

Appendix 4D and interim financial report
Half-year ended 31 December 2013

Oakton Limited
ABN 50 007 028 711

INTERIM FINANCIAL REPORT - HALF-YEAR ENDED 31 DECEMBER 2013
provided to the ASX under listing rule 4.2A

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This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2013.

Directors' report

The directors' present their report together with the condensed financial report of the consolidated entity consisting of Oakton Limited and the entities it controlled, for the half-year ended 31 December 2013 and independent auditor's review report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Directors Names

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

<i>Name</i>	<i>Period of Directorship</i>
Paul Holyoake (Executive Chairman)	Since 12 July 1988
Neil Wilson (Managing Director & Chief Executive Officer)	Since 17 November 2000
Christina Gillies	Since 11 June 2003
Anthony Larkin	Since 2 September 2009
Martin Adams	Since 4 September 2012

Review of Operations

The consolidated profit of the group for the half-year after providing for income tax amounted to \$4.11 million.

Market conditions during the first half of the 2014 financial year again remained challenging across all industry sectors. In particular, there continues to be a large number of project deferrals and delays by clients in all sectors.

Outside of NSW and ACT (which again has been impacted by reduced Federal Government spend), operating performance has shown modest revenue growth. Reflecting this, production effort has grown again, by 6%, over the prior corresponding period (pcp). The long term investment in the off shore facility in Hyderabad is making a significant contribution to performance and strategic positioning, with its share of total production up to 25% (pcp 19%). In particular, the ability to meet reduced price expectations from customers has enabled the maintenance and improvement of market share in a number of sectors. Also of note is the Company's investment in the generation of non-person based revenue, including Oakton Solutions as a service and other "cloud" related service models. This investment has enabled an increase in revenue from these sources by 50% over the pcp.

The Company's strategic positioning is now generating larger projects with longer term annuity revenue streams. Reflecting this, the level of booked and committed revenue for the current financial year is ahead of last year's level, with sales in the first half up by 17% over the pcp. Cash flow performance has primarily been impacted by timing of milestone payments on some engagements. The transition to larger and longer projects will have some medium term impact on cash flow however it is expected to improve in the second half.

Current expectations are for continued growth in off shore effort and overall production for the year ending 30 June 2014, with second half earnings to be marginally up on both the pcp and the first half.

Continuing investment in the business is ensuring the service offer remains relevant to customers' evolving requirements. The Company's well established off shore capability, deep specialisation and project/managed service engagement approach is enabling a shift to a service integration business model. This is becoming increasingly important as many cloud based business and technology services emerge, requiring careful integration and operation.

The investment in the business over the last few years has established a platform for an on-going increase in market share which should accelerate under improved market conditions and with the new non-person based revenue streams which are not as linear as traditional headcount growth models.

Directors' report

Significant Changes in State of Affairs

There have been no changes in the consolidated group's state of affairs.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review of the half year is provided with this report.

Rounding of amounts to nearest thousand dollars

The company is an entity to which ASIC Class Order 98/0100 applies and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Dated at Melbourne on 18 February 2014

Signed in accordance with a resolution of the directors:



Paul Holyoake
Executive Chairman



Neil Wilson
Managing Director

Auditor's independence declaration



To the Directors of Oakton Limited

In relation to the independent auditor's review for the half-year ended 31 December 2013, to the best of my knowledge and belief there have been:

- i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- ii) No contraventions of any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'S Schonberg'.

S SCHONBERG
Partner
18 February 2014

A handwritten signature in black ink, appearing to be a stylized signature of a representative from Pitcher Partners.

PITCHER PARTNERS
Melbourne

Condensed consolidated statement of comprehensive income

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

	31 December 2013 \$'000	31 December 2012 \$'000
Revenue	81,075	83,870
Less:		
Expenses		
Administration	(1,915)	(1,926)
Business development	(206)	(257)
Cost of third party software and disbursements	(2,249)	(1,755)
Finance costs expense	(159)	(126)
Human resources	(67,162)	(69,827)
Occupancy	(1,700)	(1,537)
Depreciation and amortisation	(1,533)	(1,406)
Technology	<u>(830)</u>	<u>(890)</u>
	(75,754)	(77,724)
Profit before income tax expense	5,321	6,146
Income tax expense	<u>(1,207)</u>	<u>(1,599)</u>
Profit from continuing operations	<u>4,114</u>	<u>4,547</u>
Profit for the half year	4,114	4,547
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the half year	<u>4,114</u>	<u>4,547</u>
Profit attributable to members of the parent	<u>4,114</u>	<u>4,547</u>
Basic earnings per share for continuing operations (cents per share)	4.6c	5.0c
Diluted earnings per share for continuing operations (cents per share)	4.5c	4.9c

The accompanying notes form part of these financial statements

Condensed consolidated statement of financial position

Oakton Ltd and its controlled entities
As at 31 December 2013

	31 December 2013 \$'000	30 June 2013 \$'000
Current assets		
Cash and cash equivalents	281	6,947
Receivables	37,841	35,875
Current tax receivable	243	-
Total current assets	<u>38,365</u>	<u>42,822</u>
Non-Current assets		
Deferred tax assets	2,371	1,997
Property, plant and equipment	9,974	8,283
Intangible assets	80,019	80,019
Total non-current assets	<u>92,364</u>	<u>90,299</u>
Total assets	<u>130,729</u>	<u>133,121</u>
Current liabilities		
Payables	16,934	19,078
Current tax payable	-	41
Provisions	9,153	10,101
Total current liabilities	<u>26,087</u>	<u>29,220</u>
Non-current liabilities		
Provisions	1,235	706
Total non-current liabilities	<u>1,235</u>	<u>706</u>
Total liabilities	<u>27,322</u>	<u>29,926</u>
Net assets	<u>103,407</u>	<u>103,195</u>
Equity		
Contributed capital	49,031	48,858
Reserves	315	237
Retained earnings	54,061	54,100
Total equity	<u>103,407</u>	<u>103,195</u>

The accompanying notes form part of these financial statements

Condensed consolidated statement of changes in equity

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

	Contributed Capital \$'000	Reserves \$'000	Retained earnings \$'000	Total Equity \$'000
31 December 2013				
Balance at the beginning of the half-year	48,858	237	54,100	103,195
Profit for the half-year	-	-	4,114	4,114
Total comprehensive income for the half-year	-	-	4,114	4,114
Transactions with equity holders in their capacity as equity holders:				
Contributions	103	-	-	103
Employee share scheme	70	78	118	266
Dividends paid	-	-	(4,271)	(4,271)
Total transactions with equity holders in their capacity as equity holders:	173	78	(4,153)	(3,902)
Balance at the end of the half-year	49,031	315	54,061	103,407
31 December 2012				
Balance at the beginning of the half-year	52,439	578	53,903	106,920
Profit for the half-year	-	-	4,547	4,547
Total comprehensive income for the half-year	-	-	4,547	4,547
Transactions with equity holders in their capacity as equity holders:				
Share buy-back	(1,050)	-	-	(1,050)
Employee share scheme	-	(256)	287	31
Foreign currency translation	-	(10)	-	(10)
Dividends paid	-	-	(5,045)	(5,045)
Total transactions with equity holders in their capacity as equity holders:	(1,050)	(266)	(4,758)	(6,074)
Balance at the end of the half-year	51,389	312	53,692	105,393

The accompanying notes form part of these financial statements

Condensed consolidated statement of cash flows

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

	31 December 2013 \$'000	31 December 2012 \$'000
Cash Flow from Operating Activities		
Receipts from customers	86,786	94,879
Payments to suppliers and employees	(84,101)	(86,472)
Interest received	65	375
Finance costs	(159)	(126)
Income tax paid	<u>(1,865)</u>	<u>(3,118)</u>
Net cash provided by operating activities	<u>726</u>	<u>5,538</u>
Cash Flow from Investing Activities		
Payment for property, plant and equipment	<u>(3,224)</u>	<u>(663)</u>
Net cash used in investing activities	<u>(3,224)</u>	<u>(663)</u>
Cash Flow from Financing Activities		
Costs of share buy back	-	(1,050)
Share issues	103	-
Dividends paid	<u>(4,271)</u>	<u>(5,045)</u>
Net cash used in financing activities	<u>(4,168)</u>	<u>(6,095)</u>
Net decrease in cash and cash equivalents	(6,666)	(1,220)
Cash and cash equivalents at beginning of the half-year	<u>6,947</u>	<u>9,318</u>
Cash and cash equivalents at end of half-year	<u>281</u>	<u>8,098</u>

The accompanying notes form part of these financial statements

Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

1 Basis of preparation of the half-year financial report

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2013 and any public announcements made by Oakton Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year report was authorised for issue by the directors on 18 February 2014.

(a) Basis of preparation

This general purpose half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year 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.

(b) Summary of the significant accounting policies

Due to new or revised accounting standards which became operative for the annual reporting period commencing 1 January 2013, Oakton Limited has changed some of its accounting policies as described below.

(i) AASB 10 *Consolidated Financial Statements*

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and of all entities the parent control.

Under AASB 10, the group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The group has applied AASB 10 retrospectively in accordance with the transition provisions. The group has determined that AASB 10 has no impact on the composition of the consolidated group. Therefore, no adjustments to any of the carrying amounts are required.

(c) Principles of Consolidation

The condensed consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which Oakton Limited controlled from time to time during the half-year and at balance date. The financial statements of subsidiaries are prepared for

Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

the same reporting period as the parent entity, using consistent accounting policies. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(d) Rounding Amounts

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

Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

	31 December	31 December
	2013	2012
	\$'000	\$'000

2 Profit from continuing operations

Revenue

Rendering of services	79,508	82,910
Research and development concession	1,460	585
Interest received	107	375
TOTAL REVENUE	<u>81,075</u>	<u>83,870</u>

3 Dividends

2013 - Interim

Record Date	Payment Date	Type	Amount per share	Total Dividend ord. shares \$'000	Franked amount
01 March 2013	22 March 2013	Interim	4.75 cents	\$4,276	4.75 cents

2013- Final

Record Date	Payment Date	Type	Amount per share	Total Dividend ord. shares \$'000	Franked amount
30 August 2013	16 September 2013	Final	4.75 cents	\$4,271	4.75 cents

No dividend reinvestment plans are in operation

	31 December	31 December
	2013	2012
	\$'000	\$'000

In addition to the above dividend, since the end of the half-year, the directors have declared the payment of an interim dividend of 4.00 cents (31 December 2012 – 4.75 cents) per share, fully franked at 30%. The aggregate amount of the declared dividend is expected to be paid on 6 May 2014 but not recognised as a liability at balance date

<u>3,599</u>	<u>4,357</u>
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Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

4 Earnings per share

Earnings used in the calculation of basic and diluted EPS are the same as net profit.

	31 December 2013 Number	31 December 2012 Number
Weighted average number of ordinary shares used as the denominator in the calculation of basic EPS	89,902,348	91,730,093
Weighted average number of potential ordinary shares included in the denominator in the calculation of diluted EPS	1,125,283	679,067
Weighted average number of shares used as the denominator in the calculation of diluted EPS	91,027,631	92,409,160
The number of potential ordinary shares which are not dilutive and are not included in the calculation of diluted EPS	793,190	1,242,441
Shares issued after balance date until the date of this report (as a result of the exercise of options)	-	-

No options were issued after balance date to the date of this report. After balance date to the date of this report, 278,921 performance rights were issued under the Oakton Ltd Equity Incentive Plan to the Chief Executive Officer, Mr Neil Wilson. The issue of the rights was approved by the shareholders at the Annual General Meeting of the company which was held on 02 October 2013. The independent valuation of the performance rights is \$290,000 which will be expensed over the 3 year life of the rights.

5 Intangible assets

	31 December 2013 \$'000	30 June 2012 \$'000
Goodwill at cost	80,019	80,019
Accumulated impairment loss	-	-
Total intangible assets	<u>80,019</u>	<u>80,019</u>

Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

	31 December 2013 \$'000	30 June 2013 \$'000
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6 Contributed equity

Issued and Paid up Capital

89,968,985 (30.06.2013: 89,777,735) ordinary shares fully paid	<u>49,031</u>	<u>48,858</u>
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Movements in ordinary share capital

Balance at beginning of year	48,858	52,439
Options exercised	103	65
Transfer from option reserve	70	23
Share buy-back – cancellation of shares	-	(3,669)
Total at balance date	<u>49,031</u>	<u>48,858</u>

	Number	Number
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Movements in number of shares

Balance at beginning of year	89,777,735	92,721,874
Options exercised	191,250	125,000
Share buy-back – cancellation of shares	-	(3,069,139)
Total at balance date	<u>89,968,985</u>	<u>89,777,735</u>

Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2013

7 Retained Earnings

	31 December 2013 \$'000	31 December 2012 \$'000
Retained earnings at the beginning of the half-year	54,100	53,903
Net profit attributable to members of the Oakton Limited	4,114	4,547
Employee share scheme	118	287
Dividends paid	<u>(4,271)</u>	<u>(5,045)</u>
Retained earnings at the end of the half-year	<u>54,061</u>	<u>53,692</u>

8 Contingencies

Estimates of the maximum amounts of contingent liabilities that may become payable:

<i>a</i> Bank guarantee and indemnity	31 December 2013 \$'000	30 June 2013 \$'000
In relation to rental premises		
Maximum amount which the bank may call	<u>956</u>	<u>1,209</u>

9 Segment reporting

The entity operates in one reportable segment providing services in the information technology industry in Australia.

10 Subsequent events

There have been no significant events subsequent to balance date that require disclosure in the half-year report.

Directors' Declaration

The directors declare that the financial statements and notes in the form of Appendix 4D of the Australian Stock Exchange Listing Rules as set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*:

- a Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements, and
- b Give a true and fair view of the financial position of the consolidated entity as at 31 December 2013 and of its performance for the half-year ended on that date.

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.

Dated at Melbourne on 18 February 2014

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



Paul Holyoake
Executive Chairman



Neil Wilson
Managing Director

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Oakton Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, 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 period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Oakton Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



S SCHONBERG
Partner

18 February 2014



PITCHER PARTNERS
Melbourne