

25 November 2014

Company Announcements Officer
Australian Securities Exchange Limited
Exchange Centre, 20 Bridge Street
SYDNEY NSW 2000

**BY ELECTRONIC LODGEMENT
TECHNOLOGY ONE LIMITED – PRELIMINARY FINANCIAL REPORT**

Please find attached a copy of Technology One Limited's Preliminary Financial Report for the year ended 30 September 2014.

Yours faithfully



Gareth Pye
Company Secretary

Technology One Limited
ABN 84 010 487 180
Appendix 4E and
Annual financial report
for the year ended 30 September 2014

Technology One Limited ABN 84 010 487 180

Financial report - 30 September 2014

Contents

	Page
Results for announcement to the market	1
Directors' report	2
Corporate governance statement	30
Financial statements	
Consolidated income statement	35
Consolidated statement of comprehensive income	36
Consolidated statement of financial position	37
Consolidated statement of changes in equity	38
Consolidated statement of cash flows	39
Notes to the consolidated financial statements	40
Directors' declaration	80
Auditor's Independence Declaration	81
Independent auditor's report to the members	82

Technology One Limited
Appendix 4E
30 September 2014

Results for announcement to the market

		2014	2013
		\$'000	\$'000
Revenue for ordinary activities	Up 8% to	195,124	180,591
Profit from ordinary activities after tax attributable to members	Up 15% to	30,967	26,984
Net profit for the period attributable to members	Up 15% to	30,967	26,984

Dividends

	Amount per security Cents	Franked amount per security Cents
Current period		
Interim dividend	1.95	1.95
Final dividend	4.21	4.21
Special dividend	2.00	2.00
Prior period		
Interim dividend	1.77	1.50
Final dividend	3.83	3.26

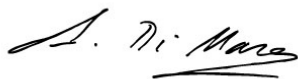
The record date for determining entitlements to the final 4.21 cents per share dividend and special 2.00 cents per share dividend for the year ending 30 September 2014 is 3 December 2014. The payment date for the final dividend is 17 December 2014 .

	30 Sept 2014	30 Sept 2013
Net tangible asset backing per ordinary share	28.84	23.42

Compliance statement

The report is based on the consolidated financial report which has been audited.
Refer to the attached full financial report for all other disclosures in respect of the Appendix 4E.

Signed:



A Di Marco
Brisbane
25 November 2014

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 2014.

Directors

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

Adrian Di Marco

B Sc, FAICD

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 projects to meet client specific requirements. Mr Di Marco has over 25 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.

Special responsibilities

Chairman of the Board.

Interests in shares and options

43,372,500 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 over 30 years' experience in the software industry, having held senior positions in companies in Australia and overseas, including the multi-national computer manufacturer NCR Corporation. Mr McLean joined the board as a Non-executive Director in 1992, was appointed as a General Manager in 1994, Chief Operating Officer in 1999 and Chief Executive Officer of Operations in 2003. Mr McLean resigned as Chief Executive Officer of Operations on 15 July 2004, and remains a Non-executive Director.

Special responsibilities

Chairman of the Remuneration Committee.

Interests in shares and options

101,000 ordinary shares in Technology One Limited held beneficially through RONMAC Investments Pty Ltd.

John Mactaggart

FAICD

Appointed 8 December 1999.

Experience and expertise

Mr Mactaggart has extensive experience across many industries, including export of animal products, food processing, industrial fasteners, manufacturing of building equipment and computer hardware and software. Mr Mactaggart is a director of a number of unlisted companies. Mr Mactaggart, through JL Mactaggart Holdings Pty Ltd, is a founding shareholder of TechnologyOne. He has been a Fellow of the Australian Institute of Company Directors since 1991.

Directors (continued)

Interests in shares and options

54,872,500 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 of accounting firm Moore Stephens. His expertise is broadly respected and acknowledged throughout the business community. He is a Fellow of the Institute of Chartered Accountants.

Special responsibilities

Chairman of the Audit Committee.

Interests in shares and options

201,825 ordinary shares in Technology One Limited held beneficially through Assembly Road Pty Ltd.

Richard Anstey

AICD, FAIM

Appointed 2 December 2005.

Experience and expertise

Mr Anstey has more than 30 years' experience in the IT & telecommunications industries and in associated investment banking roles. For the past 23 years he has been building and managing his own companies. The first, Tangent Group Pty Ltd, established a strong reputation for the development of software and strategic management consultancy for the banking and finance sector. After the sale of Tangent, he co-founded InQbator in 2000, an early stage investment group focused upon the technology, telecommunications and life sciences sector. InQbator manages a Federal Government-backed seed fund and a portfolio of 14 active companies across Australia. In 2006, Mr Anstey continued his career in venture capital by co-founding iQ Capital Management Pty Ltd, which manages iQ Fund 3. Mr Anstey is a member of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

Special responsibilities

Chairman of the Nomination Committee.

Interests in shares and options

7,500 ordinary shares in Technology One Limited.

Edward Chung

BCom, MCom, CA, FTIA, AICD

Appointed 14 May 2008.

Experience and expertise

Mr Chung is a Chartered Accountant, Fellow of the Tax Institute of Australia and an Associate Member of the AICD. Prior to joining TechnologyOne as Operating Officer, Corporate Services, Mr Chung was Chief Financial Officer of Queensland Rail, leading a finance team of approximately 300 staff. He was responsible for the areas of accounting, tax and treasury functions, as well as strategy and merger and acquisition activity. Mr Chung's experience spans corporate law, audit, senior finance and commercial roles in both the public and private sector.

Interests in shares and options

400,000 ordinary shares and 1,200,000 options in Technology One Limited.

Company Secretary

Gareth Pye
BCom, CA

Appointed 22 July 2014.

Mr Pye was appointed Company Secretary after the resignation of Mr Rodney Hooper from the role on 22 July 2014 and has been employed with TechnologyOne since August 2008.

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 2014, and the numbers of meetings attended by each director were:

	Full meetings of directors	Audit	Meetings of committees	
			Nomination	Remuneration
A Di Marco	9	-	1	1
R McLean	9	4	1	1
J Mactaggart	9	4	1	1
K Blinco	9	4	1	1
R Anstey	8(9)	4	1	1
E Chung	9	-	-	-

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 Financials
- TechnologyOne Enterprise Asset Management
- TechnologyOne Supply Chain
- TechnologyOne Human Resource & Payroll
- TechnologyOne Corporate Performance Management
 - TechnologyOne Business Intelligence
 - TechnologyOne Budgeting & Forecasting
 - TechnologyOne Performance Planning
- TechnologyOne Enterprise Content Management
- TechnologyOne Stakeholder Management - previously Customer Relationship Management
- TechnologyOne Student Management
- TechnologyOne Property & Rating

The Company also provides custom software development services for large scale, purpose built applications.

Dividends - Technology One Limited

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

	2014	2013
	\$'000	\$'000
Final dividend for the year ended 30 September 2013 of 3.83 cents (2012 - 3.48 cents) per fully paid share paid in December 2013 (2012 - December 2012)	11,781	10,671
Interim dividend for the year ended 30 September 2014 of 1.95 cents (2013 - 1.77 cents) per fully paid share paid on June 2014 (2013 - June 2013)	6,001	5,429
	17,782	16,100

Review of operations

On behalf of Technology One Limited (TechnologyOne) we are pleased to announce our results for the year ending 30 September 2014. This is our eleventh consecutive year of record revenues and record licence fees.

TechnologyOne has once again posted strong profit growth with Net Profit Before Tax up 15%.

Our ability to continue to evolve and adapt to a rapidly changing world, while at the same time remain focused on what we do, which is build, market, sell, implement, support and run our world class enterprise software; has been the key to our continuing long term success.

The strength of our product offerings, our enterprise vision and vertical market focus, and the resilient nature of the enterprise software market are the foundation stone 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.

ANALYSIS OF FULL YEAR RESULTS

Highlights of our results include:

- Net Profit Before Tax up 15%
- Revenue up 8%
- Total Expenses up 6%
- Expenses excluding R&D up 6%
- R&D expenses up 6%, which is 19% of revenue

Our results by revenue stream are as follows:

- Initial Licence fees up 11%
- Annual Licence fees up 16%
- Consulting Services fees up 5%

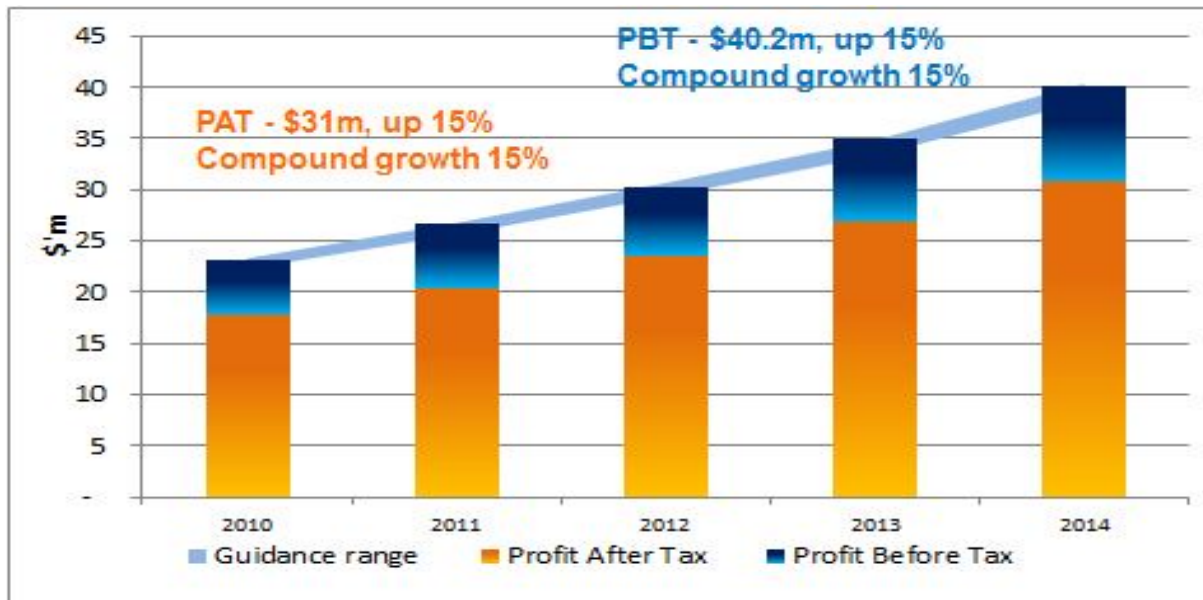
We have continued to invest heavily in a number of key strategic areas, including:

- TechnologyOne Cloud
- Our new product range - Ci Anywhere
- Our preconfigured solutions
- The United Kingdom

We continue to take a conservative approach, with all costs associated with these investments being fully expensed as incurred. We expect significant revenue streams to emerge from these investments in future years. These items are discussed in more detail later in this letter.

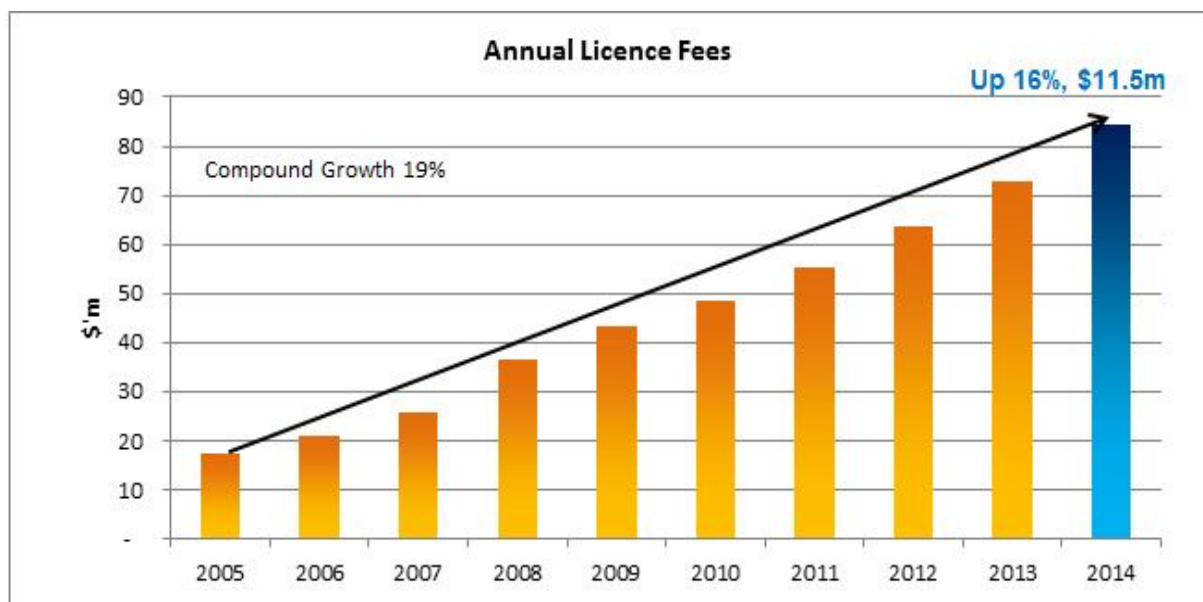
COMMENTARY

Continued profit growth



We have seen continuing strong growth in profit, with Profit After Tax up 15% and Profit Before Tax up 15%. Our profit is at the higher end of market guidance provided in May, of profit growth of between 10% and 15%.

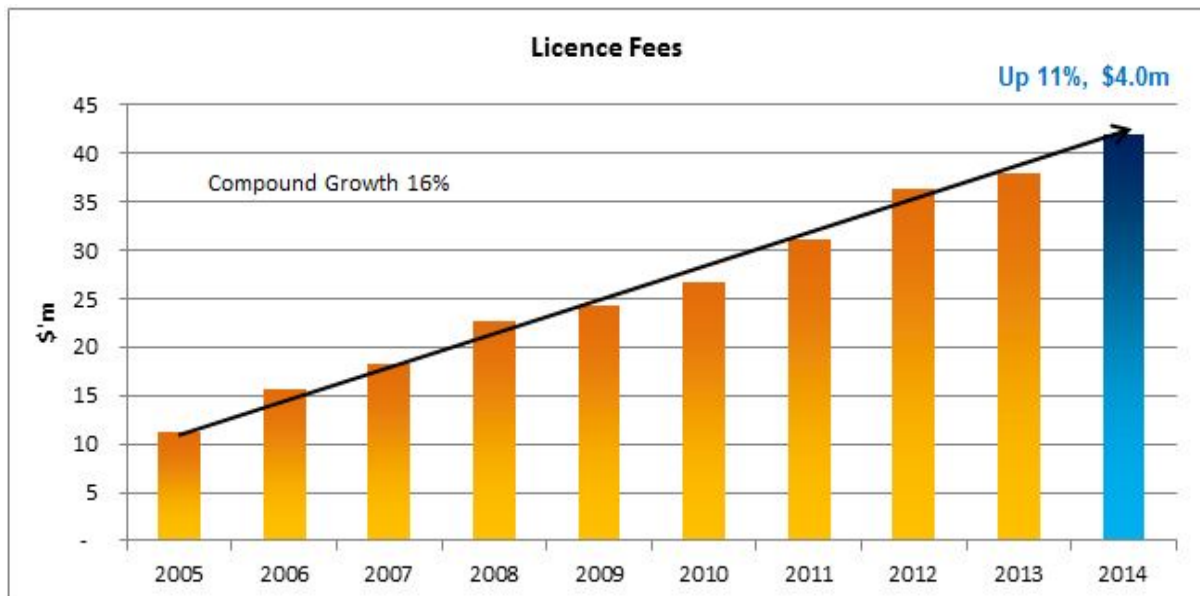
Continued growth of annual licence fees



COMMENTARY (continued)

In keeping with our very high customer retention and satisfaction rates, our recurring Annual Licence Fees once again grew strongly by 16%. Our investment in Ci Anywhere (the continued evolution of our Ci enterprise software), the TechnologyOne Cloud and our Compelling Customer Experience Program are critical to our ongoing success in this area.

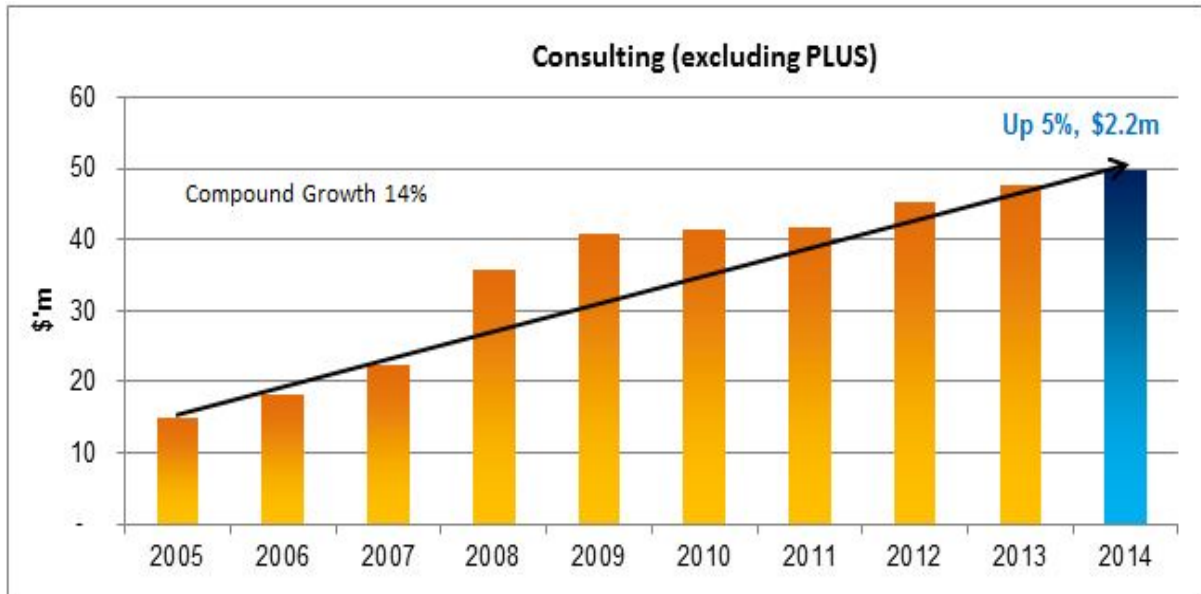
Continued growth of initial licence fees



Our Initial Licence Fees were up 11%, making this our eleventh consecutive year of year-on-year growth in licence fees. This year we added more than 50 major new corporate customers to our expanding customer base. Of these new customers, 18 of them were for the replacement of our competitors' systems including systems from Oracle, SAP and Microsoft. With the release of the TechnologyOne Cloud and our new generation product, Ci Anywhere, we expect this momentum to continue in future years.

COMMENTARY (continued)

Continued growth of consulting services



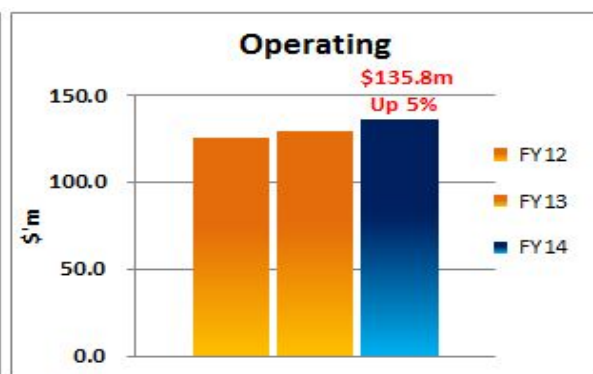
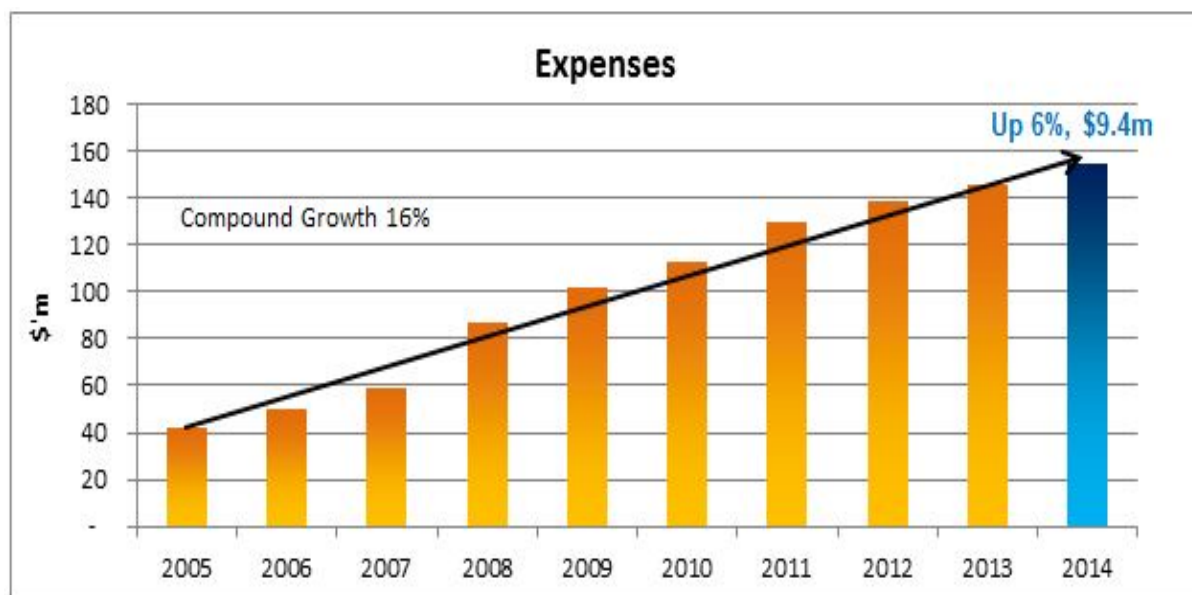
Consulting Services growth was up 5%. A new offering this year is our Application Managed Services (AMS), which allows our 'on premise' customers to outsource the administration and management of our enterprise software to TechnologyOne enabling us to continually improve their experience with our software. This new business contributed revenues of \$1.7m in its first year of operation, and we expect this strong momentum to continue next year.

PLUS

Our traditional Plus business, undertaking custom software development to meet client specific requirements, is, as has been previously foreshadowed, in decline in keeping with the general trend of this sector of the IT industry. This year it declined a further 15% (\$2.4m). We see this business continuing to decline, as we continue to transition away from custom software development to more strategic 'value added' services around our enterprise products.

COMMENTARY (continued)

Expenses



Total Expenses were up 6%.

Variable costs, which are expenses directly associated with revenue growth, were up 18%. Variable costs included our cloud costs, as well as commission and third party royalties associated with new Licence Fees.

- Commissions and third party costs associated with increased Licence Fees were up 13%, which is in line with Licence Fee growth of 11%.
- Cloud costs associated with TechnologyOne Cloud were \$1.04m (up \$887k).

What is pleasing is that our Operating costs, over which we can exert greater control because they are not directly associated with revenue growth, were up only 5%.

SIGNIFICANT ACHIEVEMENTS

Research & Development (R&D)

R&D continues to be a significant investment for TechnologyOne at \$38m for the year, up 6%. R&D represents 19% 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 Cloud.

Ci Anywhere

The next generation of our Ci product, allows organisations to embrace smart mobile devices including iPad, iPhone and Android devices, as part of our enterprise solution. We are delivering our entire suite of software and all our functionality on these mobile devices, as we envision a world where all work will be done on these devices in near future, with the inevitable decline of traditional laptop and PCs.

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

We officially launched Ci Anywhere at Evolve, our very successful user conference on the Gold Coast, in February 2014. We now have early adopters using Ci Anywhere, and the feedback to date has been very positive.

Over the next 24 months, we will focus our R&D efforts to bring all our remaining products onto this powerful new platform, as well as start to transition our existing customer base to Ci Anywhere. This will be a challenging period for TechnologyOne. We have now finalised our roadmaps, strategy and project plans for this next significant phase of R&D.

Ci Anywhere will create a new standard in enterprise software, and give us a significant competitive advantage over our competitors.

TechnologyOne Cloud

The TechnologyOne Cloud delivers the TechnologyOne Enterprise Suite through the cloud to our customers. TechnologyOne takes complete responsibility to provide the processing power, software and services including backup, recovery, upgrade and support services for our cloud customers.

TechnologyOne is uniquely placed because we own our software unlike hosting providers that simply host someone else's software in the cloud. Because we own our software we are able to make a substantial investment each year in ongoing R&D to continue to improve our software for the fast changing cloud to capitalize on new technologies, concepts and ideas. Because our plan is to run our software for thousands of customers simultaneously we have optimised our software and built the TechnologyOne Cloud specifically to do this, and we can achieve enormous economies of scale that cannot be achieved by hosting providers

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

We also launched the TechnologyOne Cloud at our Evolve user conference.

We have proven the TechnologyOne Cloud, with eight early adopters running live, and all are successful. This year we have added another 15 enterprise customers, which are in the process of going live in the near future.

SIGNIFICANT ACHIEVEMENTS (continued)

We have also released the third generation of the TechnologyOne Cloud, 3.0. The cloud is not a destination, but a journey, as the cloud is continually evolving. We are continuing to invest strongly in the cloud with TechnologyOne Cloud 4.0 to be released early in the 2015 calendar year, and TechnologyOne Cloud 5.0 slated for release in the following six months, which will further improve scalability and elasticity and significantly improve the economies of scale we will be able to achieve.

All TechnologyOne Cloud costs are fully expensed in the period they are incurred.

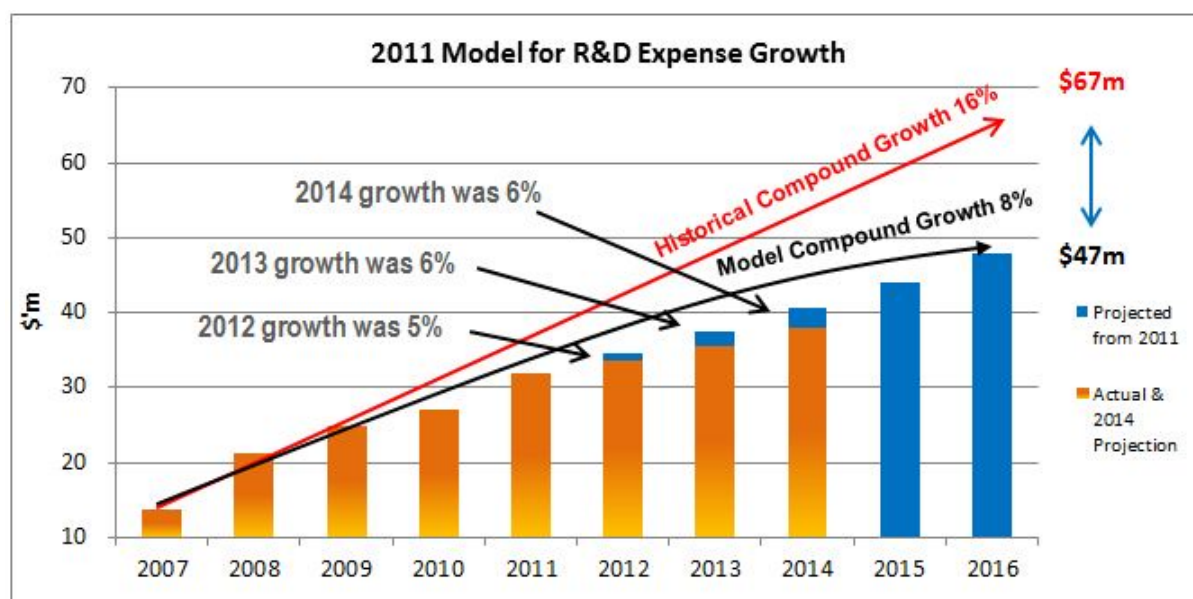
We are excited by the opportunities the TechnologyOne Cloud offers not to only our customers, but to us as well. It will allow us to streamline our operations, reduce our costs, improve our customers' experience, as well as reduce the time to market for new features and functions. It will allow us to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

We are confident the transition of our business to the cloud will be smooth over the next five years, with minimal impact on our business. We will come through this period with an even stronger, more resilient business model, and an even stronger competitive advantage.

We are developing strategies to underpin the next stage of growth for the TechnologyOne Cloud that will specifically address:

- Moving existing customers to the TechnologyOne Cloud
- Acquiring new prospective 'on premise' customers, and introducing them to the TechnologyOne Cloud
- Acquiring new prospective 'Software as a Service (SaaS)' customers on the TechnologyOne Cloud

R&D going forward



Our investment in R&D makes us Australia's largest software R&D company. We have a proven track record in innovating and creating outstanding products, and successfully commercialising these products for the benefit of our shareholders.

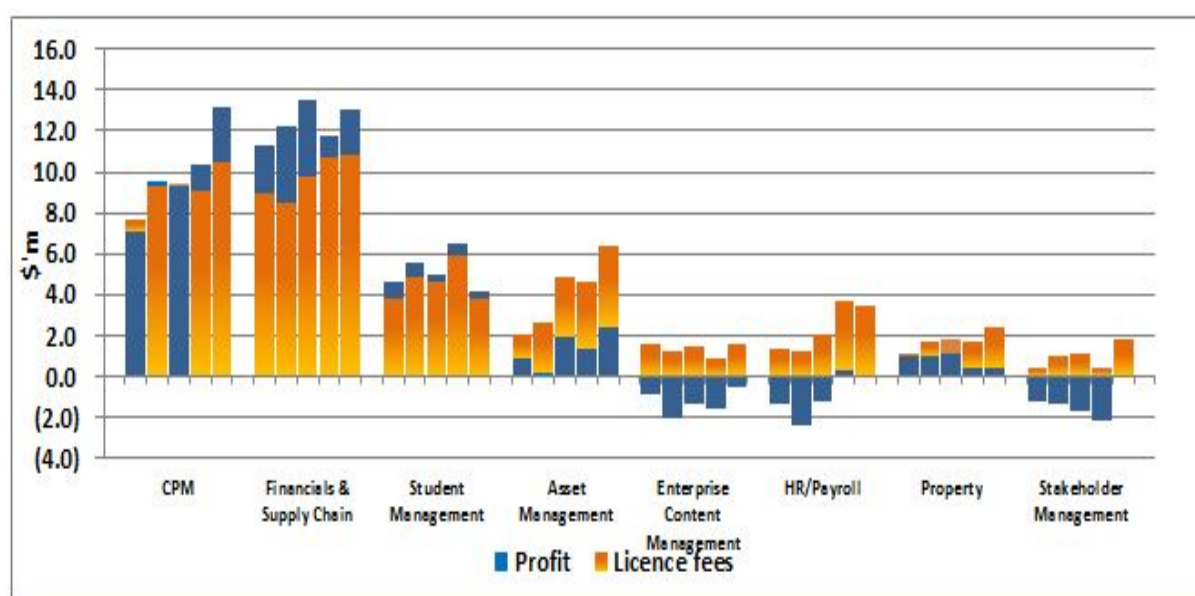
Three years ago, TechnologyOne committed to use its scale and world best practices to grow R&D at a target growth rate 8% per annum, substantially below our historical 16% per annum growth rate.

SIGNIFICANT ACHIEVEMENTS (continued)

In the last three years, we have delivered against this goal, with R&D up 5% in 2012, 6% in 2013 and 6% in 2014, all well below our target rate of 8%. This has led to a substantial improvement in our profit margins from 17% to 21%. Our goal is to continue this trend, and to return our profit margins to 25% in the coming years.

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, such as the cloud and smart mobile devices. The level of innovation and creativity is greater than at any time in our company's 27 year history.

Our Products



Over the last ten years TechnologyOne has invested substantial funds in building new products for our customers such as Human Resources & Payroll (HRP), Asset Management (AM), Enterprise Content Management (ECM), Stakeholder Management (SHM) and others. These products have been a drag on the company's earnings over this time, but as they are now approaching 'best in class' status, we are seeing them move to profitability.

Furthermore we expect these newer products as they continue to mature to reach a 'tipping point', where profits will exceed licence fees, and as such generate a significant return on our investment.

Review of the UK operation

This year we have once again increased our footprint in the UK adding five new customers, taking us to a total of 17 enterprise customers in the region. We still have a way to go before we will reach critical mass in the UK, which we expect will require in excess of 40 customers.

With the UK market improving after the GFC, we made the decision to increase our focus in the UK, by relocating one of our most senior and proven executives to the position of Operating Officer UK. He has brought extensive knowledge of the Australian operation, as well as a track record in building a high performing sales organisation in a new geography/market. Our UK pipeline for the new financial year looks promising.

SIGNIFICANT ACHIEVEMENTS (continued)

Review of our sales operation

We are now in the midst of a transformation of our sales operation to improve our effectiveness, streamline our business and allow us to more effectively manage our expanding sales force. Our goal is to build a world class sales operation to drive our TechnologyOne Cloud and Ci Anywhere offerings into the market, and to accelerate licence fee growth. We will continue to invest in this over the next 12 months.

Market focus and commitment

A core driver of our momentum over the last eight years has been our focus on our seven vertical markets.

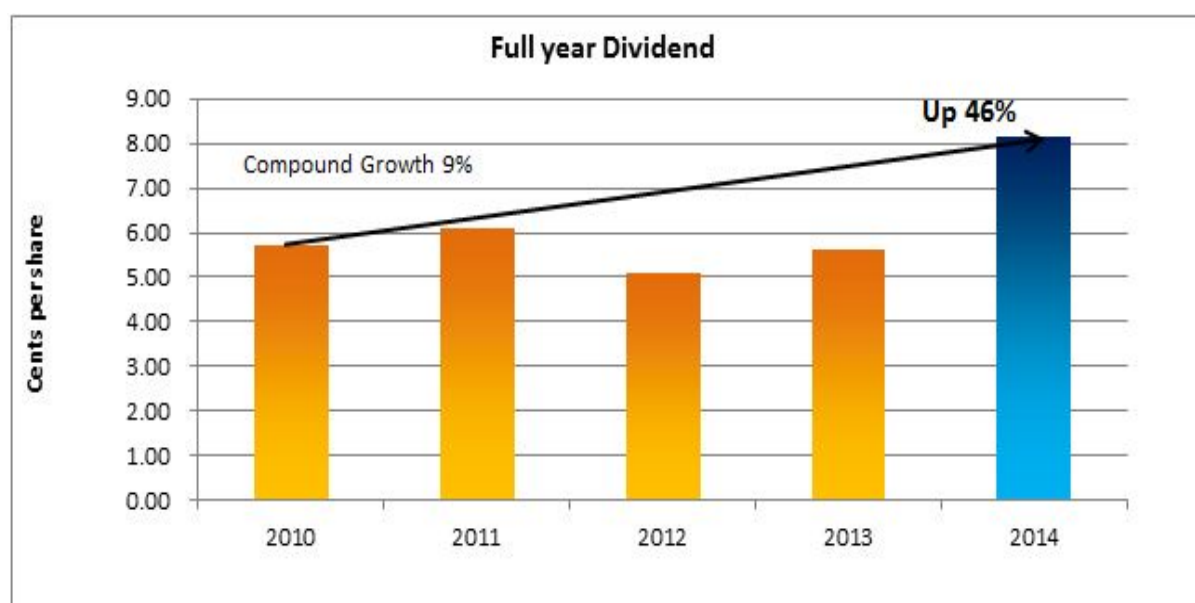
This has been very successful, but it is important we push even harder into our markets with an even stronger commitment and focus. Clearly, given our company's size and the number of markets we serve, this is a challenge. We are investigating how we can achieve this over the next few months.

BALANCE SHEET STRENGTH

TechnologyOne continues to have a strong balance sheet with cash of \$80.2m and undrawn banking facilities of \$2m. Our debt/equity ratio remains conservative at only 4% and interest cover is 168 times.

Operating cash flow was once again strong at \$35m for the full year, versus a Net Profit After Tax of \$31m.

DIVIDENDS



In light of our strong results and our confidence in the coming year, the dividend for the second half year has been increased to 4.21 cents per share, up 10% on the prior year. The Board has also proposed a special dividend of 2 cents per share. This takes the total dividend including special dividend, for the year to 8.16 cents per share, an increase of 46% on the prior year. This represents a payout ratio of 81% for the full year.

The company also continues to investigate other capital management options.

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

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

The Company will pay a 100% franked dividend on 17 December 2014 of \$13,000,000. There will also be a 100% franked special dividend on the same date of \$6,176,000.

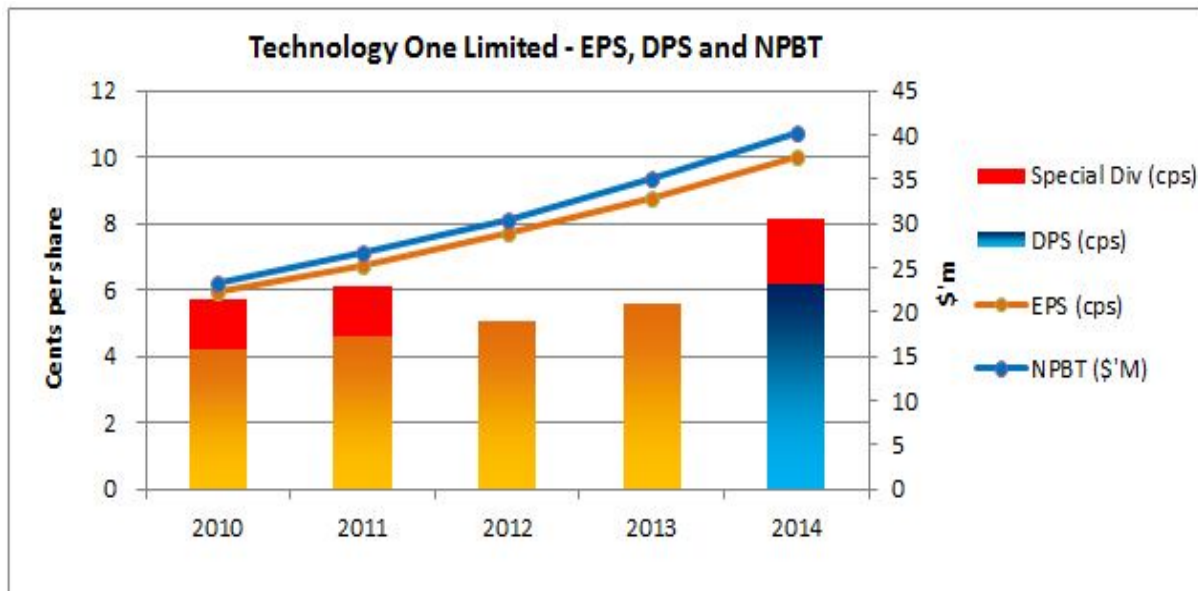
Likely developments

Refer to the Review of Operations section above.

Additional information

Performance of Technology One Limited

The graph below shows the performance of the Company (as measured by the Company's NPBT) and the comparison of the Company's NPBT with its earnings per share (EPS) and dividends per share (DPS) over the last five years.



Remuneration report (audited)

The remuneration report is set out under the following headings:

- (A) Principles used to determine the nature and amount of remuneration
- (B) Details of remuneration
- (C) Service agreements; and
- (D) Long-term incentives (share-based compensation).

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

The following section outlines TechnologyOne's remuneration policy and the philosophies that underpin it. Information is presented in a question and answer format and falls under six broad categories:

- Remuneration philosophies and structures
- Alignment with shareholder wealth creation
- Director remuneration
- Executive (KMP) remuneration
- Executive LTI's; and
- Remuneration governance

Additional details on TechnologyOne's long-term incentive programs can also be found in section D of this report.

A1: Remuneration philosophies and structures

What is TechnologyOne's remuneration philosophy?

The remuneration framework balances executive's interests with those of the company and its shareholders by providing executives and other employees (excluding non-executive directors) with the security of fixed base pay and the opportunity to earn individual variable income (incentives) when TechnologyOne or the executives' individual business units achieve or exceed pre-determined targets and shareholder value is created.

The reward framework is in line with market practice and aims to ensure overall reward that is:

- Market competitive, which allows the company to attract and retain high calibre people against our significantly larger global multi-national competitors
- Acceptable to shareholders
- Aligns executives interests, with shareholder value creation
- Transparent with simple, clear, measurable targets in place that are controllable by the executive, and
- Compatible with the company's longer term aims, capital management strategies and structures.

What are the key components of TechnologyOne's reward framework?

Executive remuneration includes a combination of:

- Base pay
- Short-term incentives (STIs) paid monthly based on relevant business unit's NPBT
- Long-term incentives (LTIs) through participation in TechnologyOne Options; and
- Other fixed remuneration, such as long service leave and superannuation contributions.

Additional detail on each of these components is included below.

Remuneration report (audited) (continued)

Base pay

Base pay is fixed pay amount that acts as basic retainer, and is typically 40% of executives' target remuneration for a year.

Philosophy

The philosophies behind TechnologyOne's base pay for executives are:

- They represent a relatively low proportion of an executive's total remuneration
- Consequently, a high proportion is at risk to align the executive with the performance of the Company or their relevant business units
- Once established, base pay for executives is reviewed annually and moves generally less than CPI.

There are no guaranteed base pay increases included in executives' contracts.

Short-term incentives (STI)

Short-term incentive (STI) is a variable at risk pay amount based on profitability to encourage and reward outstanding performance by our executive team. It is typically 50% of executives' target remuneration for a year.

Philosophy

The philosophies behind TechnologyOne's STI for executives are:

- They are used to motivate executives to achieve TechnologyOne's ambitious goals;
- Represent a relatively high proportion of an executives' total remuneration;
- They are simple and objective and typically based on NPBT;
- Under the executives' control; and
- They are based on auditable results.

TechnologyOne does not guarantee the STI component and therefore does not guarantee the annual package an executive will earn.

If the relevant NPBT measure increases on the prior year then the executive's incentive will increase by the same percentage, and if the relevant NPBT measure decreases on the prior year then the executive's incentive will decrease by the same percentage.

Any adjustment to previous year's results can be clawed back by TechnologyOne.

Long-term incentives (LTI)

Long-term incentives (LTI) is a variable at risk share-based compensation linked to the Company's long-term success. It is typically 10% of executives' target remuneration for a year.

Remuneration report (audited) (continued)

Philosophy

TechnologyOne has considered the difference between traditional Options and Rights when developing our LTI philosophies. TechnologyOne believes the use of traditional Options can result in excessive risk taking behavior by executives, given that value will only be delivered to executives when the share price growth exceeds the option's exercise price, which is typically set to the market price at time of issue. Similarly, TechnologyOne believes the use of Rights can result in executives being overly rewarded given they are issued at no cost.

The Board believes TechnologyOne Options combines the best characteristics of traditional Options and Rights and at the same time minimises their detrimental effects. This is because TechnologyOne Options are typically issued with an exercise price of approximately 50% of the volume weighted average price for the 10 days prior to the grant date.

Accordingly, TechnologyOne Options are as follows:

- Similar to performance rights, our LTI have value from offer date to prevent excessive risk taking, but unlike performance rights there is still a substantial exercise price;
- Unlike performance rights which effectively are 100% discounted (ie zero cost), our LTI requires the executive to invest in the future of the company;
- TechnologyOne Options have a long life so that they can be used as a retention tool; and
- The long life encourages long-term strategic decisions rather than short-term risk taking and therefore aligns the executive with shareholder's interests.

An important added benefit of the TechnologyOne Options is that they have value from the offer date which allows us to attract talent from our significantly larger global multi-national competitors.

Options are granted to executives 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 the executive to rectify the performance matter.

Executives are not permitted to hedge their exposure to equity interests.

The options are structured so that the executive receives the shares typically as follows:

- Over a period of seven years;
- There are currently a total of five or six tranches offered to each executive;
- The executive is issued one tranche every year;
- Each tranche has a vesting period of two years; and
- Each tranche has an expiry of five years after they vest.

We believe that this encourages our executives to make long-term strategic decisions that enhance shareholder value as they will receive the benefit over the following seven years.

There are a number of conditions that are attached to these options:

- The executive must be in the same or higher position at the time of exercising;
- A successor must be in place before the last tranche of options can be exercised; and
- Satisfactory performance on non-financial indicators as determined annually by the Executive Chairman.

Superannuation

Superannuation payments are made in accordance with relevant government regulations. Superannuation contributions are paid to a defined contribution superannuation fund.

Remuneration report (audited) (continued)

A2: Alignment with shareholder wealth creation

How does TechnologyOne align executive remuneration with shareholder wealth creation?

TechnologyOne ties incentives to NPBT growth that drive results and shareholder value creation.

In simple terms, this means that short-term incentives for executives will typically be:

- Broadly in line with targeted earnings where results are in line with expectations;
- Above targeted earnings in years where results are above expectations and shareholders benefit from higher than expected dividends and EPS; and
- Below targeted earnings when results and ultimately shareholder returns are below expectations.

The following table illustrates growth in shareholder wealth over the past five years.

	2014/2013	2013/2012	2012/2011	2011/2010	2010/2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Actual profit before tax	40,235	35,097	30,325	26,675	23,282
Profit after tax	30,967	26,984	23,559	20,326	17,813
<i>Dividends (relating to the year)</i>					
Interim (cps)	1.95	1.77	1.61	1.46	1.33
Final (cps)	4.21	3.83	3.48	3.16	2.87
Special (cps)	2.00	-	-	1.50	1.50
Total dividend including special (cps)	8.16	5.60	5.09	6.12	5.70
Earnings per share (basic)	10.06	8.80	7.73	6.71	5.93
<i>Share price</i>					
At 30 September	3.18	2.05	1.37	1.05	0.98

How does TechnologyOne's remuneration system benefit both its employees and its shareholders?

For employees benefits include:

- Provision of clear targets and structures for achieving rewards. When outcomes achieved exceed the targets set, rewards will be the greatest.
- Achievement, capability and experience are recognised and rewarded; and
- Contribution to shareholder wealth creation is rewarded.

For shareholders, benefits include:

- A clear short and long-term performance improvement focus, as year-on-year profit growth is a core component of TechnologyOne's remuneration system. A focus on sustained growth in shareholder wealth, consisting of dividends and share price growth and delivering constant returns on equity, and
- The ability to attract and retain high calibre executives.

A3: Director remuneration

How are non-executive directors remunerated?

To preserve their independence, non-executive directors (NEDs) receive fixed fees. The fees reflect the demands and responsibilities and are reviewed annually by TechnologyOne's Remuneration Committee.

The Company's constitution and the ASX listing rules specify that the aggregate remuneration of directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was the 6 February 2009 when shareholders approved an aggregate remuneration of \$600,000 per year. No additional fees are paid for each board committee on which a director sits.

Remuneration report (audited) (continued)

NEDs are not eligible to participate in the Employee Option Plan.

A4: Executive KMP remuneration structures

How are KMP incentivised?

The objective of the incentive program is to create a direct link between the achievements of the Company's profit target with the remuneration received by the executives charged with meeting those targets.

KMP STIs for 2013/14 were based on the Company's NPBT or their relevant business unit's NPBT.

No executives were remunerated on external factors.

What percentage of overall remuneration is fixed for TechnologyOne executives?

All KMP earn a mix of fixed and at risk remuneration.

A significant portion of KMP remuneration is at risk and tied to the company's NPBT or relevant business unit's NPBT. The fixed remuneration is between 27% - 48% of executives' remuneration for 2014.

Does the amount of "at risk" earnings vary from year-to-year?

At the beginning of each year, executives are offered a targeted remuneration package built around a fixed base, superannuation and variable short-term incentives (STIs) that are paid monthly.

The target STI component of the executives' remuneration ranges between 40% and 70% of their total remuneration. This is a relatively large component and is evidence of the Company's requirement for executives to perform well, in order to attain their target remuneration.

Actual remuneration in any given year may, however, be higher or lower than these targeted ranges as the executives' business unit NPBT result exceeds or misses the target NPBT.

These variations between actual and targeted remuneration packages will arise because:

- KMP's STIs are tied to forecast NPBT growth and actual earnings cannot be accurately measured at the start of a year, when targeted packages are set; and
- KMP may earn additional remuneration through TechnologyOne's LTI program.

Are non-financial KPIs used in TechnologyOne's LTI and STI programs?

The KPIs that are linked to KMP incentive earnings are generally NPBT related.

Are executive STIs capped?

For KMP, profit-related STIs are effectively uncapped because they are tied to the audited group results. There is also no floor to these STIs so there is the potential to earn less if the relevant NPBT reduces.

Remuneration report (audited) (continued)

A5: Executive LTIs

What performance targets are in place as part of TechnologyOne's long-term incentive plans?

The executives must meet continued service and other conditions listed below in order to exercise these options. In order to meet the service conditions, each executive must consistently achieve our high internal NPBT targets.

There are a number of conditions that are attached to these options before the options vest:

- The executive must be in the same or higher position at the time of exercising;
- A successor must be in place before the last tranche of options can be exercised; and
- Satisfactory performance on non-financial indicators as determined annually by the Executive Chairman.

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 executive to rectify the performance matter.

A6: Remuneration governance

How is executive remuneration monitored to ensure TechnologyOne achieves its reward objectives?

The Remuneration Committee proactively oversees and monitors executive remuneration and provides specific recommendations on remuneration and incentive structures, policies and practices and other employment terms for directors and senior executives.

In making its recommendations, the committee considers:

- External benchmarks to other Australian listed IT companies; and
- Targeted earnings being aligned with targeted NPBT growth.

The remuneration committee formally monitors remuneration details for KMP annually.

The committee can adjust KPIs at any time in situations where actual earnings are likely to excessively exceed targeted packages or if a material change occurs within the business such as an acquisition or a change in the business units that the executive is responsible for.

Given that a large portion of overall remuneration is at risk, what safeguards are in place to protect and grow shareholder value?

As executive incentive earnings are predominantly linked to NPBT results, they are subject to rigorous internal and external audit processes.

STI payments are made monthly and are adjusted during future periods if required. Also, between 10% and 20% of each KMP's STI is withheld each year and only paid after the company's results are released to the market.

To the extent that a previous year's financial results has been misstated and we must therefore restate our financial results, TechnologyOne will clawback any incentive associated with this misstatement.

The importance that TechnologyOne places on year-on-year profit growth and the LTI structure encourages longer term thinking and ensures executives are focused on delivering sustainable results for the future, as plans and strategies implemented during the current year will drive future earnings.

Remuneration report (audited) (continued)

Directors and key management personnel disclosed in this report

Non-executive and executive directors - see pages 2 to 3 above

Adrian Di Marco (Executive Chairman)
Ron McLean
John Mactaggart
Kevin Blinco
Richard Anstey
Edward Chung (Operating Officer - Corporate Services)

Other key management personnel

Name	Position
Roger Phare	Operating Officer - United Kingdom
Martin Harwood	Operating Officer - Products and Solutions
Paul Rogers	Operating Officer - Consulting Services
Lee Thompson	Operating Officer - Sales and Marketing (appointed 28 January 2014)

Remuneration report (audited) (continued)

B. Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Company (as defined in AASB 124 Related Party Disclosures) are set out in the following tables.

2014	Short-term employee benefits		Post-em ployment benefits	Long- term benefits	Share based payments		
Name	Cash salary and fees	Performance related bonus	Directors' fees	Super- annuation	Termination benefits & leave entitlements	Options	Total
	\$	\$	\$	\$	\$	\$	\$
Directors							
A Di Marco	453,116	687,487	71,866	10,865	-	-	1,223,334
R McLean	-	-	71,866	-	-	-	71,866
J Mactaggart	-	-	71,866	-	-	-	71,866
K Blinco	-	-	71,866	-	-	-	71,866
R Anstey	-	-	71,866	-	-	-	71,866
E Chung	221,410	260,134	71,866	8,762	-	60,756	622,928
Total directors	674,526	947,621	431,196	19,627	-	60,756	2,133,726
Key management personnel							
R Phare (Operating Officer - United Kingdom)*	235,089	432,753	-	1,420	-	101,971	771,233
M Harwood (Operating Officer - Products and Solutions)	203,235	424,538	-	10,952	-	24,047	662,772
P Rogers (Operating Officer - Consulting Services)	286,928	301,924	-	12,783	-	144,541	746,176
L Thompson (Operating Officer - Sales and Marketing)	120,317	347,311	-	11,253	-	-	478,881
Total key management personnel	845,569	1,506,526	-	36,408	-	270,559	2,659,062
Total key management personnel compensation (Company)	1,520,095	2,454,147	431,196	56,035	-	331,315	4,792,788

*Cash salary and fees of \$235,089 includes a total of \$31,004 for the payment of long service leave upon relocation to the United Kingdom.

The value actually received by individuals differs from the remuneration outlined above (which is based on accounting values). For the 2014 financial year, 17% (\$421,790) of the performance related bonus as previously accrued in that period became payable in cash to executives (based on audited results) and was paid in the 2015 financial year. There were no forfeitures.

Remuneration report (audited) (continued)

B. Details of remuneration (continued)

2013	Short-term employee benefits			Post-em ployment benefits	Long- term benefits	Share based payments	
Name	Cash salary and fees	Performance related bonus	Directors' fees	Super- annuation	Termination benefits & leave entitlements	Options	Total
	\$	\$	\$	\$	\$	\$	\$
Directors							
A Di Marco	449,096	600,135	48,456	9,919	-	-	1,107,606
R McLean	-	-	48,456	-	-	-	48,456
J Mactaggart	-	-	48,456	-	-	-	48,456
K Blinco	-	-	48,456	-	-	-	48,456
R Anstey	-	-	48,456	-	-	-	48,456
E Chung	216,631	225,419	48,456	10,757	-	34,846	536,109
Total Directors	665,727	825,554	290,736	20,676		34,846	1,837,539
Key management personnel							
R Phare (Operating Officer - Sales and Marketing)	193,956	480,470	-	6,939	-	77,992	759,357
M Harwood (Operating Officer - Products and Solutions)	203,241	367,884	-	8,845	-	38,208	618,178
P Rogers (Operating Officer - Consulting Services)	282,989	278,018	-	12,327	-	92,441	665,775
Total key management personnel	680,186	1,126,372		28,111		208,641	2,043,310
Total key management personnel compensation (Company)	1,345,913	1,951,926	290,736	48,787	-	243,487	3,880,849

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%
Executive directors of Technology One Limited						
A Di Marco	44	46	56	54	-	-
R McLean	100	100	-	-	-	-
J Mactaggart	100	100	-	-	-	-
K Blinco	100	100	-	-	-	-
R Anstey	100	100	-	-	-	-
E Chung	48	51	41	42	11	7
Other key management personnel of the group						
R Phare	31	27	56	63	13	10
M Harwood	32	34	64	60	4	6
P Rogers	40	44	40	42	20	14
L Thompson	27	-	73	-	-	-

Remuneration report (audited) (continued)

B. Details of remuneration (continued)

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Technology One Limited and other key management personnel of the Company, including their personally related parties, are set out below.

Key management personnel participated in the following share options:

- E Chung who participated in options granted 14 July 2014,
- P Rogers who participated in options granted 1 October 2012,
- R Phare who participated in options granted 1 July 2012,
- M Harwood who participated in options granted 1 May 2009, and
- E Chung who participated in options granted 5 May 2008.

2014 Name	Balance at start of the year	Issued as compen- sation	Exercised	Balance at the end of the year	Vested and exercisable	Unvested
Directors of Technology One Limited						
E Chung	400,000	1,000,000	(200,000)	1,200,000	-	1,200,000
Other key management personnel of the Company						
R Phare	400,000	200,000	(200,000)	400,000	-	400,000
M Harwood	600,000	-	-	600,000	200,000	400,000
P Rogers	400,000	200,000	(200,000)	400,000	-	400,000
L Thompson	-	-	-	-	-	-

2013 Name	Balance at start of the year	Issued as compen- sation	Exercised	Balance at the end of the year	Vested and exercisable	Unvested
Directors of Technology One Limited						
E Chung	600,000	-	(200,000)	400,000	-	400,000
Other key management personnel of the Company						
R Phare	200,000	200,000	-	400,000	-	400,000
M Harwood	1,000,000	-	(400,000)	600,000	-	600,000
P Rogers	-	400,000	-	400,000	-	400,000

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Technology One Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

Remuneration report (audited) (continued)

B. Details of remuneration (continued)

(ii) Share holdings (continued)

2014	Balance at the start of the year	Received during the year on the exercise of options	Sales during the year	Balance at end of the year
Name				
Directors of Technology One Limited				
A Di Marco	49,378,500	-	(6,000,000)	43,378,500
R McLean	101,000	-	-	101,000
J Mactaggart	60,902,500	-	(6,000,000)	54,902,500
K Blinco	201,285	-	-	201,285
R Anstey	7,500	-	-	7,500
E Chung	200,000	200,000	-	400,000
Other key management personnel of the Company				
R Phare	-	-	-	-
M Harwood	400,000	-	-	400,000
P Rogers	-	-	-	-
L Thompson	-	-	-	-
2013	Balance at the start of the year	Received during the year on the exercise of options	Sales during the year	Balance at end of the year
Name				
Directors of Technology One Limited				
A Di Marco	55,378,500	-	(6,000,000)	49,378,500
R McLean	101,000	-	-	101,000
J Mactaggart	66,902,500	-	(6,000,000)	60,902,500
K Blinco	201,285	-	-	201,285
R Anstey	7,500	-	-	7,500
E Chung	400,000	200,000	(400,000)	200,000
Other key management personnel of the Company				
R Phare	-	-	-	-
M Harwood	-	400,000	-	400,000
P Rogers	-	-	-	-

C. Service agreements

The Executive Chairman, Mr Di Marco, is employed under contract. The current employment contract commenced on 1 December 1999 and continues until terminated in accordance with the agreement. Under the terms of the present contract:

- Mr Di Marco may resign from his position and thus terminate this contract by giving not less than three months written notice.
- The Company may terminate this contract by either providing three months written notice or by paying the appropriate proportion of the termination remuneration package in lieu thereof.

All other executives are employed on a continuing basis and are required to give not less than twelve weeks written notice. TechnologyOne is not bound under terms of any executive's employment contract, to provide termination benefits beyond those that are required by law.

Remuneration report (audited) (continued)

D. Long-term incentives

(i) Options

Share options are granted to executives 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 the executive to rectify the performance matter.

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.

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 lapsed during the period	Value at lapse date
Directors of Technology One Limited							
E Chung	1,000,000	\$1,485,394	-	-	200,000	-	-
Other key management personnel of the Company							
R Phare	-	-	200,000	400,000	-	-	-
M Harwood	-	-	-	-	200,000	-	-
P Rogers	-	-	200,000	400,000	-	-	-
L Thompson	-	-	-	-	-	-	-

* 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 (r) (iii) fair values at grant date are determined using a Black-Scholes option pricing model.

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

- (A) Options are granted for no consideration. Each tranche vests yearly.
- (B) Dividend yield - 2.7%
- (C) Expected volatility - 55%
- (D) Risk-free interest rate - 3.3%
- (E) Expected life of option - 6 years
- (F) Option exercise price - \$1.35
- (G) Weighted average share price at grant date - \$2.63

Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Technology One Limited and other key management personnel of the Company are set out below.

Remuneration report (audited) (continued)

D. Long-term incentives (continued)

Shares provided on exercise of remuneration options (continued)

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the period	Value at exercise date *
<i>Directors of Technology One Limited</i>			
E Chung	27 November 2013	200,000	\$83,000
<i>Other key management personnel of the Company</i>			
R Phare	1 July 2014	200,000	\$113,720
M Harwood	-	-	-
P Rogers	1 July 2014	200,000	\$136,240
L Thompson	-	-	-

* The value at the exercise date of options that were granted as part of remuneration and were exercised during the period has been determined as the intrinsic value of the options at that date.

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

Details of remuneration: Incentives and share-based compensation benefits

For each incentive and grant of options included in the tables on pages 22 to 25, the percentage of the available short-term incentive earned, or option vested, in the financial year and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below.

Between 10% and 20% of the short-term incentive is payable in the next financial year.

The options vest over five years, providing that the vesting conditions are met. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value that could be expensed.

Name	Incentives		Share-based compensation benefits (options)				
	Paid	Forfeited	Year granted	Vested	Forfeited	Financial years in which options may vest	Maximum total value of grant yet to vest
	%	%		%	%		\$
E Chung	100	-	2008	80	-	2015	74,379
	-	-	2014	-	-	2016 - 2021	1,273,853
R Phare	100	-	2012	20	-	2015 - 2018	321,063
M Harwood	100	-	2009	80	-	2015	50,685
P Rogers	100	-	2012	20	-	2015 - 2018	434,164
L Thompson	100	-	-	-	-	-	-

Indemnification 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 2014.

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.

Indemnification of auditor

To the extent permitted by law, the company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

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:

	2014 \$	2013 \$
Ernst & Young:		
Taxation advice	116,845	338,233
Total remuneration	116,845	338,233

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 81.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, 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

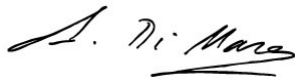
As at the date of this report, there were 6,130,834 unissued ordinary shares under options (6,130,834 at the reporting date). Refer to note 32 for further details of the options outstanding.

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 1,550,500 fully paid ordinary shares in Technology One Limited at a weighted average exercise price of \$0.47. 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.



Adrian Di Marco
Executive Chairman

Brisbane
25 November 2014

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 Committee, a Remuneration Committee and a Nomination 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 with 2014 Amendments' Third Edition. In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must 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 2014. As noted below, there are some recommendations with which the Company has not complied. These are at the end of the statement. Apart from these, the Company has complied with all of the principles.

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

Unless otherwise stated, these practices were in place throughout the financial period.

The Corporate Governance Statement is available on the Company's internet site www.TechnologyOneCorp.com under the 'Investor Relations' area.

Board of Directors and its Committees

Board of Directors

The directors are as follows:

Adrian Di Marco	Executive Chairman - major shareholder
John Mactaggart	Non-executive Director - major shareholder
Ronald McLean	Non-executive Director - independent
Kevin Blinco	Non-executive Director - independent
Richard Anstey	Non-executive Director - independent
Edward Chung	Executive Director

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

- The Board should comprise at least three members, but no more than 10. The current Board membership is six. 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 range of qualifications, expertise, experience and diversity.
- The Board shall meet regularly as required and have available all necessary information to participate in an informed discussion of agenda items.
- For a director to be considered independent, they must not have worked for TechnologyOne in the last 3 years.
- 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 Directors. The Company policy is that a director wishing to seek independent legal advice should advise the Board, or if this is not possible the Chairman, at least 48 hours before doing so.

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 Board although the Board will be 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.

Independence of Directors

Three of the six directors are independent. To be classified as independent, these directors are non-executive directors of the Company and are not major shareholders. Ron McLean was previously an executive of the Company until 2004.

Notwithstanding that Mr McLean previously held an executive role with TechnologyOne, we believe that he is an independent non-executive director as a result of the lapse of time (nine years) since holding the position, the continuing growth and evolution of the business and changes in senior management. His direct operational control and influence over the business has ended. We believe that he provides an independent view of strategy and of the stewardship of operations of the business.

Audit Committee

The Board has established an Audit Committee. The Committee meets at least four times per year.

The Committee is comprised of:

- K Blinco B Bus, FCA (Chairman)
- J Mactaggart FAICD
- R Anstey AICD, FAIM
- R McLean

The role of the Committee is as follows:

- Receive and review reports from the external auditor.
- Ensure that systems of internal control are functioning effectively and economically and that these systems and practices contribute to their achievement of the Company's corporate objectives.
- Direct follow up action where considered necessary.
- Relate any matters of concern to the accountable authority.
- Review the performance of the external auditor on an annual basis.

Remuneration Committee

The Board has established a Remuneration Committee. The Committee meets annually in November.

The Committee was comprised of:

- R McLean (Chairman)
- J Mactaggart
- K Blinco
- R Anstey

The role of the Committee is as follows:

- Advise the Board with regard to the Company's broad policy for executive remuneration.
- Determine, on behalf of the Board, the individual remuneration packages for executives and directors.
- Give the executives encouragement to enhance the Company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contribution.

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

Nomination Committee

The Board has established a Nomination Committee. The Committee meets annually in November.

The Committee is comprised of:

- R Anstey (Chairman)
- A Di Marco
- J Mactaggart
- R McLean
- K Blinco

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. Evaluation of the performance of the Board, Audit and Remuneration Committees, and their membership.
- Evaluation initially and on an on-going basis of non-executive director's 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, changes to committees and appointment of new directors.

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.

Shareholders' Rights

The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The information is communicated to shareholders 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.
- Half Year Results Report distributed to all shareholders.
- Disclosures forwarded to the Australian Securities Exchange under the Company's continuous disclosure obligations.

Risk Management

The Board has received reports from management on the risk management strategies, their effectiveness, and any current risk items. Management is responsible for the design and implementation of controls systems, which are reviewed and approved by the Board. The whole area of risk management is outlined in the full Corporate Governance Statement (on the Company website) and is constantly reviewed. Risk management review is included in the papers of each full Board meeting, and each Audit Committee meeting. The Board requires the CEO and Operating Officer for Corporate Services to sign all statements required in accordance with the Corporations Act.

Diversity at Technology One

On 30 June 2010, the ASX Corporate Governance Council released amendments to the ASX Principles and Recommendations (Amended ASX Principles and Recommendations), in particular in relation to diversity. TechnologyOne acknowledges the recommendations and has taken steps to implement the provisions and ensure compliance for the 2014 reporting year.

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 2014 and the objectives are:

- Ensuring compliance with the published diversity policy.
- Continuation of the position of diversity manager who is responsible for the review of policy, measurable objectives and reporting of progress towards achievement of the measurable objectives.
- 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.

These objectives have been met, however TechnologyOne recognises further progress and improvement is possible and for this reason, for 2015, TechnologyOne will continue to progress objectives one through to four.

TechnologyOne's Australian workplace profile as at 30 September 2014 is detailed below:

	Male	%	Female	%	Total
Board & Executive Directors	6	100%	-	0%	6
Executive	3	100%	-	0%	3
Managers	73	74%	25	26%	98
Employees	397	66%	204	34%	601
	479	68%	229	32%	708

Non-Compliance with ASX Corporate Governance Principles and Recommendations

The Board of TechnologyOne 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.

The Company has complied with the majority of the ASX 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 explains those areas of non-compliance.

Majority of Independent Directors (Refer ASX Corporate Guidelines - Recommendation 2.1)

The number of directors is six. Three of these are independent, and three are not independent. This combination is seen as appropriate in order to provide balance on the Board. Only two of the directors are executives, and this provides sufficient resources for the daily operations of the Company. It would be inappropriate to add another director at this stage, purely to meet the ASX guidelines.

Independent Chairman (Refer ASX Corporate Guidelines - Recommendation 2.2)

The Board is of the opinion it should maximise the vision, skills and deep industry knowledge of the Company's founder and major shareholder to continue to lead the Company forward. The Board believes Mr Adrian Di Marco is 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 Adrian Di Marco should remain as Executive Chairman of the Company. There is no empirical evidence to support the preference of an Independent Chairman.

Separation of Chairman & CEO Roles (Refer ASX Corporate Guidelines - Recommendation 2.3)

The Company's Chief Executive Officer, is also the Company's Executive Chairman. There are four Operating Officers who are responsible for the day to day operations, who report to the Executive Chairman. The Board believes this provides the necessary balance required.

Technology One Limited
Consolidated income statement
For the year ended 30 September 2014

	Notes	2014 \$'000	2013 \$'000
Revenue	5	195,124	180,591
Variable costs		(18,048)	(16,035)
Variable customer cloud costs		(1,038)	(151)
Total variable costs		(19,086)	(16,186)
Occupancy costs		(9,345)	(8,252)
Corporate costs		(9,748)	(9,969)
Depreciation & amortisation	6	(4,792)	(5,497)
Computer & communication costs		(6,072)	(5,991)
Marketing costs		(3,271)	(2,262)
Employee costs		(101,289)	(96,295)
Share-based payments		(1,056)	(688)
Finance expense		(230)	(354)
Total operating costs		(135,803)	(129,308)
Profit before income tax	7	40,235	35,097
Income tax expense	7	(9,268)	(8,113)
Profit for the year		30,967	26,984
		Cents	Cents
Basic earnings per share	31	10.06	8.80
Diluted earnings per share	31	9.86	8.69

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

Technology One Limited
Consolidated statement of comprehensive income
For the year ended 30 September 2014

	2014	2013
	\$'000	\$'000
Profit for the year (from previous page)	30,967	26,984
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of available-for-sale financial assets	-	97
Exchange differences on translation of foreign operations	<u>(249)</u>	<u>1,038</u>
Other comprehensive income for the year, net of tax	<u>(249)</u>	<u>1,135</u>
Total comprehensive income for the year	<u>30,718</u>	<u>28,119</u>

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

Technology One Limited
Consolidated statement of financial position
As at 30 September 2014

	Notes	2014 \$'000	2013 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	80,209	65,397
Trade and other receivables	9	30,844	30,509
Earned and unbilled revenue		7,774	7,395
Other current assets	10	1,524	1,760
Total current assets		120,351	105,061
Non-current assets			
Property, plant and equipment	11	8,875	11,617
Intangible assets	12	15,684	15,938
Deferred tax assets	13	6,451	4,922
Other non-current assets		-	30
Total non-current assets		31,010	32,507
Total assets		151,361	137,568
LIABILITIES			
Current liabilities			
Trade and other payables	14	17,826	19,673
Provisions	15	7,922	7,544
Current tax liabilities		3,137	3,527
Unearned revenue		8,123	7,566
Borrowings	16	1,302	1,760
Total current liabilities		38,310	40,070
Non-current liabilities			
Provisions	17	4,076	3,098
Borrowings	18	2,304	3,607
Other non-current liabilities	19	2,172	3,057
Total non-current liabilities		8,552	9,762
Total liabilities		46,862	49,832
Net assets		104,499	87,736
EQUITY			
Contributed equity	21	27,447	26,711
Other reserves	22	27,151	16,891
Retained earnings		49,901	44,134
Total equity		104,499	87,736

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

Technology One Limited
Consolidated statement of changes in equity
For the year ended 30 September 2014

	Notes	Contributed equity \$'000	Retained earnings \$'000	Dividend reserve \$'000	FOREX reserve \$'000	Share option reserve \$'000	Investment revaluation reserve \$'000	Total \$'000
Balance at 1 October 2013		26,711	44,134	11,768	(261)	5,384	-	87,736
Exchange differences on translation of foreign operations		-	-	-	(249)	-	-	(249)
Profit for the year		-	30,967	-	-	-	-	30,967
Total comprehensive income for the period		-	30,967	-	(249)	-	-	30,718
Dividends paid	23	-	-	(17,782)	-	-	-	(17,782)
Transfer to dividend reserve		-	(25,200)	25,200	-	-	-	-
Exercise of share options	21	736	-	-	-	-	-	736
Share based payments	32	-	-	-	-	1,056	-	1,056
Tax impact of share trust		-	-	-	-	2,035	-	2,035
		736	(25,200)	7,418	-	3,091	-	(13,955)
Balance at 30 September 2014		27,447	49,901	19,186	(510)	8,475	-	104,499
Balance at 1 October 2012		25,994	34,387	10,631	(1,299)	4,381	(97)	73,997
Movement in fair value of available-for-sale financial assets		-	-	-	-	-	97	97
Exchange differences on translation of foreign operations		-	-	-	1,038	-	-	1,038
Profit for the year		-	26,984	-	-	-	-	26,984
Total comprehensive income for the period		-	26,984	-	1,038	-	97	28,119
Dividends paid	23	-	-	(16,100)	-	-	-	(16,100)
Transfer to dividend reserve		-	(17,237)	17,237	-	-	-	-
Exercise of share options	21	717	-	-	-	-	-	717
Share-based payments	32	-	-	-	-	688	-	688
Tax impact of share trust		-	-	-	-	315	-	315
		717	(17,237)	1,137	-	1,003	-	(14,380)
Balance at 30 September 2013		26,711	44,134	11,768	(261)	5,384	-	87,736

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

Technology One Limited
Consolidated statement of cash flows
For the year ended 30 September 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		210,412	187,529
Payments to suppliers and employees (inclusive of GST)		(169,514)	(151,423)
Interest received		1,780	1,647
Income taxes paid		(8,826)	(5,751)
Other revenue		1,428	1,336
Interest paid		(230)	(354)
Net cash inflow / (outflow) from operating activities	30	<u>35,050</u>	<u>32,984</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,555)	(1,519)
Proceeds from sale of available-for-sale financial assets		-	2,158
Net cash inflow / (outflow) from investing activities		<u>(1,555)</u>	<u>639</u>
Cash flows from financing activities			
Proceeds from exercise of share options		736	717
Repayment of finance lease		(1,637)	(1,873)
Dividends paid to Company's shareholders	23	(17,782)	(16,100)
Net cash inflow / (outflow) from financing activities		<u>(18,683)</u>	<u>(17,256)</u>
Net increase / (decrease) in cash and cash equivalents		<u>14,812</u>	<u>16,367</u>
Cash and cash equivalents at the beginning of the financial year		65,397	49,030
Cash and cash equivalents at end of year	8	<u>80,209</u>	<u>65,397</u>

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

1 Summary of significant accounting policies

The financial report of Technology One Limited (the Company) for the year ended 30 September 2014 was authorised for issue in accordance with a resolution of directors on 25 November 2014.

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, 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

The Company has elected to apply the following pronouncement to the annual reporting period ending 30 September 2014.

Amendments to the following Standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interest in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*
- AASB 2012-9 *Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039 - amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.*
- AASB 2012-4 - *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124].*

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iii) Issued but not yet effective

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010 - 7 to reflect amendments to the accounting for financial liabilities. The effective date of this standard has been revised from 1 January 2015 to 1 January 2018, however it is available for early adoption. The group has not yet assessed how it will be affected by the new standard and has not yet decided when to adopt it.
- IFRS 15 *Revenue from Contracts with Customers* was issued by IASB on 28 May 2014 and replaces all revenue recognition requirements, including those as set out in AASB 118 Revenue. The standard contains a single model that applies to all revenue arising from contracts, unless the contracts are in the scope of other standards (eg. leases). The effective date of this standard is 1 January 2017, with early adoption permitted. Technology One has not yet assessed this new standard's impact and does not intend to adopt it before its operative date, which means that it will be applied in the reporting period ending 30 September 2018.

(iv) Basis of presentation and classification - Income Statement

During the period ended 30 September 2014, the Company has voluntarily changed the presentation of expenses in its income statement. The changes have been made to reflect the changing cost base of the business and to reflect the driver of costs incurred by the Company. The Company has determined that the disclosure of certain costs by function provides more relevant information to the financial statement users.

The Company has classified certain third party, commission, incentives and TechnologyOne cloud costs which are variable as "variable costs". This had resulted in contractor costs now being classified as employee costs and employee incentives no longer being recorded as employee costs, but rather variable costs. Variable costs vary directly with revenue movements. Operating costs do not move directly with revenue movements. Total employee costs include all payroll costs of employees and costs of contractors. The changes to classification have not impacted the total expenses recorded or the recorded profit before tax.

Comparative values have been adjusted to reflect current period presentation.

(v) 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.

(vi) 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 2014 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'.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

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.

(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, and
- 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), and
- 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.

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.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

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. At each reporting date, the unearned portion of help line support fees is assessed and deferred to be recognised over the period of service. 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.

(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.

(e) Income tax

The income tax expense or revenue 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.

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

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.

1 Summary of significant accounting policies (continued)

(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 27). 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) 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.

1 Summary of significant accounting policies (continued)

(j) 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.

(k) 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.

(l) 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.

1 Summary of significant accounting policies (continued)

(m) *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.

(n) *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 infinite. 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.

(o) *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.

1 Summary of significant accounting policies (continued)

(p) 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.

(q) 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 government 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). No expense is recognised for awards that do not ultimately vest.

(r) 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.

1 Summary of significant accounting policies (continued)

(s) 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, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) 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.

(u) 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 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.

During 2010, the Company entered into an interest rate cap on our Asset Finance Facility. The cap was for \$8,000,000 put in place to limit any exposure in interest rate movements above a BBSY of 5.50%. At reporting date, \$1,612,000 was drawn.

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

The Company holds the following financial instruments:

	2014 \$'000	2013 \$'000
Financial assets		
Cash and cash equivalents	80,209	65,397
Trade and other receivables	30,844	30,509
	<u>111,053</u>	<u>95,906</u>
Financial liabilities		
Trade and other payables	17,826	19,673
Borrowings	3,606	5,367
	<u>21,432</u>	<u>25,040</u>

(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 available-for-sale instruments and cash is not considered to be material.

(b) Foreign currency risk

As a result of operations in New Zealand, Malaysia 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.

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

2 Financial risk management (continued)

(b) Foreign currency risk (continued)

(continued)

	2014 USD \$'000	2013 USD \$'000
Trade receivables	515	-

(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.

	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contrac- tual cash flows \$'000
At 30 September 2014					
Financial assets					
Cash and cash equivalents	80,209	-	-	-	80,209
Trade and other receivables	30,844	-	-	-	30,844
Total	111,053	-	-	-	111,053
Financial liabilities					
Trade and other payables	17,826	-	-	-	17,826
Borrowings *	759	693	2,346	-	3,798
Total	18,585	693	2,346	-	21,624
Net inflow / (outflow)	92,468	(693)	(2,346)	-	89,429

* The borrowings number above includes finance charges.

2 Financial risk management (continued)

(d) Liquidity risk (continued)

	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
At 30 September 2013					
Financial assets					
Cash and cash equivalents	65,397	-	-	-	65,397
Trade and other receivables	30,509	-	-	-	30,509
Total	<u>95,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,906</u>
Financial liabilities					
Trade and other payables	19,674	-	-	-	19,674
Borrowings *	1,004	985	3,797	-	5,786
Total	<u>20,678</u>	<u>985</u>	<u>3,797</u>	<u>-</u>	<u>25,460</u>
Net inflow / (outflow)	<u>75,228</u>	<u>(985)</u>	<u>(3,797)</u>	<u>-</u>	<u>70,446</u>

* The borrowings number above includes finance charges.

(e) Fair value measurements

At 30 September 2014 the Company did not hold any assets or liabilities at fair value through the profit and loss, nor did it hold any assets or liabilities which would be classified as Level 2 or 3 instruments.

The carrying value of trade receivables, accrued revenue and trade payables are assumed to approximate their fair value due to their short term nature. 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 costs of equity-settled transactions are measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a Black-Scholes model, further details of which are given in note 32. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities with the next annual reporting period but may impact expenses and equity.

(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) Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased offices. The provision includes future cost estimates associated with restoring premises back into their original condition. The uncertainties arise where the future actual expenditure differs from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated with any changes to the estimated future costs recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in notes 15 and 17.

Because of the long-term nature of the liability, the greatest uncertainty is in estimating the costs that will ultimately be incurred.

(v) Onerous lease

A provision has been made for the sublease of our head lease of one of the group's offices. Where a provision is required for an onerous lease, management has made an assessment of the most likely outcome of the lease and sublease arrangements based on the present value of the expected payments to be made.

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.

TechnologyOne's reportable segments are:

- Sales and Marketing - sales of licence fees and customer support to our customers.
- Consulting - implementation and consulting services.
- Plus - custom software development services for large scale, purpose built applications.
- Research & Development (R&D) - the research, development and support of our products.
- 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 Research & Development 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.

4 Segment information (continued)

(b) Segment information provided to the strategic steering committee

2014	Sales & Consulting Marketing \$'000	\$'000	Plus \$'000	R&D \$'000	Corporate \$'000	Total \$'000
Revenue						
External revenue	126,124	49,730	13,729	512	5,029	195,124
Intersegment revenue	266	(178)	(26)	62	(124)	-
Net royalty	(82,393)	(4,999)	(1,772)	51,174	37,990	-
Revenue from external customers	43,997	44,553	11,931	51,748	42,895	195,124
Expenses						
Total external expenses	40,012	35,062	9,347	37,873	32,595	154,889
Profit before tax	3,985	9,491	2,584	13,875	10,300	40,235
Income tax expense						(9,268)
Profit for the year						30,967
R&D expenses (external) as a % of total external revenue				19%		
Total assets						151,361
Total liabilities						46,862
Total depreciation and amortisation						4,792

2013	Sales & Consulting Marketing \$'000	\$'000	Plus \$'000	R&D \$'000	Corporate \$'000	Total \$'000
Revenue						
External revenue	109,652	47,600	16,155	2,507	4,677	180,591
Intersegment revenue	287	(23)	(215)	70	(119)	-
Net royalty	(71,939)	(4,894)	(1,930)	44,601	34,162	-
Total revenue	38,000	42,683	14,010	47,178	38,720	180,591
Expenses						
Total external expenses	34,171	33,545	11,557	35,595	30,626	145,494
Profit before tax	3,829	9,138	2,453	11,583	8,094	35,097
Income tax expense						(8,113)
Profit for the year						26,984
R&D expenses (external) as a % of total external revenue				20%		
Total assets						137,568
Total liabilities						49,832
Total depreciation and amortisation						5,497

4 Segment information (continued)

(c) *Other segment information*

(i) *Segment revenue*

	2014 \$'000	2013 \$'000
Australia	172,810	162,518
New Zealand	19,015	16,278
International *	3,299	1,795
Segment revenues from sales to external customers	195,124	180,591

* International segments include United Kingdom and Malaysia.

(ii) *Segment assets*

	2014 \$'000	2013 \$'000
Australia	125,856	128,516
New Zealand	20,020	8,323
International *	2,590	984
Segment assets	148,466	137,823

* International segments include United Kingdom and Malaysia.

(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

	2014 \$'000	2013 \$'000
Sales revenue		
Software licence fees	41,986	37,983
Implementation and consulting services	49,735	47,573
Post sales customer support	84,248	72,753
Project services	13,710	16,112
Product modifications	458	2,446
Total sales revenue	190,137	176,867
Other revenue		
Rents and sub-lease rentals	1,428	1,336
Interest received - Cash	1,771	1,589
Interest received - Available-for-sale investments	-	47
Cloud service fees	1,374	260
Other	414	492
Total other revenue	4,987	3,724
Total revenue	195,124	180,591

6 Expenses

	2014 \$'000	2013 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Property, plant & equipment	3,029	3,239
<i>Amortisation</i>		
Leased office furniture & equipment	1,440	1,890
Leased computer software	69	115
Intangible assets	254	253
Total amortisation	1,763	2,258
Total depreciation and amortisation	4,792	5,497
Wages and salaries	81,804	77,217
Defined contribution plan expense	6,954	6,376
Payroll tax	4,911	4,736
Provision for employee benefits	1,006	239
Share-based payments	1,056	688
Other	4,697	4,040
	100,428	93,296
Provision for doubtful debts	33	76
Foreign exchange loss	122	25
Rental expenses on operating leases	6,596	6,661
Loss on sale of fixed assets	-	120
Loss on sale of available-for-sale assets	-	41

7 Income tax expense

(a) *Income tax expense*

	2014 \$'000	2013 \$'000
Current tax	11,101	9,086
Relating to origination and reversal of temporary differences	26	(43)
Adjustments for current tax of prior periods	(1,859)	(930)
	<u>9,268</u>	<u>8,113</u>

Deferred income tax expense / (revenue) included in income tax expense comprises:

(Increase) / decrease in deferred tax assets	(300)	272
Increase / (decrease) in deferred tax liabilities	319	(13)
Adjustment for deferred taxes of prior periods	7	(302)
	<u>26</u>	<u>(43)</u>

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

	2014 \$'000	2013 \$'000
Profit from continuing operations before income tax expense	40,235	35,097
Tax at the Australian tax rate of 30% (2013 - 30%)	12,071	10,529
Adjustments for current tax of prior periods	(1,859)	(930)
Research and development tax concession	(1,364)	(1,727)
Expenditure not allowable for income tax purposes	420	241
	<u>(2,803)</u>	<u>(2,416)</u>
Income tax expense	<u>9,268</u>	<u>8,113</u>

8 Current assets - Cash and cash equivalents

	2014	2013
	\$'000	\$'000
Cash and cash equivalents	80,209	65,397

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.

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

	2014	2013
	\$'000	\$'000
Trade receivables (i) (ii)	31,178	30,642
Provision for impairment of receivables	(648)	(605)
Sundry receivables	314	472
	30,844	30,509

(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 \$6,847,000 (2013 - \$4,494,000) 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 32 days (2013 - 19 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 2014 is \$3,137,000 (2013 - \$3,326,000).

9 Current assets - Trade and other receivables (continued)

(a) Impaired trade receivables

Movements in the provision for impairment of receivables are as follows:

	2014 \$'000	2013 \$'000
At 1 October	605	514
Provision for impairment recognised during the year	622	523
Unused amounts reversed	(579)	(432)
At 30 September	648	605

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

	2014 \$'000	2013 \$'000
Prepayments	1,180	1,294
Deposits receivable	251	74
Other	31	63
Income tax receivable	62	329
	1,524	1,760

11 Non-current assets - Property, plant and equipment

	Office furniture & equipment \$'000	Leased office furniture & Computer equipment \$'000	Computer software \$'000	Motor vehicles \$'000	Leased computer software \$'000	Total \$'000
Year ended 30 September 2014						
Opening net book amount	6,580	4,212	694	63	68	11,617
Additions	1,685	-	219	53	-	1,957
Disposals	(50)	-	-	(3)	-	(53)
Exchange differences	13	-	-	-	1	14
Depreciation charge	(2,571)	(1,440)	(433)	(25)	(69)	(4,538)
Make good movement	(122)	-	-	-	-	(122)
Transfers	70	(70)	-	-	-	-
Closing net book amount	5,605	2,702	480	88	-	8,875
At 30 September 2014						
Cost	21,749	8,178	2,891	198	248	33,264
Accumulated depreciation	(16,144)	(5,476)	(2,411)	(110)	(248)	(24,389)
Net book amount	5,605	2,702	480	88	-	8,875
Year ended 30 September 2013						
Opening net book amount	8,181	6,221	804	83	201	15,490
Additions	950	-	582	-	-	1,532
Disposals	(110)	(5)	-	-	(18)	(133)
Exchange differences	34	-	(1)	-	-	33
Depreciation charge	(2,528)	(1,890)	(691)	(20)	(115)	(5,244)
Make good movement	(61)	-	-	-	-	(61)
Transfers	114	(114)	-	-	-	-
Closing net book amount	6,580	4,212	694	63	68	11,617
At 30 September 2013						
Cost or fair value	19,065	9,505	2,641	185	279	31,675
Accumulated depreciation	(12,485)	(5,293)	(1,947)	(122)	(211)	(20,058)
Net book amount	6,580	4,212	694	63	68	11,617

12 Non-current assets - Intangible assets

	Goodwill \$'000	Intellectual property/ Source code \$'000	Total \$'000
Year ended 30 September 2014			
Opening net book amount	15,491	447	15,938
Amortisation charge	-	(254)	(254)
Closing net book amount	<u>15,491</u>	<u>193</u>	<u>15,684</u>
At 30 September 2014			
Cost	15,491	2,358	17,849
Accumulated amortisation	-	(2,165)	(2,165)
Net book amount	<u>15,491</u>	<u>193</u>	<u>15,684</u>
Year ended 30 September 2013			
Opening net book amount	15,491	700	16,191
Amortisation charge	-	(253)	(253)
Closing net book amount	<u>15,491</u>	<u>447</u>	<u>15,938</u>
At 30 September 2013			
Cost	15,491	2,358	17,849
Accumulation amortisation and impairment	-	(1,911)	(1,911)
Net book amount	<u>15,491</u>	<u>447</u>	<u>15,938</u>

(a) *Impairment tests for goodwill*

Goodwill is allocated to the Company's cash generating units (CGUs) identified according to each reportable segment.

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

	Sales & Marketing \$'000	Consulting \$'000	Research & Development \$'000	Total \$'000
2014				
Goodwill	<u>5,044</u>	<u>4,858</u>	<u>5,589</u>	<u>15,491</u>

These balances were the same in the prior period.

12 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill (continued)

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 (2013 - 15%).

The key assumptions used in value in use calculations for 30 September 2014 and 2013 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% (2013 - 5%).

A reasonable possible change in the assumptions would have no significant impact on the impairment of these assets.

13 Non-current assets - Deferred tax assets

	2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits	3,053	2,717
Provisions - other	1,703	1,477
Accrued expenses	532	411
Copyright - software	160	217
Lease liability (net)	914	1,240
Employee share trust	1,977	429
	8,339	6,491
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(1,888)	(1,569)
Net deferred tax assets	6,451	4,922
Deferred tax assets expected to be recovered within 12 months	3,095	2,362
Deferred tax assets expected to be recovered after more than 12 months	3,356	2,560
	6,451	4,922
Movements:		
Opening balance at 1 October	6,491	7,078
Credited / (charged) to the consolidated income statement	300	(272)
Credited / (charged) to equity	1,548	(315)
Offset from deferred tax liabilities	(1,888)	(1,569)
Closing balance at 30 September	6,451	4,922

At 30 September 2014 \$1,402,636 in deferred tax assets in relation to future deductions associated with the employee share trust were not recognised as their realisation is not yet considered probable to allow recognition.

14 Current liabilities - Trade and other payables

	2014 \$'000	2013 \$'000
Trade payables	12,047	14,030
Sundry creditors	5,497	5,495
Directors fees	282	148
	<u>17,826</u>	<u>19,673</u>

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

	2014 \$'000	2013 \$'000
Make good provision	118	-
Annual leave	4,390	4,496
Onerous contracts	255	238
Long service leave	3,159	2,810
	<u>7,922</u>	<u>7,544</u>

(a) *Movements in provisions*

Please refer to note 17 for details.

16 Current liabilities - Borrowings

	2014 \$'000	2013 \$'000
Secured		
Lease liabilities (note 27)	1,302	1,760
Total secured current borrowings	<u>1,302</u>	<u>1,760</u>

17 Non-current liabilities - Provisions

	2014 \$'000	2013 \$'000
Long service leave	2,565	2,045
Make good provision	885	994
Onerous contracts	626	59
	<u>4,076</u>	<u>3,098</u>

17 Non-current liabilities - Provisions (continued)

(a) Movements in provisions

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

2014	Annual leave \$'000	Long service leave \$'000	Onerous contracts \$'000	Make good provision \$'000	Total \$'000
Carrying amount at start of year	4,496	4,855	297	994	10,642
Additional provisions recognised	2,201	1,781	762	9	4,753
Amounts used during the year	(2,307)	(912)	(178)	-	(3,397)
Carrying amount at end of period	4,390	5,724	881	1,003	11,998

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 - Borrowings

	2014 \$'000	2013 \$'000
Lease liabilities	2,304	3,607

19 Non-current liabilities - Other non-current liabilities

	2014 \$'000	2013 \$'000
Lease Incentive	2,172	3,057

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 Non-current liabilities - Deferred tax liabilities

	2014 \$'000	2013 \$'000
The balance comprises temporary differences attributable to:		
Accrued receivables	(2,240)	(1,604)
Accelerated depreciation for tax purposes	564	143
Other	(212)	(108)
Total deferred tax liabilities	<u>(1,888)</u>	<u>(1,569)</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	1,888	1,569
Net deferred tax liabilities	<u>-</u>	<u>-</u>
Movements:		
Opening balance at 1 October	(1,569)	(1,582)
Charged / (credited) to the income statement	(319)	13
Offset to deferred tax assets	1,888	1,569
Closing balance at 30 September	<u>-</u>	<u>-</u>

21 Contributed equity

(a) Share capital

	2014 Shares	2013 Shares	2014 \$'000	2013 \$'000
<i>Ordinary shares</i>				
Fully paid	<u>308,796,455</u>	307,245,955	<u>27,447</u>	26,711

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$'000
1 Oct 2013	Opening balance	307,245,955	26,711
	Exercise of options	1,550,500	736
30 Sep 2014	Closing balance	<u>308,796,455</u>	<u>27,447</u>
1 Oct 2012	Opening balance	305,380,455	25,994
	Exercise of options	1,865,500	717
30 Sep 2013	Closing balance	<u>307,245,955</u>	<u>26,711</u>

(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.

22 Other reserves and retained earnings

(a) Other reserves

	2014 \$'000	2013 \$'000
Share-based payments	8,475	5,384
Foreign currency translation	(510)	(261)
Dividend reserve	19,186	11,768
	<u>27,151</u>	<u>16,891</u>

(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.

(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(d) 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.

23 Dividends

Ordinary shares

	2014 \$'000	2013 \$'000
Final dividend for the year ended 30 September 2013 of 3.83 cents (2012 - 3.48 cents) per fully paid share paid on December 2013 (2012 - December 2012)		
85% franked (2012 - 85%) based on tax paid at 30%	11,781	10,671
Interim dividend for the year ended 30 September 2014 of 1.95 cents (2013 - 1.77 cents) per fully paid share paid in June 2014 (2013 - June 2013)		
100% franked (2013 - 85%) based on tax paid at 30%	6,001	5,429
Total dividends provided for or paid	<u>17,782</u>	<u>16,100</u>

(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.

23 Dividends (continued)

(b) *Dividends not recognised at the end of the reporting period*

	2014 \$'000	2013 \$'000
--	----------------	----------------

Final

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 4.21 cents per fully paid ordinary share, (2013 - 3.83 cents) fully franked based on tax paid at 30% (2013 - 85%). The aggregate amount of proposed dividend expected to be paid out of retained earnings, but not recognised as a liability at year end

13,000	11,748
--------	--------

Special

In addition to the above dividends, since year end the directors have recommended the payment of a special dividend per of 2.0 cents per fully paid ordinary share, (2013 - 0.00 cents) 100% franked based on a tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid in December 2014 out of retained earnings at 30 September 2014, but not recognised as a liability at the end of the year, is

6,176	-
<u>19,176</u>	<u>11,748</u>

(c) *Franked dividends*

The franked portions of the final dividends recommended after 30 September 2014 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 2015.

	2014 \$'000	2013 \$'000
Franking account balance as at the end of the financial year at 30% (2013: 30%)	4,749	1,774
Franking credits that will arise from the payments of income tax payable as at the end of the financial year	3,920	4,141
	<u>8,669</u>	<u>5,915</u>

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, and
- (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 \$8,218,000 (2013 - \$4,280,000).

24 Key management personnel disclosures

(a) Key management personnel compensation

	2014 \$	2013 \$
Short-term employee benefits	4,405,438	3,588,575
Post-employment benefits	56,035	48,787
Share-based payments	331,315	243,487
	<u>4,792,788</u>	<u>3,880,849</u>

(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.

25 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

	2014 \$	2013 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	246,727	232,290
Total remuneration for audit and other assurance services	<u>246,727</u>	<u>232,290</u>
<i>Other services</i>		
Taxation advice	116,845	338,233
Total remuneration of Ernst & Young	<u>363,572</u>	<u>570,523</u>

26 Contingencies

The Company had contingent liabilities at 30 September 2014 in respect of:

Guarantees

At 30 September 2014, the Company had \$4,341,880 (2013 - \$5,860,982) in outstanding performance guarantees. The total available guarantee facility is \$6,000,000 (2013 - \$8,000,000). The Company also had unused foreign currency dealing limits of \$1,278,658 (2013 - \$1,280,325).

The parent entity, Technology One Limited, continues to support its subsidiaries in their operations, by way of financial support.

27 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.

There is a sublease until 2017. The current year revenue is \$1,312,000 (2013 - \$1,256,000) and this has not been included in the numbers below.

	2014 \$'000	2013 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	6,898	7,063
Later than one year but not later than five years	13,779	20,028
Later than five years	10	596
	<u>20,687</u>	<u>27,687</u>

(b) Finance lease commitments

The finance lease liabilities below are secured by a Registered Mortgage Debenture given by the Company in favour of ANZ Banking Group Limited for the assets under lease. The Company has available leasing facilities of \$5,207,298 (2013 - \$8,750,000) of which \$1,600,615 remain un-drawn at 30 September 2014. The borrowings carry a rate of 4.93% - 5.22% (2013 - 4.88% - 5.17%) and have an average term of 3 years.

27 Commitments (continued)

(b) Finance lease commitments (continued)

	2014 \$'000	2013 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	1,453	1,989
Later than one year but not later than five years	2,345	3,797
Minimum lease payments	<u>3,798</u>	<u>5,786</u>
Future finance charges	(192)	(419)
Total lease liabilities	<u>3,606</u>	<u>5,367</u>
Representing lease liabilities:		
Current (note 16)	1,302	1,760
Non-current (note 18)	<u>2,304</u>	<u>3,607</u>
	<u>3,606</u>	<u>5,367</u>

28 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, and
- Marketing support and management fees were charged to wholly owned controlled entities.

These transactions were undertaken on commercial terms and conditions. Amounts due to and receivable from related parties in the wholly owned group are set out in the respective notes to the financial statements.

The ownership interest in related parties in the wholly owned group is set out in note 29.

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	
			2014 %	2013 %
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	-	-

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

	2014 \$'000	2013 \$'000
Profit for the period	30,967	26,984
Depreciation and amortisation	4,791	5,497
Non-cash employee benefits expense - share-based payments	1,056	688
Provision for onerous contract	584	(251)
Transfers to / (from) provisions:		
Employee entitlements	763	894
Doubtful debts	43	91
Net (gain) / loss on sale of non-current assets	(6)	120
Net (gain) / loss on sale of available-for-sale financial assets	-	41
Movements in provision for:		
Income tax payable	1,971	2,703
Deferred income tax	(2,040)	(341)
Change in operating assets and liabilities:		
Decrease / (increase) in trade debtors	(488)	(4,423)
Decrease / (increase) in sundry debtors	127	(96)
Decrease / (increase) in prepayments	136	(338)
Decrease / (increase) in earned and unbilled revenue	399	(3,649)
Decrease / (increase) in other assets	(105)	(33)
Increase / (decrease) in trade creditors	(1,633)	3,861
Increase / (decrease) in other liabilities	(1,170)	40
Increase / (decrease) in unearned revenue	(222)	1,300
Increase / (decrease) in lease liability	(123)	(104)
Net cash inflow / (outflow) from operating activities	<u>35,050</u>	<u>32,984</u>

31 Earnings per share

(a) Basic earnings per share

	2014	2013
	Cents	Cents
Basic earnings per share (cents per share)	10.06	8.80
Diluted earnings per share (cents per share)	9.86	8.69
Profit used for calculating basic and diluted earnings per share (\$'000)	30,967	26,984

(b) Weighted average number of shares used as denominator

	2014	2013
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	307,911,574	306,573,374
Adjustments for calculation of diluted earnings per share:		
Options	6,160,843	4,100,047
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	314,072,417	310,673,421

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; and
- 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.

32 Share-based payments (continued)

(a) Employee Option Plan (continued)

Fair values of options granted as part of remuneration are based on values determined using the Black-Scholes option pricing model. Options issued 1 July 2004 have had their fair value increased in line with modifications to the exercise price of such options approved on 25 August 2006.

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	Balance at end of the period Number	Vested and exercisable at end of the period Number
2014							
01-Jul-14	Jul-21	\$0.86	-	249,950	-	249,950	-
01-Jul-14	Jul-21	\$0.57	-	200,000	-	200,000	-
01-Jul-14	Jul-21	\$0.68	-	400,000	-	400,000	-
01-Jul-14	Jul-21	\$0.40	-	60,000	-	60,000	-
01-Jul-14	Jul-21	\$0.48	-	50,000	-	50,000	-
01-Jul-14	Jul-21	\$0.53	-	150,000	-	150,000	-
01-Jul-14	Jul-21	\$1.16	-	16,650	-	16,650	-
01-Jul-14	Jul-21	\$1.03	-	157,317	-	157,317	-
14-Jul-14	Jul-26	\$1.34	-	1,000,000	-	1,000,000	-
20-Dec-13	Jul-20	\$1.16	-	16,650	-	16,650	-
12-Aug-13	Jul-20	\$1.03	97,317	-	-	97,317	-
01-Jul-13	Jul-20	\$0.86	249,950	-	-	249,950	-
01-Jul-13	Jul-20	\$0.57	200,000	-	-	200,000	-
01-Jul-13	Jul-20	\$0.68	400,000	-	-	400,000	-
01-Jul-13	Jul-19	\$0.40	60,000	-	-	60,000	-
01-Jul-13	Jul-20	\$0.48	50,000	-	-	50,000	-
01-Jul-13	Jul-20	\$0.53	150,000	-	-	150,000	-
01-Oct-12	Jul-19	\$0.68	400,000	-	(300,000)	100,000	-
12-Jul-12	Jul-19	\$0.40	60,000	-	-	60,000	-
01-Jul-12	Jul-18	\$0.53	150,000	-	(150,000)	-	-
01-Jul-12	Jul-19	\$0.57	200,000	-	(200,000)	-	-
01-Jul-12	Jul-19	\$0.48	50,000	-	(50,000)	-	-
12-Jul-11	Jul-18	\$0.40	60,000	-	-	60,000	60,000
26-Nov-10	Jul-24	\$0.36	135,000	-	-	135,000	135,000
12-Jul-10	Jul-17	\$0.40	60,000	-	-	60,000	60,000
01-May-09	Jul-22	\$0.36	1,675,000	-	(310,000)	1,365,000	255,000
10-Oct-08	Jul-20	\$0.41	350,000	-	(70,000)	280,000	140,000
05-May-08	Nov-19	\$0.41	400,000	-	(200,000)	200,000	200,000
25-Aug-06	Aug-24	\$0.35	508,500	-	(145,500)	363,000	363,000
01-Jul-04	Jun-16	\$0.33	125,000	-	(125,000)	-	-
			5,380,767	2,300,567	(1,550,500)	6,130,834	1,213,000
Weighted average exercise price			\$0.48	\$0.99	\$0.47	\$0.67	\$0.37

At September 2014 a total of 3,220,766 options (2013: 3,671,266) 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.

32 Share-based payments (continued)

(a) Employee Option Plan (continued)

Issue date	Expiry date	Exercise price	Balance at start of the period Number	Issued during the period Number	Exercised during the period Number	Balance at end of the period Number	Vested and exercisable at end of the period Number
2013							
12-Aug-13	Jul-20	\$1.03	-	97,317	-	97,317	-
01-Jul-13	Jul-20	\$0.86	-	249,950	-	249,950	-
01-Jul-13	Jul-20	\$0.57	-	200,000	-	200,000	-
01-Jul-13	Jul-20	\$0.68	-	400,000	-	400,000	-
01-Jul-13	Jul-19	\$0.40	-	60,000	-	60,000	-
01-Jul-13	Jul-20	\$0.48	-	50,000	-	50,000	-
01-Jul-13	Jul-20	\$0.53	-	150,000	-	150,000	-
01-Oct-12	Jul-19	\$0.68	-	400,000	-	400,000	-
12-Oct-12	Jul-19	\$0.40	60,000	-	-	60,000	-
29-Oct-13	Jul-18	\$0.53	150,000	-	-	150,000	-
01-Jul-12	Jul-19	\$0.57	200,000	-	-	200,000	-
01-Jul-12	Jul-19	\$0.48	50,000	-	-	50,000	-
12-Jul-11	Jul-18	\$0.40	60,000	-	-	60,000	-
01-Jul-11	Jul-18	\$0.53	150,000	-	(150,000)	-	-
01-Jul-11	Jul-18	\$0.48	40,000	-	(40,000)	-	-
26-Oct-10	Jul-24	\$0.36	135,000	-	-	135,000	-
12-Jul-10	Jul-17	\$0.40	60,000	-	-	60,000	60,000
01-May-09	Jul-22	\$0.36	2,640,000	-	(965,000)	1,675,000	35,000
10-Oct-08	Jul-20	\$0.41	560,000	-	(210,000)	350,000	-
05-May-08	Nov-19	\$0.41	600,000	-	(200,000)	400,000	200,000
25-Aug-06	Aug-24	\$0.35	684,000	-	(175,500)	508,500	295,500
01-Jul-04	Jun-16	\$0.33	250,000	-	(125,000)	125,000	125,000
			5,639,000	1,607,267	(1,865,500)	5,380,767	715,500

Weighted average exercise price	\$0.39	\$0.69	\$0.38	\$0.48	\$0.37
---------------------------------	--------	--------	--------	--------	--------

The weighted average share price at the date of exercise of options exercised during the year ended 30 September 2014 was \$0.47 (2013 - \$0.38).

The weighted average remaining contractual life of share options outstanding at the end of the period was 6.16 years (2013 - 6.46 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 \$1.19 and \$1.49 (2013 - between \$0.54 and \$0.94).

The model inputs for options granted during the year ended 30 September 2014 included:

- (I) Dividend yield of 2.7% (2013 - 3.7%)
- (II) Expected volatility of between 40.5% and 54.8% (2013 - 16% and 32.1%)
- (III) Risk free interest rate of between 3.3% and 3.9% (2013 - between 2.6% and 3.3%)
- (IV) Expected life of option 6 years (2013 - 5 years)
- (V) Option exercise price of between \$1.16 and \$1.35 (2013 - between \$0.68 and \$1.03)
- (VI) Weighted average share price at grant date of between \$2.30 and \$2.63 (2013 - between \$1.37 and \$2.10)

The expected volatility reflects the assumption that the historical volatility 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) 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:

	2014 \$'000	2013 \$'000
Options issued under employee option plan:		
Vested	1,056	688
Total share-based payment expense	<u>1,056</u>	<u>688</u>

33 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2014 \$'000	2013 \$'000
Balance sheet		
Current assets	114,404	97,679
Non-current assets	35,549	35,753
Total assets	<u>149,953</u>	<u>133,432</u>
Current liabilities	35,961	38,047
Non-current liabilities	8,866	9,762
Total liabilities	<u>44,827</u>	<u>47,809</u>
Shareholders' equity		
Contributed equity	27,447	26,711
Reserves	27,660	11,682
Retained earnings	50,019	47,230
	<u>105,126</u>	<u>85,623</u>
Profit or loss for the year	39,308	34,540
Total comprehensive income	<u>39,059</u>	<u>35,676</u>

The reserves balance is higher than Group due to the foreign currency translation reserve losses of \$249,000 (2013 - loss of \$261,000).

(b) Guarantees entered into by the parent entity

At 30 September 2014, the parent entity had \$4,341,880 (2013 - \$5,860,982) in outstanding performance guarantees. The total available guarantee facility is \$6,000,000 (2013 - \$8,000,000). The parent entity also had unused foreign currency dealings of \$1,278,658 (2013 - \$1,280,325).

The parent entity, Technology One Limited, continues to support its subsidiaries in their operations, by way of financial support.

34 Events occurring after the reporting period

On 25 November, the directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2014 financial year. The total amount of the dividend is \$13,000,000 and is 100% franked. There was also a special dividend declared for the 2014 financial year of \$6,176,000 and this is also fully franked.

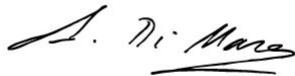
No other matter or circumstances have arisen since the end of the year which have significantly affected or may significantly affect the operations of the consolidated entity, the results of the operations of the state of affairs of the consolidated entity in future financial years.

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 35 to 79 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 2014 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 2014.

On behalf of the Board of Directors

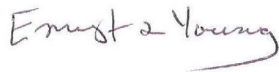
A handwritten signature in black ink, appearing to read 'A. Di Marco', with a horizontal line underneath.

Adrian Di Marco
Director


Brisbane
25 November 2014

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

In relation to our audit of the financial report of Technology One Limited for the financial year ended 30 September 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Brad Tozer
Partner
25 November 2014

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

Report on the financial report

We have audited the accompanying financial report of Technology One Limited which comprises the consolidated statement of financial position as at 30 September 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

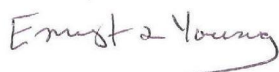
- a. the financial report of Technology One Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 September 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Technology One Limited for the year ended 30 September 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Brad Tozer
Partner
Brisbane
25 November 2014