
# Objective

# ANNUAL REPORT 2018

#OUTSTANDINGSOFTWARE




# #outstanding software

**At Objective, the overriding goal of everything we do and everything we strive for is to deliver outstanding software.**

From our software engineers to recruiters, our business analysts to technical support consultants, from our project managers to product managers, we keep this philosophy front of mind, in everything we do.

**We continually ask ourselves, is this outstanding?**

Outstanding software is not just a robust application, or a secure architecture, or a sleek user interface. Outstanding software must deliver outstanding results for our customers. Outstanding software must deliver outstanding results to their customers.

We work hard to foster a culture of innovation, collaboration and respect – contemporary workspaces, agile development processes, regular hackathons, company-wide events, customer user groups and conferences – and we like to have a little fun along the way – inspiring good ideas, great design, excellent execution and outstanding software.

# Highlights

### REVENUE

**$63M** ↑1%

62% RECURRING

### ANNUAL RECURRING REVENUE

**$40.5M** ↑17%

$34.4M AT 30 JUNE 2017

### EBITDA

**$10.5M** ↑1%

FY2017 $10.5M

### RESEARCH & DEVELOPMENT

**$13.1M** ↑2%

21% OF REVENUE

### EARNINGS PER SHARE

**8.0CPS** ↓10%

$7.4M NPAT

### CASH

**$21.5M** ↑28%

$16.9M AT 30 JUNE 2017

### DIVIDEND

**5.0CPS**

100% FRANKED

## Our Mission

# Bringing governance and efficiency to the organisations our community depends on.

# Outstanding Customer Results

Middlesbrough
moving forward

LOCATION
Middlesbrough, England

## Digital transformation for the benefit of the entire community

Long-term Objective customer, Middlesbrough Council has implemented all Objective products, laying a foundation of governance throughout their operations and importantly creating efficiencies that truly impact the lives of the council's citizens.

Middlesbrough Council, the Cleveland Police and other child protection agencies work together on care planning for vulnerable children and youths. In the unfortunate cases where children go missing, time is critical. This multi-agency group relies on Objective Connect to securely share information, enabling the parties to react in real time and collaborate efficiently until the child's safe return.

In FY18, Middlesbrough Council's contract for Objective ECM was renewed for an additional three years, including an upgrade to version 10.4, to deliver the latest user experience throughout the 2500 person enterprise. With Objective Perform, Middlesbrough is investigating how to provide its citizens a better digital experience when dealing with the council through integration into its customer-facing CRM system.

Middlesbrough also use Objective Keystone to streamline the process of authoring, publishing and capturing community feedback on Council Plans, Objective Trapeze to efficiently assess planning applications and Objective Redact to obscure sensitive information prior to releasing to external agencies or the public.

Objective CONNECT
Objective KEYSTONE
Objective INFORM
Objective TRAPEZE
Objective PERFORM
Objective REDACT

# OUTSTANDING CUSTOMER RESULTS CONTINUED

## Pioneer in the transition to digital Planning Scheme for the citizens of QLD

Moreton Bay Regional Council

**LOCATION**
Queensland, Australia

A leader in the adoption of digital technologies, Moreton Bay Regional Council was a strong advocate for publishing its Town Plan online-only.

In 2017, the council was awarded a grant from the Queensland government to help fund the transition to a digital Planning Scheme using Objective Keystone to efficiently produce and publish its Plan in a user-friendly experience for the community.[1]

Objective Keystone supports dozens of authors contributing to the Plan, ensures a transparent and governed review and approval process, publishes and hosts the Plan in full for easy community access, and presents it in chapters as PDFs within relevant sections of the council's website.

Not only is it easy access for the community, geo-tagging and integration with the council's GIS system means residents can easily find elements of the Plan, such as rules, policies and zonings that are relevant to their specific property, for example flood zones, high-risk fire zones, building height limits and much more.

The Plan is a live document and Objective Keystone is pivotal in ensuring the council can respond to and manage ongoing changes, as determined by the council or amendments driven by state or federal government legislation.

1 Innovation and Improvement Fund – Summary of approved project funding July 2017, Queensland Department of Infrastructure, Local Government and Planning. https://dsdmipprd.blob.core.windows.net/general/innovation-and-Improvement-fund-approved-funding-project-list-round1.pdf

Objective KEYSTONE

## Transforming the operations of the Youth Court with transparent decision making and real-time co-ordination of services

Courts Administration Authority of South Australia

**LOCATION**
Adelaide, South Australia

Since 2016, the Courts Administration Authority in South Australia has relied on Objective ECM to manage the process of approving formal correspondence, ministerial briefings and submissions, Freedom of Information requests, financial contracts and more.

In 2018, following three new legislative changes, Objective ECM became the pivotal tool supporting massive change in practice in the Youth Court.

Youth Justice Coordinators regularly travel throughout the state of South Australia to conduct Family Care and Family Conferencing Meetings. Electronic approvals have greatly reduced the time taken to prepare vast quantities of administrative paperwork required prior to embarking on a trip, provide real-time access to crucial information for staff on the road and empower supervisors to approve documents via mobile devices at any time. This can save critical time when an emergency arises enabling supervisors and staff to respond in real time, as and when needed.

The initiative has improved overall efficiency of the core services delivered by the Youth Court to the community, initiating more than 1200 case files in the first six months of implementation. It has virtually eliminated printing of documents, enables real transparency of documentation and decision-making, which has improved communication within teams and beyond.

Objective ECM

Objective PERFORM

## Driving digital change throughout the organisation

**LOCATION**
Sydney, Australia

In the first year of its Objective Trapeze implementation, Sutherland Shire Council determined 36% more development applications than the previous year, at an average value three times more than the past year, without any additional staff.

Objective Trapeze became the driver of change within the organisation, helping the planning department assess and approve greater quantities of and increasingly more complex development applications, handled digitally at every stage of the process.

An easier DA lodgement process and better communication with applicants improves the council's reputation with its community. Faster approval of larger, more complex projects increases its appeal to investors and developers, delivering substantial economic benefits.

## Improving legal and financial services to all Victorians

**LOCATION**
Melbourne, Australia

On a journey to digital maturity, State Trustees is injecting efficiency and far-reaching process improvements to revolutionise the vital legal and financial services they provide to the people of Victoria.

The digital transformation has eliminated paper and manual handling of all incoming correspondence, replacing it with efficient, consistent and automated processes to deliver a significant uplift to its service delivery capability.

The industry-leading process improvements reduced 33 manual processes to three automated processes, saving 46 hours per day. Its Customer Service Consultants now access complete information whenever they need it, critical to helping clients in need and ultimately leading to better client service delivery.

## Borderless communication and co-ordinated care across Glasgow's health and social care ecosystem

**LOCATION**
Glasgow, Scotland

As jurisdictional reform mandated the consolidation of health and social care services across Scotland, Glasgow City Council (GCC) was able to rapidly adapt, using Objective Connect to on-board third-party provider the National Health Service (NHS Glasgow and Clyde) as they formed the Glasgow City Health and Social Care Partnership (GCHSCP).

Nearly 4000 social workers and 3000 health staff from the different organisations collaborate to deliver these services, relying on highly sensitive and personal information shared securely, in a timely manner. Objective Connect provides a secure, flexible collaboration platform enabling borderless communication and co-ordinated care for the city's 600,000 residents.

In addition to health and social care services, Objective Connect is used as a strategic enterprise-wide collaboration platform to deliver a range of community programs and government initiatives. These include: Community Safety Glasgow with Police Scotland, the NHS Glasgow and Clyde working to prevent violence against women; the European Championships Glasgow 2018, co-ordinating broadcasters, media, recruitment, transport, medical resources, venues programming and results; supporting the Electoral Registration Office, communicating with the 32 Scottish Local Authorities on topics such as GDPR.

# Product Strategy for Growth

## Transition to Content Services

The Content Management market is transitioning from the traditional picture of a single, enterprise capability (Enterprise Content Management) to a more modular, service-based approach supporting content from multiple sources, labelled 'Content Services Platforms', by industry analysts Gartner.

For Objective ECM, this transition began in FY2015. It is now a suite of integrated components: Objective Inform for document and records management, Objective Perform for business process management and Objective Connect for external collaboration.

## Repository Independence

The uncoupling of Objective ECM has enabled our products to support additional content sources such as Micro Focus Content Manager (formerly HPE Content Manager) and Microsoft Office 365, extending the value to Micro Focus and Microsoft customers.

This in turn, significantly multiplies the size of our addressable market, in terms of number of organisations, geographies and value.

## Objective Design Language

Objective Design Language (ODL) is core to the development of a consistent user experience across all Objective products. It provides a design foundation and guiding principles to deliver a cohesive visual and behavioural framework that all products align to. As users develop familiarity with one Objective product, they can move seamlessly to others, accelerating adoption of new products, becoming building blocks for expanded solutions.

## Objective Industry Solutions

Objective Industry Solutions take a user-centric approach to digital transformation.

They are complete products that combine Objective's content services technology with best-practices drawn from our vast user community around the world. The solutions automate common business processes within the public sector and regulated industries.

Processes are streamlined, reducing the time and effort associated with daily tasks while information governance is embedded behind the scenes.

From the design of the interface to the design of the process, users participate through familiar business applications, whenever and wherever they choose to work.

The solutions work with organisations' existing information management systems, extending the value of these platforms while maximising their investment.

New modules can be added progressively to extend digital transformation across the business.

## Objective recognised by Gartner as Visionary in 2018 Magic Quadrant for Content Services Platforms

In 2017, industry analyst Gartner re-branded their Enterprise Content Management Magic Quadrant to Content Services Platform, shifting its focus from storing content for the enterprise, to consider how content is used by individuals and teams and leveraged within business processes.

In 2018, Gartner evaluated 18 global software vendors in the Content Services market and recognised Objective in the prestigious Visionary quadrant.

**#outstanding**software

# Outstanding Innovation

## Delivering a portfolio of differentiated products

### Objective ECM

**Content Services** – integrated suite of services combining Objective Inform delivering high grade document and records management, and Objective Perform delivering rich, business process management capabilities.

**ECM 10.4** – delivers an exceptional user experience for business users providing access to content and processes from anywhere.

**Microsoft Office 365 Integration** – comprehensive integration with Microsoft Office, email, Microsoft Sharepoint and Microsoft Teams brings powerful content and process governance to Microsoft's market leading team collaboration tools.

### Objective INFORM

**Mobile Editing and Co-Authoring** – leveraging Microsoft Office 365 to deliver enhanced mobile and online document editing including co-authoring.

**Dynamic Status** – class leading user experience for document management, providing dynamic visibility of document activity and status including external sharing and co-authoring.

### Objective PERFORM

**Advanced Forms Capability** – allows business tasks to be delivered and actioned by users via email, online or mobile. Integration with web forms supports end to end processing for external facing processes.

**Perform for Micro Focus Content Manager** – deep integration ensures single source of governance and allows process transformation without the need for costly repository migrations.

### Objective MINISTERIALS

**Objective Ministerials V3 Launched** – delivers a flexible application leveraging the ODL user experience and enhanced forms features to streamline and simplify processing of Ministerial requests across the organisation with full visibility and KPI reporting via dynamic dashboards.

### Objective CONNECT

**ODL User Experience** – a reimagined user experience with more intuitive navigation; easy content identification via thumbnails in grid or list view; and preview for Microsoft Office documents and image files.

**Commitment to Security** – the move into Azure Australia Central (Canberra Data Centre) provides all customers "Protected" level status for their data.

**Download as a Permission** – customers can share content but restrict end-users' ability to download local copies, supporting information governance and security requirements.

### Objective KEYSTONE

**Content Verification** – automated collection of attestation evidence for financial services due diligence processes, significantly lowering the cost and risk of compliance.

**Stakeholder Engagement** – a re-imagined platform to collect and manage community and stakeholder feedback, and manage regulatory reporting for transitioning Local Governments to e-Planning.

### Objective TRAPEZE

**ODL User Experience** – a re-imagined user experience to equip building compliance and planning teams with advanced assessment and approval tools.

**Subscription Licensing** – transition to tiered subscription licensing including enhanced assessment features for building and development professionals.

### Objective REDACT

**Launched March 2018** – a re-engineered version of RapidRedact (acquired from Onstream Systems) offered as subscription-only software through a fully automated e-commerce platform, supported by a targeted digital marketing campaign.

# CEO's Report

GROUP REVENUE

**$63.1M ↑1%**

62% RECURRING

EBITDA

**$10.5M ↑1%**

$10.5M FOR FY2017

CASH FLOW FROM OPERATIONS

**$11.3M ↑18%**

107% OF EBITDA

## Dear fellow shareholders,

I am pleased to present Objective Corporation's annual report for the financial year ended 30 June 2018 (FY2018).

We entered FY2018 with confidence, buoyed by the successes of FY2017, but were presented with isolated challenges we did not expect to face. Accordingly, we accept that this year's result is less than we are capable of.

However, we remain completely confident in the fundamental drivers of customer demand for our products and solutions.

Whilst historically a driver for purchasing decisions in the public sector, compliance and regulation are driving demand from industries beyond government, particularly in financial services. This year we witnessed the topic move from back-office conversations to headline articles in mainstream news.

With more than twenty years' experience helping organisations meet regulatory requirements, and the investment we've made in developing solutions to ease the burden of compliance processes, Objective is positioned squarely in the midst of a very active and growing market.

Our suite of solutions digitise and automate common processes in the public sector and financial services industries delivering productivity and efficiency gains, while ensuring governance happens in the background. Compliance or regulation is never treated as an after-thought, it is embedded in the process, in the DNA of all that we deliver to our customers, yet it allows users to work naturally, in the familiar business applications they use every day.

We also worked diligently throughout the year to more than double the size of our addressable market. We released process automation solutions that work with customers' existing information management systems, unlocking a segment of the market that was historically closed to us. Our relationship with Micro Focus has matured into active co-marketing and co-selling Objective solutions that extend the value of Content Manager for their customers.

### Financial Performance

Group revenue for FY2018 was $63.1 million (FY2017: $62.6 million) and EBITDA was $10.5 million (FY2017: $10.5 million). Net profit after tax (NPAT) decreased by 10% to $7.4 million (FY2017: $8.2 million). Cash flow generation remained strong, with cash flow from operations increasing by 18% to $11.3 million, which represented 107% of EBITDA for the year. The cash balance at 30 June 2018 lifted by 28% to $21.5 million ($16.9 million at 30 June 2017).

During FY2018 a key contract within our consulting services business was terminated for convenience. The termination was unrelated to Objective's performance under the engagement, however the impact moderated our revenue, profitability and operating cash flow. Notwithstanding the immediate impact on revenue, we maintained our commitment to employees and contractors and undertook an orderly wind down of the project team, which further impacted profitability.

Isolated contract challenges did not disrupt our focus on the long-term goals of delivering outstanding software and solutions to customers and transitioning the business to a subscription-based revenue model.

Recurring revenue grew by 13% over FY2017 to 62% of total revenue in FY2018. While the move away from up front licence fees moderates reported revenue growth in the year it is incurred, it improves the stability of earnings over a longer term. We begin FY2019 with Annual Recurring Revenue (ARR) of $40.5 million (at 30 June 2018), which grew by 17% over the balance at 30 June 2017 ($34.4 million).

We delivered significant ARR growth across all core subscription software products including: Objective ECM as a Service (36% growth over FY2017); Objective Keystone Financial Services and Insurance (FSI) (29% growth over FY2017); Objective Connect (48% growth over FY2017), and our Managed Services business (19% growth over FY2017).

On 12 September 2018, the Company paid a fully franked dividend of 5.0 cents per share. These dividends were declared by the Directors in relation to the Financial Year 2018.

## Investing in developing outstanding software

A culture of constant innovation and investment in the development of outstanding software remains at the core of our strategy and was demonstrated by total research and development (R&D) expenditure of $13.1m (FY2017: $12.9 million), representing 21% of revenue.

R&D was directed towards further development of repository-agnostic workflow solutions, which allow customers with existing document management systems including Objective Inform and Micro Focus Content Manager (formerly HPE Content Manager / TRIM) to automate high-value business processes and take advantage of Objective's suite of content services solutions for government and regulated industries.

We delivered numerous feature releases across each of our products that differentiate our products in their markets and further enhance the value our customers derive from Objective solutions.

During FY2018 we released new user experience (UX) for all products to align them to the Objective Design Language (ODL). ODL is central to our R&D program, providing a consistent visual and behavioural framework designed to delight customers, accelerate adoption of new Objective products and deliver familiarity to move seamlessly between each of them.

External validation for our product strategy came in the publication of the 2018 Magic Quadrant for Content Services Platforms by industry analyst, Gartner. Objective was named as a Visionary in this market, reflecting feedback we've received from customers and a testament to the ongoing investment in innovation we make each year.

As in previous years, the company fully expensed all R&D expenditure as it was incurred. Whilst this treatment became even less common in the sector during FY2018, we continue to believe that this conservative accounting treatment best represents true profitability after factoring in all strategic investments.

## Investing in modern work environments

Providing modern, flexible and welcoming workspaces for our valued employees, lays the foundation for the innovative and collaborative culture we strive to foster here at Objective. Throughout our global operations, we refreshed and renewed a number of our offices; including our global headquarters in North Sydney, European head office in Reading and regional offices in Perth, Adelaide and Wellington.

## Business Line Review

To provide transparency of financial performance, Objective Corporation reports revenue and operating profit by line of business, as detailed in the subsequent pages of this report. This year we have evolved the names of these business lines to accommodate a growing portfolio of solutions, however continued reporting within the same lines as previous years.

## Outlook

Our long-term investment in R&D has positioned us with globally competitive products which have demonstrated attractive return on investment outcomes for our customers. The continued pressure for greater productivity and transparency in the public sector, in addition to growing regulation of information in the private sector, will continue to drive further adoption of the Objective portfolio of solutions amongst new and existing customers.

We expect to further refine our go-to-market strategy during FY2019 to leverage full value from our partner relationships and to position Objective solutions consistently with target customers. This will allow us to fully leverage the depth of our relationships in the markets in which we currently operate and to identify additional cross-sell opportunities for our solutions within each end-customer.

Prior year comparisons for the 1HY2019 will be impacted by the large consulting services project discussed previously, which contributed significantly to 1HY2017 and 1HY2018 financials. Over the full year however, FY2019 should deliver significant margin expansion as a result of product enhancements delivered by our R&D investment, the leverage in our operating cost base and our ongoing transition to Software as a Service (SaaS) licencing.

We are committed to delivering outstanding solutions and services to our customers and this would not be possible without the dedication of our outstanding people. The Board and management of Objective would like to thank all of our loyal customers, staff, and shareholders for their ongoing contribution and commitment to the Company.

**Tony Walls**
Chief Executive Officer

# Business Line Review

## Content Services

### Financial performance
During FY2018 this business line maintained steady performance and delivered an operating profit margin of 26% (25% in FY2017). Revenue and profitability did not grow as expected from FY2017, moderated by the impact of the termination for convenience of a key consulting services contract.

### Transition to subscription licensing
The increasing penetration of Objective Perform and Objective Industry Solutions has increased the proportion of customers who purchase software under a subscription license. While we continue to offer existing products under the revenue model that provides our customers with choice, new products brought to market will be offered exclusively on a subscription basis.

### Major contracts
Our largest customer, Australian Department of Defence signed a new 6-year term agreement under our Upgrade and Support Program (USP), once again, demonstrating a long-term commitment to the Objective platform.

### Extending reach with repository agnostic solutions
During FY18 we continued the separation of Objective ECM into Objective Inform and Perform. While Objective Inform remains a modern and robust, standards-compliant electronic document and records management solution, Objective Perform provides workflow technology to assist organisations automate content-driven processes, utilising their existing information repository, avoiding the need for costly migrations.

This approach substantially increases the addressable market for our Content Services products facilitating access into specific market segments that due to competitive products in place, have historically been largely closed to us.

SALES REVENUE

**\$51.1M** ↓2%

OPERATING PROFIT

**\$13.1M** ↑1%

Objective PERFORM

Objective INFORM

Objective ECM

Objective MINISTERIALS    Objective CORRESPONDENCE    Objective LICENSING    Objective OPENGOV

## Keystone

### Financial performance
Objective Keystone moved into profitability in the 2nd half of FY2018. This was driven by strong performance in both target segments: Financial Services and Insurance (FSI) and Public Sector, overall revenue grew by 13% to \$6.6m (\$5.8m in FY2017).

### Target segment: Financial Services & Insurance
Successful customer acquisition throughout FY2017 provided momentum to drive revenue growth into FY2018, as customers went live with their projects to deliver regulatory compliant documentation with Objective Keystone. A number of new, high profile customers were welcomed in FY2018, further expanding our customer base amongst the largest financial institutions in Australia.

Objective Keystone is now at the forefront of the emerging Regulation Technology (RegTech) sector in Australia. In a climate of increasing regulation in the financial services industry, Objective Keystone is well placed to assist our customers to rapidly deliver various forms of publication-ready compliance documentation.

### Target segment: Public Sector
Demand from this sector grew during FY2018 throughout all targeted geographies; Australia, New Zealand and the UK, and performance improved significantly as a result of new contract wins and lower customer churn. This has allowed us to invest further in product features tailored to public sector use cases, particularly for Stakeholder Engagement, which we expect to continue to improve our market position.

### Opportunity
As other global financial services centres face similar regulatory pressures, we will leverage our demonstrated capabilities in the Australian market to expand into other geographies.

SALES REVENUE

**\$6.6M** ↑13%

OPERATING PROFIT

**\$(0.4)M** ↓7%

Objective KEYSTONE

# Connect

### Financial performance

Objective Connect revenue grew to $2.4m in FY2018, a growth over FY2017 of 60%, continuing similarly high growth in FY2017 (40%). Annual recurring revenue was $2.8m, and we will continue to invest in the development and go to market for this product.

### Growth in user adoption

Growth in Objective Connect is measured by Workspaces (the secure, online location for collaboration) and Connections (the number of people participating in a workspace). By 30 June 2018, the average number of new Workspaces created was well over 100 per day and the total number of Connections grew to over 4 million, an increase of 85% over 30 June 2017. The high level of engagement and increasing intensity of use sustains a network effect amongst existing customer organisations and exposes Objective Connect to new audiences, generating further opportunity.

### Security accreditation

As a solution born in the cloud, the security of customers' data within Objective Connect has always been at the centre of product strategy. Demonstrating commitment to security, in FY2018 all customer data in the APAC region was migrated to the Microsoft Azure Canberra Data Centre, the first hyper cloud vendor location to be granted "Protected" status by the Australian Signals Directorate.

### Opportunity

As Objective Connect increasingly becomes the external collaboration system of choice for government and security conscious organisations, demand and the addressable market continues to grow. Investment in R&D for this product will continue at a similar level to FY2018, to deliver further validation of security credentials and integration with additional document repository systems. This investment will position Objective Connect to capture the growing demand in both existing and new geographies.

**SALES REVENUE**

**$2.4M** ↑60%

**OPERATING PROFIT**

**$(1.7)M** ↑32%

Objective CONNECT

# Trapeze

### Financial performance

The Trapeze business was materially softer than expected in FY2018, with revenue of $2.4m representing a decline of 15% over FY2017 ($2.9m). Profitability also decreased from a profit of $0.4m in FY2017 to a loss of $0.5m in FY2018. The go-to-market model inherited from Onstream Systems, of partners and OEM agreements has not performed effectively. These arrangements are currently under review and all Trapeze products will be moved to a subscription-only licensing model during FY2019.

### Market position in local government

Despite the financial performance in FY2018, the Objective Trapeze product continues to deliver significant value to our customers in the local government market. We maintained levels of investment in this product throughout FY2018 and received positive reaction to Trapeze 10 as it was rolled out to the customer base. The development roadmap includes new features and product extensions that augment the use case for Objective Trapeze within local government, unlocking further opportunity and supporting the move to a SaaS model.

### Launch of Objective Redact

The launch of Objective Redact was a highlight of FY2018. This product, is a re-engineered version of RapidRedact, a product acquired with Trapeze as part of Onstream Systems.

The new Objective Redact product retained the powerful redaction features of RapidRedact, delivered with an enhanced user experience. Objective Redact is offered as a subscription-only product sold through a fully automated e-commerce platform, supported by a digital marketing campaign.

### Global opportunity

Demand for Objective Redact stems from a global trend to allow individuals greater access to data held by governments and other institutions and the need to protect specific data points prior to release. The impact of new regulations such as the General Data Protection Regulation (GDRP) in the European Union and similar 'right to know' legislation in other jurisdictions will only expand this market sector.

The global opportunity for Objective Redact is demonstrated by more than 90% of purchases to date originating from outside of the APAC region.

**SALES REVENUE**

**$2.4M** ↓15%

**OPERATING PROFIT**

**$(0.5)M** ↓LARGE

Objective TRAPEZE

Objective REDACT

# DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Objective Corporation Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018. Throughout the report, the consolidated entity is referred to as the Group.

L–R: Mr Tony Walls, Mr Gary Fisher, Mr Leigh Warren, Mr Nick Kingsbury and Mr Darc Rasmussen

## DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated:

### MR TONY WALLS

Chairman and Chief Executive Officer

Tony founded the business in 1987 and has extensive experience in the IT industry. Tony has a B.Math (Computing Science), a Grad.Dip in Applied Finance (SIA) and is a Fellow of the Australian Institute of Company Directors.

### MR GARY FISHER

Non-Executive Director

Gary was appointed a Director of Objective Corporation Limited in March 1991.
In October 2007 Gary became a Non-Executive Director. Gary has an extensive background in Finance, IT Management and global product software sales. Gary has a B.Economics and further tertiary education in Law and Business Administration.

### MR LEIGH WARREN

Independent Non-Executive Director

Leigh was appointed as a Non-Executive Director in August 2007 and is Chairman of the Audit Committee. Leigh has over 20 years' experience in the IT Industry and has held Executive roles for several multinational companies, including SAP where he was Chief Operating Officer for North Asia, Oracle where he was the Managing Director for Australia and New Zealand, Ventyx where he was President for the EMEA region and Bluecoat Systems where he was Vice President Asia Pacific Field Operations. Leigh also serves on the Board of ASX/NZX listed Gentrack and Hong Kong based Solution Access.

### MR NICK KINGSBURY

Independent Non-Executive Director

Nick was appointed as a Non-Executive Director in July 2008 and is a member of the Audit Committee. Nick is an experienced international software entrepreneur, strategist and venture capitalist. Nick founded, led and then sold a leading UK Business Process Management company. Nick then spent 7 years with the international venture capital company 3i, where he headed up the software sector. From October 2011 to June 2015 he chaired a UK AIM listed cyber security company Accumuli, plc, which was successfully sold to NCC Group. As well as his role with Objective, he sits on the boards of three early stage businesses Pushfor Limited, Loot Financial Services Limited and Tailored Media Ventures (UK) Limited, and is an advisor to Growthpoint Technology Partners, a US investment bank.

### MR DARC RASMUSSEN

Independent Non-Executive Director

Darc was appointed as a Non-Executive Director in August 2018. Darc is a seasoned enterprise software professional with over 25 years' experience successfully building and growing Software as a Service (SaaS) and Cloud based businesses across global markets. Darc spent time working and living in Europe, the USA and Asia/Pacific growing public and private companies including Infor, SAP, IntraPower (Trusted Cloud) and Integrated Research. Darc led the SAP (NYSE:SAP) global CRM Line of Business, building it from start-up to total annual revenues of US$1.5 billion in 2007, establishing SAP as the global leader in the CRM market. He was CEO at Integrated Research (ASX:IRI) and led the company through a whole of business transformation strategy that delivered 70%+ growth in Revenue and Profits along with a tripling of the company's market capitalisation. During Darc's tenure IR was named a Gartner "Cool Vendor" and became the global leader in the Unified Communications Performance Management market.

### MR BEN TREGONING

Company Secretary

Ben was appointed Company Secretary in July 2016. Ben has over 12 years' experience in financial roles within Financial Services and corporate finance businesses both in Australia and the UK. He is responsible for company secretarial and corporate governance support at Objective. Ben has a B.Commerce and a M.Commerce.

## PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was the supply of information technology software and services. There was no significant change in the nature of the Group's activities during the year.

## DIVIDENDS

An ordinary final fully franked dividend of $4,588,000 was paid on 14 September 2017.

Post 30 June 2018, the directors have recommended the payment of a final fully franked dividend of 5.0 cents per ordinary share (2017: fully franked dividend of 4.0 cents per ordinary share and a special unfranked dividend of 1.0 cent per ordinary share). The aggregate amount of the dividends was $4,622,000 (2017: $4,588,000). The dividend was paid on 12 September 2018. There is no conduit foreign income attributed to the final dividend declared.

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

A review of the Group operations and the results for the year ended 30 June 2018 is set out on the inside front cover to page 44 of the annual report and forms part of the Directors' Report. This includes the summary of consolidated results as well as an overview of the Group's strategy.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

## SHARE CAPITAL

As at 30 June 2018 the Company had 92,443,041 (2017: 91,768,041) fully paid ordinary shares on issue.

Voting rights are detailed in Note 16 to the financial statements.

## SHARE OPTIONS

**Unissued shares under options**

As at the date of this report, there were 1,203,759 unissued ordinary shares under options (1,253,759 at the reporting date).

| | 2018 | | 2017 | |
|---|---|---|---|---|
| Options on Issue at Balance Date | Number | Expiry Date | Number | Expiry Date |
| Employee options exercisable at $1.00 | 80,000 | 07/10/2024 | 80,000 | 07/10/2024 |
| Employee options exercisable at $1.17 | 150,000 | 24/02/2025 | 150,000 | 24/02/2025 |
| Employee options exercisable at $1.20 | 125,000 | 05/03/2025 | 675,000 | 05/03/2025 |
| Employee options exercisable at $1.50 | 125,000 | 29/07/2026 | 250,000 | 29/07/2026 |
| Employee options exercisable at $1.80 | 500,000 | 02/01/2027 | 500,000 | 02/01/2027 |
| Employee options exercisable at $3.00 | 23,759 | 15/01/2028 | – | – |
| Employee options exercisable at $2.75 | 200,000 | 29/07/2028 | – | – |
| **Total options on issue** | **1,203,759** | | **1,980,000** | |

Details of the options on issue are contained in Notes 16 and 25 to the financial statements. 23,759 new options were issued, 75,000 options were forfeited / cancelled and 675,000 options were exercised during the financial year ended 30 June 2018. Since the end of the financial year, a further 200,000 new options have been issued and an additional 250,000 options have been exercised. The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company.

## SHARE OPTIONS

**Shares issued on exercise of options**

During or since the end of the financial year, the Group issued ordinary shares of the Company as a result of the exercise of options under the Employee Incentive Plan as follows:

| Issuing entity | Number of shares issued | Class of shares | Amount paid for shares | Amount unpaid on shares |
|---|---|---|---|---|
| Objective Corporation Limited | 200,000 | Ordinary shares | $100,000 | – |
| Objective Corporation Limited | 125,000 | Ordinary shares | $93,750 | – |
| Objective Corporation Limited | 475,000 | Ordinary shares | $570,000 | – |
| Objective Corporation Limited | 125,000 | Ordinary shares | $187,500 | – |
| **Total[1]** | **925,000** | | **$951,250** | **–** |

1 Total proceeds from issue of shares represented by $445,000 received in cash and $506,250 funded by way of interest free limited recourse loans provided by the issuing entity to employees under the current Employee Incentive Plan. For accounting purposes, these share loans are treated as part of the options to purchase shares, until the loans repaid or extinguished at which point the shares are recognised.

## LIKELY DEVELOPMENTS

The Company delivered a respectable financial and operational result for FY2018. We continued to invest in our product portfolio and our workforce, as well as developing new markets for our products.

The Directors have identified opportunities to continue to grow the business in FY2019 across all business lines and the Company will be pursuing these whilst maintaining a focus on increasing profitability. Through product innovation and the development of outstanding software, we have expanded our addressable market in the regions in which we are well established, and our globally competitive products provide an opportunity for us to expand our presence beyond our current geographic footprint.

## ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## EVENTS AFTER BALANCE SHEET DATE

The Directors have not become aware of any matter or circumstance not otherwise dealt with in the report or in the financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

# DIRECTORS' REPORT

## INDEMNIFYING OFFICERS OR AUDITOR

During the financial year the Company has paid an insurance premium for a Directors' and Officers' insurance policy. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors or Company Secretary as a result of the work performed in their capacity as officers of entities in the Group to the extent permitted by law. The Directors have not disclosed the amount of the premium as such disclosure is prohibited under the terms of the contract.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred.

## CORPORATE GOVERNANCE STATEMENT

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations. The Company's Corporate Governance Statement and policies will be approved at the same time as the Annual Report and will be found on its website: www.objective.com/about/investors.

## DIRECTORS' INTEREST

Directors' beneficial interest in shares and options at the date of this report were:

| Director | Number of ordinary shares | Number of options |
|---|---|---|
| Tony Walls | 62,000,000 | – |
| Gary Fisher | 9,000,000 | – |
| Nick Kingsbury | 320,000 | – |
| Leigh Warren | 335,443 | – |
| Darc Rasmussen | 21,230 | 200,000 |
| **Total directors' interest** | **71,676,673** | **200,000** |

## MEETINGS OF DIRECTORS

The number of Directors' and Audit Committee meetings held during the financial year and the number of meetings attended by each of the Directors are as follows:

| | Directors' Meeting | | Audit Committee Meetings | |
|---|---|---|---|---|
| Director | Number of Meetings Held | Number of Meetings Attended | Number of Meetings Held | Number of Meetings Attended |
| Tony Walls | 10 | 10 | 2 | 2 |
| Gary Fisher | 10 | 8 | n/a | n/a |
| Nick Kingsbury | 10 | 10 | 2 | 2 |
| Leigh Warren | 10 | 10 | 2 | 2 |

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the financial year is included on page 45.

## AUDITOR'S NON-AUDIT SERVICES

The Company has not engaged the Group auditor, Pitcher Partners, to provide non-audit services during the financial year.

## ROUNDING OF AMOUNTS

The Company is an entity to which ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191 applies and accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars, unless specifically stated to be otherwise.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. The Company was not a party to any such proceedings during the year.

## REMUNERATION REPORT

This remuneration report details the key management personnel (KMP) remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001 (Cth)* and its Regulations.

The table below lists the Executives of the Group for the year ended 30 June 2018 and whose remuneration details are outlined in this Remuneration Report.

| | |
|---|---|
| **Directors** | |
| Tony Walls | Chairman and Chief Executive Officer |
| Gary Fisher | Non-Executive Director |
| Nick Kingsbury | Independent Non-Executive Director |
| Leigh Warren | Independent Non-Executive Director |
| **Executive key management personnel** | |
| Ben Tregoning | Chief Financial Officer |

### Overview of remuneration approach and framework

The Board from time to time reviews the remuneration packages of all Directors and Executive Officers with due regard to performance and other relevant factors. The remuneration policy generally is to ensure the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive to attract, retain and motivate employees of the highest calibre.

The remuneration of Directors and other key management personnel is not directly linked to the company's performance.

The remuneration of Directors and the other key management personnel is fixed annually. Bonuses are structured to reward outstanding performance against agreed Key Performance Indicators (KPIs) including financial and non-financial metrics. Ultimately, bonuses and discretionary payments to key management personnel are at the discretion of the Board.

Non-Executive Directors' retirement payments are limited to compulsory employer superannuation. There are no retirement and termination benefits for Executive Directors or Executives apart from those that accrue from the relevant laws such as unpaid annual leave, superannuation, long service leave and notice of termination. The Group may consider payments on termination even though legally not required, to protect its rights if it is commercially beneficial to its interests.

Remuneration and other terms of employment of the Executive Director and the other key management personnel are formalised in employment agreements. These agreements may be terminated by either party with between one and three months' notice. In the event of termination of Mr Walls' services, Mr Walls is entitled to be paid six months' salary.

#### Voting and comments made at the company's 29 November 2017 Annual General Meeting (AGM)

At the 2017 AGM, 99.7% of the votes received supported the adoption of the remuneration report for the year ended 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

The Group did not engage a remuneration consultant to provide recommendations in respect of the remuneration of KMP.

Actual remuneration received by Executive KMP is set out in the tables below:

| | Short-term | | | Share based payments | Post employ-ment | | | |
|---|---|---|---|---|---|---|---|---|
| | Salary and fees $ | Cash bonus $ | Other $ | Options $ | Super-annuation $ | Total $ | Portion of remuneration performance related % | Value of options as proportion of remuneration % |
| **2018** | | | | | | | | |
| G Fisher | – | – | – | – | – | – | n/a | n/a |
| N Kingsbury | 34,757 | – | 28,021 | – | – | 62,778 | – | – |
| T Walls | 280,000 | – | – | – | 20,409 | 300,409 | – | – |
| L Warren | 40,335 | – | – | – | 3,832 | 44,167 | – | – |
| B Tregoning | 246,151 | – | – | 43,894 | 20,049 | 310,094 | – | 14.2% |
| **2017** | | | | | | | | |
| G Fisher | – | – | – | – | – | – | n/a | n/a |
| N Kingsbury | 59,869 | – | 14,266 | 3,172 | – | 77,307 | – | 4.1% |
| T Walls | 280,000 | – | – | – | 20,049 | 300,049 | – | – |
| L Warren | 32,877 | – | – | 3,172 | 3,123 | 39,172 | – | 8.1% |
| B Tregoning | 232,356 | 20,513 | – | 48,933 | 20,049 | 321,850 | – | 15.2% |

# DIRECTORS' REPORT

## REMUNERATION REPORT CONTINUED

**Overview of remuneration approach and framework** continued

The bonuses in the above tables are short-term incentives fully vested to the Executive for that year. The bonuses were based on KPIs determined by the Board. Bonuses are structured to reward outstanding performance against agreed KPIs including financial and non-financial metrics. Ultimately, bonuses and discretionary payments to key management personnel are at the discretion of the Board.

The fair value of options has been determined using the Black-Scholes method, taking into account the exercise price, the term of the option, the vesting criteria, the impact of dilution, the non-tradeable nature of the option, the price at grant date of the underlying share and the expected price volatility of that share, the expected dividend yield and the risk free interest rate for the term of the option. The value of the option at grant date is then amortised over the relevant vesting period. The value included in remuneration of key management personnel above relates to the amortised value of options granted that have either vested in the current year or are yet to vest.

A summary of the movement, by value, of options over ordinary shares granted, vested and lapsed for Directors and other KMP during the year ended 30 June 2018 are set out below:

| KMP | Value of options granted at grant date[1] $ | Value of options exercised at the exercise date[2] $ | Value of options lapsed at the lapse date $ |
|---|---|---|---|
| B Tregoning | 14,000 | – | – |

1 The value of options granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian Accounting Standards.

2 The value of options exercised during the year is calculated as the market price of the Company's shares on the ASX as at the close of trading on the date the options were exercised, after deducting any exercise price.

Details of options over ordinary shares granted, vested and lapsed for Directors or other KMP during the year ended 30 June 2018 are set out below:

| KMP | Number of options at 30 June 2017 | Number granted | Number exercised | Number lapsed | Number of options at 30 June 2018 | Number vested and available for exercise at 30 June 2018 |
|---|---|---|---|---|---|---|
| B Tregoning | 250,000 | 23,759 | – | – | 273,759 | – |

| KMP | Number of options granted during FY18 | Grant date | Fair value | Exercise price per share | Vesting date | Expiry date |
|---|---|---|---|---|---|---|
| B Tregoning | 23,759 | 15/01/2018 | $0.58 | $3.00 | 15/01/2018 | 15/01/2028 |

**Shareholdings of Key Management Personnel**

| KMP | Number of shares at 30 June 2017 | Share options exercised | Purchase of shares | Shares sold | Number of shares at 30 June 2018 |
|---|---|---|---|---|---|
| T Walls | 62,000,000 | – | – | – | 62,000,000 |
| G Fisher | 9,000,000 | – | – | – | 9,000,000 |
| N Kingsbury | 320,000 | – | – | – | 320,000 |
| L Warren | 335,443 | – | – | – | 335,443 |

Signed in accordance with a resolution of the Board of Directors.

TB Walls

**Tony Walls**
Director

Date: 28 August 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS
## FOR THE YEAR ENDED 30 JUNE 2018

| | | CONSOLIDATED | |
|---|---|---|---|
| | Notes | 2018 $'000 | 2017 $'000 |
| **Revenue** | 4 | 63,110 | 62,599 |
| Cost of sales | | (2,044) | (2,025) |
| Gross profit | | 61,066 | 60,574 |
| Other gains and losses | | (67) | (236) |
| Distribution expenses | | (30,228) | (30,703) |
| Research and development expenses | 4 | (13,072) | (12,852) |
| Administration and other operating expenses | | (8,322) | (6,950) |
| **Profit before income tax** | 4 | **9,377** | **9,833** |
| Income tax expense | 5 | (1,997) | (1,631) |
| **Profit for the year attributable to shareholders of Objective Corporation Limited** | | **7,380** | **8,202** |
| | | Cents | Cents |
| Basic earnings per share | 3 | 8.0 | 9.0 |
| Diluted earnings per share | 3 | 8.0 | 8.9 |

*The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 30 JUNE 2018

| | | CONSOLIDATED | |
|---|---|---|---|
| | Notes | 2018 $'000 | 2017 $'000 |
| **Profit for the year** | | 7,380 | 8,202 |
| **Other comprehensive income / (expense)** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | 18 | (14) | (909) |
| **Other comprehensive expense for the year, net of tax** | | **(14)** | **(909)** |
| **Total comprehensive income for the year** | | **7,366** | **7,293** |
| Total comprehensive income for the year attributable to shareholders of Objective Corporation Limited | | 7,366 | 7,293 |

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 30 JUNE 2018

| | | CONSOLIDATED | |
|---|---|---|---|
| | Notes | 2018 $'000 | 2017 $'000 |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 21,490 | 16,852 |
| Trade and other receivables | 7 | 8,986 | 8,488 |
| Current tax assets | | 263 | 296 |
| Other assets | 8 | 7,519 | 4,953 |
| **Total current assets** | | **38,258** | **30,589** |
| **Non-current assets** | | | |
| Trade and other receivables | 7 | 657 | 805 |
| Property, plant and equipment | 9 | 5,725 | 4,439 |
| Deferred tax assets | 11 | 1,076 | 913 |
| Intangible assets | 10 | 9,378 | 9,452 |
| **Total non-current assets** | | **16,836** | **15,609** |
| **Total assets** | | **55,094** | **46,198** |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 6,112 | 4,836 |
| Current tax liabilities | | 48 | 1,152 |
| Provisions | 13 | 2,653 | 2,587 |
| Deferred revenue | 14 | 18,256 | 12,723 |
| Other liabilities | 15 | 654 | 458 |
| **Total current liabilities** | | **27,723** | **21,756** |
| **Non-current liabilities** | | | |
| Provisions | 13 | 284 | 273 |
| Other liabilities | 15 | 2,359 | 2,835 |
| **Total non-current liabilities** | | **2,643** | **3,108** |
| **Total liabilities** | | **30,366** | **24,864** |
| **Net assets** | | **24,728** | **21,334** |
| **Equity** | | | |
| Share capital | 16 | 4,389 | 3,920 |
| Reserves | 18 | (10,942) | (11,075) |
| Retained earnings | 19 | 31,281 | 28,489 |
| **Total equity** | | **24,728** | **21,334** |

*The above consolidated statement of financial position should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 30 JUNE 2018

| | | CONSOLIDATED | | | |
|---|---|---|---|---|---|
| | Notes | Share capital $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 |
| **As at 30 June 2016** | | 3,631 | (9,623) | 23,952 | 17,960 |
| Profit for the period | 19 | – | – | 8,202 | 8,202 |
| Exchange differences on translation of foreign operations | 18 | – | (909) | – | (909) |
| **Total comprehensive income for the period** | | **–** | **(909)** | **8,202** | **7,293** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Share-based payments | 18 | – | 163 | – | 163 |
| Exercise of share options | 16 | 289 | – | – | 289 |
| Buy-back of ordinary shares | 18 | – | (706) | – | (706) |
| Dividends provided for or paid | 17 | – | – | (3,665) | (3,665) |
| **Total transactions with owners in their capacity as owners** | | **289** | **(543)** | **(3,665)** | **(3,919)** |
| **As at 30 June 2017** | | **3,920** | **(11,075)** | **28,489** | **21,334** |
| Profit for the period | 19 | – | – | 7,380 | 7,380 |
| Exchange differences on translation of foreign operations | 18 | – | (14) | – | (14) |
| **Total comprehensive income for the period** | | **–** | **(14)** | **7,380** | **7,366** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Share-based payments | 18 | – | 147 | – | 147 |
| Exercise of share options | 16 | 445 | – | – | 445 |
| Issue of ordinary shares | 16 | 24 | – | – | 24 |
| Dividends provided for or paid | 17 | – | – | (4,588) | (4,588) |
| **Total transactions with owners in their capacity as owners** | | **469** | **147** | **(4,588)** | **(3,972)** |
| **As at 30 June 2018** | | **4,389** | **(10,942)** | **31,281** | **24,728** |

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

# CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

| | Notes | CONSOLIDATED 2018 $'000 | 2017 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 72,361 | 69,311 |
| Payments to suppliers and employees | | (58,238) | (59,059) |
| Interest received | | 388 | 313 |
| Interest paid | | (5) | – |
| Income taxes paid, net | | (3,231) | (978) |
| **Net cash inflow from operating activities** | **20(a)** | **11,275** | **9,587** |
| **Cash flows from investing activities** | | | |
| Repayment of loans by employees | | 80 | 55 |
| Payments for property, plant and equipment | | (2,490) | (4,328) |
| Lease incentive received from lessor in the form of reimbursement of fitout costs for new office | | – | 3,268 |
| Payments for intangible assets | | – | (23) |
| **Net cash outflow from investing activities** | | **(2,410)** | **(1,028)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (4,478) | (3,660) |
| Proceeds from issue of shares | | 445 | 185 |
| Payments for shares bought back, net of transaction costs | | – | (706) |
| **Net cash outflow from financing activities** | | **(4,033)** | **(4,181)** |
| **Net increase in cash and cash equivalents** | | **4,832** | **4,378** |
| Cash and cash equivalents at the beginning of the financial year | | 16,852 | 12,372 |
| Effects of exchange rate changes on cash and cash equivalents | | (194) | 102 |
| **Cash and cash equivalents at end of the financial year** | **6** | **21,490** | **16,852** |

*The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 1. BASIS OF PREPARATION

This section sets out the basis upon which the Group's consolidated financial statements are prepared as a whole. Significant and other accounting policies that summarise the measurement basis used and are relevant to an understanding of the consolidated financial statements are provided throughout the notes to the consolidated financial statements. All other accounting policies are outlined in Note 30.

### Statement of compliance

Objective Corporation Limited is a limited company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

This general purpose financial report is prepared in accordance with the *Corporations Act 2001 (Cth)* and applicable Accounting Standards and Interpretations, and complies with other requirements of the law. Objective Corporation Limited is a 'for profit' entity. The financial report includes the consolidated financial statements of Objective Corporation Limited and its controlled entities (the "Group").

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards.

### Basis of measurement

The financial report is based on historical cost. In preparing this financial report, the Group is required to make estimates and assumptions about carrying values of assets and liabilities. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The accounting policies adopted are consistent with those of the previous year, unless otherwise stated.

### Basis of consolidation

The consolidated financial statements have been prepared by aggregating the financial statements of all the entities that comprise the Group, being Objective Corporation Limited and its controlled entities. In these consolidated financial statements:

- results of each controlled entity are included from the date Objective Corporation Limited obtains control and until such time as it ceases to control an entity; and
- all inter-entity balances and transactions are eliminated.

Control is achieved where Objective Corporation Limited is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the activities of the entity. Entities controlled by Objective Corporation Limited are under no obligation to accept responsibility for liabilities of other common controlled entities except where such an obligation has been specifically undertaken.

### Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

### Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Objective Corporation Limited's functional and presentation currency.

### Rounding

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the Directors' Report and Financial Report have been rounded off to the nearest thousand Australian dollars unless otherwise indicated.

### Comparative information

Where applicable, comparative information has been reclassified in order to comply with current period disclosure requirements, the impact of which is not material to the financial report.

### New or revised accounting standards

The Group has adopted all amendments to Australian Accounting Standards which became applicable from 1 July 2017. There have been no new or revised accounting standards which materially impacted the financial report. New standards not yet applicable are discussed in Note 30.

### Critical accounting judgments and key sources of estimation uncertainty

Critical judgments and key assumptions that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements are detailed in the notes below:

| Note | Judgement / Estimation |
|---|---|
| 7, 10 | Asset impairment |
| 11 | Recoverability of deferred tax assets |
| 9, 10 | Useful life for depreciable assets |
| 13 | Employee benefits assumptions |

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events.

### Notes to the financial report

The notes to the financial report are organised into the following sections.

**Financial performance overview:** provides a breakdown of individual line items in the statement of financial performance, and other information that is considered most relevant to users of the annual report.

**Balance sheet items:** provides a breakdown of individual line items in the statement of financial position that are considered most relevant to users of the annual report.

**Capital structure and risk management:** provides information about the capital management practices of the Group including the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and what the Group does to manage these risks.

**Group structure:** explains aspects of the Group structure and the impact of this structure on the financial position and performance of the Group.

**Other:** provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements.

## NOTE 2. SEGMENT INFORMATION

### Operating and reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in their role as the chief operating decision makers (CODM) in assessing performance and in determining the allocation of resources. Operating segments are identified by management and the board of directors based on the nature of the core products and services offered. Reportable segments are based on operating segments determined by the similarity of the products produced and sold as these are the sources of the Group's major risks and have the most effect on the rates of return. Each of the business units disclosed below has been determined as both an operating segment and reportable segment.

| Operating segment | Description |
|---|---|
| Content Services | Includes results from the sale of Objective Enterprise Content Management related products which allow customers to manage information and process governance across the enterprise. |
| Keystone | Includes results from the sale of Objective Keystone products that improve efficiency and deliver governance in the process of authoring, reviewing, engaging with and publishing documents. |
| Connect | Includes results from the sale of Objective Connect products which enable customers to collaborate with external organisations with the security, information governance and auditability demanded by government. |
| Trapeze | Includes results from the sale of Objective Trapeze products which digitally transform development application plan reviews and assessments, as well as Objective Redact products which allow users to irreversibly remove sensitive information from any electronic document. |
| Corporate | This segment is not considered an operating group, includes head office and central service groups including treasury function. |

Management and the board of directors continue to consider the financial position of the business from a geographical perspective and as such the assets and liabilities of the Group are presented by geographical region for both the year ended 30 June 2018 and the comparative period.

Segment revenue represent invoiced sales subsequently adjusted for the deferred component which is recognised over the service period to arrive at revenue. Revenue from segments comprise product or licence sales, subscription services, professional services, training service and interest income.

The CODM assesses the performance of individual segments on the basis of earnings before interest expense, tax expense, depreciation and amortisation (EBITDA).

**Allocation to segments**
Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

Segment assets include all non-current assets and current assets with the exception of net deferred tax assets, current tax assets and other corporate assets including intangible assets, goodwill and investments.

The following is an analysis of the Group's revenue and results by reportable segment for the financial year.

| Year ended 30 June 2018 | Objective ECM $'000 | Objective Keystone $'000 | Objective Connect $'000 | Objective Trapeze $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 51,104 | 6,624 | 2,409 | 2,439 | 159 | 62,735 |
| Segment expenses | (38,013) | (7,038) | (4,069) | (2,914) | (155) | (52,189) |
| **EBITDA** | **13,091** | **(414)** | **(1,660)** | **(475)** | **4** | **10,546** |
| Depreciation and amortisation | | | | | | (1,539) |
| Interest revenue | | | | | | 375 |
| Interest expense | | | | | | (5) |
| **Profit before income tax expense** | | | | | | **9,377** |
| Income tax expense | | | | | | (1,997) |
| **Profit for the year** | | | | | | **7,380** |

| Year ended 30 June 2017 | Objective ECM $'000 | Objective Keystone $'000 | Objective Connect $'000 | Objective Trapeze $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 52,019 | 5,842 | 1,512 | 2,882 | 79 | 62,334 |
| Segment expenses | (38,970) | (6,230) | (3,952) | (2,481) | (243) | (51,876) |
| **EBITDA** | **13,049** | **(388)** | **(2,440)** | **401** | **(164)** | **10,458** |
| Depreciation and amortisation | | | | | | (890) |
| Interest revenue | | | | | | 265 |
| Interest expense | | | | | | – |
| **Profit before income tax expense** | | | | | | **9,833** |
| Income tax expense | | | | | | (1,631) |
| **Profit for the year** | | | | | | **8,202** |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 2. SEGMENT INFORMATION CONTINUED

**Reconciliation of revenue by location**

Revenue is recognised in a Group member entity based on where the services are performed for a particular project. In the majority of cases, revenue per Group member entity will match the region in which the Group member entity operates.

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **Revenue by location:** | | |
| Australia | 50,558 | 49,751 |
| United Kingdom | 8,318 | 7,779 |
| New Zealand | 4,200 | 5,037 |
| Rest of world | 34 | 32 |
| **Total revenue** | **63,110** | **62,599** |

| Year ended 30 June 2018 | Asia Pacific $'000 | Europe $'000 | Total $'000 |
|---|---|---|---|
| Reportable segment assets | 40,428 | 3,949 | 44,377 |
| Reportable segment liabilities | 25,097 | 5,221 | 30,318 |

| Year ended 30 June 2017 | Asia Pacific $'000 | Europe $'000 | Total $'000 |
|---|---|---|---|
| Reportable segment assets | 33,304 | 2,233 | 35,537 |
| Reportable segment liabilities | 19,532 | 4,180 | 23,712 |

**Reconciliation of reportable segment assets and liabilities**

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Assets** | | |
| Reportable segment assets | 44,377 | 35,537 |
| Intangible assets | 9,378 | 9,452 |
| Current tax assets | 263 | 296 |
| Deferred tax assets | 1,076 | 913 |
| **Consolidated total assets** | **55,094** | **46,198** |
| **Liabilities** | | |
| Reportable segment liabilities | 30,318 | 23,712 |
| Current tax liabilities | 48 | 1,152 |
| **Consolidated total liabilities** | **30,366** | **24,864** |

**Reconciliation of non-current assets**

Non-current assets for this purpose consist of property, plant and equipment, intangible assets, deferred taxes and other receivables. Deferred taxes are not allocated to a specific location as they are also managed on a group basis.

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| **Non-current assets by location of assets** | | |
| Australia | 4,706 | 5,066 |
| United Kingdom | 7,068 | 5,940 |
| New Zealand | 3,986 | 3,690 |
| Unallocated non-current assets | 1,076 | 913 |
| **Total non-current assets** | **16,836** | **15,609** |

## NOTE 3. EARNINGS PER SHARE

| | CONSOLIDATED | |
|---|---|---|
| | 2018 | 2017 |
| **Basic earnings per share – cents** | **8.0** | **9.0** |
| Profit for the year attributable to shareholders of Objective Corporation Limited ($'000) | 7,380 | 8,202 |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share | 92,069,552 | 91,546,787 |
| | **2018** | **2017** |
| **Diluted earnings per share – cents** | **8.0** | **8.9** |
| Profit for the year attributable to shareholders of Objective Corporation Limited ($'000) | 7,380 | 8,202 |
| Weighted average number of ordinary shares used in the calculation of basic earnings per share[1] | 92,663,172 | 92,214,400 |

1 Calculated by increasing the total weighted average number of shares used in calculating basic earnings per share by net outstanding options of 593,620. Options granted under the Employee Incentive Plan are included in the determination of diluted earnings per share to the extent to which they are dilutive.

## NOTE 4. MATERIAL PROFIT OR LOSS ITEMS

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **Product and service revenue** | **62,576** | **62,255** |
| *Other revenue:* | | |
| Interest income | 375 | 265 |
| Sundry revenue | 159 | 79 |
| **Total revenue** | **63,110** | **62,599** |
| *Expenses:* | | |
| Depreciation expenses – property, plant and equipment | (1,286) | (646) |
| Amortisation expenses – intangible assets | (253) | (244) |
| Operating lease expenses | (2,181) | (1,962) |
| Interest expenses | (5) | – |
| Employee benefits expenses | (38,691) | (38,775) |
| Superannuation expenses | (2,530) | (2,444) |
| Share based payment expenses | (147) | (163) |
| Research and development expenses | (13,072) | (12,852) |
| *Other gains and losses:* | | |
| Net foreign exchange gains / (losses) | (65) | (150) |
| Net loss on disposal of property, plant and equipment | (2) | (86) |

### Recognition and measurement

Revenue is measured at the fair value of the consideration receivable, and is recognised when each of the following conditions is met:

- persuasive evidence that an arrangement exists, which is usually in the form of a contractual arrangement;
- the seller's price to the buyer is fixed or determinable;
- the significant risks and rewards of ownership of the goods have transferred from the Group to the buyer; and collectability is reasonably assured.

### Product sales

Revenue from the sale of product or licence fees is recognised at the earliest of when the Group has passed control of the relevant product or granted a right or licence for the use of the product to the buyer.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 4. MATERIAL PROFIT OR LOSS ITEMS CONTINUED

**Subscription revenue**
Income in respect of subscription licence, hosting and support services is deferred and released over the period of the contract with the customer.

**Upgrade and support program (USP) / Maintenance support**
Revenue from USP and maintenance support is recognised over the period during which the relevant service is provided.

**Rendering of services**
Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus time spent on each contract.

**Interest income**
Interest income is earned from financial assets that are held for cash management purposes and recognised as it accrues, taking into account the effective yield on the financial asset.

**Operating lease expenses**
Payments made under operating leases (net of any incentives received by the lessor) are expensed on a straight-line basis over the period of the lease unless another systematic basis is more representative of the time pattern of the benefit.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Employee benefits expense**
Employee benefits expense includes salaries, wages and other employment related entitlements.

**Research and development expenses**
Expenditure on research and development activities is recognised in the consolidated statement of profit or loss as an expense when incurred.

**Finance costs**
Finance costs relating to interest expenses are expensed in the period in which they are incurred.

**Foreign currency transactions and balances**
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

**Gain / (loss) on disposal of property, plant and equipment**
Gains or losses arising from the retirement or disposal of tangible assets are determined as the difference between the estimated net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss on the date of retirement or disposal.

## NOTE 5. INCOME TAX EXPENSE

**(a) Reconciliation of income tax expense to prima facie tax payable**

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **Profit before income tax expense** | **9,377** | **9,833** |
| Prima facie income tax expense calculated at the tax rate of 30% | 2,813 | 2,950 |
| Tax effect of amounts which are not deductible / (taxable) in calculating taxable income: | | |
| Amortisation expenses – intangibles | 75 | 73 |
| Share based payment expenses | 44 | 49 |
| Other non-allowable deductions | 13 | 64 |
| **Subtotal** | **2,945** | **3,136** |
| Different tax rates of subsidiaries operating in other jurisdictions | (55) | 15 |
| Adjustments for current tax of prior periods | 79 | (94) |
| Research and development tax credit | (888) | (1,101) |
| Previously unrecognised deductible temporary differences now recognised as deferred tax assets | (84) | (298) |
| Unused tax losses not recognised as deferred tax assets | – | 58 |
| Previously unrecognised tax losses now recouped to reduce current tax expense | – | (85) |
| **Income tax expense** | **1,997** | **1,631** |

### (b) Components of income tax expense

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Current tax expense on profits for the year | 2,082 | 2,297 |
| Deferred tax expense related to movements in deferred tax balances | (164) | (572) |
| Income tax under / (over) provided in prior years | 79 | (94) |
| **Income tax expense** | **1,997** | **1,631** |

**Recognition and measurement**
Current and deferred tax is recognised as an expense or income in the consolidated statement of profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

Current tax represents the amount expected to be paid in relation to taxable income for the financial year measured using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

## BALANCE SHEET OVERVIEW

## NOTE 6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year are reflected in the related items in the consolidated statement of financial position as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **Current assets** | | |
| Cash at bank and in hand | 8,253 | 5,476 |
| Short term bank deposits | 13,237 | 11,376 |
| **Total cash and cash equivalents[1]** | **21,490** | **16,852** |

1 The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include $1,190,000 (2017: $1,040,000) in short term bank deposits which are restricted for use and held as security for rental guarantees.

**Classification as cash equivalents**
Cash and cash equivalents comprise cash, bank balances and short term deposits with an original maturity of 4 months or less from acquisition.

## NOTE 7. TRADE AND OTHER RECEIVABLES

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Current $'000 | Non-current $'000 | Current $'000 | Non-current $'000 |
| Trade receivables | 8,523 | – | 7,542 | – |
| Allowance for impairment (a) | – | – | – | – |
| | 8,523 | – | 7,542 | – |
| Other receivables | 463 | – | 946 | – |
| Loans to employees | – | 657 | – | 805 |
| **Total trade and other receivables** | **8,986** | **657** | **8,488** | **805** |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 7. TRADE AND OTHER RECEIVABLES CONTINUED

(a) Movement in allowance for impairment is as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Balance at beginning of the year | – | – |
| Impairment charges during the year | 120 | – |
| Impairment losses written-off | (120) | – |
| **Total allowance for impairment at 30 June** | **–** | **–** |

### Recognition and measurement

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any allowance for impairment. An allowance for impairment is raised based on a review of outstanding balances at balance date. Bad debts are written off against the allowance for impairment account and any other change in the allowance for impairment account is recognised in the consolidated statement of profit or loss. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Objective evidence that trade and other receivables are impaired includes default or delinquency by a debtor or indications that a debtor will enter administration.

### Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. Further information relating to loans to employees is set out in Note 25.

The ageing of the Group's trade and other receivables at reporting date together with impairment and other accounting policies for trade and other receivables are outlined in Note 21.

## NOTE 8. OTHER ASSETS

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **Current assets** | | |
| Accrued revenue | 6,059 | 3,725 |
| Prepayments | 1,401 | 1,069 |
| Rental deposits | 59 | 159 |
| **Total other assets** | **7,519** | **4,953** |

### Recognition and measurement

Revenue from cost plus contracts with customers is recognised by reference to the recoverable costs incurred during the period plus time spent on each contract. Revenue accrual estimates are made to account for the unbilled period between the customer's last billing date and the reporting date.

Prepayments are recognised for amounts paid whereby goods have not transferred ownership to the Group or where services have not yet been provided. Upon receipt of goods or the service the corresponding asset is recognised in the consolidated statement of profit or loss.

Rental deposits are bond payments made to the lessor under a lease agreement and may be refunded in whole or in part at the end of the leasing arrangement.

## NOTE 9. PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | Plant and equipment $'000 | Leasehold improvements $'000 | Capital work in progress $'000 | Total $'000 |
| **At 30 June 2018** | | | | |
| Gross carrying amount – cost | 3,382 | 4,345 | 410 | 8,137 |
| Accumulated depreciation | (1,142) | (1,270) | – | (2,412) |
| **Total property, plant and equipment, net** | **2,240** | **3,075** | **410** | **5,725** |
| *Represented by:* | | | | |
| Net carrying amount at 1 July 2017 | 980 | 3,459 | – | 4,439 |
| Additions | 1,790 | 393 | 443 | 2,626 |
| Disposals | (2) | (34) | – | (36) |
| Depreciation expenses | (544) | (742) | – | (1,286) |
| Exchange differences | 16 | (1) | (33) | (18) |
| **Net carrying amount at 30 June 2018** | **2,240** | **3,075** | **410** | **5,725** |
| **At 30 June 2017** | **$'000** | **$'000** | **$'000** | **$'000** |
| Gross carrying amount – cost | 3,177 | 4,064 | – | 7,241 |
| Accumulated depreciation | (2,197) | (605) | – | (2,802) |
| **Total property, plant and equipment, net** | **980** | **3,459** | **–** | **4,439** |
| *Represented by:* | | | | |
| Net carrying amount at 1 July 2016 | 447 | 155 | – | 602 |
| Additions[1] | 823 | 3,748 | – | 4,571 |
| Disposals | (57) | (29) | – | (86) |
| Depreciation expenses | (231) | (415) | – | (646) |
| Exchange differences | (2) | – | – | (2) |
| **Net carrying amount at 30 June 2017** | **980** | **3,459** | **–** | **4,439** |

1 The office move by the Company to 177 Pacific Highway in December 2016 resulted in the recognition of additions to leasehold improvements of $3,268,000 and a corresponding lease incentive liability arising from lessor reimbursement for the costs incurred by the Company to complete fitout works in financial year ended 30 June 2017. Refer Note 15 for further details.

### Recognition and measurement

Property, plant and equipment are recorded at historical cost of acquisition less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### Critical accounting estimates and judgements – depreciation methods and useful lives

Property, plant and equipment comprises of furniture and fittings, office equipment, computer equipment and leasehold improvements. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

| Asset class | Useful life |
|---|---|
| Plant and equipment | 2 – 10 years |
| Leasehold improvements | 2 – 7 years or shorter of lease term |

Estimates of remaining useful lives, residual values and depreciation methods require significant management judgement, are reviewed annually, and where changes are made, their effects are accounted for on a prospective basis.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 10. INTANGIBLE ASSETS

| | CONSOLIDATED | | | | |
|---|---|---|---|---|---|
| | Intellectual property $'000 | Brand names $'000 | Other intangibles $'000 | Goodwill $'000 | Total $'000 |
| **30 June 2018** | | | | | |
| Gross carrying amount – cost | 2,173 | 170 | 379 | 8,728 | 11,450 |
| Accumulated amortisation | (2,000) | – | (72) | – | (2,072) |
| **Total intangible assets, net** | **173** | **170** | **307** | **8,728** | **9,378** |
| *Represented by:* | | | | | |
| Net carrying amount at 1 July 2017 | 370 | 177 | 358 | 8,547 | 9,452 |
| Amortisation expenses | (216) | – | (37) | – | (253) |
| Foreign exchange differences | 19 | (7) | (14) | 181 | 179 |
| **Net carrying amount at 30 June 2018** | **173** | **170** | **307** | **8,728** | **9,378** |
| **30 June 2017** | | | | | |
| Gross carrying amount – cost | 2,060 | 177 | 396 | 8,547 | 11,180 |
| Accumulated amortisation | (1,690) | – | (38) | – | (1,728) |
| **Total intangible assets, net** | **370** | **177** | **358** | **8,547** | **9,452** |
| *Represented by:* | | | | | |
| Net carrying amount at 1 July 2016 | 774 | 171 | 359 | 9,450 | 10,754 |
| Additions | – | – | 23 | – | 23 |
| Amortisation expenses | (206) | – | (38) | – | (244) |
| Foreign exchange differences | (198) | 6 | 14 | (903) | (1,081) |
| **Net carrying amount at 30 June 2017** | **370** | **177** | **358** | **8,547** | **9,452** |

**Recognition and measurement**
Intangible assets acquired in a business combination is recognised at fair value at the acquisition date. Intangible assets with finite useful life is stated at cost less accumulated amortisation and impairment losses.

**Goodwill**
Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the net identifiable assets acquired in a business combination. Goodwill is not amortised, but tested annually for impairment.

**Intellectual property**
The intellectual property was obtained through acquiring Objective Keystone Limited in April 2009 and amortised over its estimated useful life.

**Other intangible assets**
Includes customer relationship list arising from the acquisition of Onstream Systems Limited and measured at fair value at the date of acquisition and patents. Brand names of $177,000 (2017: $171,000) that have an indefinite life are assessed for recoverability annually. Customer relationship lists that have a defined useful life are amortised and subsequently carried net of accumulated amortisation. The carrying value of other intangible assets is allocated to the Group's cash generating unit (CGU) identified as Onstream Systems Limited.

**Critical accounting estimates and judgements – amortisation methods and useful lives**
Intangible assets with finite lives are amortised on a straight-line basis over their estimated useful lives. Useful lives are reassessed each period. The useful lives of intangible assets have been assessed as follows:

| Asset class | Useful life |
|---|---|
| Intellectual property | 10 years |
| Patents | 10 years |
| Customer relationship list | 10 years |
| Brand names | Indefinite useful life |

Assessments of useful lives and estimates of remaining useful lives require significant management judgement. Brand names are generally assessed as having an indefinite useful life on the basis of brand strength, ongoing expected profitability and continuing support.

**Critical accounting estimates and judgements – asset impairment**

The Group tests property, plant and equipment and intangible assets for impairment to ensure they are not carried at above their recoverable amounts:

- at least annually for goodwill and intangible assets with indefinite lives; and
- where there is an indication that the assets may be impaired (which is assessed at least each reporting date).

These tests for impairment are performed by assessing the recoverable amount of each individual asset or, if this is not possible, then the recoverable amount of the CGU to which the asset belongs. CGUs are the lowest levels at which assets are grouped and generate separately identifiable cash flows. The recoverable amount is the higher of an asset or a CGU's fair value less costs of disposal and value in use. The value in use calculations are based on discounted cash flows expected to arise from the asset. Management judgment is required in these valuations to forecast future cash flows and a suitable discount rate in order to calculate the present value of these future cash flows.

The carrying value of goodwill is allocated to the Group's CGUs identified as follows:

| | 2018 $'000 |
|---|---|
| Objective Keystone Limited | 5,784 |
| Onstream Systems Limited | 2,944 |
| **Total goodwill** | **8,728** |

The recoverable amount of Objective Keystone Limited is determined based on value-in-use calculation. The calculation uses cash flow projections based on a five-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 15%. The discount rate used of 15.5% is pre-tax and reflects specific risks related to the relevant operation.

The recoverable amount of Onstream Systems Limited is determined based on value in-use calculation. The calculation uses cash flow projections based on a five-year financial budget approved by management, extrapolated perpetually with an estimated general long-term continuous annual growth of not more than 10%. The discount rate used of approximately 15.5% is pre-tax and reflects specific risks related to the relevant operation.

The budgeted gross margin and net profit margin are determined by management for each individual CGU based on past performance and its expectations for market development. Management believes that any reasonably foreseeable changes in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

## NOTE 11. NET DEFERRED TAX ASSETS

**(a) Deferred tax balances as disclosed in the consolidated statement of financial position**

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Deferred tax assets arising on deductible temporary differences | 1,085 | 925 |
| Deferred tax liabilities arising on taxable temporary differences | (9) | (12) |
| **Total net deferred tax assets** | **1,076** | **913** |

**(b) Movement in deferred tax balances**

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | Opening balance $'000 | Charged to profit or loss $'000 | Exchange difference $'000 | Closing balance $'000 |
| **30 June 2018** | | | | |
| Property, plant and equipment | (12) | 3 | – | (9) |
| Unrealised foreign exchange | 9 | 14 | – | 23 |
| Employee benefits provision | 834 | 3 | (1) | 836 |
| Rent incentive provision | 38 | 145 | – | 183 |
| Other individually insignificant balances | 44 | (1) | – | 43 |
| **Total net deferred assets** | **913** | **164** | **(1)** | **1,076** |
| **30 June 2017** | | | | |
| Property, plant and equipment | (34) | 22 | – | (12) |
| Unrealised foreign exchange | (333) | 342 | – | 9 |
| Employee benefits provision | 696 | 139 | (1) | 834 |
| Rent incentive provision | 32 | 6 | – | 38 |
| Other individually insignificant balances | (19) | 63 | – | 44 |
| **Total net deferred assets** | **342** | **572** | **(1)** | **913** |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 11. NET DEFERRED TAX ASSETS CONTINUED
**(c) Tax losses**

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Unused tax losses for which no deferred tax asset has been recognised | 6,668 | 3,311 |
| Potential tax benefit | 1,349 | 785 |

Potential tax assets of approximately $1,349,000 (2017: $785,000) attributable to unused tax losses carried forward by foreign owned subsidiaries have not been recognised as the availability of future taxable profits against which the assets can be utilised is not considered to be probable at 30 June 2018. The benefit for tax losses will only be obtained if the relevant member entities:

(i) derive future assessable income of a nature and amount sufficient to enable the benefit from the deductions for the losses to be realised; or

(ii) continue to comply with the conditions of deductibility imposed by tax legislation and no change in tax legislation adversely affects the relevant entities in realising the benefit from the deductions for the losses.

**Recognition and measurement**

Deferred tax assets are recognised when temporary differences arise between the tax bases of assets and liabilities and their respective carrying amounts which give rise to a future tax benefit, or when a benefit arises due to unused tax losses. In both cases, deferred tax assets are recognised only to the extent that it is probable that future taxable amounts will be available to utilise those temporary differences or tax losses. Deferred tax liabilities are recognised when such temporary differences will give rise to taxable amounts that are payable in future periods.

Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities are settled under enacted or substantively enacted tax law.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset when there is a legally enforceable right to offset and an intention to either settle on a net basis, or realise the asset and settle the liability simultaneously. Current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

**Critical accounting estimates and judgements – recoverability of deferred tax assets**

The Group exercises judgement in determining whether deferred tax assets, particularly in relation to tax losses, are probable of recovery. Factors considered include the ability to offset tax losses within the groups of entities in different tax jurisdictions, the nature of the tax loss, the length of time that tax losses are eligible for carry forward to offset against future taxable profits and whether future taxable profits are expected to be sufficient to allow recovery of deferred tax assets.

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of tax legislation as it applies to the Group's entities. Judgement is required in determining the provisions for income taxes and in assessing whether deferred tax balances are to be recognised in the statement of financial position. Changes in tax legislation or the interpretation of tax laws by tax authorities may affect the amount of provision for income taxes and deferred tax balances recognised.

## NOTE 12. TRADE AND OTHER PAYABLES

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Trade payables and accruals | 4,223 | 3,691 |
| Goods and services tax payable, net | 1,799 | 1,074 |
| Dividends payable | 90 | 71 |
| **Total trade and other payables** | **6,112** | **4,836** |

**Recognition and measurement**

Trade and other payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Payables are stated at their amortised cost.

Accruals comprised largely of accruals for staff costs, advertising and promotion expenses and miscellaneous operating expenses. Other creditors and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of purchase of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the taxation authority is included as a current asset or liability. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from or payable to the taxation authority are classified as operating cash flows.

## NOTE 13. PROVISIONS

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2017<br>$'000 | Charged to profit or loss<br>$'000 | Settled / paid<br>$'000 | 2018<br>$'000 |
| **Current** | | | | |
| Employee benefits | 2,587 | 479 | (413) | 2,653 |
| **Total current provisions** | **2,587** | **479** | **(413)** | **2,653** |
| **Non-current** | | | | |
| Employee benefits | 273 | 29 | (100) | 202 |
| Make-good provision | – | 87 | (5) | 82 |
| **Total non-current provisions** | **273** | **116** | **(105)** | **284** |
| **Total provisions** | **2,860** | **595** | **(518)** | **2,937** |

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2016<br>$'000 | Charged to profit or loss<br>$'000 | Settled / paid<br>$'000 | 2017<br>$'000 |
| **Current** | | | | |
| Employee benefits | 2,233 | 709 | (355) | 2,587 |
| **Total current provisions** | **2,233** | **709** | **(355)** | **2,587** |
| **Non-current** | | | | |
| Employee benefits | 261 | 12 | – | 273 |
| **Total non-current provisions** | **261** | **12** | **–** | **273** |
| **Total provisions** | **2,494** | **721** | **(355)** | **2,860** |

### Recognition and measurement

Provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made as to the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

A provision is made for benefits accruing to employees in respect of annual leave and long service leave. Liabilities expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

### Critical accounting estimates and judgements – employee benefits assumptions

In estimating the value of employee benefits, consideration is given to expected future salary and wage levels (including on-cost rates), experience of employee departures and periods of service. The assumptions are reviewed periodically and given the nature of the estimate, reasonably possible changes in assumptions are not considered likely to have a material impact.

Where a provision is measured using the cash flows estimated to settle the obligation, the cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Discount rates are reviewed periodically and given the nature of the estimate, reasonably possible changes are not considered likely to have a material impact.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 14. DEFERRED REVENUE

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Current $'000 | Non-current $'000 | Current $'000 | Non-current $'000 |
| Deferred revenue | 18,256 | – | 12,723 | – |
| **Total deferred revenue** | **18,256** | **–** | **12,723** | **–** |

**Recognition and measurement**
The Group recognises revenue for its subscription based products and services over the related service period. The Group generally invoices customers in advance of the services either through upfront fees, fixed fees or through annual, quarterly or monthly instalments. Deferred revenue represents the billed and unearned portion of existing fees which will be recorded as revenue in the consolidated statement of profit or loss over the contract period or as the services are delivered.

## NOTE 15. OTHER LIABILITIES

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Current $'000 | Non-current $'000 | Current $'000 | Non-current $'000 |
| Lease incentives | 654 | 2,359 | 458 | 2,835 |
| **Total other liabilities** | **654** | **2,359** | **458** | **2,835** |

**Recognition and measurement**
The provision for lease incentives represents the unamortised balance of incentives received to enter into an operating lease. The incentive received is recognised as a reduction of rental expense on a straight-line basis over the term of the operating lease.

## NOTE 16. ISSUED CAPITAL

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Number of shares | $'000 | Number of shares | $'000 |
| **Share capital** | | | | |
| 92,443,041 fully paid ordinary shares (2017: 91,768,041) | | | | |
| *Movement:* | | | | |
| Opening balance | 91,768,041 | 3,920 | 91,165,169 | 3,631 |
| Issue of shares[1] | 675,000 | 445 | 1,004,000 | 289 |
| Share options exercised by employees | – | 24 | – | – |
| Share buy-backs[2] | – | – | (401,128) | – |
| **Closing balance** | **92,443,041** | **4,389** | **91,768,041** | **3,920** |

1 Represents issue of ordinary shares as a result of options exercised under the Group's Employee Incentive Plan. Refer Note 25.
2 Represents issue of ordinary shares as a result of options exercised under the Group's current Employee Incentive Plan. Refer Note 25.

**Share capital**
Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation. The ordinary shares have no par value and the Company does not have a limited amount of authorised capital. Capital raising costs are deducted from contributed equity.

**Options issued during the year under the Employee Incentive Plan**

The Company issues employee share options pursuant to the Employee Incentive Plan. Under the terms and conditions of the current Employee Incentive Plan, selected employees are granted the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions) being satisfied. On satisfaction of the vesting conditions the shares are issued to the employee with the exercise price being financed by a limited recourse loan. No amount is paid or payable by the employee on receipt of these shares. Dividends declared and paid on the issued shares are for the benefit of the employee. The employee is not permitted to deal in the shares until the limited recourse loan has been repaid.

Specific terms of the option and loan agreement previously offered to employees, but no longer in effect, result in loans to these employees being recognised as a loan receivable until fully repaid and the value of the shares acquired included in share capital. Limited recourse loans issued under the current terms of the Employee Incentive Plan are characterised as options for reporting purposes.

Each option entitles the holder to the right to acquire one ordinary share at the nominated exercise price during the period commencing on the vesting date of the options.

At 30 June 2018 a total of 1,253,759 (2017: 1,980,000) employee share options are outstanding.

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| | Number of options outstanding | Expiry date | Exercise price | Fair value per option at grant date | Number of options outstanding |
| 7 October 2014 | – | 07/10/2024 | $0.50 | $0.61 | 200,000 |
| 24 March 2014 | – | 24/03/2024 | $0.75 | $0.18 | 125,000 |
| 7 October 2014 | 80,000 | 07/10/2024 | $1.00 | $0.52 | 80,000 |
| 24 February 2015 | 150,000 | 24/02/2025 | $1.17 | $0.43 | 150,000 |
| 5 March 2015 | 250,000 | 05/03/2025 | $1.20 | $0.33 | 675,000 |
| 29 July 2016 | 250,000 | 29/07/2026 | $1.50 | $0.41 | 250,000 |
| 2 January 2017 | 500,000 | 02/01/2027 | $1.80 | $0.41 | 500,000 |
| 15 January 2018 | 23,759 | 15/01/2028 | $3.00 | $0.58 | – |
| **Total options on issue** | **1,253,759** | | | | **1,980,000** |

During the year 23,759 new options were granted (2017: 750,000), 75,000 options were forfeited / cancelled and 675,000 options were exercised into ordinary shares (2017: 1,004,000). The weighted average exercise price for options exercised was $1.01 and the weighted average share price at the date of issue was $2.96. The weighted average fair value of options issued in FY2018 was $0.58 per option. The weighted average exercise price on issue was $3.00 and the weighted average share price at grant date was $3.00. The fair value was determined using Black-Scholes option pricing model using a 10-year time period to expiration. Assumptions for expected volatility and dividend yield were based on historic data. Inputs for risk free rate and grant date share price was determined by the prevailing prices on the day of issue.

## NOTE 17. DIVIDENDS AND FRANKING CREDITS

### (a) Dividends

| Dividend type | Cents per share | Franking | Total amount $'000 | Date paid / payable |
|---|---|---|---|---|
| 2013 Final | 2.00 | 100% | 2,015 | 13 September 2013 |
| 2013 Special | 1.00 | Nil | 1,008 | 13 September 2013 |
| 2014 Final | 3.50 | 100% | 3,089 | 15 September 2014 |
| 2015 Final | 3.75 | 100% | 3,409 | 9 September 2015 |
| 2016 Final | 4.00 | 100% | 3,665 | 14 September 2016 |
| 2017 Final | 4.00 | 100% | 3,671 | 14 September 2017 |
| 2017 Special | 1.00 | Nil | 918 | 14 September 2017 |
| 2018 Final[1] | 5.00 | 100% | 4,622 | 12 September 2018 |

1 The final dividend for the year ended 30 June 2018 has not been recognised in this financial report because it was resolved to be paid after 30 June 2018.

### (b) Franking credits

| | 2018 $'000 | 2017 $'000 |
|---|---|---|
| The balance of franking credit account at balance date adjusted for the payment of provision for income tax | 2,209 | 278 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 18. RESERVES

| | CONSOLIDATED | | | |
|---|---|---|---|---|
| | Share buy-back reserve $'000 | Share-based payments reserve $'000 | Foreign currency translation reserve $'000 | Total $'000 |
| **30 June 2018** | | | | |
| Opening balance | (10,275) | 453 | (1,253) | (11,075) |
| Share-based payment | – | 147 | – | 147 |
| Share buy-backs | – | – | – | – |
| Translation of foreign operations | – | – | (14) | (14) |
| **Closing balance** | **(10,275)** | **600** | **(1,267)** | **(10,942)** |
| **30 June 2017** | | | | |
| Opening balance | (9,569) | 290 | (344) | (9,623) |
| Share-based payment | – | 163 | – | 163 |
| Share buy-backs | (706) | – | – | (706) |
| Translation of foreign operations | – | – | (909) | (909) |
| **Closing balance** | **(10,275)** | **453** | **(1,253)** | **(11,075)** |

**Share buy-back reserve**
The share buy-back reserve represents the value of the Company's shares which were purchased and subsequently cancelled. The cancellation of the shares creates a non-distributable reserve. During the financial year, the Company bought back and cancelled nil (2017: 401,128) of its ordinary shares at a total cost of $nil (2017: $706,000).

**Foreign currency translation reserve**
Exchange differences arising on translation of the financial statements of the Group's foreign controlled entities into Australian dollars are in other comprehensive income and accumulated in a separate reserve within equity.

**Share-based payments reserve**
The share-based payments reserve is used to recognise the share based payments expense resulting from the value of share options issued to key management personnel and employees under the Group's Employee Incentive Plan. Further information about share-based payments to employees is made in Note 25.

## NOTE 19. RETAINED EARNINGS
Summary of movement in consolidated retained earnings

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Balance at 1 July | 28,489 | 23,952 |
| Profit for the year | 7,380 | 8,202 |
| Dividends paid for or provided (Note 17(a)) | (4,588) | (3,665) |
| **Balance at 30 June** | **31,281** | **28,489** |

## NOTE 20. CASH FLOW INFORMATION

### (a) Reconciliation of profit for the year to net cash inflow / (outflow) from operating activities

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Profit for the year | 7,380 | 8,202 |
| Adjustments: | | |
| Depreciation and amortisation expenses | 1,539 | 890 |
| Non-cash employee benefits expense – share based payments | 147 | 163 |
| Net loss on disposal of property, plant and equipment | 2 | 86 |
| Net unrealised foreign exchange differences | – | 63 |
| Impairment loss – trade debtors | 120 | – |
| Change in operating assets and liabilities: | | |
| (Increase) / decrease in trade and other receivables | (619) | (1,991) |
| (Increase) / decrease in other operating assets | (2,568) | 843 |
| Increase / (decrease) in trade and other payables | 1,263 | (601) |
| Increase / (decrease) in deferred revenue | 5,534 | 1,269 |
| (Decrease) / increase in current tax balances | (1,072) | 1,225 |
| (Increase) / decrease in deferred tax assets | (163) | (572) |
| (Decrease) / increase in provisions | (10) | 367 |
| (Decrease) / increase in other operating liabilities | (278) | (357) |
| **Net cash inflow from operating activities** | **11,275** | **9,587** |

### (b) Non-cash investing activities

During the current year, the Group entered into the following non-cash investing activities which are not reflected in the consolidated statement of cash flows:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Recognition of non-cash lease incentives received from lessors | – | 243 |

## NOTE 21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

Financial assets which potentially subject the Group to credit risk consist principally of cash, short-term deposits and trade debtors. The Group's deposits and cash are placed with major financial institutions with sound credit ratings. Trade debtors are presented net of the allowance for impairment losses.

Credit risk with respect to trade debtors is limited due to the large number of customers comprising the Group's customer base are government organisations or their diverse dispersion across different industries and geographical areas. Accordingly, the Group has no significant concentration of credit risk. The Group manages credit risks by monitoring credit ratings and limiting the aggregate risk to any individual counterparty.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 21. FINANCIAL RISK MANAGEMENT AND FAIR VALUES CONTINUED

The below table summarises the Group's exposure to credit risk at the end of the reporting period:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Cash and cash equivalents | 21,490 | 16,852 |
| Trade and other receivables | 8,986 | 8,488 |
| Ageing analysis of trade and other receivables is as follows: | | |
| Fully performing debts | 7,919 | 6,013 |
| Past due more than 30 days[1] | 724 | 1,800 |
| Past due more than 60 days[1] | 66 | 81 |
| Past due more than 90 days[1] | 277 | 594 |
| **Total** | **8,986** | **8,488** |

1 The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices. Trade receivables past due and not impaired at 30 June 2018 is $1,067,000 (2017: $2,475,000).

### (b) Currency risk

The Group is exposed to foreign currency risk primarily as a result of operations in the Asia Pacific region, the United Kingdom, Singapore and the United States of America. The Group also has transactional currency exposures arising from sales and purchases that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to foreign currency risk are primarily denominated in Pounds Sterling (GBP), United Stated dollars (USD), New Zealand dollars (NZD) and Singapore dollars (SGD).

Foreign currency risk is defined as the fair value of future cash flows of a financial instrument fluctuating because of changes in foreign exchange rates. The sensitivity analysis provided does not include the currency risk of financial assets and liabilities of the controlled entities denominated in the controlled entity's functional currency or their conversion into the functional currency of Objective Corporation Limited on consolidation as outside the scope of the definition. The conversion of these financial assets and liabilities on consolidation may result in a gain or loss to the consolidated entity.

The Group's exposure is to the movement in foreign exchange rates is partly mitigated by a natural hedge arising from operations in these countries. The Group regularly monitors its foreign currency exposure which includes considering the level of cash in foreign currency and cash flow forecasting.

#### Sensitivity analysis

The table below summarises the instantaneous change in the Group's profit after tax and total equity that would arise had the Australian dollar strengthened/weakened by 10% against the respective foreign currencies to which the Group has significant exposure at the end of the reporting period, assuming all other risk variables remained constant. The 10% sensitivity is based on reasonably possible changes, over a financial year.

| | CONSOLIDATED | | |
|---|---|---|---|
| | Movement in exchange rate % | Sensitivity of profit after tax $'000 | Sensitivity of total equity $'000 |
| **30 June 2018** | | | |
| New Zealand dollars | +10% | 33 | 33 |
| Singapore dollars | +10% | 3 | 3 |
| **Total** | | **36** | **36** |
| New Zealand dollars | –10% | (41) | (41) |
| Singapore dollars | –10% | (4) | (4) |
| **Total** | | **(45)** | **(45)** |
| **30 June 2017** | | | |
| New Zealand dollars | +10% | 120 | 120 |
| **Total** | | **120** | **120** |
| New Zealand dollars | –10% | (147) | (147) |
| **Total** | | **(147)** | **(147)** |

### (c) Liquidity risk

Liquidity risk management requires maintaining sufficient cash by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group continues to assess its liquidity risk as low. The below table summarises the exposure of the Group to liquidity risk for all financial assets and liabilities of the Group at reporting date and which fall due within 12 months:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| Cash and cash equivalents | 21,490 | 16,852 |
| Receivables | 8,986 | 8,488 |
| Payables | (6,112) | (4,836) |
| **Net financial assets** | **24,364** | **20,504** |

As the Group is in a net financial assets position, the Directors are of the opinion that the Group is in low risk and will be able to pay off its debts as and when they are due and payable.

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. The Board monitors the return on capital and the level of dividends to ordinary shareholders. There were no significant changes in the Group's approach to capital management during the year.

### Fair values measurement of financial instruments

The fair values of trade debtors, deposits and cash and trade creditors and accruals approximate their carrying amounts due to the short-term maturities of these assets and liabilities.

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2017 and 30 June 2018.

### Financial instruments carried at fair value

The Group's financial instruments are measured at fair value at the end of the reporting period on a recurring basis, categorized into three-level fair value hierarchy as defined in IFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified and determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair values measured using significant unobservable inputs

During the year ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 of the fair value hierarchy classifications.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## GROUP STRUCTURE
### NOTE 22. SUBSIDIARIES
Details of the Company's interest in all subsidiaries as at each reporting date are set out below:

| | | Ownership | |
|---|---|---|---|
| **Name of subsidiary** | **Country of Incorporation** | **2018** | **2017** |
| Objective Corporation Solutions NZ Limited | New Zealand | 100% | 100% |
| Objective Corporation Singapore Pte Limited | Singapore | 100% | 100% |
| Objective Corporation North America Inc | United States of America | 100% | 100% |
| Objective Corporation USA Inc | United States of America | 100% | 100% |
| Objective Corporation UK Limited | United Kingdom | 100% | 100% |
| Objective Keystone Limited | United Kingdom | 100% | 100% |
| Onstream Systems Limited | New Zealand | 100% | 100% |

### NOTE 23. BUSINESS COMBINATIONS
**Critical accounting estimates and judgements – purchase price allocation**
For the business combinations undertaken by the Group, the Group allocates the costs of the acquisition to the assets acquired and the liabilities assumed based on their estimated fair value on the date of acquisition. This process is commonly referred to as the purchase price allocation. As part of the purchase price allocation, the Group is required to determine the fair value of any identifiable intangible assets acquired.

The determination of the fair value of the intangible assets acquired involves certain judgement and estimates. These judgements can include, but are not limited to, the cash flows that an asset is expected to generate in the future.

The fair values of the identifiable intangible assets were determined by the Group with inputs from the independent appraisers using mainly the income approach. Future cash flows are predominantly based on the historical pricing and expense levels, taking into consideration the relevant market size and growth factors, and involves making a number of assumptions including growth rates, royalty rates and product life cycles. The resulting cash flows are then discounted at a rate reflecting specific risks related to the relevant operation.

A change in the amount allocated to identifiable intangible assets would have an offsetting effect on the amount of goodwill recognised from the acquisition and would change the amount of amortisation expense recognised related to those identifiable intangible assets.

### NOTE 24. PARENT ENTITY DISCLOSURES
**(a) Summary statement of financial position**

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Current assets | 30,783 | 22,326 |
| Non-current assets | 14,807 | 16,689 |
| **Total assets** | **45,590** | **39,015** |
| Current liabilities | 20,422 | 18,866 |
| Non-current liabilities | 2,533 | 273 |
| **Total liabilities** | **22,955** | **19,139** |
| Share capital | 4,389 | 3,920 |
| Reserves | (9,675) | (9,822) |
| Retained earnings | 27,921 | 25,778 |
| **Total equity** | **22,635** | **19,876** |

**(b) Summary statement of profit or loss and other comprehensive income**

| | 2018<br>$'000 | 2017<br>$'000 |
|---|---|---|
| Profit for the year | 6,731 | 7,895 |
| **Total comprehensive income for the year** | **6,731** | **7,895** |

**(c) Contingent liabilities**
The parent entity, Objective Corporation Limited (the "Company") has entered into commercial property leases as Lessee. In the event the Company ceases to be the Lessee under the lease or occupy the premises, whether by virtue of default and termination of the lease or otherwise, the Company may be subject to claims for payment of liquidated damages based on a percentage of the lease incentives initially received under the lease. Refer Note 28 for details.

Additionally, a performance guarantee has been provided by the Company to Objective Corporation UK Limited (subsidiary) with regards to the provision of software support services for customers.

The Company continues to support its subsidiaries in their operations, by way of financial support.

**(d) Company details**
The registered office and principal place of business of the Company is:

Level 30, 177 Pacific Highway, North Sydney NSW 2060, Australia.

OTHER

## NOTE 25. SHARE BASED PAYMENTS

### Employee Incentive Plan

Objective Corporation Limited has an Employee Incentive Plan which was approved at the 2003 Annual General Meeting of the Company. The Plan is described as follows:

### Offers

Under the Plan the Board may offer to any employee either options to acquire shares or loans to acquire shares in the Company. Tony Walls, Chief Executive Officer and Gary Fisher, Non-Executive Director will not be participating in the Plan.

The options expire ten years after the date of grant and vest upon grant; however, they are not exercisable until one year after grant and released in four equal tranches on each anniversary of grant date. If a participant under the Plan ceases to be employed by the Company, any unexercised option will be forfeited immediately.

### Price

The Board has discretion to grant options for a fee and set the exercise price and term of the options.

### Quotation

Options issued under the Plan will not be quoted on the ASX. Where the Company issues options and the options are exercised, the Company will apply to have the issued shares quoted on the ASX.

### Maximum number of shares or options

The Company must not issue shares or options to any employee if to do so would contravene applicable laws or result in any employee holding an interest in more than 5% of the shares in the Company.

### Sales restrictions

Options issued under the Plan are not transferable. Shares acquired under the Plan are not transferable unless any loan to acquire the shares has been repaid in full.

### New shares

All shares issued on the exercise of options will rank equally with all existing shares from the date of issue.

### Dividends

All shares acquired pursuant to the Plan rank equal in all respects and will be entitled to any dividends declared by the Company. Any dividends paid on shares acquired under the Plan will be offset against the loan balance outstanding to acquire shares under the Plan. Options issued under the Plan are not entitled to dividends.

### Restrictions

The Board may impose vesting and performance conditions before which options cannot be exercised or the shares sold. The options issued pursuant to the Plan will usually lapse and the loans to acquire shares will usually become repayable if the holder ceases to be an employee.

### Participation in future issues

Under the Employee Option Plan's rules, the number of shares over which an option is granted and or the exercise price of the options may be altered in the event of a reconstruction of the Company's share capital or a bonus or rights issue of shares to shareholders. Shares acquired under the Plan will rank equal in all respects with existing shares.

### Loans

The Board has discretion to provide a loan for the acquisition of shares in the Company under terms and conditions as set out in the loan agreement.

## NOTE 26. RELATED PARTY DISCLOSURES

The parent entity in the Group is Objective Corporation Limited. Details of transactions between the Group and other related parties are disclosed below.

### (a) Loans to management personnel

Details of loan balances to management personnel and loan repayments, if any, are set out in Notes 7, 25 and the Remuneration Report. Loans are provided interest free. There have been no write downs or allowances for impairment losses.

### (b) Other transactions with directors or other key management personnel

Other transactions entered into during the financial year with directors of Objective Corporation Limited and other key management personnel of the Group and with their closely related entities which are within normal customer or employee relationships on terms and conditions no more favourable than those available to other customers, employees or shareholders included:

- contracts of employment (refer Remuneration Report) and reimbursement of expenses;
- equity holdings and acquisition of shares in Objective Corporation Limited under the employee share plans; and
- dividends from shares in Objective Corporation Limited.

### (c) Key management personnel remuneration

Total remuneration paid or payable to directors and key management personnel is set out below:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Short-term employee benefits | 629,264 | 639,879 |
| Post-employment benefits | 44,289 | 43,221 |
| Share-based payments expense | 43,894 | 55,277 |
| **Total remuneration paid or payable** | **717,447** | **738,377** |

Details of remuneration and the Objective Corporation Limited equity holdings of directors and other key management personnel are shown in the Remuneration Report on pages 15 to 16.

### (d) Other related parties

During the year the Group was provided management consulting services and was charged $34,757 (2017: $39,966) by Kingsbury Ventures Limited, a company associated with Nick Kingsbury, a Non-Executive Director of the Company. These transactions were conducted on normal commercial terms and conditions. At 30 June 2018 there were no amounts owing to Kingsbury Ventures Limited (2017: nil). No other material amounts were receivable from, or payable to, other related parties as at 30 June 2018 (2017: nil), and no material transactions with other related parties occurred during those years.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

## NOTE 27. COMMITMENTS

Commitments in relation to non-cancellable operating leases and capital expenditure contracted but not provided for in the consolidated financial statements are payable as follows:

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **Capital expenditure commitments** | – | – |
| **Operating lease commitments:** | | |
| Not later than one year | 2,222 | 2,513 |
| Later than one year and not later than five years | 9,953 | 7,739 |
| Later than 5 years | 4,303 | 3,430 |
| **Total operating lease commitments** | **16,478** | **13,682** |

The Group pays rental on property as occupancy costs under operating leases. Leases generally provide the Group with rights of renewals at which time all terms will be renegotiated.

## NOTE 28. CONTINGENT LIABILITIES

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $'000 | 2017 $'000 |
| **Contingent liabilities, capable of estimation, arise in respect of the following categories:** | | |
| Liquidated damages (Note 24) | 2,778 | 3,268 |
| Bank guarantees | 1,190 | 1,040 |
| **Total contingent liabilities** | **3,968** | **4,308** |

Bank guarantees are issued to contract counterparties in the normal course of business as security for the performance by Group entities of various contractual obligations.

Additionally, a performance guarantee has been provided by the Company to Objective Corporation UK Limited (subsidiary) with regards to the provision of software support services for customers.

As at 30 June 2018, the Directors do not consider it is probable that a claim will be made against the Group under any of the guarantees or liquidated damages.

## NOTE 29. AUDITOR'S REMUNERATION

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Pitcher Partners** | | |
| Audit and review of financial statements | 74,100 | 74,100 |
| **Total remuneration of Pitcher Partners** | **74,100** | **74,100** |

| | CONSOLIDATED | |
|---|---|---|
| | 2018 $ | 2017 $ |
| **Non-Pitcher Partners** | | |
| Audit and review of financial statements | 25,647 | 24,064 |
| Tax compliance services | 11,163 | 10,486 |
| **Total remuneration of non-Pitcher Partners** | **36,810** | **34,550** |

## NOTE 30. OTHER ACCOUNTING POLICIES

**Foreign currency transactions and balances**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

**Accounting standards and Interpretations Issued but not operative at 30 June 2018**

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations have been issued which are not yet effective for the financial year ended 30 June 2018 and which have not been adopted in these consolidated financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and consolidated financial statements:

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018). AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018). AASB 16: *Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

**AASB 9: *Financial Instruments***

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets and upfront accounting for expected credit loss.

The Group is continuing to assess any possible impacts of adopting the Standard and at this point does not expect a material transition adjustment at 1 July 2018.

**AASB 15: *Revenue from Contracts with Customers***

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

1. identify the contract(s) with a customer;
2. identify the performance obligations in the contract(s);
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract(s); and
5. recognise revenue when (or as) the performance obligations are satisfied.

This Standard will become mandatory for the Group's 30 June 2019 consolidated financial statements and will involve enhanced disclosures regarding revenue. The Group will apply the modified retrospective method in adopting the new standard, resulting in the recognition of transition adjustments on adoption.

Management has performed an assessment of the impact of AASB 15 and does not expect the recognition and measurement of revenue to materially change under the new standard.

AASB 15 also requires the incremental costs of obtaining a contract to be recognised as an asset upon contract execution and the subsequent release of this asset in line with the recognition of revenue under that contract. The primary cost of obtaining a contract for the Company is the commissions paid to sales persons upon successful execution. Current accounting standards require that this expense is recognised as an expense upon contract execution. The Company expects this to result in a non-material increase in assets in future periods.

**AASB 16: *Leases***

AASB 16: *Leases* will replace the current standard AASB 117: *Leases*. The main changes include:

- Recognition of a "right of use" asset and liability for all leases, excluding leases less than 12 months of tenure and leases relating to low value assets
- Depreciation of right to use assets in line with AASB 116: *Property, Plant and Equipment* and unwinding of the liability in principal and interest components over the life of the lease
- Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement of the lease
- A lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease
- Additional disclosure requirements.

The transitional provisions of the standard allow a lessee to either retrospectively apply the standard or recognise the cumulative effect of retrospective application as an adjustment to opening equity on initial application.

This standard will become mandatory for the Group's 30 June 2020 consolidated financial statements. Management is currently assessing the effects of the new standard on the Group's financial statements. AASB 16 will result in higher assets and liabilities on the balance sheet. Information on the undiscounted amount of the Group's non-cancellable lease commitments defined under AASB 17 as at 30 June 2018 is disclosed in Note 27. The present value of the Group's operating lease payments as defined under the new standard will be recognised as lease liabilities on the balance sheet and included in net debt.

## NOTE 31. SUBSEQUENT EVENTS

With the exception of the items disclosed below, there has not arisen in the interval between 30 June 2018 and the date of this report, any other matter or circumstance that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

**Dividends**

For dividends resolved to be paid after 30 June 2018, refer to Note 17.

## NOTE 32. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorised for issue on 28 August 2018.

# DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The attached financial statements and notes set out on pages 17 to 43 are in accordance with the *Corporations Act 2001 (Cth)*; and
   a) Comply with Accounting Standards in Australian and the *Corporations Regulations 2001*;
   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 2018 and its performance for the year ended on that date.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
   a) The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001 (Cth)*;
   b) The financial statements and notes for the financial year comply with the Accounting Standards; and
   c) The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

**Tony Walls**
Director

Date: 28 August 2018

## INDEPENDENT AUDITOR'S REPORT

**OBJECTIVE CORPORATION LIMITED**
**ABN 16 050 539 350**

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBERS OF OBJECTIVE CORPORATION LIMITED**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Objective Corporation Limited "the Company" and its controlled entities "the Group", which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENT AUDITOR'S REPORT

PITCHER PARTNERS

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| Revenue – Product and Service Revenue<br>*Refer to Note 4 in the Notes to the Financial Statements.* | |
| Product and service revenue is recognised in accordance with contractual arrangements and is recognised as the:<br>• significant risks and rewards of ownership are transferred to the customer;<br>• milestones are achieved based on internal measurement or acknowledgement by the customer; or<br>• services are provided to the customer;<br>depending on the nature of the product or service. | Our procedures included, amongst others:<br>• Documenting and testing the design and operating effectiveness of relevant controls over timing of revenue recognition.<br>• Testing a sample of revenue transactions to customer contracts, work in progress records, milestone acknowledgements and receipts from customer, where applicable.<br>• Reviewing and analysing general journals that impact revenue. |
| Impairment of Intangible Assets<br>*Refer to Note 10 in the Notes to the Financial Statements.* | |
| At 30 June 2018 the statement of financial position of the Group includes goodwill amounting to $8.728 million.<br><br>In assessing impairment of intangible assets, management have estimated value in use for each Cash Generating Unit (CGU) – Objective Keystone Limited and Onstream Systems Limited.<br><br>The value in use models for impairment includes significant management judgement in respect of assumptions and estimates including discount rates, estimated future cash flows and foreign currency rates. | Our procedures included, amongst others:<br>• Assessing management's determination of CGUs based on our understanding of the nature of the group's business and the economic environment.<br>• Reviewing and challenging judgements by management in respect of the key assumptions and estimates used to determine the recoverable value of the assets of each CGU (value in use model).<br>• Testing the mathematical accuracy of the value in use models.<br>• Assessing the historical accuracy of forecasting.<br>• Performing sensitivity analysis on key assumptions in the value in use models including discount rates, future cash flows and foreign currency rates.<br>• Considering the adequacy of the financial report disclosures in Note 10. |

PITCHER PARTNERS

*Other Information – The annual report is not complete at the date of the audit report.*

The directors are responsible for the other information. The other information comprises the information included in the Directors report, which was obtained as at the date of our audit report, and any additional other information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgment to determine the appropriate action to take.

*Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

## INDEPENDENT AUDITOR'S REPORT

PITCHER PARTNERS

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 15 to 16 of the directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Objective Corporation Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

*Responsibilities*

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.

R M SHANLEY
Partner

PITCHER PARTNERS SYDNEY
Sydney

28 August 2018

# AUDITOR'S INDEPENDENCE DECLARATION

**AUDITOR'S INDEPENDENCE DECLARATION**
**TO THE DIRECTORS OF OBJECTIVE CORPORATION LIMITED**

In relation to the independent audit for the year ended 30 June 2018, 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.

R M SHANLEY

Partner

PITCHER PARTNERS

Sydney

28 August 2018

# SHAREHOLDER INFORMATION

The shareholder information set out below was applicable on the 14th September 2018.

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below:

## A) DISTRIBUTION OF EQUITY SECURITIES

**Securities**

Fully paid ordinary shares

| | No. of Holders | Total Ordinary Shares |
|---|---|---|
| 1–1,000 | 162 | 80,799 |
| 1,001–5,000 | 256 | 708,616 |
| 5,001–10,000 | 92 | 741,688 |
| 10,001–100,000 | 146 | 4,375,796 |
| 100,001+ | 35 | 86,786,142 |
| **Totals** | **691** | **92,693,041** |

There were 38 holders of less than a marketable parcel of ordinary shares.

## B) VOTING RIGHTS

The voting rights attaching to ordinary shares are that every member in person or by proxy, attorney or representative shall have one vote on a show of hands and one vote for each share held on a poll. There are no voting rights attaching to options over unissued shares.

## C) TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

**Ordinary shares**

| Name | No. of Ordinary Shares Held | % of Listed Shares |
|---|---|---|
| TBW TRUSTEES LIMITED | 62,000,000 | 66.89% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 11,179,222 | 12.06% |
| MIRRABOOKA INVESTMENTS LIMITED | 2,100,000 | 2.27% |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 1,833,638 | 1.98% |
| ANACACIA PTY LTD | 1,474,566 | 1.59% |
| AMCIL LIMITED | 1,394,513 | 1.50% |
| ARRAS PTY LTD | 543,832 | 0.59% |
| MRS ELAINE WALLS & MS MICHELLE ROBYN WALLS | 535,000 | 0.58% |
| MR ADRIAN RUDMAN | 500,000 | 0.54% |
| MR DAVID GORDON | 400,000 | 0.43% |
| MR JEREMY GODDARD | 400,000 | 0.43% |
| MR FRANK VOLCKMAR | 375,000 | 0.40% |
| AET CT PTY LIMITED | 308,467 | 0.33% |
| POAL PTY LTD | 280,000 | 0.30% |
| MR MITCHELL JAMES HARRISON & DR ROSALIND FRANCES MENZIES | 237,609 | 0.26% |
| MR ROB MILLS | 225,000 | 0.24% |
| EST MRS JOAN CAMERON FISHER | 219,000 | 0.24% |
| BNP PARIBAS NOMINEES PTY LTD | 212,460 | 0.23% |
| MAST FINANCIAL PTY LTD | 209,500 | 0.23% |
| JOHN HENRY PASCOE | 200,000 | 0.22% |
| LEIGH WARREN | 200,000 | 0.22% |
| MR NICK KINGSBURY | 200,000 | 0.22% |
| **Total Securities of Top 20 Holdings** | **85,027,807** | **91.73%** |
| **Total of Securities** | **92,693,041** | |

# SHAREHOLDER INFORMATION

## D) SUBSTANTIAL HOLDERS IN THE COMPANY

**Ordinary shares**

| Name | Number of Ordinary Shares Held | % of Listed Shares |
|---|---|---|
| TBW TRUSTEES LIMITED | 62,000,000 | 66.89% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 11,179,222 | 12.06% |

# CORPORATE DIRECTORY

### REGISTERED OFFICE
Level 30
177 Pacific Highway
North Sydney NSW 2060
Australia

Tel: +61 2 9955 2288

### ASX CODE
OCL

### ABN
16 050 539 350

### DIRECTORS
Tony Walls
Gary Fisher
Nick Kingsbury
Leigh Warren
Darc Rasmussen

### COMPANY SECRETARY
Ben Tregoning

### STOCK EXCHANGE LISTING
The Company's shares are listed on the Australian Securities Exchange (ASX).

### ELECTRONIC ANNOUNCEMENTS
Shareholders who wish to receive a copy of announcements made to the ASX are invited to provide their email address to the Company.

This can be done by emailing us at enquiries@objective.com or writing to us at our registered office.

### SHARE REGISTRY
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### AUDITOR
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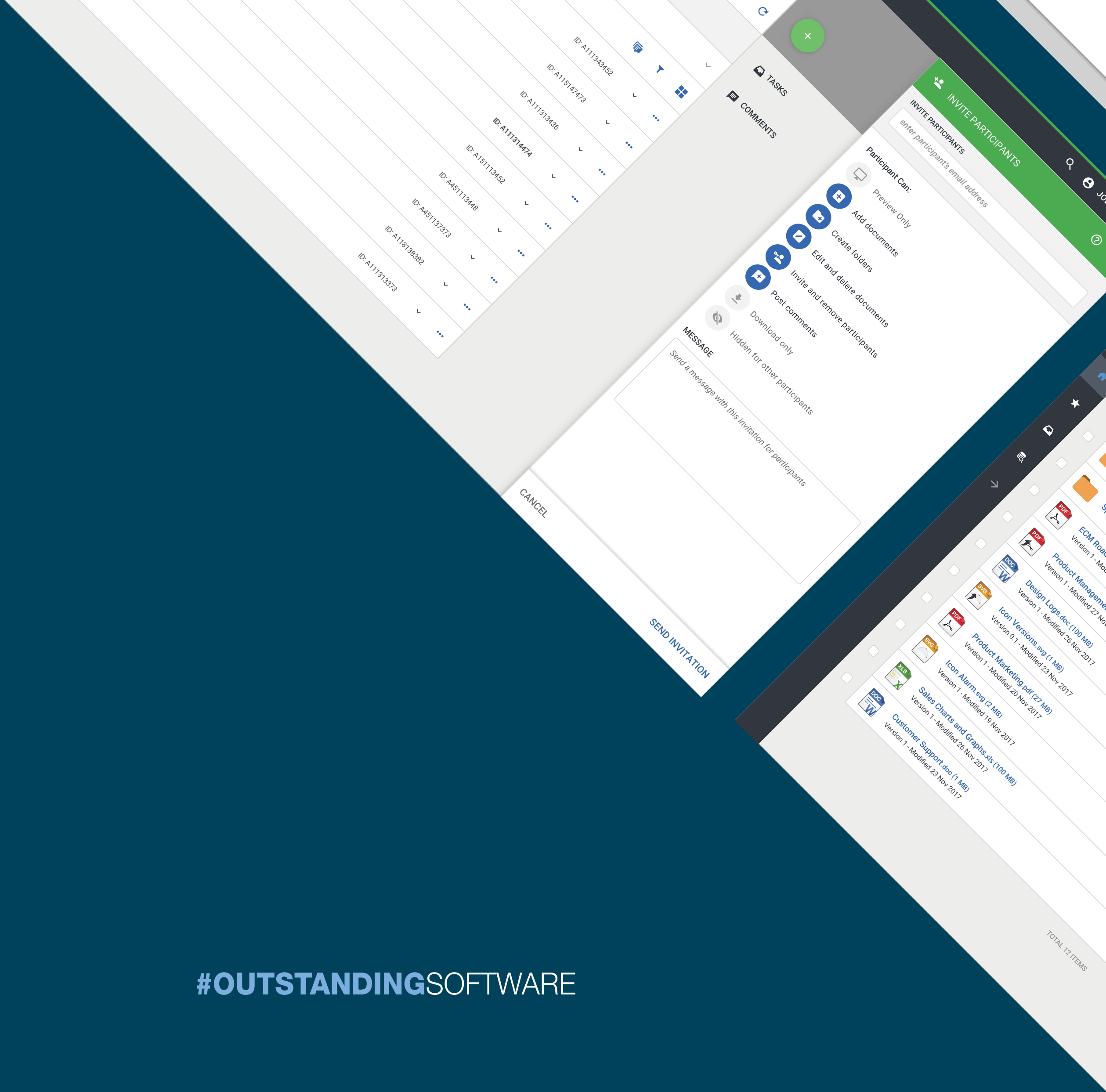


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