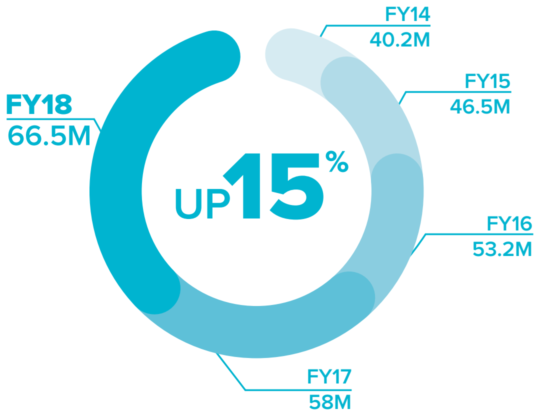
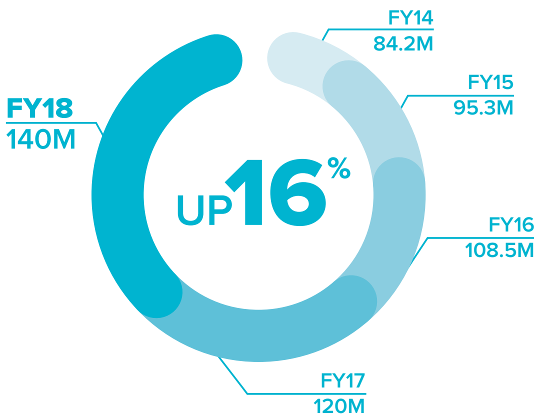
2018 Annual Report

Transforming business, making life simple.

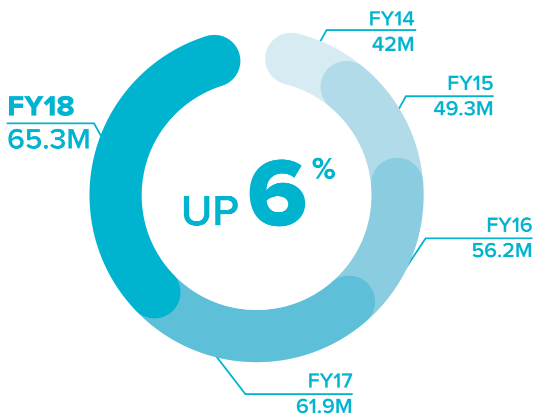
technologyone



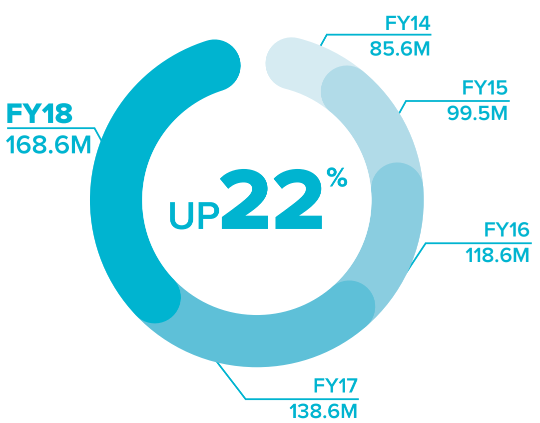
Net Profit
Before Tax



Annual Licence Fees



Licence Fees



Annual Recurring Revenue

2018 FULL YEAR RESULTS

What's inside

UP **22%**
Annual Recurring Revenue recognised

9
Years of record Profits, Licence Fees & Revenue

UP **15%**
Net Profit After Tax

At a glance

Our finances

19
Consecutive years of record revenue

UP 8%
Dividend growth

UP 41%
SaaS Platform Annual Recurring Revenue

UP 15%
Net Profit Before Tax growth

Profitable since **1992**

22% PBT Margin

UP 6% Initial Licence Fees

UP 16% Annual Licence Fees

UP 12% Cash and cash equivalents

68% Return on Equity (adjusted)

Our vision

As the only company offering a true enterprise Software as a Service solution across the entire enterprise, we are transforming business and making life simple.

Our difference

We are the only vendor that develops, sells, implements, supports and runs a fully integrated suite of enterprise software solutions. Our true enterprise Software as a Service solutions span the entire enterprise and allow our customers to embrace the digital revolution and an exciting new world of possibilities in a cloud-first, mobile-first world.

Our reach

TechnologyOne has 14 offices throughout Australia, New Zealand, Asia, the South Pacific and the United Kingdom.

Our culture

Our global team comprises more than 1,200 passionate individuals. We invest in developing our people through an array of initiatives including a wide range of training opportunities which are delivered by our TechnologyOne College. Our culture is customer-oriented and we support our team members to consistently deliver outstanding customer service with our Compelling Customer Experience Program.

Our market-leading solutions and products

For more than 30 years we have developed a deep understanding of our key markets and are now the leading supplier of enterprise software solutions for more than 1,200 large-scale organisations.

We offer these customers a range of industry-leading preconfigured enterprise solutions that provide proven practice, streamline implementations and reduce time, cost and risk. In addition we also offer a compehensive suite of enterprise software products.

Our markets

- Local Government
- Government
- Education
- Health and Community Sservices
- Asset and Project Intensive Industries
- Corporates and Financial Services

Our preconfigured solutions

- OneCouncil
- OneEducation
- OneGovernment
- OneAgedCare
- OneProject
- OneAsset
- OneHealth
- OneBanking
- OneCorporate

Our products

- Financials
- Human Resource & Payroll
- Supply Chain Management
- Property & Rating
- Business Intelligence
- Enterprise Budgeting
- Performance Planning
- Student Management
- Asset Management
- Enterprise Content Management
- Enterprise Cash Receipting
- Stakeholder Management
- Spatial
- Business Process Management

Our R&D

We continue to focus our Research and Development (R&D) on new and emerging technologies, including cloud-based technologies, artificial intelligence, machine learning and other new innovations.

Our Australian-owned commercial R&D centre is the largest of its kind and encompasses facilities in Indonesia and Vietnam.

Financial highlights

	2018	Growth on last year	15 year compound growth	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenue	298,650	9%	13%	273,253	249,018	218,724	195,124	180,591	169,070	156,742	135,906	122,487
Licence Fees	65,337	6%	13%	61,693	56,165	49,294	41,986	37,073	35,447	30,729	26,766	24,333
Consulting (excl. Plus)	57,677	-10%	12%	64,335	60,026	55,449	49,735	47,573	45,388	41,746	41,583	41,023
Annual Support	139,605	16%	18%	119,929	108,480	95,346	84,248	72,753	63,684	55,268	48,506	43,114
R&D Expense	54,041	8%	13%	49,856	46,009	41,038	37,873	35,595	33,524	31,796	26,963	24,908
Net Profit Before Tax	66,528	15%	12%	58,019	53,240	46,494	40,235	35,097	30,324	26,675	23,282	20,276
Net Profit After Tax	50,980	15%	13%	44,494	41,344	35,785	30,967	26,984	23,559	20,326	17,813	15,684
Earnings Per Share	16.14	14%	12%	14.18	13.26	11.57	10.06	8.78	7.73	6.71	5.93	5.24
Dividend (excl. Special) - Cents per share	9.02	10%	9%	8.20	7.45	6.78	6.16	5.60	5.09	4.62	4.20	3.75
Dividend Payout Ratio (incl. special)	68%	-	-	72%	72%	76%	81%	64%	66%	91%	96%	72%
Return on Equity	28%	-	-	28%	31%	30%	30%	31%	32%	30%	28%	27%
Adjusted Return on Equity*	68%	-	-	59%	61%	63%	76%	83%	72%	62%	48%	43%
Cash & Cash Equivalents	104,322	12%	11%	93,383	82,588	75,536	80,209	65,397	51,133	45,357	36,573	30,538
Net Assets	179,519	14%	12%	157,520	138,494	117,940	104,499	87,736	73,997	68,370	63,415	57,143

*Adjusted for net cash above required working capital, assumed at two months of staff costs

Letter to shareholders

Letter to shareholders

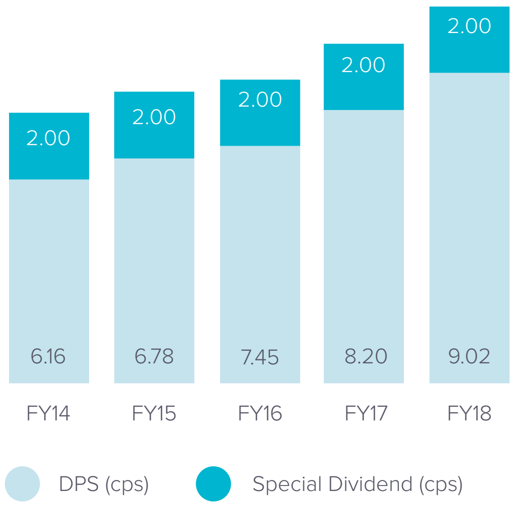
On behalf of Technology One Limited (TechnologyOne) we are pleased to announce our 9th consecutive year of record revenues, record licence fees and record profits. The TechnologyOne enterprise SaaS is driving our continuing strong results with Net Profit Before Tax up 15%. Our products continue to win against our large multinational competitors.

Dividend up 8%

In light of our strong results and our confidence in the coming year, the dividend for the second half has been increased to 6.16 cents per share, up 10% on the prior year. The Board has also proposed once again a special dividend of 2 cents per share. This takes the total dividend, including special dividend, for the year to 11.02 cents per share, an increase of 8% on the prior year. This represents a payout ratio of 68% for the full year.

Dividend last five years

Compound Growth **8%** | **up 8% 0.82 CPS**



Results Summary

We have continued to invest heavily in Research and Development, which was $54 million for the year, as follows:

- Ci, our existing very successful enterprise software suite
- Ci Anywhere, our new generation product which supports any and all mobile devices
- TechnologyOne Software as a Service Platform
- Early research into a number of new and exciting areas called DXP – Digital Experience Apps, including Artificial Intelligence and Machine Learning.

We expect significant revenue streams to emerge from these investments in future years. These items are discussed in more detail later in this letter.

- **Net Profit Before Tax of $66.5m, up 15%**
- **Revenue of $299m, up 9%**
- **Expenses of $232m, up 8%**
- **Total Annual Recurring Revenue of $169m, up 22%**
- **Initial Licence Fees of $65m, up 6%**
- **Operating Cashflow of $49m, up 5%**
- **Cash and Cash Equivalents of $104m, up 12%**
- **Total Dividend of 11.02cps, up 8%**
- **R&D of $54m fully expensed, up 8%, which is 18% of Revenue**

Our clarity and continuity of vision is the key to our ongoing long-term success. Our vision is based on our unique 'Power of One' business model that sees TechnologyOne as the only enterprise vendor providing a totally integrated experience to customers, in which we build, market, sell, implement, support and run our world-class enterprise software.

The strength of our product offerings, our enterprise vision, vertical market focus and the resilient nature of the enterprise software market are the foundation for our continuing success. When coupled with our innovation, creativity and substantial ongoing investment into new and emerging technologies, we are well positioned for strong growth in the coming years.

TechnologyOne SaaS Platform continues to grow very strongly

The TechnologyOne SaaS Platform continues to grow strongly with Annual Recurring Revenue (ARR) now $38.1 million, up 41%. We have added 77 new customers to the TechnologyOne SaaS Platform this year, taking the number of enterprise customers to 347 customers.

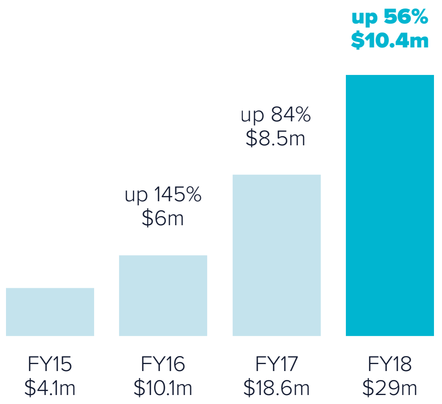
Once again, we have found that all our new customer business was driven by TechnologyOne SaaS.

We expect this strong growth to continue in the years to come. Our target is to once again grow this business strongly with ARR to reach $62 million in the next 12 months, an increase of 62%.

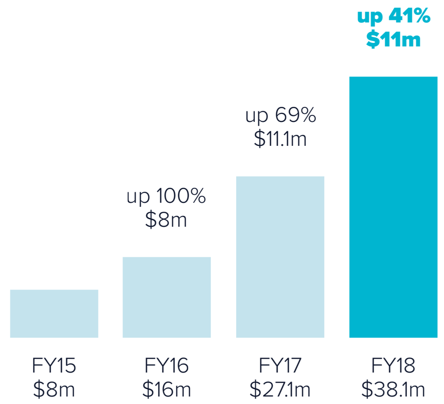
The TechnologyOne SaaS Platform contributed a profit of $7 million this year, (upgraded from its original forecast of $5 million) versus a profit of $2.5 million last year, as our single instance, mass production SaaS offering, achieved critical mass. We remain confident that as we continue to achieve greater scale in this business, it will become a platform for the generation of significantly more profits in the coming years.

Our SaaS 9.0 and 10.0 architecture, which further builds on our massively scalable, mass production architecture, will be key to achieving this goal.

Annual Recurring Revenue **$38.1m**



SaaS Platform Revenue Billed



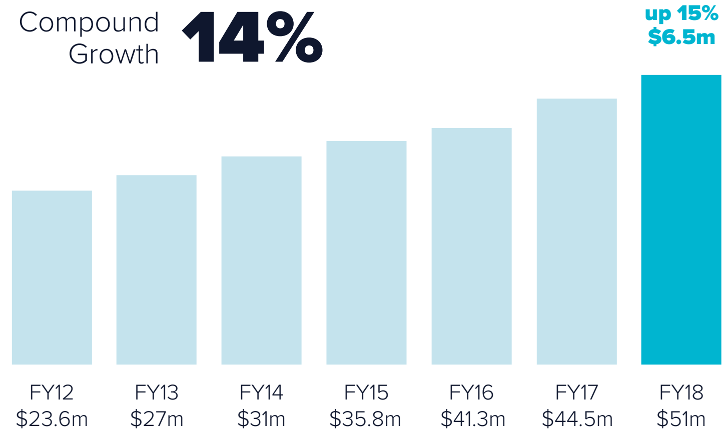
SaaS Platform ARR

Continued industry focus

Our focus on specific industries once again underpinned our success. We continue to be very strong in Local Government, Higher Education, Health & Community Services and Federal Government. We see opportunities for substantial growth in the coming years in State Government, Asset & Project Intensive Industries and Financial Services. We see that we have substantial room to continue to grow in our chosen markets.

Continued strong profit growth over nine years

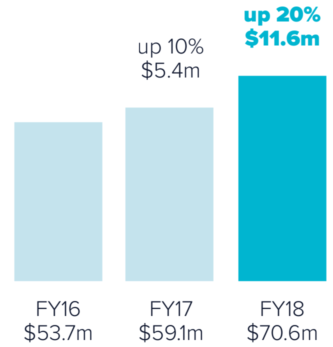
We have seen continuing strong growth in profit over the last year, with Net Profit After Tax up 15%. We are on track to double the size of our business once again in the next four to five years.



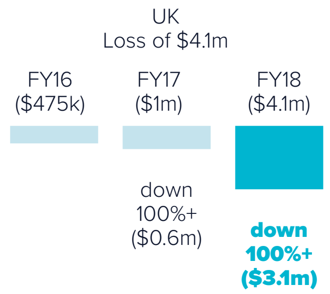
Net Profit After Tax

APAC region grows by 20%

The APAC region performed strongly with Profit up 20%, underpinned by strong licence fee growth, significant turnaround in our consulting business, and our market leading enterprise SaaS offering. We continued to invest strongly in the UK and we remain excited about the significant opportunities in the coming years. The UK is discussed in greater detail on page 21.

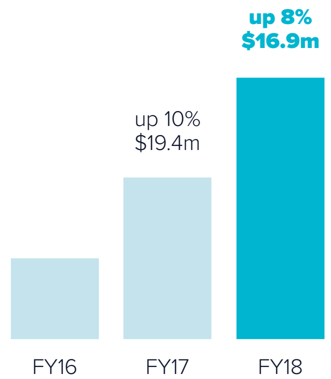


APAC
Profit of $70.6m



Total Expenses Up 8%, margins improve to 22%

Total Expenses were once again carefully managed up 8%, below our revenue growth of 9%. This has led to an improvement in Net Profit Before Tax margin to 22%, compared to 21% pcp. We see margins continuing to improve in the coming years.



Continued strong growth of Initial Licence Fees

Our Initial Licence Fees were up by 6%, making this our 15th consecutive year of year-on-year growth in licence fees.

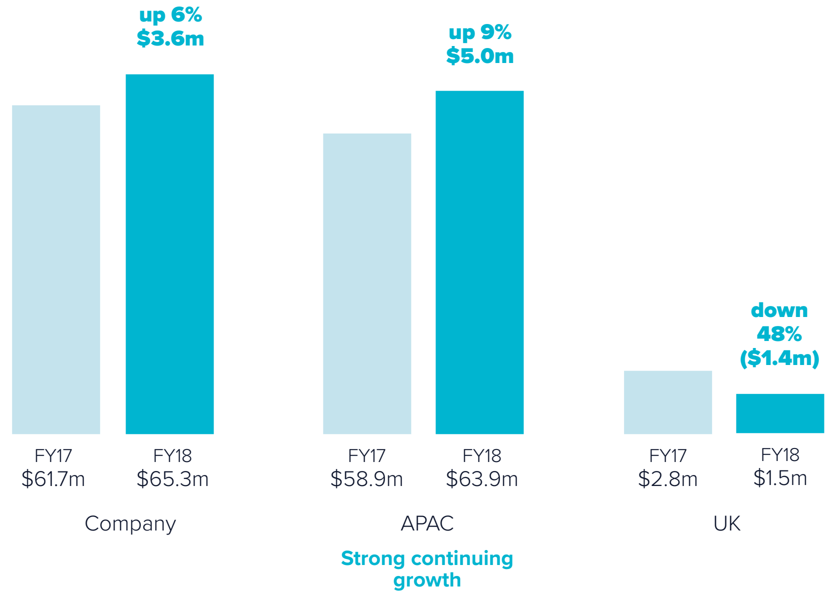
The APAC region grew strongly up 9%. We achieved preferred status on a number of deals in the UK, however our ability to close was an issue so we will be upskilling our staff in this respect. The UK pipeline of FY19 is strong.

This year we added more than 37 major new corporate customers to our expanding customer base. Of these new customers, 20 replaced our competitors' systems including systems from Oracle, SAP, Microsoft and Infor. We continue to increase market share against our large multinational competitors. With the growth of TechnologyOne SaaS, our continued investment in Ci, and our investment in Ci Anywhere and DXP, we are confident this momentum will continue in future years.

What is particularly pleasing is our continuing success in winning very high-profile, large-scale enterprise customers against our multinational competitors.

TechnologyOne continued to dominate in the Local Government sector, where we closed 11 new major deals totalling $80 million in contract revenue. We have more than 300 council customers and are continuing to grow fast.

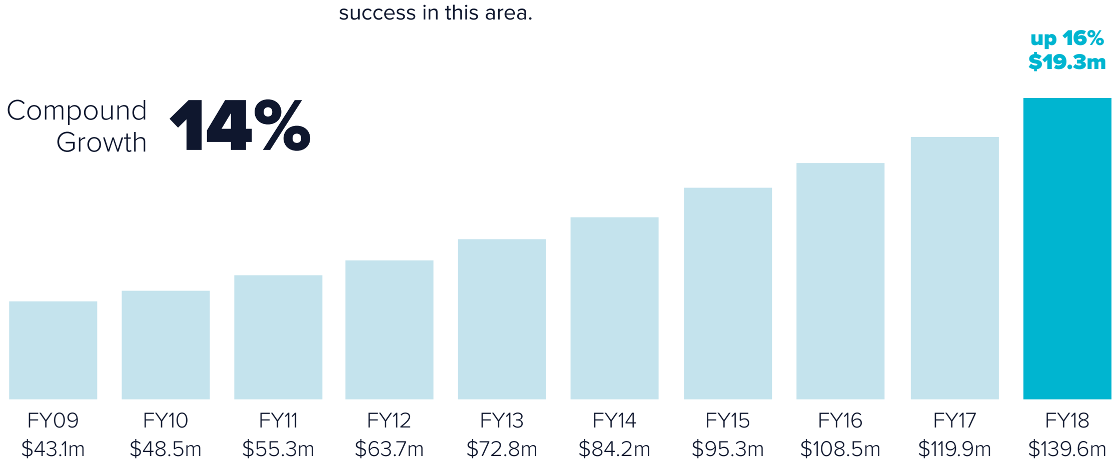
TechnologyOne also continues to see strong growth in Government with Initial Licence Fees growing 17%.



Continued strong growth of Annual Licence Fees

In keeping with our very high customer retention and satisfaction rates in excess of 99%, our recurring Annual Licence Fees once again grew strongly by 16%.

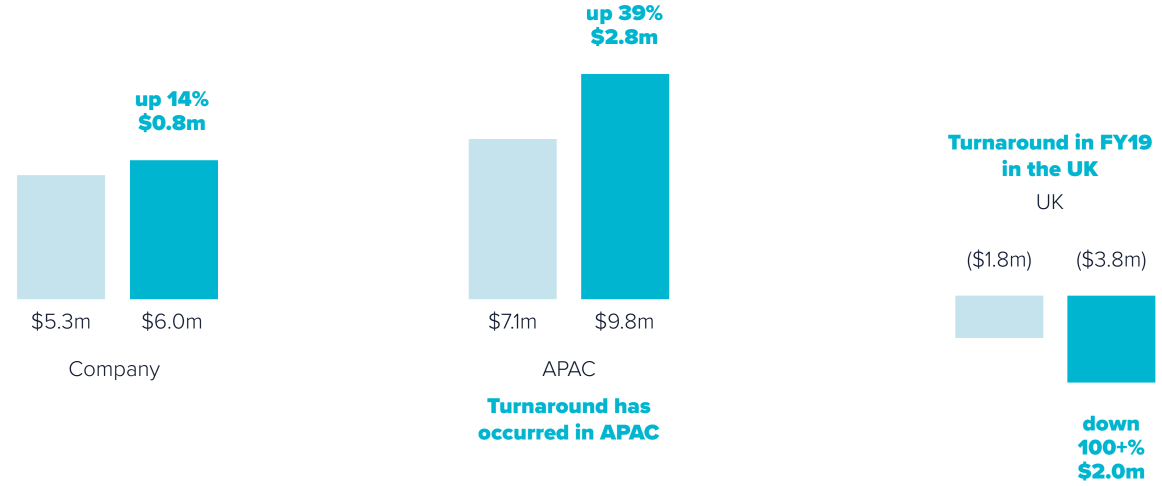
Our investment in Ci Anywhere (the continued evolution of our Ci enterprise software) and the TechnologyOne SaaS Platform has been critical to our ongoing success in this area.



Consulting Services returns to profit growth

The Total Consulting Group returned to profit growth this year, with consulting profit of $6 million, up 14% pcp.

We see significant upside in future years for our Consulting business as it substantially improves its profit margin from the current 10% to a target of approximately 20%. In the APAC consulting business, the turnaround has occurred and it delivered $9.9 million profit (up 39% pcp); and we expect the turnaround to occur in the UK in FY19. The UK delivered a loss of $3.8 million. We remain excited about the opportunities in the UK, and expect to return to growth in the new financial year.

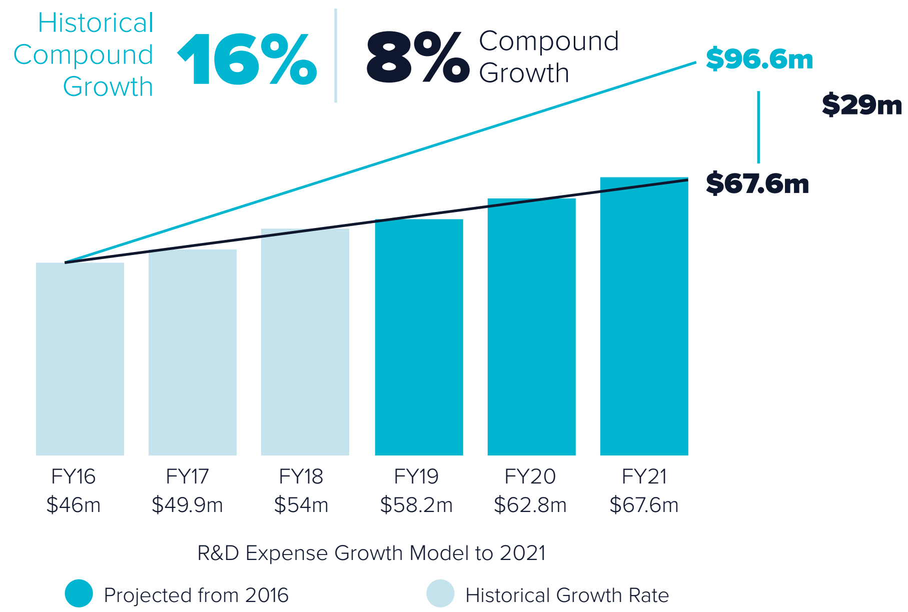


Research & Development (R&D)

R&D continues to be a significant investment for TechnologyOne at $54 million for the year, up 8% and representing 18% of revenue, which still exceeds the average of our competitors of approximately 12%. R&D continues to be fully expensed in the period it is incurred.

R&D continued across our entire Ci Enterprise Suite, as well our next generation product Ci Anywhere and the TechnologyOne SaaS Platform.

We remain committed to delivering Compound Annual Growth (CAG) of 8% or less over the next five years to 2021 (compared to our historical growth rate of 16%), which will save approximately $75 million over a five-year period. Our R&D program in the coming years continues to be at the leading edge of our industry as we embrace new technologies, new concepts and new paradigms.



TechnologyOne is now a SaaS company

TechnologyOne is now a Software as a Service (SaaS) company, though the market is yet to fully appreciate this fact given we started as a traditional 'on-premise' software company. All our new customer logos in FY18 were driven by TechnologyOne SaaS. We now have 347 large enterprise customers that depend on our SaaS solution from universities, city councils, hospitals and government departments.

What is even more remarkable is that for the first 25 years of our life, TechnologyOne was a traditional on-premise software business. In only a short time we have successfully pivoted the company to become a large and successful SaaS company.

To achieve this TechnologyOne has created a mass production platform to deliver our enterprise software to hundreds of thousands of customers, providing huge economies of scale which up until now was not possible. We have created one single global code line, that delivers our enterprise functionality to 347 customers 24/7. Our SaaS customers are always on the latest release, with two releases every year at no additional cost providing new technologies, new features, new functions, new capabilities, with the latest 'defence-in-depth' security protocols. It is a compelling value proposition for our customers. We have today the market leading enterprise SaaS solution.

With the adoption of the new accounting standard AASB 15 in FY19, TechnologyOne will now recognise revenue on a daily basis, which will bring us in alignment with our SaaS peers. This is discussed in greater detail later in this letter.

Enterprise software will dominate the SaaS world

In the SaaS world we have seen the proliferation of 'best-of-breed' products. We are confident that just as we have seen in the past for on-premise customers we will see a move from best-of-breed products to enterprise software solutions in the cloud, given the significant benefits it will provide: One vendor, one user interface, one common technology architecture and integration across all products 'out-of-the-box'. As TechnologyOne is one of only a few enterprise SaaS vendors globally, we are well positioned for strong growth.

Deep market functionality

What sets us apart from other enterprise SaaS vendors is our focus on specific markets: Local Government, Government, Education, Health & Community Services etc. This focus has allowed us to build very deep functionality for each market and thus provides a compelling value proposition and clear market leadership.

Ci Anywhere

Ci Anywhere is the continuation of our very successful Ci product, and allows organisations to embrace smart mobile devices including iPad, iPhone and Android devices, as part of our enterprise solution. We are the only major enterprise software vendor committed to delivering our entire suite of enterprise software and all our functionality on these mobile devices, as we envision a world where all work will be done on these devices in the near future. We see our customers flowing across smart mobile devices throughout the course of their day. Our software has been designed to be incredibly simple to use, and to adapt to the device, allowing customers to continue their work seamlessly as they flow across devices.

Ci Anywhere opens up a new world of possibilities for our customers, allowing them to access their data from any device, anywhere in the world, at any time. It is a new and exciting generation of enterprise software that is incredibly simple to use. Ci Anywhere will enable our customers to embrace the digital revolution.

TechnologyOne SaaS Platform

One global code line delivering massive economies of scale

The TechnologyOne SaaS Platform delivers the TechnologyOne enterprise suite as a service through the cloud to our customers. TechnologyOne takes complete responsibility for providing the processing power, software and services, including backup, recovery, upgrade and support services for our SaaS customers.

TechnologyOne is one of only a few companies globally delivering true enterprise Software as a Service, offering a fully configurable solution, based on a mass production line of servers that run our software for all of our customers in a single instance of software, using one global code line, which provides massive economies of scale to our customers.

TechnologyOne makes a substantial investment each year in ongoing R&D, to continue to improve our software to capitalise on new technologies, concepts and ideas. Because we run our software for thousands of customers simultaneously, we have optimised our software and built the TechnologyOne SaaS Platform specifically to do this, and we can achieve enormous economies of scale. The TechnologyOne SaaS Platform delivers a level of service, security, reliability, scalability and future-proofing that would not be otherwise possible.

As part of our SaaS offering we automatically make new releases of our software, with new features, functions and concepts, available to our customers. Our customers do not need to do anything to seamlessly get these new releases into production.

TechnologyOne is at the very forefront of delivering the benefits of mass production to the enterprise software industry. As we have seen in other industries, the economies of scale of mass production will change the face of the software industry.

The TechnologyOne SaaS Platform provides a compelling value proposition to our customers, giving them what is essentially a very simple, cost-effective and highly scalable model of computing.

Our mass production Software as a Service Platform provides a massively scalable platform with significant economies of scale.

We have continued to build on our mass production SaaS Platform with the release of TechnologyOne SaaS 9.0, which continues to deliver further economies of scale and enhanced security. We are now working on the next generation SaaS 10.0. The pace at which we are innovating is accelerating, and we are seeing many opportunities to continue to improve the features, speed, security, availability and scalability of our SaaS platform for our customers.

We are excited by the opportunities the TechnologyOne SaaS offers not only to our customers, but to us as well. It will allow us to streamline our operations, reduce our costs, improve our customers' experience, as well as reduce the time to market for new features and functions. It will allow us to become more creative, more innovative and work in real time with our customers.

DXP (Digital Experience Platform)

TechnologyOne will in the coming months release the next stage of our Digital Strategy, which will build upon the powerful foundations we have created – our mass production SaaS platform and our Ci Anywhere technology. This will enable our customers to embrace the digital revolution that is now gaining momentum, simply and easily. It will digitally enable each and every stakeholder throughout their organisation be it an employee, customer, supplier, student, rate payer etc - substantially streamlining their business and improving their experience. Artificial Intelligence (AI) and Machine Learning (ML) is an integral part of our Digital Strategy.

Balance sheet strength

TechnologyOne continues to have a strong balance sheet with cash and cash equivalents of $104m. Our debt/equity ratio remains conservative at less than 1%.

Operating Cash Flow was once again strong at $48.6m for the full year, versus a Net Profit After Tax of $51.0m, and is close to our target ratio of 1 times NPAT.

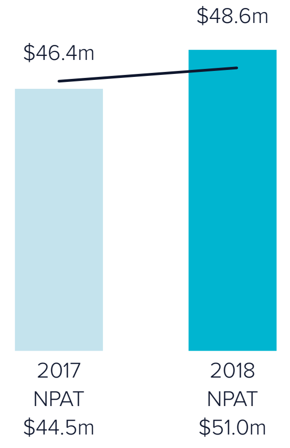
Adoption of AASB 15

The new revenue standard AASB 15 applies to TechnologyOne from 1 October 2018 (FY19). TechnologyOne's first reporting year under AASB 15 will be the year ending 30 September 2019. At this time TechnologyOne will restate the prior year, as if the standard had always applied.

TechnologyOne has taken a strategic approach toward its adoption of AASB 15. Extensive analysis has been undertaken by the company of its revenue recognition policies over the past 3+ years.

TechnologyOne has also researched other SaaS businesses and has identified best practice accounting treatment.

NPAT versus Operating Cash Flows



TechnologyOne is now a SaaS company and to ensure that TechnologyOne's results are comparable with other SaaS companies we will, from 1 October 2018, recognise SaaS revenue over time and expect to recognise R&D investment also over time.

This will result in TechnologyOne being a stronger, simpler, better business with:

- SaaS revenue recognised on a daily basis
- Minimal impact on P&L
- Simpler revenue model
- No change to free cashflow
- Improved predictability of earnings
- TechnologyOne now reporting like its SaaS peers

For further information please refer to the TechnologyOne IFRS Presentation submitted to the ASX on 17 July 2018.

Executive remuneration

This year we substantially revamped our Remuneration Report to make it simple and clear, and to continue to evolve it forward based on the feedback from our shareholders. We have also engaged external consultants such as ISS and Ernst & Young to assist us with these changes.

Our approach to remuneration has allowed us to continue to grow our business. There is clear alignment between the performance of the business and executive remuneration. This year total executive remuneration grew by 8%, while the company's profit grew 15%.

Corporate governance

Given TechnologyOne is such a significant R&D and innovation-led business, coupled with our long track record of profitable growth we have taken a cautious and measured approach to the renewal of our Board, to ensure a smooth board transition. I am happy to report we have made good progress again this year adding our second female independent director. We plan to add another two independent directors in the 2019 financial year, which will see our Board have four new independent directors.

United Kingdom

We see the UK as a platform for significant growth for TechnologyOne in the coming years. Our 'blue ocean' strategy, which is to provide a total ERP solution for the Higher Education and Local Government sectors, is gaining traction. Important to the success of this strategy will be the introduction of our Human Resource & Payroll (HRP) and Student Management products to this market. The regionalisation of these products for the UK market is in progress, and we will work with early adopters in the UK to establish these products.

As we bring more products into the UK market, this increases our product offering, and also allows us to move into the less crowded 'blue ocean' space, as we will be one of only a few enterprise vendors in the UK market.

As previously foreshadowed, the challenge for us has been to build a successful and profitable consulting practice in the UK. This was not an insignificant undertaking.

We expect to return to growth in the UK in the 2019 financial year.

"We needed an innovative financial solution that would embrace recommended practice with a single, seamlessly integrated, enterprise solution with a consistent user interface, and available any time, anywhere and on any device."

LSE THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

Keith Adams
Head of Financial Systems
London School of Economics and Political Science

Long-term outlook

We continue to be very excited about the significant growth opportunities over the next 10 years. We see continuing strong growth in our key vertical markets in Australia and New Zealand. These markets remain strong and resilient.

The UK continues to excite us given the size of this market and will provide us with significant growth opportunities over the coming years.

TechnologyOne enterprise SaaS is providing enormous economies of scale to our customers, and will continue to drive our growth. We see it is inevitable that organisations will move from ‘best of breed’ SaaS solutions to enterprise SaaS solutions because of the significant benefits it will provide: One vendor, one user interface, one common technology architecture, and integration across all products ‘out of the box’.

We see continuing growth from our existing customer base, as our customers increase the usage of our products and services.

Outlook for 2018/2019

As we have seen over the last few years, the enterprise software market continues to remain resilient, with our products providing our customers the opportunity to reduce their costs, streamline their business and improve their efficiencies in a challenging economic time.

The TechnologyOne enterprise SaaS offering is driving our continuing success. As a result, TechnologyOne’s sales pipeline of opportunities for 2019 is strong and this positions us for continuing strong profit growth in FY19.

Our SaaS business will continue to grow strongly and profitably.

We also expect continuing strong profit growth for our Consulting business in the coming year.

We will provide further guidance at both the Annual General Meeting and with the first half FY19 results.

Afterword

If we are to continue to succeed we must continue to innovate, and focus on building beautiful software that is incredibly simple and easy for our customers to use. Our software must work on any device, anywhere, at any time if we are to enable our customers to embrace the exciting future that is possible with the digital revolution.

Also, we must continue to earn the right to be the enterprise software partner for our customers. At every touchpoint we have with our customers, we must strive to make things simpler for them and give them a great experience.

A few years ago, we set an ambitious goal to transform business and make life simple for our customers. We are now making this a reality.

This would not be possible without the talented and committed people who make up TechnologyOne.

I would also like to thank you, our shareholders, for your continuing support.

A. Di Marco

Adrian Di Marco
Executive Chairman

E. C.

Edward Chung
Chief Executive Officer

Enterprise sofware as a service

TechnologyOne's enterprise Software as a Service is the perfect marriage between infrastructure and software. The combination of our software built using one global code-line and our multi-tenanted infrastructure with single-tenanted databases means our customers can enjoy all the benefits of SaaS with none of the limitations. Our unique approach to enterprise SaaS in particular is key to our ongoing success.

The TechnologyOne enterprise Software as a Service solution is a single instance of software, delivered globally, with a mass production line of servers running thousands of customers' organisations. It produces substantial economies of scale, creating cost efficiencies that hosting providers cannot come close to.

Our customers gain access to two releases of software per year, as well as access to our OneUniversity for 'just-in-time' training and 'defence-in-depth' security. This is all provided standard as part of our SaaS solution, and we guarantee it will be future-proof.

With our configuration-driven software design, all of a customer's unique configuration information is stored in their own dedicated and secure database. So too is their transactional data, delivering a personalised service at scale.

Our SaaS solution leads the market because we own, build and support our software. This is unlike many other software providers that use cloud hosting and handcraft each customer's environment, which fails to deliver shared benefits or economies of scale.

TechnologyOne's SaaS Platform has received awards and recognition globally for software innovation from the Australian Business Awards, UK Cloud Awards, SaaS Awards and Amazon Web Services.

Ci Anywhere - Any device, anywhere, any time

TechnologyOne is the only enterprise vendor delivering 100 per cent of its enterprise software on smart mobile devices – with no carve-outs or exceptions. Customers have access to the full functionality of our software on any device, anywhere, at any time.

Our Ci Anywhere technology allows organisations to embrace iPad, iPhone and Android devices as part of their enterprise solution. Its adaptive screen design means that users get a great experience regardless of the device they are using at the time. The user experience is tied to the user, not the device, so a user can move from one device to another throughout their day and seamlessly continue their work.

Ci Anywhere is incredibly simple and has created a new standard in enterprise software, giving us a significant competitive advantage. Ci Anywhere is a key enabler for our customers that are undertaking digital transformations now to secure their future success.

Digital transformation

Our enterprise customers have begun to realise the benefits that a cloud-first, mobile-first world provides to them and their customers. It transforms the way organisations interact with their customers and community.

Our customers tell us that adopting TechnologyOne SaaS, together with Ci Anywhere, gives them new capabilities and saves them millions of dollars when compared to an equivalent deployment at their premises.

The efficiencies that the TechnologyOne SaaS Platform and Ci Anywhere enable for customers is paramount as business becomes faster and more competitive.

Our commitment to innovation

In FY2018, we invested $54 million in R&D to continually improve our SaaS offering. This included integrating new technologies, concepts and ideas.

The economies of scale offered by our SaaS mean that when a customer signs up to our service, they receive far more than what they pay for. Each customer benefits from the hundreds of millions of dollars that we have invested to date and our commitment to continued investment. We take care of patching and upgrades, and offer two major software releases per year.

Our SaaS offering is massively scalable, resilient and fault-tolerant. All our customers run the same code-line globally, and all processing resources are shared. When we make an improvement to the service we automatically roll out that improvement to all our customers.

It is a testament to the collective skill of our people and organisational structure that we have achieved such a competitive advantage and level of differentiation in the SaaS market.

Insights, our real-time SaaS monitoring platform, gives us unprecedented visibility of the real-time performance and reliability of our SaaS environments and software. This enables us to rapidly analyse, detect and respond to issues faster than ever before. Insights also further strengthens our support processes by connecting our development teams directly with our customers.

"SaaS is where the future of software is going. As a business, if you think you're going to keep your software on premise, you're only delaying the inevitable."

USC AUSTRALIA

Elizabeth Cannon
Chief Financial Officer
University of Sunshine Coast

Most trusted SaaS platform

We take the privacy and security of our customers' data very seriously and have woven this into the fabric of all we do. We are committed to building the world's most trusted cloud for enterprise software and have and will continue to make significant investments to that end.

The foundation of our SaaS solution is a class-leading security and compliance program that is designed to provide the highest level of surety around security and privacy to our customers. This includes the development and maintenance of our security framework which passes the highest levels of external verification, testing and scrutiny.

We have held ISO 9001 accreditation continuously for 25 years. Our SaaS solution is accredited and certified for the following international standards:

- ISO/IEC 27001
- ISO/IEC 27017
- ISO/IEC 27018
- ISAE 3402 SOC 1
- SSAE 18 SOC 1
- AT-C 205 SOC 2

Additionally in the UK and EU we are certified with Cyber Essentials and are GDPR compliant.

In FY2018 we maintained our status as recommended for ASD IRAP certification (Unclassified DLM), further strengthening our offer to Australian federal government agencies.

All customers receive the benefit of these certifications along with the continual flow of security and privacy enhancements as part of our service, at no extra charge.

TechnologyOne University

Available to all customers through the power of SaaS, TechnologyOne University is the learning and training hub for our software, providing self-paced learning and comprehensive training on any device, anywhere, at any time. As an innovative digital training solution it gives our customers dynamic, real-time information that is always up-to-date and available from within the software.

TechnologyOne University holds more than 45 hours of high-quality video content, which our Learning and Development team is constantly adding to.

Some 347 customers have chosen TechnologyOne SaaS to power their organisations. This reflects an increase of more than 22 per cent in customer numbers over the last 12 months, and we expect this rapid growth to continue in 2019.

Our strategy

Preconfigured enterprise software solutions reduce time, cost and risk

Our vision

Transforming business, making life simple

Our vision is to build and deliver truly great products and services that transform business and make life simple for our customers. Underpinning this vision are our beliefs, our dedication to customer experience and our leadership model.

We have five core beliefs: An enterprise vision, market focus and commitment, the Power of One, the power of evolution and simplicity, not complexity.

We know that our customers' experience defines our success. We also believe in leadership, not management. Our survival depends on our ability to set ambitious goals, and to lead and inspire our people to achieve great things.

As a large, successful company, we believe it is important to give back to the community. We established the TechnologyOne Foundation as a way to formalise our giving and paying forward within our business.

These initiatives come together to make up The TechnologyOne Way, which was first developed more than 30 years ago and continues to define the way we operate.

Over more than three decades, TechnologyOne's ongoing success has been a result of our clear vision, our beliefs, our supporting initiatives and our continuing growth.

The power of a single, integrated enterprise solution

Our core beliefs

An enterprise vision

We believe in the power of a single, integrated enterprise solution built on a modern platform with a consistent look and feel.

A best-in-class enterprise solution

Only through an enterprise solution can organisations really embrace the future of SaaS and smart mobile devices, and get the efficiencies they need across their complete organisation. We have spent more than 30 years and hundreds of millions of dollars to deliver on such an enterprise-wide vision. Today we are unique among enterprise software providers in delivering best-in-class products that come together as a total enterprise solution from a single vendor.

Our leading-edge platform

Our comprehensive suite of fully integrated software products is designed to deliver the best possible experience for users.

Our software solutions are underpinned by our state-of-the-art Ci Anywhere platform. The platform provides the core functionality, security and a consistent user interface for each of our products, and enables our customers to access their information anywhere, at any time and from any device.

We continue to evolve Ci Anywhere, ensuring our customers can easily adapt to changes in mobile devices, computing and user preferences.

Deep functionality for the markets we serve

We have chosen to focus on eight key markets: Local Government, Government, Education, Health and Community Services, Asset and Project Intensive Industries, and Corporates and Financial Services. With over 30 years' experience and over 1,200 large scale enterprise customers we possess an expansive understanding of these sectors and we provide the deepest functionality for the markets we serve. We continue to add more and more functionality to our products and preconfigured solutions for these markets which streamline implementation and reduce customers' time, cost and risk.

Preconfigured solutions

TechnologyOne's integrated products form the building blocks from which our preconfigured, market-specific solutions are developed.

Developed in collaboration with hundreds of customers, the solutions cover 80 per cent of each sector's requirements 'out of the box'. This accelerates implementation while leaving room for the software to be configured to customers' specific needs.

This approach is faster, cheaper and safer than that adopted by our competitors.

Deep industry engagement

Each of our preconfigured solutions is developed by a team of specialists with an in-depth understanding of our key markets. We work closely with our sectors to stay abreast of current requirements, organisational and user challenges, legislation and emerging trends. This deep industry engagement ensures our preconfigured solutions continue to lead the market.

The Power of One

TechnologyOne's hallmark is being one vendor with a single vision, code-line and experience. We do not use implementation partners or value-added resellers. We take complete responsibility for building, marketing, selling, implementing, supporting and running our enterprise solution for each customer to guarantee long-term success.

Our unique value proposition

We are accountable to our customers, whether the focus is on business needs, underlying technology, delivering implementations on time and within budget, or excellence in support and customer service.

When organisations invest in our solutions they benefit from a direct relationship with us every step of the way. Right from the start, we take ownership of a project and provide outstanding service and support.

Unlike our competitors, we provide a single, integrated consulting capability to enable a safer, faster and more cost-effective time to delivery for our industry solutions. This is underpinned by the industry and product experience of our 300 consultants and the power of our Solutions Implementation Methodology (SIM) 2.0.

The power of evolution

TechnologyOne's enterprise solution adapts and evolves by embracing new technologies and concepts to ensure customers maintain their competitive edge through innovation.

Using technology for competitive advantage

One of our founding principles in 1987 was to use new and emerging technologies to provide a competitive advantage for our customers. It continues to be a major focus today.

For more than 30 years, we have successfully delivered a continuous and smooth technology transition that has seen TechnologyOne migrate our customers across a number of technology paradigms, from mainframe to client-server computing to the Internet, to our Connected Intelligence (Ci) platform and more recently, Ci Anywhere. Ci Anywhere is built on beautiful design, and can be used by any business consumer, anywhere, on any device and at any time. It is powerful and simple to use, allowing our customers to realise the benefits of our TechnologyOne SaaS Platform and smart mobile devices.

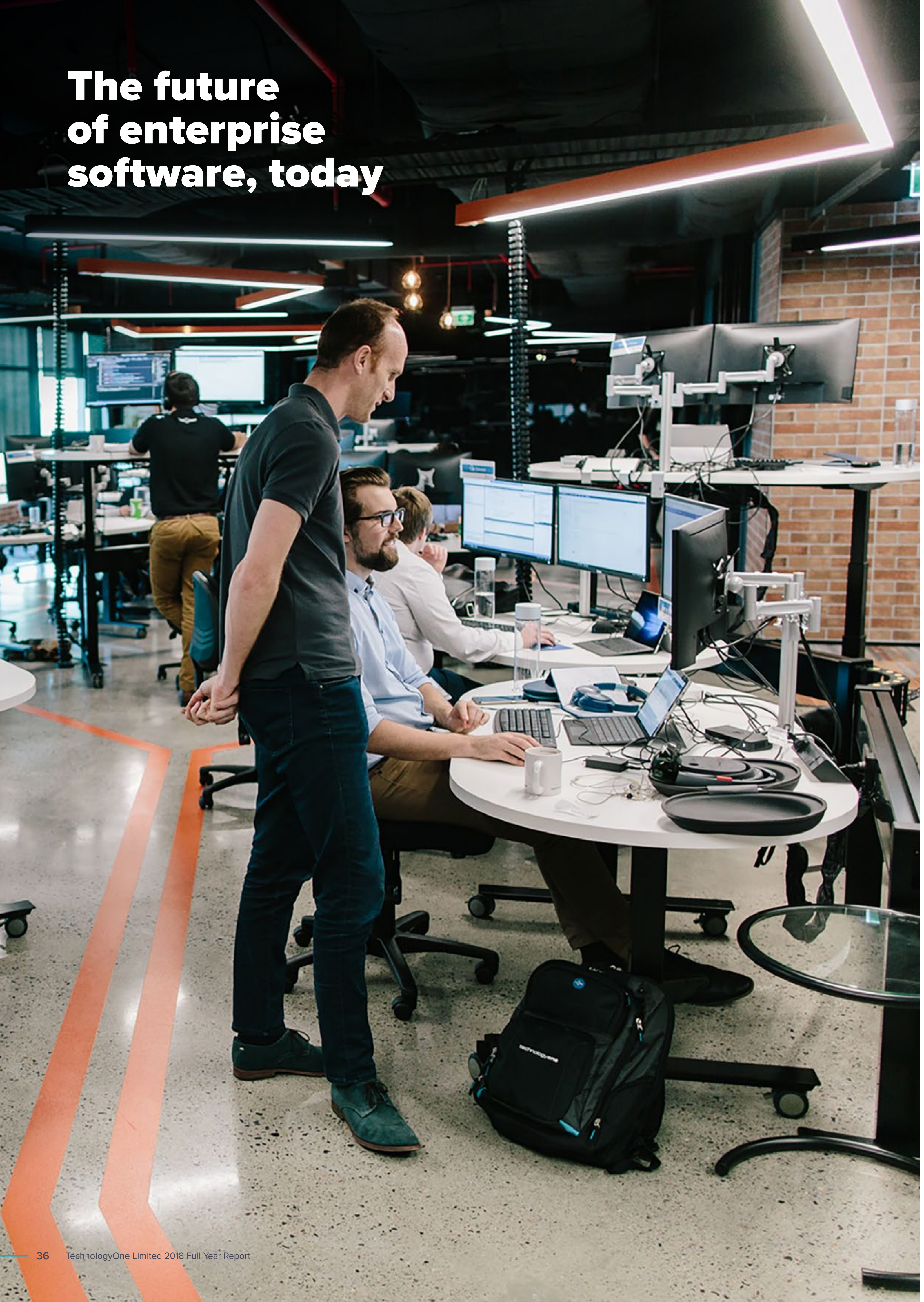
Simplicity, not complexity

As a leader in the enterprise software market, we have always focused on transforming business. More importantly, we also aim to remove complexity to make life simple for our customers.

Simplicity is a philosophy we continue to embrace in everything we do for our customers. We want to be known for software that is easy, simple and intuitive to use, and that removes needless complexity.

By embracing the simplicity of a SaaS model, we deliver our software in a high performing and secure manner. Our highly available infrastructure has redundancy built in at every level and ensures our customers don't have to worry about running or updating their own software and infrastructure.

By removing the need to manage their computing environment, customers can focus on business, rather than the supporting technology.



The future of enterprise software, today

Our initiatives

Compelling Customer Experience

We continue to recognise that our customers are our compass for the decisions we make, the people we employ and the processes we create. This is why we continue to invest in our Compelling Customer Experience (CCE) program, which provides our people with ongoing development and support in delivering outstanding customer experience.

Providing a compelling customer experience is fundamental to the way TechnologyOne does business and positions us well to attract customers away from our competitors.

Application Managed Services

As specialised services that deliver continuous improvement and lower the cost of application management, our Application Managed Services (AMS) group drives productivity and cost efficiencies for our customers. The AMS team has many years' experience in running our software and a deep understanding of our customers, enabling them to deliver superior value and outcomes.

We continue to invest in our AMS services to ensure that all customers benefit from our consulting team's breadth of expertise.

Cultivating a culture of innovation

The innovation and creativity of our team is key to our success. Our developers are leaders in their field who challenge conventional thinking and go beyond the traditional realms of development methodology. Our state-of-the-art R&D centre and initiatives are designed to foster collaboration, creativity and innovation to provide the platform for our future growth. In recent years, we have also learned extensively from how consumers use technology to simplify our enterprise software.

New ideas, new concepts

We are committed to a continuous cycle of redeveloping our software platform from the ground up every seven years. This process leaves no line of code untouched and ensures that we are free to embrace new ideas, concepts and technologies – rather than needing to retain legacy systems.

Over the past 30 years we have completely redeveloped our software platform four times. Since the introduction of SaaS and smart mobile devices, the pace of change is accelerating and our software continues to evolve at a market-leading pace. This year, we extended our research into several new technologies including artificial intelligence (AI) and machine learning (ML).

Our world-class R&D

With a team of more than 400 developers, TechnologyOne runs one of the largest Australian-owned R&D centres for enterprise software. Each year about 20 per cent of our revenue is invested into our R&D program, which continues to produce leading-edge technology that will enable our customers to embrace the digital revolution, streamlining their business and improving their experience.

In addition to our R&D centres in Brisbane and Perth, we have offshore R&D centres in Indonesia and Vietnam. This allows us to extend our capability and better support our customers and existing products.

Hack Days

In FY2018, TechnologyOne continued its investment in innovation culture through company-wide Hack Days. These sessions encourage innovation, creativity and fun. They also give employees an opportunity to break down silos and participate in projects outside their normal day-to-day work.

Hack Days enable us to showcase some of our emerging leaders by giving our people the freedom to lead outside a traditional organisational structure. All parts of the business are encouraged to participate, regardless of which team or region they are in.

Some of the innovations that have come out of Hack Days have truly transformed the way we operate and have made our customers' lives simpler.

Collaborative facilities

Our 'Hack space' is an extension of the R&D Centre in our Brisbane headquarters. The project area provides a collaborative workspace for aspiring interns, graduates and our people to innovate and develop world-class software.

With technology and design being at the forefront of the concept, the Village Green social areas provide spaces in our offices to showcase the ongoing accomplishments and achievements of the company in an environment that reflects our products and values.

Throughout the year, we make a point of bringing together our employees globally. This is achieved using state-of-the-art audio visual equipment and technology to connect all regional offices for Town Hall meetings, Hack Days, R&D Showcases and other global company events.

MARVELs

Our annual awards program recognises and rewards high-performing employees. The awards assist in driving our high-performing culture, by providing employees with a benchmark to strive towards. You can read more about our MARVELs program in the Our People section on page 55.

TechnologyOne Foundation

The TechnologyOne Foundation and our approach to charitable giving are key defining factors behind who we are as a company. Our aspirational goals for the TechnologyOne Foundation set the tone for our company culture and demonstrate the values we are looking for in future team members.

The focus of the TechnologyOne Foundation is investment in youth, because it is through the youth that we can have the greatest impact on the future. In line with this, the TechnologyOne Foundation has several charity partners including Opportunity International Australia, The Fred Hollows Foundation, The School of St Jude and The Salvation Army.

Opportunity International Australia

We partnered with Opportunity International Australia (Opportunity), and set a goal to help 500,000 children and their families free themselves from poverty over the next 15 years, through an innovative, entrepreneurial approach to charitable giving.

The partnership with Opportunity will provide small loans to enable families to grow businesses, earn regular incomes and create safety nets for the future. As 98 per cent of these small loans are repaid and then re-lent to other families, the impact creates a ripple effect within communities. Read more in the TechnologyOne Foundation section of this annual report on page 63.

Showcase

Our Showcase events provide an opportunity to demonstrate to customers and prospects how we are transforming how businesses operate through our SaaS solutions. They also provide an invaluable opportunity for customers and industry leaders to network with peers.

This financial year, we took the TechnologyOne Showcase to several Australian capital cities and to Auckland, New Zealand. This gave us opportunities to engage with hundreds of unique customers and prospects, and strengthen our pipeline of sales opportunities. The events featured discussion of the latest industry trends and insights, and were used to unveil new software developments.

Regional Days

A new initiative in FY18 was the establishment and roll-out of our new Regional Days for our Sales and Consulting teams. We kicked-off a regular series of these days in May to discuss our strategy and goals, strengthen relationships across regions, teams and projects, and to improve engagement across the whole organisation.

Our growth

Enterprise Software as a Service

> *"The introduction of TechnologyOne's enterprise SaaS solution makes life easier for our ratepayers and customers who are demanding that we provide improved digital services."*
>
> Councillor Darren Grimwade
> **Moreton Bay Regional Council**

Our growth

Enterprise SaaS Platform

Our ongoing success has been underpinned by the incredible growth of our SaaS business, which doubles in size every 18 months. This is powering the growth of TechnologyOne which continues to double in size every four to five years.

We now have 347 customers on our SaaS Platform.

Our solution is a clear market leader because we are the only enterprise vendor to offer a true enterprise SaaS solution across the entire enterprise.

Unlike many other software providers that use cloud hosting, we own, build and support our software. Because other providers handcraft each customer's environment, they cannot offer similar shared benefits or economies of scale.

Expanding within our geographies

We have 14 offices around the world. These are located in each state and territory of Australia, as well as the United Kingdom (UK), New Zealand, the South Pacific and Asia.

We have adapted our business to meet the differing needs of customers in each of these regions. In particular, we adapt our sales strategies for different regions as we identify new and ongoing customer needs.

We will continue to build on our success and consistent growth in Australia and New Zealand, while also capitalising on the strong growth of our SaaS solution in the UK. We continue to grow our market share in the UK's Local Government and Higher Education sectors, and expect this will contribute significantly to our growth in the years to come.

Expanding within our vertical markets

We operate within eight large vertical markets and deliver preconfigured products to enable customers to quickly realise value from our solutions. This lets us specialise, while providing significant room to expand our customer base and grow our solution footprint as we add value for customers.

We have experienced continued success and expansion within each of our vertical markets. The launch of our SaaS Platform has also enabled us to penetrate our key vertical markets more deeply, by making it easier to reach customers that may not have been suitable for our on-premise solution.

Organisations that do not have the technical capability or resources to roll out our software on-premise can now easily implement our SaaS solution.

Adding value to existing customers

We listen to our customers and make sure we understand their needs, meet their priorities and enable ongoing improvements in their business processes. Our goal is to build proven practice into our solutions and deliver the best software and services available for our customers.

Our Sales and Marketing teams keep customers informed about recent developments and the experiences of fellow TechnologyOne customers. This helps customers further improve their technology systems and business processes and models.

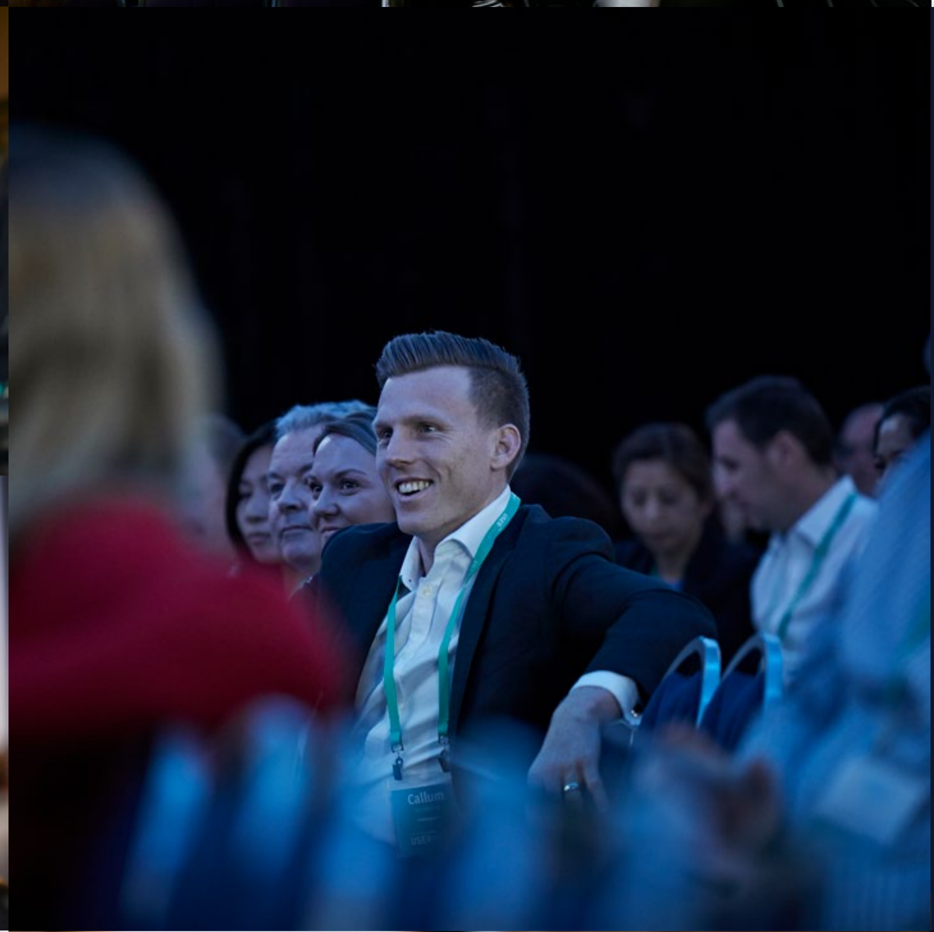
Building on this partnership approach, the TechnologyOne Customer Community has transformed our support experience. As a dynamic group of TechnologyOne experts and customers, the Customer Community provides a world-class support experience to customers. It also enables our customers to influence product direction, keep up-to-date with industry news and collaborate with other customers.

Expanding our product range and depth

We are working closely with our customers to ensure we meet their ongoing business needs and provide an increasing range of functions within our enterprise solutions. The result is that we continue to extend our product offering by developing additional features and functions – further building on what is already one of the world's most comprehensive enterprise software suites.

By re-engineering all our products for Ci Anywhere, customers can enjoy the same software functionality regardless of the device they are using. Ci Anywhere is allowing us to further expand our footprint with existing customers as they embrace our easy-to-use solution.




Customer Showcase and User Group events

In FY2018 TechnologyOne relaunched our external events program for existing and new customers. Across the APAC region, we hosted and ran 10 events including two show-stopping 'Showcases' and eight 'User Group' events. The uptake from our customers and prospects exceeded our expectations with 429 organisations sending 1,435 representatives to attend, engage, network and learn.

Our investment in strategic events including regional Showcases also ensures our customers benefit from a strong community and have the opportunity to collaborate with experts and executives from all areas of the business.

Our User Groups let our customers hear from fellow users, build local support networks and learn more about our products.







Our operations

Stuart MacDonald

Chief Operating Officer

During the last financial year, we successfully completed a range of critical strategic initiatives that will allow us to rapidly scale our SaaS offering across our eight key market sectors. The most important of these was to finalise our transition to becoming a true enterprise Software as a Service business.

Achievements in FY2018

Alignment for SaaS and scale

To optimise our operations and prepare to scale our SaaS business, we finalised the 'verticalisation' of our organisation – effectively aligning teams to our eight key market sectors. This required aligning our Marketing, Pre-Sales and Sales teams, and structuring them according to the industries we serve. In achieving this, we enhanced visibility between our teams and optimised resources to seamlessly add value to our key markets.

By moving to a markets-focused structure, we have streamlined the journey our customers take across all their touchpoints with us. We can also better ensure customers are using our software effectively and support the digital transformation of their organisations.

Greater visibility and leverage

During 2018, we used our 'heartbeat' concept to increase visibility between our departments and further enable them to leverage each other's strengths. Heartbeat is an internal initiative which provides visibility of the seasonal rhythms and patterns of work demand across teams and functions; this enhances understanding and enables greater process alignment across the business to optimise project delivery for customers.

As a result, our Sales and Consulting teams are working more closely. The sales team now brings in the consulting unit earlier in our engagement with customers, which provides the customer with expert advice that differentiates TechnologyOne from its competitors.

We have also brought our Sales and Marketing groups together, thanks to a better understanding of their team structures and programs, and our go-to-market initiatives. This has helped us better develop sales and marketing campaigns and achieve record numbers of participants at our Showcase and User Group events.

To help us achieve our vision for our SaaS business, we hired additional experienced and qualified individuals, including executives for our UK and consulting businesses.

Marketing for success

We continued to focus on leveraging and promoting customer success in our marketing programs. We also leveraged our vertical market strategy to launch international marketing campaigns using traditional and digital marketing tools.

We also plan to align our marketing initiatives more closely with the other areas of our operations to promote our SaaS business.

Strategy for FY2019

Now that we have verticalised our teams in line with our eight key market sectors, we will focus on scaling our SaaS platform for existing and future customers in FY2019. We will continue to leverage our Marketing, Pre-Sales, Sales and Consulting departments to achieve greater visibility and optimise our capabilities to serve our key markets.

We have built the foundation for faster and more efficient business growth. We now look forward to achieving the vision we have set for our SaaS business.

Enterprise software incredibly simple

"Having integrated ERP software has automated a lot of processes and reports, removed a lot of risks, freed up resources and enables us to deliver services more effectively. We have definitely noticed a shift from being reactive and putting out fires, to being proactive and being on the front foot."

City of LAUNCESTON

Andrew Gall
Information Technology Manager, City of Launceston

Gareth Pye

Acting Operating Officer – Corporate Services and Deputy CFO

Corporate Services' focus this year was to ensure all systems were set up to support the rapid and frictionless scaling of our full SaaS business. We also emphasised cost discipline and efficiency improvements to streamline our end-to-end finance processes. We continued to work with the leadership team to set up cost management parameters, enabling us to maintain a scalable business model.

Audit and risk

We further increased our audit and risk capability in FY2018 to provide more rigour around our processes and proactively manage our corporate governance. Our Company Secretary has also helped strengthen our compliance and risk management.

Information technology

We focused our IT efforts on preparing our systems and processes for changes related to the introduction of the AASB 15 accounting standard and the European Union's General Data Protection Regulation.

On the corporate side, we worked to enhance the efficiency of internal systems, and automate core business reporting, and bolster data protection. We also matured our internal IT processes and supported various teams in investigating and negotiating contracts for new business systems.

Plans for the coming year

In FY2019, Corporate Services will continue to focus on providing operational support and advice for our SaaS business and progress toward realising our cloud-first, mobile-first vision. We will also further develop our processes to ensure our risk framework is in line with our business expansion.

On the technology front, we will continue to simplify our systems and processes, and focus on achieving cost savings and mitigating risk. We will also enhance IT expenditure reporting and make our IT roadmap more visible to internal teams.

Anwen Robinson

Operating Officer – United Kingdom

We continued to make significant investments in the UK as part of the expansion of our consulting business and to support the significant future growth potential of this market and beyond.

With a large addressable market three times the size of APAC, we believe the UK is an exciting market for our products, particularly our Student Management solution and will be a source of strong profit growth in the next few years. Our eight-year deal to provide a OneUniversity SaaS solution to the University of Exeter is an example of this potential.

Platform for growth

The education sector has become a major growth area for us in the UK. Over the past two years, we have executed a turnaround in our performance with the effective rollout of our customer-first strategy. This has seen us achieve seven successful customer go lives and secure a number of education customers, including the world-renowned London School of Economics and Political Science and the University of Sunderland. We have also won several Local Government clients; including three Councils Cambridge City, South Cambridgeshire and Huntingdonshire Councils who procured together and all of whom recently went live.

The UK is an important market for TechnologyOne in its own right and as a launchpad for the global distribution of our products. The fact that all of our new UK customers are SaaS users also makes the market a good fit for our strategy. We are particularly excited about our potential to further grow in our two key sectors of Local Government and Education.

Supporting the cloud-first, mobile-first vision

For the coming year, we will continue to be selective in considering new deals to ensure that we can implement them successfully. We will focus on supporting the company's cloud-first, mobile-first vision and complete the movement of all our UK customers to the TechnologyOne SaaS Platform. We will also further invest in our consulting capability to help us scale the business and support our customers.

John Ruthven

Operating Officer – Sales

The shift in our sales focus from perpetual licences to SaaS has surpassed our expectations. We made significant progress in shifting new business to subscription licences. This highlights customers' confidence in our business model and product strategy.

Strategic wins

Our SaaS solutions enjoyed sales growth across all sectors and particularly in Local Government, where we had another banner year. Key wins in FY2018 included:

- Cairns Regional Council in Queensland
- Armadale City Council in Western Australia
- City of Onkaparinga in South Australia
- Wollongong City Council in New South Wales
- City of South Perth in Western Australia
- Whitsunday Regional Council in Queensland
- The Shire of Serpentine Jarrahdale in Western Australia
- The Department of Prime Minister and Cabinet in ACT
- Christian Community Ministries in Queensland

Besides acquiring new customers, we expanded our solution footprint across the Education, Asset Intensive, and Health & Community Services industries. We also had significant growth in our Shared Service business in the Federal Government sector.

Strategic approach for 2019

In the coming year will execute on the strategic shift in our sales model to leverage the new AASB 15 accounting standard for reporting on our annual recurring revenue (ARR).

To support this change and accelerate our growth, we will continue to optimise the sales coverage model to retain and grow with existing customers, acquire new customers and enhance our sales organisational structure to enable us to scale effectively.

We have re-planned our sales reward model to reflect the change to ARR, strengthened our sales enablement to develop and retain top talent and refined our systematic approach to creating long-term value across the business.

Brock Douglas

Operating Officer – Consulting

Our global consulting team guarantees our customers' long-term success by building strong partnerships with them and delivering projects on time and to budget.

Deep understanding

We invest in our consulting team by comprehensively training them in all aspects of our technology and ensuring that they are best placed to configure our software effectively. Equally, they invest time engaging widely across the organisation from Sales through to R&D to ensure that their deep industry knowledge is harnessed and that they understand where the evolution of our software is headed in the next five years and beyond.

Early wins in transformation

This year we elevated the performance and operations of our global Consulting team. We empowered our regional leads by expanding both their accountabilities and responsibilities. We also consolidated our new projects division to streamline delivery processes. These initiatives built on the foundation laid last year to separate consulting units to service new customers who are implementing new products, from existing customers who seek to extend their existing solutions.

In FY18 we commenced the roll-out of our transformation strategy, which comprises 33 new initiatives across three key streams: customers, people and disciplines. We have already seen strong uplift in our utilisation metrics and other data points which demonstrate that this new approach is working and we expect to continue implementing this across the APAC region with great success over the coming year.

Whilst maintaining our 99 per cent customer retention rate, we also completed an unprecedented 197 customer go lives in FY18. This is almost a 100% increase on FY17. Much of this success can be attributed to greater collaboration across teams and engaging effectively with more customers using our SIM 2.0 methodology to implement our software.

Significant implementations amongst FY18 go lives included:

- NZ Statistics
- TAFE Qld
- Exeter University
- Mount Alexander Council

Strategy for FY2019

In the coming year we will extend the roll-out of our winning transformation strategy. Now that APAC is materially aligned for efficient growth, we plan to focus on the UK with a 'lift and shift' approach to achieve similar success there.

Iain Rouse

Group Director – R&D, Cloud

As our SaaS business has been doubling in size every 18 months, our ongoing investment in R&D, continued innovation, greater compliance with international standards, and precise capacity planning are critical focuses for us.

In FY18 we managed a 100% increase in go live activity and have achieved important customer go lives in the Australian Federal Government, New Zealand Federal Government, Local Government and continue to help our customers stay competitive in Education.

On achieving go live, our customers are reporting positive Return On Investment figures of greater than 30%. These go lives provide strong incentives for our on-premise customers to start their journey to cloud.

Optimising our enterprise software

TechnologyOne's SaaS Platform has provided a compelling value proposition for our customers, giving them a simple, cost-effective and highly scalable model of computing.

The launch of the TechnologyOne Cloud 17A and 18A enabled us to build on our mass production SaaS Platform. As we continue to scale, we are able to identify new opportunities to optimise our enterprise software. These new opportunities provide a landscape to deliver sustainable increases in profitability by helping us deliver greater economies of scale over time.

In FY18 we delivered a range of enhanced security and privacy outcomes for our customers, across all the industries that we serve, and our cloud customers now utilise a version of software no older than 18 months.

Concurrently, we accelerated the pace of our innovation and improved the features, speed, security, availability and scalability of our cloud for our customers.

Strategy for FY2019

We will continue to invest in R&D and new technology platforms, as we expect our cloud business to substantially drive the company's growth in the next five to seven years and beyond.

Leveraging the TechnologyOne SaaS Platform will enable us to improve our customers' experience and reduce the time to market for our new features and functions. It will let our customers reach new markets, operate globally and let them focus on their business, while we take care of the technology.

Brett Hooker

Director – R&D

Our Research and Development (R&D) centre which drives innovation and continues to deliver two major software releases a year, has been recognised for excellence with the Software Innovation Award for Ci Anywhere at this year's Australian Business Awards.

As our Ci Anywhere product suite grows in breadth and depth of functionality, we have converted many of our existing Ci products to Ci Anywhere. A highlight this year has been the Property & Rating product, with the first of its Ci Anywhere only implementations already underway; and the student portal in Ci Anywhere which is complete and in production use at several higher education customer sites.

Optimising R&D for SaaS at scale

We have completed a range of projects that leverage the latest SaaS technology to enable our R&D team to work more efficiently within a SaaS environment. These projects included moving our source code to a global best practice location, adopting the latest generation cloud SaaS desktops for day-to-day development, and implementing the latest technology for compiling and distributing our code base.

Under the banner of Team of Teams, everyone in R&D is improving creativity within their working environment through greater collaboration.

To support the future scaling of our SaaS business, we have automated processes for our colleagues including those in the finance department who now have straight through processing of their transactions.

Developing and supporting talent

As a strong supporter of developing talent for our industry, we sponsor programs to help increase the interest of young people in science, technology, engineering and mathematics (STEM) subjects. Our activities this year included: Sponsoring BiG Day In™ Junior, supporting the launch of STEAM Lab, backing Tech Girls are Superheroes and sponsoring James Cook University's Design Sprint.

The next evolution of our software

We have exciting announcements to make in FY19. Key among them is the next major evolution of our enterprise software based on digital experiences which will drive our software direction for the next eight years. The first parts of this is DXP, our digital experience platform, and unveiling our artificial intelligence and augmented reality R&D outcomes.

We will continue to invest in the Ci Anywhere platform to increase the capability of all products. We will also continue to attract new talent and expand our award-winning graduate programs to engage more young people, including launching a summer internship program.

Richard Nicol

Group Director – Support & Enhance

Our goal in the Support & Enhance team is to give our customers a compelling support experience. We achieve this by having a culture of service excellence, innovative support tools and processes, and a focus on ensuring our customers' success with our solutions.

We listen to our customers and address their challenges. This enables us to build proven practice into our solutions and provide our customers with our world-leading software and services.

Providing world-class support

To enhance our customer support, we relaunched the TechnologyOne Customer Community in 2018. This provides a world-class support experience through a community of TechnologyOne experts and customers. The relaunched platform offers an enhanced user experience, additional features and easier navigation.

Our changed support profile

In line with our greater focus on SaaS, we now provide more support for our SaaS and Ci Anywhere businesses. We also invested in our UK business to provide enhanced local customer support and to assist with our 24/7 support coverage.

Strategic direction

In FY19 we will focus on expanding our Customer Community to enhance our ability to collaborate with other TechnologyOne customers using the insights gained from our SaaS operations to drive continual improvements and continue to ensure our customers are successful using our solutions.

Jane Coe

Group Director – People & Culture

At TechnologyOne, we believe in investing in our people's development so they can grow their capability, and therefore, accelerate our business.

In 2018, we focused on ensuring we have the right teams and policies to support our SaaS business. We introduced a new commission structure for our Sales team, aimed at driving different sales behaviour in line with our focus on selling SaaS. Our people are well positioned to scale this area of the business and achieve our growth aspirations.

To enhance our People & Culture (P&C) practices, we optimised our use of data in our decision making. We also evolved our policies and processes to complement the changing needs of our people and business.

Attracting new talent

We continue to attract high potential professionals and ensure that every part of our business attracts and appoints new talent who will thrive in our culture of innovation. Our graduate program has succeeded in engaging young talent, and celebrated recognition as one of Australia's top 20 graduate programs in 2018.

Retaining our team members is a core part of our People & Culture strategy. We deliver programs to engage our people and encourage participation in regular surveys to give them an opportunity to have their say. By doing this, we can ensure our policies and practices reflect the needs of our people.

New initiatives

Our initiatives for 2019 will include strengthening our leadership team and expanding the career paths available to our team members.

We will also continue to focus on attracting talent as we accelerate the growth of our SaaS business. This will include expanding our graduate program to engage graduates across all areas of the business, and, our internship program to encourage university students to spend their summer working with us in Brisbane.

Our people

We are an Employer of Choice

Our people are a crucial source of our competitive advantage, and we strategically invest in activities that support the recruitment, retention and development of individual talent within our workforce.

As a nationally recognised Employer of Choice, TechnologyOne is committed to providing an environment in which our talented people can be innovative, creative and realise their full potential.

This year, TechnologyOne received more than 15,000 recruitment applications, processed 60 promotions and facilitated 18 international secondments, many of which were employee-initiated.

Extensive onboarding and training

TechnologyOne hires passionate, talented and innovative people who are inspired to think about the future.

Our comprehensive onboarding program provides the best possible start for our people in their careers at TechnologyOne. The TechnologyOne College then continues to support our commitment to developing our people and growing their careers by delivering training in leadership, technical and professional skills development.

Graduate program

Our graduate and intern programs form the foundation of our talent pipeline into the future. These programs will continue to expand, and we have developed strategies for investing in and valuing our high performers.

This year, we onboarded 20 new R&D graduates across Australia. These graduates work very closely with the company's top engineers, providing them with valuable skills and experience.

TechnologyOne's graduate program was recognised in 2018 as one of the top 20 leading graduate programs in Australia by the Australian Association of Graduate Employers.

Industry partnerships

We are committed to actively fostering a diverse and vibrant information and communications technology (ICT) industry. We want to create interest around this exciting time in Australia's economy and ensure we are engaging early with Australia's youngest and brightest minds in Science, Technology, Engineering and Maths (STEM) subjects.

As part of this commitment, we sponsor the Queensland University of Technology Dean's Scholars Program and the University of Queensland's School of Information Technology and Electrical Engineering (ITEE) ICT Excellence (Prentice) Scholars Program. Many of these students are later channelled into our award-winning internship program.

IT students from both universities take part in TechnologyOne's annual The Big Game event. This gaming tournament gives students a look inside the company's culture and innovative workspaces.

We also partner with the Australian Computer Society (ACS) Foundation to sponsor the national BiG Day In™ series. The series is designed to inspire high school and university students to pursue careers in the IT industry.

Equal opportunity

TechnologyOne takes diversity and inclusion seriously. We advocate equal opportunity for all, and are committed to addressing the shortage of female technology workers in Australia. To help achieve this, we provide equal pay opportunities for men and women and have a zero-tolerance policy of discrimination and harassment of any kind.

Recruitment and promotion within TechnologyOne is based only on the relevant skills, experience, qualifications, aspirations, potential and aptitude of the applicants.

Our participation of women at TechnologyOne is at 35 per cent, which is high compared to other IT businesses globally. However, we are committed to further increasing the representation of women by working with strategic partners to encourage more women to pursue STEM-based careers. In doing so, we play a lead role in growing a more diverse pipeline of future candidates to work in technical fields and at TechnologyOne.

Some of the key programs TechnologyOne supported this year include the Tech Girls Movement and the Queensland Women in Technology Awards.

Reward and recognition

To maintain our high-performing culture, we think it is important to recognise and reward top talent. The annual TechnologyOne MARVEL awards celebrate employees who go above and beyond and showcases ordinary people, doing extraordinary things.

MARVEL stands for Merit, Achievement, Recognition, Values, Excellence and Leadership. Categories for the MARVEL awards are centred around our key initiatives. These include:

- Leader of the Year
- Compelling Customer Experience of the Year
- Hack of the Year
- Rookie of the Year
- TechnologyOne Superheroes

Winners of the MARVELs receive company-wide recognition, and are inducted into TechnologyOne's League of Extraordinary People.

Capability development

We remain focused on implementing innovative people programs to hire, retain and develop a high-performing workforce. This is critical to achieving our goal of transforming our customers' businesses and making their working lives simple.

In FY18, we ran 871 training programs attended by 3,096 individuals. The TechnologyOne College continues to develop training programs to ensure we are providing our people with the right skills to further their careers and meet customers' needs.

Employee engagement

At TechnologyOne, we value our employees' right to have their say. This year, we conducted eNPS surveys, which provided a channel for our people to be heard. The results of these will be used to influence ongoing enhancements to our initiatives and programs.

To improve communication across our global offices, we conducted regular Town Hall Meetings in FY18. These enable our executive team to share company updates with all employees simultaneously, by connecting all offices via our state-of-the-art audio visual equipment.

As highlighted in the 'Our Initiatives' section on page 37, we also continued our investment in Hack Days to give employees the opportunity to collaborate across functional teams and work on projects that fall outside their normal day-to-day work. These Hack Days are key to driving our culture of innovation and creativity.

Our Community Sports program

We support our people in sporting events to encourage health, well-being and charitable fundraising. It has been one of the biggest years for our TechnologyOne athletes who made more than 70 requests for event registration over the course of the year. A highlight event this year was the Corporate Games in Brisbane, in which we had 96 team members participate across more than nine different teams and individual sporting events.

Our people competed in events such as: Wellington Round the Bays, City2Surf, the Gold Coast Marathon, Gold Coast Cycle, Brissie to the Bay, Bridge to Brisbane, the Great Brisbane Bike Ride and Palace to Palace Cycle Ride.

Our Corporate Sustainability scheme

TechnologyOne is committed to managing our business operations in an environmentally responsible manner. In FY18, we extended our lease by five years on our headquarters in Brisbane's Fortitude Valley, which has a Six Green Star environmental rating. The building includes numerous environmentally-rated sustainable development features, including 50 per cent more fresh air than standard commercial buildings, carbon dioxide monitoring, external views to maximise daylight, energy-efficient lighting, dedicated exhausts in photocopier areas, a gas-powered generator and a large rainwater collection area on the roof to supply water for the toilets and garden irrigation.

Our people are also encouraged to access and adhere to our Environment Policy. It outlines our commitment to providing an environmentally responsible workplace, ways to engage in sound workplace practices through reducing waste, and the considered use of energy and resources.

For more information see our Corporate Sustainability Report overview on page 60.

Corporate sustainability overview

Customer

99%

Customer retention

- Customer satisfaction and retention
- Data privacy and security

People

33%

Participation of women, placing us among the best globally in the IT industry.

- Talent attraction and retention
- Workplace diversity and inclusion
- Employee engagement and culture
- Employee training and development
- Employee health and wellbeing

Responsible business

$54m

R&D investment for 2018 (18% of revenue)

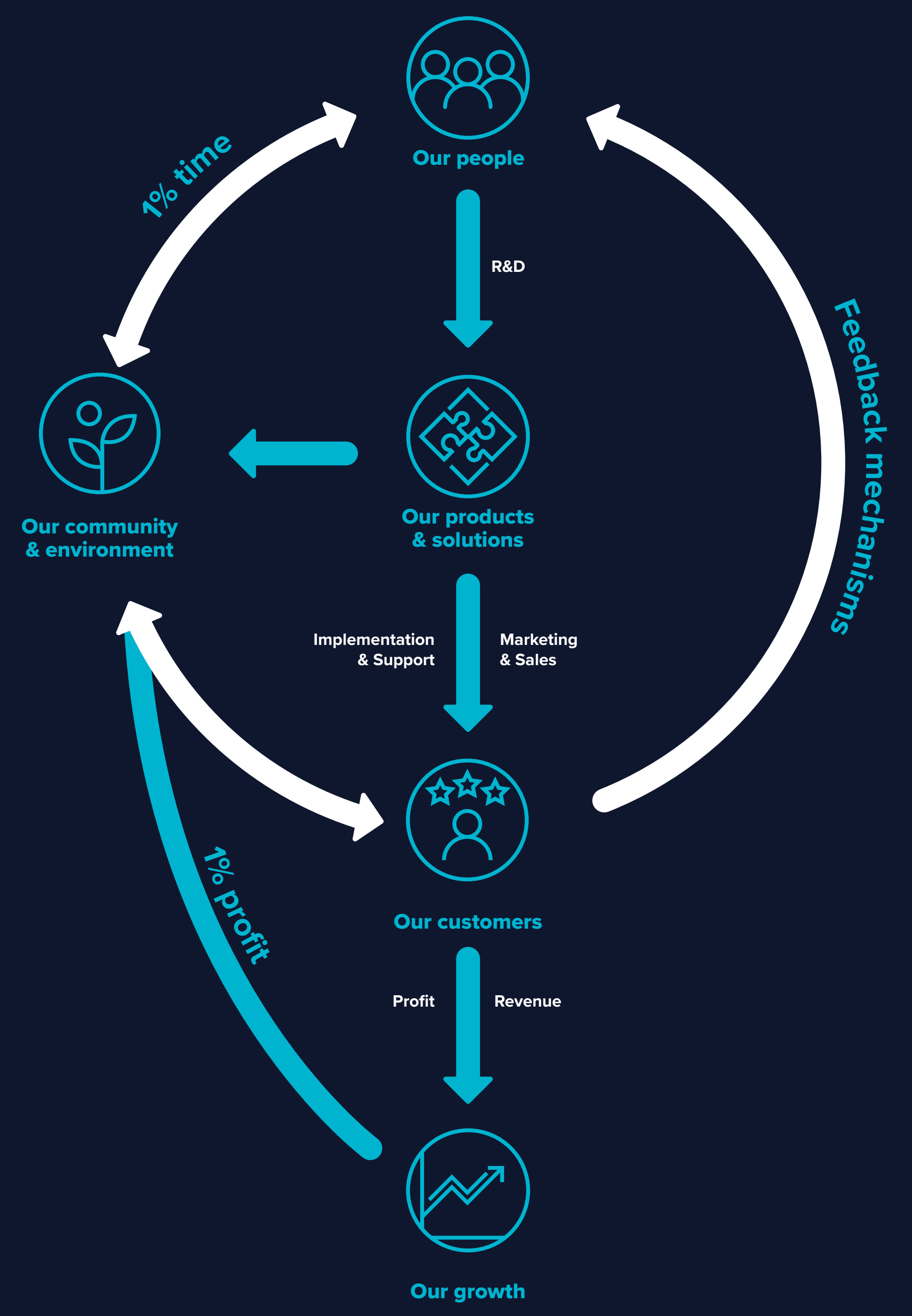
- Ethics, values and transparency
- Innovation
- Compliance

Community and environment

Pledge 1%

- Community investment and education
- Environmental footprint

TechnologyOne's approach to sustainability



For the full sustainablility report visit our website TechnologyOneCorp.com


technologyone | foundation
unite | donate | participate

Our goal is to help 500,000 children out of poverty

The TechnologyOne Foundation is dedicated to making a difference to underprivileged and at-risk youth in our communities by empowering them to transform their lives and create their own pathways to success.

We established the TechnologyOne Foundation in 2016 to ensure that charitable giving would become a long-term initiative for our business. It represents a multi-million-dollar annual commitment and it reflects our values, our culture and who we aspire to be.

The 1% Pledge

Our Foundation is part of the Pledge 1% corporate philanthropy movement, which is dedicated to making the community a key stakeholder in every business. In aligning with the Pledge 1% movement, individuals and companies donate 1% of their profit, product and employee time to their communities.

TechnologyOne donates 1% of annual profit to its charity partners, supporting our vision of changing the future by empowering underprivileged and at-risk youth to transform their lives. We partner with a number of key charities, including Opportunity International Australia, The School of St Jude, The Fred Hollows Foundation and The Salvation Army. This strategic approach to charitable giving enables us to make a bigger difference to the causes we support.

Through the 1% product, our commitment is to donate 1% of licence fee revenue each year. This makes it easier for not-for-profit organisations to access our solutions and take advantage of the efficiencies they provide, which in turn extends the impact of their work.

All TechnologyOne team members can also take up to 2.5 days as leave each year to volunteer during work hours for charitable organisations. This supports our 1% of time commitment.

Year in summary

In FY18 the work of the TechnologyOne Foundation was recognised with two awards: Winner - The Australian Business Awards - Community contribution; and Ranked 30 in the 50 Best Workplaces to Give Back in Australia in 2018. We were also shortlisted for the QLD Philanthropy awards.

- Signed two new three-year partnerships with The School of St Jude and The Salvation Army, totalling more than $300,000
- One year into the partnership with Opportunity International we have assisted 12,870 children and their families out of poverty
- Continued our commitment to a three-year partnership with The Fred Hollows Foundation to support the Vietnam Child Eye Care program, which aims to eradicate avoidable blindness in school-aged children. One year into the partnership and we have assisted 13,000 children through the Vietnam Child Eye Care program
- Supported eight of our not-for-profit customers further their services through our 1% product pledge
- Assisted over 30 charities through our volunteering hours and donations
- Supported World Vision's work with children, families and communities to overcome poverty and injustice
- Through company-wide volunteering, we supported 900 Solar Buddy lights being assembled and delivered to children in Cambodia living in energy poverty. With access to these lights students are studying 78% longer.
- Launched the Recycle IT program in Queensland. Our IT waste goes to a local social enterprise initiative, Substation 33, which assists disadvantaged youth to gain confidence and skills for the transition to sustainable employment through the recycling of electronic waste. So far we have donated 2,516kg from TechnologyOne and our people.

In addition to our major charity partners, we supported a number of other worthy charities and causes including: The Prince's Trust UK, Bond University Indigenous Program, Yayasan Kemanusiaan Ibu Pertiwi (YKIP) – Bali, Plan International – Cambodia, disaster relief programs – Australian Drought, Cyclone Gita and the Cancer Council.

Our work with Opportunity Australia

Through our donations to and partnership with the microfinance group Opportunity International Australia we are transforming communities and helping families. We aim to help 500,000 children and their families free themselves from poverty over the next 15 years.

As a result of this partnership, families in India will be able to access small loans to enable them to build businesses. This will also help them to earn regular incomes to support themselves and plan for the future.

With funds for initiatives such as starting a shop or buying seeds for a vegetable farm, families can transform their lives and their children's futures. Further, because 98 per cent of small loans are repaid and recycled, the impact creates a positive ripple effect in their communities as more jobs are created. Those jobs might include delivering goods or helping with sewing and weaving orders.

Boosting local communities

With more income and therefore more money to spend on items such as food and transport, families who used to live in poverty become active participants in their local economies. This benefits the providers of those products and services, who are themselves often entrepreneurs.

This virtuous cycle ensures that microfinance provides a long-term boost to economies and helps to develop self-sustaining communities more so than one-time handouts.

Creating change

Micro-entrepreneurs are also able to use their influence to bring about positive changes in their communities. Backed by the confidence that comes with having their own businesses, this includes health workers seeking better infrastructure or educational facilities from government, or bringing local families together to take on community projects.

Together with The Fred Hollows Foundation, the TechnologyOne Foundation is restoring sight, fighting for change and empowering communities. Our joint commitment to the three-year Vietnam Child Eye Care program will improve eye health for all Vietnamese primary and secondary school children by encouraging healthy eye care practices to prevent visual impairment. This will benefit:

- 210 primary schools, including 6,581 teachers and 146,326 students
- 150 secondary schools, which includes 5,446 teachers and 102,614 students
- 200 eye care workers who will be trained in primary eye health and 12,027 teachers and school staff members who will be trained in basic eye health during the project cycle.

Financial statements

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Company) consisting of Technology One Limited and the entities it controlled at the end of, or during, the year ended 30 September 2018.

Directors

The following persons were Directors of Technology One Limited during the financial year and up to the date of this report:

Adrian Di Marco

B Sc, MAICD, FACS

Appointed 8 December 1999.

Experience and expertise

Mr Di Marco founded TechnologyOne in 1987, after extensive experience in the software industry in the area of large scale fixed time and fixed price software development. Mr Di Marco has over 35 years' experience in the software industry. He has been responsible for all operational aspects of TechnologyOne, as well as the strategic direction of the company.

Mr Di Marco has played a major role in promoting the Australian IT industry and is a past director of the Australian Information Industry Association, the industry's peak body. He has been a director of a number of IT companies. He has also been actively involved in charitable organisations and is a past director of the Royal Children's Hospital Foundation Board. He is a member of the Australian Institute of Company Directors and a Fellow of the Australian Computer Society. Mr Di Marco has received extensive recognition for his contribution and pioneering work for the IT industry. He remains a major shareholder of TechnologyOne.

Mr Di Marco is the Executive Chairman of TechnologyOne, and Chief Innovation officer for the company. He continues to work with the Executive team and Board. He continues to focus on strategy, innovation and creativity to ensure the company continues to build future platforms for strong growth.

Special responsibilities

Chairman of the Board, and Chief Innovation Officer.

Interests in shares and options

31,372,500 ordinary shares in Technology One Limited held beneficially through Masterbah Pty Ltd. 6,000 ordinary shares in Technology One Limited held via family trust.

Ron McLean

Appointed 8 December 1999.

Experience and expertise

Mr McLean has more than 40 years' experience in the enterprise software industry including holding Senior Executive and Managing Director roles in several International and Australian Software companies. His involvement in the enterprise software industry has included leading and managing software development, consulting and sales and marketing teams.

Mr McLean joined the Board as a Non-executive Director in 1992 was appointed as the General Manager in 1994, Chief Operating Officer in 1999 and was the promoted to Chief Executive Officer of Operations in 2003. Mr McLean retired from this role at TechnologyOne on the 15th July 2004 and remains a Non-executive Director.

Interests in shares and options

69,737 ordinary shares in Technology One Limited held beneficially through RONMAC Investments Pty Ltd. 71,263 ordinary shares in Technology One held via a Pension fund.

John Mactaggart

FAICD

Appointed 8 December 1999.

Experience and expertise

Mr Mactaggart's experience spans industries such as agriculture, agri-tech, manufacturing and software. He is a co- founder of Brisbane Angels, and an active investor and mentor in a large number of entrepreneurial ventures. Mr Mactaggart played an integral role in the creation, funding, and development of TechnologyOne and remains a major shareholder. Mr Mactaggart has been a Fellow of the Australian Institute of Company Directors since 1991.

Interests in shares and options

42,872,500 ordinary shares in Technology One Limited held beneficially through JL Mactaggart Holdings Pty Ltd. 30,000 ordinary shares in Technology One Limited held via family trust.

Kevin Blinco

B Bus, FCA

Appointed 1 April 2004.

Experience and expertise

Mr Blinco is a former Director and chairman of Business Advisory accounting firm Moore Stephens Brisbane Ltd. He has over 30 years' experience in the areas of business services and planning, investment strategies, management and financial advice. Mr Blinco is a Director of a number of unlisted companies. His expertise is broadly respected and acknowledged throughout the business community. He is a Fellow of the Institute of Chartered Accountants and a Member of the Institute of Company Directors.

Special responsibilities

Chairman of the Audit Committee and Remuneration Committee.

Interests in shares and options

260,000 ordinary shares in Technology One Limited held beneficially through Autun Pty Ltd ATF Blinco Accumulation Superannuation Fund.

Richard Anstey

FAICD, FAIM

Appointed 2 December 2005.

Experience and expertise

Mr Anstey has more than 35 years' experience in IT and telecommunications industries and in associated investment banking and funds management roles. Most of his career he has been building and managing his own companies. The first being Tangent Group Pty Ltd which established a strong reputation for software and strategic advice in the banking and finance sector. After the sale of Tangent, he co-founded inQbator which became iQfunds as an early stage investment group focused upon the technology, telecommunications and life sciences sector. iQFunds has managed 3, federal government backed seed funds, the last being iQFund 3 and has invested in over 30 companies over the past 15 years.

Mr Anstey now continues his career in venture capital and corporate advisory roles through iQFunds. Mr Anstey is a Director and Non-executive Chairman of Veriluma Limited (ASX: VRI).

Special responsibilities

Chairman of the Nomination Committee.

Interests in shares and options

25,500 ordinary shares in Technology One Limited.

Jane Andrews

PhD, GAICD

Appointed 22 February 2016.

Experience and expertise

Dr Jane Andrews joined the Board in 2016, bringing more than 15 years' leadership experience in research and innovation-based organisations. As a founder and investor in numerous innovative companies, Dr Andrews has extensive experience in corporate strategy, entrepreneurship, commercialisation, innovation, research and development.

Dr Andrews is a Graduate of the Australian Institute of Company Directors, holds a PhD in Life Sciences, a Bachelor of Science (First Class Honours) and a Graduate Diploma in Applied Finance and Investment.

Interests in shares and options

30,600 ordinary shares held in Technology One Limited held beneficially through the Sarabande Zenith Jewel Trust.

Sharon Doyle

B Laws (Hons), B IT (Dist), G Dip Bus Admin, GAICD

Appointed 22 May 2018.

Experience and expertise

Ms Doyle is the Managing Director and majority owner of corporate advisory firm, InterFinancial Corporate Finance Limited. She has successfully navigated technology companies through the challenges of steep global growth curves, with a strong understanding of the dynamics in Software as a Service (SaaS).

Ms Doyle's leadership of InterFinancial has seen her develop a core practice providing strategic advice for technology and other IP-rich, high-growth companies. She also has extensive international experience managing merger, acquisition and private equity processes across the technology industry.

Ms Doyle was previously Vice President at Mincom, one of Australia's most successful enterprise software companies.

Ms Doyle is a Non-executive Director at UnityWater and Starts at 60. She holds a Bachelor of Laws (Hons) and Bachelor of Information Technology (Dist.) from the Queensland University of Technology, as well as a Graduate Diploma of Business Administration from the University of Queensland. She is a member of Australian Venture Capital and Private Equity Association and a qualified member of the Australian Institute of Company Directors.

Interests in shares and options

At 30 September 2018, Ms Doyle held nil ordinary shares in Technology One Limited.

Stephen Kennedy

Company Secretary

B Bus, FGIA

Appointed 13 April 2017.

Mr Kennedy was appointed Company Secretary on 13 April 2017 and has been employed with TechnologyOne since January 2017.

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 September 2018, and the numbers of meetings attended by each Director were:

	Full meetings of Directors (Board)	Meetings of committees		
		Audit	Nomination	Remuneration
A Di Marco	9	-	-	-
R McLean	9	3	-	-
J Mactaggart	9	-	4	4
K Blinco	9	4	4	4
R Anstey	9	4	4	4
J Andrews	8(9)	4	4	4
S Doyle	3(4)	1	-	-

Where a Director did not attend all meetings of the Board or relevant committee, the number of meetings for which the Director was eligible to attend is shown in brackets. In sections where there is a dash, the Director was not a member of that committee.

Principal activities

The principal activity of Technology One Limited (the Company) during the financial year was the development, marketing, sales, implementation and support of fully integrated enterprise business software solutions, including:

- TechnologyOne Enterprise Asset Management
- TechnologyOne Financials
- TechnologyOne Human Resource & Payroll
- TechnologyOne Enterprise Budgeting
- TechnologyOne Supply Chain
- TechnologyOne Property & Rating
- TechnologyOne Student Management
- TechnologyOne Business Intelligence
- TechnologyOne Enterprise Content Management
- TechnologyOne Performance Planning
- TechnologyOne Spatial
- TechnologyOne Enterprise Cash Receipting
- TechnologyOne Stakeholder Management
- TechnologyOne Business Process Management

Dividends - Technology One Limited

Dividends paid to members during the financial year were as follows:

	2018 $'000	2017 $'000
Final dividend for the year ended 30 September 2017 of 5.60 cents (2016 – 5.09 cents) per fully paid share paid on December 2017- December 2016)	17,664	15,947
Special dividend for the year ended 30 September 2017 of 2.0 cents (2016 - 2.00 cents) per fully paid share paid on December 2017	6,309	6,265
Interim dividend for the year ended 30 September 2018 of 2.86 cents (2017 - 2.60 cents) per fully paid share paid on June 2018 (2016 - June 2017)	9,029	8,158
	33,002	30,370

Review of operations

Please refer to Letter to Shareholders on page 11.

Corporate structure

The Technology One group of companies consists of the following:

- Technology One Limited
- Technology One New Zealand Limited
- Technology One Corporate Sdn Bhd
- Technology One UK Limited
- Avand Pty Ltd
- Avand Pty Ltd (New Zealand) Pty Ltd
- Desktop Mapping Systems Pty Ltd
- Digital Mapping Solutions NZ Limited
- Boldridge Pty Ltd
- Icon Solution Unit Trust
- Jeff Roorda & Associates Pty Ltd

Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs during the financial year.

Matters subsequent to the end of the financial year

On 20 November, the Directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is $19,508,207 and is 75% franked. There was also a special dividend declared for the 2017 financial year of $6,333,834 which is also 75% franked.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

Likely developments

Refer to the Letter to Shareholders.

Indemnification and insurance of officers

Insurance and indemnity arrangements established in the previous year concerning officers of the Company were renewed or continued during the year ended 30 September 2018.

An indemnity agreement has been entered into between TechnologyOne and each of the Directors of the Company named earlier in this report and with each full-time Executive officer and secretary of the Company. Under the agreement, the Company has indemnified those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. There is a limit of $25,000,000 for any one claim.

TechnologyOne paid an insurance premium in respect of a contract insuring each of the Directors of the Company named earlier in this report and each full-time Executive officer and secretary of the Company, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

Non-audit services

Non-audit services provided by the Company's auditor, Ernst & Young, in the current financial period and prior financial year included taxation advice. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the Company and its related practices:

	2018 $	2017 $
Ernst and Young:		
Taxation advice	107,515	134,550
Due diligence services Ernst and Young	-	-
Total remuneration	**107,515**	**134,550**

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 131.

On 15 August 2016 the Board approved the extension of the Lead Audit Partner rotation period from five years to seven years in accordance with section 324DAB of the Corporations Act 2001 and the Corporations Legislation Amendment (Audit Enhancement) Act 2012.

The reasons why the Board approved the extension included:

- Mr Tozer, the Lead Audit Partner, has a detailed understanding of the Group's business and strategies, its systems and controls. This knowledge is considered to be invaluable to the Board at this point in time.
- The existing independence and service metrics in place with EY and Mr Tozer, are sufficient to ensure that auditor independence would not be diminished in any way by such an extension
- Mr Tozer will continue to abide by the independence guidance provided in APES 110 'Code of Ethics for Professional Accountants' as issued by the Accounting Professional and Ethical Standards Board and EY's own independence requirements
- The threats of self-interest and familiarity have been mitigated as EY appointed a new Engagement Quality Review Partner
- The Board of Directors are of the view that Mr Tozer's continued involvement with the Group as the Lead Audit Partner will not in any way diminish the audit quality provided to the Group

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Environmental regulation

The Company has determined that no particular or significant environmental regulations apply to it.

Share options

Unissued shares

As at the date of this report, there were 5,480,083 unissued ordinary shares under options (4,199,817 at the reporting date). Refer to note 32 for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

Shares issued on the exercise of options

During the year, employees and Executives have exercised options to acquire 1,143,616 fully paid ordinary shares in Technology One Limited at a weighted average exercise price of $0.84. Refer to note 32 for further details of the options exercised during the year.

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

A. Di Marco

Adrian Di Marco
Brisbane
20 November 2018

Introduction from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of TechnologyOne's Remuneration Committee (the Committee), I am pleased to present to you our Remuneration Report for the year ended 30 September 2018. The intention of this report is to provide you with information around the linkage between our strategic initiatives, remuneration principles and remuneration framework to give transparency over how they drive shareholder returns. This year, we have invested significant time and effort to restructure our Remuneration Report to ensure that the information is presented in a manner which we believe is more concise and meaningful to our shareholders and interested stakeholders. As part of this process, we have carefully considered the feedback from our shareholders to our remuneration philosophy and structures. The Company continues to look for ways to improve its remuneration programs, based on shareholder feedback.

The primary objective of the Committee is to ensure that we align Key Management Personnel (KMP) financial rewards with shareholder interests and our business strategy, whilst ensuring that we attract and retain exceptional Executives, Directors and employees who are collectively responsible for delivering long-term profitable growth and substantial shareholder returns.

Following some key changes to our corporate structure, we have re-considered our classification of Executive KMP for the purposes of disclosure in our Remuneration Report. Further information regarding this change has been outlined in section 1.2 of this report. Notwithstanding this, there have been no significant changes to our remuneration policies for KMP in FY18, continuing to place emphasis on:

- A large at risk short-term incentive (STI) portion relative to our peers. The STI for each of our Executive KMP is based on a fixed percentage determined at the start of a contract for Net Profit Before Tax (NPBT), for the Company or relevant business unit. This aligns Executive KMP with our growth strategy and ensures that they share in the upside, as well any potential downside if results fall below expectations. A focus on driving growth in NPBT encourages the winning of new business, which in turn translates to overall long-term growth and shareholder wealth. Further details of the STI plan are set out in section 4.2 of this report.
- A long-term incentive (LTI) plan, in the form of Share Purchase Options, which is typically set at 33% of total remuneration at the start of a contract. This provides our Executive KMP with challenging mid and stretch targets over a three-year period. This is intended to secure long-term shareholder value. Further details of the LTI plan are set out in section 4.3 of this report.

This report shares with you the remuneration outcomes for the year, which the Committee and Board believes is commensurate with business performance. In summary:

- Total Executive KMP remuneration grew by 8%. This is below the company's 15% growth in profit
- STI outcomes across our Executive KMP were in line with target. This is consistent with our growth in NPBT of 15%.
- Our LTI plan resulted in 76% of 'at risk' Share Purchase Options vesting for our Executive KMP. The relatively low vesting percentage is the result of our challenging LTI targets which we believe assist in incentivising our KMP to drive superior performance and long-term shareholder wealth creation.

A recent review of our remuneration framework will likely result in the following proposed changes in FY19:

- LTI plan - We intend to implement a performance measure with respect to relative Total Shareholder Return (TSR) and EPS growth. This will ensure that our Executive KMP remuneration is determined based on the Company's performance relative to our peers. Existing contracts will continue to be honoured under the proposed plan.
- Remuneration review - Next year we will undertake a review of our Executive KMP's remuneration to ensure alignment with our peers. As part of this process, it is proposed that Executive KMP will be subject to a deferred STI component. The deferred component will be calculated as 25% of the STI earned in the year under review and will only be awarded at the conclusion of a two-year period, on the condition, that the Executive KMP remains employed with the Company for the entire deferral period. Introducing a deferred component to the STI is intended to ensure the Company retains high performing Executives under an incentive scheme which drives long-term shareholder wealth.
- Directors fee pool - Subject to shareholder approval, the fee pool for Non-executive Directors will be increased from $1,000,000 to $1,500,000 per annum (including applicable statutory superannuation guarantee contributions and committee fees). The current Non-executive Director fee pool has remained unchanged for the past three years and the proposed increase recognises the fact that two additional Independent Directors have been appointed to the Board in the past two years, with a further two expected to be added in the short to medium term. A further two Non-executive Directors will result in the current $1,000,000 cap being exceeded and is the primary reason for the proposed increase in fee pool to $1,500,000. It is important to note that the increase is purely to acknowledge the intended increase in Board size and will not result in a significant increase in Non-executive Director fees, which are only set to increase by CPI in FY19.
- The transition to a SaaS company coincides with the application of the new accounting standard (AASB 15 Revenue from Contracts with Customers), as a result the company will need to move forward carefully to ensure we maintain the Executive KMP on Target Earnings. This should neither advantage or disadvantage the Executives. The Committee will review our current policies, including performance measures, to ensure they remain reflective of our strategic initiatives and continue to drive shareholder wealth.

TechnologyOne remains focused on delivering its growth promises and we believe that our current remuneration structure, accompanied by the anticipated changes for FY19, positions us well to continue providing our shareholders with strong returns, both in the short and long-term, as well as ensuring alignment across our Executive KMP. We are committed to ongoing dialogue with our shareholders and we will always listen actively to their thoughts and share any feedback where appropriate.

We thank you for your loyalty and look forward to your continued support.

Kevin Blinco
Chairman, Remuneration Committee

Brisbane

20 November 2018

Remuneration Report (Audited)

The remuneration report contains the following sections.

1. About this report
2. Key questions
3. Executive remuneration at TechnologyOne
4. How remuneration is structured
5. Relationship between remuneration and company performance
6. Remuneration governance
7. Non-executive director fees
8. Statutory remuneration
9. Service Agreements for the Executive KMP
10. Additional statutory disclosures

1. About this report

1.1 Basis for preparation of FY18 remuneration report

The information in this report has been prepared based on the requirements of the Corporations Act 2001 and applicable accounting standards.

The Remuneration Report is designed to provide shareholders with a clear and detailed understanding of TechnologyOne's remuneration framework, and the link between our remuneration policies and Company performance.

The Remuneration Report details the remuneration framework for TechnologyOne's Key Management Personnel (KMP). For the purpose of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of TechnologyOne, directly or indirectly, including any Director (whether Executive or otherwise).

This report has been audited.

1.2 People covered by the remuneration Report

The Remuneration Report discloses the remuneration arrangements and outcomes for those individuals who we have determined to meet the definition of KMP under AASB 124 *Related Party Disclosures*. The below table summarises each KMP, their position and term as KMP.

Following some key changes to our corporate structure, we have re-considered our classification of Executive KMP for the purposes of disclosure in our Remuneration Report. The changes to our corporate structure are summarised as follows:

- Adrian Di Marco remains in his capacity as Executive Chairman having stood down from his role as joint Chief Executive Officer (CEO) and Executive Chairman on 23 May 2017
- Edward Chung, previously Chief Operating Officer (COO), was appointed to the new position of CEO on 23 May 2017

As a result of the separation of Executive Chairman and CEO a number of other operational changes were made to the roles and responsibilities of the senior leadership team.

FY18 is the first full financial year of these changes and we consider our Executive Chairman, CEO, COO and CFO as meeting the definition of Executive KMP. This is because we consider these people to be ultimately responsible for the key strategic and operating decisions of the business on a day to day basis. Accordingly, our Executive KMP now comprises these four individuals.

The table below shows all the personnel covered by the Remuneration Report.

Non-executive Directors		
Ron McLean	Deputy Board Chair Independent Director Audit and Risk Committee (to 22 May 2018)	Full year
John Mactaggart	Non-independent Director Nomination & Governance Committee; Remuneration Committee	Full year
Kevin Blinco	Independent Director Audit and Risk Committee Chair; Remuneration Committee Chair; Nomination Committee	Full year
Richard Anstey	Independent Director Nomination & Governance Committee Chair; Audit and Risk Committee; Remuneration Committee	Full year
Dr Jane Andrews	Independent Director Audit and Risk Committee; Remuneration Committee; Nomination & Governance Committee	Full year
Sharon Doyle	Independent Director Audit and Risk Committee (from 22 May 2018)	From 28 February 2018
Executive Director		
Adrian Di Marco	Board Chair Chief Innovation Officer	Full year
Executive KMP		
Edward Chung	Chief Executive Officer	Full year
Stuart MacDonald	Chief Operating Officer	Full year
Paul Jobbins	Operating Officer - Corporate Services and Chief Financial Officer	Appointed 30 October 2018
Former KMP		
Tony Ristevski	Operating Officer - Corporate Services and Chief Financial Officer	To 4 May 2018

2. Key questions

Key questions	TechnologyOne approach
Why does our remuneration framework have such a high weighting towards variable remuneration?	Our Executive remuneration framework complies with common practice for ASX200 companies but has been adapted to meet the demands of the enterprise software market. Relative to our ASX-listed peers, our Executives receive: • Relatively low fixed remuneration to enable a greater emphasis on performance • Relatively large at risk short-term incentive (STI) portion aligning Executives to current year performance • Long-term incentives (LTI) linked to long-term strategy, targets, and shareholder wealth creation The winning of new business, driving licence fee and continued profit growth in the current year is the key to our long-term success, and it is for this reason our STI as a percentage of the total remuneration is significantly higher than our ASX-listed peers (33% vs 15% for our ASX-listed peers). At the same time, the fixed remuneration for our Executives is comparatively low compared to our ASX-listed peers (33% vs 65% for our ASX-listed peers). The significant weighting towards the STI encourages our Executives to drive new business and financial performance in the current year, which creates Annual Recurring Revenue (ARR) for future years, and therefore long-term success and shareholder wealth. TechnologyOne Executives are already exposed to the long-term outcomes of the business through a larger long-term incentive (LTI) component than our ASX-listed peers (33% vs 20% for our peers). It is important to note that our LTI being 33% of our Executives remuneration is similar to the sum of STI and LTI of our ASX-listed peers (15% and 20%). The talent pool in Australia for Executives with large scale enterprise software companies is highly competitive. Therefore, it is important to ensure that our remuneration framework is appropriately structured for the enterprise software market. We believe that our remuneration structure offers the necessary flexibility and incentive to ensure that we attract and retain talented Executives who understand the industry and, in turn, drive shareholder value.
Why do we not disclose our LTI targets?	For 2018, the Committee, following market consultation, is of the opinion that the financial targets for the LTI measures are commercially sensitive and would therefore be detrimental to the Company to disclose these details at the beginning and during the performance period. Performance targets and assessment against those targets for the relevant Executive KMP will however be disclosed at the end of the relevant performance period, subject to determination by the Committee that commercial sensitivity no longer remains. It has been determined appropriate in the current year to disclose this information for those Executive KMP who have completed a performance period in FY18. This information has been presented in section 5.2 of this report. As in 2017, the 2018 LTI KPIs are reviewed annually and set by the Board. It is important to note, there is an overall three-year testing window before the options can vest, the KPIs are primarily yearly based measures to ensure a consistent year-on-year growth.
Why are profit based measures a focus in both our STI and LTI plans?	Typically, there is a blended approach of LTI performance targets, incentivising our Executives to work for the strategic initiatives of the Company, as well as driving the performance of their individual business unit (where appropriate). The Board equally has a strong focus on sustainable profit growth. Thus, each Executive will have as a minimum 50% of their LTI value aligned to profit growth as a measure. The Board acknowledges that this target is also the primary target for STI, however the rationale is that the growth of licence fee translates into long-term ARR growth. **In FY19 two new LTI measures will be introduced to replace NPBT growth, they are EPS growth and relative TSR growth.** The LTI targets other than NPAT growth, as referred to in section 4.3, are aligned to ensuring that the licence income is supported by focus on customer satisfaction and customer retention to encourage further licence sales.
Is our STI plan sufficiently challenging with only one performance measure?	The winning of new business, driving licence fee and continued profit growth is the key to our long-term success. Having Executives focus solely on NPBT ensures there is clear line of sight for Executives and transparency for shareholders as to how STI awards are determined. The simplification of our software also reduces the cost of implementations which in turn increases our consulting margins, thereby increasing our NPBT and enhancing our competitive advantage. Therefore, we consider the use of NPBT as the sole measure within our STI to be appropriate.

3. Executive Remuneration Framework

3.1 Our remuneration strategy and principles

At TechnologyOne, our remuneration strategy is aligned with our vision of "transforming business, making life simple". The Board believes that in order to deliver on our vision and build long-term shareholder growth, TechnologyOne must have a remuneration framework that allows it to compete for talent both locally and globally in a highly competitive and fast-moving environment and against companies such as Oracle and SAP, as well as other Australian software companies.

The remuneration principles that underpin our remuneration strategy and framework are:

- Attract, retain and motivate skilled Directors and Executives in leadership positions
- Provide remuneration which is appropriate and competitive both internally and against comparable companies (our peers)
- Align Executives' financial rewards with shareholder interests and our business strategy
- Achieve outstanding shareholder wealth creation
- Articulate clearly to Executives the direct link between individual and group performance, and individual financial reward
- Reward superior performance, while managing risks
- Provide flexibility to meet changing needs and emerging competitive market practices
- Commitment to diversity, reflecting a fair and equitable remuneration framework

3.2 Overview of remuneration framework

The remuneration arrangements of our Executives are made up of both fixed and at-risk remuneration (STI and LTI), as follows:

	Fixed remuneration	Short term incentive (STI)	Long term incentive (LTI)
Nature	Base salary plus superannuation.	Paid in cash monthly with 20% retention until accounts are audited and finalised. Retention amount paid in cash 3 months after year end.	Options subject to meeting performance targets tested over three years.
Purpose	To provide a competitive salary based on market benchmarking from the Remuneration Committee.	Drives outstanding performance in the short-term which in turn translates to long-term shareholder wealth.	Creates a strong focus on long-term performance, with a strong alignment to long-term shareholder wealth creation.
Performance targets	N/A	Percentage of agreed Net Profit Before Tax (NPBT) for the Group; or percentage of NPBT for the relevant business segment for the Executive.	Blended approach of performance targets, including: - Net Profit After Tax (NPAT) growth - Licence fee growth - Sales operating expense growth - R&D expense growth.
Remuneration mix at start of contract date and over time	Typically, 33% of total remuneration at start of contract, decreasing over time due to relative increase in STI. It is noted that the fixed remuneration base is relatively low in comparison to our peers due to proportionately larger STI and LTI components. This aligns with our focus to drive shareholder wealth. This typically increases by CPI each year consistent with increases provided across the company, but decreases as a percentage of total remuneration based on larger relative increases in STI component.	Typically, 33% of total remuneration at start of contract. This typically increases over time in line with increases in Company (or business segment) profitability.	Typically, 33% of total remuneration at start of contract, decreasing over time due to relative increase in STI. LTI typically decreases as a percentage of total remuneration based on larger relative increases in STI component. This typically increases by CPI each year. Three years.
Performance period	N/A	Annual.	Three years.

Target remuneration mix at the beginning of the contract for the CEO (Table 1), and other Executive KMP (Table 3) is represented below. Over time, the remuneration mix is expected to change due to a larger increase in STI relative to other remuneration components. The below represents the contracted remuneration mix for the CEO (Table 2) and demonstrates how remuneration mix has changed over time.

Table 1. Target CEO remuneration mix (start of contract target)

Table 2. Target CEO remuneration mix - FY18 actual

The below details how other Executive KMP in FY18 (excluding Executive Chairman) and demonstrates how remuneration mix changes over time (Table 4).0

Table 3. Target Executive KMP remuneration mix (start of contract target)

Table 4. Executive KMP remuneration mix - FY18 actual

We have reported separately the remuneration mix for our Executive Chairman (Table 5). The Chairman was offered an LTI of $400,000 which he declined as he has in previous years. The Remuneration Committee recognises that Mr Di Marco's total remuneration is substantially below that of comparable companies. The Remuneration Committee acknowledges that Mr Di Marco existing 10+% shareholding in TechnologyOne provides the benefits that the LTI aims to achieve.

Table 5. Target Executive Chairman remuneration mix

Table 6. Executive Chairman remuneration mix - FY18 actual

4. How Executive remuneration is structured

4.1 Fixed remuneration

Key attributes of the fixed remuneration component include:

- The Board determines an appropriate level of fixed remuneration for Executives with recommendations based on market benchmarking from the Remuneration Committee at the start of their contract. In performing the benchmarking exercise, the Remuneration Committee considers Executive fixed remuneration of relevant peers (e.g. Oracle, SAP and other Australian software companies) in conjunction with TechnologyOne's remuneration policy.
- Fixed remuneration is made up of base remuneration and superannuation. Fixed remuneration includes cash salary and any salary sacrifice items.
- The Executives fixed remuneration is reviewed annually, following the end of the performance period (30 September). For the 2018 financial year, the average fixed remuneration increases for the Executive Chairman and Executives was 1%.

4.2 Short-term incentive

TechnologyOne is a growth company, with strong compound growth over many years (approximately 11% per annum profit growth over the last 10 years). Our strong long-term performance is directly linked to the success of our STI framework.

Approximately 60% of our revenues each year are recurring revenue, which directly flow from contract wins in prior years.

Continuing to win new business, driving licence fee and profit growth in the current year is the key to our long-term success, and it is for this reason our STI as a percentage of the total remuneration is significantly higher than our ASX-listed peers (33% vs 15%). While at the same time the fixed remuneration for our Executives is comparatively low compared to our ASX-listed peers (33% vs 65%). The significant weighting towards the STI, with the low fixed remuneration, encourages our Executives to drive new business and financial performance in the current year, which creates recurring revenue for future years, and therefore long-term success and shareholder wealth.

Our STI differs from that of many other ASX200 companies because strong short-term performance creates a strong recurring revenue base in the long-term, driving outstanding performance and shareholder wealth. In simple terms, the STI is structured to drive short-term performance, which in turn creates a strong long-term recurring revenue base. In the long-term, this creates continuing financial success and substantial shareholder wealth for TechnologyOne.

Feature	Description
Opportunity	The value of the STI is based on a percentage of Net Profit Before Tax (NPBT) for the Group or percentage of NPBT for the relevant business segment for the Executive. The percentage of target NPBT is determined at the outset of the contract and remains fixed for the contract period for each Executive KMP. As the STI awarded is a percentage of NPBT, it is uncapped to encourage over-achievement and drive performance in the current year and the creation of long-term shareholder wealth. Given the expected growth in NPBT over time, the STI component of total remuneration typically grows in greater proportion to the fixed and LTI components which typically only increase by CPI on an annual basis. An illustrative example of how this works over time in practice has been presented below this table. The STI is uncapped to encourage over-achievement, driving performance in current year and long-term shareholder wealth. There is no floor on the STI, aligning Executives with shareholder expectations.
Award vehicle	Cash
Performance measures	The STI target is based on NPBT for the Group or NPBT for the relevant business segment for the Executive. This effectively aligns the target incentive with shareholder return. TechnologyOne's use of STIs differs from most other organisations in that it utilises only one performance measure (percentage of NPBT) in determining STI awards. This is to create focus and clarity for Executives whilst also providing transparency for shareholders as to how STI awards are determined. The Board and Remuneration Committee continue to monitor STI performance measures so as to ensure that they best align with the Company's commitment to providing shareholder wealth.
Timing	Because the fixed remuneration of an Executive is very low compared to our ASX-listed peers (33% vs 65%), to assist the Executives in meeting their short-term financial obligations, the STI is calculated and paid monthly with up to 20% retention. Up to 20% retention of their STI is paid three months after TechnologyOne's year end to ensure that the STI paid are based on audited and finalised accounts. In the unlikely event that business outcomes differ materially to what was expected, the Company can claw back any STI.
STI deferral	TechnologyOne does not defer the STI longer than three months after year-end because: Executives have low fixed remuneration relative to their ASX-listed peers and so payment of STI in a fair and reasonable time frame is important. TechnologyOne packages are structured so that our Executives fixed remuneration and 70% of their STI target is the equivalent of our competitors fixed remuneration. TechnologyOne carries minimal risk associated with revenue. TechnologyOne Executives are already exposed to the long-term outcomes of the business through a larger long-term incentive (LTI) component than our ASX-listed peers (33% vs 20% for our peers). It is important to note that our LTI being 33% of our Executives remuneration is similar to the STI and LTI of our ASX-listed peers (15% and 20%). **As disclosed in our Chair's letter, we intend to introduce a two year STI deferral of 25% in the FY19 year,** 25% of the STI earned, will only be awarded at the conclusion of the two year period, on the condition that the Executive KMP remains employed with the Company for the entire deferral period.
STI cap	An important element of the success of our STI has been that it is uncapped so the greater the results in the current financial year, the greater the STI. This not only encourages over performance in the current financial year, it has a dramatic flow on effect in future years through the greater recurring revenues for the Company. The uncapped STI also helps retain Executives over the long-term because the more they succeed, the more financial incentive there is to stay with us as they become dependent on the STI and continue to work hard to achieve it each year, and the greater benefit to our shareholders through an ever-increasing recurring revenue base. Likewise, if an Executive under performs in a year, there is a significant financial impact to them as their STI forms a significant portion of their total remuneration. Just as the STI is uncapped on the upside, it is uncapped on the downside. Because the Executive's fixed remuneration is significantly lower than our ASX-listed peers, if there is under performance this has a significant negative impact on their total remuneration. The STI framework aligns performance with remuneration outcomes encouraging over performance and penalising under performance.
Bonus guarantees	There are no bonus guarantees in place.
Clawback	The ability to clawback STIs exist in the unlikely event that business outcomes differ materially from expected.
Termination	On termination, the Executive foregoes any further STI payments which would have otherwise been available for the remainder of the financial year under their STI plan.

TechnologyOne Executives have an STI set at the start of their contract which is typically approximately 33% of their total targeted remuneration compared to only 15% for our ASX-listed peers. Over future years with strong continuing performance by the Executive, the STI increases to approximately 50% of their targeted remuneration compared to 15% for our ASX-listed peers.

The best way to consider the mechanics of the TechnologyOne salary packaging arrangements is by way of the following example. Consider a candidate who can command a remuneration package of $900,000 in the open market. The TechnologyOne method is as follows:

- Fixed remuneration package of approximately $300,000 or 33% of the package with minimal future adjustments, akin to CPI, in future years
- The LTI is typically 33% of the package
- The STI target typically commences at 75% to 100% of fixed remuneration value established during contract negotiations. Our expectation is at the start of an Executive's contract, the STI will be similar to their fixed remuneration. In this example, $300,000 is used as the initial STI target. If we assume that NPBT of the Group is to be used and the forecast NPBT is $40m (a 15% increase on the prior year) then contract STI will be $300,000/$40m, or 0.75% of profit.

To explain the growth in STI over time compared to the fixed remuneration, consider the following using the above example over a three year period with:

- Profit increasing by 12% p.a.
- CPI as 1%
- STI target of 15% NPBT

Year	Fixed	Profit target ($m)	Actual profit ($m)	STI %	STI target (STI % x profit target) ($)	Actual STI (STI % x actual profit) ($)	LTI (assuming $300,000 each year)[1] ($)	Total ($)
1	300,000	40.00	38.96	0.75%	300,000	292,200	70,000	**662,200**
2	303,000	44.80	43.63	0.75%	336,000	327,225	140,000	**770,225**
3	306,030	50.18	48.87	0.75%	376,350	366,525	210,000	**882,555**
	35%					**42%**	**24%**	**100%**

[1] LTI is explained further in section 4.3. This number is provided for illustrative purposes only. The LTI of $70,000 is based on the KPI or NPAT growth > 10% with 50% of LTI earned and 100% earned if growth > 15%. Growth between 10% and 15% will be calculated on a linear basis. As the example has NPAT growth of 12%, this equates to 70% of the LTI being earned (i.e.70% of $100,000).

4.3 Long-term incentives (LTI)

TechnologyOne Executives are eligible to participate in an LTI plan. The LTI plan is designed to provide participants with the incentive to deliver substantial consistent growth in shareholder value:

Feature	Description
Opportunity	The value of the total number of LTIs issued each year (called a grant) to an Executive is typically set at 75% to 100% of fixed remuneration and is determined during contract negotiation when an Executive is hired but will ultimately depend on negotiations and the overall package components negotiated. The LTI component of remuneration increases by approximately CPI each year, in line with the increase in fixed remuneration.
Award vehicle	Each LTI entitles the Executive to receive the right to purchase one TechnologyOne share in the future at the agreed strike price, subject to meeting specified performance targets.
Performance period	Performance is measured over a three-year performance period with individual and Company targets assessed annually or at the conclusion of the three-year performance period. The performance period commences at grant date and extends for three years to give a vesting date. This may be less where an Executive commences part way through a financial year. The number of options in the grant are split into tranches based on the weighting of each performance measure. For performance measures with a three-year target, the relevant tranche vests at the end of the three-year period in accordance with the vesting schedule provided below. For performance measures met with an annual target, 1/3 of the relevant tranche is assessed in accordance with below vesting schedule, however will not vest until the end of the overall three-year performance period.

Feature	Description
Performance measures	The performance measures for LTI grants made in FY18 are presented below. Note that specific performance targets are not disclosed as they are commercially sensitive and provide our competitors with insights into the key areas of focus for our business. However, the performance targets set are such that they are all considered to be 'hard targets' that, if met, will drive significant shareholder wealth creation.

LTI feature			Executive KMP and LTI weighting[5]	
Performance targets[1,2]	**Performance period**	**Testing**	**Edward Chung**	**Stuart MacDonald**
NPAT growth	3 years	Annual[3]	50%	50%
Licence fee growth – APAC	3 years	Annual[3]		30%
Sales operating expense growth - APAC	3 years	3 years[4]		10%
Customer Retention by ASM Value - APAC	3 years	Annual[3]		10%
Customer Retention by ASM Value	3 years	Annual[3]	17%	
Operating Cash Flow / NPAT	3 years	Annual[3]	16%	
Company profit before tax margin growth	3 years	3 years[4]	17%	
FY19 (new performance targets)				
EPS growth	3 years	Annual[3]		
TSR growth	3 years	3 years[4]		

[1] Performance targets exclude acquisitions.

[2] These performance targets do not have a minimum target. The performance target has to be achieved for the Executive to meet their LTI target.

[3] The Company has chosen annual testing in circumstances, where long-term consistent year-on-year growth will drive greater shareholder returns. The performance targets are assessed on an annual basis with no LTIs vesting until the end of the three-year performance period. This ensures that the annually tested KPIs generate value for shareholders over time.

[4] The Company has chosen a three-year testing period where the average over a three-year performance period is used.

[5] Represented in this table are those current Executive KMP who are subject to LTI targets.

Under the current LTI plan, it is acknowledged that the profit growth target, which makes up 50% of each Executive's LTI measure, is also the primary target for STI. The rationale for including the measure for both STI and LTI assessment is that the growth of licence fee in the short-term translates into long-term ARR growth. We further note that even though this LTI performance measure is tested annually over a three-year period, if targets are achieved the options will only vest and become available for exercise at the conclusion of that three-year performance period (subject to any Board discretion which may be applied, as noted below).

As disclosed in the Chair's letter, we intend to introduce EPS growth and relative TSR performance measures in the FY19 LTI plan. Existing contracts will continue to be honoured under the proposed plan. It is proposed that the introduction of these two new performance measures will replace the NPAT growth performance measure, which currently comprises 50% of the LTI allocation for both existing Executive KMP subject to LTI targets. It is intended that the relative TSR and EPS growth targets will each have an allocation of 25% of the total LTI weighting. This is planned to improve on the existing NPAT growth performance target through ensuring that a significant portion of our Executive KMP LTI is determined based on the Company's performance relative to our peers. Our peer group has not yet been finalised but will nonetheless be determined based on companies which we believe to be directly comparable to TechnologyOne (i.e. comparable SaaS companies). Our peer group will be included as part of our LTI disclosures from FY19 onwards.

Vesting schedule

For each performance target there will be a mid and stretch hurdle (for the performance period) based on the Executive's area of responsibility: Mid hurdles have been calculated so that if they are achieved, this will create substantial shareholder wealth

Performance achieved	Level of vesting
Meets the stretch hurdle	**100% vesting**
Between stretch and mid hurdle	**vest linearly**
Meets mid hurdle[1]	**50%**
Less than the mid hurdle	**0%**

The number of options that vest at the end of the relevant performance period is determined as follows:

- Number of LTIs earned per three-year performance target = Number of LTIs available for that target x percentage earned x individual performance factor[2]
- Number of LTIs earned per yearly performance target = 1/3 x number of LTIs available for that target x percentage earned x individual performance factor[2]

[1] Note that the R&D expense growth target and customer retention by ASM target do not have mid hurdles attached.

[2] The individual performance factor is typically 100%. The Board however has the discretion in exceptional circumstances to increase the individual performance factor above 100% to a maximum of 200% to take into consideration exceptional performance or contribution by an Executive.

Feature	Description
Allocation methodology	The LTI is allocated based on the cost of the option which is accounted under AASB 2 Share Based Payments using the Black-Scholes model with a strike price being the volume weighted average price (VWAP) over the 10 days prior to the grant date with no discount.

Feature	Description
Board discretion	The Board also retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event. Board discretion has not been applied to any Executive KMP threshold performance targets.
Change of control	The Board has discretion to determine the extent to which LTIs vest based on the period elapsed and performance at the time of any change of control event.
Cessation of employment	Awards lapse unless the Board determines otherwise, in which case it considers performance of the individual over the relevant period up to the date of cessation of employment.
Expiry	At the end of the applicable performance period, any LTIs that have vested will expire 5 years after vesting.
Re-testing	We do not revise or re-test our LTIs over the relevant performance period.
Clawback	Yes available
Option re-pricing	No options have been re-priced.
Margin loans	Directors and Executives are not permitted to use TechnologyOne securities as security for margin loans.
Bonus guarantees	There are no bonus guarantees in place.
One-off grants	No one-off grants were made to Executive KMP which were not in line with their remuneration agreement.

Scenario – comparison of annual testing versus three testing for the NPAT growth target:

To further explain the rationale for a number of our LTI measures being tested annually (as opposed to over three years), we have provided the below illustrative example which compares the following scenarios:

- LTI measure for NPAT growth – average annualised NPAT growth stretch target of 15% over three years and average annualised NPAT growth mid hurdle of 10% over three years
- Total agreed LTI value of $300,000. Under the LTI plan rules, the 10 working day Volume Weighted Average Price (VWAP) is $5 per option. Under the Black Scholes model, the value of each option is $1.00. Individual performance factor of 100%.
- Based on the above, the Executive will be allocated 300,000 options for potential vesting at the end of year 3

Note, in the example below, the profit growth achieved, is the same under each scenario.

Example

	Annual testing				Three year testing		
Year	**Profit growth**	**Options available**	**Options earned**	**Commentary**	**Options available**	**Options earned**	**Commentary**
1	12%	100,000	70,000	(50,000) + (2/5 X 50,000)	-	-	
2	9%	100,000	-	Below the mid target	-	-	
3	20%	100,000	100,000	Exceeds the stretch target	-	-	
		300,000	**170,000**		**300,000**	**267,796**	Achieved 89% of 3 year stretch target

The above illustrates how evaluating our Executive KMP each year of a three year performance period (as opposed to assessing only at the conclusion of the period) helps ensure they are incentivised to drive consistent year-on-year performance and growth, therefore driving stronger shareholder returns over the long-term. It demonstrates how under performance in one year is reflected in an Executive's overall LTI award with annual testing. As is evident from the above, this may not be the case under a plan which has a three year testing period. It is also noted that as the LTIs which vest are in the form of options, share price has to appreciate over the three year period for vesting options to be of any benefit to our Executive KMP. This further aligns our current plan with long-term shareholder wealth.

5. Relationship between remuneration and company performance

TechnologyOne performance in FY18 was strong, with NPAT increasing by 15% on prior year.

Executives' remuneration, excluding LTI and termination benefits, increased at a rate below NPAT, which is the Remuneration Committee's goal.

5.1 TechnologyOne's five-year performance

The below table sets out information showing the creation of shareholder wealth for the years ended 30 September 2014 to 30 September 2018.

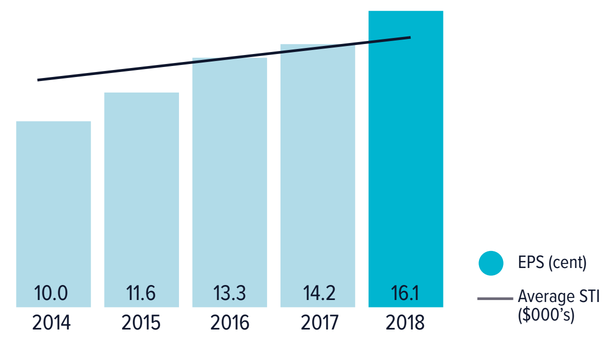
	2014	2015	2016	2017	2018
Actual profit before tax ($'000)	40,235	46,494	53,240	58,019	66,528
Total dividend including special (cps)	8.16	8.78	9.45	10.20	11.02
Earnings per share (basic)	10.06	11.58	13.26	14.18	16.14
Share price at start of period	2.05	3.18	3.84	5.94	5.02
Share price at end of period	3.18	3.84	5.94	5.02	5.58
Total shareholder return	59%	24%	57%	(14%)	13%
Profit after tax growth %	15%	16%	16%	8%	**15%**
Average Executives growth1 %	7%	15%	15%	(6%)	**8%**

[1]This is the average annual full time package excluding any termination payments.

As can be seen from this information, the Executives' remuneration framework has successfully driven performance and the creation of shareholder wealth over the longer term, while at the same time Executives' remuneration has been clearly in alignment with overall company performance.

As can be seen from the table above, the Executives' remuneration framework has successfully driven performance and the creation of shareholder wealth over the longer term, while at the same time Executives' remuneration has clearly been in alignment with overall Company performance.

EPS v Average STI



The graphs below set out information regarding TechnologyOne's performance, earnings and movement in shareholder wealth over the past five financial years up to and including FY18.

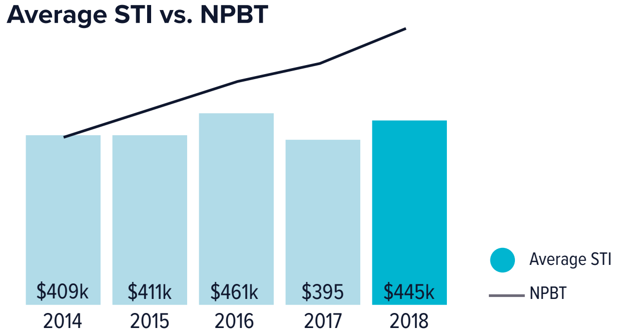
The first graph below shows EPS growth over the last five years, whilst the other graphs show that average Executives' STI and average Executive Remuneration have grown at a slower rate than the Company's NPBT growth rate.

EPS has grown at 10% compared to 4% for the averaged Executive STI growth over last 5 years.

Our STI structure is driving performance in both the current year and long-term shareholder wealth.

The second graph below shows our average Executives' STI has grown by 4% below the Company's NPBT profit growth of 11% over the last 5 years. Company profit is growing almost three times faster than our Executives STI over the last 5 years

Average STI vs. NPBT

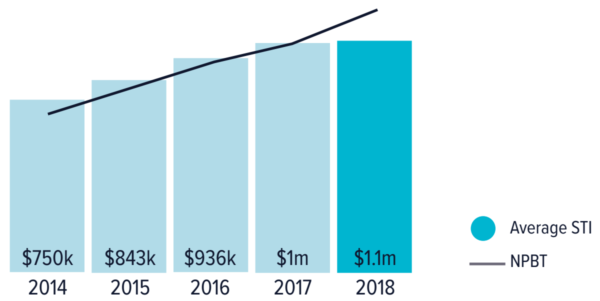


Average STI has grown by 4% which is at a much slower rate than the 11% growth in NPBT over the last 5 years

Our STI structure is working as it drives short-term performance, which in turn creates a strong long-term recurring revenue base. In the long-term, this creates continuing financial success and substantial shareholder wealth for TechnologyOne.

The third graph shows that the average Executives' remuneration has been growing at less than the Company's NPBT profit growth over the last 5 years.

Average remuneration vs. NPBT



Average total Executive remuneration has grown by 8% which is at a much slower rate than 11% growth in NPBT over the last 5 years.

In summary, profit and EPS have grown faster than our Executives' remuneration.

5.2 Outcome of equity plans

2018

Name	Number of options granted during the period	Value of options at grant date	Number of options issued during the period	Number of options still to be issued	Number of options vested during the period	Number of options (forfeited) during the period	Value at lapse date
A Di Marco	-	-	-	-	-	-	-
E Chung	261,207	$179,657	-	-	167,000	(12,105)	11,316
S MacDonald	371,833	$255,746	-	-	241,700	(43,475)	29,983
T Ristevski	295,106	$202,973	-	-	-	(295,106)	202,973

Refer to sections 8.2 and 8.4 for additional information on the outcome of equity plans.

During the year, only one Executive KMP, Stuart MacDonald, completed a 3 year performance period, therefore coming eligible to exercise options which have vested over that period. A summary of the targets set, performance against each target and options which have vested and are available to be exercised has been set out below:

	Target measure[1]	Testing	Target met	Number of LTIs available for target	Percentage earned[5]	Individual performance factor	LTIs vested and available for exercise
NPAT growth	>15%[2]	Annual	Partial	95,169	76%	1.00	72,510
Licence fee growth (APAC)	>15%[3]	Annual	Partial	158,616	67%	1.00	105,744
Sales operating expense growth	<10%[4]	Annual	Full	63,446	100%	1.00	63,446

[1] Represents target measures for FY16 grant. The target measures disclosed in section 4.3 of this report reflect measures applicable to the FY17 and FY18 grants.

[2] Represents stretch target at which 100% of options vest. Mid hurdle target, at which 50% of options vest linearly up to the stretch target, was between 8% and 15% growth.

[3] Represents stretch target at which 100% of options vest. Mid hurdle target, at which 50% of options vest linearly up to the stretch target, was between 10% and 15% growth.

[4] Represents stretch target at which 100% of options vest. Mid hurdle target, at which 50% of options vest linearly up to the stretch target, was between 10% and 11% growth.

[5] Percentages earned are rounded to the nearest percent.

6. Remuneration governance

The Remuneration Committee is responsible for developing the remuneration framework for TechnologyOne Executives and making recommendations related to remuneration to the Board. The Committee develops the remuneration philosophy and policies for Board approval.

The responsibilities of the Committee are outlined in their Charter, which is reviewed annually by the Board.

The key responsibilities of the Committee include:

- Advising the Board on TechnologyOne's policy for Executive and Director remuneration
- Making recommendations to the Board on the remuneration arrangements for Executives and Directors to ensure they are aligned with TechnologyOne's vision and are set competitively to the market
- Approving KMP terms of employment

In making recommendations to the Board, the Committee reviews the appropriateness of the nature and amount of remuneration to Executives and NEDs on an annual basis.

In carrying out its duties, the Committee can engage external advisors who are independent of management. No external advisors have been engaged in FY18.

7. Non-executive Director fees

The total amount of Directors' fees is capped at a maximum pool that is approved by shareholders. The current fee pool is $1,000,000, which was approved by shareholders at the Annual General Meeting on 17 February 2016. As noted the Chair's letter at the front of this report, we propose an increase to our Directors' fee pool to $1,500,000 in FY19. This is purely to acknowledge the additional two Directors added to the Board since the last review, and our intention to add a further two Directors over the short to medium term.

Non-executive Directors receive fees to recognise their contribution to the work of the Board and the associated committees that they serve. Non-executive Directors do not receive any performance-related remuneration.

The Committee has the responsibility for determining the appropriate remuneration for Non-executive Directors. Every third year the Committee reviews and compares the Non-executive Director fees to market. In FY17, as part of the process of adding a

Non-executive Director to the Board, we engaged an independent third party to review our Directors' fees and benchmark them against our peers to ensure we can continue to attract and retain quality Directors.

Based on the outcome of the review in FY17, the Committee agreed that the Directors' fees be set at the 75th percentile of ASX 101 – ASX 200 companies with CPI increases until the next review. Director fees are set at the 75th percentile of the ASX101-200 to ensure TechnologyOne attracts and retains Directors of high calibre with the skills, qualifications and experience to oversee our business strategy and strategic direction. This resulted in an increase in fees to $127,000 in FY17, including statutory superannuation contributions. Directors' fees have increased by CPI of 1% in FY18 which aligns with Board policy. No additional fees are paid in respect of committee attendance.

8. Statutory Remuneration

Total remuneration for Executives increased by 8% from FY17 below our company profit growth of 15%. Directors' fees increased by 1% per Director on an annualised basis, in line with the agreed board policy. Mr Chung and Mr MacDonald were promoted to CEO and COO on 23 May 2017. The 2018 remuneration below represents the first full year in their new roles. Please refer to section 8.1 for a detailed explanation.

Refer to detail provided below:

Name		Fixed remuneration $	Directors' fees $	Superannuation $	Total fixed remu-neration $	Short-term Incentive $	Termination benefits $	Value of share options $	Value of performance rights $	Total $	% growth on prior year excl LTI $	% growth on prior year incl LTI $
Non-executive Directors												
R McLean (Non-executive Director	**2018**	-	117,142	11,128	128,270	-	-	-	-	128,270	1%	1%
	2017	-	115,982	11,018	127,000	-	-	-	-	127,000		
J Mactaggart (Non-executive Director)	**2018**	-	117,142	11,128	128,270	-	-	-	-	128,270	1%	1%
	2017	-	115,982	11,018	127,000	-	-	-	-	127,000		
K Blinco (Non-executive Director)	**2018**	-	117,142	11,128	128,270	-	-	-	-	128,270	1%	1%
	2017	-	115,982	11,018	127,000	-	-	-	-	127,000		
R Anstey (Non-executive Director)	**2018**	-	117,142	11,128	128,270	-	-	-	-	128,270	1%	1%
	2017	-	115,982	11,018	127,000	-	-	-	-	127,000		
Dr J Andrews (Non-executive Director	**2018**	-	117,142	11,128	128,270	-	-	-	-	128,270	1%	1%
	2017	-	115,982	11,018	127,000	-	-	-	-	127,000		
S Doyle (Non-executive Director)	**2018**	-	68,333	6,492	74,824	-	-	-	-	74,824	N/A	N/A
	2017	-	-	-	-	-	-	-	-	-		
Executives												
A Di Marco (Executive Chairman)[1]	**2018**	360,797	117,142	19,616	497,555	848,150	-	-	-	1,345,705	9%	9%
	2017	358,574	115,982	18,073	492,629	740,547		-		1,233,176		
E Chung (Chief Executive Officer)[2]	**2018**	502,949	-	19,616	522,565	537,114	-	336,925	-	1,396,604	24%	22%
	2017	367,567	-	12,841	380,408	471,105	-	295,932	-	1,147,445		
S MacDonald (Chief Operating Officer)[3]	**2018**	418,522	-	19,616	438,138	367,028	-	204,735	-	1,009,901	12%	33%
	2017	381,255	-	17,989	399,244	322,653		38,478	-	760,375		
T Ristevski (Operating Officer – Corporate Services)[4]	**2018**	199,849	-	19,616	219,465	25,797	-	(15,478)	-	229,784	(57%)	(61%)
	2017	256,923	-	15,121	272,044	303,982		15,478	-	591,504		
Total Executives	**2018**	1,482,117	117,142	78,464	1,677,723	1,778,089	-	526,182	-	3,981,994	2%	7%
	2017	1,364,319	115,982	64,024	1,544,325	1,838,287	-	349,888	-	3,732,500		
Total KMP	**2018**	1,482,117	771,185	140,596	2,393,897	1,778,089	-	526,182	-	4,698,168	4%	8%
	2017	1,364,319	695,892	119,114	2,179,325	1,838,287	-	349,888	-	4,367,500		

[1] Mr Di Marco was offered an LTI of $400K which he declined in the 2017/2018 year, as he has in previous years. The Remuneration Committee acknowledges that Mr Di Marco's existing 10+% shareholding in TechnologyOne provides the benefits that the LTI aims to achieve. Mr Di Marco's STI is calculated as 1.26% of Group NPBT.

Mr Di Marco's remuneration grew by 9% on the prior year, this was due to his fixed remuneration being up 1% and his STI up 15% inline with company profit.

[2] Mr Chung's increase in remuneration reflects a full year in his position as Chief Executive Officer (commenced 23 May 2017). Mr Chung's STI is calculated as 0.78% of Group NPBT.

Mr Chung's remuneration grew by 33% on the prior year, Mr Chung's fixed remuneration was up 37% reflecting his promotion to CEO, the comparative year had 4 months of his revised base, Mr Chung's STI is up 16%, of which 15% was as a result of the increase in group NPBT and 1% due to the 4 months of additional STI earned as a result of his promotion (it is important to note Mr Chung's growth in annualised FY18 STI was 15% inline with company profit growth), Mr Chung's LTI increased by 18% as a result of achieving 100% of his LTI targets in FY18 compared to the 33% achievement in 2017.

[3] Mr MacDonald changed position to Chief Operating Officer on 23 May 2017. His increase in remuneration reflects a full year in his position as Chief Operating Officer. Mr Macdonald's STI is calculated as 0.533% of NPBT.

Mr MacDonald's remuneration grew by 22% on the prior year. Mr Macdonald's fixed remuneration is up 10% reflecting his promotion to COO, the comparative year had 4 months of his revised base, Mr MacDonald's STI is up 16%, with 15% as a result of an increase in group NPBT and 1% due to the 4 months of additional STI earned as a result of his promotion (it is important to note Mr MacDonald's growth in annualised FY18 STI was 15% inline with company profit growth), Mr MacDonald's LTI increased by +100% as a result of achieving 100% of his LTI targets in FY18 compared to the 33% achievement in 2017.

[4] Mr Ristevski left the Company effective 4 May 2018. Mr Ristevski's STI was calculated as 0.499% of YTD Group NPBT.

[5] Due to the changes outlined in section 1.2 of this report, the composition of KMP has changed in FY17. The FY18 comparatives represent the FY17 remuneration of the FY18 KMP. Total KMP totals included in the FY17 report under the old composition was as follows: Fixed remuneration - $1,906,497; Directors' fees - $762,000; Superannuation: $70,246; Termination benefits - $nil; Value of performance rights offered - $546,801 (total FY17 KMP remuneration of $5,565,844).

8.1 Detail of Executive remuneration and performance for FY18

The remuneration package for Executives, including the Executive Chairman, for FY18 comprises the amounts outlined in the following tables. Employment contract terms presented for the CEO and other Executives do not have a fixed duration period (i.e. they are ongoing rolling contracts that cease following notice of termination by either employee or employer).

There is no maximum or minimum STI for Executives as the Company wants to ensure a strong focus on performance in the current year (refer to section 4.2).

With respect to measurement of the STI, the key measures in which the FY18 STI are applied against are:

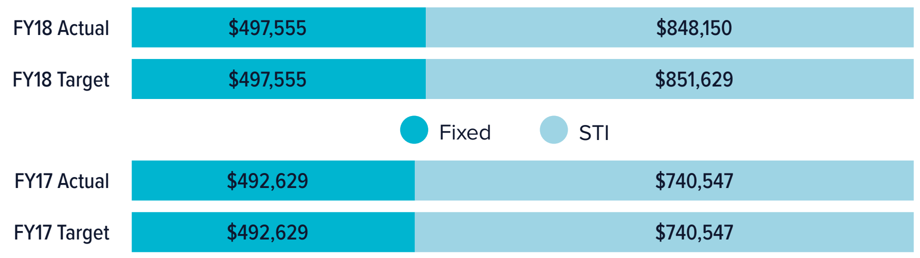
- Target Executive NPBT was set at $68,228,363 (calculated based on company NPBT before the Executive STI is calculated) was up 15% on prior year in line with company profit growth
- Target Group NPBT is $76,020,199 (calculated after we have calculated the Executives' STI. Once calculated it is used to calculate the Executive Chairman's STI) was up 15% on prior year in line with company profit growth.

The annualised uplift in STI for the Executive KMP was consistent with the increase in overall Company NPBT.

Adrian Di Marco

Position	**Executive Chairman**

Remuneration mix

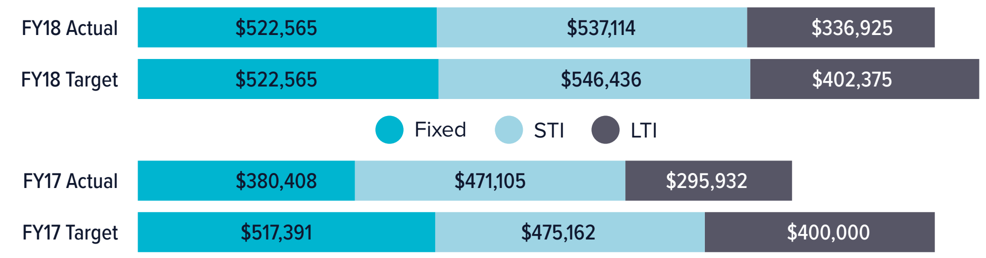


Fixed remuneration	2018 $	2017 $	Notes
Base salary	360,497	358,574	Increase in Base of 1% in line with CPI
Directors' fees	117,142	115,982	Increase in Base of 1% in line with CPI
Superannuation	19,616	18,073	Compulsory superannuation guarantee contributions up to the maximum contribution base.
Total fixed remuneration	**497,555**	**492,629**	**Increase in Fixed remuneration of 1% in line with CPI**
Performance based remuneration			
STI	848,150	740,547	Growth in STI is consistent with growth in NPBT, the primary measure of STI. Mr Di Marco's STI is calculated as 1.26% of Group NPBT.
LTI new scheme	Nil	Nil	Mr Di Marco, as in previous years has again agreed to forgo his LTI entitlement of $400,000. The Remuneration Committee recognises that Mr Di Marco's total remuneration is substantially below that of comparable companies. The Remuneration Committee acknowledges that Mr Di Marco existing 10+% shareholding in TechnologyOne provides the benefits that the LTI aims to achieve.
Value of share options offered	Nil	Nil	
LTI old scheme			
Value of share options	Nil	Nil	
Total remuneration	**1,345,705**	**1,233,176**	
% growth on prior year excluding LTI and termination benefits	9%	(16%)	
% growth on prior year including LTI and termination benefits	9%	(16%)	
Post-employment			Refer to section 9
Post-employment benefits	Nil	Nil	
Termination benefits	Nil	Nil	

Edward Chung

Position	**Chief Executive Officer**

Remuneration mix

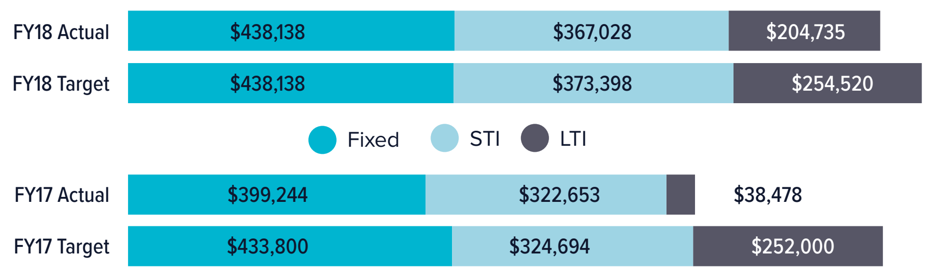


Fixed remuneration	2018 $	2017 $	Notes
Fixed remuneration	502,949	367,567	The increase in Mr Chung's base is due to promotion to CEO effective 23 May 2017. His remuneration is inline with the details published on the ASX on his appointment. The reason for the increase in base is due to the comparative year only having 4 months of Edward's revised base due to his promotion.
Directors' fees	-	-	
Superannuation	19,616	12,841	Compulsory superannuation guarantee contributions up to the maximum contribution base.
Total fixed remuneration	**522,565**	**380,408**	**Fixed remuneration increased due to his promotion. Mr Chung's FY18 fixed remuneration increased by 1% of his annualised FY17 fixed remuneration.**
Performance based remuneration			
STI	**537,114**	**471,105**	Mr Chung 's STI was increased from 0.625% to 0.78% of executive NPBT following his promotion on 23 May 2017. This is in line with his remuneration package published on the ASX with his promotion to CEO. Growth in his annualised STI is consistent with growth in NPBT. 20% of the STI is retained for three months after the reporting period.
LTI new scheme			
Value of share options offered	115,329	57,097	Mr Chung was issued with 261,207 options in October 2017, with an overall value of $179,657.
Value of shares forfeited	(11,316)	(38,255)	Please refer to section 8.2 for further information. In FY17, Mr Chung was issued with 192,746 options. Mr Chung did not meet all KPIs in FY17.
Value of shares earned	**104,013**	**18,842**	Please refer to section 8.2 for further information. Mr Chung 's STI was increased from 0.625% to 0.78% of executive NPBT following his promotion on 23 May 2017. This is in line with his remuneration package published on the ASX with his promotion to CEO. Growth in his annualised STI is consistent with growth in NPBT. 20% of the STI is retained for three months after the reporting period.
LTI old scheme			
Value of share options offered	232,911	277,090	Mr Chung was issued with 1,000,000 options in July 2014. No further options will be issued under this plan as it has been quarantined. 167,000 options vested during FY2018. All future LTI will be based on the new LTI scheme.
Total remuneration	**1,396,604**	**1,147,445**	
% growth on prior year excluding LTI and termination benefits	24%	29%	
% growth on prior year including LTI and termination benefits	22%	16%	
Post-employment			Refer to section 9
Post-employment benefits	Nil	Nil	
Termination benefits	Nil	Nil	

Stuart MacDonald

Position	**Chief Operating Officer**

Remuneration mix

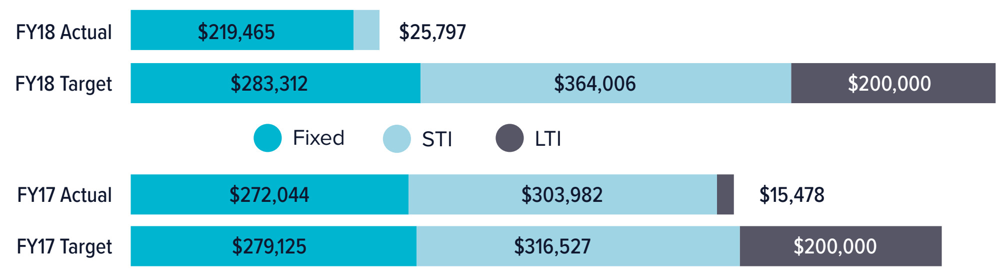


Fixed remuneration	**2018 $**	**2017 $**	**Notes**
Fixed remuneration	418,522	381,255	Mr MacDonald was promoted 23 May 2017 to the role of COO. Mr MacDonald was previously the OO – Sales and Marketing with the company therefore the 2017 base only represents 4 months of Stuart's revised base due to his promotion
Superannuation	19,616	17,989	Compulsory superannuation guarantee contributions up to the maximum contribution base.
Total fixed remuneration	**438,138**	**399,244**	**Fixed remuneration increased due to his promotion. Mr MacDonald's FY18 fixed remuneration increased by 1% of his annualised FY17 fixed remuneration.**
Performance based remuneration			
STI	**367,028**	**322,653**	Mr MacDonald's STI increased from 0.455% to 0.533% Executive NPBT upon his promotion to COO in FY17. 20% of the STI is retained for three months after the reporting period. Growth in his annualised STI is consistent with growth in NPBT
LTI new scheme			
Value of share options offered	234,718	123,553	Mr MacDonald was issued with 371,853 options in October 2017, with an overall value of $255,746.
Value of shares forfeited	(29,983)	(85,075)	
Value of shares earned	**204,735**	**38,478**	In FY17, Mr MacDonald was issued with 325,364 options. Mr MacDonald did not meet all KPIs for FY17. Forfeitures include unvested options in respect of Mr MacDonald's FY16 issue. Please refer to section 8.2 for further information.
LTI old scheme			
Value of share options offered	Nil	Nil	
Total remuneration	**1,009,901**	**760,375**	
% growth on prior year excluding LTI and termination benefits	12%	94%	
% growth on prior year including LTI and termination benefits	33%	182%	
Post-employment			Refer to section 9
Post-employment benefits	Nil	Nil	
Termination benefits	Nil	Nil	

Tony Ristevski

Position	**Chief Financial Officer**

Remuneration mix



Fixed remuneration	**2018 $**	**2017 $**	**Notes**
Fixed remuneration	199,849	256,923	Mr Ristevski left the Company effective 4 May 2018. His reduction in fixed remuneration is reflective of him being employed by the Company for part of the year.
Superannuation	19,616	15,121	Compulsory superannuation guarantee contributions up to the maximum contribution base.
Total fixed remuneration	**219,465**	**272,044**	
Performance based remuneration			
STI	**25,797**	**303,982**	Mr Ristevski left the Company effective 4 May 2018. Mr Ristevski's STI was calculated as 0.499% of Group Net Profit Before Tax for the year on a pro rata basis. Mr Ristevski forfeited his retained 20% STI in FY18.
LTI new scheme			
Value of share options offered	-	46,902	
Value of shares forfeited	(15,478)	(31,424)	
Value of shares earned	**(15,478)**	**15,478**	On leaving the Company on 4 May 2018, Mr Ristevski's unvested options lapsed and the FY18 expense in relation to his LTI was reversed.
LTI old scheme			
Value of share options offered	Nil	Nil	
Total remuneration	**229,784**	**591,504**	
% growth on prior year excluding LTI and termination benefits	(57%)	100%	
% growth on prior year including LTI and termination benefits	(61%)	100%	
Post-employment			Refer to section 9
Post-employment benefits	Nil	Nil	
Termination benefits	Nil	Nil	

8.2 Long-term incentive scheme

In 2016, TechnologyOne replaced its previous Executive Option Plan (EOP) with an LTI plan aligned to market, shareholder and Executive requirements.

Name	Number of options granted during the period	Grant date	Exercise price	Value per option	Value of options at grant date*	Number of options still to be issued	Number of options vested during the period	Number of options (forfeited) during the period	Value at lapse date	Lapse date
E Chung	261,207	1/10/2017	$5.15	$0.69	$179,657	-	167,000	(12,105)	11,316	1/10/2025
A Di Marco	-	-			-	-	-	-	-	-
S MacDonald	371,833	1/10/2017	$5.15	$0.69	$255,746	-	225,838	(43,475)	29,983	1/10/2025
T Ristevski	295,106	1/10/2017	$5.15	$0.69	$202,973	-	-	(295,106)	202,973	4/05/2018

For details of grants under the previous EOP plan, please refer to sections 8.3 and 8.4.

* The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. The amount is included in the remuneration tables above. As outlined in greater detail in note 1 (q) (iii) fair values at grant date are determined using a Black-Scholes pricing model.

Options forfeited during the period, are due to non-achievement of performance targets set by the Board for 2018. The Board is focused on ensuring that management remuneration and shareholder value are aligned by setting performance targets that create long-term shareholder wealth.

The model inputs for options granted to Executives are as follows:

(a) Options are granted for no consideration. Each tranche vests at the end of the three-year period.

(b) Dividend yield – 2.0%

(c) Expected volatility – 19.8%

(d) Risk-free interest rate – 2.0%

(e) Price of shares on grant date – $5.15

(f) Fair value of options – $0.69

8.3 Quarantined Executive Option Plan (EOP) (now superseded)

These options were issued to existing Executives and TechnologyOne is required to honour these pre-existing contracts. The variation to the 2016 LTI plan allows for options with the condition that there is no discount to the strike price at grant date. The performance criteria still apply as per the 2015 LTI plan. These pre-existing contracts have been quarantined and as existing Executive contracts come to an end, they will be renegotiated so that the LTI is based on the 2016 LTI plan going forward. All new appointments of Executives to the Company will be under the 2016 LTI plan. For the sake of disclosure, details of the now obsolete and quarantined EOP are provided below.

Under the EOP, options were issued with typically between 0% and 50% discount on the volume weighted average price for the 10 days prior to the grant date. The discount could be forfeited prior to vesting at the Board's discretion based on the performance of the Executive. The option could also be withheld by the Executive Chairman for unsatisfactory performance.

Share options were granted to Executives by the Board based on the option plan approved by the Board.

The options vest if and when the Executive satisfies the period of service contained in each option grant.

The contractual life of each option varies between two and five years. There are no cash settlement alternatives.

Options granted under this plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary TechnologyOne share. Further information is set out in note 32 to the financial statements.

8.4 Historical incentive outcomes under the previous options plan

TechnologyOne previously issued options under a now obsolete Executive Option Plan (EOP), which was described in section 8.2. The EOP has now been quarantined and all new Executives to the Company, as well as existing Executives when their existing contracts come to an end, are under the new LTI plan.

For those Executives that are under the older quarantined Option Plan:

- The numbers of options over ordinary shares in the Group held during the financial year by each Executive of the Group, including their personally related parties, are set out below
- The KMP have historically received the following share options. E Chung is the only Executive KMP who participated in options granted 14 July 2014

Name	Balance at start of year	Granted as compensation	Exercised	Forfeited	Balance at the end of the year	Vested and exercisable	Unvested
E Chung	670,000	-	(167,000)	-	503,000	--	503,000

8.5 Payment of STI retention

STI Retentions are paid three months after TechnologyOne's year end to ensure that the final STI is based on audited and finalised accounts (refer to section 4.2). The value actually received by individuals differs from the remuneration outlined in the previous section 8 (which is based on accounting values). For the 2017 financial year, 20% ($367,357) of the performance related bonus as previously accrued in that period became payable in cash to Executives (based on audited results) and was paid during the 2018 financial year. There was $5k in forfeitures during the year which related to forfeited retentions from KMP which left the Company during the year.

For the 2018 financial year 20% ($394,150) of the performance related bonus as previously accrued will become payable in cash to Executives (based on audited results).

8.6 Shares provided on exercise of remuneration options

Details of ordinary shares in the Group provided as a result of the exercise of remuneration options to each Director of Technology One Limited and Senior Executives of the group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the period	Total paid at exercise
E Chung	6/07/2018	167,000	$223,580

No amounts are unpaid on any shares issued on the exercise of options.

8.7 Value of LTI grants yet to vest

For the new option plan, they vest three years after the grant date providing that the vesting conditions are met. For the old EOP, they vest after two years.

The maximum value of options yet to vest has been determined as the amount of the grant date fair value that could be expensed.

The number of options granted during the year is disclosed below:

LTI (Options)

Name	Year granted	Vested %	Forfeited %	Financial years in which rights may vest	Maximum total value of grant yet to vest $
E Chung	2018	-	6%	2020	$175,824
S MacDonald	2018	-	15%	2020	$242,958

LTI (Quarantined Options)

Name	Year granted	Vested %	Forfeited %	Financial years in which options may	Maximum total value of grant yet to vest $
E Chung	2014	50%	-	2017-2021	$670,739

9. Service agreements for the Executive KMP

Remuneration and other terms and conditions of employment for Executive KMP are formalised in service agreements which are reviewed each year. All Executive KMP service agreements are rolling contracts which cease following notice of termination by either employee or employer.

The following table presents some of the key contractual arrangements for the Executive KMP:

KMP	Contract term	Termination notice by either party	Post-employment restraint
Executive Chairman	Ongoing	3 months	12 months
CEO	Ongoing	6 months	12 months
Other Executive KMP	Ongoing	12 weeks	12 months

If an Executive KMP resigns, payment in lieu of notice that is not worked is provided, in addition to any statutory entitlements. No other additional termination or post employment benefits are provided on termination of employment. Refer to sections 4.2 and 4.3 respectively for treatment of STIs and LTIs on termination of Executive KMP.

10. Additional statutory disclosures

10.1 Director shareholdings

Directors are required to hold a minimum shareholding of one year's (pre-tax) Directors' fees in TechnologyOne shares. Directors are required to rectify any short fall within a 12 month period. New Directors are allowed 36 months to meet this requirement.

The Board in total holds 74,738,100 shares representing 24% of the total shareholding of the Company.

10.2 Equity instruments held by Key Management Personnel

The number of shares in the Group held during the financial year by each Director and Senior Executive of Technology One Limited, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2018

Name	Balance at the start of year	Purchased during the year	Sale during the year	Net change other	Balance at the end of the year
Directors of Technology One Limited					
A Di Marco	31,378,500	-	-	-	31,378,500
R McLean	141,000	-	-	-	141,000
J Mactaggart	42,902,500	-	-	-	42,902,500
K Blinco	260,000	-	-	-	260,000
R Anstey	19,000	6,500	-	-	25,500
Dr J Andrews	24,300	6,300	-	-	30,600
S Doyle	-	-	-	-	-

Senior Executives of the Group	Balance at the start of year	Received during the year on the exercise of options	Sale during the year	Net change other	Balance at the end of the year
E Chung	432,000	167,000	-	-	599,000
S MacDonald	-	-	-	-	-

2017

Name	Balance at the start of year	Purchased during the year	Sale during the year	Net change other	Balance at the end of the year
Directors of Technology One Limited					
A Di Marco	34,378,500	-	(3,000,000)	-	31,378,500
R McLean	141,000	-	-	-	141,000
J Mactaggart	45,902,500	-	(3,000,000)	-	42,902,500
K Blinco	250,000	10,000	-	-	260,000
R Anstey	15,000	4,000	-	-	19,000
Dr J Andrews	8,325	15,975	-	-	24,300

Senior Executives of the Group	Balance at the start of year	Received during the year on the exercise of options	Sale during the year	Net change other	Balance at the end of the year
E Chung	265,000	167,000	-	-	432,000
S MacDonald	-	-	-	-	-

10.3 Loans to Key Management Personnel

There have been no loans to Directors or Executives during the financial year (2017 - nil).

10.4 Other transactions with Key Management Personnel

During the year there were no transactions with the Key Management Personnel. This report is made in accordance with a resolution of Directors.

Corporate governance statement

The Board of Directors of the Company is responsible for its corporate governance. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has the authority to delegate any of their powers to committees consisting of such Directors and external consultants, as the Directors think fit. The Board has established an Audit & Risk Committee, a Remuneration Committee and a Nomination & Governance Committee.

The format of the Corporate Governance Statement is in accordance with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition). In accordance with the Council's recommendations, the Corporate Governance Statement must contain specific information and disclose the extent to which the Company has followed the guidelines during the period.

TechnologyOne's corporate governance practices were in place throughout the year ended 30 September 2018. As noted below there are some recommendations with which the Company has not complied to which the Company explains why at the end of the statement. Apart from these the Company has complied with all the principles' recommendations.

The Directors have established guidelines for the operation of the Board. Set out below are the Company's main corporate Governance practices.

The Company's complete Corporate Governance Statement is available on the Company's internet site www.technologyonecorp.com in the 'Shareholders' area.

Board of Directors and its Committees

Board of Directors

The Directors are as follows:

Name	Position	Appointed
Adrian Di Marco	Executive Chairman – Major Shareholder	16/07/1987
John Mactaggart	Non-executive Director – Major Shareholder	16/07/1987
Ronald McLean	Non-executive Director - Independent	16/04/1992
Kevin Blinco	Non-executive Director - Independent	01/04/2004
Richard Anstey	Non-executive Director - Independent	02/12/2005
Jane Andrews	Non-executive Director - Independent	22/02/2016
Sharon Doyle	Non-executive Director - Independent	28/02/2018

The Company Secretary is Stephen Kennedy.

The Board of Directors operates in accordance with the following broad principles:

- The Board should comprise of at least three members, but no more than 10. The current Board membership is seven. The Board may increase the number of Directors where it is felt that additional expertise in specific areas is required. The Company believes for its current size, a smaller Board allows it to be more effective and to react quickly to opportunities and threats.
- The Board should be comprised of Directors with an appropriate mix of skills, qualifications, expertise, experience and diversity. The skills, experience and expertise which the Board considers to be particularly relevant include those in the area of finance, information technology, and Australian and International Business. In respect of diversity, the Board recognises that diversity relates to, but is not limited to gender, age, ethnicity and cultural background. The Board values diversity and recognises the individual contribution that people can make and the opportunity for innovation that diversity brings.
- The Board shall meet on both a planned basis and an unplanned basis when required and have available all necessary information to participate in an informed discussion of agenda items
- The Directors are entitled to be paid expenses incurred in connection with the execution of their duties as Directors. Each Director is therefore able to seek independent professional advice at the Company's expense, where it is in connection with their duties and responsibilities as Director. The Company policy is that a Director wishing to seek independent legal advice should advise the Chairman at least 48 hours before doing so.
- The Directors and Officers will not engage in short-term trading of the Company's shares. Furthermore, the Directors and officers will not buy or sell shares at a time when they possess information which, if disclosed publicly, would be likely to materially affect the market price of the Company's shares. Information is not considered to be generally available until a reasonable time has elapsed to allow the market to absorb these announcements. A detailed policy exists on this matter – refer below, section: Trading in Company Securities.
- Directors have a clear understanding of the corporate and regulatory expectations of them. To this end formal letters of appointment are made for each Director setting out the key terms and conditions, any special duties or arrangements, remunerations and expenses, their rights and entitlements, confidentiality and rights of access to corporate information, as well as Indemnity and Insurance cover provided.
- Newly appointed Directors undertake an induction course covering the Company's strategy, products and operations. They are also provided a copy of the Company's constitution.
- Directors are required to disclose Directors' interests and any matters that affect the Director's independence. This includes disclosure of conflicts of interest, which may include transactions with family members or related entities.

- If there is a potential conflict of interest, conflicted Directors must immediately inform the Board and abstain from deliberations on such matters. Such Directors are not permitted to exercise any influence over other Board members. If the Board believes the conflict of interest is material or significant the Directors concerned will not be allowed to attend the meeting or receive the relevant Board papers.

The role of the Board is as follows:

- Setting objectives, goals and strategic direction for management, with a view to maximising shareholder value
- Input into and ratifying any significant changes to the Company
- Adopting an annual budget and monitoring financial performance
- Ensuring adequate internal controls exist and are appropriately monitored for compliance
- Ensuring significant business risks are identified and appropriately managed
- Selecting, appointing and reviewing the performance of the Managing Director
- Setting the highest business standards and code of ethical behaviour
- Overseeing the establishment and implementation of the risk management system, and annually reviewing its effectiveness
- Decisions relating to the appointment or removal of the Company Secretary
- To review and evaluate the performance of the Board as a whole, each Committee, key Executives and each Director on an annual basis

A code of conduct has been established for the Board.

The Board has established a Diversity policy, which is discussed below.

The Company has established a policy requiring the evaluation of the performance of Directors on an annual basis.

Appointment of Directors

If a vacancy exists, or where the Board considers it will benefit from the appointment of a new Director with particular skills, the Board will interview the candidates. Potential candidates will be identified by the Nomination & Governance Committee, with the Board entitled to seek the advice of an external consultant. The Board will then appoint the most suitable candidate, who upon acceptance will hold office until the next Annual General Meeting, where the appointee must retire and is entitled to stand for re-election.

Majority of Independent Directors

The Board comprises a majority of independent Non-executive Directors who have broad commercial experience and bring independence, accountability and judgement in discharging the Board's responsibilities to ensure optimal returns to shareholders and the ongoing provision of benefits to the Company's employees.

The Board is required to disclose any new information that could, or would be reasonably perceived, to influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on the issues before the Board and to act in the best interests of the Company and its shareholders.

The independence of the Board is assessed annually as part of the function of the Nomination & Governance Committee in conjunction with the ASX Corporate Governance Principles and Recommendations.

While the ASX Corporate Governance Principles and Recommendations and proxy advisors consider the tenure of a Director as affecting independence, the Board believes that this is not a material consideration due to its cohesion and alignment to the Company's strategy which have contributed to the long-term success of the Company.

Lead Independent Director

The Company will appoint a Lead Independent Director in the near future once another 2 additional independent non-executive Directors have been appointed, which is scheduled to occur during the next 12 months. The Lead Independent Director will represent the interests of shareholders where the Executive Chairman is unable to do so due to a conflict of interest.

The role of Lead Independent Director will include:

- Representing the Independent Directors as the most senior Independent Director
- Acting as principle liaison between the Independent Directors and the Chairman
- Advising the Board with reference to the other Independent Directors on the matters where there is a conflict of interest

The roles of Deputy Chairman and Lead Independent Director will be separated to further strengthen the overall independence of the Board and to allow greater flexibility in responding to governance issues and in supporting the interests of the shareholders.

Director appointments

All Directors, both Executive and Non-executive, receive written notifications of their appointment and a new Director induction pack which details the terms and conditions of their appointment, remuneration (including superannuation contributions), continuous disclosure requirements (including interests in the Company), ongoing confidentiality obligations, Company policies on when to seek independent professional advice, the Company's indemnity and insurance measures.

Prior to appointment, appropriate checks are undertaken on the candidates and relevant information provided to shareholders to consider when voting on the election of the Director. Relevant information is also provided for shareholders to consider when voting to re-elect existing Directors upon rotation. Executive Directors and senior management of the Company also have formal written employment agreements which set out the terms of their employment, roles and responsibilities, reporting lines, remuneration, confidentiality and termination provisions.

All Directors and senior management are required to comply with key corporate policies of the Company which include, but are not limited to, share trading policy, insider trading policy, privacy policy, anti-discrimination and workplace gender equality policies.

All new Directors and senior management also participate in the Company's formal on-boarding program which includes a formal induction program and participation in the Company's "O-week" programs.

Board performance evaluation

The Board meets annually for the purpose of reviewing and evaluating the performance of the Board as a whole, each Committee, key Executives and each Director individually in meeting key responsibilities and achieving its objectives.

The following areas were considered by the Board in its 2018 annual review:

- Performance evaluation of Directors and Senior Executives
- Review of skills and experience of the Board for current operations of the Company and identification of any shortfalls
- Director succession planning
- Review of current legislation in relation to any age restrictions
- Review of independence of each Director
- Review of skills matrix to ensure relevance of required skills

To assist the Board in maximising its effectiveness, the Board and Nomination & Governance Committee have a skills matrix to provide objective information about each Director and the Board as a whole during the past year.

Each Director is encouraged to discuss any issue concerning Board performance with the Chairman at any time.

Directors are encouraged to maintain and improve their knowledge, skills and expertise through briefings, seminars and going professional development programs.

Audit & Risk Committee

The Board has established an Audit & Risk Committee.

The Committee is comprised of:

Kevin Blinco (Chairman)	Independent Non-executive Director
Richard Anstey	Independent Non-executive Director
Jane Andrews	Independent Non-executive Director
Sharon Doyle	Independent Non-executive Director

The number of meetings held during the years and the attendance of the members is provided in the Annual Report. The Audit & Risk Committee Charter is available on the Company's website.

The role of the Committee is as follows:

- Ensure the integrity in financial reporting
- Receive and review reports from the external Auditor
- Review for accuracy financial statements for each reporting period prior to approval by the Board, and publishing
- Monitor compliance with the requirements of the Corporations Act, Listing Rules, Australian and Foreign Taxation Offices and other related legal obligations
- Ensure that the financial statements for each reporting period comply with appropriate accounting standards
- Regularly review Accounting Standards and Company Policies in conjunction with the Auditors and recommend adoption/changes to the Board
- Ensure the Internal Audit Function maintains a high standard of performance
- Monitor compliance with the requirements of the Corporations Act, Listing Rules, Australian & foreign taxation offices and other related legal obligations
- Oversee the ongoing development by management of an enterprise-wide risk management framework for management of material risks
- Periodically review the adequacy and effectiveness of the Company's policies and procedures relating to risk management and compliance
- Make recommendations to the Board on key risk management performance indicators and levels of risk appetite

Remuneration Committee

The Board has established a Remuneration Committee.

The Committee meets at least four times per year.

The Committee is comprised of a majority of Independent Directors and is chaired by an Independent Director.

The Committee is comprised of:

Kevin Blinco (Chair)	Independent Non-executive Director
John Mactaggart	Non-executive Director
Richard Anstey	Independent Non-executive Director
Jane Andrews	Independent Non-executive Director

The role of the committee is:

- To advise the Board with regard to the Company's broad policy for Executive and Director remuneration
- To determine, on behalf of the Board, the individual remuneration packages for Executives and Directors
- To give the Company's Executives encouragement to enhance the Company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contribution

The number of meetings held during the years and the attendance of the members is provided in the Annual Report.

The Remuneration Committee Charter is available on the Company's website.

Non-executive Directors' remuneration is determined by the Board within the aggregate amount per annum which may be paid in Directors' fees.

Nomination & Governance Committee

The Board has established a Nomination and Governance Committee. The Committee meets as required during the year.

The Committee is comprised of a majority of Independent Directors and is chaired by an Independent Director. The Committee is comprised of:

The role of the Committee is as follows:

- Assessment of the necessary and desirable competencies and experience for Board membership
- Assessment of the independence of each Director. Each Director must provide to the Board all relevant information. When the independent status of a Director is lost, the market will be immediately notified.
- Evaluation of the membership of the Board, Audit & Risk and Remuneration committees, and their membership
- Evaluation initially and on an on-going basis of Non-executive Director's professional development, commitments, and their ability to commit the necessary time required to fulfil their duties to a high standard
- Adherence by Directors to the Director's Code of Conduct and to good corporate governance
- Review of Board succession plans
- Recommendation for changes to committees
- Recommendation of, and undertaking the appropriate checks, before for the appointment of new Directors
- Recommendation of, and undertaking the appropriate checks, for the endorsement or non-endorsement of existing Directors
- Ensuring that an effective induction process is in place for new Board members
- Review and oversight of the Company's Corporate Governance Statement and governance related policies

The number of meetings held during the years and the attendance of the members is provided in the Annual Report. The Nomination & Governance Committee Charter is available on the Company's website.

Ethical standards

All Directors, managers and employees are expected to act with the utmost integrity and objectivity, observe the highest standards of behaviour and business ethics, and strive at all times to enhance the reputation and performance of the Company.

Codes of Conduct have been approved by the Board and given their full support.

The codes address:

- Responsibilities to shareholders, and clients
- "The TechnologyOne Way", which refers to the success of the company coming from our shared values, our entrepreneurial spirit and innovation
- Employment practices (anti-discrimination, occupational health and safety, etc.)
- Responsibilities to the community
- Responsibilities to the individual
- Compliance with the codes

In addition, the Directors, Executive Chairman, Chief Executive Officer, Chief Financial Officer, Executives and all employees have employment agreements, which include job descriptions. These job descriptions describe their duties, rights and responsibilities.

Shareholders' rights

The Board of Directors aim to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The information is communicated to shareholders, and forms part of the company's two-way investor relations program:

- By ensuring that all shareholders can elect to receive information and communications from the Company's share registry either physically or electronically and can update their preferences through the share registry
- By the Annual Report being distributed to all shareholders. The Board ensures the Annual Report contains all relevant information about the operations of the Company during the financial year, together with details of future developments and other disclosures required under the Corporations Act 2001.
- By publishing its Notice of Meetings and Explanatory Memorandum for each Annual General Meeting or other such meetings as required from time to time
- By encouraging shareholders to attend and participate in the Company's Annual General Meeting
- By encouraging shareholders to participate in proxy voting should they be unable to attend the Company's Annual General Meeting
- By the Half Year results report distributed to all shareholders
- By disclosures forwarded to the ASX under the Company's continuous disclosure obligations
- Through the Company's web site, under a special area called Shareholders
- By the Company's participation in scheduled briefings with institutional shareholders and security analysts
- By the participation of the Company's Auditors and Solicitors at the Annual General Meeting

All information communicated by the Company is in accordance with its continuous disclosure requirements under ASX Listing Rule 3.1.

Risk management

The Company has adopted an active approach to risk management and the Board recognises that the Company's participation in commercial and operational activities require a certain level of risk. As such, the Board has delegated the risk management function to the management of the Company with oversight by the Audit & Risk Committee.

The Board has received assurance from the Chief Executive Officer and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to the financial reporting risks.

The Board has expanded the role of the Audit Committee to include oversight of risk management and compliance functions and as such is now referred to as the Audit & Risk Committee. The Committee has performed an annual risk review and have identified a number of key risk categories for the business.

Further information on the company's key risks are outlined in the complete Corporate Governance Statement on the Company's website.

Diversity at Technology One

The diversity of TechnologyOne remains fundamental to our ongoing success. TechnologyOne has established a Diversity Policy which reflects the company's commitment to providing an inclusive workplace.

A summary of the Diversity Policy is following:

- Diversity is one of TechnologyOne's strengths. TechnologyOne values this diversity and recognises the individual contribution our people can make and the opportunity for innovation such diversity brings.
- TechnologyOne believes that we will achieve greater success by providing our people with an environment that respects the dignity of every individual, fosters trust, and allows every person the opportunity to realise their full potential
- TechnologyOne is committed to providing an inclusive workplace and our commitment to diversity extends to our interactions with customer and suppliers
- The Board established measurable objectives for 2018 and the objectives are:
  - Ensuring compliance with the published diversity policy
  - 30% of all vacant Senior Management roles are to have at least one female candidate shortlisted
  - Diversity target – setting targets for the number of women in senior roles in the organisation
  - Maintain reporting measures that are in compliance with both the ASX guidelines and Workplace Gender Equality Agency
  - Continue to identify employee feedback mechanisms through the review of existing forums and information provided as well as the identification of appropriate new mechanisms for employee consultation
  - Maintain existing educational programs that support diversity including but not limited to induction, on boarding and leadership programs delivered through the TechnologyOne College

The Company's 2018 Workplace Gender Equality Agency report can be found on the 'Shareholders' section of the Company's website.

These objectives have been met, however TechnologyOne recognises further progress and improvement is possible and for this reason, for 2018, TechnologyOne will continue to progress these objectives.

TechnologyOne's Australia workplace profile, as at 30 September 2018, is detailed below:

Name	Male	%	Female	%	Total
Board & Executive Directors	5	83	2	17	7
Executive	8	89	1	11	9
Managers	81	69	37	31	118
Employees	450	63	264	37	714

The Board is aiming to add up to an additional two Directors to the Board this coming year. This provides the Company with an exciting opportunity to increase the diversity on the Board as well as increasing the number of Independent Directors.

Non-Compliance with ASX Corporate Governance Principle and Recommendations

The Board of Technology One believes in working to the highest standards of Corporate Governance. Notwithstanding this, the Board believes it is important to recognise there is not a 'one size fits all' to good Corporate Governance, and that it is important to consider the size of the Company, the industry it operates within, the corporate history and the Company's inherent strengths.

The ASX Corporate Governance Council has recognised this fact and has allowed companies to explain where they do not comply with the Corporate Governance Principles and Recommendations 3rd Edition.

The Company has complied with the majority of recommendations, with the exception of but a few. The Board believes the areas of non-conformance shown below will not impact the Company's ability to meet the highest standards of Corporate Governance and will at the same time allow the Company to capitalise on its inherent strengths.

This section highlights those areas of non-compliance and provides the reasons why.

Majority of Independent Directors (Refer ASX Corporate Guidelines – Recommendation 2.4)

The number of Directors is seven. The Board has identified five of these Directors are independent, and two as not independent because they are major shareholders.

The Board is of the opinion that it should bring independent judgment in making all decisions and believes strongly that having two major shareholders (both who have been founders of the Company) has added to the significant strength to the Board and provides a continuing vision for the Company's success.

The independence of Mr Ron Mclean has been debated by some corporate advisory groups because he was a past employee of TechnologyOne, ceasing to be an Executive in 2004. The Board is of the opinion that, due to the period of time that has lapsed since Mr Mclean's employment with the company 14 years ago, Mr Mclean is considered as being independent. Mr McLean's appointment also took place in 1992, prior to the introduction of the ASX's 1st edition of the Principles of Good Corporate Governance in March 2003.

The ASX guidelines commentary provides the following guidelines note which supports this position: "The mere fact that a director has served on a board for a substantial period does not mean that he or she has become too close to management to be considered independent. However, the board should regularly assess whether that might be the case for any director who has served in that position for more than 10 years."

The ASX guidelines also states that it "recognises that the interests of a listed entity and its security holders are likely to be well served by having a mix of Directors, some with a longer tenure with a deep understanding of the entity and its business and some with a shorter tenure with fresh ideas and perspective."

The Company has set the objective to increase the Board size, with the aim of adding additional Independent Directors, with Jane Andrews' appointment in the 2016 financial year, Sharon Doyle's appointment in the 2018 Financial Year and two further additional Directors in the coming year, resulting in an undisputed majority of Independent Directors.

Independent Chairman (Refer ASX Corporate Guidelines – Recommendation 2.5)

The Board is of the opinion it should maximise the vision, skills and deep industry knowledge of the Company's founder and major shareholder, Mr Di Marco, to continue to lead the Company forward. He has a long and proven track record of creating significant shareholder wealth for the Company as its Chairman, since listing on the ASX in 1999.

The Board believes Mr Di Marco continues to be the best candidate to clearly communicate the Company's vision, strategy and to set market expectations. To this end it is seen as appropriate that Mr Di Marco should remain as Executive Chairman of the Company. There is no empirical evidence to support the preference of an Independent Chairman.

The ASX Corporate Governance Principles and Recommendations propose that "if the Chair is not an Independent Director, a listed entity should consider the appointment of an Independent Director as the Deputy Chair". Mr McLean was appointed Deputy Chair at the Board meeting held 15 August 2017. Mr McLean is deemed to be an independent non-executive Director in the Board's opinion.

On 23 May 2017, Ed Chung was appointed as Chief Executive Officer. Mr Di Marco will not be deemed as independent under the ASX guidelines due to him being a substantial shareholder. This however, aligns Mr Di Marco with the interests of the Company's shareholders.

Financial Statements

Consolidated income statement

For the year ended 30 September 2018

	Notes	2018 $'000	2017 $'000
Revenue	**5**	**298,650**	**273,253**
Variable costs		(27,786)	(24,766)
Variable customer cloud costs		(11,884)	(9,611)
Total variable costs		**(39,670)**	**(34,377)**
Occupancy costs		(9,588)	(7,750)
Corporate costs		(18,951)	(16,421)
Depreciation and amortisation	6	(4,276)	(4,237)
Computer and communication costs		(10,339)	(10,599)
Marketing costs		(4,068)	(5,624)
Employee costs		(143,240)	(134,602)
Share-based payments		(1,595)	(1,576)
Finance expense		(395)	(48)
Total operating costs		**(192,452)**	**(180,857)**
Profit before income tax	**7**	**66,528**	**58,019**
Income tax expense	7	(15,548)	(13,525)
Profit for the year from continuing operations		**50,980**	**44,494**

		Cents	Cents
Basic earnings per share	31	16.14	14.18
Diluted earnings per share	31	16.10	14.10

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

Consolidated statement of comprehensive income

For the year ended 30 September 2018

	2018 $'000	2017 $'000
Profit for the year from continuing operations	**50,980**	**44,494**
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods Exchange differences on translation of foreign operations	348	(167)
Other comprehensive income for the year, net of tax	**348**	**(167)**
Total comprehensive income for the year	**51,328**	**44,327**

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

Consolidated statement of financial position

as at 30 September 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	104,322	93,383
Prepayments		10,852	8,220
Trade and other receivables	9	59,554	53,262
Earned and unbilled revenue		19,758	14,305
Other current assets	10	959	798
Current tax assets		1,574	-
Total current assets		**197,019**	**169,968**
Non-current assets			
Property, plant and equipment	11	12,280	13,525
Intangible assets	12	45,011	47,549
Earned and unbilled revenue		26,374	11,914
Deferred tax assets	13	404	5,482
Total non-current assets		**84,069**	**78,470**
Total assets		**281,088**	**248,438**
LIABILITIES			
Current liabilities			
Trade and other payables	14	52,617	38,253
Provisions	15	13,257	11,270
Current tax liabilities		-	392
Unearned revenue		31,305	27,862
Borrowings	16	5	10
Total current liabilities		**97,184**	**77,787**
Non-Current liabilities			
Trade and other payables	28	-	8,370
Provisions	17	3,144	3,338
Other non-current liabilities	18	1,241	1,423
Total non-current liabilities		**4,385**	**13,131**
Total liabilities		**101,569**	**90,918**
Net assets		**179,519**	**157,520**
EQUITY			
Contributed equity	20	33,171	32,152
Other reserves	21	30,530	34,687
Retained earnings		115,818	90,681
Total equity		**179,519**	**157,520**

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 September 2018

	Notes	Contributed equity $'000	Retained earnings $'000	Dividend reserve $'000	FOREX reserve $'000	Share option reserve $'000	Total equity $'000
Balance at 1 October 2017		**32,152**	**90,681**	**15,775**	**(728)**	**19,640**	**157,520**
Exchange differences on translation of foreign operations		-	-	-	348	-	348
Profit for the period		-	50,980	-	-	-	50,980
Total comprehensive income for the period		**-**	**50,980**	**-**	**348**	**-**	**51,328**
Dividends paid	22	-	-	(33,002)	-	-	(33,002)
Transfer to dividend reserve		-	(25,843)	25,843	-	-	-
Exercise of share options	20	1,019	-	-	-	-	1,019
Share based payments	32	-	-	-	-	1,595	1,595
Tax impact of share trust		-	-	-	-	1,059	1,059
		1,019	(25,843)	(7,160)	-	2,654	(29,329)
Balance at 30 September 2018		**33,171**	**115,818**	**8,616**	**(380)**	**22,294**	**179,519**
Balance at 1 October 2016		**29,984**	**70,160**	**22,172**	**(561)**	**16,739**	**138,494**
Exchange differences on translation of foreign operations		-	-	-	(167)	-	(167)
Profit for the period		-	44,494	-	-	-	44,494
Total comprehensive income for the period		**-**	**44,494**	**-**	**(167)**	**-**	**44,327**
Dividends paid	22	-	-	(30,370)	-	-	(30,370)
Transfer to dividend reserve		-	(23,973)	23,973	-	-	-
Exercise of share options	20	2,168	-	-	-	-	2,168
Share-based payments	32	-	-	-	-	1,576	1,576
Tax impact of share trust		-	-	-	-	1,325	1,325
		2,168	(23,973)	(6,397)	-	2,901	(25,301)
Balance at 30 September 2017		**32,152**	**90,681**	**15,775**	**(728)**	**19,640**	**157,520**

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

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

Consolidated statement of cash flows

For the year ended 30 September 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		300,058	296,419
Unused prepayments to suppliers		(2,632)	(2,417)
Payments to suppliers and employees (inclusive of GST)		(237,983)	(238,006)
Interest received		735	728
Income taxes paid		(11,187)	(10,507)
Other revenue		-	273
Interest paid		(395)	(48)
Net cash inflow / (outflow) from operating activities	**30**	**48,596**	**46,442**
Cash flows from investing activities			
Payments for acquisition of subsidiary (net of cash acquired)		(2,721)	(1,322)
Payments for property, plant and equipment		(3,388)	(6,109)
Proceeds from sale of property, plant and equipment		440	3
Net cash inflow / (outflow) from investing activities		**(5,669)**	**(7,428)**
Cash flows from financing activities			
Proceeds from exercise of share options		1,019	2,168
Repayment of finance lease		(5)	(17)
Dividends paid to Company's shareholders	22	(33,002)	(30,370)
Net cash inflow / (outflow) from financing activities		**(31,988)**	**(28,219)**
Net increase / (decrease) in cash and cash equivalents		10,939	10,795
Cash and cash equivalents at the beginning of the financial year		93,383	82,588
Cash and cash equivalents at end of year	**8**	**104,322**	**93,383**

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The financial report of Technology One Limited (the Company) for the year ended 30 September 2018 was authorised for issue in accordance with a resolution of Directors on 20 November 2018.

Technology One Limited (the Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Technology One Limited and its subsidiaries. The nature of the operations and principal activities of the Group are described in the Directors' report.

(a) Basis of preparation

The financial report is a general purpose financial report prepared by a for profit entity, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year.

(i) Compliance with IFRS

This financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(ii) Newly adopted standards

New or amended standards that became applicable for the first time for the 30 September 2018 year end did not result in a change to the Company's accounting policies or require retrospective adjustments. Certain new accounting standards and interpretations have been published that are not effective for the 30 September 2018 year end reporting period are outlined below.

(iii) Issued but not yet effective

The following standards, amendments to standards and interpretations are relevant to current operations. They are available for early adoption but have not been applied by the Group in this Financial Report.

AASB 9 Financial Instruments

AASB 9 includes requirements for the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment on financial assets. It was further amended by AASB 2010 - 7 to reflect amendments to the accounting for financial liabilities. The Company has adopted AASB 9 from 1 October 2018. The Company is currently assessing the impact of AASB 9.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 changes the manner in which revenue is recognised and provides for a significant increase in the disclosure requirements for the Company.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred rather than on transfer of risks and rewards.

The Company is adopting a well planned and researched, strategic approach to adopting AASB 15 and is well advanced. During the current period, the Company has progressed the evaluation of potential changes from adopting the new standard on future financial reporting and disclosures. The Company has substantially completed material contract reviews (signed prior to 30 September 2017) and detailed policy drafting. The evaluation has included consultation between Company Finance Teams, Commercial and Group Legal functions. The quantification is ongoing and therefore all amounts are current estimates which are subject to finalisation prior to final implementation. On finalisation of pre 30 September 2017 contract reviews the Company will then finalise its review of contracts signed in the 30 September 2018 financial year in order to report the final impact assessment in the 31 March 2019 financial statements.

A summary of impacts determined to date are disclosed below:

Current Accounting	Future Accounting
1. Term licence fee hosted on the Company's cloud environment	
Revenue from term licences where the licence is hosted on the Company's cloud environment are currently recognised in full when the significant risk and rewards of ownership of the licenced software has passed to the customer. The Company's critical accounting estimates and judgements associated with multiple element contracts is disclosed in Note 3.	Revenue is allocated to each contracted performance obligation and recognised as the performance obligation is satisfied. Performance obligations may be satisfied at a point in time or over time. AASB 15 requires a more granular approach to identify the different revenue streams (i.e. performance obligations) in a contract by identifying the different activities that are being undertaken and then aggregating only those where the different activities are significantly integrated or highly interdependent. AASB 15 provides guidance in respect of the term over which revenue may be recognised and is limited to the period for which the parties have enforceable rights and obligations and the points at which the customer has control over the items sold. Where customers hold a right of access to software revenue is recognised over the period of access even if the customer has exposure to the significant risks and rewards in the licensed software. *Expected impact on transition* Revenue from term licences hosted on the Company's cloud environment will be recognised on a daily basis. The Company considers that term contracts hosted on the Company's cloud environment represent a right to access the Company's licenced intellectual property over the term of the contract.
2. Post sales customer support	
Revenue from Post Sales Customer Support which relates to rights to fees for rights of access to ongoing upgrades and minor software revisions is recognised at the commencement of the period to which they relate on the basis that the Company has no ongoing obligations or required expenditure related to this revenue. Fees for helpline support are recognised over the period of the contract.	Revenue is allocated to each contracted performance obligation and recognised as the performance obligation is satisfied which may be at a point in time or over time. Contracts that provide an implied performance obligation for an entity to "stand ready" to perform the services are recognised as revenue over the period that the services could be performed. *Expected Impact on transition* The Company considers that it satisfies the stand ready performance obligations associated with all Post Sales Customer Support over time and therefore revenue from Post Sales Customer Support will be recognised on a daily basis.
3. Directly related contract costs	
Costs directly related to acquiring the customer contract are expensed as incurred. Such costs include sales incentives and legal costs in drafting and settling customer specific contracts.	Costs incurred in obtaining the customer contract will be expensed, unless they are incremental to obtaining the contract and the Company expects to recover those costs. Costs that meet the criteria for capitalisation will be amortised over the life of the contract that they relate to. The impact for this has not yet been quantified.

The Company continues to work through the identification of impacts to the accounting for revenue from Initial Software Licence Fees for perpetual contracts and term contracts not utilising the Company's cloud environment, Cloud Services, Consulting Services for Licenced Software or Project Services.

AASB 15 also requires the Company to consider whether performance obligations contained within contracts are distinct. For hosted SaaS contracts with customers the Company has determined that revenue from Term Licences, Post Sales Customer Support and Cloud Services where a customer is hosting the Term Licence on the Company's cloud environment are not distinct performance obligations as defined by AASB 15. The Company will no longer be separating these items into their individual components in the Company's Half Year and Annual Report but will be reporting them as a single line item titled 'SaaS Fee'. SaaS fees will be recognised rateably over the term of the contract.

The Company has adopted AASB 15 from 1 October 2018 and will perform a full retrospective restatement of prior period comparatives (including 30 September 2018) in the 2019 financial report.

Based on the current assessment, an adjustment of $76.7 million after tax is expected to be recognised in the Company's opening retained earnings at 1 October 2017 for items currently identified in areas 1 to 2 above.

AASB 16 Leases

AASB 16 was issued in February 2016. The standard introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard removes the clarification of leases as either operating or finance leases for the lessee and effectively treats all leases as finance leases. There are also changes in the accounting over the life of the lease. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, lessor accounting will remain similar to current practice. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The Company has not yet assessed how it will be affected by the new standard.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through the income statement.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Technology One Limited ('Company' or 'parent entity') as at 30 September 2018 and the results of all subsidiaries for the year then ended. Technology One Limited and its subsidiaries together are referred to in this financial report as the 'Company' or the 'Consolidated entity'.

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(ii) Employee Share Trust

The Company has formed a trust to administer the Company's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Company. At 30 September 2018, the Company had 399,126 treasury shares (2017: 500,656).

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's operations 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 Technology One Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- All resulting exchange differences are recognised in other comprehensive income

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the financial report for the year ended 30 September 2018 and prior periods. As disclosed in Note 1(a)(iii) the implementation of AASB 15 "Revenue from Contracts with Customers" will result in different revenue recognition policies being used by the Group. The changes to the policies below, where applicable, will result in some of the revenues recorded for the year ended 30 September 2018 being recognised as revenue for the year ending 30 September 2019 or subsequent years.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company sells its licenced software under a perpetual licence contract with associated services, or as part of a "Software as a Service" (SaaS) solution which allows customers access to licensed software for a defined period, along with associated services.

Revenue is recognised for the major business activities as follows:

(i) Software licence fee revenue

Revenue from licence fees due to software sales is recognised on the transferring of significant risks and rewards of ownership of the licensed software under an agreement between the Company and the customer.

(ii) Implementation and consulting services revenue for licenced software

Revenue from implementation and consulting services attributable to licensed software is recognised in proportion to the stage of completion, typically in accordance with the achievement of contract milestones and/or hours expended.

(iii) Post sales customer support revenue for licensed software

Post sales customer support (PSCS) revenue for licensed software comprises fees for ongoing upgrades, minor software revisions and helpline support. PSCS revenue is allocated between annual fees for helpline support and fees for rights of access to ongoing upgrades and minor software patches. Fees for rights of access to ongoing upgrades and minor software revisions are recognised at the commencement of the period to which they relate on the basis that the Company has no ongoing obligations or required expenditure related to this revenue. Revenue associated with non-refundable fees for an agreed modification to an existing PSCS contract anniversary date, is recognised at the commencement of the modified period for the rights of access to ongoing upgrades and minor software revisions.

(iv) Project services revenue

Revenue from project services agreements is recognised in proportion to their stage of completion, typically in accordance with the achievement of contract milestones and/or hours expended.

(v) Cloud services

Revenue from cloud services is recognised as the services are performed.

(vi) Unearned services revenue

Amounts received from customers in advance of provision of services are accounted for as a liability called Unearned Revenue.

(vii) Earned and unbilled revenue

Amounts recorded as earned and unbilled revenue represent revenues recorded on software licence fees and PSCS fees not yet invoiced to customers. These amounts have met the revenue recognition criteria of the Company but have not reached the payment milestones contracted with customers.

(viii) SaaS revenue

Software as a Service (SaaS) revenue is separable into each of its components of software licence fees, post sales customer support and cloud services. At each reporting date, the unearned portion is assessed and deferred to be recognised over the period of service.

(e) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Technology One Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The head entity, Technology One Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

The Company has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112.

The Company created an Employee Share Trust during 2009 which allows an employee on the exercise of an option to hold the share in the Trust. As per AASB 112, on granting the option, the Company now records a deferred tax asset on the expected value of the share. If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, the difference is recognised directly in equity. When the employee exercises the option, the tax effect difference between the actual market value and what was recorded as a deferred tax asset is recognised to equity.

(f) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision maker - being the Executive Chairman.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for 'all other segments'.

(g) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 11). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Research and development costs

Research and development expenses include payroll, employee benefits and other employee-related costs associated with product development. Technological feasibility for software products is reached shortly before products are released for commercial sale to customers. Costs incurred after technological feasibility is established are not material, and accordingly, all research and development costs are expensed when incurred.

(i) Variable costs

Variable expenses include costs associated with annual support, licence fee upgrades and sales commissions. These costs are expensed as incurred.

(j) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

For purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is recognised in the income statement within corporate expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against corporate expenses in the income statement.

(m) Investments and other financial assets

The Company classifies its investments in the following categories: financial assets at fair value through the Income Statement, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Investments held which are classified as available-for-sale are measured at fair value where such investments comprise tradeable securities. Fair value is determined by reference to quoted market prices in an active, liquid and observable market.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

(n) Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful economic lives of the assets as follows:

Office furniture and equipment	3 - 11 years
Computer software	3 - 4 years
Motor vehicles	4 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Intellectual property/source code

Intangible assets acquired separately are capitalised at cost, and if acquired as a result of a business combination, capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to all classes of intangible assets. The useful lives of the intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on intangible assets with finite lives, this expense is taken to the Income Statement through the 'depreciation & amortisation expense' line item. Intangible assets with finite lives are tested for impairment where an indicator of impairment exists. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intellectual Property/Source Code is amortised on a straight line basis over 8 years.

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the intangible asset is derecognised.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(q) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave, which are non-vesting, are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

The Company provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares. The costs of share-based payment transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Refer to note 32.

The cost of share-based payments is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period). In the case that the rights over shares do not vest at the end of the performance period, the corresponding expense in relation to those rights will be reversed. No expense is recognised for awards that do not ultimately vest.

(s) Contributed equity

Ordinary shares are classified as equity.

Issued and paid up capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 Financial risk management

The Company's principal financial instruments are finance leases, cash and short-term deposits and assets available-for-sale, contingent consideration and borrowings.

The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial assets and liabilities are interest rate risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the Financial Statements.

There are no changes in the financial risks faced by the Company in the period.

The Company holds the following financial instruments:

	2018 $'000	2017 $'000
Financial assets		
Cash and cash equivalents	**104,322**	93,383
Trade and other receivables	**59,554**	53,263
Earned and unbilled revenue	**46,132**	26,219
	210,008	**172,865**
Financial liabilities		
Trade and other payables	**40,807**	30,156
Borrowings	**5**	10
Contingent consideration	**11,810**	16,467
	52,622	**46,633**

(a) Interest rate risk

The Company's cash and investment assets are exposed to movements in deposit and variable interest rates. The Company does not hedge this exposure. Interest rate risk on cash is not considered to be material.

(b) Foreign currency risk

As a result of operations in New Zealand, Malaysia, Papua New Guinea and the United Kingdom and sales contracts denominated in United States dollars, the Company's statement of financial position can be affected by movements in the exchange rates applicable to these geographical locations and currencies.

The Company does not hedge this risk. The Company's exposure to foreign currency changes is not significant.

At balance date, the Group had the following exposures in Australian dollar equivalents of amounts to foreign currencies which are not effectively hedged:

	2018 USD $'000	2018 PGK $'000	2017 USD $'000	2017 PGK $'000
Trade Receivables	**1,044**	**-**	628	770

(c) Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Information on credit risk exposures is contained in Note 9.

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and Groups subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

At 30 September 2018	Less than 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Financial assets				
Cash and cash equivalents	104,322	-	-	104,322
Trade and other receivables	59,554	-	-	59,554
Earned and unbilled revenue	19,758	26,374	-	46,132
Total	**183,634**	**26,374**	**-**	**210,008**
Financial liabilities				
Trade and other payables	40,807	-	-	40,807
Borrowings	5	-	-	5
Contingent consideration	11,810	-	-	11,810
Total	**52,622**	**-**	**-**	**52,622**
Net inflow / (outflow)	**131,012**	**26,374**	**-**	**157,386**

At 30 September 2017	Less than 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Financial assets				
Cash and cash equivalents	93,383	-	-	93,383
Trade and other receivables	53,262	-	-	53,262
Earned and unbilled	14,305	11,914	-	26,219
Total	**160,950**	**11,914**	**-**	**172,864**
Financial liabilities				
Trade and other payables	30,156	-	-	30,156
Borrowings	10	-	-	10
Contingent consideration	16,467	-	-	16,467
Total	**46,633**	**-**	**-**	**46,633**
Net inflow / (outflow)	**126,231**	**-**	**-**	**126,231**

(e) Fair value measurements

Contingent consideration as set out in note 28 is classified as Level 3. The valuation techniques and fair value of consideration is outlined in note 28.

	Contingent Consideration $'000
Opening balance at 1 October 2017	16,467
Payments (ICON)	(2,721)
Release of earn out provision (ICON)	(2,177)
(Gains)/losses recognised in the income statement	241
Closing balance at 30 September 2018	**11,810**

The carrying value of trade receivables, accrued revenue and trade payables are assumed to approximate their fair value due to their short-term nature or the effect of discounting on non-current financial assets not being significant. The fair value of non-current borrowings materially approximates their carrying amount, as the impact of discounting is not significant.

(f) Capital risk management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The current risk management structure of the Company is to use all equity funding except for funding required to purchase core information technology assets which is funded by a leasing facility.

The equity funded position of the Company is managed by the Board through dividends, new shares and share buy backs as well as the issue of new equity where considered appropriate to fund business acquisitions.

3 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 entity and that are believed to be reasonable under the circumstances.

The Company 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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of goodwill and other assets

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(n)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 12 for details of these assumptions and the potential impact of changes to the assumptions.

All other assets are reviewed for indicators or object evidence of impairment. If indicators or objective evidence exists, the recoverable amount is reviewed.

(ii) Share-based payments

The Company provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares. The costs of share-based payment transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Refer to note 32.

The cost of share-based payments is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period). In the event that the rights over shares do not vest at the end of the performance period, the expense relating to the unvested rights is reversed. No expense is recognised for awards that to not ultimately vest.

(iii) Long service leave

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

(iv) Contingent consideration

A provision has been made for the present value of anticipated costs for future contingent earn out considerations resulting from the acquisitions made during the year. In estimating the liability it was assumed that the maximum earn out amount will be payable based on current operating projections. Further details are available at note 28.

(v) Multiple element contracts

SaaS contracts entered into by the Group require judgement in the identification and separation of the contract components related to software licence fees, post sales support and cloud services. The Group assesses each customer contract individually into its components and considers if any components should be aggregated where they cannot be separately determined. Revenue is assigned to each component based upon the stand alone fair value of the component relevant to the total contract value.

4 Segment information

(a) Description of segments

The Group's chief operating decision maker makes financial decisions and allocates resources based on the information they receive from its internal management system. Sales are attributed to an operating segment based on the type of product or service provided to the customer.

Segment information is prepared in conformity with the accounting policies of the group as discussed in note 1 and Accounting Standard AASB 8 Operating Segments.

During the year, the reportable segments changed and now Consulting and Plus are reported as one segment.

TechnologyOne's reportable segments are:

- Sales and Marketing - sales of licence fees and customer support to our customers
- Consulting - implementation, consulting services and custom software development services for large scale, purpose built applications
- Research & Development (R&D) - the research, development and support of our products
- Cloud - the delivery of cloud hosting services to our customers
- Corporate - the aggregation of the corporate services functions costs and revenue, and corporately-funded projects

Intersegment revenues/expenses are where one operating segment has been charged for the use of another's expertise.

Royalties are a mechanism whereby each segment pays or receives funding for their contribution to the ongoing success of TechnologyOne. For example, Sales & Marketing pays R&D for the development and support of the products that they have sold, as well as Corporate for the use of corporate services.

Our chief operating decision maker views each segments performance based on revenue post royalties and profit before tax. No reporting or reviews are made of segment assets, liabilities and cash flows and as such this is not measured or reported by segment.

2018	Sales & Marketing $'000	Consulting $'000	R&D $'000	Cloud $'000	Corporate $'000	Total $'000
Revenue						
External revenue	204,264	63,355	184	29,009	1,838	**298,650**
Intersegment revenue	(1,092)	1,512	(328)	(69)	(23)	-
Net royalty	(136,011)	(6,765)	85,282	(3,058)	60,552	-
Total revenue	**67,161**	**58,102**	**85,138**	**25,882**	**62,364**	**298,650**
Expenses						
Total external expenses	57,492	52,084	54,041	18,985	49,520	**232,122**
Profit before tax	**9,669**	**6,018**	**31,097**	**6,897**	**12,847**	**66,528**
Income tax expense						**(15,548)**
Profit for the year						**50,980**
R&D expenses (external) as a % of total external revenue			**18%**			
Total assets						280,684
Total liabilities						101,569
Total depreciation and amortisation						(4,276)
Other disclosures:						
Capital expenditure						**3,388**

2017	Sales & Marketing $'000	Consulting $'000	R&D $'000	Cloud $'000	Corporate $'000	Total $'000
Revenue						
External revenue	181,621	71,349	121	18,636	1,526	**273,253**
Intersegment revenue	77	(208)	87	(101)	145	-
Net royalty	(118,631)	(7,423)	74,447	(1,951)	53,558	-
Total revenue	**63,067**	**63,718**	**74,655**	**16,584**	**55,229**	**273,253**
Expenses						
Total external expenses	52,085	58,455	49,856	14,077	40,761	**215,234**
Profit before tax	**10,982**	**5,263**	**24,799**	**2,507**	**14,468**	**58,019**
Income tax expense						**(13,525)**
Profit for the year						**44,494**
R&D expenses (external) as a % of total external revenue			**18%**			
Total assets						242,956
Total liabilities						90,918
Total depreciation and amortisation						(4,237)
Other disclosures:						
Capital expenditure						**5,834**

(c) Other segment information

(i) Segment revenue

	2018 $'000	2017 $'000
Australia	**258,830**	241,355
New Zealand	**30,029**	21,679
International *	**9,791**	10,219
Segment revenues from sales to external customers	**298,650**	**273,253**

* International segments include United Kingdom, South Pacific and Malaysia.

(ii) Segment assets

	2018 $'000	2017 $'000
Australia	**239,888**	212,068
New Zealand	**26,745**	20,023
International *	**14,052**	10,865
Segment assets	**280,685**	**242,956**

* International segments include United Kingdom, South Pacific and Malaysia.

All significant non-current assets are located in Australia. Segment assets are presented net of deferred tax.

(iii) Major customers

The Company has a number of customers to which it provides both products and services, none of which contribute greater than 10% of external revenue.

5 Revenue

	2018 $'000	2017 $'000
Sales revenue		
Software licence fees	**65,337**	61,693
Implementation and consulting services	**57,677**	64,335
Post sales customer support	**139,605**	119,929
Project services	**5,520**	7,013
Cloud service fees	**29,009**	18,636
Total sales revenue	**297,148**	**271,606**
Other income		
Rents and sub-lease rentals	**-**	273
Interest received - cash	**735**	728
Other	**767**	646
Total other income	**1,502**	**1,647**
Total revenue	**298,650**	**273,253**

6 Expenses

Profit before income tax includes the following specific expenses:	2018 $'000	2017 $'000
Depreciation		
Plant and equipment	**3,896**	3,688
Amortisation		
Leased office furniture and equipment	**18**	10
Intangible assets	**362**	539
Total amortisation	**380**	549
Total depreciation and amortisation	**4,276**	**4,237**
Wages and salaries	**114,690**	110,923
Defined contribution plan expense	**9,154**	9,320
Payroll tax	**7,030**	6,800
Provision for employee benefits	**2,357**	158
Share-based payments	**1,595**	1,576
Other	**9,778**	7,032
	144,604	**135,809**
Provision for doubtful debts	**377**	(3)
Foreign exchange gain	**(501)**	99
Rental expenses on operating leases	**6,020**	5,796
(Gain) / Loss on sale of fixed assets	**(16)**	176

7 Income tax expense

(a) Income tax expense

	2018 $'000	2017 $'000
Current tax	**11,604**	13,958
Relating to origination and reversal of temporary differences	**4,743**	854
Adjustments for current tax of prior periods	**(799)**	(1,287)
	15,548	**13,525**
Deferred income tax (revenue) / expense included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	**(1,235)**	161
Increase / (decrease) in deferred tax liabilities	**6,203**	(215)
Adjustment for deferred taxes of prior periods	**(221)**	(800)
	4,743	**(854)**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2018 $'000	2017 $'000
Profit from continuing operations before income tax expense	66,528	58,019
Tax at the Australian tax rate of 30% (2017 - 30%)	19,958	17,406
Adjustments for current tax of prior periods	(799)	(1,287)
Research and development tax concession	(3,980)	(3,368)
Other non-deductible items	369	774
	(4,410)	(3,881)
Income tax expense	15,548	13,525

(c) Amounts recognised directly in equity

Aggregate current and defered tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:	2018 $'000	2017 $'000
Net deferred tax - debited (credited) directly to equity	1,059	1,325

8 Current assets - cash and cash equivalents

	2018 $'000	2017 $'000
Cash and cash equivalents	104,322	93,383

The Company has a secured $2 million interchangeable facility which is transferable between an Overdraft, Fixed Rate Commercial Bill and Variable Rate Commercial Bill to assist with working capital requirements. The facility is unused at 30 September 2018.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Money market accounts at call are made for varying periods of between one day and three months, depending on immediate cash requirements of the Company, and earn interest at the respective money market deposit rates. The fair value of cash assets at 30 September are their carrying values.

9 Current assets - trade and other receivables

	2018 $'000	2017 $'000
Trade receivables (i) (ii)	59,809	52,028
Provision for impairment of receivables	(902)	(525)
Sundry receivables	647	1,759
	59,554	53,262

(i) Trade receivables are non-interest bearing and are on 30 day terms. No interest is charged on trade receivables. A specific analysis of debts that may be uncollectible is made at each reporting date by an internal credit committee and provisions made where appropriate. Provisions recorded are based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to the circumstances of the specific customer.

Included in the trade receivable balance are debtors with a carrying amount of $14,377,317 (2017 - $14,795,838) which are past due at the reporting date for which the consolidated entity has not provided as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances, apart from the withdrawal of future support and software licence use rights. The average age of these receivables is 40 days (2017 - 45 days).

(ii) Included in trade receivables are amounts billed but not yet collected for post implementation customer support to commence post 30 September at each balance date. An equal and offsetting amount is included in unearned income. The balance at 30 September 2018 is $21,321,000 (2017 - $20,810,000).

(a) Impaired trade receivables

Movements in the provision for impairment of receivables are as follows:	2018 $'000	2017 $'000
At 1 October	525	528
Provision for impairment recognised during the year	839	281
Unused amounts reversed	(462)	(284)
At 30 September	902	525

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

10 Current assets - other current assets

	2018 $'000	2017 $'000
Deposits receivable	959	407
Income tax receivable	-	391
	959	798

11 Non-current assets - property, plant and equipment

	Office furniture and equipment $'000	Leased office furniture and equipment $'000	Computer software $'000	Motor vehicles $'000	Leased computer software $'000	Total $'000
Year ended 30 September 2018						
Opening net book amount	13,427	49	10	39	-	13,525
Additions	3,358	-	30	-	-	3,388
Disposals	(680)	-	-	-	-	(680)
Excange differences charge	(39)	-	-	-	-	(39)
Depreciation charge	(3,860)	(13)	(19)	(17)	-	(3,909)
Make good movement	(5)	-	-	-	-	(5)
Closing net book amount	12,201	36	21	22	-	12,280
At 30 September 2018						
Cost	41,167	1,240	2,976	282	248	45,913
Accumulated depreciation	(28,966)	(1,204)	(2,955)	(260)	(248)	(33,633)
Net book amount	12,201	36	21	22	-	12,280
Year ended 30 September 2017						
Opening net book amount	11,507	62	48	64	-	11,681
Additions	5,834	-	-	-	-	5,834
Disposals	(367)	-	-	-	-	(367)
Depreciation charge	(3,625)	(10)	(38)	(25)	-	(3,698)
Make good movement	78	(3)	-	-	-	75
Closing net book amount	13,427	49	10	39	-	13,525
At 30 September 2017						
Cost	38,804	1,240	2,946	282	248	43,520
Accumulated depreciation	(25,377)	(1,191)	(2,936)	(243)	(248)	(29,995)
Net book amount	13,427	49	10	39	-	13,525

12 Non-current assets - intangible assets

	Goodwill $'000	Intellectual property/ Source code $'000	Customer contracts $'000	Total $'000
Year ended 30 September 2018				
Opening net book amount	40,003	6,668	878	47,549
Amortisation charge	-	(306)	(55)	(361)
Impairment	-	(2,177)	-	(2,177)
Closing net book amount	**40,003**	**4,185**	**823**	**45,011**
At 30 September 2018				
Cost	40,003	10,358	1,100	51,461
Accumulated amortisation	-	(3,996)	(277)	(4,273)
Accumulated impairment	-	(2,177)	-	(2,177)
Net book amount	**40,003**	**4,185**	**823**	**45,011**
Year ended 30 September 2017				
Opening net book amount	40,003	7,152	933	48,088
Amortisation charge	-	(484)	(55)	(539)
Closing net book amount	**40,003**	**6,668**	**878**	**47,549**
At 30 September 2017				
Cost	40,003	10,358	1,100	51,461
Accumulation amortisation	-	(3,690)	(222)	(3,912)
Net book amount	**40,003**	**6,668**	**878**	**47,549**

(a) Impairment tests for goodwill

Goodwill and indefinite life intangibles are allocated to the Company's cash generating units (CGUs) identified according to each reportable segment for impairment testing purposes.

A segment-level summary of the goodwill allocation is presented below.

2018	Sales & Marketing $'000	Consulting $'000	Research & Development $'000	Total $'000
Goodwill	13,378	12,947	13,678	40,003
Indefinite life intangibles	702	660	660	2,022
	14,080	**13,607**	**14,338**	**42,025**

2017	Sales & Marketing $'000	Consulting $'000	Research & Development $'000	Total $'000
Goodwill	13,378	12,947	13,678	40,003
Indefinite life intangibles	1,428	1,386	1,386	4,200
	14,806	**14,333**	**15,064**	**44,203**

The recoverable amounts have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period, as there is no active market against which to compare the fair value of the unit.

The discount rate applied to cash flow projections is 15% pre-tax (2017 - 15%).

The key assumptions used for all CGUs in value in use calculations for 30 September 2018 and 2017 are:

- Budgeted margins - the basis used to determine the value assigned to budgeted margin is the average margin achieved in the year immediately before the budgeted year.
- Bond rates - the yield on a five year government bond rate at the beginning of the budgeted year is used.
- Growth rates - based on long-term historical trends for each segment.
- Terminal growth rates - these have been set at 3% (2017 - 3%).

As part of the ICON acquisition (refer to note 28), an ambitious earn out target was established. ICON partially achieved their earn out target and, as a result, the Company has reduced the contingent consideration by $2.2m, and, following a review of the value of associated intangible assets, also reduced the carrying value of the associated indefinite life IP intangible assets by $2.2m.

Notwithstanding this, a reasonable possible change in the assumptions would have no significant impact on remaining carrying value of these assets.

13 Non-current assets - deferred tax assets

	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	**4,452**	3,821
Provisions - other	**2,193**	1,911
Accrued expenses	**1,376**	748
Intangibles	**1,202**	1,271
Copyright - software	**258**	277
Lease liability (net)	**3**	9
Employee share trust	**2,223**	2,333
Other	**142**	354
	11,849	**10,724**
Set-off of deferred tax liabilities pursuant to set-off provisions (note 19)	**(11,445)**	(5,242)
Net deferred tax assets	**404**	**5,482**
Deferred tax assets expected to be recovered within 12 months	**194**	2,630
Deferred tax assets expected to be recovered after more than 12 months	**210**	2,852
	404	**5,482**
Movements:		
Opening balance at 1 October	**10,724**	12,970
Credited / (charged) to the consolidated income statement	**1,234**	(161)
Credited / (charged) to equity	**(109)**	(2,085)
Acquisition of subsidiary	**(11,445)**	(5,242)
Offset from deferred tax liabilities	**404**	5,482
Closing balance at 30 September	**5,482**	**7,512**

14 Current liabilities - trade and other payables

	2018 $'000	2017 $'000
Trade payables	**32,319**	22,543
Contingent consideration (note 28)	**11,810**	8,097
Sundry Creditors	**8,084**	7,270
Directors' fees	**404**	343
	52,617	**38,253**

Trade payables and sundry creditors are non-interest bearing and are normally settled on 30 day terms. No interest is payable on outstanding balances. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15 Current liabilities - provisions

	2018 $'000	2017 $'000
Make good provision	**157**	90
Other provisions	**731**	720
Annual leave	**6,672**	5,727
Onerous contracts	**5,697**	4,733
Long service leave	**13,257**	11,270
	11,270	**11,194**

(a) Movements in provisions

Please refer to note 17 for details.

16 Current liabilities - borrowings

	2018 $'000	2017 $'000
Secured		
Lease liabilities (note 26)	**5**	10
Total secured current borrowings	**5**	10

17 Non-current liabilities - provisions

	2018 $'000	2017 $'000
Long service leave	**2,588**	2,648
Make good provision	**556**	690
	3,144	**3,338**

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

The non-current provisions have been discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

18 Non-current liabilities - other non-current liabilities

2018	Annual Leave $'000	Long service leave $'000	Make Good ($'000)	Service Level Commitment ($'000)	Sub-total ($'000)
Carrying amount at 1 October 2017	5,727	7,381	780	720	14,608
Additional provisions recognised	3,743	2,334	94	1,450	7,621
Charged / (credited) to the P&L or loss - unwinding of discount	(2,798)	(1,430)	(161)	(1,439)	(5,828)
Carrying amount at end of period	**6,672**	**8,285**	**713**	**731**	**16,401**

	2018 $'000	2017 $'000
Other non-current liabilities	1,241	1,423

Other non-current liabilities consists of lease incentives. The lease incentive relates to leases entered into by the Company whereby the Company has obtained an incentive to enter into a lease of office premises. The incentive is written back to the income statement on a straight-line basis over the life of the lease.

19 Non-current liabilities - deferred tax liabilities

	2018 $'000	2017 $'000
The balance comprises temporary differences attributable to:		
Accrued receivables	(11,573)	(5,212)
Accelerated depreciation for tax purposes	154	-
Prepayments	(26)	(30)
Other	-	-
Total deferred tax liabilities	**(11,445)**	**(5,242)**
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	11,445	5,242
Net deferred tax liabilities	-	-
Movements:		
Opening balance at 1 October	(5,242)	(5,457)
Charged / (credited) to the income statement	(6,203)	215
Offset to deferred tax assets	11,445	5,242
Closing balance at 30 September	-	-

Other non-current liabilities consists of lease incentives.

The lease incentive relates to leases entered into by the Company whereby the Company has obtained an incentive to enter into a lease of office premises. The incentive is written back to the income statement on a straight-line basis over the life of the lease.

20 Contributed equity

(a) Share capital

	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares Fully paid	**316,691,676**	315,442,363	**33,171**	32,152

(b) Movements in ordinary share capital

Date	Details	Number of shares	$'000
1 Oct 2017	Opening balance	315,442,363	32,152
	Exercise of options	1,249,313	1,019
30 Sep 2018	**Closing balance**	316,691,676	33,171
1 Oct 2016	Opening balance	313,294,930	29,984
	Exercise of options	2,147,433	2,168
30 Sep 2017	**Closing balance**	**315,442,363**	**32,152**

(c) Employee Share Option Plan

Information relating to the TechnologyOne Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 32.

21 Reserves

(a) Other reserves

	2018 $'000	2017 $'000
Share-based payments	**22,294**	19,640
Foreign currency translation	**(380)**	(728)
Dividend reserve	**8,616**	15,775
	30,530	**34,687**

(b) Nature and purpose of other reserves

(i) Share-based payments

The reserve is used to record the value of equity benefits provided to employees, through share-based payment transactions and associated tax benefits.

(ii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

(iii) Dividend reserve

The reserve records retained earnings set aside for the payment of future dividends.

22 Dividends

Ordinary shares

	2018 $'000	2017 $'000
Final dividend for the year ended 30 September 2017 of 5.60 cents (2016 – 5.09 cents) per fully paid share paid on December 2017 (2016 - December 2016) 100% franked (2016 - 100%) based on tax paid at 30%	**17,664**	15,947
Special dividend for the year ended 30 September 2017 of 2.0 cents (2016 - 2.00 cents) per fully paid share paid on December 2017 100% franked based on tax paid at 30%	**6,309**	6,265
Interim dividend for the year ended 30 September 2018 of 2.86 cents (2017 - 2.60 cents) per fully paid share paid in June 2018 (2017 - June 2017) 100% franked (2017 - 100%) based on tax paid at 30%	**9,029**	8,158
Total dividends provided for or paid	**33,002**	**30,370**

(a) Dividend Policy

The Board will continue to consider paying a special dividend in future years if cash reserves remain high, available franking credits, growth continues as is expected and there is no compelling alternative use for the cash reserves.

(b) Dividends not recognised at the end of the reporting period

	2018 $'000	2017 $'000
Final		
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 6.16 cents per fully paid ordinary share, (2017 – 5.60 cents) 75% franked based on tax paid at 30% (2017 - 30%). The aggregate amount of proposed dividend expected to be paid out of retained earnings, but not recognised as a liability at year end	**19,509**	17,664
Special		
In addition to the above dividends, since year end the Directors have recommended that payment of a special dividend of 2.00 cents per fully paid ordinary share (2017 - 2.00 cents) 75% franked based on a tax paid at 30%. The aggregate amount and the proposed dividend expected to be paid in December 2018 out of retained earnings at 30 September 2018, but not recognised as a liability at the end of the year	**6,334**	6,309
	25,843	**23,973**

(c) Franked dividends

The franked portions of the final dividends recommended after 30 September 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 September 2019.

	2018 $'000	2017 $'000
Final		
Franking account balance as at the end of the financial year at 30% (2017: 30%)	**(1,118)**	(876)
Franking credits that will arise from the payments of income tax payable as at the end of the financial year	**2,544**	3,868
	1,426	**2,992**

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

(A) franking credits that will arise from the payment of the amount of the provision for income tax

(B) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date

The impact on the franking account of the dividend recommended by the Directors since the end of the reporting date, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $8,306,307 (2017 - $7,705,607).

23 Key Management Personnel disclosures

(a) Key Management Personnel compensation

	2018 $	2017 $
Short-term employee benefits	**4,171,986**	4,948,797
Post-employment benefits	-	70,246
Share-based payments	**526,182**	546,801
	4,698,168	**5,565,844**

(b) Equity instrument disclosures relating to Key Management Personnel

Details of options provided as remuneration to KMP and shares issued on the exercise of such, together with terms and conditions can be found in the remuneration report.

24 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the consolidated entity:

Ernst & Young

	2018 $	2017 $
Audit and other assurance services		
Audit and review of financial statements	**622,200**	306,208
Other assurance services	**216,948**	593,130
Total remuneration for audit and other assurance services	**839,148**	**899,338**
Other services		
Taxation advice	**107,515**	134,550
Total remuneration of Ernst & Young	**946,663**	**1,033,888**

The relative ratio of other services to audit and assurance services was 11%.

25 Contingencies

TechnologyOne is a global business and from time to time in the ordinary course of business it receives enquiries from various regulators and government bodies. TechnologyOne cooperates fully with all enquiries and these enquiries do not require disclosure in their initial state, however should the Company become aware that an enquiry is developing further or if any regulator or government action is taken against the group, appropriate disclosure is made in accordance with the relevant accounting standards.

As a global business, from time to time TechnologyOne is also subject to various claims and litigation from third parties during the ordinary course of its business. The Directors of TechnologyOne have given consideration to such matters which are or may be subject to claims or litigation at year end and, unless specific provisions have been made, are of the opinion that no material contingent liability for such claims of litigation exists. The group had no material contingent assets or liabilities other than the following:

Guarantees

At 30 September 2018, the Company had $4,474,910 (2017 - $6,478,061) in outstanding performance guarantees. The total available guarantee facility is $7,000,000 (2017 - $7,000,000). The Company also had unused foreign currency dealing limits of $1,040,040 (2017 - $950,576).

The parent entity, Technology One Limited, continues to support its subsidiaries in their operations, by way of financial support.

Earn out

At 30 September 2018, the Company had $11,810,000 (2017 - $16,467,362) in earn out contingencies relating to the acquisitions made in prior years. The valuation techniques and fair value of the consideration and the recording of the liability is outlined in note 28.

26 Commitments

(a) Operating lease commitments

Operating leases are entered into as a means of acquiring access to office property. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

	2018 $'000	2017 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**6,760**	7,144
Later than one year but not later than five years	**22,603**	17,245
Later than five years	**11,906**	64
	41,269	**24,453**

(b) Finance lease commitments

	2018 $'000	2017 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**5**	10
Representing lease liabilities:		
Current (note 16)	**5**	**10**

27 Related party transactions

(a) Ultimate controlling entity

The ultimate controlling entity of the consolidated entity is Technology One Limited, a company incorporated in Australia.

(b) Transactions with related parties

The parent entity entered into the following transactions during the year with related parties in the wholly owned group:

- Loans were advanced and repayments received on short-term intercompany accounts
- Marketing support and management fees were charged to wholly owned controlled entities

These transactions were undertaken on commercial terms and conditions. No provision for doubtful debts has been raised on amounts due to and receivable from related parties.

The ownership interest in related parties in the wholly owned group is set out in note 29.

28 Business combination

There were no business combinations in the 2018 year.

During the year, the ICON earn out was settled which resulted in accounting for the reduction of the corresponding contingent consideration. As part of the ICON acquisition, an ambitious earn out target was established. ICON partially achieved their earn out target and, as a result, the Company has reduced the contingent consideration by $2.2m, and, following a review of the value of associated intangible assets, also reduced the carrying value of these assets by $2.2m. This has resulted in a net impact on the income statement of nil.

Contingent consideration in relation to the DMS and JRA business combinations, as set out in the prior year, is classified as Level 3. The impact on the income statement during the period represents the unwinding of the contingent consideration. The inputs and valuation techniques are consistent with those in the prior year and as such, the amounts payable under the respective acquisition agreements have been discounted to present value.

DMS

The fair value of the estimate of the DMS contingent consideration of $3,322,272, which includes an interest component of $322,272, was calculated based on the assumption that a maximum $3,000,000 earn out tranche, plus interest, will be achieved. The earn out period for the DMS acquisition was completed during 2018 and settled subsequent to year end. Therefore, the fair value of contingent consideration at 30 September 2018 reflects the maximum earn out tranche, which was achieved at the conclusion of the earn out period.

JRA

The fair value of the estimate of the JRA contingent consideration of $8,487,392 was calculated based on the assumption that a maximum $8,500,000 ($2,500,000 for earn out tranche, $1,000,000 for bonus tranche and $5,000,000 for the North American tranche) may be payable three calendar years after acquisition and a discount rate of 1.54% based on relevant government bonds with terms to maturity. The contingent consideration is classified as Level 3.

The potential undiscounted earn-out tranche amount payable under the Agreement is up to $2,500,000 and is based on the earn out tranche Net Profit Before Tax (NPBT) divided by the earn-out tranche Target NPBT of $6,300,000 multiplied by $5,000,000 less $2,500,000.

The earn-out tranche is payable 3 years after the completion of the acquisition.

TechnologyOne has agreed to pay the selling shareholders an additional bonus tranche based on JRA's 3 year cumulative actual NPBT Bonus Tranche divided by the Target NPBT of $6,300,000 multiplied by 33% of any amount above the Bonus tranche figure to a maximum of $1,000,000. The additional bonus tranche is payable 3 years after the completion of the acquisition. TechnologyOne has agreed to pay the selling shareholders an additional North American tranche based on JRA's 3 year cumulative actual NPBT Bonus Tranche divided by the North American Target NPBT of $3,500,000, multiplied by $5,000,000 to a maximum of $5,000,000. The additional North American tranche is payable 3 years after the completion of the acquisition.

Management has commenced discussions with the vendors of JRA in respect of the earn-out which, under the original contract, completed on 1 October 2018. Although an outcome is yet to be determined, an extension of earn-out period is being considered. As a result, TechnologyOne has retained the full earn-out liability of $8,500,000 at 30 September 2018.

Reconciliation of Level 3 contingent consideration is set out below.

	$'000
Balance at 30 September 2017	**16,467**
Payments (ICON)	(2,721)
Release of ICON earn out	(2,177)
(Gains) / Losses recognised in income statement	241
	11,810

	ICON $'000	DMS $'000	JRA $'000	Total $'000
Current	-	3,322	8,488	11,810
Non Current	-	-	-	-
Total	-	3,322	8,488	11,810

29 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of Incorporation	Class of shares	Equity holding 2018 %	Equity holding 2017%
Technology One Corporation Sdn Bhd	Malaysia	Ordinary	100	100
Technology One New Zealand Ltd	New Zealand	Ordinary	100	100
Technology One UK Limited	England	Ordinary	100	100
Avand Pty Ltd	Australia	Ordinary	100	100
Avand (New Zealand) Pty Ltd	New Zealand	Ordinary	100	100
Technology One Employee Share Trust	Australia	Ordinary	100	100
Desktop Mapping Systems Pty Ltd	Australia	Ordinary	100	100
Digital Mapping Solutions NZ Limited	New Zealand	Ordinary	100	100
Boldridge Pty Ltd	Australia	Ordinary	100	100
Icon Solution Unit Trust	Australia	Ordinary	100	100
Jeff Roorda & Associates Pty Ltd	Australia	Ordinary	100	100

The parent entity is Technology One Limited, a public company, limited by shares and is domiciled in Brisbane, Australia and whose shares are traded on the Australian Securities Exchange. All entities operate in the software industry in their geographical locations. The Registered office is located at:

Level 11, TechnologyOne HQ
540 Wickham Street
Fortitude Valley QLD 4006

30 Reconciliation of profit after income tax to net cash inflow from operating activities

	2018 $'000	2017 $'000
Profit for the period	**50,980**	44,494
Depreciation and amortisation	**4,276**	4,237
Non-cash employee benefits expense - share-based payments	**1,595**	1,576
Impairment of intangibles	**2,177**	-
Transfers to / (from) provisions:		
Employee entitlements	**1,793**	(319)
Doubtful debts	**377**	(3)
Net (gain) / loss on sale of non-current assets	**(16)**	179
Movements in provision for:		
Income tax payable	**(1,966)**	(361)
Deferred income tax	**5,078**	3,379
Change in operating assets and liabilities:		
Decrease / (increase) in trade debtors	**(7,781)**	(10,461)
Decrease / (increase) in sundry debtors	**1,112**	(1,440)
Decrease / (increase) in prepayments	**(2,632)**	(2,470)
Decrease / (increase) in earned and unbilled revenue	**(19,913)**	(5,818)
Decrease / (increase) in other assets	**(161)**	600
Increase / (decrease) in trade creditors	**10,421**	5,932
Increase / (decrease) in other liabilities	**(182)**	286
Increase / (decrease) in unearned revenue	**3,443**	6,900
Increase / (decrease) in lease liability	**(5)**	(269)
Net cash inflow / (outflow) from operating activities	**48,596**	**46,442**

31 Earnings per share

(a) Basic earnings per share

	2018 Cents	2017 Cents
Basic earnings per share (cents per share)	**16.14**	14.18
Diluted earnings per share (cents per share)	**16.10**	14.10
Profit used for calculating basic and diluted earnings per share ($'000)	**50,980**	44,494

(b) Weighted average number of shares used as denominator

	2018 Number	2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**315,802,661**	313,865,453
Adjustments for calculation of diluted earnings per share:		
Options	**890,545**	1,637,750
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**316,693,206**	**315,503,203**

There are no potentially dilutive share instruments not included in the calculation of diluted earnings per share.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

32 Share-based payments

(a) Employee Option Plan

Options are granted to employees at the discretion of the Board based on the option plan approved by the Board.

TechnologyOne issues options with typically between 0% and 50% discount on the volume weighted average price for the 10 days prior to the grant date. The discount can be reduced or removed prior to vesting at the Board's discretion. The option can be withheld by the Executive Chairman for unsatisfactory performance for as long as it takes for the employee to rectify the performance matter.

The options typically vest if and when the employees satisfy the following conditions:

- The employee must be in the same or higher position at the time of exercise
- A successor must be in place before the last tranche of options can be exercised
- Satisfactory performance on non-financial indicators as determined by the Executive Chairman

The period available between vesting date and expiry date of each option is five years. There are no cash settlement alternatives.

Each option entitles the holder to purchase one share. Fair values of options granted as part of remuneration are based on values determined using the Black-Scholes option pricing model.

Set out below are summaries of options granted under the plan:

Issue date	Expiry date	Exercise price	Balance at start of the period *Number*	Issued during the period *Number*	Exercised during the period *Number*	Forfeited during the period *Number*	Balance at the end of the period *Number*	Vested and exercisable at end of the period *Number*
2018								
26-Jun-18	N/A	$0.00	-	17,480	(17,480)	-	-	-
15-Feb-18	Oct-25	$5.15	-	257,864	-	-	257,864	-
25-Jan-18	Oct-25	$5.15	-	2,113,488	-	(318,008)	1,795,450	-
25-Jan-18	Jul-24	$0.53	-	50,000	(50,000)		-	-
25-Jan-18	Jul-24	$0.86	-	158,300	-		158,300	-
25-Jan-18	Jul-24	$1.03	-	225,667	-		225,667	-
25-Jan-18	Jul-24	$1.16	-	16,650	-		16,650	-
25-Jan-18	Jul-24	$1.59	-	12,500	-		12,500	-
25-Jan-18	Jul-24	$1.89	-	50,000	-		50,000	-
02-Jan-18	Oct-25	$5.15	-	356,167	-	(141,771)	214,396	-
02-Jan-18	Jul-24	$0.48	-	60,000	-	(60,000)	-	-
02-Jan-18	Jul-24	$0.86	-	91,650	-		91,650	-
02-Jan-18	Jul-24	$5.15	-	25,000	-		25,000	-
01-Oct-17	Oct-25	$5.15	-	-	-		-	-
01-Oct-17	Oct-25	$5.15	-	100,594	-		100,594	-
01-Oct-17	Oct-25	$4.12	-	22,799	-		22,799	-
23-May-17	Oct-24	$5.60	189,759	-	-		189,759	-
10-Mar-17	Oct-24	$5.60	22,516	-	-		22,516	-
20-Feb-17	Oct-24	$5.11	101,242	-	-		101,242	-
14-Feb-17	Oct-24	$5.07	50,000	-	-		50,000	-
07-Feb-17	Oct-24	$5.23	50,000	-	-		50,000	-
01-Oct-16	Oct-24	$5.75	1,481,763	-	-	(569,920)	911,843	-
01-Jul-16	Jul-23	$0.57	200,000	-	(200,000)		-	-
01-Jul-16	Jul-23	$1.59	-	-	-		-	-
01-Jul-16	Jul-23	$0.68	200,000	-	(200,000)		-	-
01-Jul-16	Jul-23	$0.48	60,000	-	(60,000)		-	-
01-Jul-16	Jul-23	$1.89	50,000	-	(50,000)		-	-
01-Jul-16	Jul-23	$1.03	200,666	-	(126,666)		74,000	74,000
01-Jul-16	Jul-23	$1.16	16,650	-	(16,650)		-	-
01-Jul-16	Jul-23	$0.53	100,000	-	(50,000)	(50,000)	-	-
01-Jul-16	Jul-23	$0.86	249,950	-	(195,800)		54,150	54,150
01-Jul-16	Jul-23	$1.59	12,500	-	-		12,500	12,500
10-Oct-15	Oct-23	$3.78	-	-	-		-	-
01-Oct-15	Jul-22	$3.03	-	-	-		-	-
01-Oct-15	Jul-22	$1.89	-	-	-		-	-
01-Jul-15	Jul-22	$0.57	-	-	-		-	-

Issue date	Expiry date	Exercise price	Balance at start of the period *Number*	Issued during the period *Number*	Exercised during the period *Number*	Forfeited during the period *Number*	Balance at the end of the period *Number*	Vested and exercisable at end of the period *Number*
01-Jul-15	Jul-22	$1.59	-	-	-		-	-
01-Jul-15	Jul-22	$0.68	-	-	-		-	-
01-Jul-15	Jul-22	$0.48	-	-	-		-	-
01-Jul-15	Jul-22	$1.03	-	-	-		-	-
01-Jul-15	Jul-22	$1.16	-	-	-		-	-
01-Jul-15	Jul-22	$0.53	50,000	-	-		50,000	50,000
01-Jul-15	Jul-22	$0.86	41,650	-	-		41,650	41,650
01-Jul-15	Jul-22	$1.59	-	-	-		-	-
01-Oct-14	Jul-21	$1.59	-	-	-		-	-
14-Jul-14	Jul-22	$1.34	-	-	-		-	-
14-Jul-14	Jul-23	$1.34	167,000	-	(167,000)		-	-
14-Jul-14	Jul-24	$1.34	167,000	-	-		167,000	-
14-Jul-14	Jul-25	$1.34	167,000	-	-		167,000	-
14-Jul-14	Jul-26	$1.34	167,000	-	-		167,000	-
12-Jul-14	Jul-21	$0.40	-	-	-		-	-
01-Jul-14	Jul-21	$1.03	-	-	-		-	-
01-Jul-14	Jul-21	$0.86	25,000	-	(25,000)		-	-
12-Aug-13	Jul-20	$1.03	-	-	-		-	-
01-Jul-13	Jul-22	$0.86	-	-	-		-	-
01-May-09	Jul-22	$0.36	55,000	-	-		55,000	55,000
10-Oct-08	Jul-20	$0.41	-	-	-		-	-
25-Aug-06	Aug-24	$0.35	142,500	-	(52,500)		90,000	90,000
			4,199,817	**3,558,153**	**(1,211,096)**	**(1,139,699)**	**5,407,181**	**377,300**
Weighted average exercise price			**$3.28**	**$4.30**	**$0.83**	**$5.00**	**$4.14**	**$0.68**

Issue date	Expiry date	Exercise price	Balance at start of the period *Number*	Issued during the period *Number*	Exercised during the period *Number*	Forfeited during the period *Number*	Balance at the end of the period *Number*	Vested and exercisable at end of the period *Number*
2017								
23-May-17	Oct-24	$5.60	-	247,373	-	(57,614)	189,759	-
10-Mar-17	Oct-24	$5.60	-	22,516	-	-	22,516	-
20-Feb-17	Oct-24	$5.11	-	151,863	-	(50,621)	101,242	-
14-Feb-17	Oct-24	$5.07	-	50,000	-	-	50,000	-
07-Feb-17	Oct-24	$5.23	-	50,000	-	-	50,000	-
18-Oct-16	Oct-24	$5.87	-	195,804	-	(195,804)	-	-
01-Oct-16	Oct-24	$5.75	-	1,725,828	(22,650)	(221,415)	1,481,763	-
01-Jul-16	Jul-23	$0.57	200,000	-			200,000	-
01-Jul-16	Jul-23	$1.59	200,000	-		(200,000)	-	-
01-Jul-16	Jul-23	$0.68	200,000	-			200,000	-

Issue date	Expiry date	Exercise price	Balance at start of the period *Number*	Issued during the period *Number*	Exercised during the period *Number*	Forfeited during the period *Number*	Balance at the end of the period *Number*	Vested and exercisable at end of the period *Number*
01-Jul-16	Jul-23	$0.48	60,000	-			60,000	-
01-Jul-16	Jul-23	$1.89	50,000	-			50,000	-
01-Jul-16	Jul-23	$1.03	200,666	-			200,666	-
01-Jul-16	Jul-23	$1.16	16,650	-			16,650	-
01-Jul-16	Jul-23	$0.53	150,000	-		(50,000)	100,000	-
01-Jul-16	Jul-23	$0.86	249,950	-			249,950	-
01-Jul-16	Jul-23	$4.10	100,000	-		(100,000)	-	-
01-Jul-16	Jul-23	$1.59	12,500	-			12,500	-
11-Apr-16	Oct-23	$4.80	317,211	-		(84,590)	232,621	-
10-Oct-15	Oct-23	$3.78	50,262	-		(50,262)	-	-
01-Oct-15	Jul-22	$3.03	100,000	-	(50,000)	(50,000)	-	-
01-Oct-15	Jul-22	$1.89	50,000	-	(50,000)		-	-
01-Jul-15	Jul-22	$0.57	200,000	-	(200,000)		-	-
01-Jul-15	Jul-22	$1.59	200,000	-	(200,000)		-	-
01-Jul-15	Jul-22	$0.68	200,000	-	(200,000)		-	-
01-Jul-15	Jul-22	$0.48	50,000	-	(50,000)		-	-
01-Jul-15	Jul-22	$1.03	200,666	-	(200,666)		-	-
01-Jul-15	Jul-22	$1.16	16,650	-	(16,650)		-	-
01-Jul-15	Jul-22	$0.53	150,000	-	(50,000)	(50,000)	50,000	-
01-Jul-15	Jul-22	$0.86	249,950	-	(208,300)		41,650	41,650
01-Jul-15	Jul-22	$1.59	12,500	-	(12,500)		-	-
01-Oct-14	Jul-21	$1.59	200,000	-	(200,000)		-	-
14-Jul-14	Jul-22	$1.34	167,000	-	(167,000)		-	-
14-Jul-14	Jul-23	$1.34	167,000	-			167,000	-
14-Jul-14	Jul-24	$1.34	167,000	-			167,000	-
14-Jul-14	Jul-25	$1.34	167,000	-			167,000	-
14-Jul-14	Jul-26	$1.34	167,000	-			167,000	-
12-Jul-14	Jul-21	$0.40	60,000	-	(60,000)		-	-
01-Jul-14	Jul-21	$1.03	74,000	-	(74,000)		-	-
01-Jul-14	Jul-21	$0.86	124,950	-	(99,950)		25,000	25,000
12-Aug-13	Jul-20	$1.03	4,000	-	(4,000)		-	-
01-Jul-13	Jul-22	$0.86	71,717	-	(71,717)		-	-
01-May-09	Jul-22	$0.36	55,000	-			55,000	55,000
10-Oct-08	Jul-20	$0.41	-	-	-		-	-
25-Aug-06	Aug-24	$0.35	142,500	-	(52,500)		90,000	90,000
			5,014,172	**2,443,384**	**(2,147,433)**	**(1,110,306)**	**4,199,817**	**264,150**
Weighted average exercise price			**$1.35**	**$5.68**	**$1.07**	**$4.08**	**$3.28**	**$0.48**

At September 2018 a total of 5,430,083 options (2017 – 4,199,817) were offered to employees. The amount of options offered is in excess of options granted as certain options while offered will only be granted in a future period at the discretion of the Executive Chairman.

The weighted average share price at the date of exercise of options exercised during the year ended 30 September 2018 was $0.83 (2017 - $1.07).

The weighted average remaining contractual life of share options outstanding at the end of the period was 6.4 years (2017 - 4.4 years).

32 Share-based payments (continued)

(a) Employee Option Plan (continued)

Fair value of options granted

The fair value of the equity-settled options is measured at the reporting date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

The fair value of options granted during the year was between $0.69 and $0.83 (2017 - $0.60 - $1.68).

The model inputs for options granted during the year ended 30 September 2018 included:

(I) Dividend yield of 2.0% (2017 - 1.6% - 1.9%)

II) Expected volatility between 19.8% and 27.8% (2017 – 20.2% - 33.6%)

(III) Risk free interest rate between 2.0% and 2.2% (2017 – 1.5% - 2.0%)

(IV) Expected life of option 3.3 years (2017 – 3.3 years)

(V) Option exercise price between $0.00 and $5.15 (2017 - $5.07 - $5.75)

(VI) Weighted average share price at grant date between $5.00 and $5.15 (2017 - $5.07 - $5.75)

The expected volatility reflects the assumption that the historical volatility of a basket of similar companies over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

(b) Executive performance rights

After further market consultation, the company made the decision to return to issuing options or EPRs. The view is that the use of options under an LTI scheme for a growth company best aligns shareholder and Executive interests. Please refer to section 3 of the remuneration report for further information.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2018 $'000	2017 $'000
Options issued under employee option plan:		
Vested	**1,634**	1,993
Forfeited	**(39)**	(417)
Total share-based payment expense	**1,595**	**1,576**

33 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Balance sheet		
Current assets	172,807	146,573
Non-current assets	114,995	96,009
Total assets	**287,801**	**242,582**
Current liabilities	88,739	52,466
Non-current liabilities	-	6,384
Total liabilities	**88,739**	**58,850**
Shareholders' equity		
Contributed equity	33,171	32,152
Dividend reserve	8,616	15,775
Share option reserve	22,294	19,668
Retained earnings	134,981	116,137
	183,528	**183,732**
Profit or loss before tax for the year	64,573	55,525
Total comprehensive income	**64,573**	**54,798**

The reserves balance is higher than Group due to the foreign currency translation reserve losses of $380,000 (2017 - loss of $728,000).

(b) Guarantees entered into by the parent entity

At 30 September 2018, the parent entity had $4,474,910 (2017 - $6,628,690) in outstanding performance guarantees. The total available guarantee facility is $7,000,000 (2017 - $7,000,000). The parent entity also had unused foreign currency dealing limits of $1,040,040 (2017 - $950,676).

The parent entity, Technology One Limited, continues to support its subsidiaries in their operations, by way of financial support.

(c) Contingent liabilities of the parent entity

At 30 September 2018, the Parent had $11,810,000 (2017 - $9,488,000) in earn out contingencies relating to the acquisitions during the year. The valuation techniques and fair value of the consideration is outlined in note 28.

34 Events occurring after the reporting period

(a) Dividends

On 22 November, the Directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2018 financial year. The total amount of the dividend is $19,508,207 and is 75% franked. There was also a special dividend declared for the 2018 financial year of $6,333,834 and this is also 75% franked.

No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

Directors' declaration

Technology One Limited Directors' declaration 30 September 2018

In accordance with a resolution of the Directors of Technology One Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes set out on pages 101 to 129 are 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 September 2018 and of its performance for the year ended on that date; and

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

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the reporting year ended 30 September 2018.

On behalf of the Board of Directors

A. Di Marco

Adrian Di Marco
Director
Brisbane
20 November 2018

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

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Auditor's Independence Declaration to the Directors of Technology One Limited

As lead auditor for the audit of Technology One Limited for the financial year ended 30 September 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Technology One Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Bradley Tozer

Brad Tozer
Partner
20 November 2018

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Independent Auditor's Report to the Shareholders of Technology One Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Technology One Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 September 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 September 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Measurement and Recognition of Revenue and Associated Assets and Liabilities

Why significant	How our audit addressed the key audit matter
The Group contracts with its customers using written contracts which often encompass a number of activities (separately identifiable components) as referred to in Note 1(d). The process to recognise revenue, which included the allocation of revenue to the activities and the estimation and determination of when delivery or service provision took place, involved significant judgment by the Group. This judgment impacted the value of revenue recognised and unearned revenue that has been recorded as a liability in the Consolidated Statement of Financial Position. Revenue recognition for multiple element arrangements was considered to be a key audit matter due to the complexity of contracts and the judgement required to allocate revenue amongst the respective contracted activities. Note 1(d) to the financial statements details the Group's revenue streams and the associated accounting policies and Revenue is disclosed in Note 5 and associated assets in Note 9.	Our audit procedures addressed revenue from the following business activities: ► Software licence fees; ► Implementation and consulting services; ► Project services; ► Post sales customer support; and ► Cloud service fees. We considered the Group's identification and separation of these activities and the allocation of the total contract value to these activities. We also considered if the revenue recognition criteria used by the Group was consistent with Australian Accounting Standards. Our audit procedures for each of the revenue generating activities identified in signed customer contracts included the following: ***Software licence fees*** We read a sample of individual customer contracts and determined whether the risks and rewards associated with the relevant licensed software passed to the customer in the reporting period. We then assessed whether the recorded amount for the licence software fees agreed with the determined contract value and whether any refund clauses or termination of convenience clauses should have prevented revenue recognition. ***Implementation and Consulting Services; and Project Services*** For a sample of consulting service arrangements (time and materials) we assessed the Group's controls associated with the recording of consulting days delivered and the application of contracted fee rates to these days. For a sample of fixed rate project agreements we assessed the Group's controls associated with the recognition of revenue and the calculation of the percentage of completion of the project and its application to the agreed fee. For fixed rate project agreements we also considered the Group's identification and measurement of onerous contracts. Where licence and optional services were sold together we assessed on a sample basis the Group's assessment of whether the services sold with licences should be recognised separately. *Post Sales Customer Support* For a sample of contracts entered into during the current period, we assessed whether the appropriate revenue recognition criteria had been met.

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Why significant	How our audit addressed the key audit matter
	For post sales customer support revenue (renewing customers) for a sample of customers we compared the amount and timing of amounts recorded in 2018 to the amounts and timing of revenue recorded in prior periods and obtained explanations from the Group where significant differences were identified. We also tested a sample of customers and determine whether they had consented to the renewal and where applicable the change of date of the renewal of their support. We assessed whether the Group, had any legal or constructive obligation at balance date, through its support agreements, to provide general new software releases to customers and whether it was appropriate to recognise amounts as revenue, related to this business activity up front as described in Note 1(d). ***Cloud Service Fees*** For a sample of significant service fee contracts we read individual service contracts and assessed whether revenue recognised was based upon the appropriate contract value and the service period. The above procedures also addressed the amounts of revenue deferred and recognised as a liability in the Consolidated Statement of Financial Position as at 30 September 2018 for services to be provided in a future period.

2. Disclosure of the expected impact of the initial application of Australian Accounting Standard AASB 15 *Revenue from Contracts with Customers*

Why significant	How our audit addressed the key audit matter
The application of the new accounting standard related to revenue recognition, AASB 15 *Revenue from Contracts with Customers* will have a significant impact on the way in which Technology One recognize revenue from 1 October 2018. Note 1(a)(iii) to the financial statements discloses the expected impact of the new accounting standard.	Our audit procedures included the following: ► Considered management's application of the new accounting standard to the term licence fee hosted on the cloud and post sales customer support revenue streams. ► Assessed the methodology used by the Group to calculate the expected impact at 1 October 2018. ► Assessed the adequacy of the financial report disclosures included in Note1 1(a)(iii) to the financial statements ► For a sample of customer contracts we assessed the determination of the expected transition impact of AASB 15 for the revenue streams where it has been assessed and disclosed in the financial report.

3. Impairment Testing of Intangible Assets

Why significant	How our audit addressed the key audit matter
Note 12 to the financial statements discloses the goodwill and other intangible assets allocated to each of the Groups individually significant cash generating units (CGUs). The annual impairment assessment of the intangible assessments performed by the Group was a key audit matter due to the value of the intangible assets and the degree of estimation and assumptions involved in the assessment, specifically concerning the revenue growth and margin assumptions inherent in the future discounted cash flows.	We considered whether the Group's impairment testing satisfied the requirements of Australian Accounting Standards. This included considering the identification of CGU's to which goodwill and other assets were allocated. The assumptions used in the impairment testing by the Group and in the cash flow forecasts upon which it was based are summarised in Note 12 to the financial statements. We evaluated these assumptions and forecasts as follows: ► Assessed the mathematical accuracy of the impairment model. ► Considered the historical reliability of the Group's cash flow forecasts. ► Assessed the Group's determination of the carrying value of each of the CGUs. ► Assessed whether the forecasts were consistent with our knowledge of the business, Board approved budgets and corroborated our work with external information where possible. ► Assessed the sensitivities of the impairment models to reasonably possible changes in assumptions. We assessed the relevant disclosures in Note 12 to the Financial Statements, including the disclosure of the impairment charge of $2,177,000.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2018.

In our opinion, the Remuneration Report of Technology One Limited for the year ended 30 September 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
Brisbane
20 November 2018

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Shareholder information

Shareholder information

Substantial shareholders as at 10 December 2018

Shareholder Name	Number of Issued Shares Held	Percentage of Issued Shares Held
JL Mactaggart Holdings Pty Ltd	38,902,500	**12.2%**
Pinnacle Investment Management Group Ltd	31,928,341	**10.08%**
Hyperion Asset Management Limited	31,470,405	**9.94%**
Masterbah Pty Ltd	27,372,500	**8.6%**

Distribution of shareholdings as at 10 December 2018

Size of Holding	Ordinary Shareholders
100,001 and Over	74
10,001 to 100,000	1,367
5,001 to 10,000	1,397
1,001 to 5,000	4,001
1 to 1,000	2,905
Total	**9,744**
Unmarketable Parcels	101

Voting rights

All ordinary shares issued by Technology One Limited carry one vote per share without restriction.

Twenty largest shareholders as at 10 December 2018

Name	30 Nov 2017	%IC
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	97,719,699	35.78
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	27,026,958	9.90
JL MACTAGGART HOLDINGS PTY LTD	16,872,500	6.18
CITICORP NOMINEES PTY LIMITED	13,323,113	4.88
NATIONAL NOMINEES LIMITED	12,213,183	4.47
BNP PARIBAS NOMINEES PTY LTD	7,770,556	2.85
ARGO INVESTMENTS LIMITED	5,964,564	2.18
BNP PARIBAS NOMS PTY LTD	5,932,961	2.17
MASTERBAH PTY LTD	5,372,500	1.97
CITICORP NOMINEES PTY LIMITED	2,505,118	0.92
MILTON CORPORATION LIMITED	1,515,000	0.55
MR NICHOLAS BARRY DEBENHAM	1,161,185	0.43
UBS NOMINEES PTY LTD	1,120,815	0.41
NATIONAL NOMINEES LIMITED	1,095,431	0.40
AMP LIFE LIMITED	691,020	0.25
MRS JUDITH BARBARA MACTAGGART	655,000	0.24
BNP PARIBAS NOMINEES PTY LTD	620,000	0.23
BNP PARIBAS NOMINEES PTY LTD	544,607	0.20
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	511,074	0.19
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	510,132	0.19

Corporate directory - TechnologyOne Limited

Board of Directors

Adrian Di Marco

Ron McLean

John Mactaggart

Kevin Blinco

Richard Anstey

Jane Andrews

Sharon Doyle

Company Secretary

Stephen Kennedy

Australian Business Number

84 010 487 180

Registered Office

Technology One Limited

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Branch Offices

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Sydney

Melbourne

Canberra

Adelaide

Perth

Hobart

Auckland

Wellington

Kuala Lumpur

Maidenhead

Glasgow

Port Moresby

Auditor

Ernst & Young

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Lawyer

McCullough Robertson

Level 11, 66 Eagle Street

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Share Registry

Link Market Services Limited

Locked Bag A14

Sydney NSW 1235

Phone: 02 8280 7454

Fax: 02 9287 0303

www.linkmarketservices.com.au

Stock Exchange Listing

Australian Securities Exchange

(ASX: TNE)

Financial calendar

The following calendar shows the planned dates for significant shareholder events for the 2019 year.
These dates are subject to change and declaration of dividends which should be checked before taking any action by referring at the company's web site: www.TechnologyOneCorp.com, under the heading Shareholders.

2019 (Year Ending 30 September 2019)	
Announcement of half year results for 2019	21 May 2019
Media Interviews	21 May 2019
Presentations to Institutions – Sydney (tentative)	21 – 22 May 2019
Presentations to Institutions – Melbourne (tentative)	23 May 2019
Ex-Div for 2019 Interim Dividend	30 May 2019
Record date for interim dividend	31 May 2019
Distribute 2019 Half Year Results Report	14 June 2019
Payment date for interim dividend	14 June 2019
Announcement of Full Year Results for 2019	19 November 2019
Media Interviews	19 November 2019
Presentations to Institutions – Sydney (tentative)	19 - 20 November 2019
Presentations to Institutions – Melbourne	21 November 2019
Ex-Div for 2019 Final Dividend	28 November 2019
Record date for 2019 dividend	29 November 2019
Payment date for 2019 final dividend	13 December 2019
Distribute 2020 Annual Report	21 January 2020
Annual General Meeting (tentative)	TBC

The Record Date is 5.00pm on the date TechnologyOne closes its share register to determine which shareholders are entitled to receive the current dividend. It is the date where all changes to registration details must be finalised. The Record Date must be at least 7 business days after the announcement of the Results (and record date being published).

The Ex-dividend date occurs one business day before TechnologyOne's Record Date. To be entitled to a dividend a shareholder must have purchased the shares before the ex-dividend date. If you purchase shares on or after that date, the previous owner of the shares (and not you) is entitled to the dividend.

The Payment Date is the date on which TechnologyOne's dividend is paid to shareholders. The payment date is to be 10 business days after the Record Date.

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TechnologyOne (ASX:TNE) is Australia's largest enterprise software company and one of Australia's top 150 ASX-listed companies, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,200 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only eight key markets: government, local government, financial services, education, health and community services, asset intensive, project intensive and corporate. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For more than 30 years, we have been providing our customers enterprise software that evolves and adapts to new and emerging technologies, allowing them to focus on their business and not technology. Today, our software is available on the TechnologyOne Cloud and across smart mobile devices.

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