton, Dennis held various IT positions in business development, account management, service management and project management with Primed Online, Elcom Technology, Praxa and Coles.

Stuart Barry
B Bus (Information Systems/ Accounting)

General Manager Commercial and Delivery Assurance

The Commercial and Delivery Assurance function ensures all material projects are subject to executive assessment at predetermined checkpoints in the business development and delivery lifecycle. Additionally this function ensures appropriate delivery assurance activities are occurring for all of Oakton's service delivery. Prior to his current role Stuart managed Oakton's Project Management service and established Oakton's Quality Management function. Stuart has been with Oakton since 2002 and has over 20 years' experience in IT consulting and delivery of complex projects in challenging environments.

Mr Paul Voges has been appointed as Executive General Manager, New South Wales and will commence with the Company in October 2012.

Corporate Governance Statement – 2012

Oakton Limited and its controlled entities

Listing rule 4.10.3 requires that Oakton discloses the extent to which it has followed the recommendations of the ASX Corporate Governance Council ('Council') during the 2012 financial year. There are 8 principles reported on below. Each principle includes one or more recommendations as well as a guide to reporting.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions

The Oakton Board retains responsibility for the following items:

- setting and monitoring of objectives, goals and strategic direction for management with a view to maximising shareholder wealth;
- approving an annual budget and the monitoring of financial performance;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- approving acquisitions;
- ensuring compliance with statutory requirements;
- selecting and appointing new Directors and the Chief Executive Officer; and
- maintaining the highest business standards and ethical behaviour.

During the year Neil Wilson was Chief Executive Officer. The board has delegated authority within the following areas to him:

- managing performance of the business and its constituent units and managers;
- ensuring that the business processes in relation to risk management and assurance are met; and
- approving capital expenditure (except acquisitions).

Recommendation 1.2 Companies should disclose the process for evaluating the performance of senior executives.

In the 2012 financial year, executives including executive directors who have operational responsibilities within their area of control were evaluated against the approved budgets and key performance indicators which were approved by the Board in the annual budget and planning process. Reviews with each senior executive are conducted annually.

Principle 2 – Structure of the board to add value

Recommendation 2.1 A majority of the board should be independent directors.

For the 2012 financial year the composition of the Board was three non-executive directors and two executive directors. All the non-executive directors are considered independent by the Board under the definitions provided in the Council's recommendations. This recommendation has been complied with for the entire 2012 financial year.

Recommendation 2.2 The chair should be an independent director.

During the 2012 financial year, the chairman of the Board of Directors was Paul Holyoake. He is not considered to be independent under the Council's definition as he held an executive position within the three prior financial years and continues to do so. He is also a substantial shareholder. This recommendation has not been complied with during the 2012 financial year.

Recommendation 2.3 The roles of the chairperson and chief executive officer should not be exercised by the same individual.

Paul Holyoake (Chairman) and Neil Wilson (Chief Executive Officer) have distinct roles.

Recommendation 2.4 The board should establish a nomination committee.

The Remuneration and Nomination Committee holds the delegated authority to nominate and assess candidates for the Board.

Recommendation 2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

During the 2012 financial year, the Board commissioned an independent Board review covering composition, subcommittee structure, meeting frequency, Board paper composition and other related matters. Recommendations from this independent review are being progressively implemented. In addition, the Board undertakes an annual self assessment process, the results of which are reviewed by the Chairman and presented to the Board.

Principle 3 – Promote ethical and responsible decision making

Recommendation 3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- **the practices necessary to maintain confidence in the company's integrity;**
- **the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practice.**

The Company has a code of conduct and is available on the Oakton website.

Additionally the Oakton Human Resources manual and procedures ensure that:

- company assets are used appropriately for business purposes;
- confidential information is maintained confidential; and
- all parties act so as not to conflict with Oakton's interests.

Additionally, terms and conditions of employment provide detailed instructions as to the acceptable standards of behaviour.

A copy of the Oakton Securities Trading Policy is available on the Oakton website at www.oakton.com.au/investors/governance.

Recommendation 3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Oakton Board adopted a policy on diversity in July 2011. Oakton is committed to:

- attracting, developing and retaining our employees to ensure business growth and performance;
- ensuring that every employee is treated fairly and with respect;
- valuing differences and the contribution of all employees to business success;
- creating an environment where people can excel without encountering bias or being hampered by race, age, gender, lifestyle choices, religion, culture or disability; and
- ensuring all employees and applicants are treated and evaluated according to their job-related skills, qualifications, abilities and aptitudes only.

The Executive Team, under the direction of the MD/CEO, drives diversity and inclusivity within our business. We are proud of our culturally and ethnically diverse workforce. We will continue to focus on all aspects of diversity with our initial focus to improve our gender diversity. To demonstrate our commitment in this area the Board has adopted the following diversity measures:

- Maintain current proportion of women on the Oakton Board – Achieved;
- Review pay equity at all levels and action any inequities – All roles were reviewed against benchmarks and across service lines and no significant differences due to gender were identified. These processes should ensure that gender pay inequity does not occur at Oakton; and
- Formalise FAB (Females Achieving Business) as a proactive network to assist women to develop skills to deal with a "mostly male" environment and championed by one of the female board members – The FAB Network is well established across our operating locations.

The Oakton Diversity Statement can be found on our website at www.oakton.com.au/investors/governance.

As at 30 June the proportion of women employees is 25% of the total workforce, 8% of senior executive positions and 20% of the board.

Principle 4 – Safeguard integrity of financial reporting

Recommendation 4.1 The board should establish an audit committee.

The Audit Committee was established in June 2000 when the company became a listed company. Within Oakton, the committee is called the Audit and Risk Committee.

The main objectives of the Audit and Risk Committee are:

a) to assist the Board achieve its objectives in relation to:
   - the integrity and reliability of the consolidated entity's financial reporting;
   - the application of accounting principles, policies, controls and procedures;
   - the adequacy of practices and procedures in respect of achieving legal and regulatory compliance; and
   - the effectiveness of internal control and risk management systems.

b) maintain and improve the quality, credibility and objectivity of the financial reporting process;

c) promote a culture of compliance;

d) maintain effective communication between the Board and the Committee;

e) oversee the relationship with the external auditor and assess the auditor's independence; and

f) monitor compliance strategies and the effectiveness of the compliance function.

Corporate Governance Statement – 2012 continued

Oakton Limited and its controlled entities

The responsibilities of the Audit and Risk Committee are in the areas of external financial reporting, external audit, risk management and internal control and other items as noted in its charter.

Additionally, the Audit and Risk Committee is responsible for:

- assessing and recommending to the Board the scope, cover and cost of insurance, including insurance relating to directors and officers liability, company reimbursement, professional indemnity, crime, special accident and trustees liability;
- if it considers appropriate, investigating any complaint or allegation made to it;
- reviewing and monitoring any transaction between the Oakton group and the key management personnel and their personally-related entities, and making recommendations to the Board on their approval or otherwise; and
- monitoring that the audit, risk management and compliance policies and procedures are adequately documented and that those documents are reviewed and updated for any legal and regulatory developments.

The Committee has adopted a program of work which enables it to discharge its responsibilities under the Charter. The full charter is available on the Oakton website at www.oakton.com.au/investors/governance.

Recommendation 4.2 The audit committee should be structured so that it:

- **consists only of non-executive directors;**
- **consists of a majority of independent directors;**
- **is chaired by an independent chair, who is not chair of the board; and**
- **has at least three members.**

The composition of the Audit and Risk Committee is:

- Anthony Larkin (an independent, non-executive director), Chairman of the Committee;
- Gordon Hughes (an independent, non-executive director); and
- Chris Gillies (an independent, non-executive director).

The Company Secretary acts as the Committee Secretary assisting members. The Company's external auditors are invited to attend the Committee's meetings. In addition, the Committee is able to seek and obtain input from external consultants as required.

Recommendation 4.3 The audit committee should have a formal operating charter.

The Audit and Risk Committee has a formal operating charter. A copy of the charter is available on the Oakton website at www.oakton.com.au/investors/governance. In addition to the Charter, the Committee has adopted a program of work for each year.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX listing rule disclosure requirements and to ensure accountability at senior management level for that compliance and disclose those policies or a summary of those policies.

The Company Secretary is the Disclosing Officer responsible for all communications with the ASX. The procedures ensure that all matters which may affect the price of securities are monitored by the board and at each board meeting the board confirms whether or not there are any further matters to be disclosed. All communications are reviewed by the directors, together with the Disclosing Officer to ensure that they are factually correct and complete. Should matters arise between scheduled Directors' Meetings, the executive directors and the Disclosing Officer will consider them, prepare recommendations and then circulate them to all directors for review and resolution. Should the matter(s) require disclosure, then an announcement will be made via the Disclosing Officer.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1 Companies should design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings and disclose their policy or a summary of that policy.

Communications to shareholders:

- The Board has developed an annual investor relations communications plan;
- The annual report is published electronically on the Oakton website. A printed copy of the annual report is distributed to shareholders or other stakeholders upon request. The Board ensures that the annual report includes relevant information about the operation of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act. The annual report is the primary source of publically available information on Oakton;
- The half-year report contains summarised financial information and a review of the operations of the Company during the period. The half-year financial report is prepared in accordance with the Corporations Act, and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange; and
- The Company's website at www.oakton.com.au is regularly updated and provides details of recent material announcements by the Company to the ASX, annual reports, and general information on the Company and its business.

The Board encourages participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as distinct resolutions.

The Board reviews the investor relations communication plan in April of each year.

Principle 7 – Recognise and manage risk

Recommendation 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

In relation to identifying areas of significant business risk and putting in place arrangements to manage such risk the Board relies on the advice and expertise of senior management acting in consultation with the Company's external advisers. Where appropriate the Board obtains advice directly from external advisers.

The Board has not considered it appropriate to appoint a separate Corporate Governance Committee. Responsibility for developing and monitoring corporate governance policies and practices in areas outside the scope of the functions of the Audit and Risk Committee is retained and exercised directly at Board level.

Risk management is part of the business as usual process at Oakton comprising a system of risk oversight, management and internal controls operating at all levels of the organisation.

Oakton's policy in relation to risk management outlines:

- definition of risk;
- identification of material business risk; and
- reporting on the status of mitigating actions.

Oakton's risk management policy defines risk as any adverse exposure to events that could affect Oakton's ability to discharge its responsibilities to its stakeholders and/or meet its objectives.

Risks are rated on two scales reflecting the probability of occurrence and the impact which are then rated on a scale of impact to Oakton's reputation and/or financial performance to provide a matrix of the material business risks that Oakton manages.

In response to changing conditions, the ranking of certain risks may change and additional risk mitigation activities may be undertaken.

Recommendation 7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

A process exists to report risk at different operational levels from business unit through to the Board. Material operational and strategic risks are reported monthly to the Board. Risks are aligned to Oakton business plan domains enabling direct linking of risk mitigation action plans with the business plan initiatives and/or existing operational functions. This focuses risk ownership at the executive level, who periodically report to the Audit and Risk Committee on the status of their risk portfolio.

The effectiveness of the risk management process is assessed periodically and continually improved.

In addition, as part of Oakton's delivery risk mitigation, the Company is ISO 9001 certified and externally audited bi-annually to maintain this certification.

The Board of Directors has overall responsibility for establishing and maintaining an effective system of internal control. The day-to-day work of maintaining an effective internal control environment and continuous risk assessment in respect of financial reporting has been delegated to the Managing Director/CEO, who in turn has delegated function-specific responsibility to managers at appropriate levels within the company.

The company's processes and systems for ensuring effective internal controls have been designed with the intention of managing and limiting the risks of material errors in the reporting of financial information, and, consequently, lead to both operational and strategic decisions being based on accurate financial information. The Internal Control system is governed by a clearly defined set of roles and responsibilities, supported by approved Delegations of Authority, appropriate segregation of duties and management review and supervision.

Recommendation 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

This recommendation was complied with during the 2012 financial year.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1 The board should establish a remuneration committee.

The Remuneration Committee was established in June 2000 when the company became a listed company. Within Oakton, the committee is called the Remuneration and Nomination Committee.

Recommendation 8.2 The remuneration committee should be structured so that it:

- **consists of a majority of independent directors**
- **is chaired by an independent chair**
- **has at least three members**

During the 2012 financial year, the members of the Remuneration and Nomination Committee were:

- Chris Gillies (an independent, non-executive director), Chairperson of the Committee;
- Anthony Larkin (an independent non-executive director);
- Paul Holyoake (executive director), resigned 3rd August 2011;
- Gordon Hughes (an independent non-executive director), appointed 3rd August 2011;

Corporate Governance Statement – 2012 continued

Oakton Limited and its controlled entities

During the 2012 financial year, following a recommendation from the independent Board review, the People and Culture Committee was disbanded and its responsibilities taken over by the Remuneration and Nominations Committee.

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

The Remuneration and Nomination Committee has authority for nomination of candidates to the Board and management of the Oakton Limited employee option plan.

The Remuneration and Nomination Committee Charter was formally adopted in May 2006 and is reviewed periodically.

Recommendation 8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The terms and conditions of the appointment of the non-executive directors are set out in a letter of appointment which prescribes:

- remuneration;
- the term of appointment, subject to shareholder approval;
- the expectation of the Board in relation to attending and preparing for all Board Meetings;
- procedures for dealing with conflicts of interest; and
- the availability of independent professional advice.

Non-executive directors are remunerated for their services from the maximum aggregated amount approved by shareholders for that purpose. Their compensation is reviewed by the Board. There are no termination benefits for non-executive directors appointed since listing.

Non-executive directors do not receive at risk remuneration.

The executive directors and senior executives are employed under individual contracts detailing their remuneration, service period and non-competition clauses. The contracts may be terminated for cause and the executive directors and senior executives may be entitled to termination benefits in accordance with relevant state laws governing long service leave and superannuation. Generally, executives have an element of their remuneration at risk. The key performance indicators which will entitle them to access the at risk portion of their remuneration are set through the annual business planning and budget process.

Specific details of remuneration paid and incentive arrangements are detailed in the Remuneration Report set out on pages 25 to 37.

Directors' Report

The directors present their report together with the financial report of the consolidated entity consisting of Oakton Limited ABN 50 007 028 711 and the entities it controlled, for the financial year ended 30 June 2012 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors

The names of directors in office at any time during or since the end of the financial year are:

- Paul Holyoake (Executive Chairman);
- Neil Wilson (Managing Director & Chief Executive Officer);
- Chris Gillies;
- Gordon Hughes; and
- Anthony Larkin.

Directors have been in office since the start of the financial year to the date of this report.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

- Michael Miers

Principal activities

The principal activities of the consolidated entity during the financial year consisted of:

- business consulting and IT strategy;
- risk management, assurance and accounting services;
- delivery services in solution design;
- custom application development and technical architecture services;
- packaged software implementation;
- information management, data warehousing and business intelligence services;
- systems integration solutions; and
- application management services.

There has been no significant change in the nature of these activities during the financial year.

Results

The consolidated profit after income tax attributable to the members of Oakton Limited was $11,836,623 (2011: $13,114,134).

Review of operations

Details of the operations of Oakton Limited during the year, the financial position and the strategies and prospects for future years can be found in the Chairman and Managing Director's Review found on pages 6 to 9 which forms part of this Directors' Report.

Significant changes in the state of affairs

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

After balance date events

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely developments

Except as detailed in the Chairman and Managing Director's Review on pages 6 to 9, likely developments, future prospects and business strategies of the operations of the consolidated entity and the expected results of those operations have not been included in this report, as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The consolidated entity's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

Dividends paid, recommended and declared

The dividends paid or declared by Oakton Limited since the start of the financial year are as follows:

	2012 $'000	2011 $'000
(a) Dividends paid during the year		
(i) Previous year final		
A fully franked dividend of 5.0 cents per share was paid on 30 September 2011 (2011: 4.00 cents paid on 30 September 2010)	**4,690**	3,745
(i) Current year interim		
A fully franked dividend of 5.5 cents per share paid on 27 April 2012 (2011: 3.5 cents paid on 31 March 2011)	**5,159**	3,283
	9,849	7,028
(b) Dividends declared and not paid		
After the end of the financial year, the Directors declared a fully franked dividend of 5.5 cents per share to be paid on 17 September 2012. This dividend, calculated on the number of shares on issue at the date of this report, is not provided for in the financial report.	**5,045**	4,690

Share Buy-back

On 20 March 2012 the Company announced that it will undertake an on-market share buy-back of up to a maximum number of 10% of the market capitalisation of the Company and intends to buy back shares in the period 3rd April 2012 to 2nd April 2013 (inclusive) or earlier if the maximum number of shares is bought back prior to that date. The Company reserves the right to suspend or terminate the buy-back at any time. Details of the number and value of shares bought back for the period ended 30 June 2012 are disclosed in Note 15.

Share options

There were no options issued by Oakton Limited during or since the end of the financial year. Unissued shares under option and performance rights issued during the year are detailed in Note 15(d). All options are over ordinary shares in the company. No option holder has any right under the options to participate in any other share issue of the company.

Directors' Report continued

Performance Rights

Performance rights issued by Oakton Limited during or since the end of the financial year are detailed in Note 15(d) and 22 in the attached financial report. The details of rights granted to Directors and executives are detailed in the Remuneration Report on pages 25 to 37. All rights are over ordinary shares in the company. No rights holder has any right under the rights to participate in any other share issue of the company.

Indemnification and insurance of Directors and Officers

The company has during and since the end of the financial year, in respect of any person who has, is or has been an officer of the company or a related body corporate, paid a premium in respect of Directors and Officers Liability insurance which indemnifies Directors, Officers and the Company of any claims made against the Directors, Officers of the Company and the Company, subject to conditions contained in the insurance policy. Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

Proceedings on behalf of the Consolidated Entity

No person has applied for leave of a Court to bring proceedings on behalf of the consolidated entity.

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who has been a Director of Oakton Limited at any time during or since the end of the financial year is provided below, together with details of the Company Secretary as at the year end.

Paul Holyoake BEngMech(Hons), MEngSci, Grad Dip CompSci (Melb)	**Executive Chairman** Appointed as a director on 12 July 1988. Resigned as a member of the Remuneration and Nomination Committee in August 2011. Last re-elected at the 2011 AGM. No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.
Neil Wilson BBus (Accounting) (MIS), CPA	**Managing Director and Chief Executive Officer** Appointed as a director on 17 November 2000. Formerly a member of the Remuneration and Nomination Committee (until September 2010). Last re-elected at 2003 AGM. As Managing Director, he is not subject to rotation and re-election. No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.
Chris Gillies FAICD	**Independent Director** Appointed as a director on 11 June 2003. Chairperson of the Remuneration and Nomination Committee. Member of the Audit and Risk Committee. Last re-elected at 2010 AGM. Previous directorships in listed companies in the prior 3 years: Corporate Express Australia Ltd (July 2005 to July 2010), UCMS Group Ltd (from April 2007 to July 2009) and Rabinov Property Trust (from December 2010 to November 2011).
Gordon Hughes LLB (Hons), LLM, PhD	**Independent Director** Appointed as a director on 7 April 2000. Member of the Audit and Risk Committee. Member of the Remuneration and Nomination Committee from August 2011. Last re-elected at 2009 AGM. No other directorships of listed companies were held at any time during the three years prior to 30 June 2012.
Anthony Larkin FCPA, FAICD	**Independent Director** Appointed as a director on 2 September 2009. Chairman of the Audit and Risk Committee since his appointment. Member of the Remuneration and Nomination Committee. Last re-elected at the 2009 AGM. Other listed company directorships: Incitec Pivot Ltd (since May 2003) and Minmetal Resources Ltd (since December 2011 – listed on Hong Kong Stock Exchange). Previous directorships in listed companies in the prior 3 years: Corporate Express Australia Ltd (July 2004 to July 2010), Oz Minerals Limited (March 2004 to May 2009), Eyecare Partners Limited (August 2007 to January 2010).
Michael Miers BEc, FCPA	**Company Secretary** Appointed Company Secretary in March 2003.

For details of the experience of continuing directors, refer to profiles on pages 10 to 11.

Apart from the Managing Director, one-third of directors are subject to rotation each year and may offer themselves for re-election at the Annual General Meeting.

The Board has a policy of enabling Directors to seek independent professional advice at the company's expense, subject to estimated costs being approved by the Chairman in advance as being reasonable. It is the practice of the Directors that when a potential conflict of interest may arise, the Director concerned does not receive a copy of the relevant Board paper and withdraws from the Board Meeting whilst such a matter is being considered.

Directors' meetings

The number of meetings of the Board of Directors and of each Board Committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		*Audit and Risk Committee*		*Remuneration and Nomination Committee*	
	Eligible to attend	*Attended*	*Eligible to attend*	*Attended*	*Eligible to attend*	*Attended*
Paul Holyoake	12	12	0	0	1	1
Neil Wilson	12	12	0	0	0	0
Chris Gillies	12	12	4	4	4	4
Gordon Hughes	12	8	4	2	3	1
Anthony Larkin	12	12	4	4	4	4

Directors' Interests in Shares, Options or Rights

Directors' relevant interests in shares of Oakton Limited or options and rights over shares in the company as at the date of this report are detailed below.

	Ordinary shares of Oakton Limited held directly	*Ordinary shares of Oakton Limited held indirectly*	*Rights over shares in Oakton Limited held directly*
Paul Holyoake	–	8,000,000	–
Neil Wilson	2,195,000	5,000	300,000
Chris Gillies	–	26,000	–
Gordon Hughes	–	–	–
Anthony Larkin	–	–	–

Directors' interests in contracts

Directors' interests in contracts are disclosed in Note 24(b) to the financial statements.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Non-audit services

Non-audit services are approved by resolution of the Audit and Risk Committee. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor by any entity that is part of the consolidated entity for:

	2012 $'000	*2011 $'000*
Corporate secretarial services	**6**	4

Rounding of amounts

The amounts contained in the report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the consolidated entity under ASIC Class Order 98/0100. The consolidated entity is an entity to which the Class Order applies.

Directors' Report continued

Message from the Board

Dear Shareholder,

We are pleased to present the Oakton Remuneration Report for the financial year ended 30 June 2012 (FY2012).

This year we have completed a significant review of our senior executive remuneration arrangements which was commenced in 2010, with assistance from PricewaterhouseCoopers (PwC) and Ernst & Young (EY).

As a result of this review a number of changes have been made to the senior executive remuneration framework. These changes are summarized below, including a summary of key remuneration outcomes for the FY2012 year.

Executive remuneration framework	▶ Oakton has undertaken a detailed review of its executive remuneration framework to seek to have it appropriately aligned with market and shareholders' expectations, and to reflect well governed remuneration practices. ▶ The outcome of the review was the establishment of clear remuneration guidelines for executives and other employees. It has been decided that a significant portion of executive remuneration is to be performance-based and clearly aligned with annual and longer-term objectives.
Fixed/total remuneration	▶ Oakton's policy is to position the Managing Director's/Chief Executive Officer's (MD/CEO's) fixed remuneration at the market median of a comparator group of companies of a similar size based on market capitalization. For other Key Management Personnel (KMP), reference is made to industry specific salary surveys. Remuneration may range between 85–115% of market rates for comparable roles, depending on the employee's competence and sustained performance in their role. It is the Company's intention to position total remuneration (fixed, short term incentive (STI) and long term incentive (LTI)) at the 75th percentile of the same peer group of companies to encourage a culture of out-performance. ▶ Following the executive remuneration framework review, a decision was made to freeze executives' fixed remuneration for up to two years while transitioning to remuneration mixes that more closely align with market practices.
Short-term incentives (STI)	▶ An annual cash incentive is available to employees who participate in the STI plan and who achieve relevant performance metrics. ▶ The MD/CEO has a target STI opportunity of 27% of fixed remuneration, and other members of the executive team have an STI opportunity between 20% –30% of fixed remuneration. The Board has the discretion to adjust STI payments downwards in light of unexpected or unintended circumstances. ▶ The total quantum of the STI Pool is determined by the aggregation of the individual participants' STI opportunity having been determined as noted above. The proportion of the STI pool available for distribution is determined by the level of the Company's financial performance. ▶ Before any of the STI Pool is available, a base level of financial performance must be achieved. For FY2012, no STI Pool was available unless the Company's financial performance reached 90% of the annual financial objectives. 75% of the STI Pool was available at the minimum level of performance (90% of target) and where over-achievement of performance expectations occurred, the STI Pool would increase, on a linear basis, to a maximum of 125% of target. ▶ The STI pool metrics are assessed and calibrated annually to ensure that potential incentive outcomes align with the interests of shareholders. ▶ Individual STI metrics are weighted 50% towards financial metrics and 50% towards non-financial metrics. The metrics for FY2012 related to key initiatives in the areas of delivering financial performance, increasing employee engagement, increased customer satisfaction and delivery of increased returns to shareholders (through quality of earnings and revenue growth). Executives are also assessed on the achievement of individual performance objectives, which are weighted on specific key areas depending on the employee's role and Oakton's business plan for the year. ▶ During FY2012, the Company's financial performance did not meet threshold requirements and consequently no STI Pool is available and no STI will be paid to any KMP, notwithstanding that other metrics may have been achieved.
Long-term incentives (LTI)	▶ The Board considered that there was a need for the Company to revisit its long term incentive plan as the existing Employee Share Option Plan was no longer deemed suitable in meeting Oakton's long-term objectives. To better align executives' interests with those of shareholders', Oakton engaged PWC to assist in the design and implementation of a new long-term incentive ("LTI") plan. This LTI plan, approved by shareholders at the 2011 annual general meeting, provides flexibility to the Board to make annual LTI grants of Options, Performance Rights and/or Share Appreciation Rights, with vesting subject to market aligned performance hurdles. ▶ Oakton also engaged EY to benchmark the remuneration package of the MD/CEO. This exercise identified that the LTI component of the MD/CEO's existing remuneration was low compared to the market. As such, a grant of Performance Rights, equivalent to 40% of fixed remuneration, was made to the MD/CEO during FY2012 to place a larger portion of the remuneration package at-risk. ▶ The grant of Performance Rights made to the MD/CEO has a performance period of 2 years and an additional 1 year service condition, such that no vesting occurs until the third anniversary of grant date. The Performance Rights vest subject to achievement of a relative Total Shareholder Return ('TSR') (50% weighting) and absolute Earnings per Share ('EPS') (50% weighting) performance hurdles. Relative TSR performance will be assessed against a peer group comprised of the ASX 300 (excluding financial services, infrastructure funds and mining/property/manufacturing companies). Absolute EPS requires that a minimum 10% compound annual growth rate is achieved. ▶ Performance Rights were issued to KMPs with a service vesting condition of three years, supporting the retention strategy for these individuals. In line with the Company's desire to re-weight executive remuneration packages to be more performance-based, the Company will implement the LTI plan for other executives in FY2013.
Non-executive Director (NED) fees	▶ For FY2013, the Company intends to increase NED fees by $5,000 (inclusive of superannuation). ▶ Additionally for FY2013, the Company has made the decision to pay additional committee fees to Chairs of committees in recognition of the additional time and commitment required in undertaking such a role. Chairs of committees will receive $5,000 (inclusive of superannuation) in addition to their NED fees.

We welcome on-going feedback from our shareholders to further enhance both the structure and transparency of our remuneration arrangements.

Paul Holyoake
Executive Chairman

Chris Gillies
Chair of Remuneration & Nominations Committee

Audited Remuneration Report (forming part of the Directors' Report)

This remuneration report sets out remuneration information for Oakton's non-executive directors, executive directors and other key management personnel ("KMP").

The report is comprised of the following key sections:

a) Who this report covers

b) Remuneration governance

c) Executive remuneration framework

d) Use of remuneration consultants

e) Link between performance and remuneration outcomes

f) Non-executive director remuneration

g) Details of remuneration

a) Who this report covers

The names and positions of each person who held the position of director at any time during the financial year are:

Directors	*Position*
Paul Holyoake	Executive Chairman
Neil Wilson	Managing Director and Chief Executive Officer
Chris Gillies	Independent, Non-executive Director
Gordon Hughes	Independent, Non-executive Director
Anthony Larkin	Independent, Non-executive Director

The key management personnel of the consolidated entity for the financial year are:

Key management personnel	*Position*
John Phillips	Chief Financial Officer
Karen Lowe	Executive General Manager, Organisational Capability

b) Remuneration governance

Oakton aims to provide market competitive and equitable remuneration to attract, motivate and retain highly skilled people who will drive the successful execution of our business strategy and deliver positive outcomes to our stakeholders.

The executive remuneration structure aims to deliver a significant portion of remuneration that is dependent on annual business performance and long-term shareholder value, ensuring alignment between the business' success and an individual's reward. It provides incentives to encourage employee commitment, innovation and creativity in their contribution to the business.

Oakton uses an industry-based benchmarking process which aims to position executive fixed remuneration at a level that reflects the market for a comparable role. In addition to fixed remuneration, incentive remuneration is offered and provides the opportunity to increase total remuneration payable if targets are met. Comparable roles for benchmarking purposes are identified within the Australian Information Industry Association survey and/or other relevant salary surveys.

The Remuneration and Nominations Committee is responsible for making recommendations to the Board on remuneration policies and remuneration packages of the executive directors. Subject to review by the Remuneration & Nomination Committee, the MD/CEO determines the remuneration of the Key Management Personnel.

It is the Company's policy to position fixed remuneration for the MD/CEO at the median of a comparator group comprising 20 companies of a similar size based on market capitalisation. Fixed remuneration for other executives is determined with reference to industry specific salary surveys to enable like-for-like comparison. The Company aims to provide total remuneration (fixed remuneration, STI and LTI) for executives at the 75th percentile of the relevant comparator group. Fixed remuneration may range between 85%–115% of market rates for comparable roles, depending on the employee's competence and sustained performance in their role. Employees in new roles will typically be positioned around the lower end of the band. As employees develop the capabilities required for their role, fixed remuneration should move towards the upper end of the range. However, these are merely guidelines and the Company acknowledges that fixed remuneration levels for individual executives may be positioned outside these bands, depending on the experience of the incumbent, market pressures and business needs.

In September 2010, the Company undertook a detailed review of its remuneration framework. The outcome of the review was the establishment of clear remuneration guidelines, based on best market practices, for executives and all employee levels within the organisation. A significant portion of remuneration is to be performance-based and clearly aligned with annual and longer-term objectives. An outcome of the remuneration framework review was a desired target remuneration mix for the MD/CEO of 50:20:30 (Fixed remuneration:STI:LTI), and 50:30:20 for other executives. A decision was made to freeze the MD/CEO and executive's fixed remuneration for up to two years while transitioning to the desired remuneration mix.

Directors' Report continued

c) Executive remuneration framework

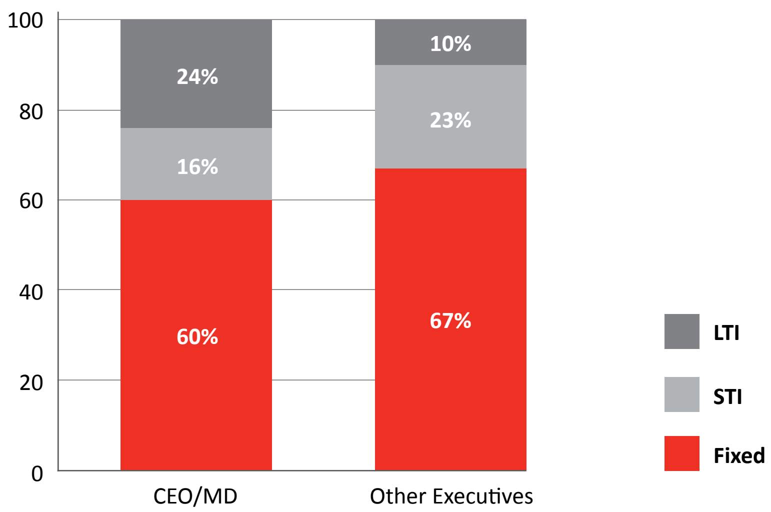
Remuneration mixes

The Chairman of the Remuneration and Nomination Committee commissioned Ernst & Young to provide a report which specifically covered the MD/CEO's total remuneration (comprised of fixed remuneration (FR), STI and LTI) and to benchmark it against current market remuneration levels. Two comparator groups were used in the benchmarking review, those being 20 companies with market capitalisations ranking above and below Oakton, and an industry group of 6 specifically selected peer companies from the ASX 300 Information Technology Index that are most similar to Oakton's business and operations.

Ernst & Young's report noted that the MD/CEO's total remuneration was between the median and 75th percentile of the market capitalization comparator group, but that the LTI component of the MD/CEO's existing remuneration was low when compared to the market, and that the FR component was high. The remuneration mix (FR:STI:LTI) of the market capitalization comparator group was 47:19:34. The Board has determined that the target remuneration mix for the MD/CEO should be 50:20:30, with fixed remuneration positioned at the market median, and total remuneration at the 75th percentile in order to encourage out-performance.

The Remuneration and Nominations Committee formulated a transition plan to migrate the MD/CEO's current remuneration arrangements to the desired target remuneration level and mix. For the first year of the transition, commencing on 1 July 2011, the MD/CEO's remuneration mix was set at 60:16:24. As part of this plan, the fixed remuneration for the MD/CEO of $750,000 has been frozen for a minimum of two years, the annual STI was reduced from $250,000 to $200,000 and LTI was set at $300,000. The Shareholders approved the issue of share performance rights to the MD/CEO at the annual general meeting held on 5 October 2011.

In accordance with the Company's objective to ensure that executive remuneration is aligned to company performance, a significant portion of executives' target remuneration is "at risk". The relative proportion of target FY2012 total remuneration packages split between fixed remuneration, target STI opportunity and target LTI opportunity is shown below:



* Average target remuneration mix of Other Executives

Fixed remuneration

The remuneration packages for executives contain a fixed component that is not dependent on performance. Fixed remuneration pays staff for their agreed base performance, job competencies and expectations within a role, and generally consists of base salary, benefits, and superannuation. The company pays superannuation at the required superannuation guarantee rate. Salary sacrificed contributions are paid into an accumulated benefit type fund and therefore there are no future liabilities in respect of these payments.

Apart from retirement benefits which accrue under statute (such as unpaid annual leave, long service leave and superannuation benefits), there are no retirement benefits for executive directors and key management personnel. If required by law, or to protect commercial or competitive rights, amounts may be paid on termination.

There are no guaranteed fixed remuneration increases included in any executives' contracts.

Short-term incentives ("STI")

STIs are offered to motivate staff to achieve a common set of short-term organisational goals, and provide additional incentives where pre-determined objectives ("metrics") are achieved. The metrics are derived from the business plan and budget (which are approved by the Board) and are cascaded throughout the Company. The metrics for the financial year related to key initiatives in the areas of delivering financial performance, increasing employee engagement, increased customer satisfaction and delivery of increased returns to shareholders (through quality of earnings and revenue growth).

The target STI opportunity for each employee is expressed as a fixed percentage of fixed remuneration. The MD/CEO has a target STI opportunity of 27% of fixed remuneration, and other members of the executive team have an STI opportunity between 20% – 35% of fixed remuneration. STI targets are reviewed annually as part of the annual remuneration benchmarking process. The total quantum of the STI Pool is determined by the aggregation of the individual participants' STI opportunity.

The Board is responsible for assessing whether the key performance objectives are met. Assessment of financial performance is based on data contained within the audited financial statements. Achievement of non-financial metrics is determined by the Board. Additionally, the Board has the discretion to adjust STIs downwards in light of unexpected or unintended circumstances.

Before any STIs are paid, a base level of financial performance must be achieved. That is, the Company assesses its ability to pay out incentives before considering employees' performance against personal key performance indicators (KPIs). For FY2012 no STI was payable unless the Company's financial performance was at least 90% of the annual financial objectives (for FY2012, this was earnings before interest, taxation, depreciation and amortisation (EBITDA)). Seventy-five percent of target STI opportunity was available at the minimum level of performance (90%) and where over-achievement of performance expectations occurred, STI would increase, on a linear basis, to a maximum of 125% of target. KPIs are weighted 50% towards financial metrics and 50% towards non-financial metrics to ensure that the STI plan is mainly self-funded. The STI pool metrics are assessed and calibrated annually to ensure that potential incentive outcomes align with the interests of shareholders.

FY2012 STI Pool Value							
% of Financial Target achieved	85.0%	90.0%	95.0%	100.0%	105.0%	110.0%	115.0%
% of STI Pool made available for distribution	0.0%	75.0%	87.5%	100.0%	112.5%	125.0%	125.0%

Executives are also assessed on the achievement of individual performance objectives, which are weighted on specific key areas depending on the employee's role and the Company's business plan for the year. An individual's performance objectives are aligned with the strategic plan of the business and cascade down from the objectives of the MD/CEO. They include:

- Financial targets – EBITDA, utilisation, overheads;
- Customer satisfaction;
- Employee engagement – Staff satisfaction, attrition rates; and
- Quality of Earnings – Gross margin, project delivery, offshore delivery.

The metrics and STI outcomes in relation to the financial year are as follows:

	Metric	*Performance achieved*(1)	*Target short term incentive*	*STI Paid or payable for FY2012*
Neil Wilson (MD/CEO)	Business Plan Objectives	Non-financial objectives achieved	$200,000 (16% of fixed remuneration)	Nil
Karen Lowe (Executive GM, Organisational Capability)	Business Plan Objectives	Non-financial objectives achieved	$87,500 (25% of fixed remuneration)	Nil
John Phillips (CFO)	Business Plan Objectives	Non-financial objectives achieved	$95,806 (29% of fixed remuneration)	Nil

(1) For FY2012, the Company's financial performance was less than the level required to generate a short term incentive pool. Individuals may have achieved their individual objectives however no STI will be paid.

Directors' Report continued

Long-term incentives ("LTI")

Carefully designed, performance-linked, equity plans are widely considered to be very effective in providing long-term incentives to staff while aligning incentive outcomes with the interests of shareholders. They are also recognised as being an effective means of attracting and retaining staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the company on a performance tensioned 'at risk' basis.

The Board engaged PricewaterhouseCoopers to provide a comprehensive review of possible LTI plans that could be established. The review identified that an LTI plan giving the Company the flexibility to grant Options, Performance Rights and/or Share Appreciation Rights (Awards) was most appropriate, and the Shareholders' approved the implementation of this new LTI plan at the annual general meeting held on 5 October 2011.

The Board believes that the grant of Awards under the Plan to eligible participants will underpin the Company's employment strategy, and will:

- maximise the retention of members of the management team and other key operational staff;
- enable the Company to attract quality staff in the future;
- link the reward of key staff with the achievements of strategic goals and the long term performance objectives of the Company; and
- provide incentives to participants of the Plan to focus on superior performance that creates Shareholder value.

During the financial year, LTI grants were made to the MD/CEO and other KMP. Performance Rights were determined to be the most appropriate vehicle as it is one of the most prevalent equity instruments currently used by listed companies. Performance Rights are also simple in nature and are easily understood by employees as well as by Shareholders. By issuing Performance Rights, employees are better able to perceive the value obtained from Performance Rights (ie. conversion of one right equates to one share in the Company), resulting in better alignment with shareholders' interests.

Relative Total Shareholder Return ('TSR') and absolute Diluted Earnings per Share ('EPS') have been chosen as appropriate performance measures for the MD/CEO and are both commonly used by companies in the ASX100. Further, the use of both a relative and absolute measure ensures that the Company focuses on external and internal performance. Vesting of Performance Rights granted to other KMP is subject to a 3-year service condition to assist in the retention strategy of these key individuals.

The MD/CEO's grant of Performance Rights will vest 50% based on relative TSR performance, and 50% based on absolute EPS performance.

Relative TSR measures the return received by Shareholders from holding shares in the company over the two-year performance period and rewards the MD/CEO where the Company outperforms its peers. For the 2012 grant, performance is assessed against the performance of companies in the ASX300 (excluding financial services, infrastructure funds and mining/property/manufacturing companies).

Absolute EPS measures the portion of a company's profit allocated to each outstanding ordinary share and serves as an indicator of a company's profitability. It is a well-accepted measure of financial performance, is highly visible in the financial statements and its measurement is prescribed by the Accounting Standards. An absolute EPS measure (as opposed to a relative EPS measure) takes into account factors that are unique to a company that other comparator companies may not share. Finding comparator companies that are similar enough to Oakton to make a relative comparison would prove impractical.

The details of the share performance rights issued to the MD/CEO during the year are:

Percentage of grant subject to each vesting criteria	*Performance period*[1]	*Vesting criteria*	*Performance outcome*	*Vesting outcome*
50%	2 years	Relative Total Shareholder Return Performance[2]	<50th percentile	Nil
			50th percentile	50%
			50th to 75th percentiles	50% to 100% (linear)
			>75th percentile	100%
50%	2 years	Compound Annual Diluted Earnings per Share growth[3]	<10%	Nil
			10%	50%
			10% to 15%	50% to 100% (linear)
			>15%	100%

1 As a consequence of no existing long term incentive for the MD/CEO at the time of the grant, the initial grant was subject to a 2 year performance testing period and a 3 year service vesting condition. All subsequent grants, for which shareholder approval will be sought, will have a 3 year performance period.

2 Relative TSR measures the return received by Shareholders from holding shares in the company over the two-year performance period and rewards the MD/CEO where the Company outperforms its peers. For the 2012 grant, performance will be assessed against the performance of companies in the ASX300 (excluding financial services, infrastructure funds and mining/property/manufacturing companies).

3 Absolute EPS measures the portion of a company's profit allocated to each outstanding ordinary share and serves as an indicator of a company's profitability. An absolute EPS measure (as opposed to a relative EPS measure) takes into account factors that are unique to a company that other comparator companies may not share.

4 On termination of employment unvested Performance Rights will automatically be forfeited and lapse, subject to any determination by the Board in its sole and absolute discretion.

Note that irrespective of relative TSR and absolute EPS performance achieved for the performance period, no Performance Rights will vest if the MD/CEO does not remain employed with the group at the third anniversary of the grant date.

Service contracts

The executive directors and key management personnel are employed under a contract detailing their remuneration, service period and non-competition clauses. All executive directors and key management personnel are employed on a continuing basis, the terms of which are not expected to change in the immediate future. The contracts have notice periods which range up to six months to allow appropriate transition. Contracts can be terminated by Oakton at will in cases of severe misconduct or breach of contract.

Contract Terms	*Duration*	*Notice Period*	*Termination Payments*
Paul Holyoake (Executive Chairman)	Ongoing	6 months	Payment in lieu if notice period not worked
Neil Wilson (MD/CEO)	Ongoing	6 months	Payment in lieu if notice period not worked
Karen Lowe (Executive GM, Organisational Capability)	Ongoing	6 months	Payment in lieu if notice period not worked
John Phillips (CFO)	Ongoing	3 months	Payment in lieu if notice period not worked

d) Use of remuneration consultants

Remuneration recommendations relating to the Chief Executive Officer

The Remuneration and Nomination Committee approved the engagement of Ernst & Young to provide remuneration recommendations as defined in section 9B of the *Corporations Act 2001* regarding the remuneration of the Chief Executive Officer.

The following arrangements were made to ensure that the remuneration recommendations made by Ernst & Young were free from undue influence:

- Ernst & Young was engaged by, and reported directly to, the chair of the Remuneration and Nomination Committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration and Nomination Committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations was provided by Ernst & Young directly to the chair of the Remuneration and Nomination Committee; and
- Ernst & Young was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, Ernst & Young was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

Both Ernst & Young and the Committee are satisfied the remuneration recommendations received from Ernst & Young are free from the undue influence of the KMP to whom the remuneration recommendations relates. The remuneration recommendations were provided to Oakton as an input into decision making only. The Oakton Remuneration and Nominations Committee considered the recommendation along with other factors in making its remuneration decisions. The fees paid to Ernst & Young for the above remuneration recommendations were $14,300. Other services provided by Ernst & Young were taxation compliance services and the fees for these services were $53,165.

Remuneration recommendations relating to the Long-term Incentive Plan

The Remuneration and Nomination Committee approved the engagement of PricewaterhouseCoopers to provide recommendations regarding the selection of a long-term incentive (LTI) plan for the MD/CEO.

The following arrangements were made to ensure that the above remuneration recommendations made by PwC were free from undue influence:

- PwC was engaged by, and reported directly to, the chair of the Remuneration and Nominations Committee. The agreement for the provision of remuneration consulting services was executed by the chair of the Remuneration and Nominations Committee under delegated authority on behalf of the board.
- The report containing the remuneration recommendations was provided by PwC directly to the chair of the Remuneration and Nominations Committee; and
- PwC was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives. However, PwC was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, both PricewaterhouseCoopers and the Committee are satisfied the advice received from PricewaterhouseCoopers is free from undue influence from any KMP to whom the LTI recommendations apply. The LTI recommendations were provided to Oakton as an input into decision making only. The Oakton Board considered the LTI recommendation along with other factors in making its decisions.

The fees paid to PricewaterhouseCoopers for the LTI recommendations were $89,500. No other services were provided by PricewaterhouseCoopers during the financial year.

Directors' Report continued

e) Link between performance and remuneration outcomes

The remuneration framework detailed above has been tailored with the objective of attracting and retaining the highest calibre staff who contribute to the success of Oakton, while maintaining alignment between Company performance and individual rewards. The remuneration policies seek a balance between the interests of stakeholders (customers, shareholders and staff) and competitive market remuneration levels.

Performance measure	*2012*	*2011*	*2010*	*2009*	*2008*
Net profit (change from prior year) (%)	(9.7)	(35.2)	41.9	(48.4)	34.6
Dividends paid (fully franked) (cents)	10.5	7.5	4.0	12.8	21.3
Diluted earnings per share (cents)	12.6	14.0	21.8	15.9	31.1
Total Shareholder return	(44.7%)	(9.8%)	14.0%	(29.8%)	(38.9%)
STI paid to KMP	$–	$–	$315,000	$20,000	$150,000

Note that no STI will be paid to executives in FY2012. Further, the Company has redesigned the LTI plan, and although no vesting has occurred under the new plan as yet, the link between TSR performance and vesting of awards further enhances the link between performance and reward.

f) Non-executive director remuneration framework

The aggregate remuneration paid to non-executive directors is capped at $300,000 and was approved by shareholders in 2000. The Remuneration and Nominations Committee is responsible for making recommendations to the Board on the remuneration applicable to non-executive directors. Non-executive directors' remuneration may reflect the additional tasks that they may undertake from time to time. There are no termination benefits for non-executive directors appointed since listing in June 2000. The termination benefit for non-executive directors appointed before listing is based on numbers of years' service and average remuneration in the prior three years, capped at six times annual emoluments.

Non-executive directors do not receive any performance-based remuneration.

Effective from 1 July 2012 committee fees will be paid to non-executive directors who chair a committee. No committee fees were paid during the current financial year. The Chairman of the Board is not eligible for committee fees.

Superannuation contributions made by the Company meet the minimum level of superannuation contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

g) Details of remuneration

Directors' remuneration

The following tables show details of the remuneration received by the directors of the Board for the current and previous financial year:

				Short term	Post-employment		Long-term employee benefits		Total
2012	Salary fees	Cash bonus	Non-monetary	Other short-term benefits[1]	Super	Termination benefits	Share performance rights[2]	Other long-term employee benefits[3]	
Paul Holyoake	475,000	–	–	–	50,000	–	–	8,739	533,739
Neil Wilson	700,000	–	–	(3,538)	50,000	–	–	12,484	758,946
Chris Gillies	64,404	–	–	–	5,796	–	–	–	70,200
Gordon Hughes	60,000	–	–	–	–	–	–	–	60,000
Anthony Larkin	55,046	–	–	–	4,954	–	–	–	60,000
	1,354,450	–	–	(3,538)	110,750	–	–	21,223	1,482,885
2011									
Paul Holyoake	475,000	–	–	(1,974)	50,000	–	–	8,715	531,741
Neil Wilson	725,000	–	–	2,927	25,000	–	68,583	12,450	833,960
Chris Gillies	64,404	–	–	–	5,796	–	–	–	70,200
Gordon Hughes	60,000	–	–	–	–	–	–	–	60,000
Anthony Larkin	55,046	–	–	–	4,954	–	–	–	60,000
Robert Kennedy[4]	112,372	–	–	(3,344)	9,727	117,844	2,336	(32,113)	206,822
	1,491,822	–	–	(2,391)	95,477	117,844	70,919	(10,948)	1,762,723

1 The economic entity provides salary continuance insurance for all staff including executive directors. The premium is calculated on a group basis and it is not possible to attribute a cost to any specific person. Other short-term benefits is the increase/(decrease) in annual leave accrual from the prior year.

2 In accordance with the remuneration policy described above, options and share performance rights granted as remuneration are subject to performance based and service vesting criteria. The percentage value of each person's remuneration that consists of options is shown on page 35. Options and share performance rights granted as remuneration are valued in accordance with AASB 2 Share-based payments. The inputs to the valuation model are detailed at Note 22. No options previously granted as remuneration have lapsed during the year.

3 Other long-term benefits relate to long service leave accrued/(paid out) during the year.

4 Robert Kennedy resigned as a director on 1 March 2011.

5 During the financial year Neil Wilson elected to be paid out 100 days of his accumulated annual leave entitlement. This leave had been provided for and expensed in prior years.

Directors' Report continued

Key management personnel remuneration

The following tables show details of the remuneration received by key management personnel for the current and previous financial year.

	Short term				Post-employment		Long-term employee benefits		Total
2012	Salary fees	Cash bonus	Non-monetary	Other short-term benefits[1]	Super	Termination benefits	Share based payments[2]	Other long-term employee benefits[3]	
John Phillips	338,331	–	–	(10,456)	16,975	–	11,723	5,498	362,071
Karen Lowe	293,269	–	–	(4,008)	50,000	–	19,399	5,826	364,486
	631,600	–	–	(14,464)	66,975	–	31,122	11,324	726,557
2011									
Michael Sneddon[7]	374,962	–	–	(18,817)	50,000	–	53,191	7,760	467,096
John Phillips	314,201	–	–	40,439	15,799	–	15,239	18,065	403,743
Karen Lowe[5]	210,408	–	–	12,195	36,000	–	12,287	4,393	275,283
Michael Miers[7]	241,801	–	–	10,846	33,199	–	2,537	8,499	296,882
Bruce Minahan[6]	174,246	–	–	585	21,781	–	9,030	7,970	213,612
	1,315,618	–	–	45,428	156,779	–	92,284	46,687	1,656,616

1 The economic entity provides salary continuance insurance for all staff including executive directors. The premium is calculated on a group basis and it is not possible to attribute a cost to any specific person. Other short-term benefits is the increase/(decrease) in annual leave accrual from the prior year.

2 In accordance with the remuneration policy described above, options and share performance rights granted as remuneration are subject to continuing service with the company. The percentage value of each person's remuneration that consists of options and share performance rights is shown on page 35. Options and share performance rights granted as remuneration are valued in accordance with AASB 2 Share-based payments. The Inputs to the valuation models are detailed at Note 22. 10,000 options previously granted as remuneration have lapsed during the year. Options and share performance rights are equity-settled share based transactions.

3 In prior years options were issued pursuant to the Oakton Limited Employee Share Option Plan (ESOP). The ESOP was replaced by the Oakton Limited Equity Incentive Plan as it was no longer deemed suitable in meeting Oakton's long term objectives. Options previously issued pursuant to ESOP may have been issued to all employees, including executive directors. The options were issued for $nil consideration and the exercise price was set relative to the prevailing market price of the underlying shares. The options could have been exercised at a maximum of one quarter in each year commencing 12 months after the date of issue and expire 5 years after issue.

4 Other long-term benefits relate to long service leave accrued during the year.

5 Karen Lowe commenced on 27 September 2010.

6 From 7 December 2010, Bruce Minahan's role changed and he was no longer classified as a KMP.

7 Michael Miers and Michael Sneddon are no longer classified as KMPs due to a restructuring of roles within the executive management team.

Commentary on short term incentives and share-based payments

No short term incentives will be paid in relation to the 2012 financial year as the threshold Company financial targets were not met.

During the financial year, the Company identified a small number of staff who were deemed to be critical to the future success of the Company. Performance Rights were issued to these staff members with a service vesting condition of three years, supporting the retention strategy for these individuals.

Details of share performance rights issued, with service vesting conditions, to key management personnel are disclosed below. No options were granted to any KMP during the financial year.

Additionally, as approved by shareholders at the 2011 Annual General Meeting, 300,000 share performance rights were issued to Neil Wilson, MD/CEO. These performance rights are subject to the performance vesting conditions which are set out on page 28.

Share Based Compensation: Granted and vested during the year

Terms and conditions for each grant

2012	Type	Vested number	Granted Number	Grant date	Value per unit at grant date	Exercise Price	Expiry date	First exercise date	Last Exercise date
Directors									
Paul Holyoake	–	–	–	–	–	–	–	–	–
Neil Wilson	Performance Rights	Nil	300,000	05/10/2011	$1.00	Nil	05/10/2015	30/06/2014	05/10/2015
Chris Gillies	–	–	–	–	–	–	–	–	–
Gordon Hughes	–	–	–	–	–	–	–	–	–
Anthony Larkin	–	–	–	–	–	–	–	–	–
Key Management Personnel									
John Phillips	Performance Rights	Nil	27,750	31/01/2012	$1.05	–	31/01/2016	31/01/2015	31/01/2016
Karen Lowe	Performance Rights	Nil	32,750	31/01/2012	$1.05	–	31/01/2016	31/01/2015	31/01/2016
		–	360,500						

Terms and conditions for each grant

2011	Type	Vested number	Granted Number	Grant date	Value per unit at grant date	Exercise Price	Expiry date	First exercise date	Last Exercise date
Directors									
Paul Holyoake	–	–	–	–	–	–	–	–	–
Neil Wilson	–	–	–	–	–	–	–	–	–
Chris Gillies	–	–	–	–	–	–	–	–	–
Gordon Hughes	–	–	–	–	–	–	–	–	–
Anthony Larkin	–	–	–	–	–	–	–	–	–
Key Management Personnel									
Michael Sneddon	Options	70,000	70,000	23/07/2010 to 19/08/2010	$0.957 to $1.754	$2.00 to $3.39	19/08/2013 to 10/08/2015	19/08/2010 to 10/08/2011	19/08/2013 to 10/08/2015
John Phillips	Options	25,000	25,000	23/07/2010	$1.111 to $1.231	$2.00	23/07/2015	23/07/2011	23/07/2015
Karen Lowe	Options	50,000	50,000	01/12/2010	$0.757 to $0.891	$2.25	01/12/2015	01/12/2011	01/12/2015
Michael Miers	–	–	–	–	–	–	–	–	–
		145,000	145,000						

Directors' Report continued

Share based instruments granted as remuneration that have been granted, exercised or lapsed during the financial year

2012	*Type*	*1 July 2011*	*Value Granted $*	*Value Exercised $*	*Value Lapsed $*	*30 June 2012*
Directors						
Paul Holyoake	–	–	–	–	–	–
Neil Wilson	–	–	300,000	–	–	300,000
Chris Gillies	–	–	–	–	–	–
Gordon Hughes	–	–	–	–	–	–
Anthony Larkin	–	–	–	–	–	–
Key Management Personnel						
Karen Lowe	Options	42,288	–	–	–	42,288
	Performance Rights	–	34,388	–	–	34,388
John Phillips	Options	44,448	–	–	(14,660)	29,788
	Performance Rights	–	29,138	–	–	29,138
		86,736	363,526	–	(14,660)	435,602

2011	*Type*	*1 July 2010*	*Value Granted $*	*Value Exercised $*	*Value Lapsed $*	*30 June 2011*
Directors						
Paul Holyoake	–	–	–	–	–	–
Neil Wilson	Options	564,000	–	(564,000)	–	–
Chris Gillies	–	–	–	–	–	–
Gordon Hughes	–	–	–	–	–	–
Anthony Larkin	–	–	–	–	–	–
Key Management Personnel						
Karen Lowe	Options	–	42,288	–	–	42,288
John Phillips	Options	14,660	29,788	–	–	44,448
Michael Sneddon	Options	75,935	87,090	(3,355)	(7,600)	152,070
Michael Miers	Options	39,719	–	–	–	39,719
		694,314	159,166	(567,355)	(7,600)	278,525

Remuneration as share based instruments and share based instruments with no performance criteria

The percentage of each key management personnel's (including directors') remuneration which comprises share based instruments is shown in the table below. Where key management personnel have been granted instruments which do not relate to a performance criteria (other than continuity of service), this is also detailed below.

2012	*% of remuneration related to performance criteria*	*% of remuneration from share based instruments*	*Shared based instruments not related to performance*
Directors			
Paul Holyoake	–	–	–
Neil Wilson	–	–	–
Chris Gillies	–	–	–
Gordon Hughes	–	–	–
Anthony Larkin	–	–	–
Key Management Personnel			
John Phillips	–	3.24%	27,750 Performance rights
Karen Lowe	–	5.32%	32,750 Performance rights

2011	*% of remuneration related to performance criteria*	*% of remuneration from share based instruments*	*Shared based instruments not related to performance*
Directors			
Paul Holyoake	–	–	–
Neil Wilson	–	8.22%	–
Chris Gillies	–	–	–
Gordon Hughes	–	–	–
Anthony Larkin	–	–	
Robert Kennedy	3.76%	1.13%	–
Key Management Personnel			
John Phillips	–	3.77%	–
Karen Lowe	–	4.46%	50,000 options on commencement with Oakton
Michael Miers	–	0.85%	–
Bruce Minahan	–	4.23%	–
Michael Sneddon	–	11.39%	–

Directors' Report continued

Directors' and key management personnel Equity holdings

(a) Number of share based instruments held by directors and key management personnel (consolidated)

2012	*Type*	*Balance 01/07/2011*	*Granted as remuneration*	*Exercised*	*Net change other*	*Balance 30/06/2012*	*Total vested 30/06/2012*	*Total exercisable 30/06/2012*	*Total unexercisable 30/06/2012*
Directors									
Paul Holyoake	–	–	–	–	–	–	–	–	–
Neil Wilson	Performance rights	–	300,000	–	–	300,000	–	–	300,000
Chris Gillies	–	–	–	–	–	–	–	–	–
Gordon Hughes	–	–	–	–	–	–	–	–	–
Anthony Larkin	–	–	–	–	–	–	–	–	–
Key Management Personnel									
John Phillips	Performance Rights	–	27,750	–	–	27,750	–	–	27,750
	Options	35,000	–	–	(10,000)[1]	25,000	25,000	6,250	18,750
Karen Lowe	Performance Rights	–	32,750	–	–	32,750	–	–	32,750
	Options	50,000	–	–	(50,000)[2]	–	–	–	–
Michael Sneddon	Options	115,000	–	–	(115,000)[3]	–	–	–	–
Michael Miers	Options	35,000	–	–	(35,000)[3]	–	–	–	–
		235,000	360,500	–	(210,000)	385,500	25,000	6,250	379,250

1 Expired options
2 Surrendered options
3 Michael Miers and Michael Sneddon are no longer classified as KMPs due to a restructuring of roles within the executive management team.

Terms and conditions for each grant

2011	*Type*	*Balance 01/07/2010*	*Granted as remuneration*	*Exercised*	*Net change other*	*Balance 30/06/2011*	*Total vested 30/06/2011*	*Total exercisable 30/06/2011*	*Total unexercisable 30/06/2011*
Directors									
Paul Holyoake	–	–	–	–	–	–	–	–	
Neil Wilson	Options	1,500,000	–	(1,500,000)	–	–	–	–	–
Chris Gillies	–	–	–	–	–	–	–	–	
Gordon Hughes	–	–	–	–	–	–	–	–	–
Anthony Larkin									
Robert Kennedy	Options	10,000	–	–	(10,000)[1]	–	–	–	–
Key Management Personnel									
John Phillips	Options	10,000	25,000	–	–	35,000	35,000	7,500	27,500
Karen Lowe	Options	–	50,000	–	–	50,000	50,000	–	50,000
Michael Sneddon	Options	65,000	70,000	(10,000)	(10,000)[2]	115,000	115,000	38,750	76,250
Bruce Minahan	Options	515,000	–	(125,000)	(390,000)[3]	–	–	–	–
Michael Miers	Options	35,000	–	–	–	35,000	35,000	30,000	5,000
		2,135,000	145,000	(1,635,000)	(410,000)	235,000	235,000	76,250	158,750

1 Robert Kennedy resigned as a director on 1 March 2011.
2 Expired Options.
3 From 7 December 2010, Bruce Minahan's role changed and he was no longer classified as a KMP.

(b) Number of shares held by directors and key management personnel:

2012	*Balance 01/07/2011*	*Granted as remuneration*	*Option Exercised*	*Net change other*	*Balance 30/06/2012*	*Indirectly held share included in balance*
Directors						
Paul Holyoake	8,000,000	–	–	–	8,000,000	8,000,000
Neil Wilson	2,200,000	–	–	–	2,200,000	5,000
Chris Gillies	26,000	–	–	–	26,000	26,000
Gordon Hughes	–	–	–	–	–	–
Anthony Larkin	–	–	–	–	–	–
Key Management Personnel						
John Phillips	662,587	–	–	–	662,587	551,914
Karen Lowe	–	–	–	–	–	–
Michael Sneddon	10,000	–	–	(10,000)[1]	–	–
Michael Miers	50,000	–	–	(50,000)[1]	–	–
	10,948,587	–	–	(60,000)	10,888,587	8,582,914

1 Michael Miers and Michael Sneddon are no longer classified as KMPs due to a restructuring of roles within the executive management team.

2011	*Balance 01/07/2010*	*Granted as remuneration*	*Option Exercised*	*Net change other*	*Balance 30/06/2011*	*Indirectly held share included in balance*
Directors						
Paul Holyoake	8,000,000	–	–	–	8,000,000	8,000,000
Neil Wilson	2,700,000	–	1,500,000	(2,000,000)	2,200,000	5,000
Chris Gillies	26,000	–	–	–	26,000	26,000
Gordon Hughes	–	–	–	–	–	–
Anthony Larkin						
Robert Kennedy	1,143,825	–	–	(1,143,825)[1]	–	–
Key Management Personnel						
John Phillips	665,587	–	–	(3,000)[2]	662,587	551,914
Karen Lowe	–	–	–	–	–	–
Michael Sneddon	–	–	10,000	–	10,000	–
Bruce Minahan	271,269	–	125,000	(396,269)[3]	–	–
Michael Miers	82,000	–	–	(32,000)[2]	50,000	50,000
	12,888,681	–	1,635,000	(3,575,094)	10,948,587	8,632,914

1 Robert Kennedy resigned as a director on 1 March 2011.
2 Sales made on market in the ordinary course of trading.
3 From 7 December 2010, Bruce Minahan's role changed and he was no longer classified as a KMP.

This is the end of the audited remuneration report.

Signed in accordance with a resolution of the directors.

Paul Holyoake
Executive Chairman

Neil Wilson
Managing Director

Melbourne, 14 August 2012

Auditor's Independence Declaration

PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 255 196

To the Directors of Oakton Limited

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

S Schonberg
Partner

14 August 2012

Pitcher Partners
Melbourne

Consolidated Statement of Comprehensive Income

Oakton Limited and its controlled entities

For the year ended 30 June 2012

		Consolidated Entity	
	Notes	2012 $'000	2011 $'000
Revenue			
Revenue from services	4	**171,223**	181,262
Other revenue	4	**1,217**	6,397
		172,440	187,659
Less: Expenses			
Administration	6	**(1,471)**	(12,683)
Business development		**(648)**	(573)
Cost of third party software and disbursements		**(2,482)**	(3,059)
Finance costs	5	**(393)**	(1,269)
Human resources	5	**(144,445)**	(145,640)
Occupancy		**(2,586)**	(2,843)
Depreciation	5	**(2,993)**	(2,543)
Technology		**(1,769)**	(1,670)
		(156,787)	(170,280)
Profit before income tax		**15,653**	17,379
Income tax expense	7	**(3,816)**	(4,265)
Profit from continuing operations		**11,837**	13,114
Profit for the year		**11,837**	13,114
Other comprehensive income		**–**	–
Total comprehensive income for the year		**11,837**	13,114
Profit attributable to members of the parent		**11,837**	13,114
Total comprehensive income attributable to the members of the parent		**11,837**	13,114
Basic earnings per share for continuing operations (cents per share)	19	**12.6**	14.0
Diluted earnings per share for continuing operations (cents per share)	19	**12.6**	14.0

Consolidated Statement of Financial Position

Oakton Limited and its controlled entities
As at 30 June 2012

		Consolidated Entity	
	Notes	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	17(b)	**9,318**	1,024
Receivables	9	**35,134**	49,486
Total current assets		**44,452**	50,510
Non current assets			
Deferred tax assets	7	**2,082**	2,177
Property, plant and equipment	10	**9,367**	10,080
Intangible assets	11	**80,019**	80,019
Total non current assets		**91,468**	92,276
Total assets		**135,920**	142,786
Current liabilities			
Payables	12	**15,524**	18,678
Borrowings	13	**–**	–
Current tax payable		**2,044**	503
Provisions	14	**10,295**	10,522
Total current liabilities		**27,863**	29,703
Non current liabilities			
Borrowings	13	**–**	5,500
Provisions	14	**1,137**	967
Total non current liabilities		**1,137**	6,467
Total liabilities		**29,000**	36,170
Net assets		**106,920**	106,616
Equity			
Contributed capital	15	**52,439**	53,611
Reserves	16	**578**	1,538
Retained earnings	16	**53,903**	51,467
Total equity		**106,920**	106,616

Consolidated Statement of Changes in Equity

Oakton Limited and its controlled entities

For the year ended 30 June 2012

Consolidated Entity Year ended 30 June 2012	*Notes*	*Contributed capital $'000*	*Reserves $'000*	*Retained earnings $'000*	*Total $'000*
Balance at the beginning of the year		**53,611**	**1,538**	**51,467**	**106,616**
Profit for the year		**–**	**–**	**11,837**	**11,837**
Total comprehensive income for the year		**–**	**–**	**11,837**	**11,837**
Transactions with equity holders in their capacity as equity holders:					
Contributions	15(b)	**5**	**–**	**–**	**5**
Share buy-back	15(b)	**(1,178)**	**–**	**–**	**(1,178)**
Employee share scheme	16(a)	**1**	**(555)**	**448**	**(106)**
Foreign currency translation		**–**	**(405)**	**–**	**(405)**
Dividends paid	8	**–**	**–**	**(9,849)**	**(9,849)**
Total transactions with owners in their capacity as owners:		**(1,172)**	**(960)**	**(9,401)**	**(11,533)**
Balance at the end of the year		**52,439**	**578**	**53,903**	**106,920**

Consolidated Entity Year ended 30 June 2011	*Notes*	*Contributed capital $'000*	*Reserves $'000*	*Retained earnings $'000*	*Total $'000*
Balance at the beginning of the year		49,506	1,859	45,381	96,746
Profit for the year		–	–	13,114	13,114
Total comprehensive income for the year		–	–	13,114	13,114
Transactions with equity holders in their capacity as equity holders:					
Contributions	15(b)	3,448	–	–	3,448
Employee share scheme	16(a)	657	(321)	–	336
Dividends paid	8	–	–	(7,028)	(7,028)
Total transactions with owners in their capacity as owners:		4,105	(321)	(7,028)	(3,244)
Balance at the end of the year		53,611	1,538	51,467	106,616

Consolidated Statement of Cash Flows

Oakton Limited and its controlled entities
For the year ended 30 June 2012

	Notes	2012 $'000	2011 $'000
Cash flow from operating activities			
Receipts from customers		203,821	200,951
Payments to suppliers and employees		(174,880)	(181,110)
Interest received		188	233
Finance costs		(393)	(1,269)
Income tax paid		(2,165)	(5,745)
Net cash provided by operating activities	17(a)	26,571	13,060
Cash flow from investing activities			
Payment for property, plant and equipment		(2,280)	(4,905)
Net cash used in investing activities		(2,280)	(4,905)
Cash flow from financing activities			
Proceeds from share issue		5	3,448
Share Buy-back costs		(653)	–
Repayment of debt		(5,500)	(8,500)
Dividends paid	8	(9,849)	(7,028)
Net cash used by financing activities		(15,997)	(12,080)
Net (decrease)/increase in cash and cash equivalents		8,294	(3,925)
Cash and cash equivalents at beginning of year	17(b)	1,024	4,949
Cash and cash equivalents at end of the year	17(b)	9,318	1,024

Notes to the Financial Statements
Oakton Limited and its controlled entities
For the year ended 30 June 2012

1 Statement of significant accounting policies

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

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

The financial report covers Oakton Limited and controlled entities as a consolidated entity. Oakton Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the directors on 14 August 2012.

Compliance with IFRS

The consolidated financial statements of Oakton Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets, as described in the accounting policies.

Critical Accounting Estimates

The preparation of the financial report requires the use of certain estimates and judgements in applying the consolidated entity's accounting policies. These estimates and judgements significant to the financial report are disclosed at Note 2.

(b) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Oakton Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. Details of the controlled entities are contained in Note 24(a).

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is established. They are de-consolidated from the date that control ceases.

(c) Revenue recognition

Revenue from the provision of services to a customer is recognised upon performance of the service. Accrued revenue arising from recognised revenue is transferred to trade receivables when tax invoices are raised. Certain customers may be invoiced in advance of provision of services and this amount is recognised as a liability until the service is performed. Revenue from the sale of products is recognised when the product is delivered. Revenue from fixed price contracts is recognised by reference to the stage of completion. The stage of completion is determined using inputs from Oakton's professional project management methodology, including effort expended and cost to complete.

Interest revenue is recognised when it becomes receivable on a pro-rata basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint ventures are accounted for in accordance with the equity method.

Other revenue includes Research and Development ("R&D") concessions received or receivable in respect of eligible R&D as registered with AusIndustry. The R&D concession is brought to account when the eligible R&D has been quantified.

All revenue is stated net of the amount of goods and services tax (GST).

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(e) Plant and equipment

Cost and valuation

Plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

Software developed is capitalised and depreciated when it can be demonstrated that the asset is available for use. The cost of this asset comprises all directly attributable costs.

The carrying amount of plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the income statement.

Depreciation

The depreciable amounts of plant and equipment are depreciated on a straight-line basis or reducing balance method over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Notes to the Financial Statements continued

Oakton Limited and its controlled entities
For the year ended 30 June 2012

The useful lives for each class of assets are:

	2012	2011
Leasehold improvements	Up to 6 years	Up to 6 years
Software developed	Up to 5 years	Up to 5 years
Plant and equipment	2 to 6 years	2 to 6 years

(f) Leases

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

Operating leases

Lease payments for operating leases, are recognised as expenses on a straight line basis over the term of the lease.

(g) Intangibles

Goodwill

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the consolidated entity's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

(h) Impairment of assets

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(i) Income tax

Current income tax expense or revenue is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation

The parent entity and its Australian controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses for the consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(j) Provisions

Provisions are recognised when the consolidated entity 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.

(k) Employee benefits

Liabilities arising in respect of wages and salaries and annual leave and any other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Provision for long service leave is classified as current where the employee is entitled to be compensated for the leave within 12 months of them rendering the service and there is no unconditional right of deferral.

Defined contribution superannuation fund

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period as the employee services are received.

Share-based payments

The consolidated entity operates an employee equity incentive plan. The value of equity rights (Options, Performance Rights and Share Appreciation Rights) is recognised as an expense in the Income Statement in the period(s) when the benefit is earned.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the equity rights at grant date. The fair value of options at grant date is determined using a Black-Scholes option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the equity rights.

(l) Research and development

Research expenditure is recognised as an expense. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. Refer also Note 1(c)

(m) Borrowing costs

Borrowing cost can include interest, amortisation of discounts relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred.

(n) Financial instruments

Classification

The consolidated entity classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Non-derivative financial instruments

Non-derivative financial instruments consist of trade and other receivables, cash, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are initially recognised at fair value, plus directly attributable transaction costs (if any). After initial recognition, non-derivative financial instruments are measured as described below.

Loans and receivables

Loans and receivables are measured at fair value at inception. Outstanding balances are tested for impairment when overdue.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(o) Foreign currencies

Functional and presentation currency

The financial statements of each entity in the consolidated entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year.

(p) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(q) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(r) Rounding amounts

The consolidated entity is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(s) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have assessed the impact of those standards or interpretations and are satisfied that there will be no material impact on the financial statements.

2 Critical accounting estimates and judgements

Certain accounting estimates include assumptions concerning the future, which, by definition, will seldom represent actual results. Estimates and assumptions based on future events have a significant inherent risk, and where future events are not as anticipated there could be a material impact on the carrying value of the assets and liabilities discussed below:

(a) Impairment of goodwill

Goodwill is allocated to cash generating units (CGUs) according to applicable business operations. In the 2012 and 2011 financial years, Oakton had one CGU. The recoverable amount of a CGU is based on value-in-use calculations. These calculations are based on projected cash flows approved by management covering a period not exceeding five years. Management's determination of cash flow projections and gross margins are based on past performance and its expectation for the future. The present value of future cash flows has been calculated using a discount rate of 12.75% (2011: 12.75%) and a growth rate of 4.0% (2011: 7.5%) per annum to determine value-in-use.

(b) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Employee benefits

Calculation of long-term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

(d) Share based payments

Calculation of share based payments requires estimation of the timing of the exercise of the underlying equity instrument. The estimates are based on historical trends.

Notes to the Financial Statements continued

Oakton Limited and its controlled entities

For the year ended 30 June 2012

3 Financial risk management

The consolidated entity's financial instruments consist mainly of deposits and borrowings with banks and accounts receivable and payable. The main purpose of non-derivative financial instruments is to raise finance for group operations.

The key financial risks that the consolidated entity is exposed to are interest rate risk, liquidity risk and credit risk. The consolidated entity has no material exposure to currency risk or market price risk.

The consolidated entity manages its financial risk exposure in addition to the business risks managed and described in the Corporate Governance Statement detailed on pages 16 to 20. Financial risk is managed by the Chief Executive Officer and the Chief Financial Officer and routinely reported to the Board of Directors. The objective of the financial risk management policy is to support the delivery of the consolidated entity's financial and business targets.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The consolidated entity's exposure to market interest rates relates primarily to it's cash balances and debt obligations. The balance of cash is disclosed in note 17 and the level of debt is disclosed in note 13.

The group maintains a $20 million (2011: $20 million) facility comprising bank bill debt which is at a variable interest rate. The rate at year end was 4.49%. (2011: 7.18%).

Cash on deposit attracts a variable interest rate which was 3.6% (2011: 4.6%) at year end.

The Group constantly monitors its interest rate exposure with consideration given to hedging positions if considered necessary.

At 30 June 2012, if interest rates had changed by +/- one percentage point from the year end rates of 4.49% (2011: 7.18%) (with all other variables held constant) after-tax profits would have been $5,556 lower/higher (2011: $126,000).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated entity. The concentration of revenue with the Australian Government noted in Note 25(b) does not create material credit risk exposure. The percentage of receivables relating to Australian Government is 33.1% (2011: 20.3%) at balance date and the counterparty has a low risk of default.

The consolidated entity trades only with recognised, creditworthy third parties across a range of industries. All potential customers who trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an on-going basis and close relationships are maintained with customers. The result is that the exposure to bad debts is immaterial.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The consolidated entity is not currently exposed to any material fluctuations in foreign currencies.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The consolidated entity manages liquidity risk by forecasting and monitoring cash flows on a continuing basis. Its interest bearing facilities (refer note 17 (c)) of $20 million will be subject to review in June 2014. The facility is not subject to amortisation.

Refer note 17(c) for details of unused finance facilities at balance date.

Fair value

The fair value of financial assets and financial liabilities approximates their carrying amounts as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
4 Revenue			
Revenues from continuing operations			
Revenue from services	6	**171,223**	181,262
Other revenue			
Interest, other persons		**188**	233
Research and development concession		**1,029**	3,460
Tenix settlement	6	**–**	2,704
		172,440	187,659
5 Profit from continuing operations			
Profit from continuing operations before income tax has been determined after the following specific expenses:			
Depreciation of non current assets			
Leasehold improvements		**441**	845
Software developed		**1,194**	716
Plant and equipment		**1,358**	982
Total depreciation of non current assets		**2,993**	2,543
Human Resources expense			
Employee benefits		**117,077**	116,394
Expense of share-based payments	16	**(106)**	336
Other		**27,474**	28,910
Total Human Resources expense		**144,445**	145,640
Finance costs			
Bank bill facility		**393**	1,269
Total finance costs expense		**393**	1,269
Other			
Operating lease rentals		**2,105**	2,420
Total other expense		**2,105**	2,420
6 Significant items			
Profit from continuing operations before income tax has been determined after the inclusion of the following significant items:			
Resolution of the Tenix dispute			
As a result of the resolution of the Tenix dispute, additional amounts, proved as recoverable under the terms of the contract, have been brought to account in revenue from services.		**–**	3,800
As a result of the resolution of the Tenix dispute, recovery of costs have been recognised as other revenue		**–**	2,704
Costs relating to the defence of the Tenix dispute:			
(Recovered)/Direct legal costs		**(2,000)**	7,130
Other related costs		**–**	4,626
(including arbitration and court costs, expert witness and consulting fees, estimate of management and staff costs)			

Notes to the Financial Statements continued

Oakton Limited and its controlled entities
For the year ended 30 June 2012

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
7 Income tax		
(a) The components of tax expense:		
Current tax	**3,968**	3,458
Deferred tax	**95**	854
Overprovision in prior years	**(247)**	(47)
Total Income tax expense	**3,816**	4,265
(b) The prima facie tax, using tax rates applicable in the country of operation, on profit differs from the income tax provided in the financial statements as follows:		
Profit before tax from continuing operations	**15,653**	17,379
At the statutory income tax rate of 30% (2011: 30%)	**4,696**	5,213
Tax effect of amounts which are not deductible/(assessable) in calculating taxable income		
Under/(over) provision in prior years	**(247)**	(47)
Research and development concession	**(479)**	(1,038)
Share based payment	**(32)**	101
STPI concession (India)	**(162)**	(130)
Other	**40**	166
Income tax expense attributable to profit	**3,816**	4,265
(c) Deferred tax relates to the following:		
Deferred tax assets		
Employee benefits	**3,430**	3,447
Other	**4**	22
	3,434	3,469
Deferred tax liabilities		
Accrued revenue	**(40)**	(40)
Property, plant and equipment	**(1,312)**	(1,252)
	(1,352)	(1,292)
Net deferred tax assets	**2,082**	2,177
(d) Deferred tax assets not brought to account		
The benefits of deferred tax assets not brought to account will only be realised if the conditions met in Note 1(i) occur.		
Capital losses	**338**	338

	Notes	Consolidated Entity 2012 $'000	2011 $'000
8 Dividends on ordinary shares			
(a) Dividends paid during the year			
(i) Current year interim			
Franked dividends (5.5 cents per share) (2011: 3.5 cents per share)		**5,159**	3,283
(ii) Previous year final			
Franked dividends (5.0 cents per share) (2011: 5.0 cents per share)		**4,690**	3,745
		9,849	7,028
(b) Dividends proposed and not recognised as a liability			
Franked dividends (5.5 cents per share) (2011: 5.0 cents per share)		**5,045**	4,690
(c) Franking credit balance			
Balance of franking account on a tax paid basis at year end adjusted for franking credits arising from payment of provision for income tax and after franking debits arising from payment of proposed dividends:		**16,846**	20,043
9 Receivables			
Current			
Trade receivables		**28,027**	27,787
Less allowance for impairment loss	9(a)	**–**	–
		28,027	27,787
Accrued revenue		**2,562**	3,425
Other debtors and security deposits		**3,721**	17,386
Prepayments		**824**	888
		35,134	49,486
(a) Impaired trade receivables			
Trade receivables are non-interest bearing and generally on 30 to 60 day terms. As at 30 June 2012, current trade receivables with a nominal value of $nil (2011: $nil) are considered impaired.			
As at 30 June 2012, the following trade receivables were past due but not impaired. These amounts relate to a number of customers for which there is no history of default and with whom the business continues to work. The ageing analysis of these trade receivables is as follows:			
31 to 60 days		**8,320**	5,957
61 to 90 days		**1,146**	930
91 to 180 days		**379**	302
		9,845	7,189

(b) Impaired receivables – other classes of receivables

Included in other debtors for the prior year is an amount receivable from Tenix Solutions (IMES) Pty Ltd of $15 million (excluding GST) which is the settlement of a previous legal dispute.

The other classes of assets within receivables do not contain impaired assets and are not past due. These items are expected to be received when due.

(c) Other financial risks

There is no material exposure to foreign exchange risk in respect of receivables.

The carrying value of receivables is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of the receivables.

Notes to the Financial Statements continued

Oakton Limited and its controlled entities

For the year ended 30 June 2012

	Notes	Consolidated Entity 2012 $'000	2011 $'000
10 Property, plant and equipment			
Leasehold improvements			
At cost		**4,746**	4,743
Accumulated depreciation		**(3,057)**	(2,616)
	10(a)	**1,689**	2,127
Software developed			
At cost		**8,043**	6,708
Accumulated depreciation		**(2,939)**	(1,744)
	10(a)	**5,104**	4,964
Plant and equipment			
At cost		**9,638**	8,812
Accumulated depreciation		**(7,064)**	(5,823)
	10(a)	**2,574**	2,989
Total property, plant and equipment			
Total cost		**22,427**	20,263
Total accumulated depreciation		**(13,060)**	(10,183)
Total property, plant and equipment	10(a)	**9,367**	10,080

(a) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	2012 $'000	2011 $'000
Leasehold improvements		
Carrying amount at beginning	**2,127**	2,297
Additions	**3**	675
Depreciation expense	**(441)**	(845)
	1,689	2,127
Software developed		
Carrying amount at beginning	**4,964**	3,179
Capitalised effort	**1,334**	2,501
Depreciation expense	**(1,194)**	(716)
	5,104	4,964
Plant and equipment		
Carrying amount at beginning	**2,989**	2,242
Additions	**943**	1,729
Depreciation expense	**(1,358)**	(982)
	2,574	2,989
Total property, plant and equipment		
Carrying amount at beginning	**10,080**	7,718
Additions	**2,280**	4,905
Depreciation expense	**(2,993)**	(2,543)
	9,367	10,080

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
11 Intangibles			
Goodwill			
At cost		**80,019**	80,019
Accumulated impairment loss		**–**	–
Net carrying amount	11(a)	**80,019**	80,019
(a) Reconciliations			
Reconciliations of the carrying amounts of intangible assets at the beginning and end of the current financial year.			
Goodwill			
Carrying amount at beginning		**80,019**	80,019
Closing net book value		**80,019**	80,019

Impairment disclosures

There are no impairment losses in the current or prior period. Goodwill is allocated to cash generating units. In the 2011 and 2012 financial years Oakton had one cash generating unit. The recoverable value of goodwill is based on value in use. Value in use is based on the present value of projected cashflows over a five year period and discounted using a rate which reflects the current market assessment of the time value of money and risks specific to the cash generating unit.

No reasonable change in the key assumptions of the value in use calculations as disclosed in Note 2(a) would result in an impairment.

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
12 Payables		
Current		
Trade payables	**2,293**	4,123
GST payable	**2,834**	3,529
Payroll related amounts payable	**2,580**	4,622
Sundry creditors and accruals	**3,166**	4,142
Income in advance	**4,651**	2,262
	15,524	18,678
13 Borrowings		
Current		
Secured		
Bank bills	**–**	–
Non-current		
Secured		
Bank bills	**–**	5,500

(a) Assets pledged as security

The bank bills are secured by a fixed and floating charge over the assets of the consolidated entity.

(b) Interest rate risks

Information about interest rate risks is detailed in Note 3. Details of the review date of the facility are also detailed in Note 3.

In June 2011, the consolidated entity re-negotiated its borrowing facilities. The facility is no longer subject to amortisation. Refer to Note 17(c) for further details.

The bank bills were repaid in full in July 2011.

Notes to the Financial Statements continued

Oakton Limited and its controlled entities

For the year ended 30 June 2012

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
14 Provisions		
Current		
Employee benefits	**10,295**	10,522
Non-current		
Employee benefits	**1,137**	967
Aggregate employee benefits liability	**11,432**	11,489
15 Contributed capital		
(a) Issued and paid up capital		
92,721,874 (2011: 93,800,235) Ordinary shares fully paid	**52,439**	53,611
Fully paid ordinary shares carry one vote per share and carry the right to dividends.		
(b) Movements in ordinary share capital		
Balance at beginning of year	**53,611**	49,506
Options exercised	**5**	3,448
Transfer from options reserve	**1**	657
Share buy-back – cancellation of shares	**(1,178)**	–
End of the financial year	**52,439**	53,611
	Number	*Number*
(c) Movements in number of shares		
Balance at beginning of year	**93,800,235**	91,987,235
Options exercised	**10,000**	1,813,000
Share buy-back – cancellation of shares	**(1,088,361)**	–
End of the financial year	**92,721,874**	93,800,235

(d) Share rights and options

Employee Equity Incentive Plan

The Oakton Limited Equity Incentive Plan, approved by shareholders on 5 October 2011, was established to,

- maximise the retention of members of the management team and other key operational staff;
- enable the Company to attract quality staff in the future;
- link the reward of key staff with the achievements of strategic goals and the long term performance objectives of the Company; and
- provide incentives to participants of the Plan to focus on superior performance that creates Shareholder value.

The Employee Equity Incentive Plan replaced the pre-existing plan, the Employee Share Option Plan (ESOP), as that plan was deemed to be ineffective in meeting the Company's long term objectives. All employees, including executive directors, may be issued options, performance rights and/or share appreciation rights. The rights or options will be issued for $nil consideration. The options may be exercised at a maximum of one quarter in each year commencing 12 months after the date of issue and expire 5 years after issue. The rights may be exercised, subject to vesting conditions, 3 years after the date of issue and expire 4 years after issue. The options and rights issued, if converted to shares and the shares issued pursuant to such options during the 5 previous years, cannot exceed 5% of share capital.

Options and rights are personal to the employee. The options and rights are not listed on the ASX.

Summary of options on issue:

Issue date	*Expiry date*	*Exercise price*	*Opening 01/07/2011*	*Issued*	*Exercised*	*Lapsed*	*Closing 30/06/2012*
ESOP various	Various	0.52 to 6.41	2,065,774	–	(10,000)	(750,155)	1,305,619
Performance rights	Various	nil	–	476,250	–	–	476,250

15 Contributed capital continued

(e) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard the ability to continue as a going concern and to maintain a conservative capital structure to allow management to focus on the core business results and providing returns to shareholders.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the level of dividends paid to shareholders. For details of dividends, refer to Note 8. Further share buy-backs or share issues may also be considered.

Historically, the consolidated entity has used a mixture of debt and equity to fund acquisitions. Funding of future acquisitions will be evaluated at the time in order to optimise the capital structure.

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
16 Reserves and retained earnings			
Share-based payment reserve	16(a)	**983**	1,538
Foreign Currency Translation Reserve	16(b)	**(405)**	–
Retained earnings	16(c)	**53,903**	51,467
(a) Share-based payment reserve			
(i) Nature and purpose of reserve			
This reserve is used to record the value of equity benefit provided to employees and executive directors as part of their remuneration.			
(ii) Movements in reserve			
Balance at the beginning of year		**1,538**	1,859
Amount expensed during the year		**(106)**	336
Amount transferred to retained earnings		**(448)**	–
Amount transferred to issued capital		**(1)**	(657)
Balance at end of year		**983**	1,538
(b) Foreign Currency Translation Reserve			
(i) Nature and purpose of reserve			
This reserve is used to record the value of balance sheet fluctuations caused by movements in exchange rates.			
(ii) Movements in reserve			
Balance at the beginning of year		**–**	–
Amount recognised during the year		**(405)**	–
Balance at end of year		**(405)**	–
(c) Retained earnings			
Balance at the beginning of year		**51,467**	45,381
Net profit attributable to members of Oakton Limited		**11,837**	13,114
Total available for appropriation		**63,304**	58,495
Amount transferred from share-based payment reserve		**448**	–
Dividends paid		**(9,849)**	(7,028)
Balance at end of year		**53,903**	51,467

Notes to the Financial Statements continued

Oakton Limited and its controlled entities
For the year ended 30 June 2012

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
17 Cash flow information		
(a) Reconciliation of the net profit after tax to the net cash flows from operations:		
Net profit from ordinary activities after income tax	**11,837**	13,114
Non Cash Items		
Depreciation	**2,993**	2,543
Share based payments	**(106)**	336
Share buy-back payable reclassified as financing activity	**(525)**	–
Changes in assets and liabilities		
Decrease/(increase) in receivables	**14,352**	(2,618)
(Decrease)/increase in trade and other creditors	**(3,154)**	663
Increase/(decrease) in income tax payable	**1,541**	(2,339)
Decrease in deferred income tax asset	**95**	854
(Decrease)/increase in provisions	**(57)**	507
Decrease in Foreign Currency Translation Reserve	**(405)**	–
Net cash flow from operating activities	**26,571**	13,060
(b) Reconciliation of cash		
Cash balance comprises:		
Cash	**9,318**	1,024
(c) Credit standby arrangement and loan facilities		
Bank bill facility		
The consolidated entity has a bank bill facility of $20 million (2011: $20 million).		
The facility expires in June 2014 and is not subject to an amortisation schedule. Refer also to Note 3.		
Facility available at year end	**20,000**	14,500
18 Commitments and contingencies		
(a) Lease expenditure commitments		
(i) Operating leases (non cancellable):		
Minimum lease payments		
Not later than one year	**2,232**	2,032
Later than one year and not later than five years	**5,440**	4,957
Later than five years	**2,798**	3,243
Aggregate lease expenditure contracted for at reporting date	**10,470**	10,232
The economic entity leases a number of properties in Victoria, New South Wales, Australian Capital Territory, Queensland and Hyderabad, India. The property leases usually contain increases in lease payments based on market movements or CPI increases. The property leases usually contain an option for further periods.		
(b) Contingent liabilities		
(i) Bank guarantee and indemnity in relation to rental premises		
Maximum amount the bank may call	**632**	667

	2012 no of shares	2011 no of shares
19 Earnings per share		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Earnings used in calculating basic and diluted earnings per share are the same as net profit.		
Weighted average number of ordinary shares used in calculating basic earnings per share	**93,758,833**	93,405,461
Effect of dilutive securities:		
Share options	**194,937**	501,222
Performance Rights	**87,643**	–
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**94,041,413**	93,906,683
The number of potential ordinary shares which are not dilutive and are not included in the calculation of diluted EPS	**1,799,898**	2,002,653

Subsequent to balance date and to the date of this report, no further shares were issued as a result of the exercise of ESOP options or performance rights.

20 Directors' and executives' compensation and equity holdings

All disclosures relating to remuneration and equity holdings of key management personnel have been made in the Remuneration report on pages 35 to 37 of this Annual Report.

21 Loans to key management personnel (consolidated)

There were no loans to key management personnel at any time during the current or prior financial year.

22 Share based payments

Rights and Options are granted to executive directors, other key management personnel and other staff under the Oakton Limited Equity Incentive Plan or as approved by the Shareholders in General Meeting, as detailed in Note 15(d).

(a) Performance Rights

Performance Rights issued during the year were valued using the Black-Scholes option pricing model using the following inputs.

	2012	2011
Share price of Oakton	**$1.71**	–
Expected life of the rights	**3 years**	–
Expected share price volatility	**40.0%**	–
Risk free interest rate	**3.44%**	–
Expected dividends	**4.5% yield per annum**	–
Correlations and volatilities of peer group companies	**Ranking at grant date**	–

The volatility is determined based on the standard deviation of volume weighted prices over 36 months prior to the grant date.

(a) Options

There were no options issued during the year. In the previous period the options were valued using the Black-Scholes pricing model using the following inputs:

	2012	2011
Weighted average fair value of options granted during the year (at grant date)	–	$1.15
Weighted average exercise price	–	$2.54
Volume weighted average share price during the year	–	$2.52
Weighted average expected share volatility	–	64.9%
Weighted average risk free interest rate	–	4.40%
Expected dividends	–	Growing at 4 cents per annum
Option life	–	5 years

The volatility is determined based on the standard deviation of volume weighted prices over 24 months prior to the grant date. Historical volatility has been the basis for determining expected future share price volatility.

To enable the valuation of the options under the Oakton Employee Option Plan using the Black Scholes method, the probability of exercising options is estimated. The conditions of the grant allow that one quarter of the options become exercisable on the first, second, third and fourth anniversaries of the grant and the options expire after the fifth anniversary of the grant. The current estimates of probability indicate more people will exercise closer to the expiry date (rather than after the options become exercisable).

Notes to the Financial Statements continued

Oakton Limited and its controlled entities

For the year ended 30 June 2012

	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
23 Auditor's remuneration		
Amounts received or due and receivable by Pitcher Partners for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	**245**	234
Other non-audit services		
Corporate secretarial services	**6**	4
	251	238

24 Related party disclosures

(a) Entities in the consolidated entity

The consolidated financial statements include the financial statements of Oakton Limited and its controlled entities listed below:

	Country of incorporation	Percentage owned 2012	Percentage owned 2011
Parent Entity:			
Oakton Limited	Australia		
Subsidiaries of Oakton Limited:			
Oakton Services Pty Ltd	Australia	**100**	100
Charter Wilson and Associates Pty Ltd	Australia	**100**	100
Oakton Solutions Pty Ltd	Australia	**100**	100
mPower Systems Pty Ltd	Australia	**100**	100
Oakton IT Pty Ltd	Australia	**100**	100
Acumen Contracting and Recruitment Pty Ltd	Australia	**100**	100
Oakton Computing (NSW) Pty Ltd	Australia	**100**	100
Oakton Solutions MBS Pty Ltd	Australia	**100**	100
Subsidiaries of Oakton Services Pty Ltd:			
Oakton Global Technology Services Centre (India) Pvt Ltd	India	**100**	100
Oakton AA Services Pty Ltd	Australia	**100**	100

	Consolidated Entity	
	2012 $'000	***2011 $'000***

24 Related party disclosures continued

(b) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Transactions with key management personnel of Oakton and their personally-related entities

Transactions with key management personnel are at arms-length and in the ordinary course of business on normal trading terms.

The economic entity pays superannuation contributions to entities related to directors.

There is no additional cost to the company.

	2012 $'000	2011 $'000
The economic entity leases premises owned by Davkat Holdings Pty Ltd and Oakdon Holdings Pty Ltd (entities related to Paul Holyoake).		
Rent expense	**218**	192
The economic entity leases premises owned by Viridian Properties Pty Ltd (an entity related to Robert Kennedy).		
Rent expense	**–**	263
The economic entity used Surote Pty Ltd (an entity related to Chris Gillies) for Human Resources and Information Technology governance services		
Consultancy expense	**–**	11

No loans were advanced to or repaid by key management personnel and their personally-related entities.

Notes to the Financial Statements continued

Oakton Limited and its controlled entities
For the year ended 30 June 2012

25 Segment information

The consolidated entity's operations are predominantly in consulting services in the information technology industry. The consolidated entity operates predominantly within Australia.

(a) Entity wide disclosures

	Notes	Consolidated Entity 2012 $'000	Consolidated Entity 2011 $'000
Allocation of revenue to similar services groups			
Consulting services		**35,383**	36,725
Delivery services		**90,006**	105,459
Operational services		**45,834**	39,078
Total services revenue	4	**171,223**	181,262
Allocation of revenue to geographic areas			
Australia		**168,158**	178,340
Rest of the world		**3,065**	2,922
Total services revenue	4	**171,223**	181,262

There are no material holdings of non-current assets outside Australia.

(b) Major customers

The economic entity earned 33% of its revenue from services (2011: 29%) from all forms of Government. Of this amount, more than 10% of total revenue was from Federal Government. During the 2012 financial year, one other customer (2010: one) contributed more than 10% of revenue.

26 Economic dependency

As noted above, the economic entity earned 33% (2011: 29%) of revenue from Australian Government customers. The economic entity does not consider that this creates material economic dependency in an environment where individual operational and administrative areas of federal and state departments and agencies make independent assessments of requirements and selection of IT and business consultants.

The economic entity has no material dependency on any single supplier or employee.

27 Subsequent events

There has been no matter or circumstance, which has arisen since 30 June 2012 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2012, of the consolidated entity, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 30 June 2012, of the consolidated entity.

28 Cross guarantee

Oakton Limited, ("the Company") and Oakton Services Pty Ltd, Acumen Contracting and Recruitment Pty Ltd and Oakton AA Services Pty Ltd are parties to a deed of cross guarantee which commits the Company and its named subsidiaries to make payments in relation to debts owing to the group's bankers on behalf of each other.

29 Parent entity disclosures

As at, and throughout the financial year ended 30 June 2012, the parent company of the economic entity was Oakton Limited.

(a) Parent entity abridged financial statements

	Parent Entity	
	2012 $'000	***2011 $'000***
Summarised statement of comprehensive income		
Result of the parent entity		
Profit for the year after tax	**8,234**	8,204
Other comprehensive income	**–**	–
Total comprehensive income for the year	**8,234**	8,204
Summarised statement of financial position of the parent entity at year end		
Current assets	**69,207**	73,066
Non current assets	**213**	265
Total assets	**69,420**	73,331
Current liabilities	**1,301**	2,964
Total liabilities	**1,301**	2,964
Net assets	**68,119**	70,367
Total equity of the parent entity comprising:		
Share capital	**52,440**	53,611
Reserves	**982**	1,538
Retained earnings	**14,697**	15,218
Total equity	**68,119**	70,367

Directors' Declaration

Oakton Limited
ABN 50 007 028 711

1. The directors of the company declare that the financial statements and notes, as set out on pages 39 to 59 are in accordance with the *Corporations Act 2001*:
   a) Comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
   b) As stated in note 1, the consolidated financial statements also comply with International Reporting Standards; and
   c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2012 and its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that Oakton Limited will be able to pay its debts as and when they become due and payable.

The company and its wholly owned subsidiaries Oakton Services Pty Ltd, Acumen Contracting and Recruitment Pty Ltd and Oakton AA Services Pty Ltd, have entered into a deed of cross guarantee under which the company and its named subsidiaries guarantee the bank debts of each other. At the date of this declaration, there are reasonable grounds to believe the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2012.

This declaration is made in accordance with a resolution of the directors.

Paul Holyoake
Director

Neil Wilson
Director

Melbourne, 14 August 2012

Independent Auditor's Report to the Members of Oakton Limited

Oakton Limited and Controlled Entities

ABN 50 007 028 711

PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 255 196

Report on the Financial Report

We have audited the accompanying financial report of Oakton Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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*.

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the consolidated 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 25 to 37 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Oakton Limited and controlled entities for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

S Schonberg
Partner

14 August 2012

Pitcher Partners
Melbourne

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Melbourne | Sydney | Perth | Adelaide | Brisbane
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Shareholding Information

As at 6 August 2012

In accordance with Listing Rule 4.10 of the Australian Stock Exchange Limited, the Directors provide the following shareholding information which was applicable as at 6 August 2012.

Shareholding analysis

(a) Distribution of shareholding

Size of shareholding	*Number of shareholders*	*%*
1–1,000	951	0.59
1,001–5,000	1,412	4.54
5,001–10,000	595	5.16
10,001–100,000	578	16.12
100,001 and over	52	73.59
Total	3,588	100.00

(b) Substantial shareholders

The following are registered by the Company as substantial shareholders, having declared a relevant interest in the number of voting shares shown adjacent as at the date of giving the notice.

Shareholder	*Number*	*%*
National Australia Bank Limited	11,487,407	12.25
AMP Life Limited	8,211,491	8.75
Paul Holyoake	8,000,000	8.88
Aviva Investors Australia Ltd	6,453,047	6.88
BlackRock Investment Management (Australia) Limited	5,625,585	6.12
First Samuel	4,756,677	5.08
Challenger Limited	4,654,964	5.02

(c) Twenty largest shareholders

The names of the twenty largest shareholders are:

Name	*Number of shares held*	*Percentage of issued shares*
National Nominees Limited	13,880,334	15.13
JP Morgan Nominees Australia Limited	10,319,322	11.25
UBS Wealth Management	7,996,900	8.72
JP Morgan Nominees Australia Limited <Cash Income a/c>	6,050,787	6.60
AMP Life Limited	3,823,690	4.17
Cogent Nominees Pty Limited	2,622,282	2.86
Neil Wilson	2,200,000	2.40
Sandhurst Trustees Ltd <JMFG Consol a/c>	2,113,887	2.30
Argo Investments Limited	2,065,242	2.25
Cogent Nominees Pty Limited <SMP accounts>	1,825,214	1.99
HSBC Custody Nominees (Australia) Limited	1,371,596	1.50
Citicorp Nominees Pty Limited <Colonial First State inv a/c>	1,331,000	1.45
Citicorp Nominees Pty Ltd	1,091,386	1.19
Mr Mark Gregory Kerr + Mrs Linda Marie Kerr <Lindmark inv Staff s/f a/c>	950,713	1.04
Robert Thomas Kennedy <Kennedy Family a/c>	740,221	0.81
Bond Street Custodians Limited <Celeste Concentrated Fund>	697,000	0.76
M F Custodians Ltd	584,567	0.64
Bruce Minahan	521,269	0.57
MFPH Superannuation Management Pty Ltd <Candle Comp Services s/f a/c>	500,000	0.55
John Joseph Lewis <Lewis Family a/c>	436,994	0.48
Total	61,122,404	66.64

The twenty members holding the largest number of shares together held a total of 66.64% of the issued capital.

Shareholding analysis continued

(d) Issued Capital

The fully paid issued capital of the company consisted of 91,721,874 shares held by 3,588 shareholders.

Each share entitles the holder to one vote.

(e) On-Market Buy-Back

On 20 March 2012 the Company announced that it was undertaking an on-market share buy-back of up to a maximum number of 10% of the market capitalisation of the Company and intends to buy back shares in the period 3rd April 2012 to 2nd April 2013 (inclusive) or earlier if the maximum number of shares is bought back prior to that date. The Company reserves the right to suspend or terminate the share buy-back at any time.

(f) Company Secretary

The company secretary is Michael Miers.

(g) Registered office

The registered office of Oakton Limited is

Level 8, 271 Collins Street, Melbourne VIC 3000

(h) Other offices

The other offices are:

Head office
Level 8
271 Collins Street
Melbourne VIC 3000
Telephone + 61 3 9617 0200

Sydney
Level 3
65 Berry Street
North Sydney NSW 2060
Telephone +61 2 9923 9800

Canberra
45 Wentworth Avenue
Kingston ACT 2604
Telephone +61 2 6230 1997

Brisbane
Level 5
200 Mary Street
Brisbane QLD 4001
Telephone +61 7 3121 9266

Perth
Level 14
197 St Georges Terrace
Perth WA 6000
Telephone +61 8 6188 7680

Hyderabad
Krishe-e 8–2–293 Plot 499, Road 36
Jubilee Hills, 500033
Andhra Pradesh
Hyderabad, India
Telephone +90 40 3100 1362

Shareholding Information continued

Other information for shareholders

In accordance with Listing Rule 4.10 Australian Securities Exchange Limited (ASX), the Directors provide the following information not elsewhere disclosed in this report.

Internet access to information

Oakton maintains a comprehensive Investor Relations section on its website at www.oakton.com.au/corporate/investors/

Our website is the best place to find the latest investor information about Oakton and its high-value services.

You can also access comprehensive information about your security holdings at the Computershare Investor Centre at www.investorcentre.com

By registering with Computershare's free Investor Centre service you can enjoy direct access to a range of functions to manage your personal investment details. You can create and manage your own portfolio of investments, check your security holding details, display the current value of your holdings and amend your details online.

Changes to your shareholder details, such as a change of name or address, notification of your tax file number or payment instructions can be made by printing out the forms you need, completing them and sending the completed forms back to Computershare.

Share registry enquiries

Shareholders who wish to approach the Company on any matter related to their shareholding should contact the Computershare Investor Centre in Melbourne:

The Registrar
Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne Victoria 3001 Australia
Telephone +61 3 9415 4000 or 1300 850 505
Facsimile +61 3 9473 2500 or 1800 783 447
Electronic mail web.queries@computershare.com.au
Website www.investorcentre.com

Annual General Meeting

The 2012 Annual General Meeting of Oakton Limited will be held in its Melbourne offices located at:

Level 8, 271 Collins Street Melbourne, Victoria at 10:00am on Wednesday, 21 November 2012.

Formal notice of the meeting is enclosed with this report.

ASX listing

Oakton Limited shares are listed on the Australian Securities Exchange (ASX:OKN). The home exchange is Melbourne.

All shares are recorded on the principal share register of Oakton Limited, held by Computershare Investor Services Pty Limited at the following street address:

Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067 Australia