technologyone
Transforming business, making life simple

26 May 2015

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

BY ELECTRONIC LODGEMENT
TECHNOLOGY ONE LIMITED – HALF YEAR FINANCIAL REPORT

Please find attached a copy of Technology One Limited's Half Year Financial Report for the half year ended 31 March 2015.

Yours faithfully

Gareth Pye
Company Secretary

Technology One Limited ABN 84 010 487 180
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offices Brisbane Sydney Melbourne Canberra Adelaide Perth Hobart Kuala Lumpur Auckland Wellington London

Appendix 4D

Interim Report

Name of entity

TECHNOLOGY ONE LIMITED

ABN

84 010 487 180

Reporting period

31 MARCH 2015

Previous corresponding period

31 MARCH 2014

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

Results for announcement to the market

Results				
				$A'000 (*)
Revenues from ordinary activities	Up	3%	to	90,006
Profit from ordinary activities after tax attributable to members	Down	10%	to	8,855
Net profit for the period attributable to members	Down	10%	to	8,855

Dividends	Amount per security	Franked amount per security
Current period		
Final dividend	N/A	N/A
Interim dividend	2.15¢	2.15¢
Previous corresponding period (**)		
Final dividend	4.21¢	4.21¢
Special dividend	2.00¢	2.00¢
Interim dividend	1.95¢	1.95¢
The Record date for determining entitlements to the dividend is 3 June 2015.		

**Year ending 30 September 2013

Brief explanation of any of the figures reported above:		
Consolidated retained profits	Current period 31 March 2015 $A’000	Previous corresponding Period 31 March 2014 $A’000
Retained profits at the beginning of the financial period	49,901	44,134
Net profit attributable to members	8,855	9,854
Net transfers to reserves	(6,630)	(6,014)
Net transfers from reserves	—	—
Acquisition of subsidiary	—	—
Dividends and other equity distributions paid or payable	—	—
Retained profits at end of financial period	**52,126**	**47,974**
Earnings per security (EPS)	Current period 31 March 2014 $A’000	Previous corresponding Period 31 March 2013 $A’000
Basic EPS	2.87 Cents	3.20 Cents
Diluted EPS	2.81 Cents	3.16 Cents
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	308,941,389	307,567,988

NTA backing	Current period 31 March 2015	Previous corresponding Period 31 March 2014
Net tangible asset backing per ordinary security	23.63 cents	23.22 cents

Dividend Payable

The dividend is payable on 17 June 2015.

Dividend Reinvestment Plan

There is no dividend re-investment plan in operation.

Total dividend per security (interim)

	Current year	Previous year
Ordinary securities	2.15 ¢	1.95 ¢

Interim dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Total	6,630	6,014

Control gained over entities having material effect

Name of entity (or group of entities)	ICON Strategic Solutions Pty Ltd acquired on 31 January 2015.

Loss of control of entities having material effect

Name of entity (or group of entities)	NIL

Details of associates and joint venture entities

Name of entity (or group of entities)	NIL

Comments by directors

Earnings per Security

The Earnings per Share (EPS) decrease is similar to our net profit after tax decrease. Refer to the Directors' Report in the attached Half Year Financial Accounts.

Returns to Shareholders

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

Significant feature of operating performance

Refer to the Directors' Report in the attached Half Year Financial Accounts.

Results of Segments

Refer to the attached Half Year Report

Trends in Performance

Refer to the attached Half Year Report

Any other Significant Information

N/A

Compliance statement

This report is based on accounts which have been reviewed.

A Di Marco
Chairman

Date: 26 May 2015

Technology One Limited
Financial report
for the half-year ended 31 March 2015

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 the half-year ended 31 March 2015.

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 - Executive Chairman
Ron McLean - Non-executive Director
John Mactaggart - Non-executive Director
Kevin Blinco - Non-executive Director
Richard Anstey - Non-executive Director
Edward Chung - Executive Director

The Company Secretary is Gareth Pye.

Principal activities

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

- TechnologyOne Financials
- TechnologyOne Asset Management
- TechnologyOne Supply Chain
- TechnologyOne Human Resource & Payroll
- TechnologyOne Corporate Performance Management
  - TechnologyOne Business Intelligence
  - TechnologyOne Enterprise Budgeting
  - TechnologyOne Performance Planning
- TechnologyOne Enterprise Content Management (ECM)
- TechnologyOne Stakeholder Management (SHM)
- TechnologyOne Student Management
- TechnologyOne Property & Rating

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

Results

TechnologyOne has posted a half year result which is in line with the market guidance provided at the start of this financial year, with Revenue up 3% ($2.4m), and Profit Before Tax down 10% ($1.4m). As we have previously indicated, half year results cannot be extrapolated to determine full year results, and TechnologyOne expects strong growth in both licence fees and profit over the full year.

Dividends - Technology One Limited

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

	2015 $'000	2014 $'000
Final dividend for the year ended 30 September 2014 of 4.21 cents (2013 - 3.83 cents) per fully paid share paid on 17 December 2014	**13,012**	11,781
Special dividend for the year ended 30 September 2014 of 2.00 cents (2013 - 0.00 cents) per fully paid share paid on 17 December 2014	**6,182**	-
	19,194	11,781

Matters subsequent to the end of the financial half-year

The Company will pay a 100% franked dividend on 17 June 2015 of $6,630,291.

Review of operations

HALF YEAR RESULTS MEET MARKET GUIDANCE

At the start of the 2015 financial year, TechnologyOne set the following market expectations:

"In the first half of 2014 we saw a number of significant deals close earlier than normal which saw 2014 first half Licence fees up 24%. This was an unusual situation, which we do not expect to be repeated again this year. This year we see the sales pipeline is once again weighted strongly to the second half, so we expect the first half of 2015 to be challenging and not indicative of the full year results. Having said this, the full year pipeline is strong and supports continuing strong profit growth over the full year."

This is what in fact happened in the first half of 2015.

PROFIT GROWTH OF 10% TO 15% FOR THE FULL YEAR

TechnologyOne is well positioned for continuing strong profit growth of 10% to 15% over the 2015 full year based on the strength of our sales pipeline for second half, which will see strong licence fee growth over the full year. We are now preferred supplier for a number of very large contracts, which are under contract negotiation.

ANALYSIS OF HALF YEAR RESULTS

Highlights of our results include:
- Revenue up 3%
- Net Profit Before Tax down 10%
- Total Expenses up 5%
- Expenses excluding R&D up 5%
- R&D expenses up 5%

Our results by revenue stream are as follows:
- Initial Licence fees down 11%
- Annual Licence fees up 13%
- Total Consulting Services fees down 2%
- Cloud Service fees up 100+%
- Other Revenues * up 11%
  *Other Revenues includes Product Modifications, Interest, Sub Lease rentals etc.

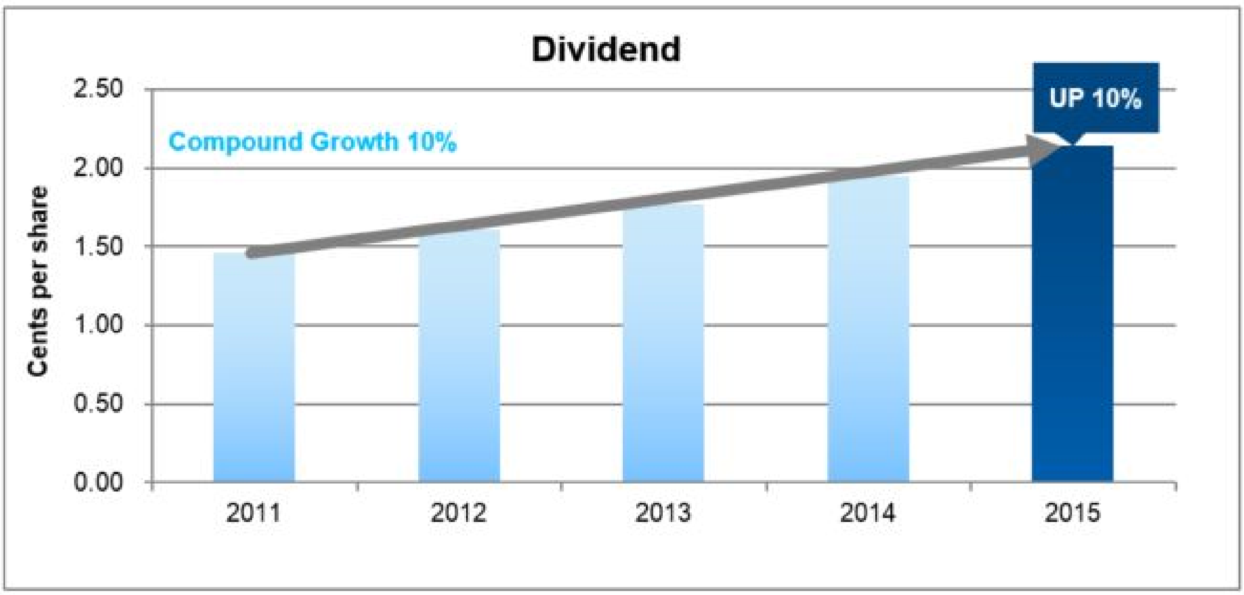
Review of operations (continued)

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

- TechnologyOne Cloud, contributing a loss of $1.6m
- Our United Kingdom business, contributing a loss of $494k
- Our new preconfigured solutions, contributing a loss of $2.6m
- Our next generation of enterprise software, TechnologyOne Ci Anywhere, taking our R&D costs for the half to $19.2m fully expensed

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.

DIVIDENDS UP 10%



The company is proud of its strong track record in increasing dividends, having continuously paid a dividend since 1996, through both the Dot-Com and GFC.

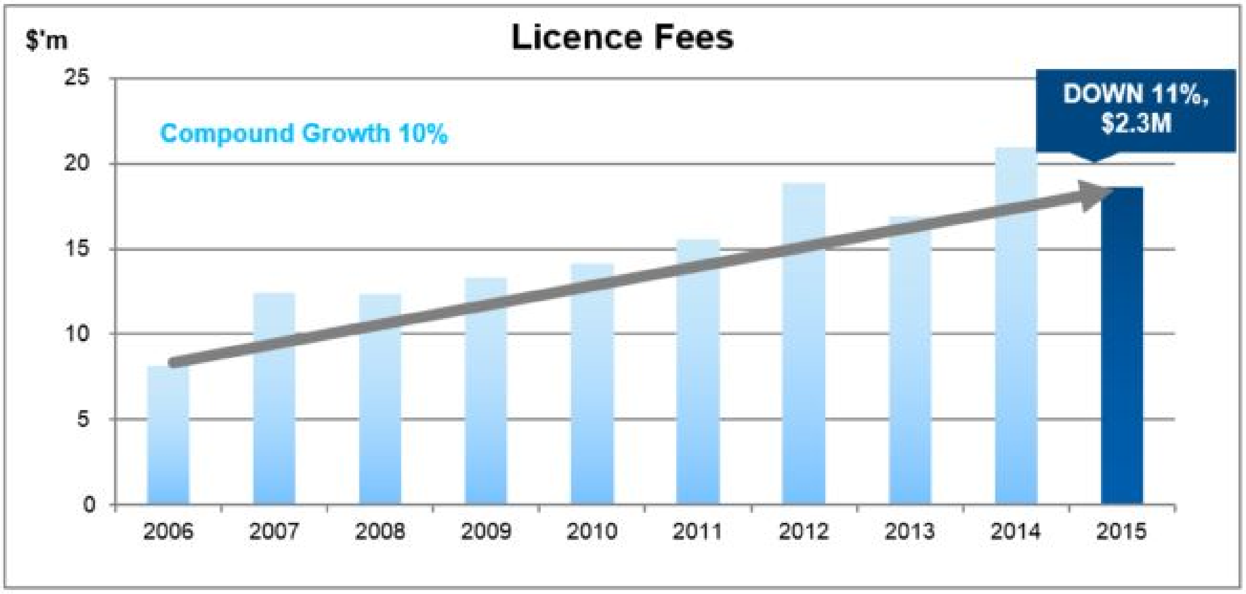
In light of our confidence in once again achieving strong growth over the full year, the dividend for the half year has been increased to 2.15 cents per share fully franked, up 10% on the prior year. This represents a payout ratio of 75%.

The Company will once again consider the payment of a special dividend at the full year.

Review of operations (continued)

OTHER COMMENTARY

Initial licence fees



Initial Licence Fees were down 11% ($2.3m) in the half year, which was expected, and communicated to the market at the start of the financial year. At the start of the 2015 year we identified that the sales pipeline was weighted strongly to the second half of 2015.

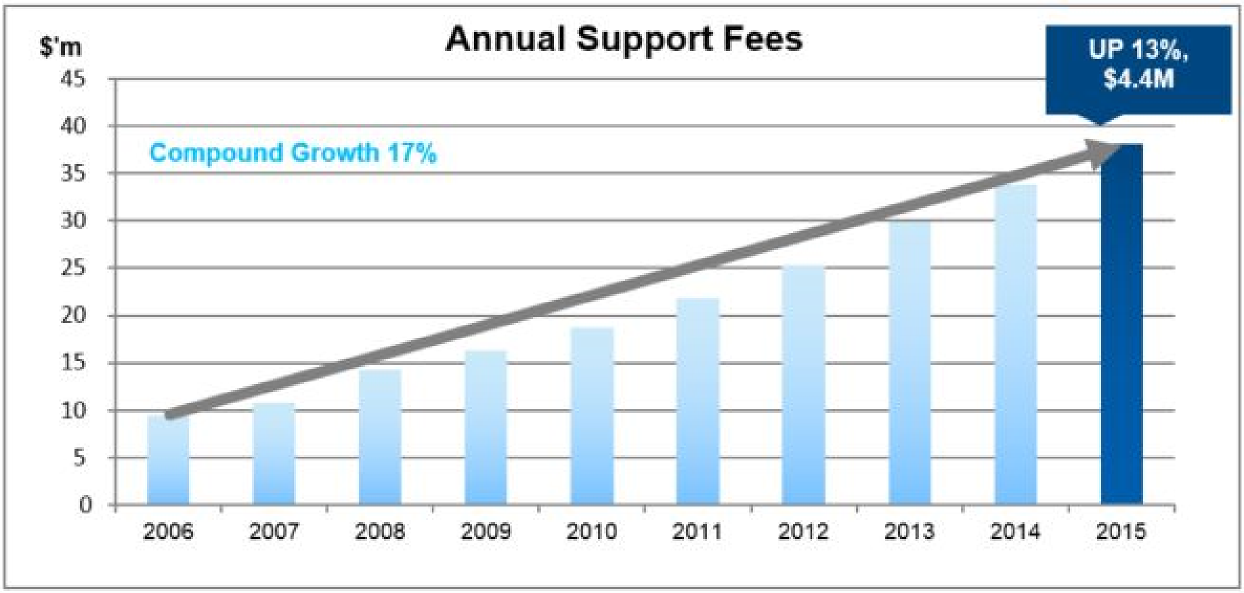
Licence Fees being down at the half year is not an unusual occurrence, this having happened in prior years. The reason for this is that there is no compelling reason for customers to sign contracts before 31 March. This means contracts, particularly large, more complex contracts, can easily move into the second half, which is what has happened this year. There were a number of large contracts that could not be concluded at the half, for which we are now preferred supplier, and in contract negotiations.

Further compounding this issue, is the fact that last year we saw a number of contracts close earlier than normal in the first half, which resulted in our 2014 first half licence fees being unusually high, up 24%. This was an unusual situation, which we did not expect to be repeated in the 2015 half year. This has also created an abnormally high first half for us to jump over in terms of both Initial Licence Fees and Profit.

The pipeline for the second half is strong and supports continued growth in Licences and Profit over the full year.

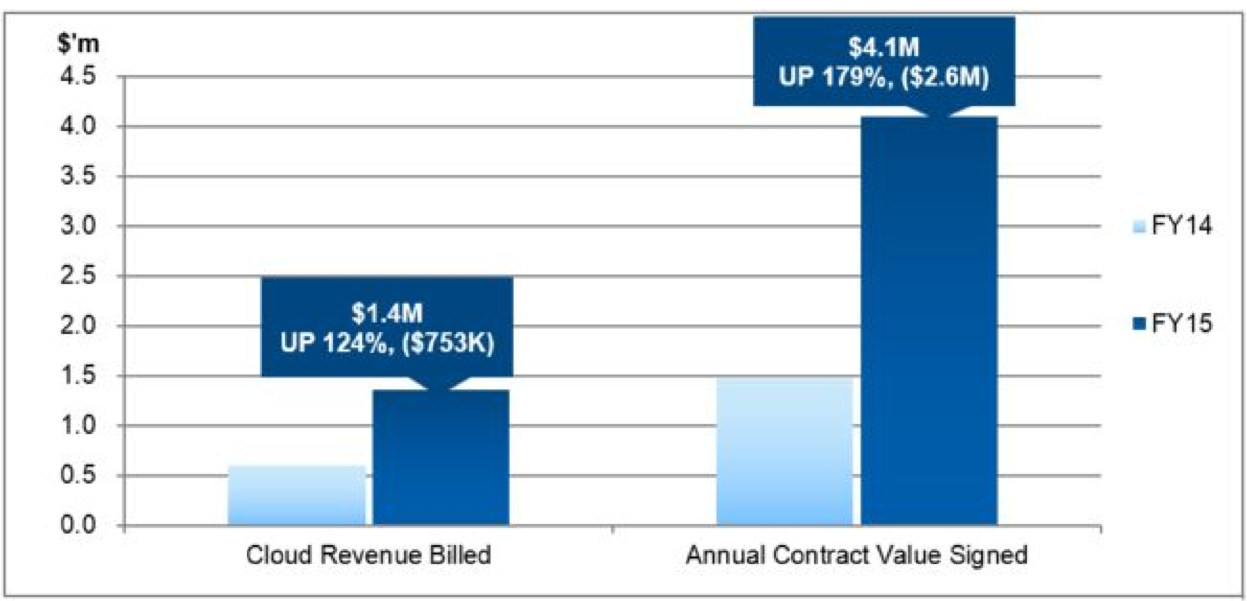
Review of operations (continued)

Annual licence fees



In keeping with our very high customer retention and satisfaction rates, our reoccurring Annual Licence Fees once again grew strongly by 13%. Our investment in our next generation product, Ci Anywhere, and our Compelling Customer Experience program are critical to our ongoing success in this area. We have just commenced a new phase of our Compelling Customer Experience training program for all our people, which we will roll out over the next 12 months.

TechnologyOne Cloud Revenues



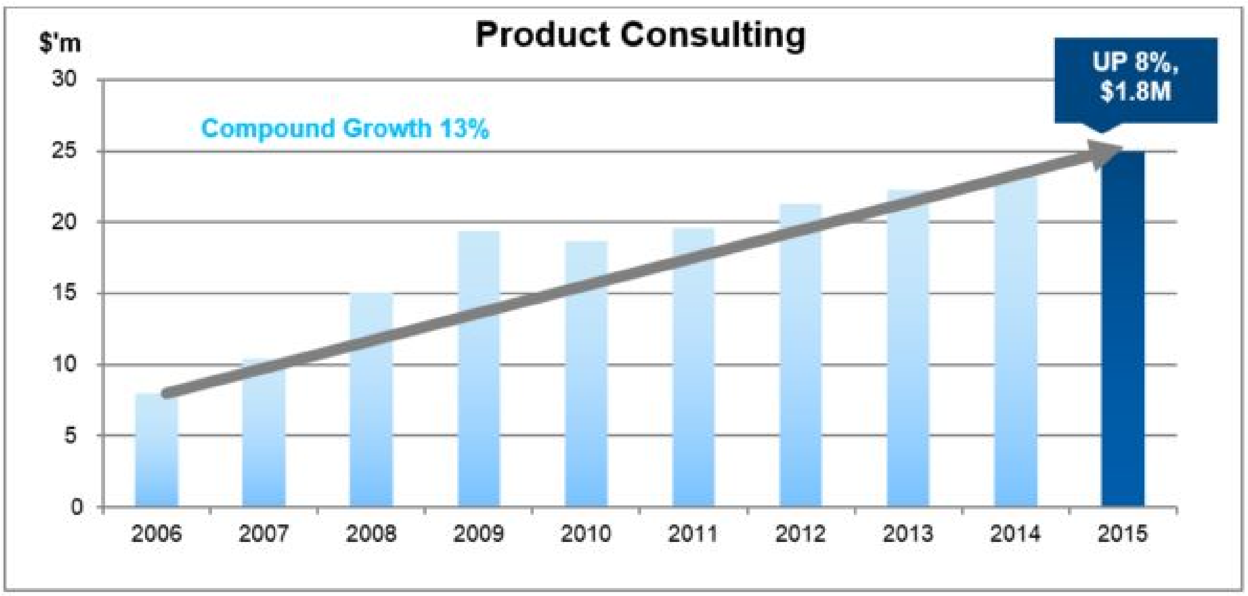
Review of operations (continued)

TechnologyOne Cloud continued to grow strongly in the half, with Annual Contact Value now $4.1m, up 100%+. We now have 47 customers committed to the TechnologyOne Cloud. Our target is to have 80 customers by December 2015, and Annual Contract Value of $8m+. We expect this strong momentum to continue in the years to come.

The TechnologyOne Cloud contributed a loss of $1.6m as we continued to invest strongly to build out this product offering. Over the full year we expect this loss to be $2.3m. We expect with our new Cloud 5.0 architecture, which introduces the start of our mass production software as a service offering, and a massively scalable platform with significant economies of scale, this loss will reduce next year to $1m, as we increase our cloud customer base. This is discussed in more detail later.

Consulting Services fees Including Plus

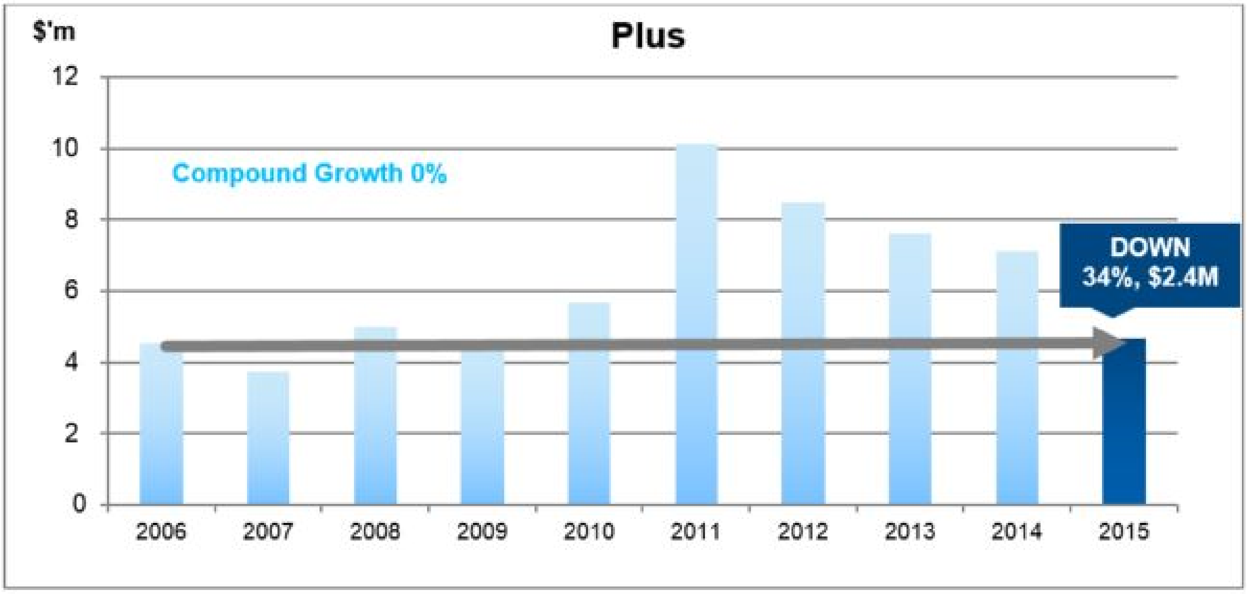
Though Consulting Services fees including Plus were down 2% ($600k), the Product Consulting business was strong, with revenue up 8% as follows.



Application Managed Services (AMS) is a new service in our Product Consulting business which allows our customers to outsource the administration and management of their enterprise software to TechnologyOne, enabling us to continually improve their experience with our software. This has been well received and contributed revenues of $2m up 315% ($1.5m) in the half. We expect this strong momentum to continue in the full year.

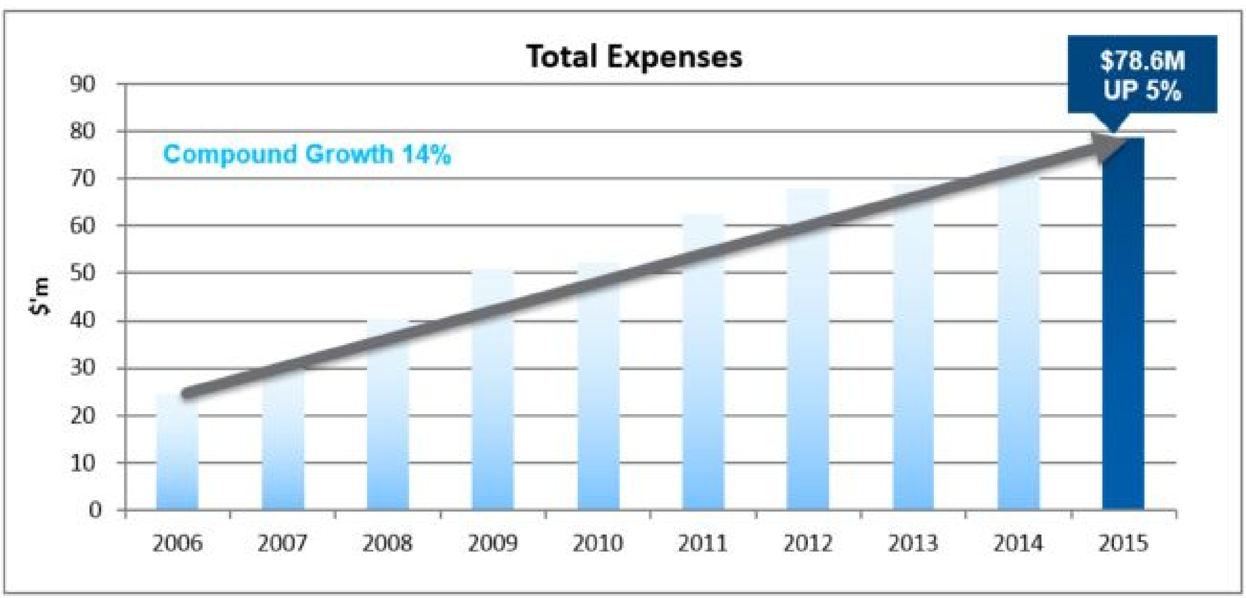
We expect the full year profit for Product Consulting Services to be up on the prior year.

Review of operations (continued)



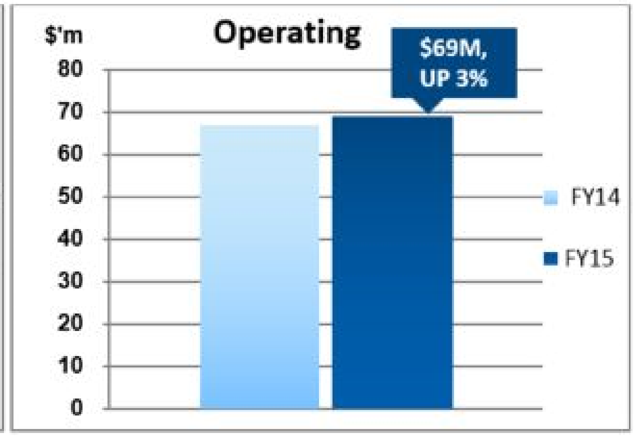
The Plus business continued to contract as previously forecasted, with revenues down 34% ($2.4m) and profit down 86% ($1.1m), as we continue to pursue our strategy to move away from services that are not related to our core products. Full year Plus revenues will remain down approximately $2.4m.

Expenses



Total Expenses were up 5%.

Review of operations (continued)



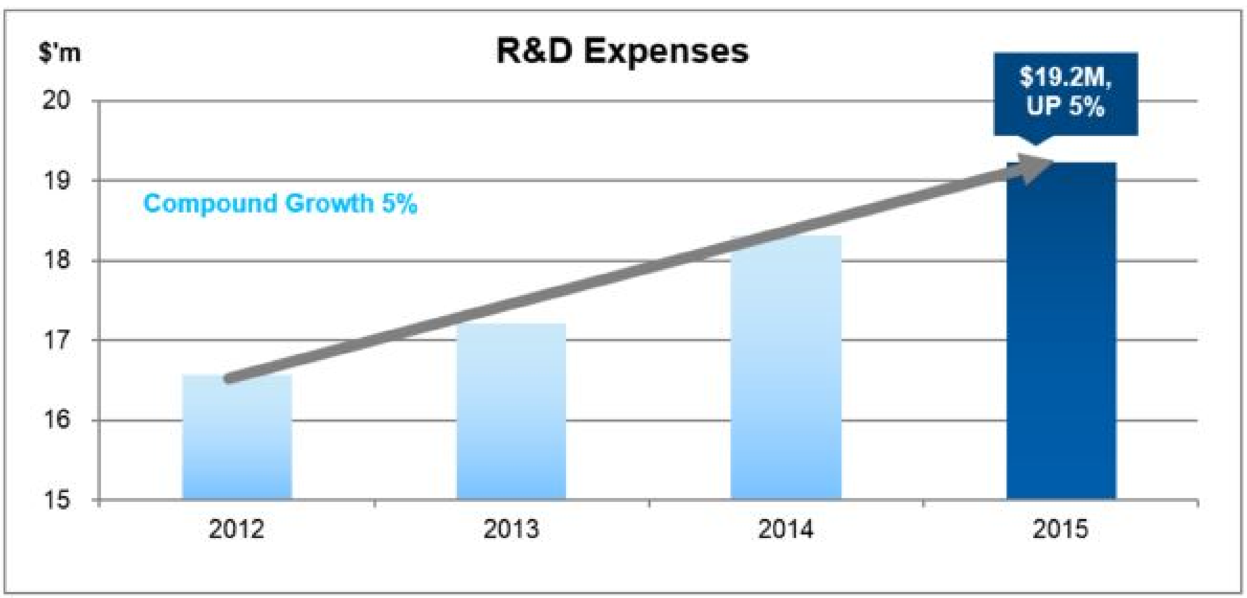
Variable costs, which are expenses directly associated with revenue growth, were up 23%. Variable costs included costs associated with Licence Fees and sales including:

- Third party costs were up 83% ($934k), linked to our strong growth in the Health & Community services sector
- Cloud costs associated with TechnologyOne Cloud were up 100+% (up $841k)

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 3%.

SIGNIFICANT ACHIEVEMENTS

Research & Development (R&D)



Review of operations (continued)

R&D continues to be a significant investment for TechnologyOne at $19.2m for the half year, up 5% at the half year. R&D represents 21% 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.

For the full year, we expect R&D to be up 6% excluding acquisitions, which will be substantially below the 8% long-term target we set in 2011.

Ci Anywhere

Ci Anywhere is the next generation of our Ci product, and 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 the near future, with the inevitable decline of traditional laptops and PCs.

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

Over the next 24 months, we will focus our R&D efforts to bring all our remaining products onto our new powerful Ci Anywhere 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. It will also allow us to consolidate our R&D resources for future strategic work.

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 which 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 capitalise 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 are on track to deliver TechnologyOne Cloud 5.0 by June 2015, which will introduce the start of our mass production software as a service offering. This will provide a massively scalable platform with significant economies of scale.

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

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.

Review of operations (continued)

Review of the UK Operation

This half year we have once again increased our footprint in the UK, adding four new customers, taking us to a total of 21 enterprise customers in the region. We remain focused on achieving critical mass in the UK, which will require in excess of 40 customers. Also important to our future success in the UK, will be to bring our Human Resource & Payroll (HRP) offering into the UK market. The adaption of HRP for the UK market is in progress now, with a target availability date of late 2016.

Acquisitions

TechnologyOne is not an acquisition driven business, preferring organic growth because of the significant cost, time, effort and management distraction that accompanies an acquisition.

Having said this, there are times when acquisitions makes sense, such as when the opportunity arises to acquire Intellectual Property (IP) that allows us to extend our enterprise footprint into new areas that we do not currently support, and which would take an inordinate amount of time, money and risk for us to develop ourselves. This is the case with two acquisitions we have undertaken:

- Icon Software which provides Online Planning and Approval software for Local Government that streamlines the process for development approvals, reducing time and cost for its customers.

- DMS which provides Digital Mapping Solutions allowing for the management and viewing of spatial data, and for the integration of spatial data into business processes. DMS has a strong presence in Local Government and Government.

Both organisations are well regarded in their markets, and TechnologyOne has partnered with them over many years. Our plan is over the next 24 months to redevelop these products on our powerful Ci Anywhere platform, and to deeply integrate them into our enterprise suite. They will also form a strategic component of our TechnologyOne Cloud offering. We expect both products to be earnings neutral.

BALANCE SHEET STRENGTH

TechnologyOne continues to have a strong balance sheet with cash and cash equivalents of $51.7m and undrawn banking facilities of $2m. Our debt/equity ratio remains conservative at only 3% and interest cover is 123 times.

Operating cash flow was a negative $2.3m this half. This is due to a number of factors:

- A significant prepayment of $3m made to secure infrastructure for the TechnologyOne Cloud

- A significant number of new licence sales in the last two months of the half, which will be collected early in Q3

Operating cash flow will improve substantially over the full year.

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 25.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

A. Di Marco

Adrian Di Marco
Executive Chairman

Brisbane
26 May 2015

Technology One Limited
Consolidated income statement
For the half-year 31 March 2015

	Notes	31 Mar 2015 $'000	31 Mar 2014 $'000
Revenue	3	**90,006**	87,576
Variable costs		**(8,251)**	(7,315)
Variable customer cloud costs		**(1,365)**	(524)
Total variable costs		**(9,616)**	(7,839)
Occupancy costs		**(3,995)**	(4,971)
Corporate costs		**(5,255)**	(4,458)
Depreciation & amortisation		**(1,736)**	(2,394)
Computer & communication costs		**(3,242)**	(2,873)
Marketing costs		**(1,239)**	(1,658)
Employee costs		**(52,686)**	(50,030)
Share-based payments		**(735)**	(474)
Finance expense		**(85)**	(125)
Total operating costs		**(68,973)**	(66,983)
Profit before income tax		**11,417**	12,754
Income tax expense		**(2,562)**	(2,900)
Profit for the half-year		**8,855**	9,854
		Cents	Cents
Basic earnings per share		**2.87**	3.20
Diluted earnings per share		**2.81**	3.16

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

	31 Mar 2015 $'000	31 Mar 2014 $'000
Profit for the half-year (from previous page)	**8,855**	9,854
Other comprehensive income		
Items that may be classified to profit or loss:		
Exchange differences on translation of foreign operations	**789**	446
Total comprehensive income for the half-year	**9,644**	10,300

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

	Notes	**31 Mar 2015 $'000**	30 Sep 2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**51,703**	80,209
Trade and other receivables		**39,246**	30,844
Earned and unbilled revenue		**10,941**	7,774
Prepayments		**5,143**	1,180
Other current assets		**1,057**	344
Total current assets		**108,090**	120,351
Non-current assets			
Property, plant and equipment		**9,337**	8,875
Intangible assets	4	**25,684**	15,684
Deferred tax assets		**8,794**	6,451
Total non-current assets		**43,815**	31,010
Total assets		**151,905**	151,361
LIABILITIES			
Current liabilities			
Trade and other payables		**19,984**	17,826
Provisions		**7,789**	7,922
Current tax liabilities		**155**	3,137
Unearned revenue		**10,638**	8,123
Borrowings		**2,492**	1,302
Total current liabilities		**41,058**	38,310
Non-current liabilities			
Provisions		**4,087**	4,076
Borrowings		**439**	2,304
Other non-current liabilities	4	**7,633**	2,172
Total non-current liabilities		**12,159**	8,552
Total liabilities		**53,217**	46,862
Net assets		**98,688**	104,499
EQUITY			
Contributed equity		**27,607**	27,447
Other reserves		**18,955**	27,151
Retained earnings		**52,126**	49,901
Total equity		**98,688**	104,499

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Contributed equity $'000	Retained earnings $'000	Dividend reserve $'000	FOREX reserve $'000	Share option reserve $'000	Total equity $'000
Balance at 1 October 2014	**27,447**	**49,901**	**19,186**	**(510)**	**8,475**	**104,499**
Profit for the year	-	8,855	-	-	-	8,855
Exchange differences on translation of foreign operations	-	-	-	789	-	789
Total comprehensive income for the half-year	**-**	**8,855**	**-**	**789**	**-**	**9,644**
Dividends paid	-	-	(19,194)	-	-	(19,194)
Transfer to dividend reserve	-	(6,630)	6,630	-	-	-
Exercise of share options	160	-	-	-	-	160
Share based payments	-	-	-	-	735	735
Tax impact of share trust	-	-	-	-	2,844	2,844
	160	(6,630)	(12,564)	-	3,579	(15,455)
Balance at 31 March 2015	**27,607**	**52,126**	**6,622**	**279**	**12,054**	**98,688**
Balance at 1 October 2013	**26,711**	**44,134**	**11,768**	**(261)**	**5,384**	**87,736**
Profit for the year	-	9,854	-	-	-	9,854
Exchange differences on translation of foreign operations	-	-	-	446	-	446
Total comprehensive income for the half-year	**-**	**9,854**	**-**	**446**	**-**	**10,300**
Dividends paid	-	-	(11,781)	-	-	(11,781)
Transfer to dividend reserve	-	(6,014)	6,014	-	-	-
Exercise of share options	187	-	-	-	-	187
Share-based payments	-	-	-	-	474	474
Tax impact of share trust	-	-	-	-	(13)	(13)
	187	(6,014)	(5,767)	-	461	(11,133)
Balance at 31 March 2014	**26,898**	**47,974**	**6,001**	**185**	**5,845**	**86,903**

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

	Notes	31 Mar 2015 $'000	31 Mar 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**81,604**	96,951
Payments to suppliers and employees (inclusive of GST)		**(75,886)**	(88,256)
Prepayments to suppliers and employees		**(3,835)**	(784)
Interest received		**925**	863
Income taxes paid		**(5,741)**	(7,418)
Other revenue		**734**	695
Interest paid		**(85)**	(124)
Net cash (outflow)/ inflow from operating activities		**(2,284)**	1,927
Cash flows from investing activities			
Payments for acquisition of subsidiary	4	**(4,556)**	-
Payments for property, plant and equipment		**(2,030)**	(879)
Proceeds from sale of property, plant and equipment		**6**	-
Net cash (outflow) from investing activities		**(6,580)**	(879)
Cash flows from financing activities			
Proceeds from exercise of share options		**160**	187
Finance lease payments		**(608)**	(855)
Dividends paid to Company's shareholders		**(19,194)**	(11,780)
Net cash (outflow) from financing activities		**(19,642)**	(12,448)
Net (decrease) in cash and cash equivalents		**(28,506)**	(11,400)
Cash and cash equivalents at the beginning of the financial year		**80,209**	65,397
Cash and cash equivalents at end of period		**51,703**	53,997

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

1 Basis of preparation

(a) *Corporate information*

The financial report of Technology One Limited (the Company) for the half-year ended 31 March 2015 was authorised for issue in accordance with a resolution of directors on 26 May 2015.

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

This interim financial report for the half-year reporting period ended 31 March 2015 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 September 2014 and considered together with any public announcements made by Technology One Limited during the half-year ended 31 March 2015 in accordance with the continuous disclosure obligations of the ASX listing rules and *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial period.

(b) *New accounting standards and interpretations*

(i) 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. The IASB released an announcement on the 28 April 2015 proposing a one-year deferral on the effective date of the standard to 1 January 2018.

• AASB 2014-1 Part A - Annual Improvements 2010-2012 Cycle was issued in June 2014 and sets out amendments to the Australian Accounting Standards, arising from the issueance by the IASB of the IFRS 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle. The amendment clarifies definitions of 'vesting conditions' and 'market condition' in AASB 2 and introduces the definition of 'performance condition' and 'service condition'. The effective date of the amendment is 1 April 2015. Technology One has not yet assessed the amendment's impact but does not expect it to be material. The amendments will be applied in the reporting period ending 30 September 2015.

2 Segment information

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 in the annual report ending 30 September 2014 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.
- Cloud - the delivery of cloud services to our customers.
- Corporate - the aggregation of the corporate services functions costs and revenue, and corporately-funded projects.

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

Royalties are a mechanism whereby each segment pays or receives funding for their contribution to the ongoing success of TechnologyOne. For example, Sales & Marketing pays 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.

2 Segment information (continued)

Half-year 2015

	Sales & Marketing $'000	Consulting $'000	Plus $'000	R&D $'000	Cloud $'000	Corporate $'000	Total $'000
Revenue							
External revenue	56,710	25,002	4,672	48	1,385	2,189	**90,006**
Intersegment revenue	50	(94)	(3)	30	(13)	30	**-**
Net royalty	(36,823)	(2,522)	(646)	22,826	(131)	17,296	**-**
Revenue from external customers	**19,937**	**22,386**	**4,023**	**22,904**	**1,241**	**19,515**	**90,006**
Expenses							
Total external expenses	**20,616**	**19,052**	**3,842**	**19,224**	2,830	**13,025**	**78,589**
Profit before tax	(679)	3,334	181	3,680	(1,589)	6,490	**11,417**
Income tax expense							(2,562)
Profit for the half-year							**8,855**
R&D expenses (external) as a % of total external revenue				**21%**			

Half-year 2014

	Sales & Marketing $'000	Consulting $'000	Plus $'000	R&D $'000	Cloud $'000	Corporate $'000	Total $'000
Revenue							
External revenue	53,684	23,168	7,104	234	747	2,639	**87,576**
Intersegment revenue	86	(119)	33	21	-	(21)	**-**
Net royalty	(34,512)	(2,343)	(891)	21,814	(65)	15,997	**-**
Total revenue	**19,258**	**20,706**	**6,246**	**22,069**	**682**	**18,615**	**87,576**
Expenses							
Total external expenses	**18,413**	**17,254**	**4,928**	**18,318**	**1,590**	**14,319**	**74,822**
Profit before tax	845	3,452	1,318	3,751	(908)	4,296	**12,754**
Income tax expense							(2,900)
Profit for the half-year							**9,854**
R&D expenses (external) as a % of total external revenue				**21%**			

3 Revenue

	2015 $'000	2014 $'000
Sales revenue		
Software licence fees	**18,617**	20,923
Implementation and consulting services	**25,002**	23,167
Post sales customer support	**38,125**	33,762
Project services	**4,672**	7,104
Cloud service fees	**1,358**	606
Total sales revenue	**87,774**	85,562
Other revenue		
Foreign exchange gains	**200**	71
Rents and sub-lease rentals	**734**	696
Interest received	**1,036**	859
Other	**262**	388
Total other revenue	**2,232**	2,014
Total revenue	**90,006**	87,576

4 Business combination

(a) *Summary of acquisition*

On 31 January 2015 Technology One Limited acquired 100% of ICON Strategic Solutions Pty Ltd (ICON), an unlisted company and Australasia's leading provider of ePlanning and eGovenment software. The acquisition builds on TechnologyOne's dominant market position in local government and allows TechnologyOne to acquire unique IP and specialist functionality.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	**4,556**
Second tranche payment	**974**
Contingent consideration	**3,780**
Bonus tranche	**945**
Total purchase consideration	**10,255**

4 Business combination (continued)

(a) *Summary of acquisition (continued)*

Technology One Limited has provisionally recognised the fair value's of ICON's identifiable assets and liabilities at acquisition date based on the best information available at the reporting date and may change as more information becomes available. No tax balances have been recorded as the tax base of acquired assets and liabilities is yet to be determined. Any adjustments to finalise acquired assets and liabilities will be recognised against goodwill.

The assets and liabilities provisionally recognised as a result of the acquisition are as follows:

	Fair value $'000
Cash	**113**
Trade receivables	**241**
Intangible assets	**5,100**
Trade payables	**(98)**
GST liabilities	**(43)**
Provision for employee benefits	**(71)**
Other current liabilities	**(14)**
Net identifiable assets acquired	**5,228**
Add: goodwill	**5,027**
Net assets acquired	**10,255**

The goodwill is attributable to the profitability of ICON as well as the potential growth for TechnologyOne into the local government sector.

(i) Second Tranche payment

Consideration of $1,000,000 (present value of $974,452) plus interest will be payable in cash to the selling shareholders eighteen months after completion of the acquisition.

(ii) Contingent consideration

Contingent consideration up to a maximum of $5,000,000 ($4,000,000 for earn out tranche and $1,000,000 for bonus tranche) may be payable in cash to the selling shareholders.

The potential undiscounted earn out tranche amount payable under the agreement is between $nil and $4,000,000 and is based on a multiple of ICON’s cumulative actual Net Profit Before Tax (NPBT) less $5,000,000 for the three calendar years after completion of the acquisition.

TechnologyOne has agreed to pay the selling shareholders an additional bonus tranche if ICON’s three year cumulative NPBT is greater than a pre-determined target NPBT. The potential undiscounted amount payable under the agreement is $nil for NPBT below $7,300,000 and 33% of any amount above that figure up to a maximum of $1,000,000.

The financial liability for both the earn out and bonus tranche is recorded in non-current contingent consideration. The fair value estimate of the contingent consideration of $4,754,288 was calculated based on the assumption that the maximum $5,000,000 will be payable three calendar years after acquisition.

ICON has been fully consolidated into the results of TechnologyOne.

(iii) Revenue and profit contribution

ICON reported revenue of $214,394 and net loss before tax of $125,804 for the period 1 February 2015 to 31 March 2015.

If the acquisition had occurred on 1 October 2014, revenue and loss for the half year ended 31 March 2015 would have been $1,120,345 and $157,085 respectively. These amount have been calculated using the subsidiary’s results.

4 Business combination (continued)

(b) *Purchase consideration - cash outflow*

	2015 $'000	2014 $'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash paid	**(4,669)**	-
Net cash acquired with the subsidiary	**113**	-
Outflow of cash - investing activities	**(4,556)**	-

Acquisition-related costs

Acquisition-related costs of $167,106 are included in other expenses in the statement of profit or loss and other comprehensive income and in operating cash flows in the statement of cash flows.

5 Events occurring after the reporting period

(a) *Dividends*

On 26 May 2015, the directors of Technology One Limited declared an interim dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is $6,630,291 and is 100% franked.

(b) *Acquisition of entity*

On 8 May 2015 Technology One Limited acquired 100% of the issued shares in Desktop Mapping Systems Pty Ltd, trading as Digitial Mapping Solutions (DMS), an unlisted Australian company for cash consideration of approximately $12,000,000. A significant proportion of the purchase price is payable on the achievement of an earn-out. The acquisition forms part of TechnologyOne's strategic focus on providing innovative and relevant solutions for local government, goverment and asset intensive organisations and is expected to be earnings neutral for 2015.

The financial effects of this transaction have not been brought to account at 31 March 2015. The operating results and assets and liabilities of DMS and its subsidiaries will be consolidated from 8 May 2015.

At the time the interim financial statements were authorised for issue, the Company had not yet completed the accounting for the acquisition of DMS. It is not yet possible to provide detailed information about the fair value of net identifiable assets and purchased goodwill of the acquired entity.

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

6 Fair Value

At 31 March 2015 the Company did not hold any assets or liabilities at fair value through the profit and loss.

Contingent consideration as set out in note 4 is classfied as Level 3 (2014: nil). The valuation techniques and fair value of consideration is outlined in note 4.

Reconciliation of Level 3 contingent consideration is set out below:

	Contingent Consideration $'000
Opening balance at 1 October 2014	-
Other increases/(decreases)	4,725
(Gains)/losses recognised in income statement	-
Closing balance at 31 March 2015	4,725

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 equals their carrying amount, as the impact of discounting is not significant.

In the directors' opinion:

(a) the financial statements and notes set out on pages 12 to 23 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of its performance for the half-year on that date.

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

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

A. Di Marco

Adrian Di Marco
Executive Chairman

Brisbane
26 May 2015

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

In relation to our review of the financial report of Technology One Limited for the half-year ended 31 March 2015, 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

Ernst & Young

Brad Tozer
Partner
26 May 2015

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To the members of Technology One Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Technology One Limited, which comprises the consolidated balance sheet as at 31 March 2015, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Technology One Limited and the entities it controlled during the half-year ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Technology One Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
Brisbane
26 May 2015