CONNECTED.
COLLABORATIVE.
COMMUNITY.

2012 ANNUAL REPORT

CONTENTS

1987

COMPANY FOUNDED

As one of Australia's leading Australian owned software development and systems integration companies, we specialise in providing information management products and services covering document and records management, workflow and imaging Solutions.

KEMBLA

OBJECTIVE'S FIRST CLIENT

1993

Barwon Water
(previously Geelong Water Board)

"Objective will provide us with complete transparency across the organisation therefore empowering corporate decision-making".

1995

OBJECTIVE PRODUCT IS LAUNCHED

OBJECTIVE 2.2 LAUNCHED

1997

RESMED

"Objective provides us with a solution that connects our people, helping them to collaborate and improve our business processes."

1998

Objective98

Delta electricity

"Objective's flexibility, coupled with our long-term engagement has ensured that the solution continues to meet Delta's business needs."

OUR MISSION IS TO DELIVER SOLUTIONS THAT EMPOWER PUBLIC SECTOR EFFICIENCY AND EFFECTIVENESS FOR THE BENEFIT OF THE COMMUNITY.

Objective 2000

2000

Objective

RENAMED AS OBJECTIVE CORPORATION

LISTED ASX

OBJECTIVE LISTED ON ASX

Objective6i

2001

IP Australia
PATENTS - TRADE MARKS - DESIGNS

"We are confident that Objective will assist us in achieving significant improvements in our management of electronic information and increasing the overall efficiency of IP Australia."

City of DAREBIN

QUEENSLAND POLICE
WITH HONOUR WE SERVE

2003

limehouse SOFTWARE

LIMEHOUSE SOFTWARE COMPANY FOUNDED

"Objective provides us with usable information searches, defence-strength security and audit trails, solid workflow capability, scalability and richness in overall functionality."

2002

ACT GOVERNMENT

ACT Planning & Land Authority

"Objective has facilitated a collaborative and open environment for our organisation."

Te Rua Mahara o te Kāwanatanga
ARCHIVES NEW ZEALAND

Australian Government
Department of Infrastructure and Transport

ACT GOVERNMENT

"Objective shares our whole of government vision and has clearly demonstrated how they will work in partnership with us to deliver this vision".

The Scottish Government

"We are committed to long-term investment in improving information management and see our relationship with Objective as fundamental in this."

25 YEARS OF DELIVERING SUCCESSSFUL OUTCOMES FOR OUR CLIENTS AND THE COMMUNITY.

Objective 7

2004

PORT OF BRISBANE CORPORATION

"Objective facilitates the efficient management and necessary security of the Corporation's knowledge assets."

NSW Government Department of Local Government

MINISTRY OF SOCIAL DEVELOPMENT
Te Manatū Whakahiato Ora

AGS

"The EDRMS will underpin AGS' knowledge management strategy, enabling its lawyers and support staff to leverage professional information resources, share professional knowledge, and deliver benefits to our clients."

2005

Government of Western Australia
Department of Commerce

OSCR
Office of the Scottish **Charity Regulator**

"Introducing workflow will help us to manage the large number applications we receive from Scottish charities throughout the year, in a consistent manner."

Government of South Australia
Department for Communities and Social Inclusion

Government of South Australia
Primary Industries and Regions SA

"Objective will help us minimise turnaround time and provide higher levels of customer service."

2006

places for people

"The Objective solution has provided significant efficiencies across the organisation, both in terms of staff being able to find and retrieve accurate information when required and also in terms of managing the business."

WA POLICE

Powerlink QUEENSLAND

Department for **Child Protection**
Government of **Western Australia**

PHARMAC
Pharmaceutical Management Agency

"Objective offered PHARMAC the whole package, a single ECM solution built from the ground-up that was proven to be stable compared with some of the alternatives. As well as a group of service consultants who specialised solely in ECM."

Objective 7.2

2007

"We knew that we needed a scalable system that would be around in five to ten years and would easily integrate with other systems as the Company continues to grow".

Department for Planning and Instructure
Government of Western Australia

"We selected Objective because it is visionary, the solution is flexible and enables us to manage our information effectively into the future."

Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Media Development Authority
Singapore

"Objective improves the reliability of our business processes while simultaneously helping to reduce risk within the industry."

Collaborate

INTERNATIONAL USER CONFERENCE

2008

"The success of the project can be seen in our user engagement. 100% of our licences have been taken up by LandCorp staff using Objective on a daily basis."

Government of Western Australia
Health Corporate Network

"Our staff are able to create, organise and share documents within a single repository."

"Objective allows us to obtain relevant information quickly and to therefore be more responsive to requests from the community."

Objective 7.4

2009

"We selected Objective because it met both our business and recordkeeping requirements. It is advanced in its integration capability, it has a rich functional environment and will provide us with a value for money solution."

OBJECTIVE ACQUIRES LIMEHOUSE SOFTWARE

"Objective was selected because it meets the needs of the Moreton Bay Region both now and into the future."

Objective ONLINE4.0

COLLABORATION & CONSULTATION HOSTED SOLUTION

2010

PORT KEMBLA PORT CORPORATION

"Objective will enable us to leverage strategic value from our information assets. Being able to quickly and easily access and search for information electronically, will streamline our business processes and means less time for staff in finding the right information at the right time."

BEDFORD BOROUGH COUNCIL

Durham County Council

Auckland Regional Council TE RAUHITANGA TAIAO

"uEngage has transformed our consultation process and how we communicate with our community."

Objective ECM8

Objective ENTERPRISE SEARCH

2011

MIDCOAST WATER

"We are committed to providing essential services and the best value for money to our community. We selected Objective because they are committed to the same goals, have experience with local government and understand both ours and the community's needs."

RTA

University of Portsmouth

"By providing all our staff with a single, centralised repository, we should be able to share information far more effectively, both within individual departments and across the entire university. This should enable us to respond more quickly to enquiries and will support more effective decision making."

Objective CONNECT

2012

Australian Government Future Fund

"Objective will enhance the management of our information and improve the leverage of knowledge across the organisation."

Government Procurement Service supplier

OZ MINERALS

MORNINGTON PENINSULA Shire

"By giving our team members a single search interface for all of our systems as well as optimised search results, we will achieve a significant reduction in the amount of time spent looking for information. This will contribute to better quality and more responsive service delivery for our community."

2012 SAW THE ACCELERATION OF NEW PRODUCT ANNOUNCEMENTS AND NEW CUSTOMERS SELECTING OBJECTIVE, DEMONSTRATING THE FLEXIBILITY AND STRENGTH OF OUR INDUSTRY LEADING INFORMATION MANAGEMENT SOLUTIONS.

ACHIEVEMENTS

» The successful launch of the mainstream generational release of Objective ECM 8.1. Unprecedented adoption by our customers around the world, demonstrating that our solutions are delivering compelling customer value.

» Investment in Objective Connect, a break through hybrid platform that addresses the long term challenge of securely connecting government agencies with other agencies, businesses and citizens.

» Awarded a strategic agreement with the Australian Customs and Border Protection Service, displacing an incumbent competitor, and with the potential for the contract to run for 9 years.

» Continued investment of 23% of our revenues in Research & Development - almost double the industry rate of 12%.

» Objective Managed Services division was formally launched, providing our customers with unparalleled support programs, reducing cost and risk.

» Successful capital management program, resulting in the buyback of approximately 17% of the company's capital, substantially enhancing per share financial ratios.

» Improved financial performance, as per the table below, through prudent cost control.

FINANCIAL PERFORMANCE

RESULTS SUMMARY FOR YEAR ENDED 30 JUNE	FY2012 $m	FY2011 $m	CHANGE %
Revenue	39.7	40.0	(1)
Profit before amortisation and tax	5.5	3.7	46
Net profit after tax	4.6	3.1	46
Asia Pacific revenue	32.8	31.7	3
European revenue	6.1	7.4	(17)
R & D (fully expensed)	9.1	9.3	(2)
Earnings per share	4.2 cps	2.6 cps	62
Final dividend (fully franked in FY2012)	2.0 cents	1.5 cents	33
Special dividend (unfranked)	0.5 cents	–	n/a

CEO REVIEW

Dear Fellow Shareholders,

We present Objective Corporation's annual report for the financial year ending 30 June 2012.

Despite challenging economic conditions, we are pleased to report that our strategy of commitment to the public sector has led to an increase in revenue in the Asia Pacific region to offset tough trading conditions in Europe. Together with improved operating efficiencies we have delivered a significant increase in net profit after tax and earnings per share whilst still maintaining our substantial investment in research and development.

Objective Corporation Limited (ASX:OCL) announced a 46% increase in net profit after tax (NPAT) to $4.6 million ($3.1 million FY11) which translated to a 62% increase in earnings per share, as effected by the share buyback during the financial year.

Asia Pacific revenue grew by 3% to $32.8 million (FY11: $31.7 million). European revenue decreased by 17% to $6.1 million (FY11: $7.4 million) with UK business conditions continuing to be challenging. Overall, global revenues have remained flat at $39.7 million compared to the previous corresponding period (FY11: $40.0 million).

Objective's statement of financial position remains strong. Net cash from operating activities has increased by 95% to $9 million compared to the previous financial year (2011: $4.6 million). At 30 June 2012, cash and cash equivalents have increased by $2.8 million (26%) to $13.5 million and there are no external borrowings.

The Directors have declared a final dividend of 2.0 cents per share fully franked and a special dividend of 0.5 cents per share unfranked.

OPERATIONS

Asia Pacific

2012 highlights include being awarded a strategic long-term contract to rollout Objective ECM 8 across the Australian Customs and Border Protection Service distributed environment of over 6,000 users. Similarly, our success at Wyndham City Council further demonstrated the flexibility and strength of Objective's industry leading ECM solution for the public sector.

Other new customers in the Asia Pacific region included: South Australian Courts Administration Authority, Australia Pacific LNG, St Stephen's School (WA), Central Otago District Council and Sinclair Knight Merz (SKM).

We also achieved a significant number of successful customer upgrades to Objective ECM 8 across Australia and New Zealand, further demonstrating that our solutions are meeting the evolving requirements of customers such as Parliament SA, Office of the Privacy Commissioner, Environment Southland, Housing New Zealand Corporation, Unity Water, Hobson's Bay City Council, Clutha District Council, Council and Moreton Bay Regional Council.

These project outcomes are a testament to the ongoing commitment we have to our customers in delivering service excellence as well as our ability to provide strategic solutions purpose-built to meet the specific information needs of the public sector. Furthermore the scale of new contracts, such as the Australian Customs and Border Protection Service, highlight the confidence that large government organisations have in Objective products and solutions.

Europe

The prevailing weak economic conditions across the United Kingdom created a challenging environment in which to acquire new customers. This, combined with a stronger Australian dollar, has resulted in a decrease in revenue from this region. However, strong operating controls have allowed the European business to more than double segment reported profit.

We are optimistic that revenues in the year ahead will improve in the UK. This confidence is reinforced by the large percentage of our UK ECM customers upgrading to Objective ECM 8.

RESEARCH AND DEVELOPMENT

Objective has continued to make a significant investment in research and development. This year's investment was $9.1 million, approximately 23 per cent of revenue (FY11: $9.3 million) and concentrated on strengthening our core technologies, developing new capabilities and creating a series of new web based applications that benefit the public sector.

The announcement of Objective Connect at our user conference, Collaborate, saw us address the long-term challenge of connecting government. By delivering a solution that provides public sector organisations with the ability to share information securely with the auditability and traceability they require, while making it easy for end users, Objective Connect is making our vision of connecting government a reality.

With the release of Objective Enterprise Search for HP TRIM, Objective has developed a solution that enables HP TRIM customers to enjoy the benefits of a familiar browser-based search experience across multiple sources of information, which makes users more productive, increases adoption and demonstrates Objective's commitment to solving the challenges faced by public sector organisations.

Our investment in enterprise content management solutions continued to allow customers to take control of the growing amounts of information in their business. The release of Objective ECM 8.1 offered customers major adoption and search benefits while improving scale and performance. During 2012 Objective Automated Email Capture (AEC) was released to solve the customer challenge of easily managing email in their Objective ECM without user intervention, helping customers increase adoption while meeting their recordkeeping requirements.

OUTLOOK

The outlook for financial year 2013 looks promising. We are confident of growth and are making investments in people, product and process to deliver better outcomes to our customers and improved returns to our shareholders.

The Board and management of Objective Corporation would like to thank our loyal customers, staff and shareholders, for their commitment and valuable contribution to the success of the company.

Tony Walls
Chief Executive Officer

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Objective Corporation Limited (ABN 16 050 539 350) and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

The Directors in office at any time during the financial year up to the date of this report were as follows:

Mr Tony Walls
Mr Gary Fisher
Mr Leigh Warren
Mr Nick Kingsbury

INFORMATION ON DIRECTORS

MR TONY WALLS

Chairman and Chief Executive Officer

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

MR GARY FISHER

Non Executive Director

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

MR LEIGH WARREN

Independent Non Executive Director

Leigh was appointed as a Non-Executive Director in August 2007 and is Chairman of the Audit Committee. Leigh has over 20 years' experience in the IT Industry and has held Executive roles for several multinational companies, including SAP where he was Chief Operating Officer for North Asia, Oracle where he was the Managing Director for Australia and New Zealand and Ventyx where he was President for the EMEA region. Leigh currently serves on the Boards of four private companies and advises several software companies particularly in the area of developing high performance sales organisations.

MR NICK KINGSBURY

Independent Non Executive Director

Nick was appointed as a Non-Executive Director in July 2008 and is a member of the Audit Committee. Nick is an experienced international software entrepreneur, strategist and venture capitalist. Nick founded, led and then sold a leading UK Business Process Management company. Nick then spent 7 years with the international venture capital company 3i, where he headed up the software sector and now advises a number of software companies, chairs the board of Accumuliplc, a UK listed Managed Security Services Provider, and also is a Venture Partner with C5 Capital Limited.

MR DAVID BARNES

Company Secretary

David was appointed General Manager, Corporate Operations, Chief Financial Officer and Company Secretary in September 2010. He has previous experience as a Company Secretary, is a Chartered Accountant and holds a degree in Business. David has a significant track record in senior financial and operational positions in Australia and overseas including working for SAP as Chief Financial Officer and Chief Operating Officer for United Kingdom and then as Chief Operating Officer for SAP Europe, Middle East and Africa.

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 dividend of $1,811,000 was paid on 28 September 2011.

Since the end of the financial year, the Directors have declared a final fully franked dividend of 2.0 cents per ordinary share (2011: unfranked dividend of 1.5 cent per ordinary share). In addition a special unfranked dividend of 0.5 cent per ordinary share has been declared. The aggregate amount of the dividends expected to be paid by 3 September 2012 is $2,519,000(2011: $1,811,000).

There is no conduit foreign income attributed to the final and special dividend declared.

REVIEW OF OPERATIONS

Revenue

Consolidated revenue from sales and services is comparable with the prior financial year at $38,935,000 (2011: $39,150,000). Total consolidated revenue is similar to last financial year at $39,713,000 (2011: $40,006,000). Asia Pacific revenues increased 3% to $32,750,000 (2011: $31,701,000). European revenues decreased by 17% to $6,132,000 (2011: $7,418,000).

Operating result

The consolidated operating profit attributable to members increased by 46% to $4,603,000 (2011: $3,146,000).

The Group continued to invest significantly in Research and Development ("R&D") with expenditure of $9,054,000 (2011: $9,346,000). This investment in R&D was fully expensed during the year.

Objective's statement of financial position remains strong. Net cash from operating activities has increased by 95% to $9 million compared to the previous financial year (2011: $4.6 million). At 30 June 2012, cash and cash equivalents have increased by $2.8 million (26%) to $13.5 million and there are no external borrowings.

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 2012 the Company had 100,753,277 (2011: 120,753,277) fully paid ordinary shares on issue.

Voting rights are detailed in Note 14 to the financial statements.

SHARE OPTIONS

The number of options over the unissued ordinary shares of Objective Corporation Limited at the date of this report were:

	2012		2011	
Options on Issue at Balance Date	**Number**	**Expiry Date**	**Number**	**Expiry Date**
Employee options exercisable at $0.50	45,000	02/10/2012	50,000	02/10/2012
Employee options exercisable at $1.00	–	30/06/2012	100,000	30/06/2012
Employee options exercisable at $1.00	790,000	30/06/2014	790,000	30/06/2014
Employee options exercisable at $1.00	–	30/06/2014	100,000	30/06/2014
Employee options exercisable at $0.50	100,000	30/06/2014	100,000	30/06/2014
Employee options exercisable at $0.50	500,000	31/12/2014	500,000	31/12/2014
Employee options exercisable at $0.50	300,000	30/06/2015	300,000	30/06/2015
Employee options exercisable at $0.50	500,000	01/11/2015	500,000	01/11/2015
Employee options exercisable at $0.50	1,200,000	15/07/2016	1,200,000	15/07/2016
Employee options exercisable at $0.50	647,000	01/09/2016	657,000	01/09/2016
Employee options exercisable at $0.50	200,000	25/10/2016	200,000	25/10/2016
Total options on issue	4,282,000		4,497,000	

Details of the options on issue are contained in Note 14 to the financial statements. There were no options issued during the financial year ended 30 June 2012 pursuant to the Employee Incentive Plan. No options have been issued subsequent to the year end.

LIKELY DEVELOPMENTS

The outlook for financial year 2013 looks promising. The group is confident of growth and is making investments in people, product and process to deliver better outcomes to customers and improved returns to shareholders.

EVENTS SUBSEQUENT TO BALANCE DATE

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

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 Directors aspire to the highest standards of corporate governance that could be deemed appropriate for a Company the size of Objective Corporation Limited, the extent of its activities and the number of Directors.

The Board's primary role is the protection and enhancement of long-term shareholder value. The Directors take ultimate responsibility for corporate governance and operate in accordance with the Company's constitution, Australian Stock Exchange (ASX) Rules, the Corporations Act, and other applicable laws.

The Board has delegated responsibility for the operation and administration of the Company and its controlled entities to its Chief Executive Officer. Responsibilities are delineated by authority delegations. The company has an established process of objective setting and performance review of all staff, which is conducted on an annual basis. Future development, along with training needs are discussed and agreed. Performance against previous goals is also reviewed.

The Directors possess a broad range of skills, qualifications and experience. The Board meets regularly, usually on a monthly basis, and all information in connection with items being discussed at a meeting of the Board is provided to each Director prior to the meeting. With the approval of the Chairman, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

In addition to formal Board meetings, during the year, the Directors held frequent informal discussions and reviews of the Company's affairs. These include matters pertaining to the Company's assets, budgets, investments, acquisitions, remuneration of executives, staff and consultants, independent professional advice, accounting, audit, internal financial controls, risk assessment and ethical standards.

At the date of this report the Board comprises three Non-Executive Directors and one Executive Director. Directors appointed by the Board are subject to election by shareholders at the following annual general meeting, and thereafter, Directors (other than the Chief Executive Officer) are subject to re-election at least every three years. The independent directors are Nick Kingsbury and Leigh Warren.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience. The aim is that the board's membership should reflect a balance between extensive experience in the industry and a broad range of general commercial experience and expertise.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board then determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities. The Board identifies potential candidates with advice from an external consultant where necessary. The Board then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders. All new Directors will take part in an induction program to educate new Directors on the Company's business and allow them to fully participate in the Board decision making at the earliest opportunity. Directors are given access to opportunities to update and enhance their skills and knowledge.

The performance of each Director is reviewed annually. The Board undertakes ongoing self-assessment process to review its performance.

The Company has established an Audit Committee, which has a formal charter approved by the Board of Directors. The Audit Committee reviews the financial statements and considers and recommends accounting policies to be adopted by the Company to the Board of Directors. The members of the Committee during the financial year were Leigh Warren and Nick Kingsbury. The qualifications of the members are disclosed in the Directors Report. The Chief Executive Officer, Chief Financial Officer and the external auditors are invited to Committee meetings, at the discretion of the Committee. The number of meetings held during the financial year ended 30 June 2012 and attendances is disclosed in the Director's Report.

The Directors are responsible for the strategic direction of the Company, the setting of the corporate objectives, monitoring of the operational and financial performance of the Company's activities, and the Company's system of internal control. In addition,

DIRECTORS' REPORT **CONTINUED**

the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment of suitable qualified and experienced personnel.

The Company has developed a business operations manual, which includes detailed policies and procedures and a system of formal reporting to assist it to manage and monitor operating, financial and compliance risk for the Group. The Company is also ISO9001 certified, meaning the company is operating a Quality Management System that complies with the standard. The registration covers the design, development, implementation and support of our software and the supporting administration processes for our business. Maintaining certification is achieved through regular monthly internal audits and a bi-annual audit by an external certification body.

The Company's risk profile is minimised by established practices such as:

- Annual budgeting and monthly reporting systems to enable the monitoring of key performance indicators
- Business transactions are properly authorised and executed
- Attracting and retaining quality and ethical personnel through recruitment practices; training and development plans; and annual performance reviews for staff
- Occupational health and safety standards are stringently managed throughout the business
- A comprehensive insurance program.

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board that the financial risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively.

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant board papers and will not participate in the consideration of the item.

The Company has a policy for trading in the shares of the Company.

The Company acknowledges that from time to time, Directors and members of Management and Staff may in the course of their duties become aware of Inside Information (information not generally known to the market and, if known publicly, would likely have a material impact on the price of shares) in respect of the Company.

The Company requires Directors, Management and Staff not to buy or sell the Company's shares (or other securities) at any point in time where the person involved has knowledge which constitutes Inside Information. This requirement also includes a restriction not to trade in other company securities where Inside Information has been obtained in relation to negotiations that the Company may be involved in.

Additional restrictions apply to the Directors and certain employees – "Designated Officers". The Designated Officers are Company Directors (including Executive Directors), the Chief Executive Officer, the Executive Team and employees specifically notified by the Chief Financial Officer or their Executive Team Member.

Designated Officers are not permitted to buy or sell shares in the Company other than in exceptional circumstances approved by the Board during the period commencing 15 days prior to the last day of the half year or full year as the case may be and ending 24 hours after the release of the corresponding results announcement.

Designated Officers are permitted to buy or sell shares in the Company at any other time so long as they are not in possession of "Inside Information" (as the insider trading prohibitions continue to apply at all times); and follow the notification requirements set out in the updated share trading policy. Short term buying and selling of shares in the Company should be avoided where possible. Designated officers are not permitted to buy and sell shares in the Company within any 3 month period unless approval is provided by the Company.

Directors and senior management must notify the Company Secretary before they sell or buy shares in the Company. Details of all security transactions by Directors must be notified to the Company Secretary prior to their occurrence and are publicly reported to the ASX.

The Board has a policy to identify matters that may have a material effect on the price of the Company's securities and ensuring disclosure to the ASX and posting on the official Objective Corporation Limited's website. The Company's website contains copies of the Company's announcements and this information will be emailed to shareholders who lodge their contact details with the Company. The Executive Chairman and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX.

The Board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and understanding of the Company's strategies and goals. The Company requests its external auditor attend the Annual General Meeting and to be available to answer any shareholder questions about the conduct of the audit and the preparation and content of the audit report.

The Board has adopted a Code of Conduct that applies to all Directors and employees of the Company. The Code provides guidance for Directors and employees on the standards that Objective expects in the conduct of its operations. The Code covers items such as:

- The way in which we must discharge our duties
- Compliance with laws
- Conflicts of interest
- Confidentiality
- Dealing in company securities
- The use of the Company's resources
- The environment, health and safety.

The Code is published on the Company's website.

The company has a commitment to diversity and seeks to promote an inclusive culture where people are encouraged to succeed to the best of their ability. This commitment means that the company has policies and procedures to ensure it has an environment supportive of equal opportunity and equal access to career development, remuneration, and benefits. The company's workforce is split female 24% and male 76%. Currently there are no female senior executives.

Objective's commitment to diversity means that it works to ensure that it has an environment supportive of equal opportunity and with equal access to career development, remuneration and benefits through the implementation of practices, procedures and policies which support, among other matters, diversity.

Objective believes that diversity is about recognising and valuing the contribution of people from different backgrounds, with different perspectives and experiences. Diversity includes but is not limited to gender, age, disability, ethnicity, religion and cultural background.

Objective operates in a number of countries, and, to date, diversity initiatives have been focused at the local level, having regard to the legislative requirements of those countries.

ASX Corporate Governance Council recommendations

For the year ended 30 June 2012, the Company did not meet ASX Corporate Governance Council recommendations in the following areas:

Composition of the Board and Chairman

Due to the fact that the Directors control approximately 87% of the Company's shares it is inappropriate that a majority of the Board should be independent Directors and the Chairman should be independent. The Board believes it is appropriate that the role of the Chairman and Chief Executive Officer are both filled by Tony Walls. Compliance costs would be significant with questionable benefits for the Company and its stakeholders.

Audit Committee

The Company has an Audit Committee, as detailed previously, but does not fully comply with the best practice recommendation in regards to the composition of the Committee. The Company believes that the cost of compliance would surpass any benefits from having additional independent Non-Executive Directors appointed to comply with the ASX Corporate Governance Council recommendations.

Remuneration and nomination committee

Due to the size of the Board of the Company, the formation of Independent Remuneration and Nomination Committee is not considered practical. As stated previously, the existing members of the Board review remuneration and nomination for vacancies.

Options issued to Non-Executive Directors

To attract and retain a high quality board, Non-Executive Directors are eligible to participate in the Employee Option Plan (subject to shareholder approval).

Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or a State or Territory.

DIRECTORS' INTEREST

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

	Ordinary Shares	Options
Tony Walls	62,000,000	–
Gary Fisher	25,000,000	–
Nick Kingsbury	120,000	200,000
Leigh Warren	100,000	–
	87,220,000	200,000

DIRECTORS' MEETINGS

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

	Directors' Meetings		Audit Committee Meetings	
Meeting Director	Number of Meetings Held	Number of Meetings Attended	Number of Meetings Held	Number of Meetings Attended
Tony Walls	10	10	–	–
Gary Fisher	10	7	–	–
Nick Kingsbury	10	10	1	1
Leigh Warren	10	8	1	1

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration in relation to the financial year is included on Page 42.

AUDITOR'S NON AUDIT SERVICES

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

ROUNDING OF AMOUNTS

The Company is an entity to which ASIC class order 98/100 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

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

The remuneration of Directors and other key management personnel is not directly linked to the company's performance. The remuneration of Directors and the other key management personnel is fixed annually with some of the specified Executives being entitled to a performance bonus based on achievement of targets based on individual Key Performance Indicators ("KPIs"). The KPIs generally include measures relating to the relevant segment, covering financial, sales, and development measures. Ultimately, bonuses and discretionary payments to key management personnel are at the discretion of the Board.

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

The key management personnel of the Group for the year ended 30 June 2012 were:

Directors	
Tony Walls	Chairman and Chief Executive Officer
Gary Fisher	Non-Executive Director
Nick Kingsbury	Independent Non-Executive Director
Leigh Warren	Independent Non-Executive Director
Executives	
David Barnes	General Manager, Corporate Operations, Chief Financial Officer and Company Secretary
Stephen Bool	General Manager, Global Services
Simon Etherington	General Manager, UK
David Gordon	General Manager, Engineering
Adrian Rudman	General Manager, Sales Asia Pacific

DIRECTORS' REPORT **CONTINUED**

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

The individual details of remuneration of the key management personnel, for the year ended 30 June 2012 are listed in the table following:

	Short-Term				Share Based Payment	Post Employment		Portion of Remuneration Performance Related	Value of Options as Proportion of Remuneration
	Salary and Fees $	Motor Vehicle $	Bonus $	Other $	Options $	Super-annuation $	Total $	%	%
2012									
G Fisher	–	–	–	3,185	–	–	3,185	–	–
N Kingsbury	30,247	–	–	–	92	–	30,339	–	0.3
T Walls [1]	280,000	–	–	–	–	15,775	295,775	–	–
L Warren	22,936	–	–	–	–	2,064	25,000	–	–
D Barnes	279,225	–	98,000	–	5,270	15,775	398,270	24.6	1.3
S Bool	245,108	10,129	118,000	–	2,415	15,775	391,427	30.1	0.6
S Etherington	207,279	19,959	28,729	3,024	5,924	19,052	283,967	10.1	2.1
D Gordon	209,225	–	25,000	–	3,559	15,775	253,559	9.9	1.4
A Rudman	216,425	–	123,200	–	2,635	15,775	358,035	34.4	0.7
2011									
G Fisher	–	–	–	3,004	–	–	3,004	–	–
N Kingsbury	36,646	–	–	–	168	–	36,814	–	0.5
T Walls [1]	155,164	–	–	–	–	13,965	169,129	–	–
L Warren	22,936	–	–	–	340	2,064	25,340	–	1.3
D Barnes	274,800	–	90,000	–	3,950	15,200	383,950	23.4	1.0
S Bool	246,526	10,129	90,000	–	2,918	15,200	364,773	24.7	0.8
S Etherington	219,160	21,103	22,681	2,895	8,945	20,144	294,928	7.7	3.0
J Giddings [3]	72,845	1,200	–	60,127	–	3,436	137,608	–	–
D Gordon	200,790	–	25,000	–	5,435	15,200	246,425	10.1	2.2
T Hughes [3]	231,161	11,000	66,255	–	–	15,200	323,616	20.5	–
A Rudman [2]	222,129	–	40,289	–	849	6,510	269,777	14.9	0.3

1 Remuneration includes remuneration paid to the spouse of the specified Director or Executive.
2 During part of the 2011 financial year A Rudman contracted to the company through Binary Light Pty Ltd.
3 J Giddings and T Hughes ceased employment on 26 October 2010 and 31 May 2011 respectively.

The bonuses in the above tables are short-term incentives fully vested to the Executive for that year.

The fair value of options have 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.

ANALYSIS OF MOVEMENT IN OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	Number of Options at 30 June 2011	Number Granted	Number Exercised	Number Cancelled	Number of Options at 30 June 2012
N Kingsbury	200,000	–	–	–	200,000
L Warren	100,000	–	–	(100,000)	–
D Barnes	500,000	–	–	–	500,000
S Bool	800,000	–	–	–	800,000
S Etherington	500,000	–	–	–	500,000
D Gordon	400,000	–	–	–	400,000
A Rudman	500,000	–	–	–	500,000

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

	Number of Shares at 30 June 2011	Exercise of Options	Sold[1]	Number of Shares at 30 June 2012
G Fisher	45,000,000	–	(20,000,000)	25,000,000
N Kingsbury	120,000	–	–	120,000
T Walls	62,000,000	–	–	62,000,000
L Warren	100,000	–	–	100,000
D Barnes	–	–	–	–
S Bool	65,000	–	–	65,000
S Etherington	–	–	–	–
D Gordon	20,000	–	–	20,000
A Rudman	62,000	–	–	62,000

1 During the current financial year, the company bought back a total of 20,000,000 shares from Marlaine Limited, an entity related to Mr Gary Fisher. Refer to Note 14 for further details.

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

Tony Walls
Director
13 August 2012

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

		CONSOLIDATED	
	Note	2012 $'000	2011 $'000
Revenue	2	39,713	40,006
Cost of sales		(731)	(1,092)
Gross profit		38,982	38,914
Distribution expenses		(18,872)	(19,669)
Research and development expenses		(9,054)	(9,346)
Administration expenses		(5,788)	(6,381)
Net gain on financial asset at fair value through profit or loss		–	252
Foreign exchange gain/(loss)		92	(39)
Finance expenses		(67)	(191)
Profit from continuing operations before income tax		5,293	3,540
Income tax expense	4	(690)	(394)
Profit after tax attributable to members of the Company		4,603	3,146
		CENTS	CENTS
Basic earnings per share		4.2	2.6
Diluted earnings per share		4.2	2.6

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Profit for the year	4,603	3,146
Other comprehensive income		
Foreign currency translation differences for foreign operations	157	(1,049)
Total comprehensive income for the year	4,760	2,097
Attributable to members of the Company	4,760	2,097

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 2012

		CONSOLIDATED	
	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents	5	13,533	10,709
Receivables	6	9,066	8,221
Other	7	1,857	1,834
Total current assets		24,456	20,764
Non current assets			
Property, plant and equipment	8	766	1,105
Deferred tax assets	4	439	630
Intangible assets	9	6,190	6,264
Total non current assets		7,395	7,999
Total assets		31,851	28,763
Current liabilities			
Payables	10	6,582	6,161
Interest bearing liabilities	11	–	21
Tax liabilities	4	697	152
Provisions	12	611	262
Other	13	8,562	8,062
Total current liabilities		16,452	14,658
Non current liabilities			
Provisions	12	1,180	412
Other	13	1,800	–
Total non current liabilities		2,980	412
Total liabilities		19,432	15,070
Net assets		12,419	13,693
Equity			
Contributed equity	14	1,826	2,186
Retained profits and reserves	15	10,593	11,507
Total equity		12,419	13,693

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 2012

		CONSOLIDATED	
	Note	2012 $'000	2011 $'000
Total equity at the beginning of the year		13,693	13,166
Profit for the year	15	4,603	3,146
Exchange differences on translation of foreign operations	15	157	(1,049)
Total comprehensive income for the year		4,760	2,097
Transactions with owners in their capacity as owners:			
Share buy back, net of transaction costs	15	(4,223)	–
Dividends provided for or paid	20	(1,811)	(1,570)
Total equity at the end of the year		12,419	13,693

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 2012

		CONSOLIDATED	
	Note	2012 $'000	2011 $'000
Cash flow from operating activities			
Receipts from customers (inclusive of GST)		44,569	44,354
Payments to suppliers and employees (inclusive of GST)		(36,225)	(40,156)
Interest received		693	612
Interest and other finance costs paid		(67)	(191)
Income tax refund received		45	2
Net cash generated from operating activities	16	9,015	4,621
Cash flow from investing activities			
Purchase of property, plant and equipment		(182)	(328)
Net cash used in investing activities		(182)	(328)
Cash flow from financing activities			
Repayment of loan facilities		–	(3,400)
Finance lease payments		(21)	(230)
Share buy-back (including transaction costs)		(4,223)	–
Dividends paid		(1,811)	(1,570)
Net cash used in financing activities		(6,055)	(5,200)
Net increase/(decrease) in cash and cash equivalents		2,778	(907)
Cash and cash equivalents at the beginning of the financial year		10,709	11,560
Effects of exchange rate changes on cash		46	56
Cash and cash equivalents at the end of the financial year	5	13,533	10,709

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 2012

NOTE 1. BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Objective Corporation Limited and controlled entities as a consolidated entity. Objective Corporation Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by resolution of the Directors on 13 August 2012.

The following is a summary of material accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Summary of significant accounting policies

A. Basis of preparation of the financial report

Compliance with IFRS

The financial statements comply with International Financial Reporting Standards (IFRS's).

Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss.

Functional and presentation 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.

B. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at the end of the financial year and the results of all controlled entities for the year then ended. Objective Corporation Limited and its controlled entities together are referred to in this financial report as the Group. The effects of all transactions between entities in the Group are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated income statement from the date on which control commences. Where control ceases during a financial year its results are included for that part of the year during which control existed.

C. Financial instruments

Classification

The consolidated entity classifies its financial instruments based on the purpose for which the financial instruments were acquired. Management determines the classification of its investments at initial recognition.

Loans and receivables

Loans and receivables are measured at fair value at inception. Outstanding balances are tested for impairment when overdue.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading or those designated as such upon initial recognition. Gains or losses are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position. Financial assets at fair value through profit and loss are classified as cash in the financial statements as they meet the definition under Note 1G.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans payable to third parties. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Investments in controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and net realisable value. The carrying amount of investments is assessed annually to ensure that they are not in excess of the recoverable amount.

D. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, any accumulated depreciation. Property, plant and equipment is measured on a cost basis. The carrying value of property, plant and equipment is reviewed annually to ensure that they are not in excess of the net recoverable amount.

Property, plant and equipment are depreciated over their estimated useful life to the Group (2 to 6 years) on a straight line basis or reducing balance method.

E. Leased assets

Leases of property, plant and equipment of the Group, which assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

F. Receivables, payables and provisions

Trade debtors

Trade debtors are carried at amounts due less any allowance for impairment.

An impairment allowance is raised for any doubtful debts based on a review of all outstanding amounts at the reporting date. Bad debts are written off during the period in which they are identified.

Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which are unpaid. Trade payables are unsecured and are generally settled within the time agreed with suppliers.

Employee entitlements

Liabilities for wages and salaries, and annual leave expected to be settled within twelve months of the reporting date are recognised, and are measured as the amount unpaid at the reporting date at the remuneration rate expected to apply at the time of settlement, including allowances for on costs if applicable, in respect of employees' services up to that date. Benefits expected to be settled after twelve months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred. The Group does not operate any defined benefit superannuation plan.

The Company operates an Employee Incentive Plan details of which are disclosed in Note 19. The Company does not record profits or losses incurred by employees, being the difference between market value and the par value of the shares acquired, as remuneration paid to employees. The Company charges as an expense the notional value of the options at the time they vest to employees.

Dividends

A provision is recognised for dividends at the date they are declared.

G. Cash

For the purposes of the statement of cash flows, cash includes:

- Cash on hand and cash on deposit with banks or financial institutions, net of bank overdrafts; and
- Investments in money market instruments or investments in floating rate interest bearing securities listed on the ASX, or with a maturity date of less than 90 days.

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

H. Revenue

Sales represent revenue from the sale of the Group's products, net of returns and duties paid and consulting and support service fees. Other revenue includes interest income on short-term deposits.

Revenues are recognised at the fair value of the consideration received or receivable net of goods and services tax. The following specific revenue recognition criteria have been applied in the preparation of financial statements:

Product sales

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

Rendering of services

Revenue from services is recognised on a time or percentage complete basis for the period during which the relevant services are performed.

Online Subscription Revenue

Income in respect of hosting and support services is deferred and released over the period of the contract with the customer.

Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

I. Foreign currency transactions and balances

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.

Group Companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

J. Capital Raising Costs

Capital raising costs is deducted from contributed equity.

K. Research and development expenditure

Research and development expenditure ("R&D") is expensed to the income statement as and when incurred.

L. Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses. Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

M. Goods and service tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the amount of GST incurred is not recoverable from the relevant taxation authority
- For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities is classified as operating cash flows.

N. Earnings per share

Basic earnings per share is determined by dividing the profit after income tax attributable to members of Objective Corporation Limited by the weighted average number of ordinary shares on issue during the financial year.

Diluted earnings per share is determined by dividing the profit after income tax attributable to members of Objective Corporation Limited by the weighted average number of ordinary shares and dilutive potential ordinary shares.

O. Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill and intangible assets arising on the acquisition of a foreign operation shall be treated as assets and liabilities of the foreign operation. Thus they shall be expressed in the functional currency of the foreign operation and shall be translated at the closing rate.

For the purpose of impairment testing, goodwill acquired in a business combination, from the acquisition date, is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated includes the cash generating units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Intangibles

Intangible assets acquired are capitalised at cost, unless acquired as part of a business combination in which case they are capitalised at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less provision for impairment. Useful lives are established for all non goodwill intangible assets. Amortisation charges are expensed in the income statement on a straight line basis over those useful lives. Estimated useful lives are reviewed annually.

Intellectual Property is amortised over a period of 10 years.

P. New standards and interpretations not yet adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting year ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

I. AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

II. AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

III. AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

IV. AASB 119 Employee Benefits (September 2011)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to represented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 July 2013 will require increased disclosures by the consolidated entity.

V. AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

VI. AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

VII. AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

Q. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

R. Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000.

S. Restatement of Comparatives – Correction of prior period financial statements

In accordance with accounting standards, the financial statements of the group as at 30 June 2011 have been restated to reflect an adjustment to the carrying value of intangible assets of foreign controlled subsidiaries due to changes in the foreign currency exchange rate since acquisition

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

Consolidated Statement of Financial Position for the previous comparative period

	2011 Reported $'000	Adjustment* $'000	Restated $'000
Intangible assets	8,684	(2,420)	6,264
Total non current assets	10,419	(2,420)	7,999
Total assets	31,183	(2,420)	28,763
Net assets	16,113	(2,420)	13,693
Retained profits and reserves	13,927	(2,420)	11,507
Total equity	16,113	(2,420)	13,693

* Total adjustment since acquisition of foreign controlled subsidiaries

Consolidated Income Statement for the previous comparative period

	2011 Reported $'000	Adjustment $'000	Restated $'000
Administration expenses	(6,437)	56	(6,381)
Profit after Tax attributable to members of the Company	3,090	56	3,146

Consolidated Statement of Comprehensive Income for the previous comparative period

	2011 Reported $'000	Adjustment $'000	Restated $'000
Profit for the year	3,090	56	3,146
Foreign currency translation differences for foreign operations	56	(1,105)	(1,049)
Total comprehensive income for the year	3,146	(1,049)	2,097

NOTE 2. REVENUE

	CONSOLIDATED	
	2012 $'000	2011 $'000
Sales and service revenue	38,935	39,150
Other revenue		
Interest receivable/received	693	612
Sundry revenue	85	244
Total revenue	39,713	40,006

NOTE 3. PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX

Profit from continuing operations before income tax has been determined after including the following items:

	CONSOLIDATED	
	2012 $'000	2011 $'000
Auditors remuneration:		
Group auditor – audit and review fees	60	60
Other auditors – audit fees	27	36
Other auditors – other	2	2
Auditors remuneration – total	89	98
Depreciation of furniture, fittings and office equipment	162	340
Depreciation of computer equipment	307	274
Depreciation of leasehold improvements	39	44
Amortisation of intangible assets	186	198
Rental expense on operating leases	1,930	1,824
Net loss on disposal of plant and equipment	13	192
Employee benefits expense	26,407	27,198
Doubtful Debts	(131)	193
Research and development expenditure	9,054	9,346

Depreciation and Amortisation expense is included in Administrative expenses as per the Consolidated Income Statement.

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

NOTE 4. INCOME TAX

	CONSOLIDATED 2012 $'000	CONSOLIDATED 2011 $'000
a) Components of tax expense:		
Current tax payable	697	152
Current tax benefit received/ receivable [1]	(316)	(236)
Deferred tax asset	214	635
Under/(over) provision in prior years	95	(157)
Total income tax expense	690	394

1 Current tax receivable of $188,000 is included in Other Receivables per Note 6 to the financial statements.

	2012 $'000	2011 $'000
b) Prima facie tax on profit before income tax is reconciled to income tax as follows:		
Prima facie tax on profit before income tax at 30%	1,588	1,062
Tax effect of amounts which are not assessable/deductible in calculating taxable income		
Research and development deductions	(1,060)	(781)
Amortisation of intangibles	56	59
Non allowable deductions	20	15
Sundry items/difference in tax rates	13	52
Recognition of previously unrecognised tax losses from prior years	(12)	(51)
Change in unrecognised temporary differences	(10)	64
Current year losses for which no deferred tax asset has been recognised	–	131
Under/(over) provision in prior years	95	(157)
Income tax expense	690	394
c) Deferred tax asset relates to the following:		
Tax losses recognised	–	44
Unrealised foreign exchange losses	(449)	33
Employee benefits	555	459
Post-employment benefits	4	35
Leased plant and equipment	–	(9)
Other provisions	30	68
Rent incentive	299	–
Total deferred tax asset	439	630
d) Deferred tax assets not recognised in the statement of financial position:		
Unused tax losses (tax effected)	1,093	998

The benefit for tax losses will only be obtained if the Group:

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

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

NOTE 5. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2012 $'000	2011 $'000
Cash at bank	6,943	3,163
Cash on deposit	5,138	3,124
Cash on deposit[1]	1,452	4,422
Total cash and cash equivalents	13,533	10,709

1 The Group's cash on deposit where noted above is held as security for rental guarantees and payment facilities. The 2011 balance also included security for a bank facility arrangement.

NOTE 6. RECEIVABLES

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current		
Trade receivables	8,630	7,966
Provision for Doubtful Debts	(62)	(193)
Other receivables	498	448
Total current receivables	9,066	8,221

Trade and other receivables generally have 30 day terms. The carrying values of these receivables are assumed to approximate their fair value.

NOTE 7. OTHER ASSETS

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current		
Work in Progress	1,225	1,268
Prepayments	632	566
Total other assets	1,857	1,834

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Furniture, fittings and office equipment	1,515	1,477
Less accumulated depreciation	(1,401)	(1,226)
Computer equipment	1,933	1,881
Less accumulated depreciation	(1,557)	(1,336)
Leasehold improvements	1,061	1,056
Less accumulated depreciation	(785)	(747)
Total property, plant and equipment	766	1,105
Reconciliation of carrying amounts		
Furniture, fittings and office equipment at cost		
Opening balance	251	724
Additions	9	42
Disposals	–	(233)
Depreciation	(162)	(340)
Depreciation on disposal	–	118
Exchange difference	16	(60)
Balance at year end	114	251
Computer equipment at cost		
Opening balance	545	654
Additions	167	242
Disposals	(99)	(270)
Depreciation	(307)	(274)
Depreciation on disposal	86	193
Exchange difference	(16)	–
Balance at year end	376	545
Leasehold Improvements at cost		
Opening balance	309	321
Additions	6	44
Depreciation	(39)	(44)
Exchange difference	–	(12)
Balance at year end	276	309

NOTE 9. INTANGIBLE ASSETS

	CONSOLIDATED 2012 $'000	2011 $'000
Goodwill on acquisition of subsidiaries		
Opening balance	4,900	5,703
Exchange difference	81	(803)
Balance at year end	4,981	4,900
Intellectual Property at cost		
Opening balance	1,841	2,143
Exchange difference	31	(302)
Balance at year end	1,872	1,841
Accumulated amortisation		
Opening balance	(477)	(279)
Amortisation	(186)	(198)
Balance at year end	(663)	(477)
Total intangible assets, at cost	6,853	6,741
Total intangible assets, net	6,190	6,264

Impairment Testing Of Goodwill

Goodwill acquired through business combinations has been allocated to the Limehouse Software cash-generating unit. The recoverable amount of the Limehouse Software unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management.

The key assumptions used in value-in-use calculations for 30 June 2012 are:

- The discount rate applied to cash flow projections is 15.5% (pre-tax).
- Budgeted margins are based on past performance and managements expectation for the future
- The forecast cash flows are based on a budget for financial year 2013, with subsequent annual growth rates in revenue of 3% and no growth in expenses in the established market which represents the majority of current net cash inflows. For new markets representing the balance of current cash inflows, accelerated growth rates in net income have been applied as the anticipated growth is from a lower base. The revenue in new markets reflects an identified anticipated pipeline of customers and is based on previous experience in conversion.
- Terminal value at end of year 5 of 5 times EBITDA

There are no impairment losses in the current year. No reasonable change in the key assumptions of the value in use calculations would result in impairment.

Intellectual Property (IP)

The IP was acquired as part of the Limehouse acquisition in April 2009 and amortised over 10 years.

NOTE 10. PAYABLES

	CONSOLIDATED 2012 $'000	2011 $'000
Trade and sundry creditors	3,216	3,167
Goods and services taxes	1,843	1,571
Employee entitlements	1,352	1,267
Dividends payable	171	156
Total payables	6,582	6,161

Trade and sundry creditors are unsecured and generally have 30 day terms. The carrying values of these payables are assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

NOTE 11. INTEREST BEARING LIABILITIES

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current		
Lease liabilities – secured	–	21
Total payables	–	21

Lease liabilities are effectively secured as rights to the leased assets revert to the lessor in the event of default. The carrying value of these interest bearing liabilities is assumed to approximate their fair value.

NOTE 12. PROVISIONS

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current		
Employee entitlements	305	262
Rent incentive[1]	306	–
Total current provisions	611	262
Non current		
Employee entitlements	304	259
Rent incentive[1]	836	113
Other provisions	40	40
Total non current provisions	1,180	412

1 The rent incentive will reverse over the remaining period of the lease of 5 years.

Movements in each class of provision during the current financial year are set out below:

	Employee Entitlements $'000	Rent incentive $'000	Other provisions $'000
Opening balance	521	113	40
Provision for the current year	131	1,029	–
Payment during the year	(43)	–	–
Balance at year end	609	1,142	40

NOTE 13. OTHER LIABILITIES

	CONSOLIDATED	
	2012 $'000	2011 $'000
Current		
Unearned income	8,562	8,062
Total current unearned income	8,562	8,562
Non current		
Unearned income	1,800	–
Total non current unearned income	1,800	–

NOTE 14. CONTRIBUTED EQUITY

	2012 Number of shares	2011 Number of shares	2012 $'000	2011 $'000
Ordinary shares fully paid	100,753,277	120,753,277	1,826	2,186
Total contributed equity	100,753,277	120,753,277	1,826	2,186
Movements in ordinary share capital				
Opening balance	120,753,277	120,753,277	2,186	2,186
Share buy-back [1]	(20,000,000)	–	(360)	–
Closing balance	100,753,277	120,753,277	1,826	2,186

1 During the current financial year, the Company bought back a total of 20,000,000 shares at $0.2075 per share. The total cost was $4,223,000 including transaction costs.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present (whether in person or by proxy) at a meeting of shareholders is entitled to one vote, and upon a poll each share is entitled to one vote.

Options issued during the year under the Employee Incentive Plan

The Company did not issue employee options during the year pursuant to the Employee Incentive Plan.

Each option entitles the holder to the right to acquire one share at the nominated exercise price during the period commencing on the vesting date of the options. At 30 June 2012 there are 4,282,000 (2011: 4,497,000) employee options outstanding. During the year no options were exercised into ordinary shares (2011: Nil). There were 215,000 options cancelled during the year (2011: 1,967,000).

	2012		2011	
Options on Issue at Balance Date	**Number**	**Expiry Date**	**Number**	**Expiry Date**
Employee options exercisable at $0.50	45,000	02/10/2012	50,000	02/10/2012
Employee options exercisable at $1.00	–	30/06/2012	100,000	30/06/2012
Employee options exercisable at $1.00	790,000	30/06/2014	790,000	30/06/2014
Employee options exercisable at $1.00	–	30/06/2014	100,000	30/06/2014
Employee options exercisable at $0.50	100,000	30/06/2014	100,000	30/06/2014
Employee options exercisable at $0.50	500,000	31/12/2014	500,000	31/12/2014
Employee options exercisable at $0.50	300,000	30/06/2015	300,000	30/06/2015
Employee options exercisable at $0.50	500,000	01/11/2015	500,000	01/11/2015
Employee options exercisable at $0.50	1,200,000	15/07/2016	1,200,000	15/07/2016
Employee options exercisable at $0.50	647,000	01/09/2016	657,000	01/09/2016
Employee options exercisable at $0.50	200,000	25/10/2016	200,000	25/10/2016
Total options on issue	4,282,000		4,497,000	

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

NOTE 15. RETAINED PROFITS AND RESERVES

	CONSOLIDATED	
	2012 $'000	2011 $'000
Retained profits	16,682	13,890
Share Buy-Back Reserve	(3,863)	–
Share-based payment reserve	43	43
Foreign currency translation reserve	(2,269)	(2,426)
Retained profits and reserves at year end	10,593	11,507
Movements in retained profits and reserves		
a) Retained profits		
Opening balance	13,890	12,314
Net profit for the year	4,603	3,146
Total available for appropriation	18,493	15,460
Dividends paid	(1,811)	(1,570)
Balance at year end	16,682	13,890
b) Share buy-back reserve		
Opening balance	–	–
Movement during the year	(3,863)	–
Balance at year end	(3,863)	–
This reserve represents the premium received on the share buyback transaction.		
c) Share-based payment reserve		
Opening balance	43	43
Movement during the year	–	–
Balance at year end	43	43
This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration.		
d) Foreign currency translation reserve		
Opening balance	(2,426)	(1,377)
Movement during the year	157	(1,049)
Balance at year end	(2,269)	(2,426)
This reserve records exchange differences arising on translation of foreign controlled entities.		
Total retained profits and reserves	10,593	11,507

NOTE 16. CASH FLOW INFORMATION

Reconciliation of profit after tax to net cash flow from operating activities:

	CONSOLIDATED	
	2012 $'000	2011 $'000
Profit from operating activities after tax	4,603	3,146
Add/(Less): Non cash items		
Depreciation/amortisation	694	856
Loss on disposal of plant and equipment	13	192
Add/(Less): Working capital changes		
(Increase)/decrease in receivables	(845)	5,648
(Increase)/decrease in other assets	(23)	-
Decrease in deferred tax assets	191	597
Increase in income tax payable	545	152
Increase/(decrease) in payables	420	(1,113)
Increase in provisions	1,117	260
Increase/(decrease) in unearned income	2,300	(5,117)
Net cash generated from operating activities	9,015	4,621

NOTE 17. RELATED PARTIES

a) Directors

The Directors in office at any time during the financial year up to the date of this report were as follows:

Tony Walls

Gary Fisher

Nick Kingsbury

Leigh Warren

Directors' interest in shares and options at balance date were:

	2012 Number	2011 Number
Shares	87,220,000	107,220,000
Options	200,000	300,000

The remuneration of directors and other key management personnel is not directly linked to the company's performance. The remuneration of Directors and the other key management personnel is fixed annually with some of the specified Executives being entitled to a performance bonus based on achievement of targets based on individual Key Performance Indicators ("KPIs"). The KPIs generally include measures relating to the relevant segment, covering financial, sales, and development measures. Ultimately, bonuses and discretionary payments to key management personnel are at the discretion of the Board.

The details of the remuneration of Directors and key management personnel are disclosed in the Remuneration Report section of the Directors' Report.

No options were issued to Directors during the year.

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

b) The consolidated entity

The consolidated entity comprises the parent entity, being Objective Corporation Limited, and the following controlled entities:

		Ownership	
Direct Interest	**Country of Incorporation**	**2012**	**2011**
Objective Corporation UK Limited	United Kingdom	100%	100%
Objective Corporation USA Inc	United States of America	100%	100%
Objective Corporation Solutions NZ Limited	New Zealand	100%	100%
Objective Corporation Singapore Pte Limited	Singapore	100%	100%
Objective Corporation Consolidated UK Limited	United Kingdom	100%	100%
Limehouse Software Limited	United Kingdom	100%	0%
Objective Corporation North America Inc	United States of America	100%	0%
Indirect Interest (refer d)			
Limehouse Software Limited	United Kingdom	0%	100%
Objective Corporation North America Inc	United States of America	0%	100%

c) Transactions with other related parties

During the year the Group was provided management consulting services and was charged $70,759 (2011: $132,520) by Kingsbury Ventures Limited, a company associated with Nick Kingsbury, a Non-Executive Director of the Company. These transactions were conducted on normal commercial terms and conditions.

d) Change in group ownership structure

On 30 June 2012, the group undertook a reorganisation in which Objective Corporation Consolidated UK Limited sold its 100% investments in Limehouse Software Limited and Objective Corporation North America Inc to Objective Corporation Limited at original net book value with no gain or loss on sale. The rationale behind the transaction was to simplify the group structure.

NOTE 18. EMPLOYEE ENTITLEMENTS

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Amounts payable as in Note 10	1,352	1,267
Provisions – current as in Note 12	305	262
Provisions – non current as in Note 12	304	259
Total employee entitlements	1,961	1,788

NOTE 19. 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.

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 with a term of up to five years, together with further terms and conditions attaching to the loan. There are currently no loans outstanding.

NOTE 20. DIVIDENDS

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Dividends paid during the year:		
In 2012, the Company/Group paid the 2011 final dividend of 1.5 cents per share unfranked on 28 September 2011. (2011: Payment of 2010 final dividend of 1.3 cents per share unfranked)	1,811	1,570
Dividends proposed and not recognised as a liability at year end:		
Since year end, the Directors have declared the following dividends:		
Final fully franked dividend of 2.0 cents per ordinary share (2011: final unfranked dividend of 1.5 cent per ordinary share)	2,015	1,811
Special unfranked dividend of 0.5 cent per ordinary share (2011: Nil)	504	–
Total Dividend	2,519	1,811
As the dividends were declared after year end, the financial effect has not been brought to account in the financial statements for the year ended 30 June 2012. There is no Conduit Foreign Income (CFI) attributed to the final and special dividend.		
The balance of franking credit account at balance date adjusted for the payment of the provision for income tax.	1,018	244

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

NOTE 21. FINANCIAL COMMITMENTS

The Group has the following financial commitments which are not recognised as liabilities at the end of the financial year as these expenses related to future periods:

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Operating leases		
Payable less than one year	2,019	1,686
Payable later than one year but less than five years	4,127	5,250
Total	6,146	6,936

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

NOTE 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, price risk, foreign currency risk, credit risk, and liquidity risk. The Group uses different methods to manage the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, price and foreign exchange risk and assessments of market forecasts. Ageing analysis is undertaken to manage credit risk while liquidity risk is monitored through business performance and cash flow forecasts.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of these risks as summarised below.

Interest rate risk

The Group's exposure to market interest rates relates to the Group's cash and cash equivalents and interest bearing liabilities. The Group regularly monitors its interest rate exposure and the mix between fixed and floating interest rates on cash held.

At balance date, the Group had the following exposure to interest rate risk:

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Cash at bank	6,943	3,163
Cash on deposit – Within one year	1,570	6,457
Cash on deposit – Between one and five years	5,020	1,089
Lease liabilities	–	(21)
	13,533	10,688

At 30 June, if interest rates had moved, with all other variables held constant, post tax profit and equity would have been affected as follows:

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Post Tax Profit		
+1% (100 basis points) in interest rates	95	75
–1% (100 basis points) in interest rates	(95)	(75)
Equity		
+1% (100 basis points) in interest rates	95	75
–1% (100 basis points) in interest rates	(95)	(75)

Foreign currency risk

As a result of operations in the Asia Pacific region, the United Kingdom and the United States of America, the Group's statement of financial position can be affected significantly by exchange rate movements. The Group also has transactional currency exposures which arise from sales or purchases by an operating entity in currencies other than the functional currency.

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

The Group's main exposure is to the British Pound and New Zealand Dollar which 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.

At 30 June, the Group had the following exposure to foreign currency risk:

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Cash and cash equivalents	3,793	3,757
Trade and other receivables	1,313	2,755
Trade and other payables	(968)	(1,284)
Net foreign currency exposure	4,138	5,228

At 30 June, if the Australian Dollar ("AUD") had moved, with all other variables held constant, post tax profit and equity for material foreign exchange exposures would have been affected as follows:

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
NEW ZEALAND DOLLAR EXPOSURE		
Post Tax Profit		
+10% favourable movement in AUD	(16)	(191)
–10% adverse movement in AUD	16	191
Equity		
+10% favourable movement in AUD	(112)	(212)
–10% adverse movement in AUD	112	212
BRITISH POUND EXPOSURE		
Post Tax Profit		
+10% favourable movement in AUD	–	–
–10% adverse movement in AUD	–	–
Equity		
+10% favourable movement in AUD	(130)	(96)
–10% adverse movement in AUD	130	96

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Cash and cash equivalents are spread amongst a number of financial institutions to minimise the risk of default. The Group trades only with recognised, creditworthy third parties with no significant concentrations of credit risk. As the majority of the Group's customers are government organisations, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At 30 June, the Group had the following exposure to credit risk:

	CONSOLIDATED	
	2012 $'000	**2011 $'000**
Cash and cash equivalents	13,533	10,709
Trade and other receivables (before provision for doubtful debt)	9,128	8,414
At 30 June, the analysis of trade and other receivables is as follows:		
Fully performing debts	5,679	7,805
Past due more than 30 days	3,127	370
Past due more than 60 days	105	9
Past due more than 90 days	217	230
Total	9,128	8,414

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

Liquidity risk

Liquidity risk is monitored through business performance and cash flow forecasts. The Group continues to assess its liquidity risk as low. Assuming that all financial assets and liabilities of the Group fall due within 12 months, the net exposure of the Group to liquidity risk is as follows:

	CONSOLIDATED	
	2012 $'000	2011 $'000
Cash and cash equivalents	13,533	10,709
Receivables	9,066	8,221
Payables	(6,582)	(6,161)
Tax Liabilities	(697)	(152)
Interest bearing liabilities	–	(21)
Net financial assets	15,320	12,596

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

	CONSOLIDATED	
	2012 $'000	2011 $'000
Net financial assets	15,320	12,596
Unused facility	–	6,000
Cash not available for use	(1,424)	(4,422)
	13,896	14,174

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.

NOTE 23. EARNINGS PER SHARE

	CONSOLIDATED	
	2012	2011
Basic earnings per share – cents	4.2	2.6
Net profit used in calculating basic earnings per share – $'000	4,603	3,146
Weighted average number of shares used as the denominator in calculating basic earnings per share	110,206,829	120,753,277
Diluted earnings per share – cents	4.2	2.6
Net profit used in calculating diluted earnings per share – $'000	4,603	3,146
Weighted average number of shares used as the denominator in calculating diluted earnings per share	110,206,829	120,753,277

NOTE 24. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and intangibles

The Group tests annually whether goodwill and other intangibles have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash generating units have been determined based on discounted cash flow calculations. These calculations require the use of assumptions. Refer to note 9.

Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Long service leave provision

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTE 25. SEGMENT INFORMATION

a) Geographic segments

	Asia Pacific $'000	Europe $'000	Unallocated $'000	Consolidated $'000
2012				
Segment Revenue				
Sales to external customers	32,665	6,132	138	38,935
Interest revenue	–	–	693	693
Other revenue	85	–	–	85
Total revenue	32,750	6,132	831	39,713
Expenses (not including R&D)	17,489	5,649	2,161	25,299
Profit/(Loss) before R&D	15,261	483	(1,330)	14,414
R&D expenses	–	–	9,054	9,054
Finance expenses	–	–	67	67
Income tax expense	–	–	690	690
Net profit/(loss)	15,261	483	(11,142)	4,603
Assets	22,550	3,656	5,645	31,851
Liabilities	13,139	3,389	2,904	19,432
Capital expenditure	150	32	–	182
Depreciation and amortisation	366	142	186	694
2011				
Segment Revenue				
Sales to external customers	31,619	7,256	275	39,150
Interest revenue	–	–	612	612
Other revenue	82	162	–	244
Total revenue	31,701	7,418	887	40,006
Expenses (not including R&D)	17,169	7,226	2,534	26,929
Profit/(Loss) before R&D	14,532	192	(1,647)	13,077
R&D expenses	–	–	9,346	9,346
Finance expenses	–	–	191	191
Income tax expense	–	–	394	394
Net profit/(loss)	14,532	192	(11,578)	3,146
Assets	19,839	3,141	5,783	28,763
Liabilities	5,691	6,535	2,844	15,070
Capital expenditure	282	44	2	328
Depreciation and amortisation	360	269	227	856

b) Industry segments

The Group operates in the information technology software and services industry.

NOTES TO THE FINANCIAL STATEMENTS **CONTINUED**

NOTE 26. CONTINGENT LIABILITIES

There are no material contingent liabilities other than as disclosed elsewhere in the financial statements.

NOTE 27. SUBSEQUENT EVENTS

There are no material subsequent events other than as disclosed elsewhere in the financial statements.

NOTE 28. PARENT ENTITY DETAILS

As at, and throughout, the financial year ending 30 June 2012 the parent company of the Group was Objective Corporation Limited. A summary of the financial performance and financial position of the parent entity is detailed below:

	THE COMPANY	
	2012 $'000	2011 $'000
a) Summarised statement of comprehensive income		
Profit for the year after tax	4,393	2,445
Total comprehensive income for the year	4,393	2,445
b) Summarised statement of financial position		
Assets		
Current assets	18,816	17,164
Non current assets	4,893	2,051
Total assets	23,709	19,215
Liabilities		
Current liabilities	8,161	4,448
Non current liabilities	2,834	412
Total liabilities	10,995	4,860
Net assets	12,714	14,355
Equity		
Contributed equity	1,826	2,186
Retained profits and reserves	10,888	12,169
Total equity	12,714	14,355

NOTE 29: COMPANY DETAILS

The registered office and principal place of business of the company is:

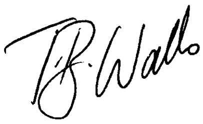
Level 37, 100 Miller Street
North Sydney NSW 2060
Australia

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The attached financial statements and notes set out on pages 14 to 38 are in accordance with the *Corporations Act 2001*; 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 Financial Reporting Standards; and
    c) Give a true and fair view of the financial position of the consolidated entity as at 30 June 2012 and its performance for the year ended on that date.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
    a) The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
    b) The financial statements and notes for the financial year comply with the Accounting Standards; and
    c) The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay their debts as and when they become due and payable.

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



Tony Walls

Director

13 August 2012

INDEPENDENT AUDITOR'S REPORT

PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

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Australia

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

We have audited the accompanying financial report of Objective Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated income statement, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

PITCHER PARTNERS

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Objective Corporation Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Objective Corporation Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Mark Godlewski

M A GODLEWSKI
Partner

Pitcher Partners

PITCHER PARTNERS

Sydney

13 August 2012

AUDITOR'S INDEPENDENCE DECLARATION

PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

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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 2012, 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.

Mark Godlewski

M A GODLEWSKI
Partner

PITCHER PARTNERS

Sydney

13 August 2012

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 18 September 2012.

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

A) DISTRIBUTION OF EQUITY SECURITIES

Analysis of number of equity security holders by size of holding:

SIZE OF HOLDINGS	ORDINARY SHARES
1–1,000	36
1,001–5,000	149
5,001–10,000	62
10,001–100,000	137
100,001 and over	26
	410

B) VOTING RIGHTS

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

C) TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

ORDINARY SHARES

Name	Number of Ordinary Shares Held	% of Listed Shares
TBW TRUSTEES LIMITED	62,000,000	61.536
JP MORGAN NOMINEES AUSTRALIA LIMITED	25,000,000	24.813
CLAPSY PTY LTD	1,638,102	1.626
HAWKLEY LLC	1,000,000	0.993
ARRAS PTY LTD	650,000	0.645
MRS ELAINE WALLS & MS MICHELLE ROBYN WALLS	535,000	0.531
MRS EMMA JANE GRACEY	512,500	0.509
ROGER DIXON ARMSTRONG	442,569	0.439
MRS MADELINE THOMSON	430,000	0.427
KYELAH PTY LIMITED	300,000	0.298
MAST FINANCIAL PTY LTD	250,000	0.248
MR STEPHEN WALKER	247,400	0.246
DUTSON & CO PTY LIMITED	246,665	0.245
MR MITCHELL JAMES HARRISON & DR ROSALIND FRANCES MENZIES	237,609	0.236
EMSDA NOMINEES PTY LTD	210,000	0.208
JOHN HENRY PASCOE	200,000	0.199
SIMKAR PTY LTD	195,918	0.194
UPLANDS GROUP PTY LTD	161,482	0.160
TMX PTY LTD	140,000	0.139
MR ISSY FEIGLIN & MRS MICHELLE FEIGLIN	130,000	0.129
	94,527,245	93.821

D) SUBSTANTIAL HOLDERS IN THE COMPANY

ORDINARY SHARES

TBW TRUSTEES LIMITED	62,000,000	61.536
JP MORGAN NOMINEES AUSTRALIA LIMITED	25,000,000	24.813

CORPORATE DIRECTORY

REGISTERED OFFICE
Level 37 Northpoint
100 Miller Street
North Sydney NSW 2060
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
Leigh Warren

COMPANY SECRETARY
David Barnes

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.

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