

Objective

Annual Report **2020**



Outstanding **digital government** software driving **stronger communities**.

Our Strategy

Objective's business model is supported by four strategic pillars. These pillars shape the management frameworks we have established to identify and execute on opportunities for success and meet any challenges presented. Throughout this report, we will address how delivery against these pillars has driven the FY2020 results and set up Objective for future success.



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Financial Highlights

Revenue

\$70_m

13% Growth

Annualised Recurring Revenue

\$56.6_m

22% Growth

EBITDA

\$17.2_m

22% Growth

Net Profit After Tax

\$11.0_m

22% Growth

Research and Development

\$15.7_m

22% of Revenue

Cash

\$51.0_m

\$34.6m at 30 June 2019

Operating Cash Flow

\$29.2_m

169% of EBITDA

Dividend

7.0_{cps}

Fully Franked

OUR STRATEGY

1

Engineer #OUTSTANDING Solutions



Investing to develop outstanding software remains central to the core of our business model.

An agile development framework enables us to accelerate the pace of development and provides the foundation to deliver an ambitious development program.

Development of all Objective software is guided by the following four principles, ensuring we continue to respond to macro drivers in the markets that we operate and develop products that deliver value to our customers and the communities they serve.

Information Everywhere

Maximise the value of corporate knowledge

As customers responded to the changing workforce needs of the COVID-19 pandemic, access to their corporate information was vital, and will remain so as post pandemic working behaviours are anticipated to shift permanently.

Objective IQ, a unified user experience for all of our products, provides users with the level of context and detail they need when working, whatever application they are working in. With an existing degree of familiarity for users, the modern and consistent aesthetic and behaviours help customers introduce new Objective products to their organisation while minimising on-boarding time. We continue to evolve, extend and enhance this experience across all products.

Governance Everywhere

Ensure records compliance across all information sources

As customers accelerate their digital transformation to support remote working, multiple devices, new collaboration and communication platforms, it is critical they maintain sound recordkeeping. We continue to extend the integration capabilities of our governance platform in line with business applications common within our target markets and even other content repositories such as Micro Focus Content Manager. This allows customers to meet their recordkeeping obligations, regardless of what applications users work from.

Microsoft Teams grew from approximately 20 million daily users pre-COVID, to more than 75 million. During FY2020, we launched Objective Gov365 which adds governance to the proliferation of communication and information spawned through the use of Microsoft Teams. It enables our government customers to confidently embrace the collaboration benefits without compromising their recordkeeping requirements. Looking forward, development will expand to encompass all of the products within the Microsoft 365 suite. Objective Gov365 works with both Objective ECM and MicroFocus Content Manager, significantly extending reach in our target markets beyond our current customers.

Sustainable Transformation

Drive sustainable business transformation supporting scale and flexible operations

Our solutions enable our customers to digitally transform mission-critical business processes and deliver better outcomes for communities they serve. From Objective Perform, a workflow engine for any content-driven business process, to extending these processes beyond organisational boundaries with Objective Connect via government-grade secure information sharing; from underpinning the statutory planning process in local government and product disclosure processes in financial services with Objective Keystone, to managing the end-to-end building consent process in local government with Objective Build and Objective Trapeze.

Cloud First

Deliver rapid ROI to customers and information security in the cloud

As the market continues to seek more flexible purchasing approaches for software products, Objective is responding by adopting a cloud-first approach to all software development. From our born-in-the-cloud products, Objective Connect and Objective Keystone, to our traditionally on-premise products such as Objective ECM, development is focused on optimising development, deployment and operations as a service delivery with security and governance built in from day one.

This approach reduces the time and effort required to deliver customer value while reducing infrastructure and implementation costs. Within our target market this creates opportunities at the smaller end of the market, with faster ROI for business specific solutions.

Research and
Development
investment

\$15.7m

22% of Revenue

Product Portfolio

Content Solutions

Target verticals: local, state & federal government + regulated industries

MAJOR FEATURES RELEASED IN FY2020



Robust governance across all information

Enhanced Authentication

Accessibility Improvements

Content Intelligence – Auto-classify

High-Speed Migration

Cloud Storage Options



Streamline content-driven processes

OpenGov for Content Manager

Extended Ministerial Scenarios

Government Process Framework



Leverage information and processes across your enterprise

Cloud-Ready Architecture

Flexible Integration

Linux Support



Sustainable governance for Microsoft Teams

Archive Teams Content and Messages

Surface Existing Content Sources

Team Creation Management

Keystone

Target verticals: government & financial services

MAJOR FEATURES RELEASED IN FY2020



Author, approve and publish on-brand content with ease

Next Generation Engagement Portal

Point-in-Time Publish

Verification Enhancements

Multi-Language Support

Connect

Target verticals: government & regulated industries

MAJOR FEATURES RELEASED IN FY2020



Secure external collaboration

IRAP Assessment (Protected)

ISO 27001 Certification

Secure Online Editing for Microsoft 365

Next Generation Mobile Apps (iOS, Android)

Two-Step Verification

Planning Solutions

Target verticals: local government

MAJOR FEATURES RELEASED IN FY2020



Digitally review and manage plans, maps and images

Objective IQ User Experience

Advanced Image Compare

Intelligent Stamping



Digital building consent processing and approval

Amendment Handling Enhancements

Cloud Integration Service

On-Demand Reporting



Redaction software for security conscious organisations

High Throughput Processing

Content Manager Integration

OUR STRATEGY

2

Deliver More Opportunities For Customers



Deliver #outstanding customer experiences that win us brand and product advocates across our user base.

Volunteer Scotland

Coordinating a national support effort amidst COVID-19

As the world responded to the COVID-19 pandemic, Volunteer Scotland, the only national centre for volunteering in Scotland, attracted a pool of more than 35,000 people who were willing to step in and help their local communities across their country.

Coordinating an expanding network of volunteers, Volunteer Scotland needed a platform to support secure external file-sharing and collaboration to ensure the safe and protected exchange of information and communication. Objective Connect allowed for an almost immediate start helping the organisation:

- **Co-ordinate 35,000 volunteers** and securely manage the sharing of personal data with the volunteer centre delivering the response.
- **Managing private information** and details of individuals signing up to volunteer
- **Collaborating with more than 40 volunteer centres** and national organisations

Volunteer Scotland delivered food parcels, essential supplies and medication drop-offs to vulnerable people and provided emotional support and assistance for those feeling isolated during the lockdown and continues to work with its communities as the nation enters a period of recovery.



South Australia Health

Going digital with ministerial correspondence

The Department of Health and Wellbeing in South Australia (DHW) assists the Minister to set the policy framework and strategic directions for SA Health.

Transitioning away from paper-based processes, DHW expanded its use of Objective solutions to 2000 users across the department, contributing to streamlined business processes and improved staff efficiency. Key to supporting its purpose is electronically managing Ministerial and Chief Executive correspondence. Benefits gained include:

Faster approvals – executives can more easily locate, review and edit documents from a wider range of devices and locations.

Reducing paper flow – significant reduction in cost and processing time associated with documents between offices across the State.

Access and accountability – DHW can quickly surface documents to efficiently meet government and legal reporting obligations.

Visibility – Track and analyse processes with automation-replacing manual methods.

Objective MINISTRIALS

“We have considerably reduced end-to-end processing time, supporting executives to be more mobile and reducing manual processes for staff.”



Don Frater

Deputy Chief Executive,
SA Health



“Volunteer Scotland aims to make volunteering easy and safe for everyone and, thanks to Objective Connect, this is now a reality regardless of any new challenges that may arise.”



Alan Stevenson

IT and
Communications Manager,
Volunteer Scotland



Read more
customer stores:
www.objective.com.au/customers

“Objective Trapeze has had such a large impact on the process of a development application. It has definitely streamlined the process of being able to get feedback straight back to the applicant.”



Olivia Betts

Town Planner,
Blacktown City Council

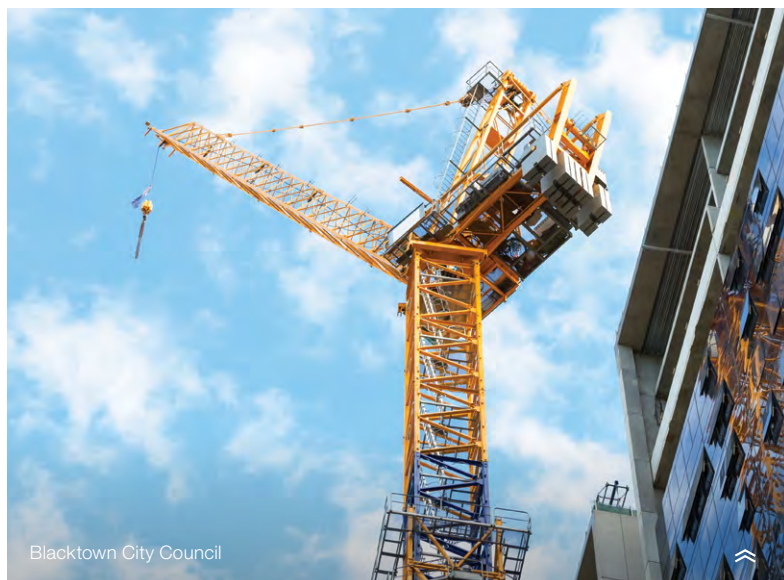
Blacktown City Council

Development Assessment – from paper to digital in 10 weeks

Blacktown City Council is a growing council, processing an increasing number of large-scale complex development applications – up to 2400 per year. Before using Objective Trapeze, the council was completely paper-based, so much of the admin work was completed manually. This included printing, manually stamping and scanning. Transitioning to the NSW Planning portal meant that Blacktown City Council had to move from paper to digital in just 10 weeks. The shift to a 100% digital processing of development applications was only possible with Objective Trapeze.

The implementation of Objective Trapeze has made a significant positive impact across the assessment stage of development applications – for both the planning team at Blacktown and the wider community. The digital measurement tools and the ability to instantly compare plans with Objective Trapeze has meant that the council can work faster with more consistency. The added benefit of the Trapeze smart stamping tool which uses AI to automate stamping in the white space, has allowed for concise assessments – reducing admin work and freeing time. The ability to process plans and send them within the same day has increased output of the planning team, especially with smaller developments, improving the overall response time to both residents and developers alike.

 **Objective** TRAPEZE



Blacktown City Council



The Highland Council

The Highland Council

Digital Plans – shaping a better future for the community

Development Plans are vital documents prepared by Local Authorities that shape what communities will be like in the future. They can take up to three years to produce and require input from many internal contributors. The plans are used to consult with local authorities who serve to ensure their communities are developed sympathetic to the community's desires.

The Highland Council, which covers more than one third of the land mass of Scotland, introduced Objective Keystone to prepare and consult on its Development Plans around five years ago, eliminating manual and laborious work in both the production of the plans and the subsequent consulting on the document. At the same time, the team have been able to create far more interesting and engaging plans by integrating GIS data, maps, videos and a range of other media.

With Objective Keystone, the Council enjoys the following benefits:

- **Large productivity gains** – all of the Council's planners can author a document at the same time; managing feedback and comments is completely digital; all stages of document production and consultation have been streamlined.
- **Improved community engagement** – what were once considered by the public as dry statutory documents, are now seen as more lively, engaging and exciting plans for the future.
- **Efficient and equitable consultation** – buy-in from stakeholders, partners and the community is digital, efficient and available to anyone whether they're based in rural or urban areas.
- **Comply with Scottish Government requirements** – by supporting the government's ePlanning Service and related reporting requirements.

 **Objective** KEYSTONE

“In terms of document production and streamlining the entire process, Objective Keystone is one of the best tools in the market.”



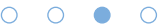
Scott Dalgarno

Development Plans Manager, The Highland Council

OUR STRATEGY

3

Grow Our Family



Balance organic growth with considered, disciplined acquisitions.



4
Development
Labs

12
Offices

Growth through acquisition

A targeted acquisition strategy has resulted in the ability to accelerate delivery of new products for customers.

We continue to seek opportunities to introduce new, strategically aligned companies and their customers through acquisition.

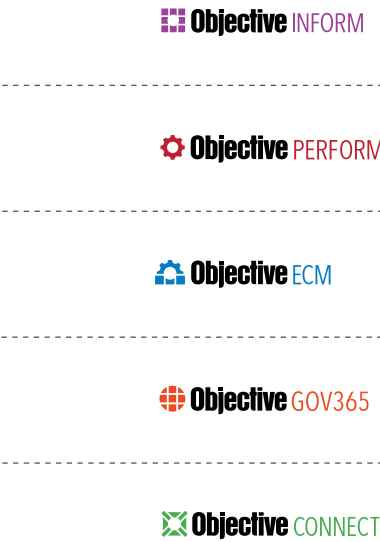
Acquired products and their evolution



Organic Growth

Objective has a long and proud history of developing market-leading software solutions. Our innovation labs can be found in Australia, New Zealand and the UK. All development takes place in our labs, in the countries where we operate.

Objective-developed products



The Planning & Building Solutions Centre of Excellence



Palmerston North Development Campus

During FY2020, we opened the doors to our latest development centre in Palmerston North, New Zealand. This milestone brought together three separate teams: Objective Trapeze, MBS, and AlphaGroup.

This brand new, state of the art facility, provides teams with cross-collaboration opportunities that lay the foundation for innovation and #outstanding software. It brings together people with not only great technical skills, but also a depth of domain knowledge.

Objective BUILD

Teams from MBS and AlphaGroup are now working together, applying their deep knowledge of local government processes and building consent software to deliver on the vision for Objective Build – a world-class, online end-to-end building consent system.

Objective TRAPEZE

Acquired in 2016, Objective Trapeze is now firmly part of the Objective family. Our developers have relished the opportunity to truly transform Objective Trapeze into a highly featured, easy to use planning assessment tool. It is loved by local government planners throughout New Zealand, Australia and increasingly in the United Kingdom.



Meet the team in this video:
www.objective.com.au/planning-solutions

Objective welcomes Regtech software specialist, Itree to its family



Wollongong Development Campus

In July 2020, Objective completed its largest acquisition to date, with RegTech software company Itree joining the family.

Itree's Wollongong NSW campus has become Objective's fourth development centre.

Sharing extraordinary parallels in heritage, purpose, development philosophy and culture, all Itree employees have been warmly welcomed at Objective. Its two cloud-based products, RegWorks and Reach, will form the founding products of Objective's new RegTech Solutions business line.

Objective REGWORKS

RegWorks is a suite of cloud-based industry solutions that address the regulatory processes of government agencies. Its customers include organisations such as the Department of Home Affairs (Aviation and Maritime Security), WorkSafe Tasmania, Queensland Rail, New Zealand Ministry of Primary Industries and Maritime New Zealand.

Objective REACH

Reach, developed under the Australian federal government's Business Research and Innovation Initiative (BRII), provides an innovative approach to cross agency and cross border data matching. Using sophisticated data matching algorithms on sensitive data stubs provided by disparate agencies, Reach is being used to support children at risk initiatives across Australian commonwealth and state government agencies.

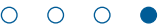


Meet the team in this video:
www.objective.com.au/wollongong

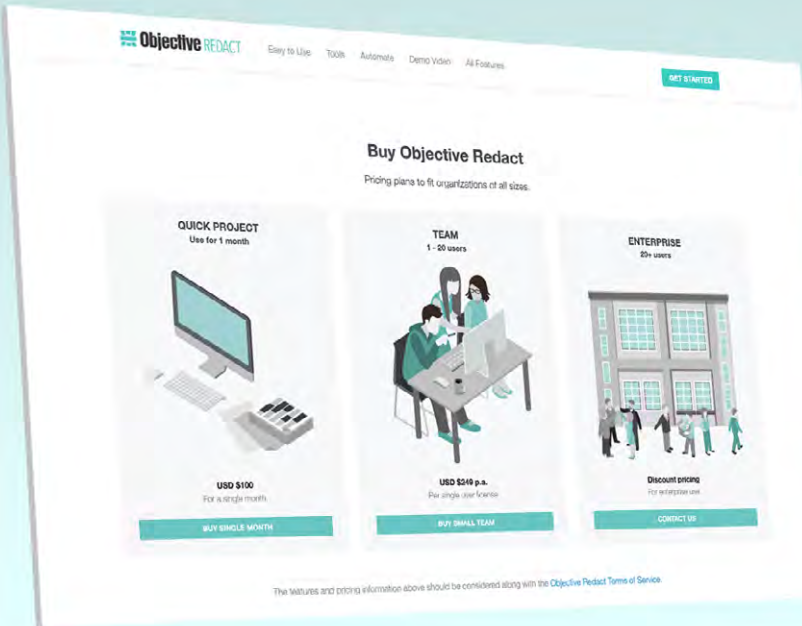
OUR STRATEGY

4

Attract New Fans



Our existing customer base provides a pool of advocates that attracts new fans.



Customers (fans)



Global footprint of customers

Our products are used by over 1,000 customer organisations across 60 countries to manage mission critical processes that result in better outcomes for communities around the world. We win new customers by developing #outstanding, world class products that address problems specific to the public sector and regulated organisations. These users are a pool of advocates that attract new fans to Objective within each geographic market.

Our targeted acquisition strategy has also accelerated the pace at which we are able to acquire new customers. We only pursue acquisition opportunities that fall within our existing end market expertise, which allows us to rapidly integrate their customers into our go-to-market strategies.

Additionally, by unifying the user experience across all products under the Objective IQ frameworks, we are able to directly leverage the existing strength of the Objective brand among existing and prospective customers.

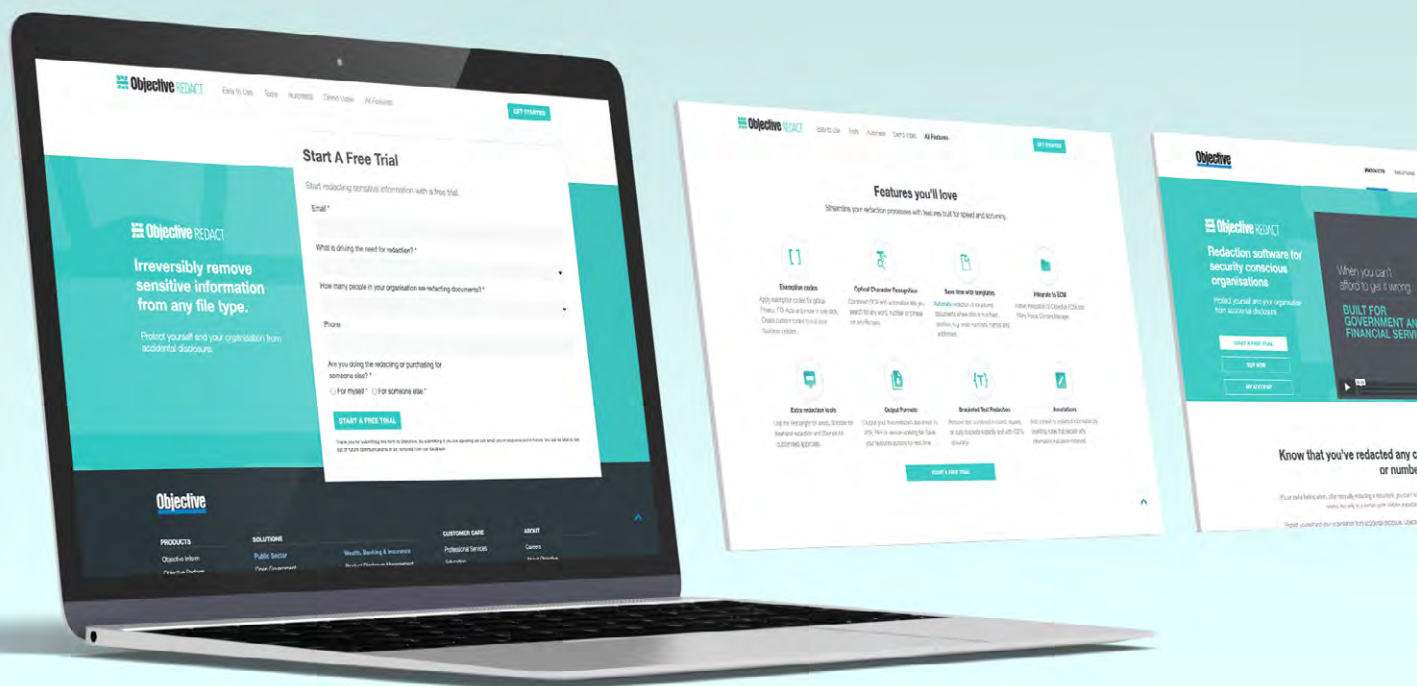
“We have been recommending Objective Keystone to fellow Local Authorities across Scotland because of the benefits we’ve experienced.”

✕ ✕

Scott Dalgarno
Development
Plans Manager,
The Highland Council



Watch the video:
objective.com.au/the-highland-council



Expand global footprint with digital engagement strategy

Evolving digital engagement underpins our transition to subscription-based software products. While it starts with a website, it is a company-wide evolution. From training practices to customer support, from product updates to billing systems and legal contacts, digital engagement follows customers through their entire journey with Objective.

Buyers begin their digital research and purchase journey on our website with engagement supported through digital nurture campaigns and interaction with professional sales team members at various stages. The value of this go-to-market approach was illustrated in sharp relief during the period of restrictions on travel and changes to work practices during the COVID-19 pandemic.

Objective Redact was the first product launched through a completely digital buying journey. It is generating higher revenue than ever with 50% sourced from North America, where Objective has no physical office. The valuable learnings from this model will next be extended to Objective Trapeze, with more products to follow.

Increase breadth in existing customer base with cross-sell opportunities

A suite of complementary products that share a common user experience in Objective IQ position us well to increase customers' adoption of a greater number of Objective products.

The consistent visual and behavioural framework accelerates adoption of new Objective products by delivering users a familiarity to move seamlessly between each of them.

CEO's Report

In this unprecedented environment, our business delivered a strong financial performance with 13% revenue growth, 22% growth in EBITDA and 22% growth in ARR.



Tony Walls
Chief Executive Officer



Dear fellow shareholders,

FY2020 was a year that none of us could have predicted. I am pleased to report that as a company and as individuals, we quickly adapted to the rapidly changing operating landscape in the face of the COVID-19 pandemic, supporting employees and customers whilst still delivering on our strategy, resulting in solid financial outcomes.

In this unprecedented environment, our business delivered a strong financial performance with 13% revenue growth, 22% growth in EBITDA and 22% growth in ARR.

Response to COVID-19

In March 2020, as the pandemic took hold, we were able to utilise our own portfolio of software products to transition our workforce to fully remote working while maintaining high levels of productivity across all teams. We successfully supported many customers urgently making similar changes in their organisations, which reinforced the value of their relationship with Objective and the investment they had made in our software.

The impact of COVID-19 on the financial performance of each business line varied and reflected the specific impact of the pandemic response by customers and the communities they serve.

Our delivery teams seamlessly transitioned to delivering projects remotely for all solutions and maintained strong momentum in new customer implementations and upgrades, delivering over 150 go-lives in FY2020.

Objective Connect played a central role in the remote working environment for many customers with a sharp increase in adoption during the periods where users' ability to access their usual place of work was restricted.

Amongst our Content Solutions products, where the investment required to extend to more users is highest, we experienced some delays in closing sales at year end, but fully expect that these opportunities will continue to progress in FY2021.

Our Financial Services and Insurance (FSI) customers relied heavily on Objective Keystone to maintain regulatory compliance over financial year end whilst dedicating all resources possible to assisting their customers through financial hardship brought on by the pandemic.

In Planning Solutions, we supported customers in continuing to deliver building consent approvals to their communities and in the early months of the pandemic, saw a 50% increase in daily usage across customer sites.

The resilience of Objective's business model in such a challenging operating environment, and our ability to react, reflects the quality of processes and systems we have in place, as well as our deep understanding of the needs of our customers and most importantly, a commitment and dedication amongst our people to deliver outcomes.

Financial Highlights

Group revenue for Financial Year 2020 (FY2020) grew by 13% to \$70.0 million (FY2019: \$62.1 million); EBITDA grew by 22% to \$17.2 million (FY2019: \$14.1 million) and Net Profit After Tax (NPAT) increased by 22% to \$11.0 million (FY2019: \$9.1 million).

The results reflect our uncompromised commitment to transitioning our business to subscription-based revenue models and growing our annual recurring revenue base.

Throughout 2020, all new customers engaged on a subscription basis, however we continue to support existing customers who wish to remain under a perpetual license model. Perpetual (upfront) licence fee revenue in FY2020 represented less than 7% of total revenue, demonstrating consistent and continuing progress in transitioning to subscription software contracts.

Overall recurring revenue increased to 75% of total revenue (FY2019: 70%). Annualised Recurring Revenue (ARR) increased to \$56.6 million at 30 June 2020, an increase of 22% over the balance at 30 June 2019 (\$46.6 million).

We delivered significant annual recurring revenue growth in all core subscription software products including ECMaaS (101% growth over FY2019); Connect (34% growth over FY2019); Keystone (8% growth over FY2019); Trapeze (51% growth over FY2019) and AlphaOne (49% growth over FY2019).

Developing Outstanding Software remains at the core of Objective's business model and in FY2020 we invested 22% of revenue into research and development (R&D). Total R&D spend in FY2020 was lifted by 19% to \$15.7 million (\$13.2 million in FY2019). As in previous years, the company fully expensed all R&D expenditure as it was incurred. Whilst this approach is no longer adopted by any directly comparable company, we continue to believe that this conservative accounting treatment best represents true profitability after all investments. This accounting treatment results in no intangible asset being recorded on the Group's statement of financial position but there is undoubtedly significant value in the innovation assets being created.

In November 2019, Objective Corporation acquired Master Business Systems (MBS), a developer of software and services that enables local governments in New Zealand to more efficiently process building consent applications and manage their software environments. MBS was based in Feilding, in close proximity to the AlphaGroup and Objective Trapeze teams. The employees of all three businesses are now operating from the new Objective Planning & Building Solutions Centre of Excellence in Palmerston North.

The total acquisition consideration for MBS comprised of NZ\$4.0 million in upfront cash consideration and a further payment of NZ\$1.2 million deferred over three years. The last twelve months revenue for MBS to 30 November 2019 totalled NZ\$3.1 million with Annualised Recurring Revenue (ARR) of NZ\$2.5 million as at 30 November 2019.

Overall operating costs increased by 11% in FY2020 to \$54.6 million (FY2019: \$49.3 million) driven largely by the addition of the cost bases of acquired businesses (partial year contribution of MBS and the full year contribution of AlphaGroup, after a partial year contribution in FY2019). Operating costs excluding the impact of acquisitions increased by 3% over FY2019.

Group operating cash flow in FY2020 was \$29.2 million (169% of EBITDA) in FY2020, an increase of \$5.8 million over FY2019 operating cash flow (\$23.4 million).

Total cash balance at 30 June 2020 was \$51.0 million. The Group has no external borrowings. The statement of financial position of the Group provides significant capacity to further pursue investment opportunities that enhance returns for shareholders.

Outlook

In FY2020 we successfully met the challenges we were presented; those that we had expected and those that demanded we change course and address immediately.

Throughout the ongoing period of adapting to life impacted by COVID-19, our primary concern has always been the wellbeing of our employees and their families. We are pleased to be able to offer a safe, modern, flexible workplace that has ensured stable employment for our valued people and many opportunities as we look to the future.

We also maintained focus on our strategic targets, completing the largest acquisition for Objective to date with specialist Regtech software company, Itree joining our family after the financial year end. Our organisation continues to grow in many ways, reaching over 400 employees, serving over 1,000 customer organisations in 60 countries and extending our product development capabilities across four development labs. This increased scope provides exciting new opportunities for our employees, customers and our shareholders.

In FY2021, we expect a material lift in revenue and profitability. We will extend our market reach with increased global digital marketing capacity and invest further in broadening our offerings to every customer. Further we continue to seek opportunities to introduce new, strategically aligned products through acquisition where these can be acquired at reasonable valuations.

Finally, I would like to thank our valued customers, talented employees and supportive shareholders for their continued commitment to our success. In spite of the dynamics of the COVID-19 environment, we relish the challenges of the year ahead.



Tony Walls
Chief Executive Officer

Dividend

7.0cps

Fully Franked

Net Profit After Tax

\$11.0M

22% Growth

Recurring Revenue

75%

of Total Revenue

1. AlphaOne FY2019 revenue includes period from 1 July 2018 – 31 March 2019 which was prior to Objective ownership.

Business Line Review

Content Solutions

Sales Revenue FY2020

\$50.3m

≈ 5%

FY2019 \$48.0m



Objective INFORM



Objective PERFORM



Objective ECM



Objective GOV365

Objective OPENGOV

Objective MINISTERIALS

Financial performance

In FY2020, revenue in our Content Solutions business increased by 5% to \$50.3 million (FY2019: \$48.0 million). The financial performance of the Content Solutions product lines continues to reflect Objective's strategic shift to subscription software contracts. The overall growth in revenue was driven by an increase in subscription software revenue of 101%, offset by a decrease in perpetual (upfront) licence fee revenue of 31%.

Attracting new fans

During FY2020 we welcomed a number of new Content Solutions customers including the Commonwealth Department of Public Prosecutions (CDPP) and Metro Trains Melbourne. We also further extended our relationship with our largest customer, the Australian Department of Defence, securing a new long-term commitment that extends Objective as a mission critical system for more than 100,000 users throughout the Department.

Delivering outcomes for customers

We reached a significant milestone in late FY2020 as the cloud-based ECM-as-a-Service (ECMaaS) solution for City of Gold Coast went live across 4,000 users. The council-wide ECMaaS solution combines records management, business process automation, collaboration, redaction and integration with the council's existing Local Government Platform. Remote delivery of this critical project was maintained throughout the period of restrictions in response to COVID-19 and utilised the technical capabilities of Objective employees from around the globe.

Subscription Software Revenue

≈ 101%

Accelerated digital transformation

During the year we also faced other challenges in response to the COVID-19 pandemic. Our content solutions customers have been progressively adapting to modern ways of working for many years, including the physical locations where employees work – resulting in an increasing number of places where information and records are created and stored. Fuelled by the need to maintain delivery of community services and outcomes, the pace of this change rapidly accelerated during the COVID-19 pandemic.

Modern records management

These changes have necessitated a rapid transition from a traditional ECM approach to modern records management delivered across all devices. The Objective solution portfolio has been central to many of our customers' ability to quickly adapt and successfully meet this challenge. Utilising Objective IQ, our Content Solutions customers have deployed fully digital, scalable and streamlined best practice processes that can be seamlessly adopted regardless of the end-users' locations.

Governance for Microsoft 365

Similarly, this pace of change is also reflected in the explosion of the daily users of Microsoft Teams, a unified communication and collaboration platform, which grew from approximately 20 million users pre-COVID to over 75 million current daily users. Microsoft Teams is now a location where Objective customers are regularly sharing, collaborating and discussing documents.

During FY2020, Objective launched Objective Gov365, an innovative product that harmonises governance across the many Microsoft products that Teams utilises and delivers frictionless governance. Through our long-term technology partnership with Microsoft, we had already made significant investments in developing solutions that meet the records compliance needs of public sector customers using Microsoft 365, and were able to rapidly extend that to Microsoft Teams. This product has been launched with an overwhelmingly positive customer response across both existing and prospective customers.

Keystone

Sales Revenue FY2020

\$6.8m
 ≧ 4%

FY2019 \$7.1m



Objective KEYSTONE

Financial performance

During FY2020, total revenue from our Keystone business decreased by 4% to \$6.8 million (FY2019: \$7.1 million). The overall results reflected an increase in software revenues of 8%, offset by a 48% decrease in services revenue following the successful completion of a major implementation project at Department of Environment, Land, Water and Planning in Victoria.

A number of new customer implementations were delivered by our valued channel partners, Mayflower Consulting and Transform Communications. Our internal service delivery employees were reassigned to other product lines, reflecting a strategic focus for Keystone to software engineering and marketing.

Target segment: Financial Services and Insurance

Objective Keystone has established a leading market position in the Australian Financial Services and Insurance (FSI) market, particularly in relation to the production of Product Disclosure Statements (PDS) for wealth and superannuation managers. Through our direct customer engagement and our channel partners, Objective Keystone welcomed a number of new FSI customers in FY2020, including Russell Investments and Mercer. Securing these global organisations as customers provides a strong validation of the Objective Keystone solution and offers opportunities to extend to new use cases throughout those organisations. During FY2020 we undertook an exploratory FSI market assessment in the UK but have now refocused our go-to-market efforts on expanding our reach in applications where the document lifecycle has more commonality to existing use cases.

Target segment: Public Sector

The Public Sector market, at both Local and State Government level, continues to be an important focus for Objective Keystone. Keystone is already used by more than 250 local government customers for the compilation of complex planning documentation and to capture community feedback on the proposed plan. These use cases are common across local government customers in Australia, New Zealand and the UK and in FY2021, we will extend our footprint across these markets. Our Public Sector focus will be accelerated by leveraging the strong relationships that already exist amongst customers of other Objective products, particularly Objective Trapeze.

Investing in innovation

To support our Public Sector customers, in FY2020 we delivered an enhanced stakeholder engagement portal for local governments. This allows customers to seamlessly embed this functionality in their websites and rapidly collect community feedback on public documents. We will continue to invest in targeted functionality for this sector to retain and grow our existing customer base.

During FY2020, we also invested in the continued evolution of the Keystone user experience to deliver an enhanced experience for both FSI and Public Sector customers. These enhancements draw heavily upon the evolution of Objective IQ, an enhanced user experience for all Objective products launched in FY2019, re-imagining how customers engage with Objective Keystone and bringing complete unity in the user experience across all Objective products.

Subscription Software Revenue

≧ 8%

Business Line Review

Planning Solutions

Sales Revenue FY2020

\$8.4m

≈ **148%**

FY2019 \$3.4m



Objective TRAPEZE



Objective REDACT



Objective BUILD



Financial performance

FY2020, revenue in our Planning Solutions business increased to \$8.4 million (FY2019: \$3.4 million). The Planning Solutions financial results includes Master Business Systems, AlphaGroup, Objective Trapeze and Objective Redact. All software sales in Objective Planning Solutions are made under subscription contracts.

Growing the family

Objective Planning Solutions has been transformed by the acquisition of Master Business Systems and the integration of AlphaGroup. Combined with Objective Trapeze, these acquisitions have created a portfolio of market leading solutions for local government to assess and approve building plans. During the past 12 months, more than NZ\$11.5 billion in building applications have been processed through Objective building consenting solutions in New Zealand. Objective is committed to improving community outcomes in such a critical market, not only through more efficient processing of applications but also by minimising the impact on communities of poor building practices through the application of consistent and rigorous building consent and inspection processes.

The key asset that Objective has gained through these acquisitions is a pool of highly talented employees that have further deepened Objective's technical expertise in the local government market. In late FY2020, we combined all teams into a single location at the Planning & Building Solutions Centre of Excellence in Palmerston North. This development lab will facilitate greater cross-team collaboration to accelerate product development and will be an important factor in continuing to attract new local talent.

We note the ongoing investigation into our acquisition of MBS by the NZ Commerce Commission. We continue to try to help them understand the competitive dynamics of the software industry. We respect the role they play, however we do not expect an outcome of the investigation until 2021.

Delivering outcomes for customers

During FY2020 we saw rapid adoption of Objective Trapeze Professional, which was released in late FY2019. More than 100 councils are now using the latest powerful functionality to improve accuracy and efficiency in assessing development applications. The latest version of Trapeze Professional includes innovations in machine learning and computer vision that power features such as automated plan comparisons and smart document approval stamping. The value that our customers derive from these products is demonstrated by experiences of the City of West Torrens, where smart stamping reduced the time to finalise a set of plans from half a day to less than 10 minutes, freeing planners to focus on higher value tasks that deliver better outcomes for ratepayers.

Attracting new fans

Objective Trapeze addresses a business problem that is not limited to the Australia, New Zealand and UK markets, where it is already rapidly becoming the industry standard for digital plan assessment. During FY2021 we will further grow our global customer base through a digital market engagement program, modelled on Objective Redact where over 50% of revenue is derived from North America.

AlphaOne and GoGet (the building consent processing solution developed by MBS) added a number of new customers in FY2020, including Kāinga Ora – Homes and Communities and Matamata-Piako District Council. The lockdown periods enforced in New Zealand in response to the COVID-19 pandemic impacted the number of building consents submitted and the volume-based revenue of these solutions, however we continued to remotely deliver services projects at council sites throughout the lockdown. AlphaOne and GoGet take differing approaches to the digital processing of building consents, AlphaOne as a cloud-based, checklist system and GoGet as a flexible and modular on-premise solution. We will continue to maintain both products in the New Zealand market and utilise the combined experience and expertise of the research and development teams to develop Objective Build, an end-to-end digital building consent solution with global application.

Trapeze Subscription Software Revenue

≈ **51%**

AlphaOne Subscription Software Revenue

≈ **49%**

Objective Connect

Sales Revenue FY2020

\$4.1m
 ⬆️ **34%**

FY2019 \$3.1m



Objective CONNECT

Financial performance

As of 30 June 2020, we achieved a significant milestone with Objective Connect reaching \$5m in ARR, meeting our goal of all business lines contributing to profit as we enter the next financial year.

In FY2020, Objective Connect revenue grew to \$4.1 million, a growth of 34% over FY2019 (\$3.1 million). Objective Connect uses a subscription, consumption-based revenue model and the financial performance was driven by an 86% increase in usage over the financial year. This increase was accelerated rapidly by our customers' responses to COVID-19 as they transitioned their employees to remote working and established collaborative, cross-agency working groups to coordinate activities within the communities they serve.

Investing in innovation

We continued to invest in Objective Connect in FY2020 and through improvements in the product development environment, tripled the number of feature releases compared with FY2019. New functionality was released in response to specific customer requirements and Objective Connect was further tailored to the use cases of public sector customers. A new mobile version of Objective Connect was released to facilitate users moving seamlessly between desktop, tablet and mobile phone versions while maintaining access to critical functionality.

Increased security credentials

Protection of our customers' information has always been central to Objective Connect and during FY2020 we received additional external validation of the security posture of the product.

Objective Connect is now certified to global standards ISO9001 and ISO27001, consistent with the Australian Cyber Security Centre (ACSC) Information Security Manual (ISM) and independently IRAP assessed for Sensitive and Protected data.

These security accreditations facilitate deeper engagement with customers who need to share highly sensitive information types outside their organisations.

Objective Connect is the only cloud-based workspace collaboration product that has been accredited as offering all of these levels of data protection.

Annualised Recurring Revenue

\$5.0m

Directors' Report

The Directors of Objective Corporation Limited ('the Company') present the Annual Report of the Company and its controlled entities (collectively 'the Group') for the year ended 30 June 2020.

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



Mr Gary Fisher



Mr Nick Kingsbury



Mr Darc Rasmussen

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 Nick Kingsbury

Independent Non-Executive Director

Nick was appointed as a Non-Executive Director in July 2008 and is the Chair 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 is a Partner with the venture capital firm Amadeus Capital Partners and sits on the boards of several early stage businesses. He is also 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 on 8 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. Darc is a non-executive director of Gentrack Group Limited (NZX/ASX : GTK).

Company Secretary

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 \$5,573,000 was paid on 16 September 2019.

Since the end of the financial year, the directors have recommended the payment of a final fully franked dividend of 7.0 cents per ordinary share. The aggregate amount of the dividends expected to be paid on 16 September 2020 is \$6,533,000. 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 2020 is set out on the inside front cover to page 60 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 2020 the Company had 93,327,871 (2019: 92,879,112) fully paid ordinary shares on issue.

Voting rights are detailed in Note 18 to the financial statements.

Share Options

Unissued shares under options

As at the date of this report, there were 1,900,000 unissued ordinary shares under options at the end of the year.

Options on issue at balance date	30 June 2020		30 June 2019	
	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 \$1.50	62,500	29/07/2026	125,000	29/07/2026
Employee options exercisable at \$1.80	125,000	02/01/2027	500,000	02/01/2027
Employee options exercisable at \$3.00	–	15/01/2028	23,759	15/01/2028
Employee options exercisable at \$2.75	200,000	29/07/2028	200,000	29/07/2028
Employee options exercisable at \$2.75	1,257,500	01/01/2029	1,320,000	01/01/2029
Employee options exercisable at \$2.75	25,000	01/04/2029	50,000	01/04/2029
Total options on issue	1,900,000		2,448,759	
Weighted average exercise price	\$2.45		\$2.34	

Details of the options on issue are contained in Notes 18 and 27 to the financial statements.

Share Options

Shares issued on exercise of options

A total of 548,759 options were exercised during the financial year ended 30 June 2020. 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.

Since the end of the financial year, the Group issued 252,500 ordinary shares of the Company as a result of the exercise of options under the Employee Incentive Plan which were 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 strong growth in profitability in FY2020 reflecting an improving mix of earnings on a stable revenue base. We continued to invest in our product portfolio and our workforce, as well as developing new markets for our products and pursuing non-organic growth opportunities. In FY2020 we also expanded our business through the acquisition of Master Business Systems Limited.

The Directors have identified opportunities to continue to grow the business in FY2021 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. The Company also retains significant financial capacity to pursue investment opportunities outside of the current product portfolio and customer reach.

Environmental Regulation

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

Events After Balance Sheet Date

On 1 July 2020, the Company completed the acquisition of 100% of the share capital of Itree Pty Limited, a company incorporated in Australia along with a branch operation in New Zealand. On the same date, the Company completed the amalgamation of all its subsidiaries in New Zealand to streamline the Group's compliance activities in New Zealand. Objective Corporation Solutions NZ Limited has assumed the operations of all the amalgamating entities from 1 July 2020.

For dividends resolved to be paid after 30 June 2020, refer Note 19.

Other than the above, 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.

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 (4th Edition) ('Recommendations') to the extent appropriate to the size and nature of the Group's operations.

Directors' Report

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: <http://www.objective.com.au/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	8,600,000	–
Nick Kingsbury	200,000	–
Darc Rasmussen	30,214	200,000
Total directors' interest	70,830,214	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:

Director	Directors' meeting		Audit Committee meetings	
	Number of meetings held	Number of meetings held	Number of meetings held	Number of meetings held
Tony Walls	13	13	2	2
Gary Fisher	13	13	n/a	n/a
Nick Kingsbury	13	13	2	2
Darc Rasmussen	13	13	2	2

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the financial year is included on page 61.

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 2020 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
Darc Rasmussen	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.

Executive Directors and Executives (Executive KMP)

The Group aims to reward executives with a level and mix of remuneration based on their position and responsibility. All Executive KMP remuneration is comprised of the following:

- Fixed remuneration made up of contractual base salary, leave entitlements and legislated superannuation guarantee
- Variable remuneration in the form of short-term cash incentive and a long-term incentive through the issue of share options at the Board's discretion.

The variable component, such as bonuses, are structured to reward outstanding performance against agreed Key Performance Indicators ("KPIs") including financial and non-financial metrics aligned with the Group's business strategy. Ultimately, bonuses and discretionary payments to Executive KMP are at the discretion of the Board.

Remuneration and other terms of employment of the Executive KMP 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 Tony Walls' services, Mr Walls is entitled to be paid six months' salary.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Directors. The Board decides the total amount paid to each Non-Executive Director as remuneration for their services as a Director. Non-Executive Directors receive an annual fee, paid monthly. The fees are not linked to performance of the Company. However, to align Non-Executive Directors' interest with shareholder interests, the Non-Executive Directors are encouraged to hold shares in the Company and are able to participate in the employee share option plan.

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.

Voting and comments made at the Company's 27th November 2019 Annual General Meeting (AGM)

At the 2019 AGM, 98.2% of the votes received supported the adoption of the remuneration report for the year ended 2019. 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.

Directors' Report

Remuneration Report continued

Group performance

Information about the Group's earnings and movements in shareholder wealth for the past five years up to and including the current financial year are set out in the table below.

Measure	2020	2019	2018 ¹	2017 ¹	2016 ¹
Revenue (\$'000)	70,040	62,060	63,110	62,599	50,150
Net profit after tax (\$'000)	11,025	9,050	7,381	8,202	5,263
Basic earnings per share	11.8 cps	9.8 cps	8.0 cps	9.0 cps	5.8 cps
Final dividends (100% franked)	7.0 cps	5.0 cps	5.0 cps	4.0 cps	4.0 cps
Special dividends (unfranked)	–	1.0 cps	–	1.0 cps	–

1. Does not include the impact of AASB 15.

Remuneration received by KMP is set out in the tables below.

	Short-term			Long-term	Share based payments	Post employment			
	Salary and fees \$	Cash bonus \$	Other \$	Leave entitlements \$	Options \$	Super-annuation \$	Total \$	% performance related %	Value of options as % of remuneration %
2020									
N Kingsbury	45,062	–	23,021	–	–	–	68,083	–	–
T Walls	278,997	–	–	18,846	–	21,003	318,846	–	–
D Rasmussen	45,662	–	9,916	–	37,871	4,338	97,787	–	38.7%
B Tregoning	278,997	50,000	1,200	21,830	23,985	21,003	397,015	12.6%	6.0%

	Short-term			Long-term	Share based payments	Post employment			
	Salary and fees \$	Cash bonus \$	Other \$	Leave entitlements \$	Options \$	Super-annuation \$	Total \$	% performance related %	Value of options as % of remuneration %
2019									
N Kingsbury	36,193	–	30,025	–	–	–	66,218	–	–
T Walls	280,000	–	–	18,846	–	20,531	319,377	–	–
L Warren ¹	17,218	–	–	–	–	1,807	19,025	–	–
D Rasmussen ²	41,213	–	13,140	–	61,992	3,915	120,260	–	51.5%
B Tregoning	279,228	20,000	1,200	21,867	15,447	20,531	358,273	5.6%	4.3%

1. L Warren resigned on 28 November 2018.

2. D Rasmussen appointed on 8 August 2018.

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.

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.

Other transactions with KMP and their related parties

During the year the Group was provided management consulting services and was charged \$23,021 (2019: \$30,025) by Kingsbury Ventures Limited, a company associated with Nick Kingsbury, a Non-Executive Director of the Company. Additionally, during the year the Group was provided management consulting services and was charged \$9,916 (2019: \$13,140) by Strategic Outcomes Consulting, a company of which Darc Rasmussen, a Non-Executive Director of the Company, is the beneficial owner. These transactions were conducted on normal commercial terms and conditions.

Details of options over ordinary shares granted, vested and lapsed for Directors or other KMP during the year ended 30 June 2020 are set out below:

KMP	Number of options at 30 June 2019	Number granted	Number exercised	Number lapsed	Number of options at 30 June 2020	Number vested and available for exercise at 30 June 2020
D Rasmussen	200,000	–	–	–	200,000	50,000
B Tregoning	148,759	100,000	(86,259) ¹	–	162,500	–
Weighted average exercise price	\$2.32	–	\$1.91	–	\$2.54	–

1. The value of options exercised during the year was \$150,000 and 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.

Shareholdings of Key Management Personnel

KMP	Number of shares at 30 June 2019	Share options exercised	Purchase of shares	Shares sold	Number of shares at 30 June 2020
T Walls	62,000,000	–	–	–	62,000,000
G Fisher	9,000,000	–	–	(400,000)	8,600,000
N Kingsbury	320,000	–	–	(120,000)	200,000
D Rasmussen	30,214	–	–	–	30,214
B Tregoning	125,000	86,259	–	–	211,259

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



Tony Walls

Director

Date: 25 August 2020

Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 30 JUNE 2020

		CONSOLIDATED	
	Notes	2020 \$'000	2019 \$'000
Revenue	2 & 4	70,040	62,060
Cost of sales		(3,168)	(2,413)
Gross profit		66,872	59,647
Other gains and losses		(55)	(27)
Interest expense and other finance costs		(488)	(461)
Distribution expenses		(28,947)	(26,847)
Research and development expenses	5	(15,737)	(13,229)
Administration and other operating expenses		(8,054)	(8,278)
Profit before income tax		13,591	10,805
Income tax expense	6	(2,566)	(1,755)
Profit for the year attributable to shareholders of Objective Corporation Limited		11,025	9,050
		Cents	Cents
Basic earnings per share	3	11.8	9.8
Diluted earnings per share	3	11.6	9.6

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 2020

	Notes	CONSOLIDATED	
		2020 \$'000	2019 \$'000
Profit for the year		11,025	9,050
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	20	(650)	414
Other comprehensive income/(expense) for the year, net of tax		(650)	414
Total comprehensive income for the year		10,375	9,464
Total comprehensive income for the year attributable to shareholders of Objective Corporation Limited		10,375	9,464

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 2020

		CONSOLIDATED	
	Notes	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	7	51,048	34,556
Trade and other receivables	8	10,678	10,979
Contract assets	9	1,327	950
Other assets	10	1,834	1,656
Total current assets		64,887	48,141
Non-current assets			
Trade and other receivables	8	527	590
Property, plant and equipment	11	5,010	5,185
Right-of-use assets	12	9,162	8,314
Deferred tax assets	14	1,778	1,583
Intangible assets	13	17,481	13,229
Other assets	10	6	–
Total non-current assets		33,964	28,901
Total assets		98,851	77,042
Current liabilities			
Trade and other payables	15	8,485	6,924
Contract liabilities	9	36,375	24,411
Lease liabilities	16	2,492	1,692
Current tax liabilities		995	606
Provisions	17	3,478	2,672
Other liabilities	25	339	–
Total current liabilities		52,164	36,305
Non-current liabilities			
Lease liabilities	16	10,253	10,243
Provisions	17	364	344
Other liabilities	25	727	–
Total non-current liabilities		11,344	10,587
Total liabilities		63,508	46,892
Net assets		35,343	30,150
Equity			
Share capital	18	5,448	4,994
Reserves	20	(10,950)	(10,237)
Retained earnings	21	40,845	35,393
Total equity		35,343	30,150

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 2020

CONSOLIDATED					
	Notes	Share capital \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
As at 30 June 2018		4,389	(10,942)	31,281	24,728
Effect of initial application of AASB 15		–	–	(303)	(303)
Adjusted balance at 1 July 2018		4,389	(10,942)	30,978	24,425
Profit for the year	21	–	–	9,050	9,050
Exchange differences on translation of foreign operations	20	–	414	–	414
Total comprehensive income for the period		–	414	9,050	9,464
Transactions with owners in their capacity as owners:					
Share-based payments	20	–	326	–	326
Issue of ordinary shares for acquisition of subsidiary	18	560	–	–	560
Exercise of share options	18	45	–	–	45
Buy-back of ordinary shares	20	–	(35)	–	(35)
Dividends provided for or paid	19	–	–	(4,635)	(4,635)
Total transactions with owners in their capacity as owners		605	291	(4,635)	(3,739)
As at 30 June 2019		4,994	(10,237)	35,393	30,150
Profit for the year	21	–	–	11,025	11,025
Exchange differences on translation of foreign operations	20	–	(650)	–	(650)
Total comprehensive income for the period		–	(650)	11,025	10,375
Transactions with owners in their capacity as owners:					
Share-based payments	20	–	439	–	439
Exercise of share options	18	454	–	–	454
Buy-back of ordinary shares	20	–	(502)	–	(502)
Dividends provided for or paid	19	–	–	(5,573)	(5,573)
Total transactions with owners in their capacity as owners		454	(63)	(5,573)	(5,182)
As at 30 June 2020		5,448	(10,950)	40,845	35,343

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 2020

		CONSOLIDATED	
	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		90,039	78,527
Payments to suppliers and employees		(58,539)	(53,838)
Interest received		498	443
Interest paid		(485)	(461)
Income taxes paid, net		(2,360)	(1,272)
Net cash inflow from operating activities	22(a)	29,153	23,399
Cash flows from investing activities			
Repayment of loans by employees		91	67
Proceeds from disposal of property, plant and equipment	11	22	–
Payments for property, plant and equipment	11	(1,171)	(875)
Payments for intangible assets	13	(58)	(467)
Payment for acquisition of subsidiary, net of cash acquired	25	(3,581)	(2,883)
Net cash outflow from investing activities		(4,697)	(4,158)
Cash flows from financing activities			
Dividends paid	22(c)	(5,583)	(4,603)
Repayment of lease liabilities	22(c)	(2,008)	(1,488)
Proceeds from issue of shares		425	45
Payments for shares bought back		(502)	(36)
Net cash outflow from financing activities		(7,668)	(6,082)
Net increase in cash and cash equivalents		16,788	13,159
Cash and cash equivalents at the beginning of the financial year		34,556	21,490
Effects of exchange rate changes on cash and cash equivalents		(296)	(93)
Cash and cash equivalents at end of the financial year	7	51,048	34,556

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 2020

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 32.

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.

Refer Note 25 for further details.

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 the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods on or after 1 January 2019.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business

The Standard amends AASB 3 *Business Combinations* to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition and is effective for periods beginning 1 January 2019.

The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- add guidance to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Group applied the amendment from 1 July 2019. The acquisition of subsidiary during the current period and set out under Note 25 has been accounted for in accordance with the guidance provided under the AASB 3 together with associated amending standards.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 1. Basis of Preparation continued

New or revised accounting standards continued

AASB Interpretation 23 *Uncertainty over Income Tax Treatment*

This Interpretation became mandatorily effective for periods beginning on or after 1 January 2019 and was adopted by the Group on 1 July 2019.

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 *Income Taxes* and does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

Specifically, the Interpretation addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The adoption of this Interpretation has not had a material impact on the Group's financial position or performance.

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
2, 4	Revenue from contracts with customers
5	Expected credit loss allowance
8, 9, 11, 12, 13	Asset impairment
14	Recoverability of deferred tax assets
11, 12, 13	Useful life for depreciable assets
12, 16	Lease terms and incremental borrowing rates
17	Employee benefits assumptions
6, 14	Income taxes

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

The Group has considered the impact of COVID-19 in preparing its consolidated financial statements. Whilst the specific areas of judgement as noted in the table above did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas.

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.

Statement of financial position: 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 applies a 'management approach' to identify its segments, based on the information provided to the Group's chief operating decision-makers (CODM). Accordingly, segment information is prepared on the basis of internal management reporting that is regularly reviewed by the CODM to assess the performance of the segment and make decisions regarding the allocation of resources. Within the Group, the function of the CODM is exercised by the CEO.

Following a strategic review of operations, the Group changed its internal reporting structure due to a number of changes to the way the Group sells to its customers by making bundled offers through a collective sales team and revised management structure. These changes in operational organisation are designed to accelerate the implementation of the Group's growth strategy, promote knowledge-sharing by bringing together teams working in similar areas, the development of new customer offerings and the optimisation of costs.

The change in operational organisation has been accompanied by a change in presentation of segment information with effect from 1 July 2019. Segment information has been affected by the changes of the parameters used for capital allocation as costs of the business are aggregated at the group level, controlled by the CODM and allocated according to opportunities to drive revenue performance. The CODM assesses the financial performance of the Group on an integrated basis only, and accordingly the Group is managed on the basis of a single segment.

Comparative year segment information are restated accordingly.

Revenue by product group

The revenue analysis presented to the CODM on a monthly basis is categorised by product group. This analysis is presented below:

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Revenue by product group:		
Objective Content Solutions	50,305	47,973
Objective Keystone	6,833	7,134
Objective Connect	4,086	3,053
Objective Planning Solutions	8,406	3,387
Total revenue from contracts with customers	69,630	61,547

Product groups	Description
Objective Content Solutions	Includes results from the sale of Objective Enterprise Content Management related products which allow customers to manage information and process governance across the enterprise.
Objective 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.
Objective 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.
Objective Planning Solutions	Includes results from the sale of Objective Trapeze products which digitally transform development application plan reviews and assessments; Objective Alpha and Master Business Systems, leading end to end building consenting solutions; as well as Objective Redact products which allow users to irreversibly remove sensitive information from any electronic document.

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

The CODM continues 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 2020 and the comparative period.

Revenue by geographic location

The Group's revenue from external customers by geographic location is provided below. In general, a large amount of revenue is generated by customers that are global, from transactions that cross multiple countries and where the source of revenue can be unrelated to the location of the users accessing the software.

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Revenue by location:		
Australia	52,691	48,627
United Kingdom	9,178	8,406
New Zealand	8,155	4,990
Rest of the world	16	37
Total revenue	70,040	62,060

There were no customers contributing more than 10% of revenue during the current and comparative period.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 2. Segment Information *continued*

Reportable segment assets and liabilities by geographic location

30 June 2020	Asia Pacific \$'000	Europe \$'000	Total \$'000
Reportable segment assets	70,870	8,722	79,592
Reportable segment liabilities	56,418	6,095	62,513

30 June 2019	Asia Pacific \$'000	Europe \$'000	Total \$'000
Reportable segment assets	55,639	6,591	62,230
Reportable segment liabilities	40,562	5,724	46,286

Reconciliation of reportable segment assets and liabilities

	2020 \$'000	2019 \$'000
Assets		
Reportable segment assets	79,592	62,230
Intangible assets	17,481	13,229
Deferred tax assets	1,778	1,583
Consolidated total assets	98,851	77,042
Liabilities		
Reportable segment liabilities	62,513	46,286
Current tax liabilities	995	606
Consolidated total liabilities	63,508	46,892

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.

	2020 \$'000	2019 \$'000
Non-current assets by location of assets		
Australia	8,017	10,015
United Kingdom	9,002	9,604
New Zealand	15,155	7,684
Rest of the world	12	15
Unallocated non-current assets	1,778	1,583
Total non-current assets	33,964	28,901

Note 3. Earnings Per Share

	CONSOLIDATED	
	2020	2019
Basic earnings per share – cents	11.8	9.8
Profit for the year attributable to shareholders of Objective Corporation Limited (\$'000)	11,025	9,050
Weighted average number of ordinary shares used in the calculation of basic earnings per share	93,130,533	92,659,846
Diluted earnings per share – cents	11.6	9.6
Profit for the year attributable to shareholders of Objective Corporation Limited (\$'000)	11,025	9,050
Weighted average number of ordinary shares used in the calculation of diluted earnings per share ¹	94,138,033	94,622,252

1. Calculated by increasing the total weighted average number of shares used in calculating basic earnings per share by outstanding options of 1,900,000. 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. Revenue from Contracts with Customers

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Revenue from contracts with customers	69,630	61,547
<i>Other revenue:</i>		
Interest income	403	510
Sundry revenue	7	3
Total revenue	70,040	62,060

Disaggregation of revenue from contracts with customers

The Group's revenue disaggregated by pattern of revenue recognition is as follows.

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Timing of revenue recognition:		
– products and services transferred at a point in time	4,736	7,013
– products and services transferred over time	64,894	54,534
Total revenue from contracts with customers	69,630	61,547

Recognition and measurement – Revenue from contracts with customers

Revenue from contracts with customers is recognised upon transfer of control of the promised goods or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

The Group designs, develops and delivers specialised software solutions to assist predominantly public sector bodies to operate with increased effectiveness, transparency and efficiency through uptake of the Company's content, collaboration and process management solutions.

From these activities, the Group generates the following streams of revenue:

- Software licence revenue
- Implementation and consulting revenue
- Other ancillary fees such as hosting and support service fees
- Royalties revenue

Each of the above services delivered to customers are considered separate performance obligations, even though for practical expedience they may be governed by a single legal contract with the customer.

In recognising revenue, an assessment is performed as to whether control of the goods transfer to a customer over time or at a point in time.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 4. Revenue from Contracts with Customers continued

Recognition and measurement – Revenue from contracts with customers continued

Revenue recognition for each of the above revenue streams are as follows:

Revenue stream	Performance obligation	Timing of recognition
Software license revenue	Right-to-use	Revenue from distinct on-premise licenses is recognised upfront at the point in time when the software is delivered to the customer. Perpetual licenses are initially sold with one year of ongoing software support and the option to renew thereafter.
	Access to software	Software license revenue offered on a subscription basis is recognised based on an equal daily rate over the term of the contract as the customer simultaneously receives and consumes the benefit of accessing the software. Subscription customers are typically invoiced annually in advance and prior to revenue recognition, which results in contract liabilities. The consideration is payable when invoiced.
Implementation and consulting revenue	As defined in the contract	Professional service revenue billed on a time and materials basis is recognised over time as services are delivered. Revenue from providing services is recognised in the accounting period in which the services are rendered. Revenue is calculated based on time and materials.
Implementation and consulting revenue	As defined in the contract	For fixed-price contracts, revenue is recognised based on the extent of progress towards completion of the performance obligation, on a project-by-project basis. The method used to measure progress depends on the nature of the services. Revenue is recognised on the basis of time and materials incurred to date relative to the total budgeted inputs. The output method on the basis of milestones is used when the contractual terms align the Company's performance with measurements of value to the customer. Revenue is recognised for services performed to date based on contracted rates and/or milestones that correspond to the amount the Company is entitled to invoice. If contracts include the installation of software license, revenue for the software licence is recognised at a point in time when the software is delivered, the legal title has passed, and the customer has taken delivery of the software license.
Other ancillary fees	Provision of hosting services, cloud services, support and maintenance services.	Over time, depending on circumstances.
Royalties revenue	Use of Objective intellectual property in products sold by third-parties.	Royalties revenue is recognised over time as the customer simultaneously receives and consumes the benefit of accessing the information. Royalties revenue is recognised as the amount to which the Group has a right to invoice under the agreed royalty model with the customer. Customers are typically invoiced monthly, and consideration is payable when invoiced, which corresponds directly with the performance completed to date in respect of this stream.

Critical accounting estimates and judgements – revenue from contracts with customers

Performance obligations

The Group's contracts with customers may include multiple performance obligations. For contracts with multiple components to be delivered, such as, software installation, software licence and upgrade support services, management applies judgement to consider whether those promised goods and services are (i) distinct – to be accounted for as separate performance obligations; (ii) not distinct – to be combined with other promised goods or services until a bundle is identified as distinct or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

Transaction price

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on the achievement of agreed key performance indicators. Such amounts are only included based on the expected value method and only to the extent that it is highly probable that significant reversals in the cumulative amount of revenue recognised will not occur in subsequent periods. The expected value method for estimating variable consideration is generally used where the Group has a large number of contracts with similar characteristics.

The Group allocates the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct product or service. Stand-alone selling prices are determined based on prices charged to customers for individual products and services taking into consideration the size and length of contracts and the Group's overall go to market strategy.

Contract modifications

The Group's contracts may occasionally be amended for changes in contract specifications and requirements. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

- a. prospectively as an additional separate contract;
- b. prospectively as a termination of the existing contract and creation of a new contract;
- c. as part of the original contract using a cumulative catch up; or
- d. as a combination of b) and c).

For contracts for which the Group has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under either a) or b). d) may arise when a contract has a part termination and a modification of the remaining performance obligations.

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price. Importantly any variable consideration is only recognised to the extent that it is highly probable that no revenue reversal will occur.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 5. Profit and Loss Items

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Expenses:		
Depreciation expenses – property, plant and equipment	(1,473)	(1,486)
Depreciation expenses – right-of-use assets	(1,749)	(1,603)
Amortisation expenses – intangible assets	(291)	(265)
Expected credit loss allowance – trade and other receivables	70	(150)
Interest expense – lease liabilities	(477)	(456)
Other finance costs	(11)	(5)
Rental payments on short term leases and low value assets	30	77
Employee benefits expenses	(39,232)	(35,256)
Superannuation expenses	(2,679)	(2,445)
Share based payment expenses	(439)	(326)
Research and development expenses	(15,737)	(13,229)
Other gains and losses:		
Net foreign exchange gains/(losses)	(55)	(29)
Net profit/(loss) on disposal of property, plant and equipment	–	2

Recognition and measurement

Employee benefits expense

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

Research and development expenses

Research and development expenses are incurred for in-house research and development activities in the areas of application technology and engineering. Expenditure on research and development activities is recognised in the consolidated statement of profit or loss as an expense when incurred on the basis that the expected future benefits from these activities are too uncertain to justify carrying the expenditure forward.

Interest expense and other finance costs

Interest expense and other finance costs are recognised 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.

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.

Note 6. Income Tax Expense

(a) Components of income tax expense

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Current tax expense on profits for the year	3,001	2,439
Deferred tax expense related to movements in deferred tax balances	(359)	(531)
Income tax under/(over) provided in prior years	(76)	(153)
Income tax expense	2,566	1,755

(b) Reconciliation of income tax expense to prima facie tax payable

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Profit before income tax expense	13,591	10,805
Prima facie income tax expense calculated at the tax rate of 30%	4,077	3,241
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation expenses – intangibles	47	60
Share based payment expenses	201	98
Other non-allowable deductions	65	48
Subtotal	4,390	3,447
Different tax rates of subsidiaries operating in other jurisdictions	(431)	(163)
Adjustments for current tax of prior periods	(76)	(153)
Research and development tax credit	(1,301)	(915)
Previously unrecognised deductible temporary differences or unused tax losses now recognised as deferred tax assets	–	(329)
Previously unrecognised tax losses now recouped to reduce current tax expense	(16)	(132)
Income tax expense	2,566	1,755

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

BALANCE SHEET OVERVIEW

Note 7. 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	
	2020 \$'000	2019 \$'000
Current assets		
Cash at bank and in hand	45,793	7,901
Short-term bank deposits	5,255	26,655
Total cash and cash equivalents¹	51,048	34,556

1. The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include \$1,190,000 (2019: \$1,190,000) 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 a maturity of 3 months or less from acquisition.

Note 8. Trade and Other Receivables

	CONSOLIDATED			
	2020		2019	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Trade receivables	10,195	–	10,571	–
Expected credit loss allowance (a)	(5)	–	(150)	–
	10,190	–	10,421	–
Other receivables	488	–	558	–
Loans to employees	–	527	–	590
Total trade and other receivables	10,678	527	10,979	590

(a) Movement in expected credit loss allowance is as follows:

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Balance at beginning of the year	150	–
Net remeasurement of expected credit loss allowance	(70)	150
Trade receivables written off during the year	(75)	–
Total expected credit loss allowance at 30 June	5	150

Recognition and measurement

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any credit loss allowance.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Expected credit losses are measured by grouping trade receivables and contract assets based on shared credit risk characteristics and the days past due.

A provision matrix is then determined based on the historic credit loss rate for each group of customers, adjusted as appropriate to reflect current conditions and changes to the future credit risk for that customer group.

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 27.

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 23.

Note 9. Contract Assets and Contract Liabilities

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Current		
Contract assets	1,327	950
Contract liabilities	36,375	24,411

Changes in contract balances during the current year are:

	Contract assets \$'000	Contract liabilities \$'000
Balance at the beginning of the year	950	(24,411)
Transfer from contract assets to trade receivables	(950)	–
Revenue raised for work performed but not yet billed	1,334	–
Transfer from contract assets to contract liabilities ¹	–	(659)
Revenue recognised during the year that was included in contract liabilities at the beginning of the year	–	24,411
Increase due to cash received, excluding amount recognised during the year	–	(35,431)
Addition from acquisition of subsidiary	–	(155)
Foreign currency translation	(7)	(130)
Balance at the end of the year	1,327	(36,375)

Significant changes in contract balances during the year ended 30 June 2019 are:

Transfer from contract assets to trade receivables	(5,632)	–
Revenue raised for work performed but not yet billed	950	–
Decrease due to revenue recognised from performance obligations satisfied	–	18,256
Increase due to cash received, excluding amount recognised during the year	–	(24,411)

1. In fixed-price contracts, the customer pays the fixed amount based on an agreed payment schedule. If the services rendered by the Group exceed the payment received, a contract asset is recognised. If the payments received exceed the services rendered, a contract liability is recognised.

Recognition and measurement

A contract asset is recognised when a conditional right to consideration exists and transfer of control has occurred. Contract assets are typically related to unbilled receivable balances which have not yet been invoiced and arises when the Group satisfies a performance obligation before it receives the consideration and are generally related to consultancy or services projects.

Contract liabilities primarily consists of billings or payments received in advance of revenue recognition from subscription services, including non-cancellable and non-refundable committed funds and deposits. Customers are typically invoiced for these agreements in regular instalments and revenue is recognised on a straight-line basis over the contractual subscription period or as the performance obligations under contracts with customers are satisfied. Contract liability does not represent the total contract value of annual or multi-year non-cancellable subscription agreements.

Similarly, if the Group satisfies a performance obligation before it receives the consideration, typically on IT consulting projects, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Unsatisfied performance obligations

The Group applies the practical expedient in the revenue standard and does not disclose information about the remaining performance obligation on contracts that have an original expected duration of one year or less or where the Group has the right to consideration from a customer in an amount that corresponds directly to the value transferred to customer, typically involving time and material based contracts.

The aggregate amount of contract liabilities of the performance obligations that are unsatisfied at 30 June 2020 was \$36,375,000 and is expected to be recognised as revenue within the next twelve months.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 10. Other Assets

CONSOLIDATED		
	2020 \$'000	2019 \$'000
Current assets		
Prepayments	1,807	1,616
Rental deposits	27	40
Total other assets	1,834	1,656
Non-current assets		
Other assets	6	–
Total other assets	6	–

Recognition and measurement

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 11. Property, Plant and Equipment

CONSOLIDATED					
	Plant and equipment \$'000	Leasehold improvements \$'000	Motor vehicles \$'000	Capital work in progress \$'000	Total \$'000
30 June 2020					
Gross carrying amount – cost	4,637	4,904	120	696	10,357
Accumulated depreciation	(2,604)	(2,712)	(31)	–	(5,347)
Total property, plant and equipment, net	2,033	2,192	89	696	5,010
<i>Represented by:</i>					
Net carrying amount at 1 July 2019	2,319	2,865	–	1	5,185
Additions	476	17	–	695	1,188
Acquired through business combination	23	4	121	–	148
Disposals	(20)	(2)	–	–	(22)
Depreciation expenses	(757)	(684)	(32)	–	(1,473)
Exchange differences	(8)	(8)	–	–	(16)
Net carrying amount at 30 June 2020	2,033	2,192	89	696	5,010
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount – cost	4,182	4,895	–	1	9,078
Accumulated depreciation	(1,863)	(2,030)	–	–	(3,893)
Total property, plant and equipment, net	2,319	2,865	–	1	5,185
<i>Represented by:</i>					
Net carrying amount at 1 July 2018	2,240	3,075	–	410	5,725
Additions	762	124	–	–	886
Acquired through business combination	23	–	–	–	23
Disposals	–	(5)	–	–	(5)
Depreciation expenses	(732)	(754)	–	–	(1,486)
Transfers	–	409	–	(409)	–
Exchange differences	26	16	–	–	42
Net carrying amount at 30 June 2019	2,319	2,865	–	1	5,185

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
Motor vehicles	5 – 8 years

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.

Note 12. Right-of-use Assets

Movements in the net carrying amount of right-of-use assets during the year are presented below:

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Buildings		
Gross carrying amount – cost	12,497	9,917
Accumulated amortisation	(3,335)	(1,603)
Total right-of-use assets, net	9,162	8,314
<i>Represented by:</i>		
Net carrying amount at 1 July	8,314	–
Effect of initial application of AASB 16 – 1 July 2018 ¹	–	9,783
Additions	2,746	–
Depreciation of right-of-use assets	(1,749)	(1,603)
Foreign exchange differences	(149)	134
Net carrying amount at 30 June	9,162	8,314

1. Lease incentives of \$3,507,000 are deducted from the right-of-use assets at initial recognition.

The Group leases real estate in the ordinary course of its business. The Group's real estate leases comprise office building leases in multiple cities and countries in which the Group operates.

The non-cancellable period of the leases ranges from 2 to 10 years with variable options to extend the lease terms. The lease payments are adjusted every year, based on contractual fixed percentage increases and in certain instances additionally increased by the prevailing consumer price index (CPI) at the lease review date.

For any new contracts, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 12. Right-of-use Assets continued

Recognition and measurement

At the commencement date, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of right-of-use assets are determined on the same basis as those of plant and equipment. In addition, the right-of-use asset is periodically assessed for impairment losses, and adjusted for certain remeasurements of the lease liability resulting from lease modifications.

The Group has applied the exemption not to recognise the right-of-use assets and lease liabilities for leases of low value assets or short-term leases less than 12 months. Furthermore, the Group has applied the practical expedient to use a single regional discount rate to a portfolio of leases with similar characteristics.

Impact of COVID-19

The Group does not foresee a downsizing of its employee base in response to COVID-19 that would render the Group's existing physical infrastructure redundant. The leases that the Group has entered into are long term in nature and no material changes in the terms of those leases are expected due to COVID-19.

Note 13. Intangible Assets

	CONSOLIDATED				
	Intellectual property \$'000	Brand names \$'000	Other intangibles \$'000	Goodwill \$'000	Total \$'000
30 June 2020					
Gross carrying amount – cost	2,182	174	1,896	15,871	20,123
Accumulated amortisation	(2,182)	–	(460)	–	(2,642)
Total intangible assets, net	–	174	1,436	15,871	17,481
<i>Represented by:</i>					
Net carrying amount at 1 July 2019	–	178	1,049	12,002	13,229
Additions	–	–	58	–	58
Additions through acquisition of subsidiary	–	–	640	4,125	4,765
Amortisation expenses	–	–	(291)	–	(291)
Foreign exchange differences	–	(4)	(20)	(256)	(280)
Net carrying amount at 30 June 2020	–	174	1,436	15,871	17,481
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount – cost	2,205	178	1,227	12,002	15,612
Accumulated amortisation	(2,205)	–	(178)	–	(2,383)
Total intangible assets, net	–	178	1,049	12,002	13,229
<i>Represented by:</i>					
Net carrying amount at 1 July 2018	173	170	307	8,728	9,378
Additions	–	–	467	–	467
Additions through acquisition of subsidiary	–	–	364	3,056	3,420
Amortisation expenses	(163)	–	(102)	–	(265)
Foreign exchange differences	(10)	8	13	218	229
Net carrying amount at 30 June 2019	–	178	1,049	12,002	13,229

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 Objective Trapeze NZ Limited (previously known as Onstream Systems Limited) and measured at fair value at the date of acquisition and patents. Brand names of \$177,000 (2019: \$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 units ("CGU") identified as Objective Trapeze NZ 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 and software	5 – 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 cash generating unit (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:

	2020 \$'000	2019 \$'000
Objective Keystone Limited	5,810	5,868
Objective Trapeze NZ Limited (previously known as Onstream Systems Ltd) ¹	3,006	3,078
Alpha Group ¹	2,974	3,056
Master Business Systems Limited ¹	4,081	–
Total goodwill	15,871	12,002

1. CGUs in New Zealand.

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 30%. The discount rate used of 15.5% is pre-tax and reflects specific risks related to the relevant operation.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 13. Intangible Assets continued

Critical accounting estimates and judgements – asset impairment continued

The recoverable amounts of CGUs in New Zealand are 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 20%. The discount rate used of approximately 15.5% is pre-tax and reflects specific risks related to the relevant operation.

The current financial forecasts used in the calculation is determined by management based on past performance and its expectations for market development and includes a number of initiatives designed to drive incremental sales and increased margins as well as reduce the costs of doing business. Management have assessed that the CGUs are sensitive to reasonably possible changes in the cash flow forecasts covering a period of five year and believe 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.

Impact of COVID-19

The restrictions implemented in response to the COVID-19 pandemic have triggered significant disruptions to a number of businesses globally. Governments and central banks have responded with monetary and fiscal interventions to stabilise overall economic conditions. The internal cash flow forecasts used for impairment assessments have given consideration to these impacts. Given the uncertainty as to the extent and duration of restrictions and the overall impact on economic activity, the impact assessment of COVID-19 is a continuing process. The Directors believe that the Company is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the forecasted outcome will not be significantly impacted by the COVID-19 pandemic.

Note 14. Net Deferred Tax Assets

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

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Deferred tax assets arising on deductible temporary differences	1,812	1,729
Deferred tax liabilities arising on taxable temporary differences	(34)	(146)
Total net deferred tax assets	1,778	1,583

(b) Movement in deferred tax balances

	CONSOLIDATED			
	Opening balance \$'000	Charged to profit or loss \$'000	Others \$'000	Closing balance \$'000
At 30 June 2020				
Property, plant and equipment	(101)	222	1	122
Unrealised foreign exchange	(45)	11	–	(34)
Employee benefits provision	848	209	–	1,057
Rent incentive provision	471	(59)	–	412
Unused tax losses	329	–	(165)	164
Other individually insignificant balances	81	(24)	–	57
Total net deferred assets	1,583	359	(164)	1,778
At 30 June 2019	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment	(9)	(50)	(42) ¹	(101)
Unrealised foreign exchange	23	(68)	–	(45)
Employee benefits provision	836	(6)	18 ²	848
Rent incentive provision	183	288	–	471
Unused tax losses	–	329	–	329
Other individually insignificant balances	43	38	–	81
Total net deferred assets	1,076	531	(24)	1,583

1. Represents reallocation from current tax liability for deferred portion of capital allowances.

2. Represents employee benefits provision arising from acquisition of subsidiary of \$19,000, reduced by foreign exchange differences of \$1,000.

(c) Tax losses

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Unused tax losses for which no deferred tax asset has been recognised	4,500	4,414
Potential tax benefit	944	925

Potential tax assets of approximately \$944,000 (2019: \$925,000) 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 2020. 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 15. Trade and Other Payables

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Trade payables and accruals	4,972	4,580
Goods and services tax payable, net	3,402	2,223
Dividends payable	111	121
Total trade and other payables	8,485	6,924

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 16. Lease Liabilities

CONSOLIDATED		
	2020 \$'000	2019 \$'000
Current lease liabilities	2,492	1,692
Non-current lease liabilities	10,253	10,243
Total lease liabilities	12,745	11,935

The future minimum lease payments at the end of each year are:

CONSOLIDATED			
	Minimum lease payments \$'000	Finance charges \$'000	Total \$'000
30 June 2020			
Within 1 year	2,889	(460)	2,429
1–2 years	2,867	(357)	2,510
2–3 years	2,857	(250)	2,607
3–4 years	1,993	(148)	1,845
4–5 years	1,264	(96)	1,168
After 5 years	2,261	(75)	2,186
Net carrying amount at 30 June 2020	14,131	(1,386)	12,745
30 June 2019	\$'000	\$'000	\$'000
Within 1 year	2,127	(435)	1,692
1–2 years	2,261	(360)	1,901
2–3 years	2,324	(279)	2,045
3–4 years	2,388	(191)	2,197
4–5 years	1,538	(106)	1,432
After 5 years	2,798	(130)	2,668
Net carrying amount at 30 June 2019	13,436	(1,501)	11,935

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

Recognition and measurement

The Group measures the lease liability at the present value of the lease payments unpaid at lease commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group's average incremental borrowing rate used is 4.14%.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Critical accounting estimates and judgements – lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Note 17. Provisions

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Current		
Employee benefits	3,478	2,672
Total current provisions	3,478	2,672
Non-current		
Employee benefits	234	217
Other provisions	130	127
Total non-current provisions	364	344
Total provisions	3,842	3,016

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.

Note 18. Issued Capital

	CONSOLIDATED			
	2020		2019	
	Number of shares	\$'000	Number of shares	\$'000
Share capital				
93,327,871 fully paid ordinary shares (2019: 92,879,112)				
<i>Movement:</i>				
Opening balance	92,879,112	4,994	92,443,041	4,389
Issue of shares ¹	548,759	–	250,000	–
Acquisition of subsidiary (Note 25)	–	–	200,000	560
Share options exercised by employees ²	–	454	–	45
Share buy-backs ³	(100,000)	–	(13,929)	–
Closing balance	93,327,871	5,448	92,879,112	4,994

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

2. Represents proceeds from share issues associated with limited recourse loans issued under the current Employee Incentive Plan.

3. The payment for share buy-backs are recognised in a share buy-back reserve within equity.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 18. Issued Capital continued

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.

Refer Note 27 for further details.

Note 19. Dividends and Franking Credits

(a) Dividends

Dividend type	Cents per share	Franking	Total amount \$'000	Date paid/payable
2020 Final ¹	7.00	100%	6,533	16 September 2020
2019 Final	5.00	100%	4,644	16 September 2019
2019 Special	1.00	Nil	929	16 September 2019

1. The final dividend for the year ended 30 June 2020 has not been recognised in this financial report because it was resolved to be paid after 30 June 2020.

(b) Franking credits

	2020 \$'000	2019 \$'000
The balance of franking credit account at balance date adjusted for the payment of current tax liability	2,227	1,486

Note 20. Reserves

CONSOLIDATED				
	Share buy-back reserve \$'000	Share-based payments reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
At 30 June 2020				
Opening balance	(10,310)	926	(853)	(10,237)
Share-based payment	–	439	–	439
Share buy-backs	(502)	–	–	(502)
Translation of foreign operations	–	–	(650)	(650)
Closing balance	(10,812)	1,365	(1,503)	(10,950)
30 June 2019	\$'000	\$'000	\$'000	\$'000
Opening balance	(10,275)	600	(1,267)	(10,942)
Share-based payment	–	326	–	326
Share buy-backs	(35)	–	–	(35)
Translation of foreign operations	–	–	414	414
Closing balance	(10,310)	926	(853)	(10,237)

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 100,000 (2019: 13,929) of its ordinary shares at a total cost of \$502,000 (2019: \$35,000).

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 27.

Note 21. Retained Earnings

Summary of movement in consolidated retained earnings

CONSOLIDATED		
	2020 \$'000	2019 \$'000
Balance at 1 July	35,393	31,281
Effect of initial application of AASB 15	–	(303)
Profit for the year	11,025	9,050
Dividends paid for or provided (Note 19(a))	(5,573)	(4,635)
Balance at 30 June	40,845	35,393

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 22. Cash Flow Information

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

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Profit for the year	11,025	9,050
Adjustments:		
Depreciation and amortisation expenses	1,764	1,751
Depreciation of right-of-use assets	1,748	1,603
Non-cash employee benefits expense – share based payments	439	326
Net (gain)/loss on disposal of property, plant and equipment	–	(2)
Net unrealised foreign exchange differences	13	(48)
Credit loss allowance – trade and other receivables	(70)	150
Effect of initial application of AASB 15	–	303
Effect of initial application of AASB 16	–	3,013
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	693	(1,593)
(Increase)/decrease in other operating assets	(178)	5,700
(Increase)/decrease in contract assets	(377)	(950)
Increase/(decrease) in trade and other payables	1,402	504
Increase/(decrease) in deferred revenue	–	(18,256)
Increase/(decrease) in contract liabilities	11,809	24,411
Increase/(decrease) in current tax balances	400	990
(Increase)/decrease in deferred tax assets	(195)	(507)
Increase/(decrease) in provisions	680	(33)
Increase/(decrease) in other operating liabilities	–	(3,013)
Net cash inflow from operating activities	29,153	23,399

(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	
	2020 \$'000	2019 \$'000
Issue of ordinary shares in Objective Corporation Limited for acquisition of subsidiary	–	560

(c) Reconciliation of movements in liabilities to cash flows arising from financing activities

CONSOLIDATED			
	Dividends payable ¹ \$'000	Lease liabilities \$'000	Total \$'000
30 June 2020			
Opening balance at 1 July 2019	121	11,935	12,056
Cash flows from financing activities	(5,583)	(2,008)	(7,591)
Dividends declared	5,573	–	5,573
Additions arising from new leases, net of interest	–	2,858	2,858
Additions through acquisition of subsidiary	–	134	134
Foreign exchange movement	–	(174)	(174)
Total liabilities from financial activities	111	12,745	12,856
30 June 2019	\$'000	\$'000	\$'000
Opening balance at 1 July 2018	90	–	90
Cash flows from financing activities	(4,604)	(1,488)	(6,092)
Dividends declared	4,635	–	4,635
Initial application of AASB 16	–	13,286	13,286
Additions through acquisition of business	–	–	–
Foreign exchange movement	–	137	137
Total liabilities from financial activities	121	11,935	12,056

1. Dividends payable are included as part of the Trade and other payables balance on the consolidated statement of financial position.

Note 23. 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 expected credit 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.

The recoverability of trade debtors at 30 June 2020 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues have been identified.

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

CONSOLIDATED		
	2020 \$'000	2019 \$'000
Cash and cash equivalents ¹	51,048	34,556
Trade and other receivables, at gross	10,683	11,129
Ageing analysis of trade and other receivables is as follows:		
Fully performing debts	10,413	7,347
Past due more than 30 days ²	32	2,352
Past due more than 60 days ²	54	1,105
Past due more than 90 days ²	184	325
Total	10,683	11,129

1. The Group held cash and cash equivalents with banks and financial institution counterparties which are rated A+ to F1, based on Fitch ratings.

2. 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 2020 is \$270,000 (2019: \$3,782,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 23. Financial Risk Management and Fair Values continued

(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 States 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 Group.

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.

The summary quantitative data about the Group's exposure to foreign currency risk is as follows:

30 June 2020	GBP'000	NZD'000	SGD'000	USD'000
Cash and cash equivalents	1	9	1	144
Trade and other receivables	18	1,955	–	10
30 June 2019	GBP'000	NZD'000	SGD'000	USD'000
Cash and cash equivalents	295	6	–	1
Trade and other receivables	–	538	54	–

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			
30 June 2020	Movement in exchange rate %	Sensitivity of profit after tax \$'000	Sensitivity of total equity \$'000
Great British pounds	+10%	1	1
New Zealand dollars	+10%	124	124
Singapore dollars	+10%	1	1
United States dollars	+10%	9	9
Total		135	135
Great British pounds	–10%	(1)	(1)
New Zealand dollars	–10%	(152)	(152)
Singapore dollars	–10%	(1)	(1)
United States dollars	–10%	(12)	(12)
Total		166	166

CONSOLIDATED			
	Movement in exchange rate %	Sensitivity of profit after tax \$'000	Sensitivity of total equity \$'000
30 June 2019			
Great British pounds	+10%	19	19
New Zealand dollars	+10%	35	35
Singapore dollars	+10%	3	3
United States dollars	+10%	–	–
Total		57	57
Great British pounds	–10%	(23)	(23)
New Zealand dollars	–10%	(42)	(42)
Singapore dollars	–10%	(4)	(4)
United States dollars	–10%	–	–
Total		(69)	(69)

(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 tables below present the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

CONSOLIDATED					
	Less than 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total contractual cashflows \$'000	Carrying amount of liabilities \$'000
30 June 2020					
Trade and other payables	8,485	–	–	8,485	8,485
Lease liabilities	2,889	8,981	2,261	14,131	12,745
Contingent consideration	392	784	–	1,176	1,110
Total non-derivatives	11,766	9,765	2,261	23,792	22,340
30 June 2019	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	6,924	–	–	6,924	6,924
Lease liabilities	2,127	8,511	2,798	13,436	11,935
Total non-derivatives	9,051	8,511	2,798	20,360	18,859

As the Group is in a net financial assets position, the Directors are of the opinion that the Group 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 23. Financial Risk Management and Fair Values continued

(c) Liquidity risk continued

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, categorised into three-level fair value hierarchy as defined in AASB 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

The following table sets out how the fair value of the financial liabilities measured at fair value are determined:

Financial liabilities	Fair value at 30 June 2020 \$'000	Fair value at 30 June 2019 \$'000	Fair value hierarchy	Valuation technique	Significant unobservable input
Contingent consideration for business combination	1,176	–	Level 3	Discounted cash flow	Probability adjusted non-financial terms

During the year ended 30 June 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 of the fair value hierarchy classifications.

Note 24. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and financial results of the following subsidiaries in accordance with the accounting policies of the Group.

Name of subsidiary	Country of Incorporation	OWNERSHIP	
		2020	2019
Objective Corporation Solutions NZ Limited	New Zealand	100%	100%
Objective Trapeze NZ Limited	New Zealand	100%	100%
Omega Group Holdings Limited	New Zealand	100%	100%
Alpha 88 Limited	New Zealand	100%	100%
Master Business Systems Limited	New Zealand	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 Alpha UK Limited	United Kingdom	100%	100%
Objective Corporation UK Limited	United Kingdom	100%	100%
Objective Keystone Limited	United Kingdom	100%	100%

GROUP STRUCTURE

Note 25. Business Combinations

(a) Acquisitions in the current year

On 29 November 2019, the Group acquired 100% of the issued capital of Master Business Systems Ltd, which is focused on the delivery of GoGet, an end to end building consent solution, to customers in New Zealand. The acquisition of the business was strategic as it enhances the Group's product offering. The purchase consideration was \$4,859,000, settled in part by an upfront cash payment of \$3,793,000 and offset by an estimated cash refund of \$44,000 in relation to working capital adjustment to be received in November 2020. The remaining balance of \$1,110,000 is recorded as deferred contingent consideration and carried in the consolidated statement of financial position at net present value under other liabilities. Of the net deferred consideration payable, \$339,000 is current and \$727,000 is non-current.

The contingent consideration will be payable if specific employment related conditions are met by the business in the three years post acquisition. Where acquisitions include an element of purchase price contingent on future performance, management has estimated the fair value of this deferred contingent consideration, at the time of acquisition, based on an appropriate estimate of future outcomes, on which the purchase price is determined, discounted to present value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The acquired net identifiable assets were \$734,000, giving rise to goodwill of \$4,125,000.

Details of the purchase consideration, the net identifiable assets acquired and goodwill arising from the acquisition of Master Business Systems Limited at the acquisition date are as follows:

	\$'000
Cash paid to vendor (NZ\$4,015,000)	3,793
Working capital adjustment	(44)
Deferred contingent consideration	1,110
Acquisition date fair value of the total consideration	4,859
Assets acquired and liabilities assumed	
Cash and bank balances	212
Trade receivables	321
Other assets	6
Property, plant and equipment	148
Identifiable intangible assets	640
Trade and other payables	(171)
Contract liabilities	(155)
Lease liabilities	(134)
Provisions	(145)
Current tax receivable	12
Acquisition date fair value of net assets acquired	734
Goodwill arising on acquisition	4,125

The goodwill is attributable to key employees, future growth opportunities and synergies from combining operations with Master Business Systems Limited. The goodwill is not deductible for tax purposes.

Revenue and profit contribution

From the date of acquisition to 30 June 2020, the acquired entity contributed a total revenue of \$1,656,000 and a net profit after tax of \$665,000 to the Group. If the business had been acquired at the beginning of the year, it is estimated that Group turnover in 2020 would have been approximately \$1,182,000 higher. The business has been integrated into the Group's existing activities and it is not practicable to identify the impact on the Group profit in the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 25. Business Combinations continued

(b) Acquisitions in the prior year

The Group obtained control of the following entities and businesses in the prior year. The class of shares held is ordinary unless otherwise stated.

Name of entity	Type of acquisition	Percentage acquired	Date acquired
Omega Group Holdings Limited	Shares	100%	1 April 2019
Alpha 88 Limited	Shares	100%	1 April 2019

On 1 April 2019, the Group acquired the Omega Group Holdings Limited business and Alpha 88 Limited (collectively referred to as "Alpha Group") in New Zealand for a final combined purchase consideration of \$3,443,000. The entities are focused on the delivery of AlphaOne, an end-to-end online building consent solution, to customers. The acquisition of these businesses was strategic as it enhances the Group's product offering.

Details of the net assets acquired and goodwill in respect of the acquisition of Alpha Group at acquisition date were:

	\$'000
Cash paid	2,883
Ordinary shares issued	560
Total consideration	3,443
Assets acquired and liabilities assumed	
Cash and bank balances	35
Trade receivables	228
Property, plant and equipment	23
Identifiable intangible assets ¹	364
Deferred tax assets	18
Trade and other payables	(208)
Provisions	(66)
Current tax liability	(7)
Fair value of net assets acquired	387
Goodwill arising on acquisition¹	3,056

1. On acquisition of the subsidiary, the company acquired identifiable intangible assets including software and customer relationship lists. At the date of issue of the 30 June 2019 annual report, the necessary acquisition accounting calculations had not been finalised. Subsequently, the fair value of intangible assets acquired have been determined as soon as practicable and within one year as required under AASB 3: *Business Combinations*. Details of this business combination are reflected in this consolidated financial statements on a retrospective basis.

Revenue and profit contribution

From the date of acquisition to 30 June 2019, the acquired entities contributed a total revenue of \$723,000 and a net profit after tax of \$197,000 to the Group.

Recognition and measurement

As stated in Note 1, business combinations are accounted for using the acquisition method, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises of the fair values of the assets transferred (including cash), the liabilities incurred and the equity interests issued by the Group (if any).

Acquisition related transaction costs are expensed as incurred.

Other than acquisitions under common control, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase. For acquisitions occurring while under common control and for consolidation purposes, the assets and liabilities acquired continue to reflect the carrying values in the accounting records of the consolidated group prior to the business combination occurring.

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 26. Parent Entity Disclosures

(a) Summary statement of financial position

	2020 \$'000	2019 \$'000
Current assets	53,287	37,628
Non-current assets	22,531	24,421
Total assets	75,818	62,049
Current liabilities	42,827	30,498
Non-current liabilities	5,840	6,084
Total liabilities	48,667	36,582
Share capital	5,448	4,994
Reserves	(9,448)	(9,385)
Retained earnings	31,151	29,858
Total equity	27,151	25,467

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

	2020 \$'000	2019 \$'000
Profit for the year	6,865	6,763
Total comprehensive income for the year	6,865	6,763

(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.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 27. 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.

Fair value of share options granted in the year

No new share options were granted during the current year.

Fair value of share options granted in the prior year ended 30 June 2019 are provided in the table below:

Number of options granted	Grant date	Expiry date	Fair value at grant date (\$)	Option exercise price (\$)	Risk free interest rate (%)	Expected volatility (%)	Total Value (\$)
200,000	29/07/2018	29/07/2028	\$0.65	\$2.75	2.64 %	42.39 %	\$130,000
1,320,000	01/01/2019	01/01/2029	\$0.68	\$2.75	2.43 %	43.23 %	\$835,000
50,000	01/04/2019	01/04/2029	\$0.71	\$2.75	2.43 %	44.39 %	\$36,000

The fair values of options are determined using Black-Scholes option pricing model and applying 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.

Movement in share options during the year

The following reconciles the share options outstanding at the beginning and end of the current year:

Grant date	Expiry date	Option exercise price (\$)	Balance 1 July 2019	Granted	Exercised	Forfeited/cancelled	Balance 30 June 2020
07/10/2014	07/10/2024	\$1.00	80,000	–	–	–	80,000
24/02/2015	24/02/2025	\$1.17	150,000	–	–	–	150,000
29/07/2016	29/07/2026	\$1.50	125,000	–	(62,500)	–	62,500
02/01/2017	02/01/2027	\$1.80	500,000	–	(375,000)	–	125,000
15/01/2018	15/01/2028	\$3.00	23,759	–	(23,759)	–	–
29/07/2018	29/07/2028	\$2.75	200,000	–	–	–	200,000
01/01/2019	01/01/2029	\$2.75	1,320,000	–	(62,500)	–	1,257,500
01/04/2019	01/04/2029	\$2.75	50,000	–	(25,000)	–	25,000
			2,448,759	–	(548,759)	–	1,900,000
Weighted average exercise price			\$2.34	–	\$1.97	–	\$2.45

The following reconciles the share options outstanding at the beginning and end of the prior year:

Grant date	Expiry date	Option exercise price (\$)	Balance 1 July 2018	Granted	Exercised	Forfeited/cancelled	Balance 30 June 2019
07/10/2014	07/10/2024	\$1.00	80,000	–	–	–	80,000
24/02/2015	24/02/2025	\$1.17	150,000	–	–	–	150,000
05/03/2015	05/03/2025	\$1.20	250,000	–	(125,000)	(125,000)	–
29/07/2016	29/07/2026	\$1.50	250,000	–	(125,000)	–	125,000
02/01/2017	02/01/2027	\$1.80	500,000	–	–	–	500,000
15/01/2018	15/01/2028	\$3.00	23,759	–	–	–	23,759
29/07/2018	29/07/2028	\$2.75	–	200,000	–	–	200,000
01/01/2019	01/01/2029	\$2.75	–	1,320,000	–	–	1,320,000
01/04/2019	01/04/2029	\$2.75	–	50,000	–	–	50,000
			1,253,759	1,570,000	(250,000)	(125,000)	2,448,759
Weighted average exercise price			\$1.52	\$2.75	\$1.35	\$1.20	\$2.34

The share options outstanding at the end of the year had a weighted average remaining contractual life of 6.25 years (2019: 6.15 years).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

Note 28. 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 key management personnel

There are no loan balances outstanding from key management personnel at the end of the financial year (2019: Nil).

(b) Key management personnel remuneration

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

	CONSOLIDATED	
	2020 \$	2019 \$
Short-term employee benefits	732,855	718,217
Long-term employee benefits	40,676	40,713
Post-employment benefits	46,344	46,784
Share-based payments expense	61,856	77,439
Total remuneration paid or payable	881,731	883,153

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 19 to 21.

(c) 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.

(d) Other related parties

During the year the Group was provided management consulting services and was charged \$23,021 (2019: \$30,025) by Kingsbury Ventures Limited, a company associated with Nick Kingsbury, a Non-Executive Director of the Company. Additionally, during the year the Group was provided management consulting services and was charged \$9,916 (2019: \$13,140) by Strategic Outcomes Consulting, a company of which Darc Rasmussen, a Non-Executive Director of the Company, is the beneficial owner. These transactions were conducted on normal commercial terms and conditions.

At 30 June 2020 the amount of \$nil was owing to Kingsbury Ventures Limited (2019: \$2,408). No other material amounts were receivable from, or payable to, other related parties as at 30 June 2020 (2019: nil), and no material transactions with other related parties occurred during those years.

Note 29. 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	
	2020 \$'000	2019 \$'000
Capital expenditure commitments	–	250

Note 30. Contingent Liabilities

	CONSOLIDATED	
	2020 \$'000	2019 \$'000
Contingent liabilities, capable of estimation, arise in respect of the following categories:		
Early termination of lease (Note 26(c))	1,797	2,288
Bank guarantees	1,190	1,190
Total contingent liabilities	2,987	3,478

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 2020, 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 31. Auditor's Remuneration

	CONSOLIDATED	
	2020 \$	2019 \$
Pitcher Partners		
Audit and review of financial statements	79,833	73,517
Total remuneration of Pitcher Partners	79,833	73,517
Non-Pitcher Partners		
Audit and review of financial statements	28,057	27,526
Tax compliance services	12,280	11,952
Total remuneration of non-Pitcher Partners	40,337	39,478

Note 32. Other Accounting Policies

Accounting standards and interpretations issued but not operative at 30 June 2020

At the date of authorisation of these finance statements, a number of amendments, new standards and interpretations have been issued which are not yet effective for the financial year ended 30 June 2020.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Note 33. Subsequent Events

Acquisition of subsidiary

On 1 July 2020, the Company completed the acquisition of 100% of the share capital of Itree Pty Limited, a company incorporated in Australia along with a branch operation in New Zealand for a net consideration of \$18,500,000. There are no deferred consideration payments to be made under the Itree purchase agreement.

Given the timing of the acquisition, further work is required to determine the final fair values of the assets acquired and the liabilities assumed, including the finalisation of working capital adjustment, if any. The finalisation of these fair values will be completed within 12 months of the acquisition date, at the latest.

On the same date, the Company completed the amalgamation of all its subsidiaries in New Zealand to streamline the Group's compliance activities in New Zealand. Objective Corporation Solutions NZ Limited has assumed the operations of all the amalgamating entities from 1 July 2020.

Dividends

For dividends resolved to be paid after 30 June 2020, refer to Note 19.

Note 34. Approval of Financial Statements

The financial statements were approved by the board of directors and authorised for issue on 25 August 2020.

Directors' Declaration

The Directors of the Company declare that:

1. The attached financial statements and notes set out on pages 22 to 59 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 Group as at 30 June 2020 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 Group 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 Group will be able to pay its debts as and when they become due and payable.

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



Tony Walls

Director

Date: 25 August 2020

Independent Auditor's Declaration



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Sydney NSW 2001

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

In relation to the independent audit for the year ended 30 June 2020, 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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of Objective Corporation Limited and the entities it controlled during the year.

R M SHANLEY

Partner

PITCHER PARTNERS

Sydney

25 August 2020

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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Independent Auditor's Report



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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 2020, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 2020 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 (including Independence Standards)* "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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Adelaide Brisbane Melbourne Newcastle Perth Sydney

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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
<p>Revenue from contracts with customers <i>Refer to Note 4 in the Notes to the Financial Statements.</i></p> <p>Due to the nature of the Group's business, its contracts with customers can contain multiple performance obligations.</p> <p>Revenue recognition is dependent on significant judgements, where a contract includes multiple performance obligations, in respect of:</p> <ul style="list-style-type: none"> identifying performance obligations; determining when a performance obligation is satisfied; determination of total transaction price; and allocation of the transaction price to each performance obligation. <p>We focused on this area as a key audit matter due to the importance of revenue in measurement of the Group's performance and the significant judgements surrounding the timing of revenue recognition.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Assessing the Group's policy in respect of identifying performance obligations, total transaction price and allocation of the transaction price to each performance obligation; Documenting and testing the design and operating effectiveness of relevant controls over the timing of revenue recognition; Inspecting a sample of contracts with customers and considered the appropriateness of the significant judgements in determining the allocation of the transaction price to the performance obligations; Testing a sample of revenue transactions to customer contracts, work in progress records, milestone acknowledgements and receipts from customer, where applicable; Reviewing and analysing general journals that impact revenue; and Considering the adequacy of the financial report disclosures.
<p>Impairment of Intangible Assets <i>Refer to Note 13 in the Notes to the Financial Statements.</i></p> <p>At 30 June 2020 the consolidated statement of financial position of the Group includes goodwill amounting to \$15.871 million subject to annual impairment testing.</p> <p>In assessing impairment of intangible assets, management have estimated value in use for each Cash Generating Unit (CGU) – Objective Keystone Limited, Objective Trapeze NZ Limited, Alpha Group, and Master Business Systems Limited.</p> <p>The value in use model for impairment includes significant management judgement in respect of assumptions and estimates including discount rates, estimated future cash flows, terminal value, and foreign currency rates.</p> <p>This is considered a key audit matter due to the degree of subjectivity involved in assessing potential impairment and the materiality of intangibles to the financial report. Intangibles are 18% of total assets.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Assessing management's determination of CGUs based on our understanding of the nature of the Group's business and the economic environment; Reviewing and challenging significant 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); Testing the mathematical accuracy of the value in use model; Assessing the historical accuracy of forecasting; Performing sensitivity analysis on key assumptions and estimates in the value in use models including discount rates, future cash flows, terminal value, and foreign currency rates; and Considering the adequacy of the financial report disclosures.

Independent Auditor's Report



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 2020 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.
- 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, actions taken to eliminate threats or safeguards applied.

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 14 to 16 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of Objective Corporation Limited, for the year ended 30 June 2020, 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

26 August 2020

Shareholder Information

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

The shareholder information set out below was compiled from Objective Corporation Limited's register of shareholders as at 9 September 2020.

A. Twenty Largest Holders of Ordinary Shares

Rank	Name	Units held	% of listed units
1	TBW TRUSTEES LIMITED	62,000,000	66.253
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	12,065,398	12.893
3	ANACACIA PTY LTD	2,193,521	2.344
4	NATIONAL NOMINEES LIMITED	1,519,296	1.624
5	MIRRABOOKA INVESTMENTS LIMITED	1,117,433	1.194
6	JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,059,742	1.132
7	CITICORP NOMINEES PTY LIMITED	836,951	0.894
8	ARRAS PTY LTD	543,832	0.581
9	MRS ELAINE WALLS & MS MICHELLE ROBYN WALLS	535,000	0.572
10	UBS NOMINEES PTY LTD	529,826	0.566
11	AMCIL LIMITED	467,722	0.500
12	MR DAVID GORDON	400,000	0.427
13	MR STEPHEN BOOL	375,000	0.401
14	MR JEREMY GODDARD	300,000	0.321
15	MR BEN TREGONING	298,759	0.319
16	TRUE BELL CAPITAL PTY LTD	272,739	0.291
17	BRISPOT NOMINEES PTY LTD	251,771	0.269
18	MR MITCHELL JAMES HARRISON & DR ROSALIND FRANCES MENZIES	237,609	0.254
19	EST MRS JOAN CAMERON FISHER	219,000	0.234
20	CS FOURTH NOMINEES PTY LIMITED	200,517	0.215
Total: Top 20 holders of issued capital		85,424,116	91.284
Total remaining holders balance		8,156,255	8.716

B. Substantial Holders

The names of Objective Corporation Limited's substantial holders and the number of shares in which each has a relevant interest, are listed below:

	Units held	Voting power
TBW TRUSTEES LIMITED	62,000,000	66.253
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	12,065,398	12.893

C. Distribution of Shareholdings

A distribution schedule of the number of holders of shares is set out below:

Range	No. of holders	No. of units	% of issued shares
1 – 1,000	1,339	555,392	0.593
1,001 – 5,000	589	1,456,153	1.556
5,001 – 10,000	108	841,311	0.899
10,001 – 100,000	150	4,415,136	4.718
100,001 and over	27	86,312,379	92.233
Total	2,213	93,580,371	100.000

Corporate Directory

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177 Pacific Highway
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Australia
Tel: +61 2 9955 2288
Fax: +61 2 9955 5011

ASX Code

OCL

ABN

16 050 539 350

Directors

Tony Walls
Gary Fisher
Nick Kingsbury
Darc Rasmussen

Company Secretary

Ben Tregoning

Stock Exchange Listing

The Company's shares are listed on the 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.

