APPENDIX 4D

HALF-YEAR REPORT

OBJECTIVE CORPORATION LIMITED

ABN: 16 050 539 350

For the half-year ended 31 December 2019
(Previous corresponding period being the half-year ended 31 December 2018)

GREAT GOVERNANCE »»
BETTER BUSINESS

RESULTS FOR ANNOUNCEMENT TO THE MARKET

KEY INFORMATION

	31 December 2019 $'000	31 December 2018 $'000	% Change
Revenue from ordinary activities	33,257	29,166	+ 14%
Profit from ordinary activities after income tax attributable to shareholders	4,250	3,643	+ 17%
Net profit attributable to shareholders	4,250	3,643	+ 17%

DIVIDENDS

	Financial year ending 30 June 2020		Financial year ended 30 June 2019	
	Amount per security	Franking	Amount per security	Franking
Final	-	-	5.0 cents	100%
Special	-	-	1.0 cent	0%

EARNINGS PER SHARE

	31 December 2019	31 December 2018
Earnings per share (EPS)	4.6 cents	3.9 cents

NET TANGIBLE ASSETS PER SHARE

	31 December 2019	31 December 2018
Net tangible assets per share (NTA)	10.8 cents	14.0 cents

Objective

REVIEW OF OPERATIONS

Results summary for half-year ended	31 December 2019	31 December 2018	Change
	AU $'000	**AU $'000**	**(%)**
Revenue	33,257	29,166	+ 14%
EBITDA	6,813	5,622	+ 21%
Net profit after tax	4,250	3,643	+ 17%
Cash at balance date	33,953	29,292	+ 16%
R & D expense	7,682	6,282	+ 22%
Earnings per share	4.6 cps	3.9 cps	+ 18%

FINANCIAL HIGHLIGHTS

In first-half financial year 2020 (1HY2020), group revenue grew by 14% to $33.3 million (1HY2019: $29.2 million). The Company grew total Annual Recurring Revenue (ARR) by 28% to $54.1 million, an increase of $11.9 million over the balance at 1HY2019 ($42.2 million).

EBITDA increased by 21% to $6.8 million (1HY2019: $5.6 million). Net profit after tax (NPAT) increased by 17% to $4.3 million (1HY2019: $3.6 million) for the half-ended 31 December 2019. Comparisons of NPAT growth between 1HY2019 and 1HY2020 were impacted by an increase in the effective tax rate from 10% to 18%.

During 1HY2020, the Company continued its successful transition to subscription-based contracts. The proportion of revenue derived from annually recurrent contracts reached 75% of total revenue (71% in 1HY2019), a new milestone for the Company. Strong growth continued in core subscription software products including ECMaaS (54% growth over 1HY2019); Connect (32% growth over 1HY2019); Keystone (14% growth over 1HY2019) and Planning Solutions (158% growth over 1HY2019).

The strategic focus on increasing recurring revenue streams provides increasing stability and visibility over our future financial performance and provides additional certainty of cash flow to support the Company's investment in product development, go-to-market activities and business acquisitions.

In November 2019, Objective Corporation acquired Master Business Systems (MBS), a developer of software and services that enable local governments in New Zealand to more efficiently process building consent applications and manage their software environments. MBS is based in Feilding, New Zealand, in close proximity to the Alpha Group and Objective Trapeze teams. The employees of all three businesses will be combined into the new Objective Planning Solutions centre of excellence in Palmerston North in early 2020.

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. Last twelve months revenue for MBS to 30 November 2020 totalled NZ$3.1 million with Annual Recurring Revenue (ARR) of NZ$2.5 million as at 30 November 2019.

Our strategic imperative to deliver outstanding software to customers drives our ongoing commitment to investing in excess of 20% of revenue in Research and Development (R&D). In 1HY2020, the Company's total R&D investment was $7.7 million which represented 23% of revenue and an increase in total investment of 22% over 1HY2019 ($6.3 millon). All R&D expenditure has been fully expensed as it is incurred

The company's cash balance at 31 December 2019 was $34.0 million, a lift of 16% over 31 December 2018 (1HY2019: $29.3 million), after paying $6.7 million as consideration for the acquisitions of Alpha Group and Master Business Systems and dividends of $5.6 million. The Company has no external borrowings.

On 16 September 2019, the Company paid total dividends of 6.0 cents per share (including a fully franked dividend of 5.0 cents per share and an unfranked dividend of 1.0 cent per share).

Objective

Mr Tony Walls, CEO, Objective Corporation said: “Objective delivered another pleasing result in 1HY2020, continuing the momentum of previous reporting periods. Our strategic focus on transitioning a greater proportion of our revenue to annual recurring subscription contracts was successfully demonstrated by the significant increase in ARR since 31 December 2018. This growth, delivered by increased subscription sales across all existing products and supplemented by acquisition, further enhances the Company’s ability to continue investing in product development and go-to-market opportunities.

“An important milestone during 1HY2020 was being awarded a 12 year, $38 million contract to a provide a cloud-hosted ECM-as-a-service (ECMaaS) solution for the City of Gold Coast (CoGC). The contract delivers Objective solutions to 4,000 users council-wide, leveraging numerous products and our unified user experience framework, Objective iQ. The demonstrated confidence in Objective’s ability to deliver this complex and mission critical solution is a testament to the quality of the ECMaaS solution that we have developed.

“Supporting the transition to SaaS products across the portfolio are structural changes to our organisation that foster deeper levels of customer intimacy, coordinated service and support offerings across products and an increased cadence of product development delivery. Our go to market strategy focuses on customer success, supporting the subscription lifecycle and growing within customers by applying Objective solutions to new use cases and delivering enhanced value.

“We were delighted to welcome Master Business Systems to the Objective family in November 2019, further deepening our capabilities in the local government market. Our Planning Solutions division has now grown to over 70 staff which provides a critical mass to develop highly innovative products that deliver exceptional value to our local government customers and the communities that they serve.

“Our investment in M&A over the past three years has developed a substantial footprint in local government which we have progressively transitioned to the direct customer relationship model that is one of Objective’s key competitive advantages. Our customer footprint of over 500 local government customers provides a significant future growth opportunity as we direct a greater proportion of our R&D efforts to developing market leading solutions for these customers,” said Mr Walls.

Objective Corporation reports revenue by line of business, as shown in the figure below.

BUSINESS LINE SUMMARY

Revenue summary for the half-year ended	31 December 2019	31 December 2018	Change
	AU $’000	AU $’000	%
Objective Content Solutions	24,219	22,466	+ 8%
Objective Keystone	3,342	3,553	- 6%
Objective Connect	1,924	1,455	+ 32%
Objective Planning Solutions	3,489	1,415	+ 147%

COMMENTARY ON OPERATIONS BY PRODUCT LINE

OBJECTIVE CONTENT SOLUTIONS

In 1HY2020, revenue in our Content Solutions business increased by 8% to $24.2 million (1HY2019: $22.5 million).

We continue to transition a greater proportion of our revenue to subscription contracts, with all new customers engaging on a recurring revenue basis, whilst still supporting existing customers who wish to remain under a perpetual license model. This transition to subscription also extends across our services business as we focus services delivery on recurring managed service engagements where customers utilise our deep product and process knowledge to realise the on-going benefits of improved performance, availability and reportability of an actively managed environment.

The Content Solutions business is strategically focused on driving pervasive adoption of Objective products across customers' organisations and deeply embedding Objective tools within the way they work. This strategy has driven our focus on customer adoption of Objective iQ, investment in simplified workflow development and deployment and the codification of best practice processes into Industry Solutions. In parallel, our product innovation strategy is closely aligned with Microsoft Office 365 (O365) developments to support our customers' roll outs of O365 with sustainable governance, a critical compliance requirement for our many public sector customers.

During 1HY2020, we expanded our Industry Solutions portfolio, which enable customers to implement best practice software solutions for high value processes. Objective OpenGov (for handling of Freedom of Information requests) was released into market and go-to-market activities commenced with strong customer engagement. We also released Objective Ministerials 3.1 which incorporates functionality that facilitates greater configurability and user experience improvements initiated from customer feedback.

OBJECTIVE KEYSTONE

In 1HY2020, total revenue in our Keystone business decreased by 6% to $3.3 million (1HY2019: $3.6 million). Subscription software revenue grew by 14%. The overall financial results were impacted by the successful completion of an implementation project at Department of Environment, Land, Water and Planning in Victoria, materially reducing services revenues.

Objective Keystone has established a leading market position in the Australian FSI market, particularly in relation to the production of Product Disclosure Statements (PDS) for wealth managers and superannuation managers. The Australian FSI market continues to be significantly disrupted by the impact of the 2019 Financial Services Royal Commission and the increasing regulatory requirements expected to flow from the legislative response positions Objective Keystone for further growth within this market.

During 1HY2020 we undertook an exploratory FSI market assessment in the UK but have now refocused our go-to-market resources on further developing our Australian local and state government capabilities and expanding our reach in banking applications where the document lifecycle has more commonality to existing use cases. We also continue to pursue Local Government opportunities in the UK.

In the public sector market, Objective Keystone has worked with customers across state and local government to leverage the full suite of authoring, publishing and stakeholder engagement tools to automate and manage the entire document production lifecycle for complex and critical documents. These use cases allow Objective Keystone to leverage Objective's broader local and state government customer footprint and extend the governance frameworks in place for document management to the content creation process.

Objective Keystone has extended the use cases in state government organisations to include a number of applications which demand cohesive, consistently structured and production ready documents with shared templates and standardised, reusable content, such as ministerials and cabinet papers. Objective Keystone also facilitates the expansion of the breadth of the local and state government planning process managed by Objective products to the production and publishing of a coherent set of high-quality planning documents that draw input from across different planning teams, enable rapid updates and reduce the planning cycle with cloud-based collaborative authoring, review and workflows.

OBJECTIVE CONNECT

In 1HY2020, revenue in our Connect business increased by 32% to $1.9 million (1HY2019: $1.5 million).

The strong revenue growth in the business demonstrates the progress of the Objective Connect business. The repository agnostic nature of the solution allows government departments, agencies and their external stakeholders to seamlessly share and collaborate on documents, even highly sensitive content, with all documents and workspace activity automatically synchronised with their document repositories and managed under the governance rules set by the organisation.

Protection of our customers' information has always been a central feature of Objective Connect. During 1HY2020 we continued to strengthen the security posture of the product via extended authentication capability and were accredited as ISO27001 compliant. Our development team is structured to promote information security from the code base upwards and we continue to invest in the security features of the product.

During 1HY2020 we significantly grew usage amongst our existing customer base through increased levels of customer engagement which provides the opportunity to demonstrate new use cases, best practice solution management and find new opportunities to deliver greater value to our customers. This customer intimacy also provides the deep insights into the requirements of customers across the public sector that drove new customer acquisition.

OBJECTIVE PLANNING SOLUTIONS

In 1HY2020, revenue in our Planning Solutions business increased by 147% to $3.5 million (1HY2019: $1.4 million). The Planning Solutions financial results includes Master Business Systems, Alpha Group, Objective Trapeze and Objective Redact. All software sales in Objective Planning Solutions are made under subscription contracts.

Objective Planning Solutions has been transformed in 1HY2020 through the acquisition of Master Business Systems and the further integration of Alpha Group. These acquisitions have extended Objective's technical expertise in the local government market and established a platform to develop an end-to-end digital building consent solution with global application. Our commitment to this market is driven by the critical role of rigorous building consent and inspection processes that is being highlighted in many jurisdictions as a result of the significant impact on communities of poor building quality. The integration of the go-to-market and product development functions of Objective Planning Solutions products will be accelerated following the combination of all teams in the Planning Solutions Centre of Excellence in Palmerston North in early 2020.

During 1HY2020, Objective Trapeze completed the transition to a direct to customer go-to-market strategy, retiring the partner led model that was inherited on the acquisition of the business, further extending the Planning Solutions customer footprint. This direct model accelerated the adoption of Trapeze Professional amongst local government customers and provided a greater level of customer feedback which has guided our product development strategy. During 1HY2020 we delivered a number of usability and functionality enhancements designed to delight end-users and significantly improved the performance of Trapeze Professional, resulting in faster processing of development applications for our council customers. We also expanded our customer base with more than 40 councils on-boarded to Trapeze Professional, giving them access to powerful functionality that transforms the development application assessment process and drives significant improvements in accuracy and efficiency.

OUTLOOK

Mr Tony Walls, CEO, Objective Corporation said: "We were pleased with the performance of the business in 1HY2020.

"We have always placed our customers and the communities they serve at the centre of our strategy and this has facilitated a seamless transition to a subscription business whose success demands we meet the challenge of always delighting our customers. Focus on customer success, common user experience, integrated products and aligned go-to-market and post sales services and support are foundational elements to the success of this model, and already exist as an integral part of the culture and values we uphold at Objective.

"Objective's landmark agreement with City of Gold Coast announced in 1HY2020 is an important demonstration of the market acceptance of the subscription software model for large scale Content Solutions implementations. The success of the transition to subscription revenue models has resulted in more than 75% of Objective's total revenue from recurring contracts and 28% growth in the Annual Recurring Revenue balance to $54.1 million.

"In addition to the continued growth in our existing business lines, we have demonstrated disciplined success in pursuing acquisitions that expand our product offering and customer reach. Our management team has developed an efficient framework to identify, assess, execute and rapidly integrate acquisition opportunities, which we will continue to exercise in the market. Following the acquisition of Master Business Systems, the Planning Solutions is truly at a critical scale to provide innovation in the Local Government market. As we further integrate Alpha Group and Master Business Systems we expect the impact to accelerate and we will invest to deliver a market leading solution that provides outstanding outcomes for customers and the community".

Consistent with prior half-years, an interim dividend was not declared. The Company expects to declare a dividend with the full-year financial results.

The Board and management of Objective would like to thank our loyal customers, staff and shareholders for their ongoing contribution and commitment to the Company.

AUDIT REVIEW

The half-year financial report has been subject to review and the independent auditor's review report is attached to the report.

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the attached half-year financial report.

FY2020 HALF-YEAR FINANCIAL STATEMENTS

OBJECTIVE CORPORATION LIMITED

ABN: 16 050 539 350

GREAT GOVERNANCE »»

BETTER BUSINESS

DIRECTORS' REPORT

The Directors of Objective Corporation Limited (the 'Company') present their report together with the condensed consolidated financial report of Objective Corporation Limited and its controlled entities (the 'Group') for the half-year ended 31 December 2019.

DIRECTORS

The names and details of the Company's Directors in office during the half-year ended 31 December 2019 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

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

A review of the Group operations and the results for the half-year ended 31 December 2019 is set out on the inside front cover and on pages 3 to 7 of the half-year financial report and forms part of this Directors' report. This includes the summary of consolidated results as well as an overview of the Group's strategy.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 27 of the half-year financial report and forms part of this Directors' report.

ROUNDING OFF OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191. In accordance with that Corporations Instrument, amounts in this Directors' report and the half-year financial report are rounded to the nearest thousand dollars, unless otherwise stated.

The Directors' report is signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001 (Cth).

T.B. Walls

Tony Walls

Director

Sydney, 25 February 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED

	Notes	31 December 2019	31 December 2018
		$'000	$'000
Revenue	2	33,257	29,166
Cost of sales		(1,434)	(1,170)
Gross profit		31,823	27,996
Other gains and losses		(38)	48
Interest expense and other finance costs		(239)	(216)
Distribution expenses		(14,531)	(13,667)
Research and development expenses		(7,682)	(6,282)
Administration and other operating expenses		(4,169)	(3,839)
Profit before income tax		5,164	4,040
Income tax expense		(914)	(397)
Profit for the period attributable to shareholders of Objective Corporation Limited		4,250	3,643

		Cents	Cents
Basic earnings per share	3	4.6	3.9
Diluted earnings per share	3	4.5	3.9

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED

	31 December 2019	31 December 2018
	$'000	$'000
Profit for the period	4,250	3,643
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	355	235
Other comprehensive income for the period, net of tax	355	235
Total comprehensive income for the period	4,605	3,878
Total comprehensive income for the period attributable to shareholders of Objective Corporation Limited	4,605	3,878

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

CONSOLIDATED

	Notes	31 December 2019	30 June 2019
		$'000	$'000
Current assets			
Cash and cash equivalents		33,953	34,556
Trade and other receivables		8,262	10,979
Contract assets		767	950
Other assets		1,578	1,656
Total current assets		44,560	48,141
Non-current assets			
Trade and other receivables		521	590
Property, plant and equipment		4,849	5,185
Right-of-use assets	5	9,227	8,314
Deferred tax assets		1,563	1,583
Intangible assets	6	18,205	13,229
Other assets		5	-
Total non-current assets		34,370	28,901
Total assets		78,930	77,042
Current liabilities			
Trade and other payables		5,553	6,924
Contract liabilities	7	26,308	24,411
Lease liabilities	8	2,223	1,692
Current tax liabilities		95	606
Provisions		2,732	2,672
Other financial liabilities	11	339	-
Total current liabilities		37,250	36,305
Non-current liabilities			
Lease liabilities	8	10,732	10,243
Provisions		366	344
Other financial liabilities	11	727	-
Total non-current liabilities		11,825	10,587
Total liabilities		49,075	46,892
Net assets		29,855	30,150
Equity			
Share capital	10	5,448	4,994
Reserves		(9,663)	(10,237)
Retained earnings		34,070	35,393
Total equity		29,855	30,150

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED

	Note	Share capital	Reserves	Retained earnings	Total
		$'000	$'000	$'000	$'000
As at 1 July 2019		4,994	(10,237)	35,393	30,150
Profit for the period		-	-	4,250	4,250
Exchange differences on translation of foreign operations		-	355	-	355
Total comprehensive income for the period		-	355	4,250	4,605
Transactions with owners in their capacity as owners:					
Share-based payments		-	219	-	219
Exercise of share options		454	-	-	454
Dividends provided for or paid	4	-	-	(5,573)	(5,573)
Total transactions with owners in their capacity as owners		454	219	(5,573)	(4,900)
As at 31 December 2019		5,448	(9,663)	34,070	29,855
As at 1 July 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 period		-	-	3,643	3,643
Exchange differences on translation of foreign operations		-	235	-	235
Total comprehensive income for the period		-	235	3,643	3,878
Transactions with owners in their capacity as owners:					
Share-based payments		-	26	-	26
Exercise of share options		45	-	-	45
Buy-back of ordinary shares		-	(21)	-	(21)
Dividends provided for or paid	4	-	-	(4,635)	(4,635)
Total transactions with owners in their capacity as owners		45	5	(4,635)	(4,585)
As at 31 December 2018		4,434	(10,702)	29,986	23,718

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED

	31 December 2019	31 December 2018
	$'000	$'000
Cash flows from operating activities		
Receipts from customers	34,092	43,415
Payments to suppliers and employees	(23,537)	(28,061)
Interest received	314	231
Interest paid	(237)	(214)
Income taxes paid, net	(1,394)	(1,059)
Net cash inflow from operating activities	9,238	14,312
Cash flows from investing activities		
Repayment of loans by employees, net	68	65
Payment for acquisition of subsidiary	(3,793)	-
Payments for property, plant and equipment	(338)	(950)
Payments for intangibles	(58)	(255)
Net cash outflow from investing activities	(4,121)	(1,140)
Cash flows from financing activities		
Dividends paid	(5,544)	(4,598)
Repayment of lease liabilities	(893)	(715)
Proceeds from issue of shares	454	45
Payments for shares bought back, net of transaction costs	-	(21)
Net cash outflow from financing activities	(5,983)	(5,289)
Net (decrease) / increase in cash and cash equivalents	(866)	7,883
Cash and cash equivalents at the beginning of the half-year	34,556	21,490
Effects of exchange rate changes on cash and cash equivalents	263	(81)
Cash and cash equivalents at the end of the half-year	33,953	29,292

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 (Cth) and AASB 134 Interim Financial Reporting and complies with other requirements of the law and the Listing Rules of the Australian Securities Exchange Limited. The half-year financial report includes the consolidated financial statements of Objective Corporation Limited and its controlled entities (the 'Group').

The half-year financial report does not include all the notes normally included in an annual report. Accordingly, it is recommended that this report be read in conjunction with annual financial report of Objective Corporation Limited for the year ended 30 June 2019 and any announcements to the market made during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 (Cth) and ASX Listing Rule 3.1.

Basis of preparation

The consolidated half-year financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2019.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities. The significant judgements made by management in applying the Group accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements as at and for the year ended 30 June 2019.

New or revised accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current half-year.

In particular, the following amendments to standards and interpretations are relevant to current operations.

- 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 11 has been accounted for in accordance with the guidance provided under the AASB 3 together with associated amending standards.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (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.

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 half-year financial report.

Rounding

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

Currency

Unless otherwise stated in the half-year financial statements, amounts are in Australian dollars, which is the Group's presentation currency.

NOTE 2. SEGMENT AND REVENUE 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.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2. SEGMENT AND REVENUE INFORMATION (CONTINUED)

Operating and reportable segments (Continued)

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 period segment information is 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

	31 December 2019	31 December 2018
	$'000	$'000
Revenue by product group:		
Objective Content Solutions	24,219	22,466
Objective Keystone	3,342	3,553
Objective Connect	1,924	1,455
Objective Planning Solutions	3,489	1,415
Total revenue from contracts with customers	32,974	28,889

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 half-year ended 31 December 2019 and the comparative period.

Revenue by geographic location

Revenue is recognised in a Group member entity based on where the services are performed for a particular project.

CONSOLIDATED

	31 December 2019	31 December 2018
	$'000	$'000
Revenue by location:		
Australia	25,271	22,777
United Kingdom	4,168	4,139
New Zealand	3,813	2,230
Rest of the world	5	20
Total revenue	33,257	29,166

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2. SEGMENT INFORMATION (CONTINUED)

Disaggregation of revenue from contracts with customers

CONSOLIDATED

	31 December 2019	31 December 2018
	$'000	$'000
Timing of revenue recognition:		
- products and services transferred at a point in time	2,478	2,381
- products and services transferred over time	30,496	26,785
Total revenue from contracts with customers	32,974	29,166

Assets and liabilities by geographic location

Assets allocated to geographic location include all non-current assets and current assets with the exception of net deferred tax assets, current tax assets and other corporate assets including intangible assets, goodwill and investments.

31 December 2019	Asia Pacific	Europe	Total
	$'000	$'000	$'000
Assets allocated to geographic location	50,487	8,675	59,162
Liabilities allocated to geographic location	40,939	8,041	48,980

30 June 2019	Asia Pacific	Europe	Total
	$'000	$'000	$'000
Assets allocated to geographic location	55,639	6,591	62,230
Liabilities allocated to geographic location	40,562	5,724	46,286

Reconciliation of assets and liabilities allocated to geographic location

	31 December 2019	30 June 2019
	$'000	$'000
Assets		
Assets allocated to geographic location	59,162	62,230
Intangible assets not allocated	18,205	13,229
Deferred tax assets not allocated	1,563	1,583
Consolidated total assets	78,930	77,042
Liabilities		
Liabilities allocated to geographic locations	48,980	46,286
Current tax liabilities not allocated	95	606
Consolidated total liabilities	49,075	46,892

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 2. SEGMENT INFORMATION (CONTINUED)

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.

	31 December 2019	30 June 2019
	$'000	$'000
Non-current assets by location of assets		
Australia	9,044	8,711
United Kingdom	9,789	9,604
New Zealand	13,960	8,988
Rest of the world	14	15
Unallocated non-current assets	1,563	1,583
Total non-current assets	34,370	28,901

NOTE 3. EARNINGS PER SHARE

CONSOLIDATED

	31 December 2019	31 December 2018
Basic earnings per share - cents	4.6	3.9
Profit for the period attributable to shareholders of Objective Corporation Limited ($'000)	4,250	3,643
Weighted average number of ordinary shares used in the calculation of basic earnings per share	92,946,031	92,653,152
Diluted earnings per share - cents	4.5	3.9
Profit for the period attributable to shareholders of Objective Corporation Limited ($'000)	4,250	3,643
Weighted average number of ordinary shares used in the calculation of diluted earnings per share[1]	94,021,200	93,244,680

[1] Calculated by increasing the total weighted average number of shares used in calculating basic earnings per share by net outstanding options of 1,075,169. 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. DIVIDENDS

Dividend type	Cents per share	Franking	Total amount $'000	Date paid / payable
2018 Final	5.00	100%	4,635	12 September 2018
2019 Final[1]	5.00	100%	4,644	16 September 2019
2019 Special[1]	1.00	Nil	929	16 September 2019
2019 Total	6.00		5,573	

[1] The final and special dividend for the year ended 30 June 2019 has been recognised in this half-year financial report because it was resolved for payment after 30 June 2019.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 5. RIGHT-OF-USE ASSETS

CONSOLIDATED

	31 December 2019	30 June 2019
	$'000	$'000
Gross carrying amount – cost	11,712	9,917
Accumulated amortisation	(2,485)	(1,603)
Total right-of-use assets, net	9,227	8,314

The following table summarises the movements in the net carrying amount of right-of-use assets for the period ended 31 December 2019:

CONSOLIDATED

	31 December 2019	30 June 2019
	$'000	$'000
Net carrying amount at 1 July	8,314	-
Effect of initial application of AASB 16 - 1 July 2018[1]	-	9,783
Additions	1,692	-
Amortisation of right-of-use assets	(856)	(1,603)
Foreign exchange differences	77	134
Net carrying amount at 31 Dec 2018	9,227	8,314

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

NOTE 6. INTANGIBLE ASSETS

CONSOLIDATED

	Intellectual property	Brand names	Other intangibles	Goodwill	Total
31 December 2019	$'000	$'000	$'000	$'000	$'000
Gross carrying amount – cost	2,290	179	987	17,301	20,757
Accumulated amortisation	(2,290)	-	(262)	-	(2,552)
Total intangible assets, net	-	179	725	17,301	18,205
Represented by:					
Net carrying amount at 1 July 2019	-	178	751	12,300	13,229
Additions	-	-	58	-	58
Acquisition of subsidiary (Note 11)	-	-	-	4,765	4,765
Amortisation expenses	-	-	(85)	-	(85)
Foreign exchange differences	-	1	1	236	238
Net carrying amount at 31 Dec 2019	-	179	725	17,301	18,205

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 6. INTANGIBLE ASSETS (CONTINUED)

CONSOLIDATED

	Intellectual property	Brand names	Other intangibles	Goodwill	Total
30 June 2019	$'000	$'000	$'000	$'000	$'000
Gross carrying amount – cost	2,205	178	929	12,300	15,612
Accumulated amortisation	(2,205)	-	(178)	-	(2,383)
Total intangible assets, net	-	178	751	12,300	13,229
Represented by:					
Net carrying amount at 1 July 2018	173	170	307	8,728	9,378
Additions	-	-	467	-	467
Acquisition of subsidiary	-	-	66	3,354	3,420
Amortisation expenses	(163)	-	(102)	-	(265)
Foreign exchange differences	(10)	8	13	218	229
Net carrying amount at 30 June 2019	-	178	751	12,300	13,229

Critical accounting estimates and judgements – goodwill

The carrying value of goodwill is allocated to the Group's cash generating units ("CGU") identified as follows:

	31 December 2019	30 June 2019
	$'000	$'000
Objective Keystone Limited	6,094	5,868
Objective Trapeze NZ Limited	3,088	3,078
Alpha Group	3,354	3,354
Master Business Systems Limited	4,765	-
Total goodwill	17,301	12,300

At 31 December 2019, the Group has assessed whether there is any indication that an asset may be impaired. During the half-year, and at the date of this report, no indicators were identified that would require a reassessment of the recoverable amount of goodwill.

NOTE 7. CONTRACT LIABILITIES

CONSOLIDATED

	31 December 2019	30 June 2019
	$'000	$'000
Contract liabilities	26,308	24,411

The Group recognises contract liabilities for consideration received in advance from customers in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the condensed consolidated statement of financial position which will be recorded as revenue in the condensed consolidated statement of profit or loss as the performance obligations under contracts with customers are satisfied.

Unsatisfied performance obligations

The aggregate amount of contract liabilities of the performance obligations that are unsatisfied at 31 December 2019 was $26,308,000 (30 June 2019: $24,411,000) and is expected to be recognised as revenue within the next twelve months.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 8. LEASE LIABILITIES

CONSOLIDATED

	31 December 2019	30 June 2019
	$'000	$'000
Lease liabilities	12,955	11,935
Represented by:		
Current	2,223	1,692
Non-current	10,732	10,243
Total lease liabilities	12,955	11,935

NOTE 9. RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

				Non-cash changes		
	1 July 2019	Cash flows – financing activities	Dividends declared	Additions arising from new leases	Foreign exchange movement	31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Dividends payable[1]	121	(5,544)	5,573	-	-	150
Lease liabilities	11,935	(893)	-	1,806	107	12,955
Total liabilities from financing activities	12,056	(6,437)	5,573	1,806	107	13,105

				Non-cash changes		
	1 July 2018	Cash flows – financing activities	Dividends declared	Initial application of AASB 16	Foreign exchange movement	30 June 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Dividends payable[1]	90	(4,604)	4,635	-	-	121
Lease liabilities	-	(1,488)	-	13,286	137	11,935
Total liabilities from financing activities	90	(6,092)	4,635	13,286	137	12,056

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 10. ISSUED CAPITAL

CONSOLIDATED

	31 December 2019		30 June 2019	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Share capital				
92,977,871 fully paid ordinary shares (30 June 2019: 92,879,112)				
Movement:				
Opening balance	92,879,112	4,994	92,443,041	4,389
Issue of shares[1]	98,759	-	250,000	-
Acquisition of subsidiary	-	-	200,000	560
Share options exercised by employees[2]	-	454	-	45
Share buy-backs[3]	-	-	(13,929)	-
Closing balance	92,977,871	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.

Options outstanding during the half-year under the Employee Incentive Plan

At 31 December 2019 a total of 2,350,000 (30 June 2019: 2,448,759) employee share options are outstanding.

During the current half-year, 98,759 share options were exercised pursuant to the Employee Incentive Plan.

Options issued during the half-year under the Employee Incentive Plan

	31 December 2019				30 June 2019
	Number of options outstanding	**Expiry date**	**Exercise price**	**Fair value per option at grant date**	**Number of options outstanding**
7 October 2014	80,000	07/10/2024	$1.00	$0.52	80,000
24 February 2015	150,000	24/02/2025	$1.17	$0.43	150,000
29 July 2016	62,500	29/07/2026	$1.50	$0.41	125,000
2 January 2017	500,000	02/01/2027	$1.80	$0.41	500,000
15 January 2018	-	15/01/2028	$3.00	$0.58	23,759
29 July 2018	200,000	29/07/2028	$2.75	$0.65	200,000
1 January 2019	1,307,500	01/01/2029	$2.75	$0.68	1,320,000
1 April 2019	50,000	01/04/2029	$2.75	$0.71	50,000
Total options on issue	2,350,000				2,448,759

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 11. BUSINESS COMBINATIONS

Acquisition in the current period

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 condensed statement of financial position at net present value under other financial 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 performance 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 tangible assets were $94,000, giving rise to goodwill of $4,765,000.

All acquired amounts and contingent consideration have been recorded on a preliminary basis at 31 December 2019, using the acquisition method. Any adjustments made to these provisional numbers will be reflected in subsequent financial reporting periods, as permitted under AASB 3: Business Combinations. Finalisation of the purchase price allocation is expected no later than 29 November 2020. At that time, final accounting for the business combination will be reflected in the consolidated financial statements on a retrospective basis.

Details of the provisional assets and liabilities recognised as a result of this transaction 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	48
Trade and other payables	(171)
Contract liabilities	(155)
Lease liabilities	(34)
Provisions	(145)
Current tax receivable	12
Acquisition date fair value of net assets acquired	94
Goodwill arising on acquisition	4,765

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 11. BUSINESS COMBINATIONS (CONTINUED)

Acquisition in the current period (Continued)

The condensed consolidated financial statements for the half year ended include the financial results of Master Business Systems Ltd for the one-month period from the acquisition date.

From the date of acquisition, Master Business Systems Ltd has contributed $44,000 of revenue and $33,000 to the net profit after tax from the continuing operations of the Group.

Transaction costs have been expensed and are included in administrative expenses in the condensed consolidated statement of profit or loss and are part of operating cash flows in the condensed consolidated statement of cash flows.

NOTE 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

There are no financial assets or liabilities measured at fair value.

NOTE 13. SUBSEQUENT EVENTS

There has not arisen in the interval between 31 December 2019 and the date of this report, any other matter or circumstance that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 14. APPROVAL OF HALF-YEAR FINANCIAL STATEMENTS

The half-year financial statements were approved by the board of directors and authorised for issue on 25 February 2020.

DIRECTORS' DECLARATION

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(b) in the directors' opinion, the attached half-year financial statements and condensed notes thereto are in accordance with the Corporations Act 2001 (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001 (Cth).

Tony Walls

Director

Sydney, 25 February 2020

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AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF OBJECTIVE CORPORATION LIMITED

In relation to the independent auditor's review for the half-year ended 31 December 2019, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

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

ROD SHANLEY
Partner

PITCHER PARTNERS

Sydney
25 February 2020

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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

We have reviewed the accompanying half-year financial report of Objective Corporation Limited ("the company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporation Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the consolidated entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity’s financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

ROD SHANLEY
Partner

PITCHER PARTNERS
Sydney

25 February 2020