

Appendix 4D and interim financial report
Half-year ended 31 December 2011

Oakton Limited
ABN 50 007 028 711

INTERIM FINANCIAL REPORT - HALF-YEAR ENDED 31 DECEMBER 2011
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 2011.

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 2011 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)	Director since 12 July 1988
Neil Wilson (Managing Director & Chief Executive Officer)	Director since 17 November 2000
Gordon Hughes	Director since 7 April 2000
Christina Gillies	Director since 11 June 2003
Anthony Larkin	Director since 2 September 2009

Review of Operations

The consolidated profit of the group for the half-year after providing for income tax amounted to \$6.87 million.

As indicated at our Annual General Meeting in October, market conditions were softening, and as the first half progressed conditions further deteriorated as the impacts of international economic pressures were felt domestically. These pressures have led to a large number of project deferrals and delays by clients which have materially impacted our trading performance in most locations. As market conditions continued to soften, the company decided to hold staff levels (net of attrition) in anticipation that a number of projects on delay would recommence in the second half. We were also able to offset the cost of this retention by an unexpected insurance recovery on previously incurred legal costs associated with the Tenix legal dispute.

The level of booked and committed revenue is now at a level that is in line with last year. Pleasingly, the performance of the Victorian operation has progressively improved in the half and this location's key metrics are now at acceptable levels in the context of current market conditions. Other locations have experienced a challenging six months with market conditions soft in NSW, ACT and QLD. Opportunities for Oakton solutions in the Federal Government IT sector continue to improve, however decision timeframes have become elongated and our performance in the ACT largely reflects this. We expect the normal cycle of increased demand leading up to the end of the financial year to enable this location to improve its performance in the second half. We remain confident that our investment in the ACT and our positioning will enable us to acquire market share and increase revenue.

Overall, we remain satisfied that the strategic direction taken by Oakton over the last few years to become a project/outcome based specialist consulting and I.T. services company, delivering growth through depth and specialisation continues to gain traction. Consistent with this strategy our Hyderabad (India) office continues to provide access to skills at a lower cost than is otherwise available domestically. During the half over \$40 million of work was retained and/or won where the ability to off shore components of these projects was critical to our success. We see our business model becoming increasingly relevant given the current volatility of the market and the continuing drive from our clients to get "more for less" from a range of specialist providers rather than the large "do everything" global players.

Directors' report

Review of Operations (continued)

Our cash flow has enabled us to again increase our dividend. Subject to other capital initiatives, the current payout ratio should be sustainable.

Significant Changes in State of Affairs

During the half year no ordinary shares have been issued (2010: 1,687,000) raising \$nil (2010: \$3.4 million). There have been no other 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 14 February 2012

Signed in accordance with a resolution of the directors:



Paul Holyoake
Executive Chairman



Neil Wilson
Managing Director

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Auditor's independence declaration



TO THE DIRECTORS OF OAKTON LIMITED

In relation to the independent auditor's review report for the half-year ended 31 December 2011, 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.

S SCHONBERG
Partner
14 February 2012

PITCHER PARTNERS
Melbourne

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Condensed consolidated statement of comprehensive income

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2011

	31 December 2011 \$'000	31 December 2010 \$'000
Revenue	85,403	92,037
Less:		
Expenses		
Administration	490	(2,918)
Business development	(477)	(184)
Cost of third party software and disbursements	(1,381)	(1,777)
Employee benefits	(71,510)	(73,635)
Occupancy	(1,189)	(1,490)
Depreciation and amortisation	(1,457)	(941)
Technology	(871)	(816)
Finance costs expense	(282)	(492)
	<u>(76,677)</u>	<u>(82,253)</u>
Profit before income tax expense	8,726	9,784
Income tax expense	<u>(1,856)</u>	<u>(2,516)</u>
Profit from continuing operations	<u>6,870</u>	<u>7,268</u>
Profit for the half year	6,870	7,268
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the half year	<u>6,870</u>	<u>7,268</u>
Profit attributable to members of the parent	<u>6,870</u>	<u>7,268</u>
Basic earnings per share for continuing operations (cents per share)	7.3c	7.8c
Diluted earnings per share for continuing operations (cents per share)	7.3c	7.8c

The accompanying notes form part of these financial statements

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Condensed consolidated statement of financial position

Oakton Ltd and its controlled entities
As at 31 December 2011

	31 December 2011 \$'000	30 June 2011 \$'000
Current assets		
Cash and cash equivalents	5,158	1,024
Receivables	35,665	49,486
Total current assets	<u>40,823</u>	<u>50,510</u>
Non-Current assets		
Property, plant and equipment	10,657	10,080
Intangible assets	80,019	80,019
Deferred tax assets	2,120	2,177
Total non-current assets	<u>92,796</u>	<u>92,276</u>
Total assets	<u>133,619</u>	<u>142,786</u>
Current liabilities		
Payables	12,378	18,678
Current tax payable	1,168	503
Provisions	10,191	10,522
Total current liabilities	<u>23,737</u>	<u>29,703</u>
Non-current liabilities		
Borrowings	-	5,500
Provisions	1,232	967
Total non-current liabilities	<u>1,232</u>	<u>6,467</u>
Total liabilities	<u>24,969</u>	<u>36,170</u>
Net assets	<u>108,650</u>	<u>106,616</u>
Equity		
Contributed equity	53,611	53,611
Reserves	1,391	1,538
Retained earnings	53,648	51,467
Total equity	<u>108,650</u>	<u>106,616</u>

The accompanying notes form part of these financial statements

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Condensed consolidated statement of changes in equity

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2011

	Contributed Equity \$'000	Reserves \$'000	Retained earnings \$'000	Total Equity \$'000
31 December 2011				
Balance at the beginning of the half-year	53,611	1,538	51,467	106,616
Profit for the half-year	-	-	6,870	6,870
Total comprehensive income for the half-year	-	-	6,870	6,870
Transactions with owners in their capacity as owners:				
Employee share scheme	-	(147)	-	(147)
Dividends paid	-	-	(4,689)	(4,689)
Total transactions with owners in their capacity as owners:	-	-	(4,689)	(4,836)
Balance at the end of the half-year	53,611	1,391	53,648	108,650
31 December 2010				
Balance at the beginning of the half-year	49,506	1,859	45,381	96,746
Profit for the half-year	-	-	7,268	7,268
Total comprehensive income for the half-year	-	-	7,268	7,268
Transactions with owners in their capacity as owners:				
Contributions	3,396	-	-	3,396
Employee share scheme	635	(384)	-	251
Cost of share issues	(15)	-	-	(15)
Dividends paid	-	-	(3,745)	(3,745)
Total transactions with owners in their capacity as owners:	4,016	(384)	(3,745)	(113)
Balance at the end of the half-year	53,522	1,475	48,904	103,901

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Condensed consolidated statement of cash flows

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2011

	31 December 2011 \$'000	31 December 2010 \$'000
Cash Flow from Operating Activities		
Receipts from customers	109,338	102,331
Payments to suppliers and employees	(91,696)	(93,466)
Interest received	94	60
Finance costs	(282)	(492)
Income tax paid	<u>(1,134)</u>	<u>(2,925)</u>
Net cash provided by operating activities	<u>16,320</u>	<u>5,508</u>
Cash Flow from Investing Activities		
Payment for property, plant and equipment	<u>(1,997)</u>	<u>(2,042)</u>
Net cash used in investing activities	<u>(1,997)</u>	<u>(2,042)</u>
Cash Flow from Financing Activities		
Proceeds from share issue	-	3,396
Costs of share issue	-	(15)
Repayment of borrowings	(5,500)	(1,500)
Dividends paid	<u>(4,689)</u>	<u>(3,745)</u>
Net cash used in financing activities	<u>(10,189)</u>	<u>(1,864)</u>
Net increase in cash and cash equivalents	4,134	1,602
Cash and cash equivalents at beginning of the half-year	<u>1,024</u>	<u>4,949</u>
Cash and cash equivalents at end of half-year	<u>5,158</u>	<u>6,551</u>

The accompanying notes form part of these financial statements

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Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2011

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 2011 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 14 February 2012.

(a) Basis of preparation of the half-year financial report

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

The half-year consolidated financial report has been prepared using the same accounting policies as used in the annual financial report for the year ended 30 June 2011 and the corresponding half-year.

(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 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.

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Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2011

	31 December 2011 \$'000	31 December 2010 \$'000
2 Profit from continuing operations		
Revenue		
Rendering of services	83,736	90,292
Research and development concession	1,573	1,685
Interest received	94	60
TOTAL REVENUE	<u>85,403</u>	<u>92,037</u>
Administration expenses		
Costs of administration	2,010	2,918
Reimbursement of legal fees ⁽¹⁾	<u>(2,500)</u>	-
TOTAL ADMINISTRATION EXPENSES	<u>(490)</u>	<u>2,918</u>

⁽¹⁾ Reimbursement of legal fees, previously expensed in the prior year in relation to the Tenix matter, as a result of an insurance claim

3 Dividends

Dividends paid in the half-year by Oakton Limited

2011

Record Date	Payment Date	Type	Amount per share	Total Dividend ord. shares \$'000	Franked amount
<u>17 September 2011</u>	<u>30 September 2011</u>	<u>Final</u>	<u>5.0 cents</u>	<u>\$4,689</u>	<u>5.0 cents</u>

2010

Record Date	Payment Date	Type	Amount per share	Total Dividend ord. shares \$'000	Franked amount
<u>17 September 2010</u>	<u>30 September 2010</u>	<u>Final</u>	<u>4.0 cents</u>	<u>\$3,745</u>	<u>4.0 cents</u>

No dividend reinvestment plans are in operation

	31 December 2011 \$'000	31 December 2010 \$'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 5.5cents (31.12.2010 – 3.5 cents) per share, fully franked at 30%. The aggregate amount of the declared dividend is expected to be paid on 27 April 2012 but not recognised as a liability at balance date	<u>5,159</u>	<u>3,279</u>

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Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2011

4 Earnings per share

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

	31 December 2011 Number	31 December 2010 Number
Weighted average number of ordinary shares used as the denominator in the calculation of basic EPS	93,800,235	93,081,993
Weighted average number of potential ordinary shares included in the denominator in the calculation of diluted EPS	240,526	649,603
Weighted average number of shares used as the denominator in the calculation of diluted EPS	94,040,761	93,731,596
The number of potential ordinary shares which are not dilutive and are not included in the calculation of diluted EPS	1,633,448	2,077,344
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, 300,000 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 5 October 2011. The independent valuation of the performance rights is \$280,200 which will be expensed over the 3 year life of the rights.

5 Intangible assets

	31 December 2011 \$'000	30 June 2010 \$'000
Goodwill at cost	80,019	80,019
Accumulated impairment loss	-	-
Total intangible assets	<u>80,019</u>	<u>80,019</u>

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Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2011

	31 December 2011 \$'000	30 June 2011 \$'000
6 Contributed equity		
Issued and Paid up Capital		
93,800,235 (30.06.2011: 93,800,235) ordinary shares fully paid	<u>53,611</u>	<u>53,611</u>
<i>Movements in ordinary share capital</i>		
Balance at beginning of year	53,611	49,506
Options exercised	-	3,448
Transfer from option reserve	-	657
Total at balance date	<u>53,611</u>	<u>53,611</u>
	Number	Number
<i>Movements in number of shares</i>		
Balance at beginning of year	93,800,235	91,987,235
Options exercised	-	1,813,000
Total at balance date	<u>93,800,235</u>	<u>93,800,235</u>
	\$'000	\$'000
Reserves		
Share-based payment reserve	<u>1,391</u>	<u>1,538</u>

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Notes to the financial statements

Oakton Ltd and its controlled entities
For the half-year ended 31 December 2011

7 Retained Earnings

	31 December 2011 \$'000	31 December 2010 \$'000
Retained earnings at the beginning of the half-year	51,467	45,381
Net profit attributable to members of the Oakton Limited	6,870	7,268
Dividends paid	<u>(4,689)</u>	<u>(3,745)</u>
Retained earnings at the end of the half-year	<u>53,648</u>	<u>48,904</u>

8 Contingencies

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

a	31 December 2011 \$'000	30 June 2011 \$'000
Bank guarantee and indemnity		
In relation to rental premises		
Maximum amount which the bank may call	<u>667</u>	<u>667</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.

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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 14 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 2011 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 14 February 2012

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



Paul Holyoake
Executive Chairman



Neil Wilson
Managing Director

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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 2011, 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 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 2011 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.

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Independent auditor's review report to the members of Oakton Limited



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 Oakton Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of their 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
14 February 2012

PITCHER PARTNERS
Melbourne

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