

30 August 2013

PRELIMINARY FINAL REPORT YEAR ENDED 30 JUNE 2013



- **Group revenue \$114 million**
- **EBITDA \$10.9 million**
- **Results from operating activities (EBIT) \$7.7 million, up 6.3%**
- **Strong operating cash flow of \$7.9 million**
- **Net profit after tax \$5.2 million**

OTOC Limited (ASX code: OTC) is pleased to report record group profit from operating activities (EBIT) of \$7.7 million for the year ended 30 June 2013.

This record result was achieved despite a general slowdown in the mining infrastructure market and demonstrates OTOC's success in two strategic focus areas: business diversification and improved financial management.

A key focus for the group has been the introduction of improved internal processes and management systems to better monitor costs and create a best practice environment for our workforce. These improvements have had a positive impact on OTOC's earnings, as shown by an increase in the EBIT margin from 4.8% in FY2012 to 6.7% in FY2013. We are confident these improvements will continue to have a positive impact on group profits.

Diversifying group revenue and order book has been a strategic priority for OTOC, in order to combat a structural shift in demand in the mining infrastructure market. We are pleased to report significant changes to the earnings mix of OTOC during FY2013 including:

- Entry into the government construction sector via the award of the Nauru Processing Centre contract. This contract will have a material impact on OTOC earnings in FY2014 and positions OTOC for further government-sponsored construction work as well as other offshore engagements;
- Creation of two new divisions within the Company; Facilities and Remote Communications, providing additional high-margin, recurring income streams; and
- Expansion of Whelans via continued investment in regional service offerings and aerial mapping projects. Whelans recorded FY2013 revenue of \$29.2 million (up 47%) and EBIT of \$2.9 million (up 73%).

OTOC reported a significant improvement in operating cashflow in FY2013 (FY2013: \$7.9 million, FY2012: \$0.9 million), enabling the Company to reduce its debt position and provide a strong working capital position going forward.

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OTOC's CEO, Mr Adam Lamond said: "OTOC group is pleased to report strong financial performance despite the market downturn in resources. This growth in earnings is a direct result of the Company's focus on cost management and strategies to diversify our revenue base. OTOC goes into FY2014 in the strongest position in our history, with a solid, diversified order book, a pipeline of material opportunities and balance sheet to support our growth profile".

About OTOC

OTOC Limited is a leading provider of infrastructure services through its wholly owned operations OTOC Australia and Whelans.

OTOC Australia provides infrastructure solutions in remote areas to Government, mining and oil and gas sectors, including construction, communications and facilities. OTOC Australia has a successful track record of delivering infrastructure solutions for blue-chip clients including BHP Iron Ore, BHP Petroleum, Rio Tinto, FMG, Roy Hill and the Australian Government.

Whelans specialises in surveying, town planning and Aerial Mapping and provides services to mining and infrastructure projects, construction, land subdivision and all aspects of development. Whelans has 160 professional staff operating from offices in Perth, Karratha, Broome, Kununurra and Kalgoorlie.

www.otoclimited.com.au

For further information please contact

Adam Lamond
CEO, OTOC Limited
Tel (08) 9317 0628

Brian Mangano
CFO, OTOC Limited
Tel (08) 9317 0633

Lisa Wynne
Company Secretary
Tel (08) 9476 4500

OTOC Limited
ACN 122 958 178
Level 12, 3 Hasler Road
Osborne Park WA 6107

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PRELIMINARY FINAL REPORT

YEAR ENDED 30 JUNE 2013

Results for announcement to the market

A summary of the overall results for the year ended 30 June 2013.

OTOC Limited

				\$000
Revenue from ordinary activities	down	25%	to	113,934
Profit from operating activities	up	6%	to	7,697
Profit from ordinary activities after tax attributable to members	down	17%	to	4,572
Net profit for the period attributable to members	down	17%	to	4,572
Earnings per share (basic)	down	43%	to	2.4 cents
NTA Backing		30 June 2013	30 June 2012	
Net tangible asset backing per ordinary security		\$0.11	\$0.08	

Control gained or lost over entities in the financial period

On 5 September 2012 the completion of sale of the operations of Emerson Stewart Pty Ltd was announced. OTOC received approximately \$1 million as consideration for the sale.

Dividends declared

No dividends were declared or paid during the period by OTOC Limited.

Dividends or distribution reinvestment plan

OTOC Limited does not currently operate a dividend reinvestment plan.

Preliminary financial report

This report is based on figures from current internal management accounts and subject to finalisation of the full year accounts and external audit which is underway. This preliminary final report is based on accounts that are not audited.

Net Assets and Cash Position

OTOC has strengthened its working capital position and repaid \$3.0 million in borrowings during the year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$000	\$000
Revenue	113,934	152,177
Expenses	(106,237)	(144,934)
Results from operating activities	7,697	7,243
Finance income	-	3,443
Finance costs	(1,120)	(1,645)
Net finance income/(costs)	(1,120)	1,798
Profit before income tax	6,577	9,041
Income tax expense	(1,369)	(2,828)
Net profit after tax	5,208	6,213
Loss from discontinued operation	(636)	(678)
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year	4,572	5,535
Earnings per share		
Basic earnings per share - cents per share	2.4	4.2
Diluted earnings per share - cents per share	2.4	3.4

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	2013	2012
	\$000	\$000
Cash and cash equivalents	3,926	3,962
Investments	402	-
Trade and other receivables	17,808	13,429
Work in progress	17,091	25,226
Other current assets	1,382	630
Assets held for resale	-	887
Total current assets	40,609	44,134
Non-current assets		
Plant and equipment	14,604	10,418
Investments	80	80
Other non-current assets	-	116
Intangible assets	933	1,052
Total non-current assets	15,617	11,666
Total assets	56,226	55,800
Current liabilities		
Trade and other payables	19,766	22,711
Financial Liability	-	4,600
Loans and borrowings	4,045	6,522
Employee benefits	2,304	3,454
Liabilities held for sale	-	183
Total current liabilities	26,115	37,470
Non-current liabilities		
Loans and borrowings	4,679	3,429
Deferred tax liability	3,238	1,811
Employee benefits	187	255
Total non-current liabilities	8,104	5,495
Total liabilities	34,219	42,965
Net assets	22,007	12,835
Equity		
Share capital	9,188	4,588
Retained earnings	12,819	8,247
Total equity	22,007	12,835

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the Group			
	Share	Retained	Other	Total
	Capital	Earnings	Reserves	Equity
	\$000	\$000	\$000	\$000
Balance at 1 July 2012	4,588	8,247	-	12,835
Total comprehensive income for the year				
Profit after tax	-	4,572	-	4,572
Total comprehensive income for the year	-	4,572	-	4,572
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Performance share issue	4,600	-	-	4,600
Total contributions by and distributions to owners	4,600	-	-	4,600
Total transactions with owners	4,600	-	-	4,600
Balance at 30 June 2013	9,188	12,819	-	22,007

	Attributable to equity holders of the Group			
	Share	Retained	Other	Total
	Capital	Earnings	Reserves	Equity
	\$000	\$000	\$000	\$000
Balance at 1 July 2011	1,975	3,580	-	5,555
Total comprehensive income for the year				
Profit after tax	-	5,535	-	5,535
Total comprehensive income for the year	-	5,535	-	5,535
Transactions with owners, recorded directly in equity				
Contributions by and distributions to owners				
Equity issued net of transaction costs	1,316	-	-	1,316
Dividends declared	-	(950)	-	(950)
Adjustment on reverse acquisition	1,297	82	-	1,379
Total contributions by and distributions to owners	2,613	(868)	-	1,745
Total transactions with owners	2,613	(868)	-	1,745
Balance at 30 June 2012	4,588	8,247	-	12,835

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$000	\$000
Cash flow from operating activities		
Receipts from customers	127,952	155,014
Payments to suppliers and employees	(119,017)	(148,043)
Income tax refund/(paid)	58	(4,481)
Interest paid	(1,120)	(1,645)
Interest received	-	43
Net cash from operating activities	<u>7,873</u>	<u>888</u>
Cash Flows from investing activities		
Proceeds from sale of property, plant and equipment	323	499
Purchase of property, plant and equipment	(7,573)	(5,609)
Discontinued operation	970	-
Purchase of Investment	(402)	-
Cash acquired on acquisition of subsidiary	-	6,808
Acquisition of subsidiary	-	(5,280)
Net cash used in investing activities	<u>(6,682)</u>	<u>(3,582)</u>
Cash flow from financing activities		
Loans from related parties	(1,381)	2,739
Repayment of borrowings	(1,686)	(2,226)
Proceeds from borrowings	1,840	4,049
Net cash used in financing activities	<u>(1,227)</u>	<u>4,562</u>
Net (decrease)/increase in cash and cash equivalents	<u>(36)</u>	<u>1,868</u>
Cash and cash equivalents at beginning of year	3,962	2,094
Cash and cash equivalents at end of year	<u><u>3,926</u></u>	<u><u>3,962</u></u>

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 30 June 2013

Note 1: Statement of significant accounting policies

This preliminary financial report has been prepared in accordance with Australian Securities Exchange Listing rules as they relate to Appendix 4E and in accordance with the measurement requirements of Australian Accounting Standards and Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. As such, this preliminary financial report does not include all the notes of the type included in the annual financial report and accordingly, should be read in conjunction with the Interim Financial Report for the six months ended 31 December 2012, and with any public announcements made by OTOC Limited during the reporting period in accordance with the disclosure requirements of the Corporations Act 2001.

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the Directors' Report and financial statements. Amounts have been rounded off to the nearest thousand dollars in accordance with that Class Order.

The accounting policies have been consistently applied to all years presented.

This preliminary final report is based on accounts that are not audited.

Note 2: Earnings per share

	2013	2012
Earnings used to calculate basic EPS - \$000	4,572	5,535
Weighted average number of ordinary shares outstanding during the period used in calculating basic EPS	193,062,512	132,221,158
Basic earnings per share - cents per share	2.4	4.2
Weighted average number of ordinary shares outstanding during the period used in calculating Diluted EPS	193,062,512	162,029,377
Diluted earnings per share - cents per share	2.4	3.4

Note 3: Segment Note

The Group has three reportable segments being managed separately by the service provided. Internal management reports on the performance of these reportable segments are reviewed monthly by the Chief Executive Officer. The following summary describes the operations in each of the Group's reportable segments:

OTOC Australia ("OTOC") – provides infrastructure and facilities to the resources, government and Oil and Gas sectors.

Whelans Australia ("Whelans") – provides surveying, mapping and town planning services throughout Western Australian.

The Emerson Stewart Consulting Operations were sold during the year.

Information regarding the results of each reportable segment is detailed below. Comparative segment information has been presented in conformity with the requirement of AASB 8 Operating Segments.

	OTOC		Whelans		Corporate		Discontinued Operations		Total	
	2013 \$000's	2012 \$000's	2013 \$000's	2012 \$000's	2013 \$000's	2012 \$000's	2013 \$000's	2012 \$000's	2013 \$000's	2012 \$000's
External revenues	84,755	133,460	29,179	19,841	-	-	1,070	5,317	115,004	158,618
Inter-segment revenues	-	-	822	1,124	-	-	-	-	822	1,124
Depreciation and amortisation	1,913	1,346	1,336	836	-	-	-	202	3,249	2,384
Reportable segment profit before finance costs and income taxes	6,519	6,751	2,894	1,669	(1,716)	(1,177)	(578)	(548)	7,119	6,695
Reportable segment assets	38,368	38,359	17,589	14,876	269	230	-	2,335	56,226	55,800
Reportable segment liabilities	22,876	28,706	10,331	5,407	1,012	7,969	-	883	34,219	42,965