TECHNOLOGY ONE LIMITED

ABN 84 010 487 180

APPENDIX 4D

For the half-year ended 31 March 2020
(compared to the half-year ended 31 March 2019)

Information should be read in conjunction with the most recent Annual Report and Half-Year Financial Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results				$'000
Revenue for ordinary activities	Up	7%	to	138,398
Profit from ordinary activities after tax attributable to members	Up	6%	to	19,051
Net profit for the period attributable to members	Up	6%	to	19,051

Dividends	Amounts per security Cents	Franked amount per security Cents
Current period		
Interim dividend	3.47	2.08
Final dividend	N/A	N/A
Previous corresponding period (**)		
Interim dividend	3.15	2.36
Final dividend	8.78	5.27

The Record date for determining entitlements to the dividend is 29 May 2020.
** Year ended 30 September 2019

Brief explanation of any of the figures reported above

Additional information supporting the Appendix 4D disclosure requirements can be found in the Directors' report and the consolidated financial statements for the half-year ended 31 March 2020.

Profit for ordinary activities after tax attributable to members	Current period 31 March 2020 Cents	Previous corresponding period 31 March 2019 Cents
Basic EPS	5.98	5.65
Diluted EPS	5.93	5.62
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	318,340,347	316,983,290

NTA backing	Current period 31 March 2020 Cents	Previous corresponding period 31 March 2019 Cents
Net tangible asset backing per ordinary share[1]	4.38	3.35

[1] The right-of-use asset and related lease liabilities under AASB 16 Leases are included in the NTA calculations for the current period above. See note 1(b) of the attached financial report for more details. The previous corresponding period has been updated to exclude contract acquisition assets

Dividend Payable

The dividend is payable on 12 June 2020.

Dividend Reinvestment Plan

There is no dividend reinvestment plan in operation.

Total dividend per security (interim)	Current year Cents	Previous year Cents
Ordinary securities	3.47	3.15

Interim dividend on all securities	Current period $A'000	Previous corresponding period $A'000
Total	11,058	9,989

Control gained over entities having a material effect	
Name of entity	Nil

Loss of control over entities having a material effect	
Name of entity	Nil

Details of associated and joint venture entities	
Name of entity	Nil

Earnings per Security

The Earnings per Security (EPS) increase is similar to our net profit after tax increase. Refer to the Directors' Report in the attached half-year Financial Report for additional detail.

Returns to Shareholders

The dividend for the half-year has increased by 10% on the previous corresponding period.

Results of Segments

Refer to the attached half-year Financial Report.

Trends in performance

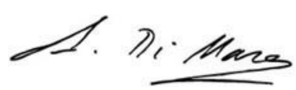
Refer to the attached half-year Financial Report.

Any other Significant Information

N/A.

COMPLIANCE STATEMENT

This report is based on the attached half-year Financial Report which have been reviewed.



Adrian Di Marco
Executive Chairman
Date: 19 May 2020

Technology One Limited
Financial report
for the half-year ended 31 March 2020

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group or Technology One) consisting of Technology One Limited and the entities it controlled at the end of the half-year ended 31 March 2020.

Directors

The following persons were directors of Technology One Limited for the half-year up to the date of this report:

Adrian Di Marco - Executive Chairman
Ron McLean - Non-executive Director
John Mactaggart - Non-executive Director
Kevin Blinco - Non-executive Director
Richard Anstey - Non-executive Director
Dr Jane Andrews - Non-executive Director
Sharon Doyle – Non-executive Director
Clifford Rosenberg – Non-executive Director
Peter Ball – Non-executive director (appointed 2 March 2020)

Stephen Kennedy is the Group Company Secretary. Paul Jobbins was appointed as Company Secretary on 16 December 2019.

Principal activities

The principal activity of the Group during the half-year was the development, marketing, sales, implementation and support of fully integrated enterprise business software solutions, including:

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

Review of operations

The financial results for the half-year ended 31 March 2020 show continuing strong growth with profit up 6% underpinned by continuing strong demand for the Technology One Global SaaS ERP solution.

Key results were as follows:

- Profit after tax of $19.1m, up 6%
- Profit before tax of $25.9m, up 6%
- Revenue of $138.4m[1], up 7%
- Expenses of $112.5m, up 7%
- SaaS Annual Recurring Revenue (ARR)[2] of $110.2m, up 33%
- Cash Flow Generation[3] of $9.9m, up 100+%
- Cash and cash equivalents of $84m, up 23%
- Interim dividend of 3.47cps, up 10%
- R&D expenditure (before capitalisation) of $30.5m, up 10%, which is 22% of revenue

1 Includes other income of $0.4m

2 Annual recurring revenue (ARR) is not an IFRS measure and is unaudited, it represents future contracted annual revenue at period end.

3 Cash Flow Generation is Cashflow from operating activities less capitalised development costs. This is a non audited, non-IFRS financial measure.

We have delivered our 11th year of record profit, revenue and SaaS fees. Our SaaS ARR[1] is up 33% and we increased the number of large-scale enterprise SaaS customers by 22% to 475.

The UK has continued to improve, with the UK loss reducing to $800k for the half-year. Technology One sees significant growth opportunities for the coming years.

It is important to note that COVID-19 hit hard in March, the last month of our half year. The COVID-19 pandemic has had minimal impact on our business. This is a credit to Technology One team members who have swiftly and seamlessly transitioned to remote working and who continue to support our customers, ensuring our mission critical software that underpins their business continues to operate efficiently and effectively.

Our SaaS vision of Any device, Anywhere, Anytime has helped not only our customers, but also our own operations during this challenging period.

Technology One is on track to deliver continuing strong growth over the full year.

Our solid results are due to the continuing strong demand for our global SaaS ERP solution.

Customers are now differentiating between inferior 'cloud hosted' solutions, offered by our competitors, and the significant benefits and efficiencies offered by our true multi-tenanted Global SaaS offering.

Today, 85+% of our revenue is recurring subscription revenue[2].

Technology One is well positioned as the markets we serve are generally resilient. Our Global SaaS ERP solution enables 'any device, anytime access from anywhere around the world'. This is allowing our customers to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies. This makes life simple for them, and as such we see our SaaS ARR[2] continuing to grow strongly, up 30+% over the full year.

With a strong pipeline, a high proportion of locked in recurring revenues, no debt and a strong balance sheet, we are well positioned to deliver continuing strong growth over the full year.

In light of the Company's strong results, and our confidence going forward, the dividend for the half year has increased to 3.47 cents per share, up 10% on the prior year.

COVID-19 assessment

COVID-19 is an evolving situation. Management has considered the potential impact of COVID-19 in performing the Group's impairment assessments and in establishing the expected credit loss on financial assets. As a result, no adjustments were made to the Group's assets.

Operating cash flow

Operating cash flow increased from a $7.8m inflow for the half-year ended 31 March 2019 to a $25.3m inflow for the half-year ended 31 March 2020, reflecting improved cash collection processes, our strategy to progressively move forward anniversary dates and the adoption of AASB 16 Leases.

Dividends - Technology One Limited

Dividends paid to members during the period were as follows:

	2020	2019
	$'000	$'000
Final dividend for the year ended 30 September 2019 of 8.78 cents (2018 – 6.16 cents) per fully paid share paid in December 2019	27,930	19,527
Special dividend for the year ended 30 September 2018 of 2.00 cents per fully paid share paid in December 2018	-	6,334
	27,930	25,861

Matters subsequent to the end of the financial half-year

On 19 May 2020, the directors of Technology One Limited declared an interim dividend on ordinary shares of 3.47 cents per share in respect of the 2020 financial year. The total amount of the dividend is $11.1m and is 60% franked.

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

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 23.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Report) 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.

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

A. Di Marco

Adrian Di Marco
Executive Chairman

Brisbane
19 May 2020

1 Annual recurring revenue (ARR) is not an IFRS measure and it is unaudited, it represents future contracted annual revenue at period end.

2 85+% of total revenue excluding consulting, based on opening ARR.

Technology One Limited
Consolidated income statement
For the half-year ended 31 March 2020

	Notes	31-Mar-20	31-Mar-19
		$'000	$'000
Revenue from contracts with customers	3	**137,985**	128,524
Variable costs		**(7,784)**	(9,770)
Variable customer cloud costs		**(10,312)**	(7,875)
Total variable costs		**(18,096)**	(17,645)
Occupancy costs	4	**(1,934)**	(5,456)
Corporate costs		**(9,758)**	(9,703)
Depreciation and amortisation	4,5	**(8,390)**	(2,718)
Computer & communication costs		**(5,582)**	(5,698)
Marketing costs		**(2,960)**	(3,407)
Employee costs		**(63,439)**	(59,188)
Share-based payments	8	**(1,556)**	(991)
Finance expense	4	**(743)**	-
Total operating costs		**(94,362)**	(87,161)
Other income	3	**413**	763
Profit before income tax		**25,940**	24,481
Income tax expense		**(6,889)**	(6,560)
Profit for the year		**19,051**	17,921
		Cents	Cents
Basic earnings per share		5.98	5.65
Diluted earnings per share		5.93	5.62

The above Consolidated income statement should be read in accordance with the accompanying notes.

Technology One Limited
Consolidated statement of comprehensive income
For the half-year ended 31 March 2020

	31-Mar-20	31-Mar-19
	$'000	$'000
Profit for the year (from previous page)	**19,051**	17,921
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**430**	1,313
Other comprehensive income for the year, net of tax	**430**	**1,313**
Total comprehensive income for the year	**19,481**	**19,234**

The above Consolidated statement of comprehensive income should be read in accordance with the accompanying notes.

Technology One Limited
Consolidated statement of financial position
As at 31 March 2020

	Notes	31-Mar-20	30-Sep-19
ASSETS		**$'000**	$'000
Current assets			
Cash and cash equivalents		**83,769**	105,046
Prepayments		**9,512**	12,810
Trade and other receivables		**29,647**	49,032
Contract assets		**23,523**	24,607
Other current assets		**668**	463
Current tax assets		**12,026**	6,783
Contract acquisition costs		**2,583**	2,104
Total current assets		**161,728**	**200,845**
Non-current assets			
Property, plant and equipment		**10,734**	10,900
Right-of-use assets		**25,773**	-
Intangible assets		**37,401**	37,521
Capitalised development	5	**44,783**	31,590
Deferred tax assets		**27,835**	32,153
Contract acquisition costs		**6,687**	5,415
Total non-current assets		**153,213**	**117,579**
Total assets		**314,941**	**318,424**
LIABILITIES			
Current liabilities			
Trade and other payables		**35,704**	47,290
Provisions		**12,933**	12,261
Prepaid subscription revenue	6	**127,521**	147,558
Lease liability		**5,593**	-
Borrowings		**-**	5
Total current liabilities		**181,751**	**207,114**
Non-current liabilities			
Provisions		**3,072**	3,616
Other non-current liabilities		**162**	837
Lease liability		**24,559**	-
Total non-current liabilities		**27,793**	**4,453**
Total liabilities		**209,544**	**211,567**
Net assets		**105,397**	**106,857**
EQUITY			
Contributed equity		**39,685**	35,302
Other reserves		**41,467**	55,477
Retained Earnings		**24,245**	16,078
Total equity		**105,397**	**106,857**

The above Consolidated statement of financial position should be read in accordance with the accompanying notes.

	Note	Contributed equity	Retained earnings[1]	Dividend reserve	FOREX reserve	Share option reserve	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 October 2019		**35,302**	**16,078**	**27,905**	**1,850**	**25,722**	**106,857**
AASB 16 opening adjustment	1(b)	-	199	-	-	-	199
Adjusted opening balance		**35,302**	**16,277**	**27,905**	**1,850**	**25,722**	**107,056**
Exchange differences on translation of foreign operations		-	-	-	430	-	430
Profit for the period		-	19,051	-	-	-	19,051
Total comprehensive income for the period		**-**	**19,051**	**-**	**430**	**-**	**19,481**
Transfer to dividend reserve		-	(11,083)	11,083	-	-	-
Dividends paid		-	-	(27,930)	-	-	(27,930)
Exercise of share options		4,383	-	-	-	-	4,383
Share based payments	8	-	-	-	-	1,556	1,556
Tax impact of share trust		-	-	-	-	851	851
		4,383	(11,083)	(16,847)	-	2,407	(21,140)
Balance at 31 March 2020		**39,685**	**24,245**	**11,058**	**2,280**	**28,129**	**105,397**
Balance at 1 October 2018		**33,171**	**13,759**	**8,616**	**(380)**	**22,294**	**77,460**
Exchange differences on translation of foreign operations		-	-	-	1,313	-	1,313
Profit for the period		-	17,921	-	-	-	17,921
Total comprehensive income for the period		**-**	**17,921**	**-**	**1,313**	**-**	**19,234**
Transfer to dividend reserve		-	(27,234)	27,234	-	-	-
Dividends paid		-	-	(25,861)	-	-	(25,861)
Exercise of share options		1,733	-	-	-	-	1,733
Share based payments		-	-	-	-	991	991
Tax impact of share trust		-	-	-	-	2,215	2,215
		1,733	(27,234)	1,373	-	3,206	(20,922)
Balance at 31 March 2019		**34,904**	**4,446**	**9,989**	**933**	**25,500**	**75,772**

[1] Refer to note 1(b) for details regarding the restatements for changes in accounting policies on adoption of AASB 16.

The above Consolidated statement of changes in equity should be read in accordance with the accompanying notes.

Technology One Limited
Consolidated statement of cash flows
For the half year ended 31 March 2020

	Notes	31-Mar-20	31-Mar-19
		$'000	$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**149,786**	128,097
Payments to suppliers and employees (inclusive of GST)		**(118,266)**	(114,387)
Interest received		**234**	440
Income taxes paid		**(5,722)**	(6,359)
Interest paid		**(743)**	-
Net cash inflow / (outflow) from operating activities		**25,289**	**7,791**
Cash flows from investing activities			
Payments of contingent consideration		**(223)**	(3,322)
Payments for property, plant and equipment		**(1,783)**	(784)
Payments for intangible assets		**(18,228)**	(15,684)
Net cash inflow / (outflow) from investing activities		**(20,234)**	**(19,790)**
Cash flows from financing activities			
Proceeds from exercise of share options		**4,382**	1,733
Payments for principal repayments of lease liabilities		**(2,784)**	-
Repayment of finance lease		**-**	(18)
Dividends paid to shareholders		**(27,930)**	(25,861)
Net cash inflow / (outflow) from financing activities		**(26,332)**	**(24,146)**
Net increase / (decrease) in cash and cash equivalents		**(21,277)**	(36,145)
Cash and cash equivalents at the beginning of the financial year		**105,046**	104,322
Cash and cash equivalents at the end of year		**83,769**	**68,177**

The above Consolidated statement of cash flows should be read in accordance with the accompanying notes.

1. Basis of preparation

(a) Corporate information

The financial report of Technology One Limited (the Company) for the half-year ended 31 March 2020 was authorised for issue in accordance with a resolution of directors on 19 May 2020.

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

This interim financial report for the half-year reporting period ended 31 March 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full-year financial report. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 September 2019 and considered together with any public announcements made by Technology One Limited during the half-year ended 31 March 2020 in accordance with the continuous disclosure obligations of the ASX listing rules and Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial period except where a change has been required due to the implementation of a new accounting standard.

At 31 March 2020, the statement of financial position shows a net current asset deficiency of $20.0m (30 September 2019: $6.3m) which is attributable to the prepaid subscription revenue balance in current liabilities. As prepaid subscription revenue represents payments received or receivable in advance from customers for SaaS Fees and On Premise Annual Licence Fees which will be recognised as revenue in future periods, and not a cash outflow, the net current asset deficiency does not impact the Group's ability to meet its short-term obligations as and when they fall due.

(b) New accounting standards and interpretations

AASB 16 Leases – Impact of adoption

AASB 16 Leases replaces AASB 117 Leases and is effective for the Group for the current financial year beginning 1 October 2019. The Group has adopted AASB 16 under the modified retrospective approach and therefore comparatives of the 2020 reporting period have not been restated. Accordingly, there is an adjustment to opening retained earnings at 1 October 2019.

The standard introduces a single lessee accounting model and requires a lessee 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 classification of leases as either operating or finance leases for the lessee and effectively treats all leases as finance leases.

Under the new standard a lease liability has been recognised, representing the Group's obligation to make lease payments and a corresponding right of use asset has been recognised, representing the lessee's right to use the underlying leased asset.

The lease liability has been measured as the present value of future lease payments discounted at the lessees incremental borrowing rate as at 1 October 2019. The weighted average incremental borrowing rate applied was 4.78%. The right of use asset has been measured either retrospectively as if the new standard has always been in place or at an amount equal to the lease liability on transition, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

The profile of the lease related expense has changed from being included within the occupancy costs line of the consolidated income statement as a rent expense to being made up of a depreciation expense on the right-of-use asset and an interest expense on the lease liability. Due to the transition option selected by the Group, the occupancy costs line in the consolidated income statement is lower than the prior corresponding period and the depreciation and finance expense lines are higher than the prior corresponding period.

(i) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous applying AASB 137 as an alternative to performing an impairment review – there were no onerous contracts as at 1 October 2019
- accounting for leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- making use of the recognition exemption for leases for which the underlying asset is of low value
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease. The types of leases relevant to the Group are property and equipment leases.

(ii) Measurement of lease liabilities

The below is a reconciliation between the operating lease commitment disclosed in the Group financial statements for the year ended 30 September 2019 to the opening lease liability balance recognised at 1 October 2019.

	1 October 2019
Operating lease commitment at 30 September 2019 as disclosed in the Group's consolidated financial statements	**41,648**
Discounted using the weighted average incremental borrowing rate at 1 October 2019	35,708
Reconciling items	
(Less) short-term leases recognised on a straight-line basis as an expense	(156)
Add/(less) adjustment as a result of a different treatment of extension and termination options	(2,735)
Lease Liabilities recognised as at 1 October 2019	**32,817**
Of which are:	
Current lease liabilities	5,688
Non-current lease liabilities	27,129
	32,817

(iii) Measurement of right-of-use assets

On transition the associated right-of-use assets were measured either retrospectively as if the new rules had always been applied, as was done for the Group's largest lease (HQ), or at an amount equal to the lease liability on transition, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019. This choice in the measurement of the right of use asset on transition to AASB 16 is allowable within the standard on a lease by lease basis under the modified retrospective approach.

(iv) Adjustments recognised in the statement of financial position at 1 October 2019

The change in accounting policy affected the following balance sheet items as at 1 October 2019:

Statement of financial position	**30 September 2019 AASB 117 reported**	**Opening balance adjustment**	**1 October 2019 AASB 16 restated**
increase/(decrease)	**($000s)**	**($000s)**	**($000s)**
Assets			
Right-of-use asset	-	28,686	28,686
Prepayments	12,810	(610)	12,200
Deferred tax (net)	32,153	1,239	33,392
Liabilities			
Lease liability- current	-	5,688	5,688
Lease liability- non current	-	27,129	27,129
Trade and other payables	47,290	(3,041)	44,249
Other non-current liabilities	837	(660)	177
Equity			
Equity	106,857	199	107,056

(v) New Group accounting policy - AASB 16 Leases

AASB 16 supersedes AASB 117 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group's lease portfolio primarily consists of property leases. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Lease contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

<u>Lease liability</u>

The lease liability is initially measured at the present value of outstanding lease payments (including those to be made under reasonably certain extension options). The payments used in this calculation include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments above are discounted using the interest rate implicit in the lease if that rate is readily determinable. This is not the case for the Group's current leases. When the interest rate implicit in the lease is not readily determinable AASB 16 requires the use of the incremental borrowing rate to calculate the present value of the lease payments. This rate is the rate of interest that a lessee would have to pay to borrow the funds necessary to purchase the right of use asset, over a similar term and with a similar security, in similar economic environment.

The most appropriate rate to use as a starting point in determining the incremental borrowing rate would be the interest rate incurred on existing borrowings. However, the Group does not have any existing borrowings. In the absence of this the Group uses the swap curve with a corresponding rating as the starting point in determining the incremental borrowing rate. In line with the accounting standard the Group adjusts the swap curve rate for the term of the leases, the value of the leases and the creditworthiness of the Group.

Once the lease liability has been recognised on the balance sheet the periodic lease repayments are allocated between an interest and a principal element. The interest is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Right-of-use asset

The right-of-use asset is initially calculated as being equal to the lease liability and then adjusted for the following:

- Lease payments made on or before the commencement date less any incentives received
- Any initial direct costs, and
- An estimate of restoration costs.

This right-of-use asset is then depreciated on a straight-line basis over the calculated lease term.

Right-of-use assets are also subject to impairment testing under AASB 136 Impairment of assets.

Short term and low value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Interpretation 23 – Uncertainty over Income Tax Treatments

AASB Interpretation 23 Uncertainty over Income Tax Treatments also became effective for the group from 1 October 2019. The interpretation clarifies how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. This has not had a material impact on the Group.

2. Segment information

The Group's chief operating decision maker, being the Chief Executive Officer, makes financial decisions and allocates resources based on the information they receive from the Group's 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 in the annual report ending 30 September 2019 and Accounting Standard AASB 8 Operating Segments.

The Group's reportable segments are:

- Software – incorporates Sales and Marketing, R&D and SaaS Platform.
- Consulting – responsible for the implementation of our software.
- Corporate – includes all corporate functions.

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 Technology One. For example, Software pays Corporate for the use of corporate services.

The chief operating decision maker views each segment's 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.

Half Year 2020	**Software**	**Consulting**	**Corporate**	**Total**
	$'000	$'000	$'000	$'000
Revenue from contracts with customers				
SaaS fees	51,053	-	-	**51,053**
On premise initial licence fees	5,451	-	-	**5,451**
On premise annual licence fees	51,258	-	-	**51,258**
Consulting services	-	30,223	-	**30,223**
Intersegment revenue	(683)	762	(79)	-
Net royalty	(26,287)	(3,183)	29,470	**-**
Total revenue	**80,792**	**27,802**	**29,391**	**137,985**
Other income	**163**	**-**	**250**	**413**
Expenses				
Total external expenses	**(64,936)**	**(22,748)**	**(24,774)**	**(112,458)**
Profit before tax	**16,019**	**5,054**	**4,867**	**25,940**
Income tax expense				**(6,889)**
Profit for the year				**19,051**

Half Year 2019	**Software**	**Consulting**	**Corporate**	**Total**
	$'000	$'000	$'000	$'000
Revenue from contracts with customers				
SaaS fees	37,550	-	-	**37,550**
On premise initial licence fees	10,980	-	-	**10,980**
On premise annual licence fees	50,799	-	-	**50,799**
Consulting services	-	29,195	-	**29,195**
Intersegment revenue	(770)	774	(4)	**-**
Net royalty	(24,714)	(3,148)	27,862	**-**
Total revenue	**73,845**	**26,821**	**27,858**	**128,524**
Other income	**315**	**-**	**448**	**763**
Expenses				
Total external expenses	(57,293)	(23,436)	(24,077)	**(104,806)**
Profit before tax	**16,867**	**3,385**	**4,229**	**24,481**
Income tax expense				**(6,560)**
Profit for the year				**17,921**

3. Revenue

	2020	2019
	$'000	$'000
Revenue from contracts with customers		
SaaS fees*	**51,053**	37,550
On premise initial licence fees**	**5,451**	10,980
On premise annual licence fees*	**51,258**	50,799
Consulting services*	**30,223**	29,195
Total revenue from contracts with customers	**137,985**	**128,524**

	2020	**2019**
Other income	**$'000**	$'000
Foreign exchange gains / (losses)	**6**	5
Interest received	**234**	440
Other	**173**	318
Total other income	**413**	**763**
Total revenue	**138,398**	**129,287**

**Recognised over time / as services are rendered*
***Recognised at a point in time*

4. Expenses

	2020	2019
	$'000	$'000
Occupancy costs	**1,934**	5,456
Depreciation and amortisation		
Depreciation of AASB 16 right-of-use assets	**3,030**	-
Depreciation plant and equipment	**1,939**	1,812
Contract asset amortisation	**1,126**	722
Capitalised development amortisation	**2,158**	-
Other intangible amortisation	**137**	184
Finance expense	**743**	-

Due to the adoption of AASB 16 Leases in the current year the profile of the lease related expense has changed from being included within the occupancy costs line of the consolidated income statement as a rent expense to being made up of a depreciation expense on the right-of-use asset and a finance expense on the lease liability.

5. Capitalised development

	Software - in development	**Software - in use**	**Total**
	$'000	**$'000**	**$'000**
Period ended 31 March 2020			
Opening net book amount	23,825	7,765	31,590
Additions	15,352	-	15,352
Transfers to software - in use	(15,975)	15,975	-
Amortisation charge	-	(2,159)	(2,159)
Closing net book amount	**23,202**	**21,581**	**44,783**
At 31 March 2020			
Cost	23,202	24,295	47,497
Accumulated amortisation	-	(2,714)	(2,714)
Net book amount	**23,202**	**21,581**	**44,783**
Period ended 31 March 2019			
Opening net book amount	-	-	-
Additions	14,005	-	14,005
Transfers to software - in use	-	-	-
Amortisation charge	-	-	-
Closing net book amount	**14,005**	**-**	**14,005**
At 31 March 2019			
Cost	14,005	-	14,005
Accumulated amortisation	-	-	-
Net book amount	**14,005**	**-**	**14,005**

6. Prepaid subscription revenue

	2020	2019
	$'000	$'000
Prepaid subscription revenue	**127,521**	147,558
Total prepaid subscription revenue	**127,521**	**147,558**

Prepaid subscription revenue is a contract liability under AASB 15 Revenue from contracts with customers. Prepaid subscription revenue represents payments received in advance from customers for SaaS fees and on-premise annual license fees which will be recognised as revenue in future periods. These amounts are non-refundable, and the operating costs to deliver these services are not significant.

7. Fair value

At 31 March 2020, the Group did not hold any assets or liabilities at fair value through the profit and loss.

The carrying value of current trade and other receivables, prepaid subscription revenue and trade payables are assumed to approximate their fair value due to their short-term nature.

8. Share-based payments

Options are granted to employees at the discretion of the Board based on the option plan approved by the Board.

Technology One 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 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 of 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.

The fair value of options granted during the year was between $1.55 and $2.45 (2019: $1.49 and $2.23).

The fair value of the options granted during the six months ended 31 March 2020 was estimated using the following assumptions:

Dividend yield (%)	1.56%
Expected volatility (%)	29.51%
Risk-free interest rate (%)	0.66%
Expected life of share options (years)	3.3
Share price ($)	7.65

At 31 March 2020, a total of 6,174,037 options (September 2019 – 5,679,358) were offered to employees.

The weighted average share price at the date of exercise of options exercised during the period ended 31 March 2020 was $5.32 (30 September 2019 - $1.58).

The weighted average remaining contractual life of share options outstanding at the end of the period was 6.1 years (30 September 2019 - 6.0 years).

For the six-month period ended 31 March 2020, the Group has recognised $1.6m of share-based payment expense in the consolidated income statement (31 March 2019: $1.0m).

9. Critical accounting estimates

The Group has considered whether there is any additional critical accounting estimates to be disclosed within this interim set of Financial Statements that were not required at 30 September 2019.

Critical accounting estimates - AASB 16 Leases

The Group is required to determine the measurement of lease liabilities based on the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, if readily available. Where the implicit interest rate is not readily available the Group is required to use the Group's incremental borrowing rate. The interest rate implicit in the lease is not readily available for any of the Group's current leases therefore the incremental borrowing rate has been used for all leases. Judgement is required to determine the appropriate discount rate to apply. The discount rate must reflect the rate of interest that a lessee would have to pay to borrow the funds necessary to purchase the right-of-use asset, over a similar term and with a similar security, in similar economic environment.

Another AASB 16 area that requires judgement relates to the assessment of the likelihood of the Group exercising, or not exercising any extension or termination options available within a lease. In performing these reasonably certain assessments management considers all facts and circumstances that create an economic incentive to either exercise, or not exercise an extension or termination option.

Critical accounting estimates – COVID-19

Although to date there has been no noticeable changes to the Group's performance due to COVID-19, management have considered the potential impact of COVID-19 in performing the Group's impairment assessments and in establishing the expected credit loss on financial assets. As a result, no adjustments were made to the Group's assets.

10. Events occurring after the reporting period

On 19 May 2020, the directors of Technology One Limited declared an interim dividend on ordinary shares of 3.47 cents per share in respect of the 2020 financial year. The total amount of the dividend is $11.1m and is 60% franked.

No other matters or circumstances have arisen since the half-year end which have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

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 8 to 21 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 31 March 2020 and of its performance for the half-year ended on that date.

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the board

A. Di Marco

Adrian Di Marco
Executive Chairman

Brisbane
19 May 2020

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of Technology One Limited

As lead auditor for the review of Technology One Limited for the half-year ended 31 March 2020, 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 review; and

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

This declaration is in respect of Technology One Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
19 May 2020

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent Auditor's Review Report to the Members of Technology One Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Technology One Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 March 2020, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 March 2020 and of its consolidated financial performance for the half-year ended on that date; and
b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 March 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane
19 May 2020

Jennifer Barker
Partner
Brisbane
19 May 2020