TECHNOLOGY ONE LIMITED

ABN 84 010 487 180

APPENDIX 4D

For the half-year ended 31 March 2022 (compared to the half-year ended 31 March 2021)

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

				2022	2021
Results				\$'000	\$'000
Revenue from ordinary activities	Up	19%	to	171,995	144,341
Profit from ordinary activities after tax attributable to members	Up	18%	to	33,191	28,201
Net profit for the period attributable to members	Up	18%	to	33,191	28,201

	Amounts per security	Franked amount per security
Dividends	Cents	Cents
Current period		
Interim dividend	4.20	2.52
Final dividend	N/A	N/A
Previous corresponding period (**) Interim dividend Final dividend	3.82 10.09	2.29 6.05

The Record date for determining entitlements to the dividend is 3 June 2022. ** Year ended 30 September 2021

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 2022.

Earnings per share	Current period	Previous corresponding period
	2022	2021
	Cents	Cents
Basic EPS	10.29	8.80
Diluted EPS	10.24	8.75
Weighted average number of ordinary shares		
outstanding during the period used in the calculation of the Basic EPS	322,630,158	320,644,215
Weighted average fully diluted number of shares used in the calculation of the diluted EPS	324,161,539	322,426,782

	Current period	Previous corresponding period
NTA backing	31 March 2022	31 March 2021
	Cents	Cents
Net tangible asset backing per ordinary share ¹	2.41	9.16

¹ The right-of-use asset and related lease liabilities under AASB 16 Leases are included in the NTA calculations above. The reduction in Net tangible assets per share reflects an increase in software development assets and intangible assets associated with the acquisition of Scientia in September 2021.

Dividend Payable

The dividend is payable on 17 June 2022.

Dividend Reinvestment Plan

There is no dividend reinvestment plan in operation.

Total dividend per security (interim)	Current period Cents	Previous period Cents
Ordinary securities	4.20	3.82

Interim dividend on all securities	Current period	Previous corresponding period
	\$'000	\$'000
Total	13,571	12,274

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 has been reviewed.

Adrian Di Marco **Executive Chair**

S. n. Mara

Date: 24 May 2022

Technology One Limited Financial Report for the half-year ended 31 March 2022

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 for the half-year ended 31 March 2022.

Directors

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

Adrian Di Marco - Executive Chair
Pat O'Sullivan - Deputy Chair and Lead Independent Director
Ron McLean - Non-executive Director
John Mactaggart - 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

Stephen Kennedy is the Group Company Secretary. Paul Jobbins is the Company Secretary.

Principal activities

The principal activity of the Group during the half-year was the development, marketing, sales, implementation and support of fully integrated enterprise 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
- Technology One Timetabling and Scheduling (Syllabus Plus)

Review of operations

The financial results for the half-year ended 31 March 2022 show continuing growth, with SaaS ARR up 44% and profit after tax up 18% underpinned by continuing strong demand for the Technology One global SaaS ERP solution.

Technology One's SaaS and Continuing Business now has revenue of \$169.5 million for the half year, up 21%, representing 97%+ of our business, reflecting a huge shift from our legacy licence business. We are now at the completion of our SaaS transformation.

Key results were as follows:

- Profit After Tax of \$33.2m, up 18%
- Profit Before Tax of \$42.6m, up 14%
- SaaS Annual Recurring Revenue (ARR)¹ of \$225.1m, up 44%
- Revenue from our SaaS and Continuing Business of \$169.5m, up 21%
- Total Revenue² of \$172.5m, up 19%
- Expenses of \$129.9m, up 21%
- Cash and Cash Equivalents of \$116.4m, up 16% from 31 March 2021
- Cash Flow Generation³ of \$1.6m as expected, and will be strong over the full year
- Dividend of 4.2cps, up 10%
- R&D expenditure (before capitalisation) of \$41.5m, up 20%, which is 24% of revenue⁴
- UK profit up 100%+
- 1 ARR represents future contracted annual recurring revenue at period end. This is a non-IFRS financial measure and is unaudited
- 2 Includes Other income of \$0.5m
- 3 Cash Flow Generation is Cash flow from operating activities less capitalised development costs, capitalised commissions and lease payments. This is a non-IFRS financial measure and is unaudited.
- 4 Current year R&D investment includes \$1.8m for Technology One Timetabling and Scheduling (Scientia product-Syllabus Plus) .

We have delivered our 13th year of record first half profit, revenue and SaaS fees.

Our Profit After Tax for the half is up 18%. And our SaaS Annual Recurring Revenue (ARR) is up 44%, as we increased the number of large-scale enterprise SaaS customers by 24% to 714. Our SaaS business continues to grow strongly.

We saw an acceleration of customers move to our global SaaS ERP solution with more than 138 large enterprise customers making the shift, the highest number to date for any comparable period. This was driven by our 'end of on-premise program', with the majority of remaining on-premise customers now also committing to transition before 2024.

Our global SaaS ERP is the future of enterprise software. It provides our enterprise customers with a mission critical solution to run their entire business on any device, anywhere at anytime. It also allows them 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.

These are strong half year results for Technology One and validate the strength of our SaaS strategy, which continues our strong growth trajectory in both Australia and the UK.

We have also had many strong wins and organic growth. Nineteen large scale enterprise customers partnered with us in the first half, including Shire of Mornington Peninsula and City of Manningham in Australia, Gisborne District Council and Ministry of Justice in New Zealand and Newport City Council, Derby City Council and Royal Conservatoire of Scotland in the UK, all of whom are keen to transform their operations and free up time and resources which can then be invested into their customers and community.

In late calendar 2021, Technology One acquired Scientia as a strategic addition to enhance its ERP and to drive growth in higher education both in the UK and Australia.

Technology One Limited Directors' report 31 March 2022

We are already seeing good traction with this acquisition. Scientia's unique IP and market-leading functionality brings opportunities to expand our enterprise footprint in higher education and drive our growth into this important market.

Technology One's UK business has continued to flourish, with profit before tax of \$2.3m for the half-year up 100%+. We see significant growth opportunities in the coming years and Technology One is on track to deliver continuing strong growth over the full year in the UK. The total addressable market in the UK is 3 times our APAC addressable market.

For the period, expenses including Scientia (first full half year) were up 21% as expected. Expenses excluding Scientia were up 13%. We expect revenue growth and expense growth to align over the full year.

As we continue to win more customers and our SaaS Platform continues to scale globally, our profit margin will continue to expand.

Technology One also announced significant R&D investment in extending the functionality and capabilities of the Company's global SaaS ERP solution including a new and exciting Local Government - Digital Experience Platform (LG DXP). LG DXP, will revolutionise how residents interact with councils. The initial feedback from our group of early adopters has been excellent and we believe our DXP strategy will create an additional long-term platform for future growth.

Traditionally, cash flow generation for Technology One is weighted to the second half, aligned with customer payment anniversary dates, resulting in negative cash flow in the first half. This half-year, we delivered a breakeven cash flow generation result, with cash and cash equivalents up 16%. Cash flow generation will be strong over the full year, and we expect it to represent approximately 85% of net profit after tax. Cash flow generation will progressively align to NPAT by FY24.

Our results are due to the continuing strong demand for our global SaaS ERP solution. Today 97%+ of our revenue comes from our SaaS and Continuing Business.

Guidance

We expect to see strong continuing growth for the full year and will provide guidance with our Half Year Results Presentation.

COVID-19 assessment

Our global SaaS ERP solution which provides Any device, Anywhere, Anytime capability has undoubtedly helped not only our customers, but also our own operations during this challenging period, ensuring that COVID-19 has had no material impact on the Group to date.

As is required, Management has considered the future 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 net assets.

Dividends

In light of the Company's strong results, and our confidence going forward, the dividend for the half year has increased to 4.20 cents per share, up 10% on the prior year.

Dividends paid to members during the period were as follows

	2022	2021
	\$'000	\$'000
Final dividend for the year ended 30 September 2021 of 10.09 cents (2020 – 9.41 cents) per fully paid share paid in December 2021	32,492	30,235
	32,492	30,235

Matters subsequent to the end of the period

On 24 May 2022, the directors of Technology One Limited declared an interim dividend on ordinary shares of 4.20 cents per share in respect of the 2022 financial year. The total amount of the dividend is \$13.6m 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 21.

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.

Adrian Di Marco Executive Chair

S. n. Mara

Brisbane 24 May 2022

Technology One Limited Consolidated income statement For the half-year ended 31 March 2022

	Notes	31-Mar-22	31-Mar-21
		\$'000	\$'000
Revenue - SaaS and continuing business		169,480	140,579
Revenue - Legacy licence business		2,515	3,762
Revenue from contracts with customers	3	171,995	144,341
Variable costs		(10,322)	(8,706)
Variable customer SaaS costs		(12,300)	(11,704)
Total variable costs		(22,622)	(20,410)
Occupancy costs	4	(1,250)	(935)
Corporate costs		(11,943)	(7,848)
Depreciation and amortisation	4	(17,870)	(11,792)
Computer and communication costs		(5,465)	(5,432)
Marketing costs		(3,715)	(3,184)
Employee costs		(64,440)	(55,235)
Share-based payments	8	(1,771)	(1,803)
Finance expense	4	(808)	(742)
Total operating costs	_	(107,262)	(86,971)
Other income	3	459	329
Profit before income tax		42,570	37,289
Income tax expense		(9,379)	(9,088)
Profit for the period		33,191	28,201
		Cents	Cents
Basic earnings per share		10.29	8.80
Diluted earnings per share		10.24	8.75

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 2022

	31-Mar-22	31-Mar-21
	\$'000	\$'000
Profit for the period (from previous page)	33,191	28,201
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(1,609)	171
Other comprehensive income for the period, net of tax	(1,609)	171
Total comprehensive income for the period	31,582	28,372

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 2022

	Notes	31-Mar-22	30-Sep-21
ASSETS		\$'000	\$'000
Current assets			
Cash and cash equivalents		116,368	142,853
Prepayments		15,975	13,429
Trade and other receivables		33,570	50,580
Contract assets		24,392	22,709
Other current assets		213	238
Current tax assets		4,233	-
Contract acquisition costs	_	5,285	5,001
Total current assets	_	200,036	234,810
Non-current assets			
Property, plant and equipment		7,599	7,279
Right-of-use assets		21,268	20,971
Intangible assets		62,035	61,696
Capitalised development	5	111,775	90,985
Deferred tax assets		14,738	26,349
Contract assets		3,137	2,962
Contract acquisition costs	_	10,920	9,676
Total non-current assets	_	231,472	219,918
Total assets	_	431,508	454,728
LIABILITIES			
Current liabilities			
Trade and other payables		30,453	36,567
Provisions		16,384	21,219
Contingent consideration		7,118	3,842
Deferred revenue	6	138,219	160,015
Current tax liabilities		-	2,677
Lease liability		6,842	3,342
Total current liabilities		199,016	227,662
Non-current liabilities	_		
Provisions		7,318	2,067
Contingent consideration		-	7,576
Other non-current liabilities		105	120
Lease liability		27,279	27,069
Total non-current liabilities		34,702	36,832
Total liabilities	_	233,718	264,494
Net assets	_	197,790	190,234
FOURTY			
EQUITY Contributed equity		57 202	51 G/F
Contributed equity Other reserves		57,203 55,133	51,645 72,717
Retained earnings		55,133 85,454	65,872
•	_		
Total equity	_	197,790	190,234

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

Technology One Limited Consolidated statement of changes in equity As at 31 March 2022

	Note	Contributed equity	Retained earnings	Dividend reserve	FOREX reserve	Share option reserve	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2021		51,645	65,872	32,454	1,958	38,305	190,234
Profit for the period		-	33,191	=	- (4.000)	-	33,191
Exchange differences on translation of reserves		-	-	-	(1,609)	-	(1,609)
Total comprehensive income for the period		-	33,191	-	(1,609)	-	31,582
Dividends Paid		-	-	(32,492)	-	-	(32,492)
Transfer to dividends reserve		-	(13,609)	13,609	-	-	-
Exercise of share options		5,558	-	-	-	-	5,558
Share based payments		-	-	-	-	1,771	1,771
Tax impact of share trust			-	-	-	1,137	1,137
		5,558	(13,609)	(18,883)		2,908	(24,026)
Balance at 31 March 2022		57,203	85,454	13,571	349	41,213	197,790
Balance at 1 October 2020		40,551	38,093	30,046	2,136	31,342	142,168
Profit for the period		-	28,201	-	-	-	28,201
Exchange differences on translation of reserves		-	-	-	171	-	171
Total comprehensive income for the period		-	28,201	-	171	-	28,372
Dividends Paid		<u>-</u>	-	(30,235)	-	-	(30,235)
Transfer to dividends reserve		-	(12,463)	12,463	-	-	-
Exercise of share options		9,961	-	-	-	-	9,961
Share based payments		-	-	-	-	1,803	1,803
Tax impact of share trust		-	-	-	-	1,558	1,558
	-	9,961	(12,463)	(17,772)	-	3,361	(16,913)
Balance at 31 March 2021	-	50,512	53,831	12,274	2,307	34,703	153,627

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

Technology One Limited Consolidated statement of cashflows As at 31 March 2022

	Notes	31-Mar-22 \$'000	31-Mar-21 \$'000
Cash flows from operating activities		\$ 000	\$ 000
Receipts from customers (inclusive of GST)		172,246	142,983
Payments to suppliers and employees (inclusive of GST)		(135,914)	(117,109)
Interest received		91	133
Net income taxes paid		(7,270)	(6,692)
Interest paid		(809)	(742)
Net cash inflow / (outflow) from operating activities	_	28,344	18,573
Cash flows from investing activities			
Payment for business acquisition		-	-
Payments for property, plant and equipment		(1,507)	(550)
Payments for development expenditures and intangibles		(27,329)	(21,089)
Net cash inflow / (outflow) from investing activities	_	(28,836)	(21,639)
Cash flows from financing activities			
Proceeds from exercise of share options		5,488	9,472
Principal repayments of lease liabilities		(348)	(1,283)
Dividends paid to shareholders		(32,492)	(30,235)
Net cash inflow / (outflow) from financing activities	_	(27,352)	(22,046)
Net increase / (decrease) in cash and cash equivalents		(27,844)	(25,112)
Cash and cash equivalents at the beginning of the period		142,853	125,244
Cash from acquisition		1,359	_
Cash and cash equivalents at the end of the period	<u> </u>	116,368	100,132

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 2022 was authorised for issue in accordance with a resolution of directors on 24 May 2022.

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 condensed interim financial report for the half-year reporting period ended 31 March 2022 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 2021 and considered together with any public announcements made by Technology One Limited during the half-year ended 31 March 2022 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.

Certain comparative items have been reclassified in the financial statements to align with the 31 March 2022 disclosures.

At 31 March 2022, the statement of financial position shows a current liability balance of \$199m (30 September 2021: \$228m) which is predominately attributable to the deferred revenue balance in current liabilities. As deferred revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised as revenue from contracts with customers in future periods, and not a future cash outflow, this balance does not impact the Group's ability to meet its short-term obligations as and when they fall due.

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 received 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 2021 and Accounting Standard AASB 8 Operating Segments.

The Group's reportable segments are:

- Software incorporates Sales and Marketing, Product and SaaS Platform.
- Consulting responsible for services in relation to 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.

Technology One Limited Notes to the consolidated financial statements 31 March 2022

Half Year 2022	Software	Consulting	Corporate	Total
	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers				
SaaS fees*	96,248	-	-	96,248
Annual licence fees*	39,166	-	-	39,166
Consulting services*	-	34,148	-	34,148
Initial licence fees**	2,433	-	-	2,433
Other income	298	-	161	459
Intersegment revenue	(125)	161	(36)	-
Net royalty	(32,190)	(3,396)	35,586	-
Total revenue	105,830	30,913	35,711	172,454
Expenses				
Total external expenses	(76,223)	(24,181)	(29,480)	(129,884)
Profit before tax	29,607	6,732	6,231	42,570
Income tax expense				(9,379)
Profit for the half-year			-	33,191
Half Year 2021	Software	Consulting	Corporate	Total
	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers				
SaaS fees*	68,818	-	-	68,818
Annual licence fees*	41,606	-	-	41,606
Consulting services*	-	30,351	-	30,351
Initial licence fees**	3,566	-	-	3,566
Other income	197	-	132	329
Intersegment revenue	(385)	402	(17)	-
Net royalty	(27,480)	(3,114)	30,594	-
Total revenue	86,322	27,639	30,709	144,670
Expenses				
Total external expenses	(62,861)	(21,501)	(23,019)	(107,381)
Profit before tax	23,461	6,138	7,690	37,289
Income tax expense			_	(9,088)
Profit for the half-year			. <u></u>	28,201

^{*}Recognised over time / as services are rendered

^{**}Recognised at a point in time

3. Revenue

	2022	2021
	\$'000	\$'000
Revenue from contracts with customers		
SaaS fees*	96,248	68,818
Annual licence fees*	39,084	41,410
Consulting services*	34,148	30,351
Revenue - SaaS and continuing business	169,480	140,579
Initial licence fees**	2,433	3,566
Annual licence fees associated with initial licence fees*1	82	196
Revenue - Legacy licence business	2,515	3,762
Total revenue from contracts with customers	171,995	144,341
	2022	2021
Other income	\$'000	\$'000
Foreign exchange gains / (losses)	29	(1)
Interest received	91	133
Other	339	197
Total other income	459	329
Total revenue	172,454	144,670

^{*}Recognised over time / as services are rendered

4. Expenses

	2022	2021
	\$'000	\$'000
Occupancy costs	(1,250)	(935)
Depreciation of plant and equipment	(1,279)	(1,841)
Amortisation of right-of-use assets	(2,563)	(2,534)
Amortisation of contract acquisition costs	(2,722)	(1,526)
Amortisation of capitalised development	(10,693)	(5,673)
Amortisation of acquired intangibles	(612)	(218)
Depreciation and Amortisation	(17,870)	(11,792)
Finance expense	(808)	(742)

^{**}Recognised at a point in time

¹ This represents revenue on Annual Licence Fees recognised from the date the associated initial licence is delivered until the end of that first financial period post delivery.

114,106

100,354

5. Capitalised development

	Software development	Software development- in use	Total
	\$'000	\$'000	\$'000
Period ended 31 March 2022			
Opening net book amount at 1 October 2021	30,296	60,690	90,986
Opening fair value added from Scientia acquisition	4,012	5,893	9,905
Additions	22,062	-	22,062
Transfers to software - in use	(21,185)	21,185	-
Amortisation charge	-	(10,693)	(10,693)
Impairment	-	-	-
Exchange difference	(217)	(268)	(485)
Closing net book amount	34,968	76,807	111,775
At 31 March 2022			
Cost	34,968	115,994	150,962
Accumulated amortisation	-	(39,187)	(39,187)
Accumulated impairment	-	-	-
Net book amount	34,968	76,807	111,775
Period ended 31 March 2021			
Opening net book amount at 1 October 2020	26,983	35,573	62,556
Additions	18,491	-	18,491
Transfers to software - in use	(17,661)	17,661	-
Amortisation charge	-	(5,673)	(5,673)
Impairment	-	-	-
Closing net book amount	27,813	47,561	75,374
At 31 March 2021			
Cost	27,813	59,891	87,704
Accumulated amortisation	-	(12,330)	(12,330)
Accumulated impairment	-	-	-
Net book amount	27,813	47,561	75,374
6. Deferred revenue			
		2022	2021
		\$'000	\$'000
Carrying amount at 1 October		160,015	144,148
Carrying amount at 31 March		138,219	124,033

Deferred revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised as revenue in future periods, generally over the next 12 months. These amounts are a contract liability under AASB15 and do not result in a future cash outflow.

Revenue recognised from the opening balance

7. Fair value

Contingent consideration in the Consolidated Statement of Financial Position is classified as a Level 3 liability, given that it cannot be fair valued using observable market inputs. A release of the contingent consideration that does not represent a payment is recognised within the other income line of the consolidated income statement.

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

8. Share-based payments

Options and Executive performance rights (EPRs) are granted to employees at the discretion of the Board based on the option plan approved by the Board.

Technology One issues options with up to 25% discount on the volume weighted average price for the 10 days prior to the grant date.

The options and EPRs typically vest if the employee remains employed at the vesting date. For executive key management personnel (KMP) they must remain employed at the vesting date and meet certain performance-based vesting conditions.

The period available between vesting date and expiry date of each option is five years.

Each option entitles the holder to purchase one share. Fair values of options and EPRs granted as part of remuneration are based on values determined using the Binomial option pricing model or the Monte Carlo model where there is a market-based performance metric attached to the vesting of the option or EPR.

The fair value of options granted during the period was between \$2.13 and \$3.65 (2021: \$1.77 and \$2.66). The fair value of EPRs granted during the period was between \$11.11 and \$11.38 (2021: \$7.66).

The fair value of the options and EPRs granted during the six months ended 31 March 2022 was estimated using the following assumptions:

Dividend yield (%)	1.20%
Expected volatility (%)	33.15%
Risk-free interest rate (%)	1.24%
Expected life of share options (years)	3.3
Share price (\$)	11.56

The expected volatility reflects the assumption that the historical volatility of the Group's share price over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

At 31 March 2022, a total of 4,341,132 options and 113,039 EPRs (September 2021: 4,303,812 and 142,528) were granted to employees.

The weighted average exercise price for options exercised during the period ended 31 March 2022 was \$4.25 (30 September 2021: \$4.67).

The weighted average remaining contractual life of share options outstanding at the end of the period was 7.0 years (30 September 2021: 6.0 years).

For the six-month period ended 31 March 2022, the Group has recognised \$1.8m of share-based payment expense in the consolidated income statement (31 March 2021: \$1.8m).

9. Business Combinations

On 15 September 2021, Technology One UK Limited acquired 100% of the issued shares and voting rights in Scientia Resource Management Limited (Scientia). The Scientia acquisition forms part of the strategic focus to deliver further functionality for the Company's Higher Education software solution and it will accelerate the growth and competitive position in the UK as well as have significant benefits in the Australian Higher Education market. Scientia's product, Syllabus Plus, provides advanced academic timetabling and resource scheduling for over 150 leading universities across the United Kingdom and Australia.

As disclosed at 30 September 2021, the business combination remains provisional as the Company continues to receive information required to assess the fair values of the assets and liabilities acquired. At the time of acquisition, the fair value was determined to be \$22.9m (£12.2m GBP) and was initially recorded to goodwill as there was limited information available for the purchase price allocation prior to the financial statements being issued.

At 31 March 2022, the Company is continuing to receive information required to assess the fair values of the assets and liabilities acquired.

In accordance with the accounting standards, changes to measurement during the provisional accounting period should be adjusted in the comparative balance sheet as at 30 September 2021. Until the provisional assessment is complete, and the Company has completed its diligence and valuation work, reclassifications have not been reflected in the comparative. Changes made to the provisional accounting to date and reflected as at 1 October 2021 have been noted in the detail below.

Purchase consideration

The initial cash payment of \$11.5m (£6.1m GBP) on 25 August 2021 included payments to extinguish the list of liabilities of Scientia at the time of acquisition as well as payments to shareholders.

The sales and purchase agreement outlined earn out clauses including:

- The first earn out clause of \$3.8m (£2.1m GBP) is consideration for the acquisition and is earned through future performance hurdles on net profit before tax (NPBT) and annual recurring revenue (ARR) as of 31 December 2021.
- The second earn out clause of \$7.6m (£4.1m GBP) is consideration for the acquisition and is earned through future performance hurdles on NPBT and ARR as of 31 December 2022. The company has considered the future contingent payment to be a level 3 financial liability given that it cannot be fair valued using observable market inputs. The fair value of the contingent payment considering the time value discount is \$7.4m.

At acquisition, the Scientia Group had not begun the preparation of the 2020 or 2021 financial statements, nor completion of the related audits. In the period between October 2021 and March 2022, the audit of 2020 financial statements was completed. The 2021 audit is now significantly progressed. This work, combined with external due diligence and valuation work and Technology One's internal efforts, uncovered facts and circumstances that would have strongly impacted the probability of Scientia achieving the first earn out. For this reason, the purchase consideration has been retrospectively reduced to the initial cash payment of £6.1m plus the value of the second earn out, £4.1m.

Further payments to the major shareholder may be due subject to the achievement of certain future NPBT and ARR targets between 31 December 2022 and 31 December 2024. These payments would be accrued if deemed to be probable. As of 31 March 2022, there has been no provision recorded.

There were \$0.5m of acquisition costs incurred during the year ended 30 September 2021. The revenue and profit and loss for Scientia was insignificant for the 15 days of consolidation to 30 September 2021. It was impracticable to determine what the revenue or profit and loss would have been for the full year based on historical results as they were not reflective of the business performance.

Impact on FY22 half year Statement of Comprehensive Income

The inclusion of the Scientia Group in the Consolidated Statement of Comprehensive Income at 31 March 2022 has resulted in additional revenue of \$9.6m and profit of \$0.6m for the Technology One Group.

Assets acquired and liabilities assumed

	Fair value recognised	Fair value recognised on acquisition		
	AUD	GBP		
	\$'000	£'000		
Purchase consideration				
Cash paid	11,535	6,141		
Contingent consideration	7,623	4,058		
Total purchase consideration	19,158	10,199		
Assets acquired				
Software	9,971	5,308		
Tradename	1,114	593		
Customer relationships	6,563	3,494		
ROU assets	1,479	788		
Cash	2,123	1,130		
Trade debtors	1,858	989		
Prepayments and accrued income	694	369		
Tangible assets	110	59		
Liabilities assumed				
Deferred tax liabilities(net)	(4,007)	(2,133)		
Creditors and accruals	(5,177)	(2,756)		
Deferred revenue	(9,596)	(5,109)		
Lease liability	(2,959)	(1,575)		
Goodwill arising on acquisition	16,985	9,042		

10. 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 2021.

Acquired intangibles

The Group engaged an independent third party during the period to assist in valuing the intangible assets acquired through the purchase of Scientia Resource Management Limited (Scientia). The valuation was done using a discounted cashflow method (DCF).

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.

11. Events occurring after the reporting period

On 24 May 2022, the directors of Technology One Limited declared an interim dividend on ordinary shares of 4.20 cents per share in respect of the 2022 financial year. The total amount of the dividend is \$13.6m 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.

Technology One Limited
Directors' report
31 March 2022

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 19 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 2022 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

S. n. Mara

Adrian Di Marco Executive Chair

Brisbane 24 May 2022



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

As lead auditor for the review of the half-year financial report of Technology One Limited for the half-year ended 31 March 2022, 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.
- c) No non-audit services provided that contravene 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

John Robinson Partner 24 May 2022



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Independent auditor's review report to the members of Technology One Limited

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 2022, 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, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply 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 2022 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.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us 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 financial position as at 31 March 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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.

Ernst & Young

Ernst + Young

John Robinson

Partner Sydney

24 May 2022

Jennifer Barker

Partner Brisbane

24 May 2022