Appendix 4E

Preliminary final report

Name of entity

TECHNOLOGY ONE LIMITED

ABN

84 010 487 180

Financial year ended

30 JUNE 2003

Results for announcement to the market

Results				
Revenues from ordinary activities	Up	2.04%	to	48,348
Profit from ordinary activities after tax attributable to members	Down	19.7%	to	7,030
Net profit for the period attributable to members	Down	19.7%	to	7,030

Dividends	Amount per security	Franked amount per security
Current period		
Final dividend	1.5¢	1.5¢
Interim dividend	1.0¢	1.0¢
Previous corresponding period		
Final dividend	1.0¢	1.0¢
Interim dividend	1.0¢	1.0¢

The Record date for determining entitlements to the dividend is 12 September 2003

Brief explanation of any of the figures reported above:

Refer to 'Comments by Directors' section of this document

Consolidated retained profits	Current period	Previous corresponding Period Year ending 30 June 2002
Retained profits at the beginning of the financial period	7,066	4,665
Net profit attributable to members	7,030	8,755
Net transfers to and from reserves	(4,477)	—
Net effect of changes arising from adoption of revised/new accounting standards	3,111	—
Dividends and other equity distributions paid or payable	(6,164)	(6,354)
Retained profits at end of financial period	**6,566**	**7,066**

Earnings per security (EPS)	Current period	Previous corresponding Period Year ending 30 June 2002
Basic EPS	2.30 Cents	2.76 cents
Diluted EPS	2.28 Cents	2.75 cents
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	306,114,509	317,298,851

NTA backing	Current period	Previous corresponding Period Year ending 30 June 2002
Net tangible asset backing per ordinary security	8.47 cents	8.03 cents

Dividend Payable

The dividend is payable on 19 September 2003

Dividend Reinvestment Plan

There is no dividend re-investment plan in operation.

Total dividend per security (interim *plus* final)

	Current year	Previous year
Ordinary securities	2.5 ¢	2.0 ¢

Final dividend on all securities

	Current period $A'000	Previous corresponding Period - $A'000
Total	**4,477**	**3,181**

Control gained over entities having material effect

Name of entity (or group of entities)	NIL

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 is down 17% since the previous year due to an increased investment in R&D to build our next generation software products as well as an increased investment in our regional offices to improve our service delivery. However, the reported EPS was strengthened due to the Share buy back, which had the effect of reducing the number of shares issued by 6%. During the financial year, as part of our capital management program, we were able to buy on market 19.7 million shares, for a total investment of $4.9 million dollars, at an average share price of 25 cents (compared to 43 cents as of August 1st 2003). The Board intends to keep its options open by continuing the Share Buy Back.

Returns to Shareholders

As mentioned in the Dividends section of this report, DPS has increased by 25% over the previous year, from 2.0 to 2.5 cents per share. This increase demonstrates confidence in the future, and reinforces the company's commitment to returning surplus cash to shareholders while still having more than enough reserves to grow the business.

Significant feature of operating performance

The key feature of the operating performance was the cashflow from operations. This $9.56M cash flow from operations compares with the Net profit of $7.03M. It also compares with net cashflow from operations of $6.83M in the prior year, on a higher Net profit of $8.76M. Strong cashflow resulted from improved debt collection procedures.

Results of Segments

Refer to Note 22 of the notes to the financial accounts for further detail.

In the Service Delivery segment, there was a significant amount of new business signed for the 2003 financial year; with 46 medium to large organisations added to the client list, from a wide variety of industry sectors.

The company continued to increase its market penetration in the Australian Local Government market signing contracts with the following Councils:

Baulkham Hills Council	City of Burnside
City of Port Adelaide/Enfield	City of Stirling
Queanbeyan City Council	Wollongong City Council

The company has also established a strong presence in the New Zealand Local Government market signing contracts with the following Councils:

Ashburton District Council
Marlborough DC
Waikato District Council

The New Zealand office performed strongly during this period, signing ten new clients. In only two years Technology One NZ has successfully established a solid foundation in the New Zealand market and has trebled the number of clients and employees. New clients in New Zealand for the year were as follows:

Harbourside	Otago Polytechnic
PowerNet Limited	Southland Building Society
State Services Commission	Summerset Holdings
Tertiary Education Commission	Ashburton District Council
Marlborough DC	Waikato District Council

Technology One's Asian office also attracted four new clients:

Mandom (manufacturing)
Orbit Software Tech Sdn Bhd
DDSB (M) Sdn Mhd (IT)
Teliti Computers Sdn Bhd

The Project Services division (within the Software Engineering segment) attracted primarily Government clients from across Australia for custom software development projects including:

Access Queensland	EPA Queensland (two projects)
Financial Line Brisbane Pty Ltd	Legal Aid Queensland
NSW Police	Office of State Revenue Queensland
State Records South Australia	Telwater Pty Ltd

Tasmania Office of Post Compulsory Education & Training

Finance One, Technology One's financial management solution, continued to perform strongly against the large multinationals competitors. There was also increased traction for the new Payroll/HR product, People One with the signing of fourteen new contracts.

The remaining new clients for the year are as follows:

Australian Ethical Investment	Australian Inland Water
Australian Wine & Brandy Corporation	BP-Valley Fuel Pty Ltd
Darwin Port Corporation	Department Tourism, Parks, Heritage & The Arts
Enertrade	EPA Victoria
Family Court of Australia	Insearch
MGM Grand Darwin	Minda Incorporated
Prime Infrastructure	Public Trustee Queensland
Queanbeyan City Council	Red Rooster
Salvation Army (Southern Region)	Southern Cross Broadcasting

Trends in Performance

In the short term we expect market conditions to continue to be difficult, though in the next 12 to 24 months we should see an improvement.

Any other Significant Information

Technology One is investing substantially in R&D over the next few years, to bring to the market a new generation suite of our applications, called the Connected Intelligence Series.

Our Connected Intelligence series is designed to substantially raise the bar in the ERP market, by combining for the first time the advantages of client server and the internet to create a new generation of applications. This will support the move by organisations to a more devolved and empowered business model that seamlessly connects customers, suppliers, staff, managers and back-office staff, as well as connecting disparate systems operating across multiple IT platforms and across multiple organisations. These applications are easily deployed via the internet and intranet and have a rich powerful user interface that is very simple and easy to use without requiring any training or experience; designed to be utilised from the power user to the occasional novice user. Our Connected Intelligence series will go far beyond the current boundaries of traditional client server and HTML based internet applications offered by our competitors.

Finance One: CI will be the first of our new Connected Intelligence systems and it will ship in the middle of 2004. We will progressively release Retail One, People One, Proclaim One and Student One Connected Intelligence applications over the following few years, as the market becomes more aware of the benefits of our new technology. This approach will allow us to minimise our risks, as well as match our R&D expenditure in line with the emerging market opportunities.

Compliance statement

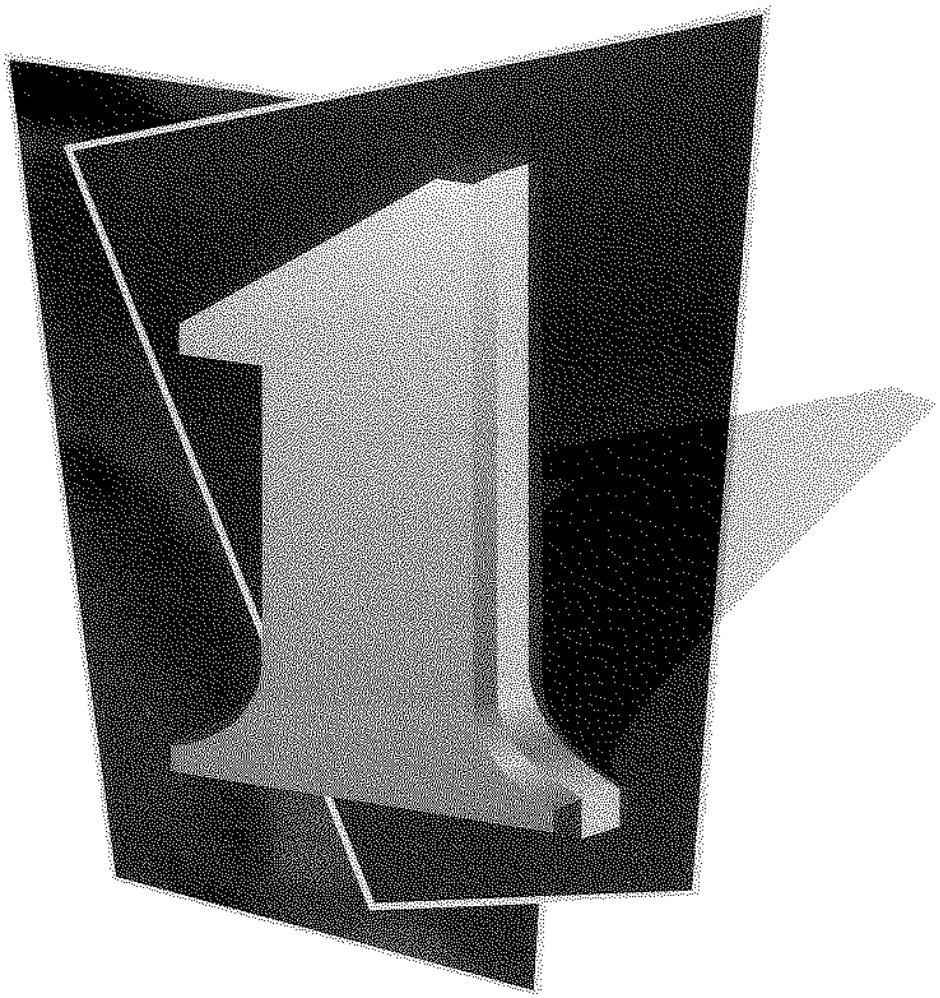
This report is based on accounts which have been audited.

Signed: ..... Date: 1 September 2003

A Di Marco
Executive Chairman

TECHNOLOGY ONE

INTELLIGENT eBUSINESS SOLUTIONS



FINANCIAL REPORT

30 JUNE 2003

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DIRECTORS' REPORT

The Board of Directors of Technology One Limited "Technology One" (A.C.N. 010 487 180) has pleasure in submitting its report in respect of the financial year ended 30 June 2003.

Directors

The names and details of the directors in office during or since the end of the financial year are:

Names	Qualifications, experience and special responsibilities
A Di Marco *(Executive Chairman)*	Mr Di Marco founded Technology One 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 20 years experience in the software industry. He has been responsible for all operational aspects of Technology One, as well as the strategic direction of the company.
R McLean *(Chief Operating Officer)*	Mr McLean has over 20 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 and was appointed as a general manager in 1994, and subsequently Chief Operating Officer in 1999.
J Mactaggart *(Chairman of Executive Remuneration Committee)*	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 companies. Mr Mactaggart through JL Mactaggart Holdings Pty Ltd is a founding shareholder of Technology One. He has been a Fellow of the Australian Institute of Company Directors since 1991.
S Larwill *(Chairman of Audit Committee)*	Mr Larwill was a partner in the accountancy firms, Larwill and Larwill, Irish Young and Outhwaite, Deloitte Haskins and Sells and was a Founding Director of Hart Larwill Pty Ltd. He has been a director and company secretary for a number of other companies. Mr Larwill has been involved as a director of Technology One since 1992. He was formerly a Fellow of the Institute of Chartered Accountants and an Associate of the Institute of Chartered Secretaries and Administrators for over 30 years.

Unless indicated otherwise, all directors held their position as a director throughout the entire financial year and up to the date of this report.

Directors' Interests

Relevant interests of the directors in the shares of the company, as at date of this report are:

	Ordinary Shares
A Di Marco (Masterbah Pty Ltd)	78,372,500
R McLean (RONMAC Investments Pty Ltd)	400,000
J Mactaggart (JL Mactaggart Holdings Pty Ltd)	83,902,500
S Larwill	200,000

Refer to Note 24 for further information concerning directors' interests.

Directors' Meetings

The number of meetings of the Board of Directors and of Board committees during the year were:

Board or Committee	Number of Meetings
Full board	8
Audit	3
Executive remuneration	1

The attendances of directors at meetings of the Board and its committees were:

	Full Board	Audit	Executive Remuneration
A Di Marco	8	3	1
R McLean	8	— [—]	— [—]
J Mactaggart	8	3	1
S Larwill	8	3	1

Where a director did not attend all meetings of the Board or relevant committee, the number of meetings for which the director was eligible to attend is shown in brackets.

As at the date of this report, the company had an Audit Committee of the Board of Directors, which met 3 times during the year. The details of the functions and memberships of the other committees of the Board are presented in the Corporate Governance Practices Statement.

Principal Activities

The principal activity of the company during the financial year was the serviced delivery of software which includes the design, development, implementation and support of integrated software solutions to meet the specific requirements of vertical or horizontal markets including:

- Financial Management and Accounting (Finance One);
- Local Governments (Proclaim One);
- Higher Education and Universities (Student One);
- Retail (Retail One);
- Wholesale/Distribution (Sales One); and
- Payroll and Human Resources (People One).

Technology One Limited also provides large scale "purpose built" application development services to meet the specific requirements of corporate and government organisations.

Results

The consolidated profit of the consolidated entity for the financial year was $7,030,257 after income tax.

Dividends

The following dividends of the company have been paid, declared or recommended since the end of the preceding financial year:

	On ordinary shares $000
Final dividend (franked to 100%) for 2002 as recommended in last years' report	3,181
Interim fully franked dividend for 2003 paid 31 March 2003	2,983
Final fully franked dividend for 2003 as recommended by the directors	4,477

Review of Operations

A review of operations of the consolidated entity is included in the Annual Report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the company throughout the year.

Significant Events after Year End

The company will pay a fully franked final dividend on 19 September 2003 of $4,477,440.

On 19 August 2003 the company issued an Appendix 3C statement to the Australian Stock Exchange relating to an intended buy-back of issued capital. The details announced were:

- The buy-back would be on-market;
- The buy-back would be of ordinary shares;
- The maximum buy would be to a maximum of 29,849,598 shares;
- The buy-back may take place in the period 19 August 2003 to 18 August 2004; and
- The buy-back is being undertaken for capital and share registry maintenance.

As at the date of this report no buy-backs have been effected.

Likely Developments and Future Results

The directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments in the operations of the company and the expected results of those operations in subsequent financial years would be likely to result in unreasonable prejudice to the company. Accordingly, this information has not been included in this report.

Shares and Options

Details of shares and options held by directors are set out in Note 24 of the financial statements and form part of this report. Details of options issued to employees are set out in Note 17 of the financial statements and form part of this report.

Directors' and Officers' Remuneration

Remuneration of directors and senior executives of the company is established by the Executive Remuneration Committee. Remuneration is determined as part of an annual performance review, having regard to market factors, a performance evaluation process and independent remuneration advice. For executive directors and officers, remuneration packages generally comprise salary, a performance based bonus and superannuation. Executives are also provided with longer-term incentives through the employee share ownership and option schemes, which act to align the executives' actions with the interests of the shareholders.

Details of remuneration provided to directors and the two most highly remunerated officers are as follows:

	Base Salary $	Directors' Fee $	Bonus $	Super-annuation $	Long Term Emoluments Options Granted * $	Total $
Directors						
A Di Marco	313,076	26,322	181,634	24,428	—	545,460
R McLean	254,306	26,322	174,066	22,885	95,333	572,912
J Mactaggart	—	26,322	—	-	—	26,322
S Larwill	—	26,322	—	—	—	26,322
Officers						
M Clahsen	246,648	—	114,601	8,497	**	369,746
D Orchard	88,572	—	—	7,971	—	96,543

- *Options granted as part of remuneration are estimates only, none of which have been exercised to date. The estimates are based on the degree of probability of future performance hurdles being met, combined with the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.
- ** M Clahsen's Long Term Emoluments Options Granted have been valued at nil due to his resignation.

Indemnification of Officers

Insurance and indemnity arrangements established in the previous year concerning officers of the company were renewed or continued during 2003.

An indemnity agreement has been entered into between Technology One 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 $10,000,000 for any one claim.

Technology One 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.

Rounding of Amounts

The company is a company of the kind specified in Australian Securities and Investment Commission Class Order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of directors.

A Di Marco
Executive Chairman

Brisbane
1 September 2003

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 Directors have 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 and an Executive Remuneration Committee.

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 year.

BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors

The Directors are:

Name

Adrian Di Marco (Executive Chairman)

Sydney John Alfred Larwill

John Dugald Mactaggart

Ronald McLean

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

- The Board should comprise at least 3 members, but no more than 10. The current Board membership is 4. The Board may increase the number of directors where it is felt that additional expertise in specific areas is required.

- The Board should be comprised of directors with an appropriate range of qualifications, expertise and experience.

- The Board shall meet regularly as required and have available all necessary information to participate in an informed discussion of agenda items.

- The Directors are entitled to be paid expenses incurred in connection with the execution of their duties as directors. Each director is therefore able to seek independent professional advice at the company's expense, where it is in connection with their duties and responsibilities as 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.

Audit Committee

The Board has established an Audit Committee. The committee is comprised of:

Sydney John Alfred Larwill (Chairman)

Adrian Di Marco

John Dugald Mactaggart

The role of the committee is to:

- 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.

The committee reviews the performance of the external auditor on an annual basis.

Executive Remuneration Committee

The Board has established an Executive Remuneration Committee. The committee meets annually.

The committee is comprised of:

John Dugald Mactaggart (Chairman)

Adrian Di Marco

Sydney John Alfred Larwill

The terms of reference of the committee are:

- To advise the Board with regard to the company's broad policy for executive remuneration.
- To determine, on behalf of the Board, the individual remuneration packages for each Executive Director.
- To give the Executive Directors 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.

ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

SHAREHOLDERS' ROLE

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 Stock Exchange under the company's continuous disclosure obligations.

ASX 10 PRINCIPLES OF CORPORATE GOVERNANCE

On March 31st 2003, the ASX Corporate Governance Council released "Principles of Good Corporate Governance and Best Practice Recommendations" which provided 28 separate recommendations relating to 10 key principles, which are required to be implemented by June 30th 2004.

The company's Corporate Governance compares favourably with many of the new recommendations, and the company is committed to the June 30th 2004 deadline.

The ASX Corporate Governance Council has recognised fact that there may be valid reasons for a company to not comply with one or more recommendations, and has allowed companies to explain where they do not comply with the Principles of Good Corporate Governance and Best Practice Recommendations. Technology One will highlight any areas of non-compliance as part of its 2004 Annual Report, providing detail explanations and reasons.

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	Parent 2003 $000	Parent 2002 $000
Sales revenue	2	47,003	45,018	43,157	41,800
Other revenue	2	1,345	2,362	2,369	3,172
Total ordinary revenue		48,348	47,380	45,526	44,972
Sales and marketing expense		(6,239)	(5,578)	(9,334)	(7,934)
Occupancy expense		(1,148)	(960)	(935)	(826)
Administration expense		(8,463)	(9,896)	(6,987)	(7,530)
Product distribution and servicing expenses		(11,339)	(8,337)	(10,715)	(7,806)
Other expenses		(1,647)	(1,445)	(692)	(490)
Borrowing costs		(65)	—	(57)	—
Deemed borrowing costs on deferred consideration payable		(20)	(185)	(20)	(185)
Profit from ordinary activities before research and development expense		**19,427**	**20,979**	**16,786**	**20,201**
Research and development expense		(9,306)	(8,135)	(8,501)	(7,004)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	2	**10,121**	**12,844**	**8,285**	**13,197**
Income tax expense attributable to ordinary activities	3	(3,091)	(4,089)	(2,222)	(3,926)
NET PROFIT		**7,030**	**8,755**	**6,063**	**9,271**
Adjustment arising from adoption of revised accounting standard:					
AASB 1028 'Employee Benefits'		(70)	—	(59)	—
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTED TO MEMBERS OF TECHNOLOGY ONE LIMITED		**6,960**	**8,755**	**6,004**	**9,271**
Basic Earnings per share (cents per share)	21	2.30	2.76		
Diluted Earnings per share (cents per share)	21	2.28	2.75		

The accompanying notes form an integral part of this Statement of Financial Performance.

STATEMENT OF RETAINED PROFITS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	Parent 2003 $000	Parent 2002 $000
Retained profits at the beginning of the year		7,066	4,665	6,527	3,610
Adjustment arising from adoption of revised accounting standard:					
AASB 1028 'Employee Benefits'		(70)	—	(59)	—
AASB 1044 ' Provisions, Contingent Liabilities and Contingent Assets'		3,181	—	3,181	—
Dividends provided for or paid	4	(6,164)	(6,354)	(6,164)	(6,354)
Transfer to dividend reserve	18	(4,477)	—	(4,477)	—
Net profit		7,030	8,755	6,063	9,271
Retained profits at the end of the year		6,566	7,066	5,071	6,527

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	Parent 2003 $000	Parent 2002 $000
CURRENT ASSETS					
Cash assets	5	17,287	23,244	14,278	20,465
Receivables	6	8,901	10,539	7,781	9,212
Other financial assets – listed securities		2,900	—	2,900	—
Other	7	3,431	2,776	2,820	4,360
Total Current Assets		32,519	36,559	27,779	34,037
NON-CURRENT ASSETS					
Property, plant and equipment	8	2,313	2,321	2,194	2,074
Intangible assets	9	10,376	11,117	316	389
Other financial assets	10	—	—	12,173	12,246
Deferred tax assets	11	1,146	883	1,101	823
Total Non-Current Assets		13,835	14,321	15,784	15,532
TOTAL ASSETS		**46,354**	**50,880**	**43,563**	**49,569**
CURRENT LIABILITIES					
Payables	12	2,943	3,200	2,729	2,833
Provisions	13	2,699	5,268	2,485	4,991
Tax liabilities		650	1,966	—	1,861
Unearned revenue		2,191	755	2,137	734
Interest bearing liabilities	14	432	1,405	432	1,405
Total Current Liabilities		8,915	12,594	7,783	11,824
NON-CURRENT LIABILITIES					
Provisions	15	192	219	192	219
Interest bearing liabilities	14	657	536	657	536
Deferred tax liabilities		778	686	614	684
Other liabilities	16	166	201	166	201
Total Non-Current Liabilities		1,793	1,642	1,629	1,640
TOTAL LIABILITIES		**10,708**	**14,236**	**9,412**	**13,464**
NET ASSETS		**35,646**	**36,644**	**34,151**	**36,105**
EQUITY					
Contributed equity	17	24,603	29,578	24,603	29,578
Reserves	18	4,477	—	4,477	—
Retained profits		6,566	7,066	5,071	6,527
TOTAL EQUITY		**35,646**	**36,644**	**34,151**	**36,105**

The accompanying notes form an integral part of this Statement of Financial Position.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated 2003 $000	Consolidated 2002 $000	Parent 2003 $000	Parent 2002 $000
Cash flows from operating activities					
Receipts from customers		49,806	42,309	46,040	39,889
Payments to suppliers and employees		(36,502)	(32,405)	(32,979)	(31,871)
Interest received		896	950	831	919
Income taxes paid		(4,574)	(3,995)	(4,454)	(3,223)
Other revenue		37	77	36	58
Interest and other costs of finance paid		(65)	(30)	(57)	(26)
GST paid		(39)	(75)	(39)	(70)
Net operating cash flows	5 (b)	9,559	6,831	9,378	5,676
Cash flows from investing activities					
Payment for purchase of controlled entity	5 (c)	(1,206)	(2,850)	(1,206)	(2,850)
Payments for plant and equipment		(273)	(583)	(267)	(534)
Payments for intellectual property		(115)	(165)	(115)	(165)
Purchase of financial assets – listed securities		(2,900)	—	(2,900)	—
Proceeds from sale of plant and equipment		66	75	11	30
Net investing cash flows		(4,428)	(3,523)	(4,477)	(3,519)
Cash flows from financing activities					
Proceeds from conversion of options		21	21	21	21
Costs of issue of shares		—	(1)	—	(1)
Payments for share buy back		(4,945)	—	(4,945)	—
Dividends paid		(6,164)	(5,427)	(6,164)	(5,427)
Net financing cash flows		(11,088)	(5,407)	(11,088)	(5,407)
Net increase/(decrease) in cash held		(5,957)	(2,099)	(6,187)	(3,250)
Cash at the beginning of the financial year		23,244	25,343	20,465	23,715
Cash at the end of the financial year	5 (a)	**17,287**	**23,244**	**14,278**	**20,465**

The accompanying notes form an integral part of this Statement of Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared as a general purpose financial report which complies with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the AASB and Urgent Issues Group Consensus Views.

The statements are prepared on an accruals basis from the records of the company. They are based on historic costs and do not take into account changing money values.

Revenue Recognition

Software Licence Fee Revenue
Revenue from licence fees due to software sales is recognised on the passing of control of the licenced software under an agreement between the company and the customer.

Implementation and Consulting Services Revenue for Licenced Software
Revenue from implementation and consulting services attributable to licenced software is recognised in proportion to the stage of completion.

Annual Support Fee Revenue for Licenced Software
Annual support revenue for licenced software comprises fees for ongoing upgrades, minor software patches, and helpline support. Annual support revenue is recognised at the commencement of the provision of the service on the basis that the related development costs have been expensed as incurred, and that there are no significant ongoing obligations except for patches and helpline support. Estimated costs for ongoing helpline support and minor software patches are recognised at the commencement of the term of support services.

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

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.

Earned and Unbilled Revenue
Amounts recorded as Earned and Unbilled Revenue represent revenues recorded on Software Licence fees and Annual Support 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.

Grant Income
Revenue in the form of grant income is recognised when earned and receivable.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the financial statements of the parent entity, Technology One Limited, and its controlled entities, referred to collectively throughout these financial statements as the "Consolidated Entity".

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Financial statements of foreign controlled entities are prepared in accordance with overseas accounting principles and are, for consolidation purposes, adjusted to comply with group policy and generally accepted accounting principles in Australia.

Research and Development Costs

Research and development costs are fully expensed in the year they are incurred.

Property, Plant and Equipment

Property, plant and equipment are included at cost. Assets are depreciated over their useful economic lives as follows:

	Life	Method
Office furniture and equipment	3-11 years	Straight line
Computer software	3-4 years	Straight line
Motor vehicles	7 years	Diminishing value

Foreign Currency Transactions

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date;
- exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change.
- the financial statements of all foreign operations are translated using the temporal method as they are considered to be integrated operations.

Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill on Acquisition

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Where the purchase consideration is subject to an earnout calculation, an estimate is made of the consideration payable. This estimate is re-evaluated periodically with any required adjustment made to the goodwill or discount on acquisition. Where settlement of all or any part of the cash consideration given in the acquisition of a controlled entity is deferred, the fair value of the purchase consideration is determined by discounting the cash amounts payable in the future at 5% to present values.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring cost is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payments to other parties in settlement of costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

Purchased goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise, up to twenty years. The unamortised balance of goodwill is reviewed at each balance date and charged to profit from ordinary activities to the extent that applicable future benefits are no longer probable. Any re-measurement of goodwill is amortised on a prospective basis over the remaining period during which benefits are expected to arise.

Goodwill relating to the acquisition of Proclaim Software Pty Ltd is amortised over twenty years.

Income Tax

The financial statements apply the principles of tax-effect accounting. The income tax expense in the Statement of Financial Performance represents the tax on the pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation purposes. The provision for deferred income tax liability and the future income tax benefit include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse.

Provision for Employee Entitlements

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave and long service leave. No provision is made for non-vesting sick leave.

All on-costs, including payroll tax, workers' compensation premiums and fringe benefits tax are included in the determination of provisions. Annual leave and the current portion of the long service leave provision are measured at their nominal amounts.

The non-current portion of long service leave is measured at the present value of estimated future cash flows, discounted by 5% the interest rate applicable to 10 year Commonwealth Government bonds.

Employee superannuation funds exist to provide benefits for the employees and their dependants on retirement, death or disability. The contributions made to these funds by the company are expensed in the year to which they relate. In addition, current year profits have decreased by $78,000 due to an increase to the employee benefits expense.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recoverable Amounts of Non-Current Assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount. Recoverable amount is determined using discounted net cash flows discounted at 5% to present values.

Leased Assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating
Operating leases under which the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are included in the determination of the operating profit in equal instalments over the lease term.

Financing
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

Option Schemes

Certain employees are entitled to participate in option schemes. No remuneration expense is recognised in respect of options issued.

Intangible Assets

The intangible asset known as People One, has been capitalised and is being amortised over a period of 5 years. The unamortised balance is reviewed each balance date and charged to profit and loss to the extent that future benefits are no longer probable.

The intangible asset known as Retail One has been capitalised and is being amortised over a period of 10 years. The unamortised balance is reviewed each balance date and charged to profit and loss to the extent that future benefits are no longer probable.

Cash Assets

Cash includes cash on hand and in banks and deposits at call.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Financial Instruments included in Equity

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Financial Instruments included in Liabilities

Interest is recognised as an expense on an effective yield basis.

Financial Instruments included in Assets

Trade debtors are initially recorded at the amount of contracted sales proceeds.

Provision for doubtful debts is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date.

Bank deposits are carried at cost. Interest revenue is recognised on an effective yield basis.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in Accounting Policy

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits.

(i) Provision for Dividends

The consolidated entity has adopted the new Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets' which has resulted in a change in the accounting for the dividends provision. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. The effect of the revised policy has been to increase consolidated retained profits and decrease provisions at the beginning of the year by $3,181,000 (refer to note 4). In accordance with the new Standard, no provision for dividend has been recognised for the year ended 30 June 2003.

(ii) Employee Benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 'Employee Benefits', which has resulted in a change in the accounting policy for the measurement of employee annual leave liability. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition for the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease consolidated retained profits and increase employee benefit liabilities at the beginning of the year by $70,000.

Share Buy Back

The price paid for the repurchase of contributed equity is taken as a direct charge to equity. The price paid is measured at the fair value of consideration given. Any costs associated with the buy-back are taken as a direct charge to equity.

	Consolidated		Parent	
	2003 $000	2002 $000	2003 $000	2002 $000
NOTE 2. OPERATING PROFIT				
Operating profit is after crediting the following revenues:				
Sales revenue				
Software sales	20,500	20,483	19,010	19,209
Implementation and consulting services	14,078	13,831	12,727	12,570
Annual support	12,425	10,704	11,420	10,021
Total sales revenue	47,003	45,018	43,157	41,800
Other revenue				
Interest received – from unrelated parties	905	948	828	873
Interest received – from related parties	—	—	53	47
Royalty received – from related parties	—	—	1,216	1,026
Research & development grants	354	1,262	221	931
Proceeds from sale of fixed assets (a)	66	75	11	30
Management fee – from related parties	—	—	—	207
Other	20	77	40	58
Total other revenue	1,345	2,362	2,369	3,172
Total revenue	48,348	47,380	45,526	44,972
Operating profit is after charging the following expenses:				
Depreciation of:				
- Office furniture and equipment	408	547	357	455
- Leased office furniture and equipment	229	86	229	86
- Computer software	107	113	85	78
- Leased computer software	133	65	133	65
- Motor vehicles	12	25	—	—
	889	836	804	684
Amortisation of:				
- Intellectual property	73	42	73	42
- Goodwill	596	695	—	—
	669	737	73	42
Other operating expense items:				
Directors' fees	110	104	107	104
Provision for annual leave	271	377	331	323
Provision for long service leave	241	148	260	148
Provision for doubtful debts	24	65	24	65
Foreign exchange loss	210	48	—	—
Rental expenses on operating leases	1,259	1,071	1,063	909
Royalty paid – to related parties	—	—	4,006	3,154
Marketing support fee – to related parties	—	—	198	117
Specific disclosure items above:				
(a)				
Revenue from sale of plant and equipment	66	75	11	30
Expense from sale of plant and equipment	(56)	(57)	(7)	(17)
Gain on sale of plant and equipment	10	18	4	13

	Consolidated		Parent	
	2003 $000	2002 $000	2003 $000	2002 $000
NOTE 3. INCOME TAX				
(a) The difference between income tax expense provided in the financial statements and the prima facie income tax expense on operating profit is reconciled as follows:				
Operating profit	10,121	12,844	8,285	13,197
Prima facie tax thereon at 30% (2002: 30%)	3,036	3,853	2,486	3,959
Tax effect of permanent and other differences:				
Research and development tax concession	(172)	(123)	(157)	(93)
Non-deductible amortisation	179	208	—	—
Other non-deductible expenses	153	73	1	70
Under/(over)provision of tax prior year	(105)	78	(108)	(10)
Total income tax attributable to operating profit	3,091	4,089	2,222	3,926
NOTE 4. EQUITY				
Total equity at the beginning of the financial year	36,644	35,348	36,105	34,293
Net profit	7,030	8,755	6,063	9,271
Transactions with owners as owners				
Contributed equity	21	684	21	684
Dividends (a)	(6,164)	(6,354)	(6,164)	(6,354)
Share buy back	(4,945)	—	(4,945)	—
Adjustment to contributed equity due to changes in contingent purchase price of subsidiary acquired	(51)	(1,789)	(51)	(1,789)
Adjustments arising from adoption of revised accounting standard:				
AASB 1028 'Employee Benefits'	(70)	—	(59)	—
AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	3,181	—	3,181	—
Aggregate of amounts transferred to reserves	(4,477)	—	(4,477)	—
Dividend reserve	4,477	—	4,477	—
Total equity at the reporting date	35,646	36,644	34,151	36,105

	Consolidated		Parent	
	2003 $000	2002 $000	2003 $000	2002 $000
NOTE 4. EQUITY (continued)				
(a) Dividends Paid or Proposed				
Proposed final fully franked dividend (i)	—	3,178	—	3,178
Interim dividend paid fully franked	2,983	3,176	2,983	3,176
Final fully franked dividend 30 June 2002	3,181	—	3,181	—
	6,164	6,354	6,164	6,354

(i) Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements and after deducting franking credits to be used in payment of the above dividends. From 1 July 2002, franking credits are calculated on an actual tax paid basis, as opposed to the previous methodology of the franking account reflecting after tax profits. The franking balance reflects this new methodology.

Franking account balance	7,526	2,371	3,372	1,389

	Consolidated		Parent	
	2003 $000	2002 $000	2003 $000	2002 $000
NOTE 5. CASH ASSETS				
(a) Cash is defined to include the following:				
Cash at bank	4,919	3,797	2,648	1,738
Money market accounts at call	12,368	19,447	11,630	18,727
	17,287	23,244	14,278	20,465
(b) Reconciliation of net operating cash flows to net profit				
Net profit	7,030	8,755	6,063	9,271
Adjustments for non-cash expense items				
Depreciation and amortisation	1,558	1,573	877	726
Profit on sale of assets	(10)	(18)	(4)	(13)
Transfers to provisions:				
Employee entitlements	512	512	586	445
Doubtful debts	24	(31)	24	(31)
Movement in provision for:				
Income tax payable	(1,313)	642	(1,881)	1,227
Deferred income tax	92	(529)	(71)	(503)
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Trade debtors	1,538	(898)	1,299	(259)
Sundry debtors	38	46	34	48
Prepayments	(32)	(48)	(32)	(47)
Earned and unbilled revenue	(683)	(2,699)	(297)	(2,348)
Other	(166)	(172)	(203)	(2,879)
(Decrease)/increase in liabilities:				
Trade creditors	(389)	(319)	(386)	(232)
Accruals	158	322	109	316
Provisions	33	(1)	35	19
Other	(247)	(323)	1,829	(83)
Unearned revenue	1,416	19	1,396	19
Net operating cash flows	9,559	6,831	9,378	5,676

NOTE 5. CASH ASSETS (continued)

(c) Controlled Entities Acquired

There were no controlled entities acquired during the 2003 financial year.

(d) Non-cash financing and investing activities

Finance Lease Transactions

During the financial year the consolidated entity acquired plant and equipment with an aggregate fair value of $664,336 (2002:$838,920), by means of finance lease.

	Consolidated		*Parent*	
	2003 $000	*2002 $000*	*2003 $000*	*2002 $000*
NOTE 6. RECEIVABLES				
Trade debtors	8,967	10,504	7,882	9,180
Provision for doubtful debts	(143)	(118)	(143)	(118)
Sundry debtors	77	153	42	150
	8,901	10,539	7,781	9,212
NOTE 7. OTHER ASSETS (Current)				
Earned and unbilled revenue	3,066	2,543	2,332	2,194
Prepayments	185	152	184	152
Prepaid income tax	—	—	24	—
Amounts owing from controlled entities	—	—	—	1,892
Other	180	81	280	122
	3,431	2,776	2,820	4,360
NOTE 8. PROPERTY, PLANT AND EQUIPMENT				
Office Furniture and Equipment:				
Cost				
Opening balance	3,857	3,430	3,574	3,069
Additions	90	584	89	560
Disposals	(83)	(157)	(78)	(55)
Closing balance	3,864	3,857	3,585	3,574
Accumulated depreciation				
Opening balance	2,345	1,879	2,230	1,813
Depreciation for the year	408	547	357	455
Disposals	(72)	(81)	(68)	(38)
Closing balance	2,681	2,345	2,519	2,230
Net book value	1,183	1,512	1,066	1,344

	Consolidated		Parent	
	2003 $000	2002 $000	2003 $000	2002 $000
NOTE 8. PROPERTY, PLANT AND EQUIPMENT (continued)				
Leased Office Furniture and Equipment:				
Cost				
Opening balance	507	—	507	—
Additions	438	507	438	507
Closing balance	945	507	945	507
Accumulated depreciation				
Opening balance	86	—	86	—
Depreciation for the year	229	86	229	86
Closing balance	315	86	315	86
Net book value	630	421	630	421
Computer Software:				
Cost				
Opening balance	383	340	290	247
Additions	184	43	184	43
Closing balance	567	383	474	290
Accumulated depreciation				
Opening balance	317	204	248	170
Depreciation for the year	107	113	85	78
Closing balance	424	317	333	248
Net book value	143	66	141	42
Leased Computer Software:				
Cost				
Opening balance	332	—	332	—
Additions	223	332	223	332
Closing balance	555	332	555	332
Accumulated depreciation				
Opening balance	65	—	65	—
Depreciation for the year	133	65	133	65
Closing balance	198	65	198	65
Net book value	357	267	357	267
Motor Vehicles:				
Cost				
Opening balance	71	102	—	—
Additions	—	30	—	—
Disposals	(71)	(61)	—	—
Closing balance	—	71	—	—
Accumulated depreciation				
Opening balance	16	16	—	—
Depreciation for the year	12	25	—	—
Disposals	(28)	(25)	—	—
Closing balance	—	16	—	—
Net book value	—	55	—	—
Total property, plant & equipment, at cost	5,931	5,150	5,559	4,703
Total property, plant & equipment, net	2,313	2,321	2,194	2,074

	Consolidated		Parent	
	2003 $000	2002 $000	2003 $000	2002 $000
NOTE 9. INTANGIBLE ASSETS				
Intellectual property:				
Cost				
Opening balance	480	200	480	200
Additions	—	280	—	280
Closing balance	480	480	480	480
Accumulated amortisation				
Opening balance	91	49	91	49
Amortisation for the year	73	42	73	42
Closing balance	164	91	164	91
Net book value	316	389	316	389
Goodwill:				
Cost				
Opening balance	11,766	13,763	—	—
Reductions (a)	(72)	(1,997)	—	—
Closing balance	11,694	11,766	—	—
Accumulated amortisation				
Opening balance	1,038	343	—	—
Amortisation for the year	596	695	—	—
Closing balance	1,634	1,038	—	—
Net book value	10,060	10,728	—	—
Total intangible assets, at cost	12,174	12,246	480	480
Total intangible assets, net	10,376	11,117	316	389

(a) Contingent purchase price and fair value adjustment relating to the acquisition of controlled entity.

NOTE 10. OTHER FINANCIAL ASSETS (NON-CURRENT)				
Shares not quoted on prescribed stock exchanges:				
Shares in controlled entities – at cost	—	—	12,173	12,246
NOTE 11. DEFERRED TAX ASSETS (NON-CURRENT)				
Future income tax benefit attributable to timing differences	1,146	883	1,101	823
NOTE 12. PAYABLES				
Trade creditors	864	1,253	784	1,170
Accruals	1,398	1,244	1,203	1,094
Directors' fees	53	52	53	52
Sundry creditors	628	640	461	506
Amounts owing to controlled entities	—	—	228	—
Deposits on contracts	—	11	—	11
	2,943	3,200	2,729	2,833
NOTE 13. PROVISIONS (Current)				
Annual leave	2,092	1,750	1,890	1,486
Long service leave	607	340	595	327
Dividend	—	3,178	—	3,178
	2,699	5,268	2,485	4,991

	Consolidated		Parent	
	2003 $000	2002 $000	2003 $000	2002 $000
NOTE 14. INTEREST BEARING LIABILITIES				
Current				
Deferred consideration on acquisition of controlled entity – interest bearing	—	1,209	—	1,209
Lease liability	432	196	432	196
	432	1,405	432	1,405
Non-Current				
Lease liability	657	536	657	536
NOTE 15. PROVISIONS (Non-Current)				
Long service leave	192	219	192	219
NOTE 16. OTHER LIABILITIES (Non-Current)				
Lease incentive	166	201	166	201
NOTE 17. CONTRIBUTED EQUITY				
Ordinary shares	24,603	29,578	24,603	29,578

Movements in contributed equity for the year:	Number of Ordinary Shares			
	Consolidated		Parent	
	2003 '000	2002 '000	2003 '000	2002 '000
Opening number of shares	318,076	318,226	318,076	318,226
Issued during the year (a)	318	753	318	753
Pending issue (b)	(324)	324	(324)	324
Share buy back (c)	(19,679)	—	(19,679)	—
Pending issue and reversed (d)	—	(1,332)	—	(1,332)
Options converted to ordinary shares	105	105	105	105
Closing number of shares	298,496	318,076	298,496	318,076

NOTE 17: CONTRIBUTED EQUITY (continued)
Employee options over ordinary shares in Technology One Limited (e):

Issue date	31-Oct-02	24-Sep-02 (g)	12-Sep-02 (g)	1-Jul-02 (f)	30-Nov-01 (g)	12-Jun-01 (g)	12-Apr-01 (g)	28-Jul-99
On Issue at beginning of the year	—	—	—	—	75,000	2,975,000	1,830,000	315,000
Issued during the year	375,000	3,250,000	1,155,000	2,800,000	—	—	—	—
Exercised during the year	—	—	—	—	—	—	—	(105,000)
Cancelled during the year	—	—	—	—	(75,000)	(2,975,000)	(1,830,000)	—
Outstanding at date of Directors' report	375,000	3,250,000	1,155,000	2,800,000	—	—	—	210,000
Number of recipients	3	41	4	2	1	41	11	1
Exercise price	$0.39	$0.45	$0.45	$0.00	$0.89	$0.87	$0.86	$0.20
Exercise period (commencement)	Oct 2004 to Oct 2007	Jan 2003 to Nov 2006	Apr 2003 to May 2007	Jun 2004 to Jun 2007	Nov 2003 to Nov 2006	June 2003 to Jan 2005	April 2002 to April 2006	Dec 2002 to Dec 2003
Expiration date	Oct 2006 to Oct 2009	Jan 2005 to Nov 2008	Apr 2005 to May 2009	Jun 2006 to Jun 2009	Sept 2002	Sept 2002	Sept 2002	Dec 2003 to Dec 2005
Fair value of option at issue date (h)	$0.12	$0.11	$0.13	$0.55	$0.30	$0.27	$0.25	$0.63

NOTE 17: CONTRIBUTED EQUITY (continued)

2002

Date of issue of options	30 Nov 2001	12 Jun 2001	12 Apr 2001	28 Jul 1999
		Number of Options		
On Issue at beginning of the year	—	3,200,000	1,955,000	420,000
Issued during the year	75,000	—	—	0
Exercised during the year	—	—	—	(105,000)
Cancelled during the year	—	(225,000)	(125,000)	—
Outstanding at date of Directors' report	75,000	2,975,000	1,830,000	315,000
Number of recipients	1	41	11	1
Exercise price	0.89	0.87	0.86	0.20
Exercise period (commencement)	Nov 2003 to Nov 2006	June 2003 to Jan 2005	April 2002 to April 2006	Dec 2002 to Dec 2003
Expiration date	Nov 2005 to Nov 2008	June 2005 to Jan 2007	April 2004 to April 2008	Dec 2003 to Dec 2005

(a) As part of the acquisition cost of Proclaim Software Pty Ltd, 318,275 shares were issued, (2002: 752,982 shares).

(b) 324,420 shares were expected to be issued as part of the remaining acquisition cost of Proclaim Software Pty Ltd, however this has been revised in accordance with contingent purchase provisions.

(c) On 21 November 2002 a share buy back occurred of 19,679,092 shares at a price of 25c/share.

(d) 1,331,989 shares were expected to be issued as part of the remaining acquisition cost of Proclaim Software Pty Ltd, however this has been revised in accordance with contingent purchase provisions.

(e) Each option entitles the holder to purchase one share.

(f) Performance rights were issued with a grant date 1 July 2002 as approved at the AGM 1 November 2002.

(g) These options were cancelled and reissued with a new exercise price.

(h) Options granted as part of remuneration are estimates only, none of which have been exercised to date. The estimates are based on the degree of probability of future performance hurdles being met, combined with the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

	Consolidated		*Parent*	
	2003 $000	*2002 $000*	*2003 $000*	*2002 $000*
NOTE 18. RESERVES				
Dividend reserve	4,477	—	4,477	—
Movement in Reserves				
Opening balance	—	—	—	—
Transfer from retained earnings due to AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	3,181	—	3,181	—
Transfer to liability account for payment of final dividend 30 June 2002	(3,181)	—	(3,181)	—
Transfer from retained earnings for final dividend 30 June 2003	4,477	—	4,477	—
Closing balance	4,477	—	4,477	—

	Consolidated		Parent	
	2003 $000	2002 $000	2003 $000	2002 $000
NOTE 19. LEASING COMMITMENTS				
Operating Lease Commitments:				
Non cancellable operating leases contracted but not capitalised in the accounts				
Not later than one year	1,096	1,301	1,017	1,214
Later than one year and not later than five years	2,835	2,677	2,835	2,677
	3,931	3,978	3,852	3,891

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.

Finance Lease Commitments:				
Not later than one year	493	240	493	240
Later than one year and not later than five years	697	575	697	575
Total minimum lease payments	1,190	815	1,190	815
Future finance charges	(101)	(83)	(101)	(83)
Lease liability	1,089	732	1,089	732
- Current liability	432	196	432	196
- Non-current liability	657	536	657	536
	1,089	732	1,089	732

The finance lease liabilities above are secured by a Registered Mortgage Debenture given by the company in favour of ANZ Banking Group Limited. The Registered Mortgage Debenture is given over all the assets and undertakings of the company.

	Consolidated		Parent	
	2003 $	2002 $	2003 $	2002 $
NOTE 20. REMUNERATION OF AUDITOR				
Amounts received, or due and receivable, for the audit and review of the financial reports of the parent entity and any other entity in the consolidated group by:				
- Ernst & Young	127,000	69,500	115,000	56,500
- Andersen	—	49,500	—	49,500
Total	127,000	119,000	115,000	106,000
Amounts received, or due and receivable for other services in relation to all entities in the consolidated group:				
- Ernst & Young	72,292	11,100	34,122	6,000
- Andersen	—	48,484	—	11,100
Total	72,292	59,584	34,122	17,100

Other services provided by Ernst & Young and Andersen in the current and prior financial year included taxation and statutory compliance assistance in Australia, New Zealand and Malaysia.

	Consolidated 2003	2002
NOTE 21. EARNINGS PER SHARE		
Earnings used for calculating basic and diluted earnings per share ($000)		
Basic earnings per share (cents per share)	2.30	2.76
Diluted earnings per share (cents per share)	2.28	2.75
Weighted average number of ordinary shares used in the calculation of basic earnings per share	306,114,509	317,298,851
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	309,010,996	318,002,857

NOTE 22. SEGMENT REPORTING

Primary Segments – Business Units

	Service Delivery	Software Engineering	Unallocated	Consolidated
	30 June 2003 $000			
Segment Revenue				
External Sales	26,172	15,751	5,080	47,003
Other revenue	—	316	1,029	1,345
Total Consolidated Revenue	26,172	16,067	6,109	48,348
Segment Result (before tax & R&D)	14,765	8,239	(3,577)	19,427
Research & Development	—	(9,306)	—	(9,306)
Segment Result (before tax)	14,765	(1,067)	(3,577)	10,121
Income Tax Expense				(3,091)
Net Profit After Tax				7,030
Total Segment Assets	8,310	3,940	34,104	46,354
Total Segment Liabilities	3,196	3,706	3,806	10,708
Depreciation & Amortisation	270	446	842	1,558
Capital Expenditure	290	437	208	935
Total Non-Cash Expenses	86	360	352	798

NOTE 22. SEGMENT REPORTING (continued)

Primary Segments – Business Units

	Service Delivery	Software Engineering	Unallocated	Consolidated
	30 June 2002 $000			
Segment Revenue				
External Sales	29,035	12,122	3,861	45,018
Other revenue	—	1,261	1,101	2,362
Total Consolidated Revenue	29,035	13,383	4,962	47,380
Segment Result (before tax & R&D)	18,180	7,428	(4,629)	20,979
Research & Development	—	(8,135)	—	(8,135)
Segment Result (before tax)	18,180	(707)	(4,629)	12,844
Income Tax Expense				(4,089)
Net Profit After Tax				8,755
Total Segment Assets	10,168	3,422	37,290	50,880
Total Segment Liabilities	1,540	3,034	9,662	14,236
Depreciation & Amortisation	259	427	887	1,573
Capital Expenditure	463	765	268	1,496
Total Non-Cash Expenses	187	297	342	826

Segments are comprised of:

Service Delivery: The marketing, sale and implementation of core software products; and

Software Engineering: The development of purpose built software to meet the needs of specific customers, plus the continuing research and development and support of core products.

Unallocated items mainly comprise other revenue, foreign sourced income and corporate expenses.

There were no inter-segment transactions during the current or prior year. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Secondary Segments - Geographical

The group operates primarily in one geographical segment, Australia. The information disclosed above predominantly relates to the Australian geographical segment as the New Zealand and Malaysian operations collectively represent less than 10% of external sales.

NOTE 23. REMUNERATION OF OFFICERS

(a) Income of Directors

The number of directors of the company who were paid, or were due to be paid, remuneration, directly or indirectly from the company, as shown in the following bands, was:

	Parent	
	2003	*2002*
$ 20,000 – 29,999	2	2
$540,000 – 549,999	1	—
$560,000 – 569,999	—	1
$570,000 – 579,999	1	—
$630,000 – 639,999	—	1
The aggregate income of the directors referred to above:	$1,171,016	$1,252,790

Included in the above income is Long Term Emoluments from Options granted. Options granted as part of remuneration are estimates only, none of which have been exercised to date. The estimates are based on the degree of probability of future performance hurdles being met, combined with the use of the Black Scholes option pricing model.

In addition to the above amounts, an amount of AUD$5,000 (2002: AUD$5,000) was paid to a local director of Technology One Corporation SDN BHD. This director is not a director of any other company within the consolidated group.

(b) Income of Executives

The number of executive officers whose total income for the year falls within the following bands, was:

	2003	*2002*
$ 90,000 – 99,999	1	—
$360,000 – 369,999	1	—
$440,000 – 449,999	—	1
The aggregate income of the executives referred to above:	$466,289	$440,611

Income of executives comprises amounts paid or payable to executive officers domiciled in Australia, directly or indirectly, by the company or any related party in connection with the management of the affairs of the company, whether as executive officers or otherwise.

NOTE 24. RELATED PARTY DISCLOSURES

(a) Directors

The following persons held the position of director of Technology One Limited during all of the past financial year, unless otherwise stated:

A Di Marco
R McLean
J Mactaggart
S Larwill

(b) Directors' Shareholdings

	Shares issued by the Company 2003	2002
Shares acquired from the company during the year:		
- Ordinary shares	—	—
Shares held at end of the year:		
Directly		
- Ordinary shares (i)	163,815,000	163,570,000
Indirectly		
- Ordinary shares	30,000	30,000

(i) A number of the directors hold their shares via director related entities.

The directors hold 1,600,000 performance right options (2002: Nil) at 30 June 2003, these options were issued on 1 July 2002 refer Note 17. No options were exercised during the financial year.

(c) Transactions with Related Parties in the Wholly-Owned Group

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;
- royalties were received and paid from several wholly-owned controlled entities;
- marketing support fees were charged to several wholly-owned controlled entities; and
- interest was charged on certain intercompany accounts.

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 28.

(e) Ultimate Controlling Entity

The ultimate controlling entity of the consolidated entity is Technology One Limited, a company incorporated in Australia.

NOTE 25. EMPLOYEE ENTITLEMENTS

	Consolidated		*Parent*	
	2003	*2002*	*2003*	*2002*
The average number of full-time equivalents for the year	270	243	250	210

(a) Employee Entitlements Recognised

Aggregate employee entitlement liability (Refer to Notes 13 & 15)	2,891	2,309	2,677	2,032

(b) Employee Option Ownership Schemes

Details of the employee option ownership schemes for the company are as follows:

2003

During the year, 7,580,000 options were issued to 50 employees. The options in Technology One Limited are not listed. One option entitles the employee to 1 ordinary share in Technology One Limited.

The details of options issued during the year are:

Issue Date	Exercise Price	Number of Options	Fair Value at Issue Date
1 July 2002	$0.00	2,800,000	$0.55
12 September 2002	$0.45	1,155,000	$0.13
24 September 2002	$0.45	3,250,000	$0.11
31 October 2002	$0.39	375,000	$0.12

Options have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Further details of options issued are contained in Note 17.

2002

During the year, 75,000 options were issued to 1 employee. The options in Technology One Limited are not listed. One option entitles the employee to 1 ordinary share in Technology One Limited. None of these options were issued to executives.

The details of options issued during the year are:

Issue Date	Exercise Date	Expiry Date	Exercise Price	Number of Options	Share Price At Issue Date
30/11/01	November 2003	November 2008	$0.89	75,000	$0.91

All options issued during the prior year remained outstanding at 30 June 2002, except for the options exercised or cancelled as disclosed in Note 17.

NOTE 26. FOREIGN CURRENCY EXPOSURE

	Consolidated 2003 $000	2002 $000
Current assets		
Amounts receivable in foreign currency which are not effectively hedged:		
- Malaysian ringitts	223	352
- New Zealand dollars	862	972
Current liabilities		
Amounts payable in foreign currency which are not effectively hedged:		
- Malaysian ringitts	30	22
- New Zealand dollars	37	23

NOTE 27. FINANCIAL INSTRUMENTS

The consolidated entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk, together with effective interest rates as at balance date.

		Fixed interest rate maturing in						
2003	Floating interest rate (a)	1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total	Average interest rate	
	$000	$000	$000	$000	$000	$000	Floating	Fixed
Financial assets								
Cash	4,919	12,368	—	—	—	17,287	4.25%	4.62%
Listed securities	—	2,900	—	—	—	2,900		6.50% to 7.0%
Trade debtors	—	—	—	—	8,967	8,967		
Non-trade debtors & loans	—	—	—	—	77	77		
	4,919	15,268	—	—	9,044	29,231		
Financial liabilities								
Trade creditors	—	—	—	—	864	864		
Lease liability	—	432	657	—	—	1,089		6.68%
	—	432	657	—	864	1,953		

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

(b) The carrying amount of trade debtors, non-trade debtors and loans, and trade creditors approximate their fair value. The fair value of the listed securities at 30 June 2003 was $3,000,000. The fair value does not consider any capital gains tax which may arise on the sale of these listed securities.

(c) There is a fixed and floating charge over the company's assets and liabilities. At 30 June 2003, the company has no debt other than finance lease liabilities as disclosed in Note 19.

NOTE 27. FINANCIAL INSTRUMENTS (continued)

2002	Floating interest rate (a)	Fixed interest rate maturing in 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total	Average interest rate Floating	Fixed
	$000	$000	$000	$000	$000	$000		
Financial assets								
Cash	3,797	19,447	—	—	—	23,244	4.1%	4.55%
Trade debtors	—	—	—	—	10,504	10,504		
Non-trade debtors & loans	—	—	—	—	153	153		
	3,797	19,447	—	—	10,657	33,901		
Financial liabilities								
Trade creditors	—	—	—	—	1,253	1,253		
Lease liability	—	196	536	—	—	732		6.74%
Deferred consideration on acquisition of controlled entity	—	1,209	—	—	—	1,209		5.32% to 6.8%
	—	1,405	536	—	1,253	3,194		

NOTE 28. CONTROLLED ENTITIES

The consolidated financial statements at 30 June 2003 include the following controlled entities. The financial years of all controlled entities are the same as that for the parent entity.

Name of controlled entity	Notes	Place of incorporation	% of shares held 2003	% of shares held 2002
Technology One Limited	(a)	Australia	—	—
Technology One Corporation SDN BHD		Malaysia	100	100
Technology One New Zealand Ltd		New Zealand	100	100
Proclaim Software Pty Ltd		Australia	100	100

(a) Technology One Limited, a public company, is domiciled in Brisbane, Australia. The Registered office is located at:
67 High Street
Toowong QLD 4066

NOTE 29. CONTINGENT LIABILITIES

Guarantees

At year end the consolidated entity had $1,006,612 (2002: $520,299) in outstanding performance guarantees. Included in the amounts disclosed above are amounts of $162,039 (2002: $162,204) held in a restricted bank account relating to rental guarantees.

NOTE 30. SUBSEQUENT EVENTS

The company will pay a fully franked final dividend on 19 September 2003 of $4,477,440.

On 19 August 2003 the company issued an Appendix 3C statement to the Australian Stock Exchange relating to an intended buy-back of issued capital. The details announced were:

- The buy-back would be on-market;
- The buy-back would be of ordinary shares;
- The maximum buy would be to a maximum of 29,849,598 shares;
- The buy-back may take place in the period 19 August 2003 to 18 August 2004; and
- The buy-back is being undertaken for capital and share registry maintenance.

As at the date of this report no buy-backs have been effected.

DIRECTORS' DECLARATION

The Directors declare that:

(a) the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views;

(b) the financial statements and notes give a true and fair view of the financial position as at 30 June 2003 and performance of the company for the year then ended;

(c) in the director's opinion;
  (i) 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
  (ii) the financial statements and notes are in accordance with the Corporations Act 2001, including Sections 296 and 297.

Made in accordance with a resolution of the directors.

ADRIAN Di MARCO
(Executive Chairman)

Brisbane
1 September 2003

ERNST & YOUNG

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Independent audit report to members of Technology One Limited

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Technology One Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach
We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or

judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion, the financial report of Technology One Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of Technology One Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Russell Banham
Partner
Brisbane
1 September 2003