

24 November 2015

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

**BY ELECTRONIC LODGEMENT
TECHNOLOGY ONE LIMITED – APPENDIX 4E AND ANNUAL FINANCIAL REPORT**

Please find attached a copy of Technology One Limited's Appendix 4E and Annual Financial Report for the year ended 30 September 2015.

Yours faithfully



Gareth Pye
Company Secretary

Technology One Limited
ABN 84 010 487 180
Appendix 4E and
Annual financial report
for the year ended 30 September 2015

Technology One Limited ABN 84 010 487 180

Financial report - 30 September 2015

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Results for announcement to the market

		2015 \$'000	2014 \$'000
Revenue for ordinary activities	Up 12% to	218,724	195,124
Profit from ordinary activities after tax attributable to members	Up 16% to	35,785	30,967
Net profit for the period attributable to members	Up 16% to	35,785	30,967

Dividends

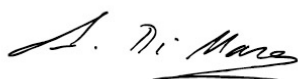
	Amount per security Cents	Franked amount per security Cents
Current period		
Interim dividend	2.15	2.15
Final dividend	4.63	4.63
Special dividend	2.00	2.00
Prior period		
Interim dividend	1.95	1.95
Final dividend	4.21	4.21
Special dividend	2.00	2.00

The record date for determining entitlements to the final 4.63 cents per share dividend and special 2.00 cents per share dividend for the year ending 30 September 2015 is 2 December 2015. The payment date for the final dividend is 16 December 2015 .

Compliance statement

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

Signed:



A Di Marco
Brisbane
24 November 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, or during, the year ended 30 September 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

B Sc, FAICD

Appointed 8 December 1999.

Experience and expertise

Mr Di Marco founded TechnologyOne in 1987, after extensive experience in the software industry in the area of large scale fixed time and fixed price software development projects to meet client specific requirements. Mr Di Marco has over 25 years' experience in the software industry. He has been responsible for all operational aspects of TechnologyOne, as well as the strategic direction of the Company.

Special responsibilities

Chairman of the Board.

Interests in shares and options

37,372,500 ordinary shares in Technology One Limited held beneficially through Masterbah Pty Ltd.

6,000 ordinary shares in Technology One Limited held via family trust.

Ron McLean

Appointed 8 December 1999.

Experience and expertise

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

Interests in shares and options

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

40,000 ordinary share in Technology One held via a Pension fund.

Directors (continued)

John Mactaggart
FAICD

Appointed 8 December 1999.

Experience and expertise

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

Interests in shares and options

48,872,500 ordinary shares in Technology One Limited held beneficially through JL Mactaggart Holdings Pty Ltd.
30,000 ordinary shares in Technology One Limited held via family trust.

Kevin Blinco
B Bus, FCA

Appointed 1 April 2004.

Experience and expertise

Mr Blinco is a former director of accounting firm Moore Stephens. His expertise is broadly respected and acknowledged throughout the business community. He is a Fellow of the Institute of Chartered Accountants.

Special responsibilities

Chairman of the Audit Committee and Remuneration Committee.

Interests in shares and options

250,000 ordinary shares in Technology One Limited held beneficially through Assembly Road Pty Ltd.

Richard Anstey
AICD, FAIM

Appointed 2 December 2005.

Experience and expertise

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

Special responsibilities

Chairman of the Nomination Committee.

Interests in shares and options

7,500 ordinary shares in Technology One Limited.

Directors (continued)

Edward Chung

BCom, MCom, CA, FTIA, AICD

Appointed 14 May 2008; resigned on 10 August 2015.

Experience and expertise

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

Interests in shares and options

350,000 ordinary shares and 1,000,000 options in Technology One Limited.

Company Secretary

Gareth Pye

BCom, CA

Appointed 22 July 2014.

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

Meetings of directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 September 2015, and the numbers of meetings attended by each director were:

	Full meetings of directors	Audit	Meetings of committees	
			Nomination	Remuneration
A Di Marco	11	-	-	-
R McLean	11	4	1	1
J Mactaggart	11	4	1	1
K Blinco	11	4	1	1
R Anstey	11	4	1	1
E Chung (Resigned effective 10 August 2015)	7(9)	-	-	-

Where a director did not attend all meetings of the Board or relevant committee, the number of meetings for which the director was eligible to attend is shown in brackets. In sections where there is a dash, the director was not a member of that committee.

Principal activities

The principal activity of Technology One Limited (the Company) during the financial year was the development, marketing, sales, implementation and support of fully integrated enterprise business software solutions, including:

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

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

Dividends - Technology One Limited

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

	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 December 2014 (2013 - December 2013)	13,062	11,781
Special dividend for the year ended 30 September 2014 of 2.0 cents (2013 - 0.00 cents) per fully paid share paid on December 2014	6,176	-
Interim dividend for the year ended 30 September 2015 of 2.15 cents (2014 - 1.95 cents) per fully paid share paid on June 2015 (2014 - June 2014)	6,630	6,001
	25,868	17,782

Review of operations

On behalf of Technology One Limited (TechnologyOne) we are pleased to announce our results for the year ending 30 September 2015. This is our twelfth consecutive year of record revenues and record licence fees.

TechnologyOne has once again posted strong profit growth with Net Profit Before Tax up 16%. What is particularly pleasing is the continuing strong growth in Initial Licence Fees, which were once again up strongly by 17% to \$49m. This is a strong indicator of the continuing success of our products against our large multinational competitors.

Our ability to continue to evolve and adapt both our company and products to a rapidly changing cloud first, mobile first world, has been critical to our continuing success.

Review of operations (continued)

Our clarity and continuity of vision is the key to our ongoing long term success. Our vision is based on our unique 'power of one' business model, that sees TechnologyOne as the only enterprise vendor providing a totally integrated experience to their customers, in which we build, market, sell, implement, support and run our world class enterprise software.

The strength of our product offerings, our enterprise vision, vertical market focus, and the resilient nature of the enterprise software market are the foundation for our continuing success. When coupled with our innovation, creativity and substantial ongoing investment into new and emerging technologies, we are well positioned for strong growth in the coming years.

ANALYSIS OF FULL YEAR RESULTS

Highlights of our results include:

- Net Profit Before Tax up 16%
- Revenue up 12%
- Total Expenses up 11%
- Expenses excluding R&D up 12%
- R&D expenses up 8%, which is 19% of revenue
- R&D expenses excluding acquisitions up 7%

Our results by revenue stream are as follows:

- Initial Licence Fees up 17%
- Annual Licence Fees up 13%
- Total Consulting Fees up 3%
- Cloud Fees up 200+%

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

- TechnologyOne Cloud, which made a loss of \$2.5m
- The United Kingdom, which made a loss of \$400k
- R&D of \$41m for the year, as follows
 - Ci, our existing very successful enterprise software suite
 - Ci Anywhere which supports any and all mobile devices

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

COMMENTARY

Continued Profit growth



Over last 6 years we have consistently met the top end of our guidance (10% to 15% profit growth)

We have seen continuing strong growth in profit, with Net Profit After Tax up 16% and Net Profit Before Tax up 16%. Our profit is at the higher end of market guidance provided in May, of profit growth between 10% and 15%.

COMMENTARY (continued)

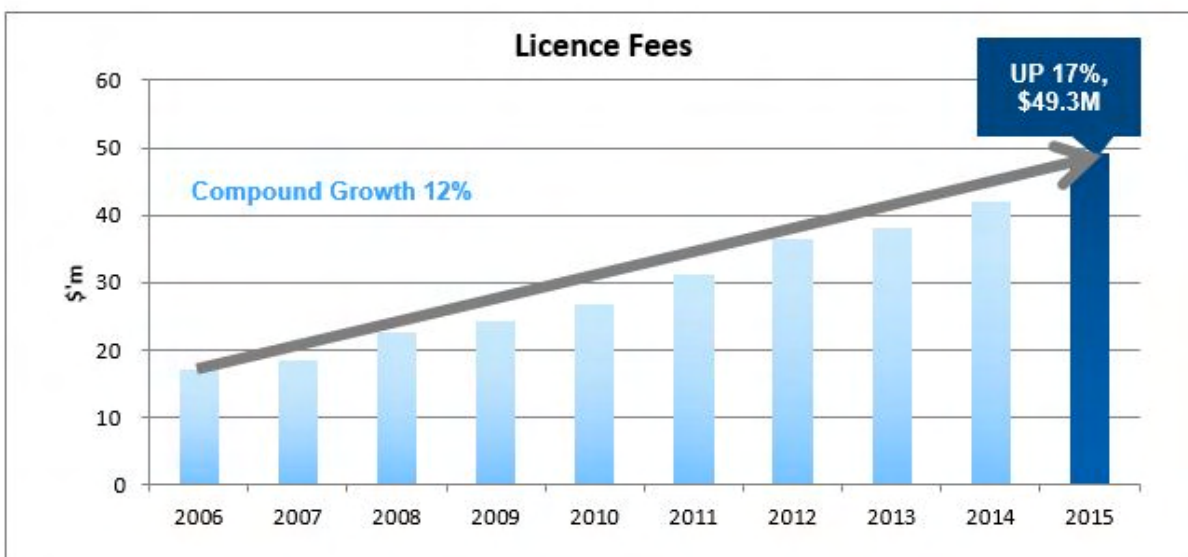
Continued growth of Annual Licence Fees



In keeping with our very high customer retention and satisfaction rates, our recurring Annual Licence Fees once again grew strongly by 13%. Our investment in Ci Anywhere (the continued evolution of our Ci enterprise software), the TechnologyOne Cloud and our Compelling Customer Experience Program are critical to our ongoing success in this area. We are now half way through the rollout of our new training program for Compelling Customer Experience stage 3, which will further develop the skills of our people to deliver a great customer experience.

COMMENTARY (continued)

Continued growth of Initial Licence Fees

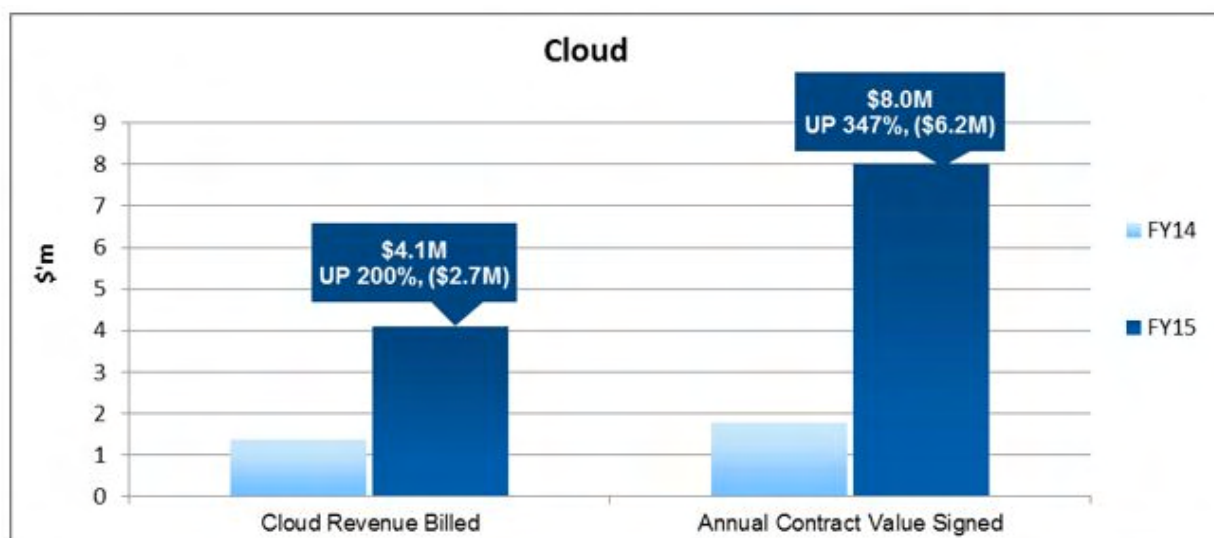


Our Initial Licence Fees were up 17%, making this our twelfth consecutive year of year-on-year growth in licence fees. This year we added more than 50 major new corporate customers to our expanding customer base. Of these new customers, 18 of them were for the replacement of our competitors' systems including systems from Oracle, SAP, Microsoft, infor etc. We continue to increase market share against our large multinational competitors. With the release of the TechnologyOne Cloud, our continued investment in Ci, and our investment in Ci Anywhere, we expect this momentum to continue in future years.

What is particularly pleasing is the continuing win of very high profile, large scale enterprise customers, against our multinational competitors. This includes customers such as Brisbane City Council, Wellington City Council, Australian Bureau of Statistics, Federal Department of Treasury, TAFE Queensland and Mercy Health.

COMMENTARY (continued)

TechnologyOne Cloud revenues



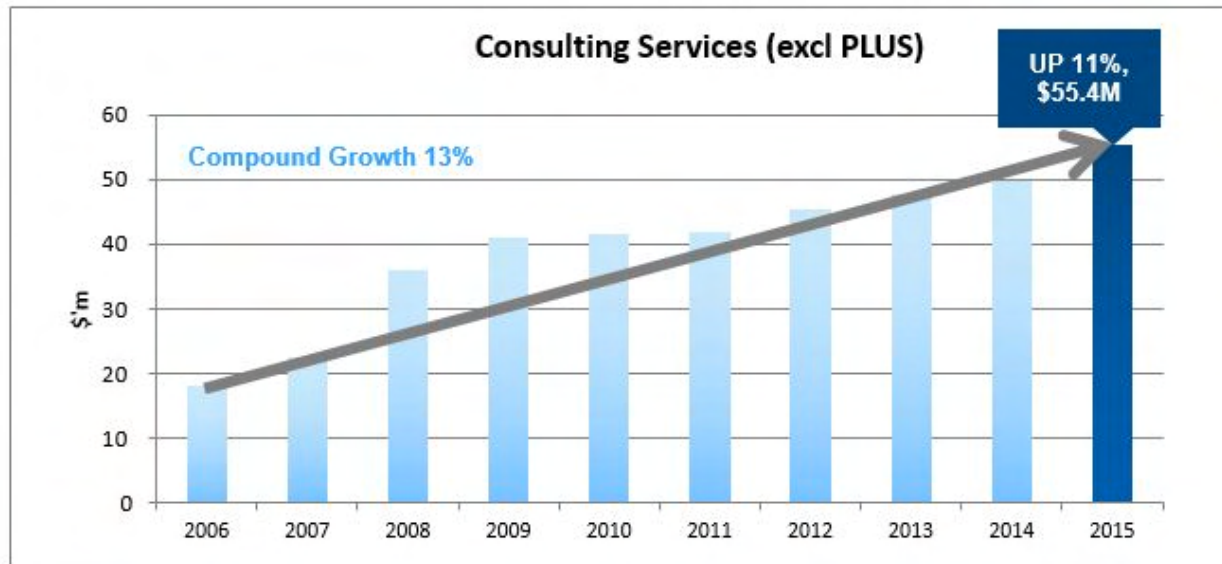
TechnologyOne Cloud continued to grow strongly over the full year, with Annual Contract Value now \$8m, up 347%. We have added 49 new customers to the TechnologyOne Cloud this year, taking our number of enterprise customers on the TechnologyOne Cloud to 70. What is interesting is that many of our very large contract wins this year, were based on the TechnologyOne Cloud. Customers embracing our cloud included: Brisbane City Council, Wellington City Council, Australian Bureau of Statistics, Federal Department of Treasury, TAFE Queensland and Mercy Health.

We expect this strong momentum to continue in the years to come. Our target is to double the Annual Contract Value for Cloud in the next 12 months.

The TechnologyOne Cloud contributed a loss of \$2.5m as we continued to invest strongly to build out this product offering. This loss will reduce next year to \$1m, as we increase our cloud customer base and as we progressively migrate our customers to our new and revolutionary Cloud 5.0 architecture, which introduces the start of our mass production Software as a Service offering - a massively scalable platform with significant economies of scale.

COMMENTARY (continued)

Continued growth of Consulting Services

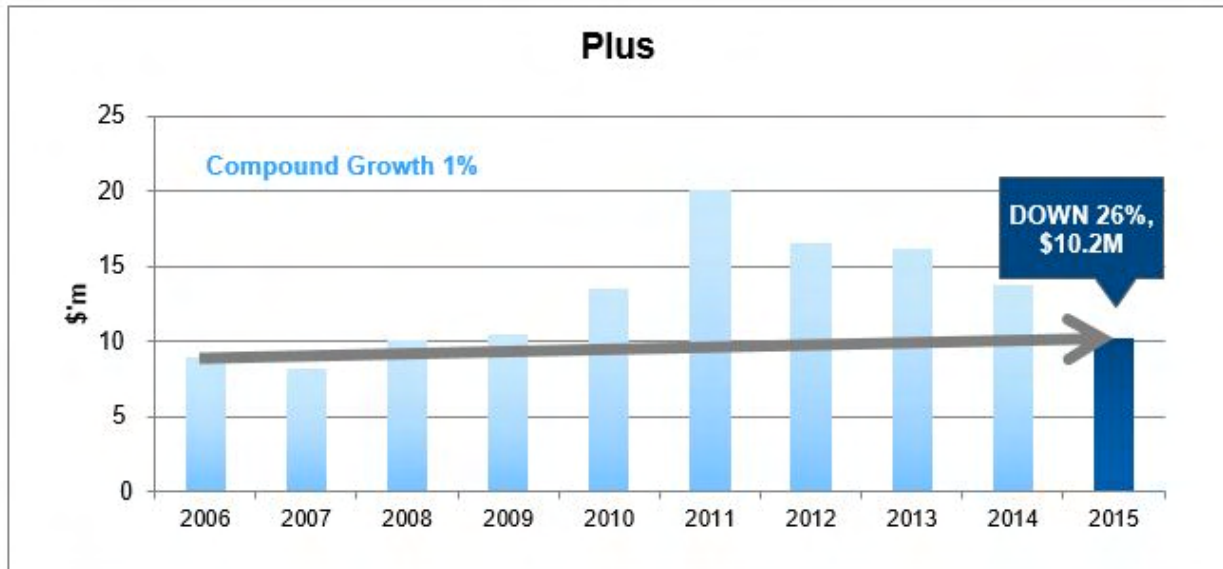


Consulting Services (excluding Plus) growth was up 11%. Unfortunately profit was down 3% due to the significant efforts required to ramp up for some of our larger projects this year: Brisbane City Council, Wellington City Council and Department of Education and Training, as well as a significant investment in training for Ci Anywhere and the TechnologyOne Cloud.

Application Managed Services (AMS) continued to grow strongly. AMS allows our customers to outsource the administration and management of our enterprise software to TechnologyOne, enabling us to continually improve their experience with our software. This new business contributed revenues of \$4.4m, an increase of 162% over last year, and we expect this strong momentum to continue next year.

COMMENTARY (continued)

PLUS

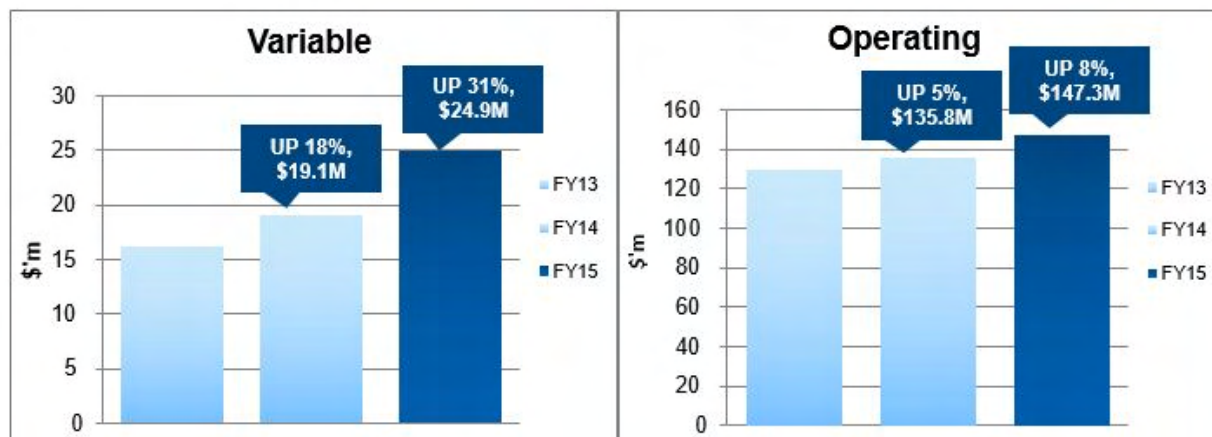


Our traditional Plus business continued to contract as previously forecasted, with revenues down 26% (\$3.5m) and profit down 52% (\$1.4m), as we continue to pursue our strategy to move away from services that are not related to our core products. We see this business continuing to decline, as we transition away from custom software development to more strategic 'value added' services around our enterprise products.

COMMENTARY (continued)

Expenses

Total Expenses were up 11%.



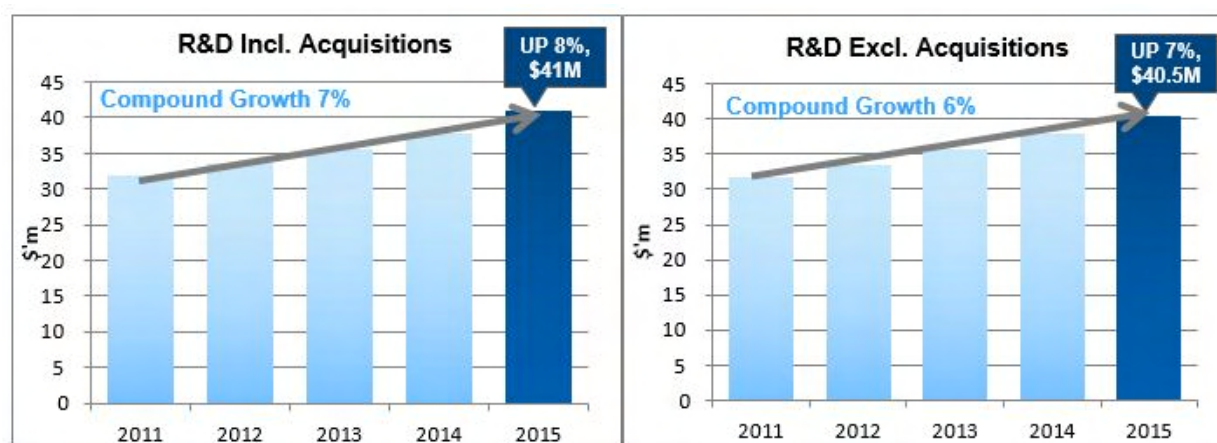
Variable costs, which are expenses directly associated with revenue growth, were up 31%. Variable costs included our cloud costs, as well as commission and third party royalties associated with new Licence Fees.

- Third party costs associated with increased Licence Fees were up 52% (\$1.4m) linked to our strong growth in Health & Community Services sector and the sale of an important third party product to complete our enterprise solution for this sector
- Cloud costs associated with TechnologyOne Cloud were up 100+% (\$2.2m)

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 8% as per our full year guidance.

SIGNIFICANT ACHIEVEMENTS

Research & Development (R&D)



**R&D expenses excluding acquisitions
 up 7% below the 8% target set in 2011**

R&D continues to be a significant investment for TechnologyOne at \$41m for the year, up 8% including acquisitions, and up 7% excluding acquisitions. R&D represents 19% of revenue, which still exceeds the average of our competitors of approximately 12%. R&D continues to be fully expensed in the period it is incurred.

R&D continued across our entire Ci Enterprise Suite, Ci Anywhere and the TechnologyOne Cloud.

Ci Anywhere

Ci Anywhere is the continuation of our very successful 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 device, 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 18 months, we will focus our R&D efforts to bring all our remaining products onto our new powerful Ci Anywhere platform. 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.

SIGNIFICANT ACHIEVEMENTS (continued)

TechnologyOne Cloud

The TechnologyOne Cloud delivers the TechnologyOne Enterprise Suite as a service 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 one of only a few companies globally delivering enterprise software as a service, offering a fully configurable solution, based on a mass production line of servers that run our software for any and all of our 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 and capitalise on new technologies, concepts and ideas. Because we 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 will deliver a level of service, reliability, scalability and future proof that hosting providers cannot ever achieve.

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 have now delivered TechnologyOne Cloud 5.0 to early adopters, 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.

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

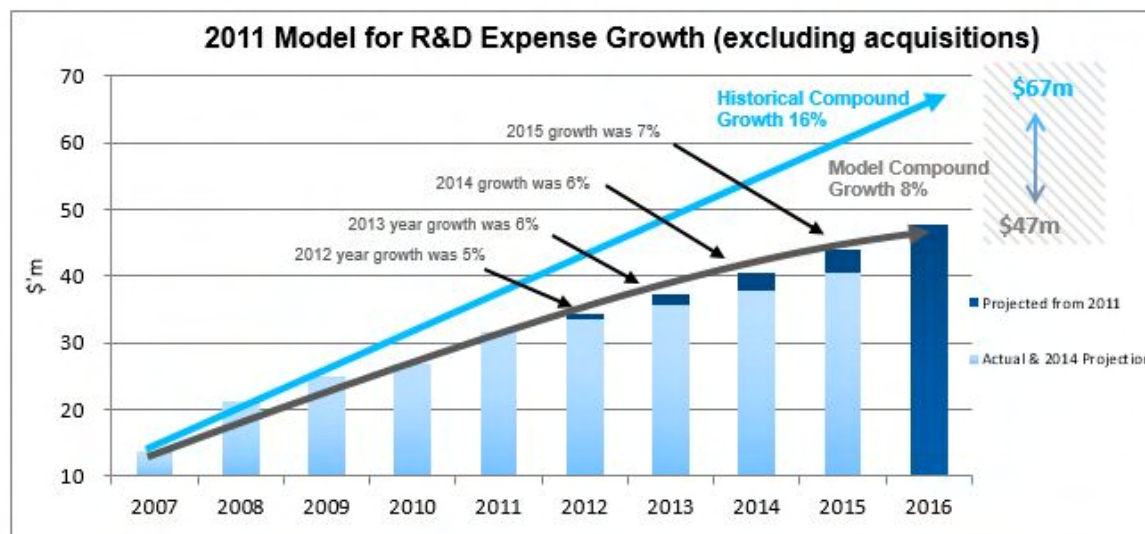
Connected Intelligence (Ci)

Ci is our existing highly successful enterprise product suite. We continue to invest in adding new features and functions for our customers, and have committed to the ongoing support of this product on an indefinite basis.

An important part of our strategy is to allow our existing Ci customers to progressively and simply embrace the benefits of our Ci Anywhere offering, and as well as the TechnologyOne Cloud when they wish to do so.

SIGNIFICANT ACHIEVEMENTS (continued)

R&D going forward



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

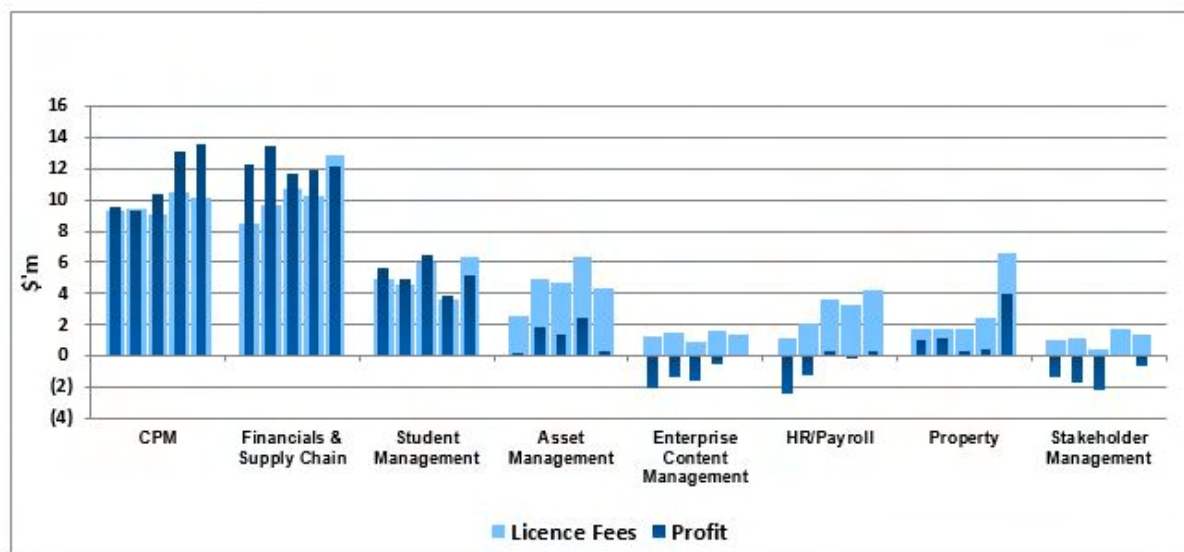
Four years ago, TechnologyOne committed to using our scale and world best practices to grow R&D at a target growth rate of 8% per annum (excluding acquisitions), substantially below our historical 16% per annum growth rate.

In the last four years, we have delivered against this goal, with R&D up 5% in 2012, 6% in 2013, 6% in 2014 and 7% in 2015, all well below our target rate of 8%. This has led to a substantial improvement in our profit margins from 17% to 21%. Our goal is to continue this trend, and to return our profit margins to 25% in the coming years.

Our R&D program in the coming years continues to be at the leading edge of our industry as we embrace new technologies, new concepts and new paradigms, such as the cloud and smart mobile devices. The level of innovation and creativity is greater than at any time in our company's 28 year history.

SIGNIFICANT ACHIEVEMENTS (continued)

Our Products



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

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

Review of the UK operation

This year we have once again increased our footprint in the UK, adding nine new customers, taking us to a total of 26 enterprise customers in the region. We remain focused on achieving critical mass in the UK, which will require in excess of 40 customers.

We are now executing the next part of our UK expansion strategy, which will see us in the next 2 years move from the highly competitive 'red ocean' to the 'blue ocean'. Critical to this next stage will be the introduction of our Human Resources & Payroll (HRP) solution into the UK market in late 2016. Following on from this we will then introduce our Student Management solution into the UK market in mid/late 2017.

As we bring more products into the UK market, this increases our product offering, and also allows us to move into the less crowded 'blue ocean' space, as we will be one of only a few enterprise vendors in the UK market.

Our UK pipeline for the new financial year is once again strong.

SIGNIFICANT ACHIEVEMENTS (continued)

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 make 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 acquisitions we have undertaken in recent times:

- 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.

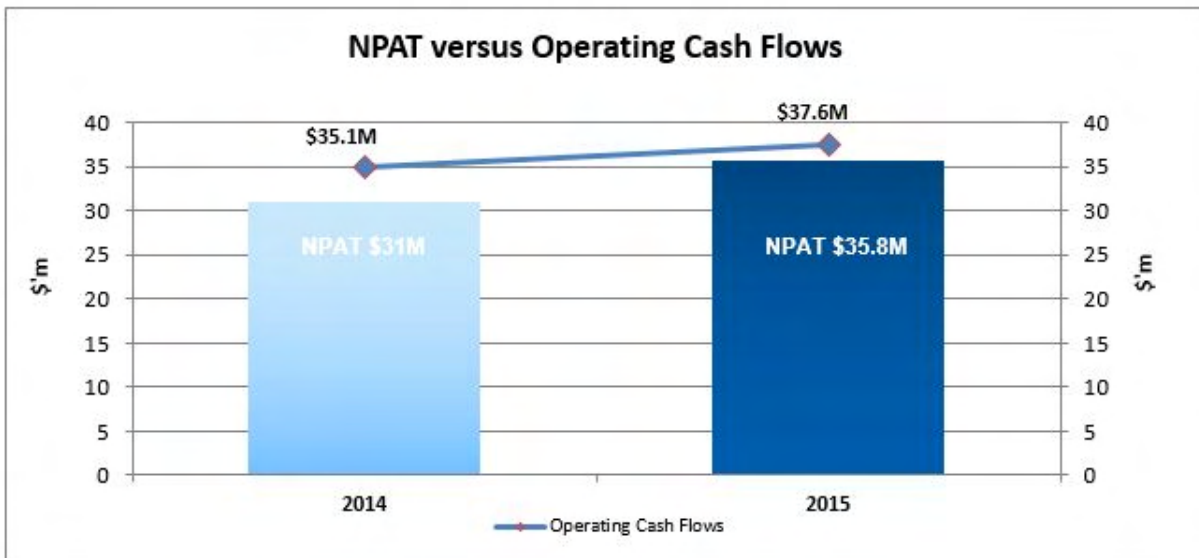
These organisations are well regarded in their markets, and TechnologyOne has partnered with them over many years. Our plan is over the next 24 months to redevelop these products on our powerful Ci Anywhere platform, and to deeply integrate them into our enterprise suite. They will also form a strategic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

Post 30th September, we completed another acquisition, being that of Jeff Roorda & Associates (JRA). JRA provides Strategic Asset Management software for Local Government and Asset Intensive industries. JRA has significant expertise, and credibility which will play a vital role in our continuing success in these sectors.

BALANCE SHEET STRENGTH

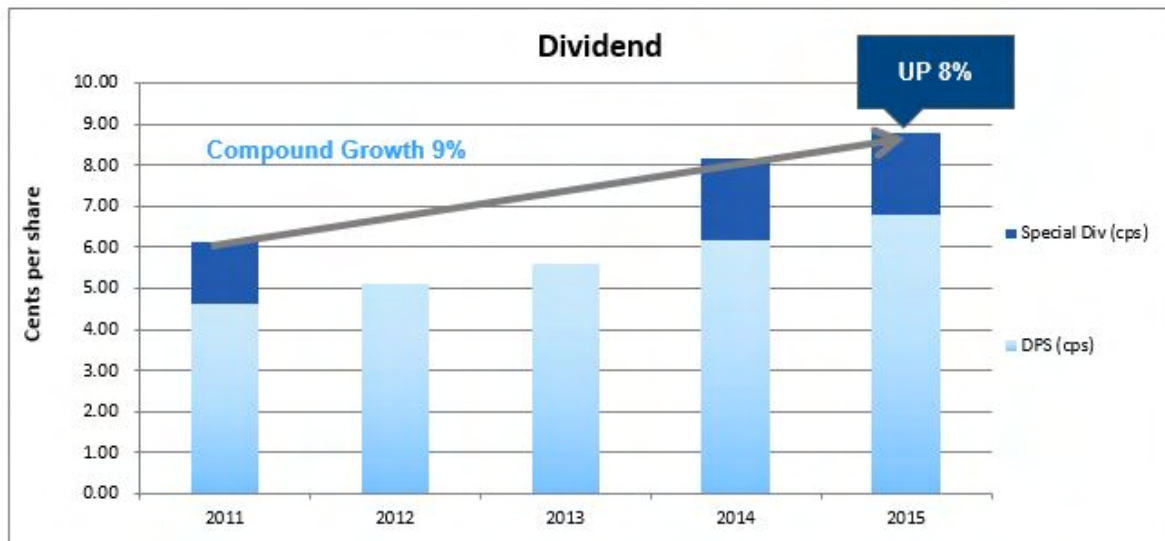
TechnologyOne continues to have a strong balance sheet with cash of \$76m and undrawn banking facilities of \$2m. Our debt/equity ratio remains conservative at only 2% and interest cover is 309 times.

Operating cash flow was once again strong at \$38m for the full year, versus a Net Profit After Tax of \$36m.



DIVIDENDS

In light of our strong results and our confidence in the coming year, the dividend for the second half year has been increased to 4.63 cents per share, up 10% on the prior year. The Board has also proposed once again a special dividend of 2 cents per share. This takes the total dividend including special dividend, for the year to 8.78 cents per share, an increase of 8% on the prior year. This represents a payout ratio of 76% for the full year.



Corporate structure

The Technology One group of companies consists of the following:

- Technology One Limited
- Technology One New Zealand Limited
- Technology One Corporate Sdn Bhd
- Technology One UK Limited
- Avand Pty Ltd
- Desktop Mapping Systems Pty Ltd
- Digital Mapping Solutions NZ Limited
- Boldridge Pty Ltd
- Icon Solution Unit Trust

Significant changes in the state of affairs

There were no significant changes in the Company's state of affairs during the financial year.

Matters subsequent to the end of the financial year

(a) Dividends

On 24 November, the directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$14,382,000 and is 100% franked. There was also a special dividend declared for the 2015 financial year of \$6,213,000 and this is also fully franked.

(b) Acquisition of entity

On 2 October 2015 Technology One Limited acquired 100% of the issued shares in Jeff Roorda and Associates Pty Limited (JRA), an unlisted Australian company for cash consideration of approximately \$10,000,000. A significant proportion of the purchase price is payable on the achievement of an earn-out. The acquisition supports Technology One's strategy to provide innovative and relevant solutions that offer deep, enterprise wide, functionality for local government, government and asset intensive organisations.

The financial effects of this transaction have not been brought to account at 30 September 2015. The operating results and assets and liabilities of JRA and its subsidiaries will be consolidated from 2 October 2015.

At the time the financial statements were authorised for issue, the Company had not yet completed the accounting for the acquisition of JRA. 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 circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

Likely developments

Refer to the Review of Operations section above.

Remuneration report (Audited)

The remuneration report contains the following sections.

1. Introduction
2. About this report
3. Executive remuneration Framework
4. Relationship between remuneration and company performance
5. Remuneration governance
6. Executive contract terms
7. Executive statutory remuneration for FY15 and FY14
8. Equity instruments held by key management personnel
9. Equity plans
10. Summary of remuneration for key executives for FY15
11. Non-executive director fees
12. Directors Shareholding
13. Loans to key management personnel
14. Other transactions with key management personnel

1. Introduction

TechnologyOne is pleased to present its Remuneration Report for the 2015 financial year, which sets out the remuneration framework for the Executive Chairman, our Executives and our Non-Executive Directors.

Our remuneration framework has been critical to the continuing success of TechnologyOne in one of the most competitive industries in the world, the enterprise software market, and competing against the world's biggest software companies such as Oracle and SAP. It is the effectiveness of our remuneration framework, and its alignment to shareholder wealth creation, that has, among other matters, seen TechnologyOne deliver long term profitable growth and substantial shareholder returns.

As always we continue to engage with our shareholders and advisors in the ongoing refinement of our remuneration framework to ensure it is fair and equitable, and continues to drive performance for the Company and our shareholders.

TechnologyOne Remuneration framework has been substantially changed during the 2015 financial year as a result of these discussions, and these changes are discussed in detail below.

2. About this report

2.1 Basis for preparation

The Remuneration Report details the remuneration framework for TechnologyOne and outlines our approach to remuneration for our Key Management Personnel (KMP) to attract, retain and reward its executives, with a focus on achieving outstanding performance and to deliver substantial increase in shareholder value.

The information in this report has been prepared based on the requirements of the *Corporations Act 2001* and the applicable accounting standards.

The Remuneration Report is designed to provide shareholders with a clear and detailed understanding of TechnologyOne's remuneration framework, and the link between our remuneration policies and Company performance.

The Remuneration report covers TechnologyOne's Key Management Personnel (KMP) consisting of Non-Executive Directors (NED's) and Executives including the Executive Chairman.

This report has been audited.

Remuneration report (Audited) (continued)

2.2 TechnologyOne Non-Executive Directors

For the 2015 financial year, the Non-executive Directors of TechnologyOne are as follows:

- Ron McLean
- John Mactaggart
- Kevin Blinco
- Richard Anstey

2.3 TechnologyOne Executives

For the purpose of this report, Executives are defined as those persons, having authority and responsibility for planning, directing and controlling the major activities of TechnologyOne, directly or indirectly. They are defined as follows:

Executive Directors

- Adrian Di Marco
- Edward Chung (resigned as a director on 10 August 2015)

Senior Executives

- Edward Chung (Operating Officer - Products and Solutions)
- Roger Phare (Operating Officer - United Kingdom)
- Martin Harwood (Operating Officer - Sales and Marketing)
- Paul Rogers (Operating Officer - Consulting Services)
- Gareth Pye (Operating Officer - Corporate Services)

2.4 Key Personnel Changes during the Financial Year

During the financial year the following changes were made:

- Edward Chung moved from the position of Operating Officer - Corporate Services to Operating Officer - Products & Solutions on 7 October 2014. With his change in responsibilities, it was appropriate that he resign from the Board, effective 10 August 2015.
- Gareth Pye was appointed to the role of Operating Officer - Corporate Services effective 7 October 2014.
- Martin Harwood moved from Operating Officer - Products and Solutions to Operating Officer - Sales & Marketing effective 7 October 2014.
- Lee Thompson Operating Officer - Sales & Marketing left the Company effective 3 October 2014.

2.5 Board Committee Changes during the Financial Year

TechnologyOne has considered Mr McLean to be an independent director, because he has not worked as an employee of TechnologyOne for 11 years. Some independent advisors have taken a view that Mr McLean is not independent, and because of this opinion a number of our Board Committees were not seen to be majority of independent directors. To rectify this, the following Board Committee changes have occurred:

- John Mactaggart resigned from the Audit Committee
- Ron McLean resigned from the Nomination Committee and Remuneration Committee
- Kevin Blinco was appointed chairman of the Remuneration Committee

With these changes all Board Committees now are a majority of independent directors, and chaired by an independent director taking the stricter definition of independent director advocated by some independent advisors.

Remuneration report (Audited) (continued)

2.6 Proposed Changes for the 2016 and 2017 Financial Year

Ron McLean was previously an executive of the Company until 2004. Notwithstanding this, TechnologyOne classify him as an independent Non-Executive director as a result of the lapse of time (eleven years) since holding the position, and the significant changes in senior management at TechnologyOne since then. His direct operational control and influence over the business has ended.

Having said this, some advisors have not considered Mr Mclean as independent. As a result the Board may be seen as not majority independent. Because of this the Board has committed to increase the board size by adding 2 additional independent directors, with the first to be added in the 2016 financial year, with a preference for a female director to increase gender diversity. This would then deliver without doubt, a majority of independent directors.

TechnologyOne is also keen to retain Mr McLean on the Board, because of his deep industry knowledge, and his extensive experience and successful track record in enterprise software which is uncommon in Australia, which adds significant value to the TechnologyOne Board.

3. Executive Remuneration Framework

3.1 Changes to Remuneration Framework in 2015 Financial Year

TechnologyOne engages with our shareholders and advisors in the ongoing refinement of our remuneration framework to ensure it is fair and equitable, and continues to drive performance for our Company and our shareholders.

The TechnologyOne Remuneration framework has been substantially changed during the 2015 financial year as a result of these discussions.

TechnologyOne has always had a high performance culture that has seen the Company deliver outstanding returns to our shareholders since our listing on the ASX in 1999. The Company remuneration framework has been a key driver in motivating our Executives to achieve this success, and it has effectively aligned the interests of our Executives and our shareholders.

Notwithstanding this, with TechnologyOne's entry into the ASX 200, the Company has looked at aligning its remuneration practices to be more consistent with other ASX 200 companies, while at the same time trying to ensure its high performance culture, and focus on shareholder return is not diluted. This has not been an easy exercise but we do believe we have struck an appropriate balance. TechnologyOne welcomes further feedback from investors and advisors going forward, as we continue to evolve our remuneration framework.

The following are the significant changes to our remuneration made in the 2015 financial year:

- Substantially improved disclosure/information on our remuneration structure and policies;
- Aligned remuneration structure and policies to best practice for ASX200 companies;
- Discontinued the use of Options for Long Term Incentives (LTI) for Executives;
- Introduced a new Executive Performance Right (EPR) plan for Long Term Incentives (LTI) for Executives;
- Introduced mandatory performance hurdles for all LTI issued to Executives under the new EPR plan;
- Introduced a mandatory shareholding for Directors; and
- The Company will engage an independent remuneration advisor to review and assist in the development of our new remuneration policies and framework.

TechnologyOne has existing contracts with its Executives which need to be honored both legally and morally; as well as ensuring the existing momentum in the business is not lost. As such, TechnologyOne has quarantined existing contracts with our Executives, and have adopted the new remuneration framework outlined below for all contracts commenced during the 2015 financial year. As contracts for existing KMP come up for renewal, or as new Executives are recruited, the Company will now use the new remuneration framework described below.

This report is written with a focus on the new remuneration framework, and where there exists older quarantined arrangements, these will be highlighted as exceptions.

Remuneration report (Audited) (continued)

3.2 Our Remuneration Objectives

TechnologyOne operates in a highly competitive and fast moving environment. As a result, the performance of the Company is highly dependent on the quality of our Directors, Executives and employees.

Our remuneration framework has been critical to our success over many years, and will continue to do so into the future.

In summary, our remuneration framework for our Executives is as follows:

- Attract, retain and motivate skilled Directors and Executives in leadership positions;
- Provide target remuneration which is appropriate and competitive both internally and against comparable companies (our peers);
- Align Executives financial rewards with shareholder interests and our business strategy;
- Focus on achieving outstanding shareholder wealth creation;
- Articulate clearly to Executives the direct link between individual and Group performance, and individual financial reward;
- Reward superior performance, while managing risks; and
- Provide flexibility to meet changing needs and emerging competitive market practices.

3.3 Our Remuneration Philosophies

The remuneration arrangements of our Executives are made up of both fixed and at risk remuneration. The remuneration arrangements are composed of the following three components:

- Fixed remuneration;
- Short Term Incentive (STI) which are at risk and performance based; and
- Long Term Incentive (LTI) which are at risk and performance based.

Additional detail on each of these components is included later in this report.

Our Executives remuneration is reviewed and benchmarked against our peers to ensure they remain competitive. Our peers are listed as follows:

Iress Limited	Reckon Limited	Infomedia Limited
Seek Limited	Melbourne IT	GBST Holdings Limited
SMS Management & Technology	Data #3	NEXTDC
ASG Group Limited	DWS Limited	MYOB
UXC Limited		

Unlike other ASX200 companies, TechnologyOne competes against the world's largest software companies: Oracle, Microsoft and SAP. TechnologyOne is the only enterprise software company headquartered in Australia, building and selling enterprise software, consequently there is limited expertise in the Australian market for this. Furthermore, TechnologyOne is one of the few companies building significant software intellectual property in Australia, spending in excess of \$41m per year.

The talent pool in Australia for executives with large scale enterprise software experience and a proven track record is therefore extremely small and is hotly contested with start-up companies at the lower end, and large multinationals at the other end of the spectrum. In such a ferociously competitive and relatively small market, our experience has shown that to attract and retain talented executives who understand large scale enterprise software, requires a remuneration framework that is appropriately structured for the enterprise software market.

Our remuneration framework complies with best practice for ASX200 companies, but has also been adapted to meet the demands of the enterprise software market in Australia, as follows:

- Relatively low fixed remuneration to encourage performance;
- Relatively large STI portion aligning executives to current year strategy and targets; and
- LTI linked to long term strategy and targets, and long term shareholder wealth creation.

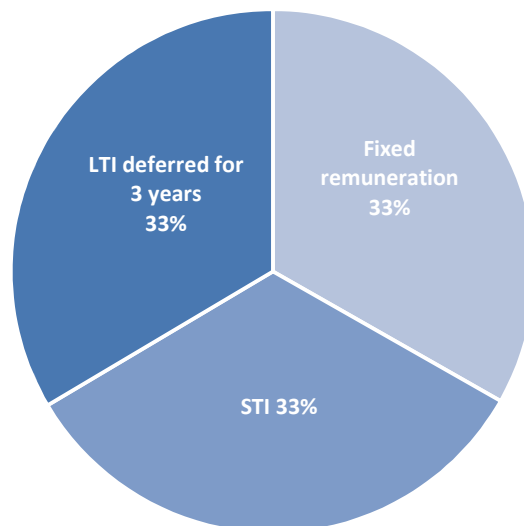
Remuneration report (Audited) (continued)

3.4 Total Target Remuneration

Executives are offered a remuneration package which aims to achieve the following remuneration breakup at the start of their contract:

- Fixed remuneration - 33%;
- Short term incentive - 33%; and
- Long term incentive - 33%.

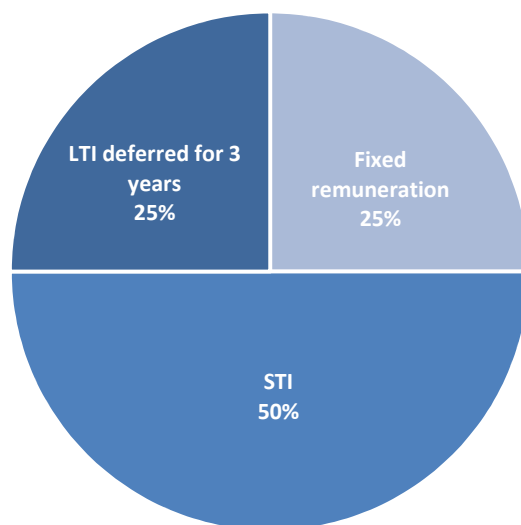
TechnologyOne's overarching principle is to have a smaller fixed remuneration component, with two thirds of our Executives remuneration at risk. The diagram below illustrates the mix of the three components of our remuneration package.



Over time, as the Company and the Executives deliver outstanding performance, the remuneration framework is expected to deliver remuneration package changes as follows:

- Over time, with strong performance, the STI grows substantially as a percentage of the total package and becomes even more weighted towards performance, and helps retain the Executive;
- Fixed remuneration grows at a rate similar to CPI, so in real terms it reduces as a percentage of the overall package;
- LTI continues to encourage long term shareholder wealth creation

The following diagram illustrates the mix of the three components of our remuneration package, over time.



Remuneration report (Audited) (continued)

This approach rewards continuing strong performance of Executives through an ever increasing STI, and continues to re-inforce strong performance and retention as the Executives become more dependent on their STI.

3.5 Our Remuneration Components Compared to Our Peers

It is important to note that our remuneration structure is fundamentally different to our peers, to encourage over performance, with a substantially low fixed remuneration of 33% vs 65% for our peers; and an over weighting to the STI of 33% vs 15% for our peers.

Overtime the fixed remuneration becomes even lower compared to our peers (25% vs 65% for our peers) and further overweight to the STI (50% vs 15% for our peers).

The breakup of our remuneration components compared to our peers is as follows:

	TechnologyOne Contract Start	TechnologyOne Over Time	Our Peers
Fixed remuneration	33%	25%	65%
STI	33%	50%	15%
LTI	33%	25%	20%

3.6 Fixed remuneration

Our remuneration philosophy is that the fixed remuneration is relatively low compared to our peers (while the STI and LTI are greater than our peers) so that the Executive is highly focused on successful execution of TechnologyOne's strategy and on performance, both in the short and long term.

TechnologyOne has found that setting the fixed remuneration for our Executives at relatively low levels compared to our peers (typically of 33% of the total remuneration vs 65% for our peers), has been critical in driving the performance of the Company.

Key attributes of the fixed remuneration component include:

- The Executives fixed remuneration is reviewed annually, following the end of the performance period (30 September). For the 2015 financial year, the average fixed remuneration increases for the Executive Chairman and Executives was 3%;
- There are no guaranteed fixed remuneration pay increases for Executives;
- Fixed remuneration is made up of base remuneration and superannuation. Fixed remuneration includes cash salary and any salary sacrifice items; and
- The Board determines an appropriate level of fixed remuneration for Executives with recommendations based on market benchmarking from the Remuneration Committee at the start of their contract.

3.7 Short term incentives (STI)

As previously stated, TechnologyOne pays a low fixed remuneration compared to our peers (33% vs 65%) to create a strong focus on annual performance.

This strong focus on annual performance is achieved by having a significant portion of the Executives remuneration being linked to TechnologyOne's annual performance through a large Short Term Incentive (STI).

TechnologyOne Executives have an STI typically set at the start of their contract at 33% of their total targeted remuneration compared to only 15% for our peers. Over future years with strong continuing performance by the KMP, the STI increases to approximately 50% of their targeted remuneration compared to 15% for our peers.

This creates a strong focus on performance in the current year performance, which has been the foundation for our long term success, and which is explained in greater detail below.

Remuneration report (Audited) (continued)

The expected starting STI value is determined at the start of the Executives contract as follows:



The Contract STI percentage is typically 75% to 100% of base pay, but will depend on negotiations and the overall package as well as individual components negotiated. Our expectation is at the start of an Executives contract the STI will be similar to their Fixed Remuneration.

Our Unique Approach to STI Drives Outstanding Performance & Long Term Shareholder Wealth

TechnologyOne is a growth company, with strong compound growth over many years (approximately 12% per annum profit growth over the last 10 years). Our strong long term performance is directly linked to the success of our STI framework.

As an enterprise software company, if we drive short term performance in a given year, through strong growth in licence fees and profit, this translates into greater shareholder wealth over the longer term. This is because our long term success is tied to winning new business in the current year. It is the new business we sign in the current year which subsequently adds to our long term recurring revenue base and underpins our ongoing success and shareholder wealth creation. Approximately 63+% of our revenues each year are recurring revenue, which directly flow from contract wins in prior years.

Continuing to win new business, driving licence fee and profit growth in the current year, is the key to our long term success, and it is for this reason our STI as a percentage of the total remuneration is significantly higher than our peers (33% vs 15% for our peers), while at the same time the fixed remuneration for our Executives is comparatively low compared to our peers (33% vs 65% for our peers). The significant weighting towards the STI, with the low fixed remuneration, encourages our Executives to drive new business and financial performance in the current year, which creates recurring revenue for future years, and therefore long term success and shareholder wealth.

It is also why our STI is designed so over time it increases in value, while the Fixed Remuneration which is set low initially (in comparison to our peers) further reduces as a percentage of the overall remuneration package over time, to continue to drive performance in the current year.

In simple terms the STI is structured to drive short term performance, which in turn creates a strong long term recurring revenue base, which in the long term creates continuing financial success and substantial shareholder wealth for TechnologyOne.

Uncapped STI drives performance in current year and long term shareholder wealth

An important element of the success of our STI has been that it is uncapped so the greater the results in the current financial year, the greater the STI. This not only encourages over performance in the current financial year, it has a dramatic flow on effect in future years through the greater recurring revenues for the company. The uncapped STI also helps retain Executives over the long term because the more they succeed, the more financial incentive there is to stay with us as they become dependent on the STI and continue to work hard to achieve it each year, and the greater benefit to our shareholders through an ever increasing recurring revenue base.

Likewise, if an Executive under performs in a year, there is a significant financial impact to them as their STI forms a significant portion of their total remuneration. Just as the STI is uncapped on the upside, it is uncapped on the downside. Because the Executive's fixed remuneration is significantly lower than our peers, if there is under performance this has a significant negative impact on their total remuneration.

The STI framework encourages over performance and also penalises under performance.

In the table below, we have compared a typical TechnologyOne Executives package with that of our peers, by calculating the average fixed remuneration of our peers and comparing that to the average fixed remuneration for a Technology Executive. TechnologyOne packages are structured so that our Executives fixed remuneration and 70% of their STI target is the equivalent of our competitors fixed remuneration.

Remuneration report (Audited) (continued)



Given that STI for our Executives is significantly higher than our peers (33% vs 15%) while at the same time the fixed remuneration for our Executives is significantly lower compared to our peers (33% vs 65%), our experience has shown that it is important that the STI framework is simple, and objectively related to the company's current year performance for it to succeed. The STI is typically set as a percentage of one or more key metrics such as:

- Percentage of net profit before tax (NPBT) for the Group, or
- Percentage of net profit before tax (NPBT) for the relevant business segment of the Executives; or
- Percentage of Licence Fees

The target for each Executive for their STI is listed in the summary of remuneration for Executives in section 10.

Because fixed remuneration of the Executives is very low compared to our peers (33% vs 65%), to assist the Executives in meeting their short term financial obligations the STI is calculated and paid monthly, with a 20% retention.

The 20% retention of their STI is paid 3 months after TechnologyOne's year end to ensure that the STI paid are based on audited and finalized accounts. In the unlikely event business outcomes differ materially to what was expected, the company can claw back any STI.

Long Deferral of STI Payment

TechnologyOne defers the STI for a period of 3 months from year end, until the completion of the audited results.

TechnologyOne carries minimal risk associated with revenue, and as such the Long Term Deferral of STI greater than 3 months does not serve any purpose.

TechnologyOne does not defer the STI longer than 3 months because our fixed remuneration is so low compared to our peers (33% vs 65% for our peers). As previously stated TechnologyOne packages are structured so that our Executives fixed remuneration and 70% of their STI target is the equivalent of our competitors fixed remuneration. As such we believe it is important to pay the STI in a fair and reasonable time frame.

Because a larger portion of our Executives remuneration (33%) is the Long Term Incentive (LTI) compared to only 20% for our peers, this acts as an appropriate mechanism to retain Executives staff over the long term, as well as where business outcomes subsequently in the long term are materially lower than expected, to penalise Executives.

It is important to note that our LTI being 33% of our Executives remuneration is similar to the STI and LTI of our peers (15% and 20%).

Remuneration report (Audited) (continued)

3.8 Long term incentives (LTI)

As previously stated TechnologyOne pays a low fixed remuneration compared to our peers (33% vs 65%) with a strong focus on long term performance.

The strong focus on long term performance is achieved with a significant portion of the Executives remuneration being linked to TechnologyOne's Long Term Incentive (LTI).

TechnologyOne Executives have an LTI typically set at the start of their contract at 33% of their total targeted remuneration compared to only 20% for our peers. This creates a strong focus on long term performance, with a strong alignment to long term shareholder wealth creation. It also acts as a powerful inducement for Executives to stay with TechnologyOne over the long term.

TechnologyOne Long Term Incentive (LTI) plan is based upon the Executive Performance Rights (EPR).

The key elements of the EPR is as follows:

- It is an equity based incentive designed to provide participants with the incentive to deliver substantial growth in shareholder value;
- The EPR has a three year performance period; and performance is measured against individual targets and company targets over the performance period;
- Executives only receive value if performance targets are met at the end of the performance period. The EPR is said to have vested if the performance targets have been met;
- Executives receive one TechnologyOne share for each EPR that vests; and
- No dividends are paid while the EPR awards are unvested.

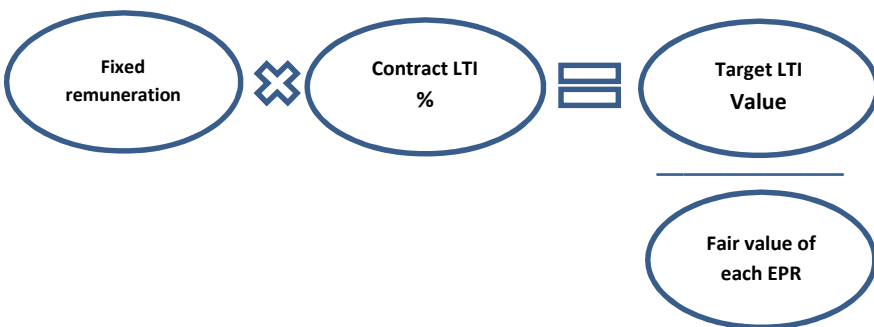
Executive Performance Rights

EPR are measured against both individual targets and Company targets. The EPR awards granted may deliver value to Executives subject to meeting performance targets over a three year performance period, that are designed if met to deliver substantial shareholder value.

The following table provides the key features of the Executive Performance Rights award:

Feature	Description
Instrument	Executive Performance Rights (EPR). Each EPR entitles the Executives to receive one TechnologyOne share in the future, subject to meeting specified performance targets. A number of EPR's are issued to Executives each year, referred to as a grant. The number of EPR's issued each year in a grant is calculated according to the formula described below. It is important to note that the EPR for a Grant will vest at a future date, 3 years from their issue date called the Vesting Date, if performance targets set for the Grant have been met. The number of EPR in a Grant that vest will not be known until the end of the performance period (i.e. the Vesting Date).

Remuneration report (Audited) (continued)

Feature	Description
Number of EPR issued each year in a tranche	The Total Number of EPR's issued each year (called a grant) to a Executive is based on a percentage of their Fixed Remuneration calculated as follows:  The diagram illustrates the formula for calculating the number of EPRs issued. It shows three ovals: 'Fixed remuneration', 'Contract LTI %', and 'Target LTI Value'. A multiplication symbol (X) is between 'Fixed remuneration' and 'Contract LTI %', and an equals sign (=) is between 'Contract LTI %' and 'Target LTI Value'. Below 'Target LTI Value' is a horizontal line, and below that is an oval labeled 'Fair value of each EPR'. The Contract LTI percentage is typically 75% to 100% of fixed remuneration and is determined during contract negotiation when an Executive is hired, but will ultimately depend on negotiations and the overall package components negotiated. The Contracted LTI % may be changed where appropriate by the Board, such as if there is a change in the Executives responsibilities.
Performance Period & Vesting Date	The performance period commences at grant date and extends for 3 years, to give a Vesting Date. For example the annual grant of EPRs issued during the 2015 financial year (called the 2015 Grant), the performance period would start on 1 October 2014 and end 3 years later on 30 September 2017, with 30 September 2017 being the Vesting Date. Based on meeting the targets over the performance period, up to 100% of the EPR in that grant may vest, allowing the Executives to receive shares available for sale in the trading window following the end of the performance period.

Remuneration report (Audited) (continued)

Feature	Description
Performance Targets	Each grant of EPRs is subject to performance targets being met for the relevant Performance Period. If there is more than one performance target, then a portion of EPRs in a grant are allocated to each specific performance target, called a tranche. For example, if the 2015 grant had 100,000 EPR and they were allocated into two tranches as follows: • 50,000 EPR to profit before tax growth target • 50,000 EPR to licence fee growth target The actual number of EPRs allocated to each target is determined by the company at the start of the performance period. The number of EPR allocated across all targets, cannot exceed the total number of EPRs offered in the grant. For each performance target there will be a mid and stretch hurdle (for the Performance Period) based on the Executives area of responsibility: • if performance meets the stretch hurdle, 100% vesting of EPR for that target will be achieved • If performance meets mid hurdle, then 50% of the number of EPRs will vest • if performance is between stretch and mid hurdle, the number of EPR for that target will vest linearly • if performance is less than the mid hurdle, 0% of the number of EPR allocated to that target will vest. Mid hurdles have been calculated so that if they are achieved, this will create substantial shareholder wealth. Targets will be based on factors such as Company profit, licence fee growth, consulting revenue growth, R&D expense growth, customer retention rates. It is based on the average result achieved for that target over the Performance Period.
Vesting	The EPR for a Grant will not vest until the end of the Performance Period (the Vesting Date), and the number to vest will be calculated using the performance achieved over the Performance Period as measured against the Performance Targets. Performance Targets are set before the Performance Period as either Yearly Targets or 3 Year Targets. If the Performance Target is a 3 year target it is tested at the end of the 3 year Performance Period. For example average compound Licence Fee Growth of 10% (mid hurdle) to 15% (stretch hurdle) over 3 years. Number of EPRs earned per 3 Year Performance Target is equal to Number of EPRs available for that target x Percentage Earned x Individual Performance Factor As an example, a 3 Year Performance target based on Licence Fee Growth might be as follows, based on the average compound growth over a 3 year period: • Licence Fee growth of 15% - 100% earned • Licence Fee growth of 10% - 50% earned, and apportioned linearly for performance between 10% and 15% • Licence Fee growth less than 10% - Nil % earned The individual performance factor (IPR) is typically 100%. The total number of EPR earned across all Performance Targets by an Executive cannot exceed the total number of EPR in a grant.

Remuneration report (Audited) (continued)

Feature	Description
	If the Performance Target is a Yearly Target it is tested each year but they do not vest until the end of the Performance Period. For example Profit Growth of 10% (mid hurdle) to 15% (stretch hurdle) per year. Number of EPRs earned per Yearly Performance Target is equal to $\frac{1}{3} \times \text{Number of EPRs available for that target} \times \text{Percentage Earned} \times \text{Individual Performance Factor}$ As an example, a Yearly Performance target based on Profit Growth might be as follows, based on the growth for that one year period: • Profit growth of 15% - 100% earned • Profit growth of 10% - 50% earned, and apportioned linearly for performance between 10% and 15% • Profit Fee growth less than 10% - Nil % earned The individual performance factor (IPR) is typically 100%. It is important to note that though the EPRs are earned, they do not vest until the end of the Performance Period (ie typically 3 years). Refer to section 9.2 for EPR's offered during the year The Board has the discretion in exceptional circumstances to increase the IPR above 100%, to a maximum of 200% to take into consideration exceptional individual performance/contribution by an Executive. The total number of EPR earned across all Performance Targets by an Executive cannot exceed the total number of EPR in a grant. The Committee has a preference for 3 Year Performance Targets to get the optimum result.
Board Discretion	The Board also retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event. The Board may also renegotiate the annual grant of EPR based on exceptional circumstances such as the change of responsible area for an Executive, a restructuring of the company, an acquisition etc.
Expiry	At the end of the applicable performance period, any Performance Rights that have not yet vested will expire.

Remuneration report (Audited) (continued)

Notes:

- The Remuneration Committee recognises that Mr Di Marco's total remuneration is substantially below that of comparable companies. The Remuneration Committee has offered Mr Di Marco an award of \$400,000 of EPR in the 2014/2015 year for his LTI component of his remuneration. Mr Di Marco has declined the offer for the award of EPR in the 2014/2015 financial year, to the detriment of his total remuneration. The Remuneration Committee acknowledges that Mr Di Marco's existing +12% shareholding in TechnologyOne provides the benefits that the LTI aims to achieve.
- There are existing KMP contracts that TechnologyOne is required to honour. These pre-existing contracts utilise the previous LTI plan based on Options (refer section 9.1). These pre-existing contracts have been quarantined, and as existing Executive Contracts come to an end they will be renegotiated so that the LTI is based on the EPR plan going forward. All new appointments of Executive to the Company will be under the new EPR plan.
- In the event of a change of control, and to the extent that the rights have not already lapsed, the board has the discretion to determine whether the EPRs vest or otherwise.
- Upon termination of an executive for performance, EPRs will not vest.
- Upon redundancy of an executive, for reasons not related to performance, the Board has the discretion to negotiate a settlement which includes the vesting of a portion of EPR granted.

Remuneration report (Audited) (continued)

4. Relationship between remuneration and company performance

4.1 TechnologyOne's five year performance

The 2015 financial year once again saw Profit Before Tax (PBT) increase 16%.

Executives remuneration excluding LTI and termination benefits increased at a rate below Profit Before Tax, which is the Remuneration Committees goal.

In particular for the Executives:

- Fixed remuneration increased on average 3%;
- STI increased on average approximately 12% vs a PBT of 16%;
- LTI based on the now quarantined Executive Options scheme increased on average 111%;
- LTI based on the new EPR scheme increased on average 100+%;
- Total remuneration increased on average 12% vs PBT of 16%.

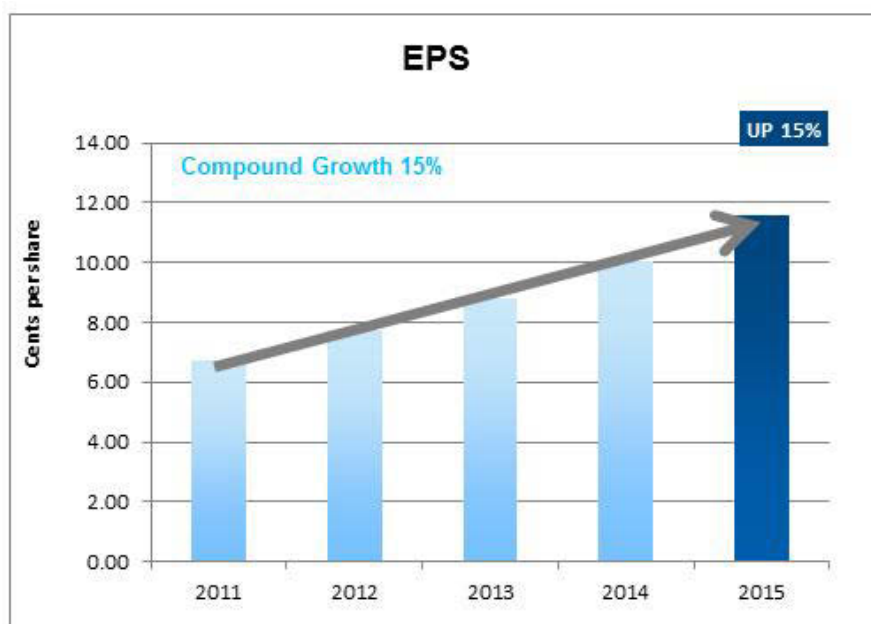
The below table sets out information showing the creation of shareholder wealth for the years ended 30 September 2011 to 30 September 2015.

	2011/2010	2012/2011	2013/2012	2014/2013	2015/2014
Actual profit before tax (\$'000)	26,675	30,325	35,097	40,235	46,494
Total dividend including special (cps)	4.62	5.09	5.60	8.16	8.78
Earnings per share (basic)	6.71	7.73	8.80	10.06	11.58
Share price at start of period	0.98	1.05	1.37	2.05	3.18
Share price at end of period	1.05	1.37	2.05	3.18	3.84
Total Shareholder Return	12%	35%	54%	59%	24%
Profit before tax growth %	14%	14%	16%	15%	16%
Average Executives growth ¹ %	4%	14%	15%	7%	15%

¹This is the average annual full time package excluding any termination payments.

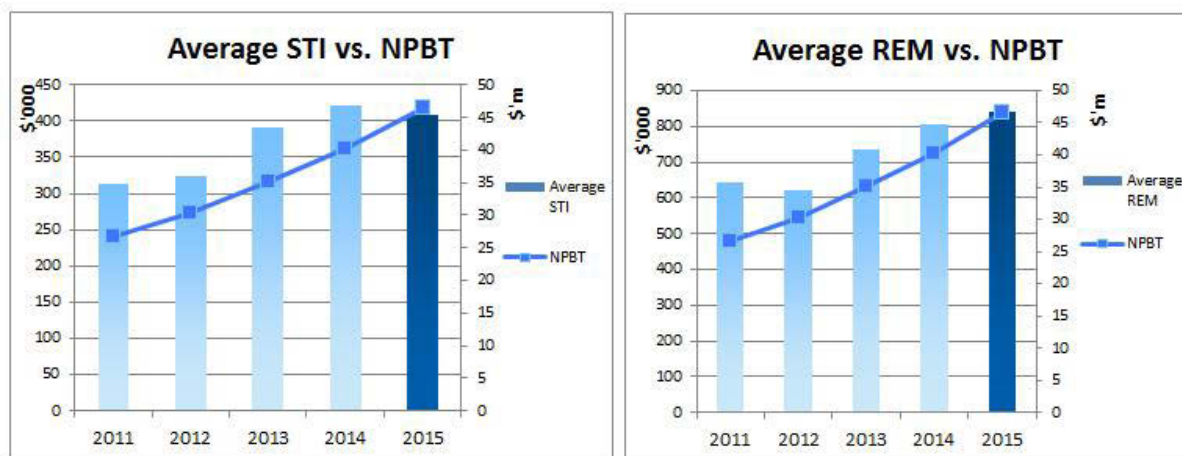
As can be seen from this information the Executives remuneration framework has successfully driven performance and the creation of shareholder wealth over the longer term, while at the same time Executives remuneration has been clearly in alignment with overall company performance.

The graph below shows EPS growth over the last five years



Remuneration report (Audited) (continued)

The first graph shows that average Executives STI growth is less than the Company's NPBT growth rate. The second table shows that the average Executives remuneration has been growing in line with the Company's NPBT.



4.2 Historical performance outcomes under the previous Options Plan

As previously discussed there are existing Executives contracts that predate the EPR Plan, and the Company continues to legally honour these contracts and the LTI plan based on Options (refer section 9.1). These have been quarantined and all new Executives to the Company, as well as existing Executives when their existing Contracts come to an end, are under the new EPR plan.

For those Executives that are under the older quarantined Option Plan:

- The value actually received by individuals differs from the remuneration outlined in the previous table (which is based on accounting values). For the 2015 financial year, 16% (\$402,100) of the performance related bonus as previously accrued in that period became payable in cash to Executives (based on audited results) and was paid during the 2016 financial year. There were no forfeitures.
- The numbers of options over ordinary shares in the Group held during the financial year by each KMP of the Group, including their personally related parties, are set out below.
- The KMP have historically the following share options:
 - M Harwood participated in options granted 1 October 2014,
 - E Chung who participated in options granted 14 July 2014,
 - P Rogers who participated in options granted 1 October 2012,
 - R Phare who participated in options granted 1 July 2012,
 - G Pye who participated in options granted 1 July 2011,
 - M Harwood who participated in options granted 1 May 2009, and
 - E Chung who participated in options granted 5 May 2008.

Remuneration report (Audited) (continued)

2015

Name	Balance at start of year	Granted as compensation	Exercised	Balance at the end of the year	Vested and exercisable	Unvested
Senior Executives of the Group						
E Chung	1,200,000	-	(200,000)	1,000,000	-	1,000,000
R Phare	800,000	-	(200,000)	600,000	-	600,000
M Harwood	600,000	600,000	-	1,200,000	600,000	600,000
P Rogers	800,000	-	(200,000)	600,000	-	600,000
G Pye	200,000	-	(50,000)	150,000	-	150,000

2014

Name	Balance at start of year	Granted as compensation	Exercised	Balance at the end of the year	Vested and exercisable	Unvested
Senior Executives of the Group						
E Chung	400,000	1,000,000	(200,000)	1,200,000	-	1,200,000
R Phare	1,000,000	-	(200,000)	800,000	-	800,000
M Harwood	600,000	-	-	600,000	400,000	200,000
P Rogers	1,000,000	-	(200,000)	800,000	-	800,000
L Thompson	-	-	-	-	-	-

Prior year numbers have been adjusted to show all option tranches including those that are yet to be issued.

5. Remuneration governance

5.1 Remuneration Committee

The Remuneration Committee (the Committee) is responsible for developing the remuneration framework for TechnologyOne Executives, and making recommendations related to remuneration to the Board. The Committee develops the remuneration philosophy and policies for Board approval.

As at 30 September 2015, the Committee is made up of a majority of independent Directors and is chaired by an independent director; and consists of the following members:

- Kevin Blinco (Chairman)
- Rick Anstey
- John Mactaggart

Ron McLean resigned on 25 September 2015.

The responsibilities of the Committee are outlined in their Charter, which is reviewed annually by the Board.

During the current year, a substantial review of the Company's remuneration framework was undertaken and a number of significant changes were implemented. Please refer section 3.1 Changes to Remuneration Framework in 2015 Financial Year.

Remuneration report (Audited) (continued)

6. Executive contracts

6.1 Summary of CEO Remuneration for FY15

The CEO's remuneration package for FY15 comprises the amounts outlined below:

	Adrian Di Marco
Current Position	Executive Chairman
Fixed Remuneration	
Fixed remuneration:	\$470,040
Superannuation	Compulsory Superannuation Guarantee Contributions up to the maximum contribution base, equating to \$7,094 per annum.
Non-monetary benefits and other:	Mobile telephone and salary sacrifice arrangements for motor vehicles and superannuation.
Performance based remuneration	
STI:	Mr Di Marco is paid based on Group Net Profit Before Tax as an incentive. 20% of this is retained for 3 months after the reporting period.
LTI:	The Remuneration Committee recognizes that Mr Di Marco total remuneration is substantially below that of comparable companies. The Remuneration Committee has offered Mr Di Marco an award of \$400,000 of EPR in the 2014/2015 year for his LTI component of his remuneration. Mr Di Marco has declined the offer for the award of EPR in the 2014/2015 financial year, to the detriment of his total remuneration. The Remuneration Committee acknowledges that Mr Di Marco existing +12% shareholding in TechnologyOne provides the benefits that the LTI aims to achieve.
2015 Percentage breakdown of remuneration	
Fixed remuneration (includes voluntary and compulsory superannuation)	32%
STI	45%
LTI	23% ¹ – Declined by Mr Di Marco see LTI note above
Post-employment benefits	Nil
Post-employment restraint	3 Months
Termination	3 months' notice
Termination benefits	Nil
Payments made prior to commencement	Not applicable
Directors' Fees	\$74,022

¹ Mr Di Marco owns a substantial shareholding in TechnologyOne Limited

Remuneration report (Audited) (continued)

7.2 Service Agreements

The Executive Chairman, Mr Di Marco, is employed under contract.

The current employment contract commenced on 1 December 1999 and continues until terminated in accordance with the agreement. Under the terms of the present contract:

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

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

Remuneration report (Audited) (continued)

7 Executive statutory remuneration for FY15 and FY14

Name	Short-term employee benefits				Post-employment benefits		Equity remuneration		Total	% Growth on prior year excl LTI	% Growth on prior year incl LTI
	Fixed remuneration	Directors' fees	Total fixed remuneration	Short-term Incentive	Super-annuation ⁸	Termination benefits	Value of share options	Value of performance rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$		
R McLean (Non-executive Director)											
2015	-	74,022	74,022	-	-	-	-	-	74,022	3%	3%
2014	-	71,866	71,866	-	-	-	-	-	71,866		
J Mactaggart (Non-executive Director)											
2015	-	74,022	74,022	-	-	-	-	-	74,022	3%	3%
2014	-	71,866	71,866	-	-	-	-	-	71,866		
K Blinco (Non-executive Director)											
2015	-	74,022	74,022	-	-	-	-	-	74,022	3%	3%
2014	-	71,866	71,866	-	-	-	-	-	71,866		
R Anstey (Non-executive Director)											
2015	-	74,022	74,022	-	-	-	-	-	74,022	3%	3%
2014	-	71,866	71,866	-	-	-	-	-	71,866		
Total Non- Executive Directors											
2015	-	296,088	296,088	-	-	-	-	-	296,088	3%	3%
2014	-	287,464	287,464	-	-	-	-	-	287,464		

Remuneration report (Audited) (continued)

Name	Short-term employee benefits				Post-employment benefits		Equity remuneration		Total	% Growth on prior year excl LTI & termination benefits	% Growth on prior year incl LTI & termination benefits
	Fixed remuneration	Directors' fees	Total fixed remuneration	Short-term incentive	Super-annuation ⁸	Termination benefits	Value of share options	Value of performance rights Offered			
	\$		\$	\$	\$	\$	\$	\$	\$	%	%
A Di Marco (Executive Chairman) ¹											
2015	470,040	74,022	544,062	797,485	7,094	-	-	^{1A}	1,348,641	10%	10%
2014	453,116	71,866	524,982	687,487	10,865	-	-	-	1,223,334		
E Chung (Operating Officer – Products and Solutions) ²											
2015	227,839	74,022	301,861	303,013	8,856	-	245,011	-	858,741	9%	38%
2014	221,410	71,866	293,276	260,134	8,762	-	60,756	-	622,928		
R Phare (Operating Officer – United Kingdom) ³											
2015	237,440	-	237,440	417,781	-	-	82,206	-	737,427	(2%)	(4)%
2014	235,089	-	235,089	432,753	1,420	-	101,971	-	771,233		
M Harwood (Operating Officer – Sales and Marketing) ⁴											
2015	210,728	-	210,728	494,517	9,531	-	233,441	-	948,217	12%	43%
2014	203,235	-	203,235	424,538	10,952	-	24,047	-	662,772		
P Rogers (Operating Officer - Consulting Services) ⁵											
2015	289,172	-	289,172	256,972	17,802	-	117,948	-	681,894	(6%)	(9)%
2014	286,928	-	286,928	301,924	12,783	-	144,541	-	746,176		
G Pye (Operating Officer – Corporate Services) ⁶											
2015	180,907	-	180,907	200,000	17,186	-	19,934	66,667	484,694	-	-
2014	-	-	-	-	-	-	-	-	-		
L Thompson (Operating Officer – Sales and Marketing) ⁷											
2015	11,070	-	11,070	-	3,002	159,497	-	-	173,569	(97%)	(64%)
2014	120,317	-	120,317	347,311	11,253	-	-	-	478,881		
Total Senior Executives											
2015	1,627,196	148,044	1,775,240	2,469,768	63,471	159,497	698,540	66,667	5,233,183	3%	16%
2014	1,520,095	143,732	1,663,827	2,454,147	56,035	-	331,315	-	4,505,324		
Total KMP											
2015	1,627,196	444,132	2,071,328	2,469,768	63,471	159,497	698,540	66,667	5,529,271	3%	15%
2014	1,520,095	431,196	1,951,291	2,454,147	56,035	-	331,315	-	4,792,788		

Remuneration report (Audited) (continued)

¹ Mr Di Marco's total remuneration is up 10%. Fixed remuneration is up 3% and STI up 16%, in alignment with Company profit growth of 16%.

^{1A} The Remuneration Committee recognizes that Mr Di Marco total remuneration is substantially below that of comparable companies. The Remuneration Committee has offered (subject to shareholder approval) Mr Di Marco an award of \$400,000 of EPR in the 2014/2015 year for his LTI component of his remuneration. Mr Di Marco has declined the offer for the award of EPR in the 2014/2015 financial year, to the detriment of his total remuneration. The Remuneration Committee acknowledges that Mr Di Marco existing +12% shareholding in TechnologyOne provides the benefits that the LTI aims to achieve.

² Mr Chung's total remuneration is up 38%. Fixed remuneration is up 3% and STI up 16%, in alignment with Company profit growth of 16%. Total Remuneration excluding LTI is up 9% as expected and below Company profit growth. Mr Chung was issued 1 million options under the Company's previous LTI plan based on options, in July 2014, after approval at the AGM in February 2014. This issue of options has increased the share based payment expense from the prior year (which relates to Mr Chung's LTI which was originally granted in 2008), as a result his remuneration in total grew by 38% in FY15. This increase takes into account the substantially increased responsibility in his new role of Operating Officer Product & Solutions, and his total package is now in alignment with his new responsibilities and in alignment with the market. It is also important to note that this older LTI plan has now been quarantined, and all future LTI will be issued under the new LTI plan based on EPRs as per section 3.8.

³ Mr Phare's total remuneration is down 4%. Fixed remuneration is inline and STI down 3% as his STI has moved to UK profit instead of Company profit. Mr Phare is now paid in Great British Pounds and these amounts have been converted into Australian dollars at an average rate over the year. Once his Option Plan ends, Mr Phare will transition to the new EPR Plan as per section 3.8.

⁴ Mr Harwood's total remuneration is up 43%. Fixed remuneration up 3% and STI up 16%, in alignment with Company profit growth of 16%. Total Remuneration excluding LTI is up 12% as expected and below Company profit growth. Mr Harwood was issued 600,000 options under the company's previous LTI plan based on options in October 2014. This issue of options has increased the share based payment expense from the prior year (which relates to Mr Harwood's LTI which was originally granted in 2009), as a result his remuneration in total grew by 43% in FY15. This increase takes into account the substantially increased responsibility in his new role of Operating Officer Sales and Marketing, and his total package is now in alignment with his new responsibilities and in alignment with the market. It is also important to note that this older LTI plan has now been quarantined, and all future LTI will be issued under the new LTI plan based on EPRs.

⁵ Mr Roger's total remuneration is down 9%. Fixed remuneration is up 3% and STI down 15% in alignment with the decrease in Consulting and Plus stream profit. Once his Option Plan ends, Mr Rogers will transition to the new EPR Plan as per section 3.8.

⁶ Mr Pye was appointed into a new Role of Operating Officer – Corporate Services on the 7 October 2014 a significant promotion and as a result was provided a new package that is appropriate to his role. He was issued \$200,000 of EPR's under the new EPR scheme. More details are included in section 9.2.

⁷ Mr Thompson left the Company on 3 October 2014.

⁸ Fixed remuneration includes cash salary and fees including superannuation

Remuneration report (Audited) (continued)

8 Equity instruments held by key management personnel

The number of shares in the Group held during the financial year by each Director and Senior Executive of Technology One Limited, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2015

Name	Balance at the start of year	Acquired during the year	Sales during the year	Balance at the end of the year
Directors of Technology One Limited				
A Di Marco	43,378,500	-	(6,000,000)	37,378,500
R McLean	101,000	40,000	-	141,000
J Mactaggart	54,902,500	-	(6,000,000)	48,902,500
K Blinco	201,285	48,715	-	250,000
R Anstey	7,500	-	-	7,500
	Balance at the start of year	Received during the year on the exercise of options	Sales during the year	Balance at the end of the year
Senior Executives of the Group				
E Chung	400,000	200,000	(250,000)	350,000
R Phare	-	200,000	(200,000)	-
M Harwood	400,000	-	-	400,000
P Rogers	-	200,000	(200,000)	-
G Pye	100,000	50,000	-	150,000

2014

Name	Balance at the start of year	Received during the year on the exercise of options ¹	Sales during the year	Balance at the end of the year
Directors of Technology One Limited				
A Di Marco	49,378,500	-	(6,000,000)	43,378,500
R McLean	101,000	-	-	101,000
J Mactaggart	60,902,500	-	(6,000,000)	54,902,500
K Blinco	201,285	-	-	201,285
R Anstey	7,500	-	-	7,500
E Chung	200,000	200,000	-	400,000
Senior Executives of the Group				
R Phare	-	-	-	-
M Harwood	400,000	-	-	400,000
P Rogers	-	-	-	-

¹ No director acquired any options during the 2014 reporting period.

Remuneration report (Audited) (continued)

9 Equity plans

9.1 Quarantined Executive Option Plan (now superseded)

TechnologyOne previously issued options under a now obsolete Executive Option Plan (EOP). The EOP has now been quarantined, and STI awards from the start of the 2015 financial year are now based on the Executive Performance Right (EPR) scheme described in section 3.8.

For the sake of disclosure, details of the now obsolete and quarantined EOP is provided below.

Under the EOP, options were issued with typically between 0% and 50% discount on the volume weighted average price for the 10 days prior to the grant date. The discount could be forfeited prior to vesting at the Board's discretion based on the performance of the Executives. The option could also be withheld by the Executive Chairman for unsatisfactory performance.

Share options were granted to Executives by the Board based on the option plan approved by the Board.

The options vest if and when the executive satisfies the period of service contained in each option grant. The contractual life of each option varies between two and five years. There are no cash settlement alternatives.

Options granted under this plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary TechnologyOne share. Further information is set out in note 33 to the financial statements.

Name	Number of options granted during the period	Value of options at grant date *	Number of options issued during the period	Number of options still to be issued	Number of options vested during the period	Number of options lapsed during the period	Value at lapse date
E Chung	-	-	-	-	200,000	-	-
R Phare	-	-	-	-	200,000	-	-
M Harwood	600,000	\$884,516	-	-	200,000	-	-
P Rogers	-	-	-	-	200,000	-	-
G Pye	-	-	-	-	50,000	-	-

* The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. The amount is included in the remuneration tables above. As outlined in greater detail in note 1 (r) (iii) fair values at grant date are determined using a Black-Scholes pricing model.

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

- (a) Options are granted for no consideration. Each tranche vests yearly.
- (b) Dividend yield - 2.6%
- (c) Expected volatility - 23.2%
- (d) Risk-free interest rate - 3%
- (e) Expected life of option - 6 years
- (f) Option exercise price - \$1.59
- (g) Weighted average share price at grant date - \$3.20

Remuneration report (Audited) (continued)

9.2 Executive Performance Rights Plan (EPR)

As discussed previously in this report, TechnologyOne no longer uses the previous Executive Option Plan (EOP), but has in the 2015 financial year implemented an EPR plan.

The EPR is described in detail in section 3.8 of this report.

In summary, the EPR entitles the holder to receive one ordinary share in the Company which are subject to performance hurdles over a nominated performance period, of 3 years. The EPRs vest only if the executive satisfies the hurdles contained in each grant. There are no cash settlement alternatives. All performance rights expire on the termination of the individual's employment.

The EPR's granted under this plan carry no dividend or voting rights.

When exercisable, each right is convertible into one ordinary TechnologyOne share. Further information is set out in note 24 to the financial statements.

Name	Number of rights granted during the period	Value of rights at grant date *	Number of rights issued during the period	Number of rights still to be issued	Number of rights vested during the period	Number of rights lapsed during the period	Value at lapse date
E Chung	-	-	-	-	-	-	-
R Phare	-	-	-	-	-	-	-
M Harwood	-	-	-	-	-	-	-
P Rogers	-	-	-	-	-	-	-
G Pye	56,785	\$200,000	-	-	-	-	-

* The assessed fair value at grant date of rights granted to the individuals is allocated equally over the period from grant date to vesting date. The amount is included in the remuneration tables above. As outlined in greater detail in note 1 (r) (iii) fair values at grant date are determined using a Black-Scholes pricing model.

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

- Rights are granted for no consideration. Each tranche vests yearly.
- Dividend yield – 2.2%
- Expected volatility – 13%
- Risk-free interest rate – 1.8%
- Price of shares on grant date - \$3.76
- Fair value of performance right - \$3.52

LTI Performance Targets for Executives

LTI Performance Targets for executives consist of a blend of ;

- Group Targets such as Net Profit Before Tax (NPBT)
- Individual Business Unit Targets (for the Executives Business Unit) such as Licence Fee Growth or R&D expense growth

This blended approach of targets incentives executives to work for the benefit of the Group as a whole, as well as driving their individual business unit.

The Performance Targets that have been set for 2015 LTI grant are as follows:

- Gareth Pye - NPBT, licence fee growth, R&D expense growth and operating cash flow.

Remuneration report (Audited) (continued)

9.3 Shares provided on exercise of remuneration options

Details of ordinary shares in the Group provided as a result of the exercise of remuneration options to each director of Technology One Limited and Senior Executives of the group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the period	Value at exercise date *
E Chung	25 November 2014	200,000	\$83,000
R Phare	8 July 2015	200,000	\$113,720
M Harwood	-	-	-
P Rogers	8 July 2015	200,000	\$136,240
G Pye	15 July 2015	50,000	\$26,510

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

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

9.4 Details of remuneration: STI and LTI

The tables below show those Executives that were entitled to STI or LTI remuneration during the financial year, the table shows the proportions of the STI awarded and forfeited during the year. The number of options and rights granted during the year is also disclosed below.

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

Name	Incentives		LTI (Options/Rights)			Financial years in which options may vest	Maximum total value of grant yet to vest
	Earned	Forfeited	Year granted	Vested	Forfeited		
	%	%		%	%		\$
E Chung	100	-	2008	100	-	2015	-
			2014	-	-	2016-2021	1,485,394
R Phare	84	16	2012	40	-	2016 – 2018	240,797
M Harwood	100	-	2009	100	-	2015	-
			2015	-	-	2016 – 2018	884,516
P Rogers	85	15	2012	40	-	2016 – 2018	325,623
G Pye	100	-	2011	50	-	2016 – 2018	63,691
			2015	-	-	2018	200,000

Remuneration report (Audited) (continued)

10 Summary of remuneration for key executives for FY15

Current Position	Edward Chung Operating Officer – Products & Solutions	Paul Rogers Operating Officer – Consulting Services	Gareth Pye Operating Officer – Corporate Services	Martin Harwood Operating Officer – Sales and Marketing	Roger Phare Operating Officer – United Kingdom
Fixed Remuneration					
Base salary:	\$227,839	\$289,172	\$180,907	\$210,728	\$237,440
Superannuation	Compulsory Superannuation Guarantee Contributions up to the maximum contribution base, equating to \$8,856 per annum.	Compulsory Superannuation Guarantee Contributions up to the maximum contribution base, equating to \$17,802 per annum.	Compulsory Superannuation Guarantee Contributions up to the maximum contribution base, equating to \$17,186 per annum.	Compulsory Superannuation Guarantee Contributions up to the maximum contribution base, equating to \$9,531 per annum.	No compulsory Superannuation Guarantee Contributions payable as currently employed by Technology One UK Limited.
Non-monetary benefits and other:	Mobile telephone and salary sacrifice arrangements for motor vehicles	Mobile telephone and salary sacrifice arrangements for motor vehicles	Mobile telephone and salary sacrifice arrangements for motor vehicles	Mobile telephone and salary sacrifice arrangements for motor vehicles	Mobile telephone and salary sacrifice arrangements for motor vehicles
Performance based remuneration					
STI:	Mr Chung is paid on Group Net Profit Before Tax and his incentives. 20% of this is retained for 3 months after the reporting period.	Mr Rogers is paid on Group Consulting Net Profit Before Tax and his incentives. 20% of this is retained for 3 months after the reporting period.	Mr Pye is paid on Group Net Profit Before Tax and his incentives. 20% of this is retained for 3 months after the reporting period.	Mr Harwood is paid on Group Net Profit Before Tax and his incentives. 20% of this is retained for 3 months after the reporting period.	Mr Phare is paid on UK Profit Before Tax and his incentives. 20% of this is retained for 3 months after the reporting period.
LTI:	Mr Chung was issued with 1,000,000 options in July 2014. No further Options will be issued under this plan as it has been quarantined. All future LTI will be based on the new EPR scheme.	Mr Rogers was issued with 1,000,000 options in October 2012. No further Options will be issued under this plan as it has been quarantined. All future LTI will be based on the new EPR scheme.	Mr Pye was issued with 300,000 options in July 2011. No further Options will be issued under this plan as it has been quarantined. All future LTI will be based on the new EPR scheme. He was also issued \$200,000 EPR'S for the 2015 year under the new LTI plan based on EPR.	Mr Harwood was issued with 1,000,000 options in October 2014. No further Options will be issued under this plan as it has been quarantined. All future LTI will be based on the new EPR scheme.	Mr Phare was issued with 1,000,000 options in July 2012. No further Options will be issued under this plan as it has been quarantined. All future LTI will be based on the new EPR scheme.
2015 Percentage breakdown of remuneration					
Fixed remuneration (includes superannuation)	36%	45%	41%	23%	32%
STI	35%	38%	41%	52%	57%
LTI	29%	17%	18%	25%	11%

Remuneration report (Audited) (continued)

Current Position	Edward Chung Operating Officer – Products & Solutions	Paul Rogers Operating Officer – Consulting Services	Gareth Pye Operating Officer – Corporate Services	Martin Harwood Operating Officer – Sales and Marketing	Roger Phare Operating Officer – United Kingdom
Post-employment benefits	Nil	Nil	Nil	Nil	Nil
Post-employment restraint	12 months	12 months	12 months	12 months	12 months
Termination	3 months' notice	3 months' notice	3 months' notice	3 months' notice	3 months' notice
Termination benefits	Nil	Nil	Nil	Nil	Nil
Payments made prior to commencement	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Directors' Fees	\$74,022	Not applicable	Not applicable	Not applicable	Not applicable

11 Non-executive director fees

The total amount of Directors fees is capped at a maximum pool that is approved by shareholders. The current fee pool remains at \$600,000, which was approved by shareholders at the Annual General Meeting on 6 February 2009.

Non-executive Directors receive fees to recognise their contribution to the work of the Board and the associated committees that they serve. Non-executive Directors do not receive any performance-related remuneration.

The Committee has the responsibility for determining the appropriate remuneration for Non-executive Directors. Every year the committee reviews and compares the Non-executive Director fees to other Australian publicly listed IT companies. The Directors fees are set in the mid-range of our peer companies.

At 30 September 2015, Non-executive Director fees were \$74,022 including statutory superannuation contributions, this is an increase of 3%. No additional fees are paid for each Board Committee on which a Director sits.

12 Director Shareholdings

Non-executive Directors are required to hold 7,500 or more TechnologyOne shares or shares to a value of \$20,000 whichever is the greater. For those Non-executive Directors who have holdings below this threshold, 30% of their after-tax base fees can be used to purchase additional shares until a holding of 7,500 shares has been reached. Directors are required to rectify any short fall within a 12 month period. New Directors are allowed 24 months to meet this requirement.

Current shareholding for directors is listed in the Directors Report. All Directors must comply with this requirement. The Board in total holds 86,679,500 shares, representing 28% of the total shareholding of the Company.

13 Loans to Key Management Personnel

There have been no loans to directors or Executives during the financial year (2014: nil).

14 Other transactions with Key Management Personnel

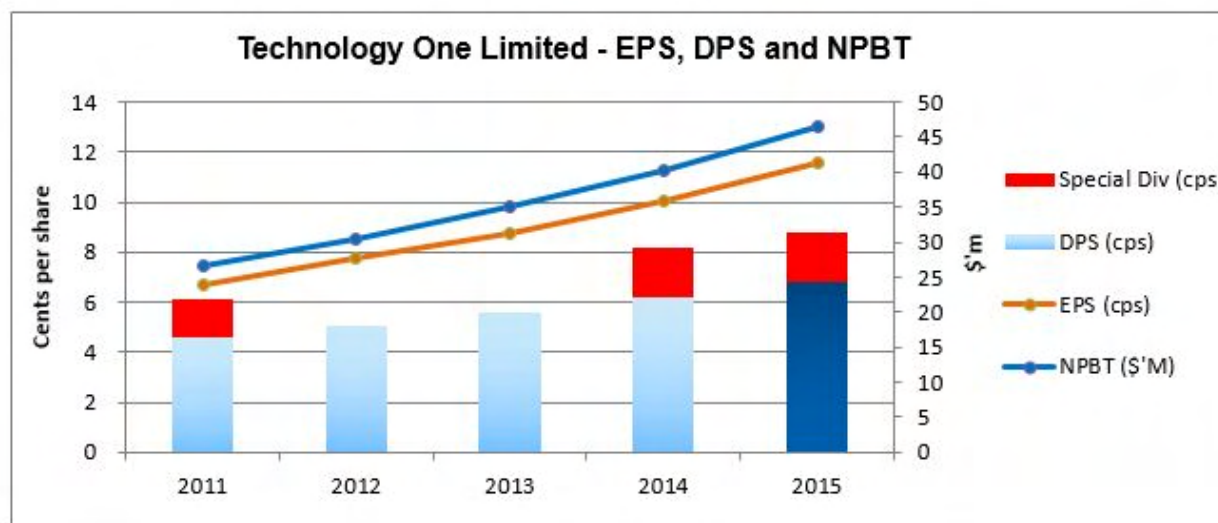
During the year there were no transactions with key management personnel.

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

Additional information

Performance of Technology One Limited

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



Indemnification of officers

Insurance and indemnity arrangements established in the previous year concerning officers of the Company were renewed or continued during the year ended 30 September 2015.

An indemnity agreement has been entered into between TechnologyOne and each of the directors of the Company named earlier in this report and with each full-time executive officer and secretary of the Company. Under the agreement, the Company has indemnified those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. There is a limit of \$25,000,000 for any one claim.

TechnologyOne paid an insurance premium in respect of a contract insuring each of the directors of the Company named earlier in this report and each full-time executive officer and secretary of the Company, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

Indemnification of auditor

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

Non-audit services

Non-audit services provided by the Company's auditor, Ernst & Young, in the current financial period and prior financial year included taxation advice. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the Company and its related practices:

	2015 \$	2014 \$
Ernst & Young firm:		
Due diligence services	55,550	-
Ernst & Young:		
Taxation advice	125,764	116,845
Compliance services	45,000	-
Total remuneration	170,764	116,845

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 115.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Environmental regulation

The Company has determined that no particular or significant environmental regulations apply to it.

Share options

Unissued shares

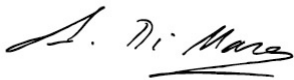
As at the date of this report, there were 6,071,783 unissued ordinary shares under options (6,071,783 at the reporting date). Refer to note 33 for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company.

Shares issued on the exercise of options

During the year, employees and executives have exercised options to acquire 1,837,967 fully paid ordinary shares in Technology One Limited at a weighted average exercise price of \$0.55. Refer to note 33 for further details of the options exercised during the year.

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



Adrian Di Marco
Executive Chairman

Brisbane
24 November 2015

Corporate governance statement

The Board of Directors of the Company is responsible for its corporate governance. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has the authority to delegate any of their powers to committees consisting of such directors and external consultants, as the directors think fit. The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee.

The format of the Corporate Governance Statement is in accordance with the Australian Securities Exchange Corporate Governance Council's 'Corporate Governance Principles and Recommendations with 2014 Amendments' Third Edition. In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period.

TechnologyOne's corporate governance practices were in place throughout the year ended 30 September 2015. As noted below, there are some recommendations with which the Company has not complied. These are at the end of the statement. Apart from these, the Company has complied with all of the principles.

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

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

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

Board of Directors and its Committees

Board of Directors

The directors are as follows:

Adrian Di Marco	Executive Chairman - major shareholder
John Mactaggart	Non-executive Director - major shareholder
Ronald McLean	Non-executive Director - independent
Kevin Blinco	Non-executive Director - independent
Richard Anstey	Non-executive Director - independent
Edward Chung	Executive Director (resigned 10 August 2015)

The Company Secretary is Gareth Pye.

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

- The Board should comprise at least three members, but no more than 10. The current Board membership is five due to the resignation of Edward Chung but a replacement is expected to be appointed. The Board may increase the number of directors where it is felt that additional expertise in specific areas is required. The Company believes for its current size, a smaller board allows it to be more effective and to react quickly to opportunities and threats.
- The Board should be comprised of directors with an appropriate range of qualifications, expertise, experience and diversity.
- The Board shall meet regularly as required and have available all necessary information to participate in an informed discussion of agenda items.
- For a director to be considered independent, they must not have worked for TechnologyOne in the last 3 years.
- The directors are entitled to be paid expenses incurred in connection with the execution of their duties as directors. Each director is therefore able to seek independent professional advice at the Company's expense, where it is in connection with their duties and responsibilities as Directors. The Company policy is that a director wishing to seek independent legal advice should advise the Board, or if this is not possible the Chairman, at least 48 hours before doing so.

The Role of the Board is as follows:

- Setting objectives, goals and strategic direction for management, with a view to maximising shareholder value.
- Input into and ratifying any significant changes to the company.
- Adopting an annual budget and monitoring financial performance.
- Ensuring adequate internal controls exist and are appropriately monitored for compliance.
- Ensuring significant business risks are identified and appropriately managed.
- Selecting, appointing and reviewing the performance of the CEO.
- Setting the highest business standards and code of ethical behaviour.
- Overseeing the establishment and implementation of the risk management system, and annually reviewing its effectiveness.
- Decisions relating to the appointment or removal of the Company Secretary.

A code of conduct has been established for the Board.

The Board has established a diversity policy, which is discussed below.

The Company has established a policy requiring the evaluation of the performance of Directors on an annual basis. This is undertaken by the Nomination Committee.

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 Nomination Committee 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.

Majority of Independent Directors

Three of the five directors are independent. To be classified as independent, these directors are non-executive directors of the Company and are not major shareholders.

Ron McLean was previously an executive of the Company until 2004. Notwithstanding this, TechnologyOne classify him as an independent non-executive director as a result of the lapse of time (eleven years) since holding the position, and the significant changes in senior management at TechnologyOne since then. His direct operational control and influence over the business has ended.

Having said this, some advisors have not considered Mr Mclean as independent. As a result the Board may be seen as not majority independent. Because of this the Board has committed to increase the board size by adding 2 additional independent directors, with the first to be added in the 2016 financial year, with a preference for a female director to increase gender diversity. This would then deliver without doubt, a majority of independent directors.

TechnologyOne is also keen to retain Mr McLean on the Board, because of his deep industry knowledge, and his extensive experience and successful track record in enterprise software which is uncommon in Australia, which adds significant value to the TechnologyOne Board.

Audit Committee

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

The Committee is comprised of:

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

The role of the Committee is as follows:

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

Remuneration Committee

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

The Committee is comprised of a majority of independent directors, and is chaired by an independent director. The Committee is comprised of:

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

The role of the Committee is as follows:

- Advise the Board with regard to the Company's remuneration framework for executives.
- Determine the individual remuneration framework for executives and directors.
- Give the executives encouragement to enhance the Company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contribution.
- Make recommendations to the Board, based on the items above

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

Nomination Committee

The Board has established a Nomination Committee. The Committee meets as required during the year.

The Committee is comprised of a majority of independent directors, and is chaired by an independent director.

The Committee is comprised of:

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

The role of the Committee is as follows:

- Assessment of the necessary and desirable competencies and experience for board membership.
- Assessment of the independence of each director. Evaluation of the performance of the Board, Audit and Remuneration Committees, and their membership.
- Evaluation initially and on an on-going basis of non-executive director's commitments and their ability to commit the necessary time required to fulfil their duties to a high standard.
- Adherence by directors to the Director's Code of Conduct and to good corporate governance.
- Review of Board succession plans, changes to committees and appointment of new directors.
- Conduct searches for new Board Members based on previously agreed criteria with the Board; and recommend preferred candidates to the Board for consideration
- Make recommendations to the Board, based on the items above

The Board has established a policy requiring the evaluation of the performance of Directors on an annual basis by the Nomination Committee.

Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, observe the highest standards of behaviour and business ethics, and strive at all times to enhance the reputation and performance of the Company.

Shareholders' Rights

The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The information is communicated to shareholders by the:

- Annual Report being distributed to all shareholders. The Board ensures the Annual Report contains all relevant information about the operations of the Company during the financial year, together with details of future developments and other disclosures required under the Corporations Act 2001.
- Half Year Results Report distributed to all shareholders.
- Disclosures forwarded to the Australian Securities Exchange under the Company's continuous disclosure obligations.

Risk Management

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

Diversity at Technology One

The diversity of TechnologyOne remains fundamental to our ongoing success. TechnologyOne has established a Diversity Policy which reflects the company's commitment to providing an inclusive workplace.

A summary of the Diversity Policy is following:

- Diversity is one of TechnologyOne's strengths. TechnologyOne values this diversity and recognises the individual contribution our people can make and the opportunity for innovation such diversity brings.
- TechnologyOne believes that we will achieve greater success by providing our people with an environment that respects the dignity of every individual, fosters trust, and allows every person the opportunity to realise their full potential.
- TechnologyOne is committed to providing an inclusive workplace and our commitment to diversity extends to our interactions with customer and suppliers.

The Board established measurable objectives for 2015 and the objectives are:

- Ensuring compliance with the published diversity policy.
- Diversity target - setting targets for the number of women in senior roles in the organisation
- Maintain reporting measures that are in compliance with both the ASX guidelines and Workplace Gender Equality Agency.
- Continue to identify employee feedback mechanisms through the review of existing forums and information provided as well as the identification of appropriate new mechanisms for employee consultation.
- Maintain existing educational programs that support diversity including but not limited to induction, on boarding and leadership programs delivered through the TechnologyOne College.

These objectives have been met, however TechnologyOne recognises further progress and improvement is possible and for this reason, for 2016, TechnologyOne will continue to progress objectives one through to four.

TechnologyOne's Australian workplace profile as at 30 September 2015 is detailed below:

	Male	%	Female	%	Total
Board & Executive Directors	5	100%	-	0%	5
Executive	4	100%	-	0%	4
Managers	76	70%	33	30%	109
Employees	452	64%	255	36%	707
	537	65%	288	35%	825

The Board has committed to increase the board size by adding 2 additional independent directors, with the first to be added in the 2016 financial year, with a preference for female directors to increase gender diversity.

Non-Compliance with ASX Corporate Governance Principles and Recommendations

The Board of TechnologyOne believes in working to the highest standards of Corporate Governance. Notwithstanding this, the Board believes it is important to recognise there is not a 'one size fits all' to good Corporate Governance, and that it is important to consider the size of the Company, the industry it operates within, the corporate history and the Company's inherent strengths.

The ASX Corporate Governance Council has recognised this fact, and has allowed companies to explain where they do not comply with the Corporate Governance Principles and Recommendations.

The Company has complied with the majority of the ASX recommendations with the exception of but a few. The Board believes the areas of non-conformance shown below will not impact the Company's ability to meet the highest standards of Corporate Governance and will at the same time allow the Company to capitalise on its inherent strengths.

This section explains those areas of non-compliance.

Majority of Independent Directors (Refer ASX Corporate Guidelines - Recommendation 2.4)

The number of directors is five.

Three directors are independent: Mr Mclean, Mr Blinco and Mr Anstey.

Two are not independent because they are major shareholders: Mr Di Marco and Mr Mactaggart.

TechnologyOne believes strongly having two major shareholders (both who have been founders of the Company) has added significant strength to the board, and a continuing vision for its success.

Because the independence of Mr Ron Mclean has been debated by some corporate advisory groups, because he was a past employee of TechnologyOne 11 years ago, TechnologyOne has set the objective to increase the board size, with the aim of adding two additional independent director, preferably female directors, with the first in the 2016 financial year; which would then deliver without doubt, a majority of independent directors.

Independent Chairman (Refer ASX Corporate Guidelines - Recommendation 2.5)

The Board is of the opinion it should maximise the vision, skills deep industry knowledge and proven track record of the Company's founder and major shareholder, Mr Di Marco, to continue to lead the Company forward. He has a long and proven track record of creating significant shareholder wealth for the company as its Chairman, since its listing on the ASX in 1999.

As such the Board believes Mr Di Marco continues to be the best candidate for the role of TechnologyOne Chairman.

Under Mr Di Marco chairmanship TechnologyOne has not only created substantial shareholder wealth but adhered to the highest standards of corporate governance.

The Board continues to monitor the situation, and get advice and feedback from shareholders who continue to be supportive of the current situation.

Separation of Chairman & CEO Roles (Refer ASX Corporate Guidelines - Recommendation 2.5)

Mr Di Marco is the Company's Chief Executive Officer, and is also the Company's Chairman.

The Board is of the opinion it should maximise the vision, skills deep industry knowledge and proven track record of the Company's founder and major shareholder, Mr Di Marco, to continue to lead the Company forward. He has a long and proven track record of creating significant shareholder wealth for the Company as its Chairman and CEO, since its listing on the ASX in 1999.

The Board continues to monitor the situation, and get advice and feedback from shareholders; who continue to be supportive of the current situation.

It is important to note that there are five Operating Officers who are responsible for the day to day operations of the Company, who report to Mr Di Marco. The Board believes this provides the necessary balance required at this time.

Technology One Limited
Consolidated income statement
For the year ended 30 September 2015

	Notes	2015 \$'000	2014 \$'000
Revenue	5	218,724	195,124
Variable costs		(21,713)	(18,048)
Variable customer cloud costs		(3,189)	(1,038)
Total variable costs		(24,902)	(19,086)
Occupancy costs		(8,376)	(9,345)
Corporate costs		(12,303)	(9,748)
Depreciation & amortisation	6	(4,157)	(4,792)
Computer & communication costs		(7,484)	(6,072)
Marketing costs		(3,237)	(3,271)
Employee costs		(110,077)	(101,289)
Share-based payments		(1,548)	(1,056)
Finance expense		(146)	(230)
Total operating costs		(147,328)	(135,803)
Profit before income tax	7	46,494	40,235
Income tax expense	7	(10,709)	(9,268)
Profit for the year		35,785	30,967
		Cents	Cents
Basic earnings per share	32	11.57	10.06
Diluted earnings per share	32	11.30	9.86

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

Technology One Limited
Consolidated statement of comprehensive income
For the year ended 30 September 2015

	2015 \$'000	2014 \$'000
Profit for the year (from previous page)	35,785	30,967
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>294</u>	(249)
Other comprehensive income for the year, net of tax	<u>294</u>	(249)
Total comprehensive income for the year	<u>36,079</u>	30,718

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

Technology One Limited
Consolidated statement of financial position
As at 30 September 2015

	Notes	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	75,536	80,209
Prepayments		1,802	1,180
Trade and other receivables	9	38,273	30,844
Earned and unbilled revenue		12,110	7,774
Other current assets	10	355	344
Total current assets		128,076	120,351
Non-current assets			
Property, plant and equipment	11	10,012	8,875
Intangible assets	12	38,103	15,684
Deferred tax assets	13	6,456	6,451
Total non-current assets		54,571	31,010
Total assets		182,647	151,361
LIABILITIES			
Current liabilities			
Trade and other payables	14	22,026	17,826
Provisions	15	9,137	7,922
Current tax liabilities		3,479	3,137
Unearned revenue		12,672	8,123
Borrowings	16	2,363	1,302
Total current liabilities		49,677	38,310
Non-current liabilities			
Trade and other payables	29	8,513	-
Provisions	17	4,793	4,076
Borrowings	18	29	2,304
Other non-current liabilities	19	1,695	2,172
Total non-current liabilities		15,030	8,552
Total liabilities		64,707	46,862
Net assets		117,940	104,499
EQUITY			
Contributed equity	21	28,459	27,447
Other reserves	22	31,097	27,151
Retained earnings		58,384	49,901
Total equity		117,940	104,499

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

Technology One Limited
Consolidated statement of changes in equity
For the year ended 30 September 2015

	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
Exchange differences on translation of foreign operations		-	-	-	294	-	294
Profit for the year		-	35,785	-	-	-	35,785
Total comprehensive income for the period		-	35,785	-	294	-	36,079
Non-controlling interests on acquisition of subsidiary		-	(58)	-	-	-	(58)
Dividends paid	23	-	-	(25,868)	-	-	(25,868)
Transfer to dividend reserve		-	(27,244)	27,244	-	-	-
Exercise of share options	21	1,012	-	-	-	-	1,012
Share based payments	33	-	-	-	-	1,546	1,546
Tax impact of share trust		-	-	-	-	730	730
		1,012	(27,302)	1,376	-	2,276	(22,638)
Balance at 30 September 2015		28,459	58,384	20,562	(216)	10,751	117,940
Balance at 1 October 2013		26,711	44,134	11,768	(261)	5,384	87,736
Exchange differences on translation of foreign operations		-	-	-	(249)	-	(249)
Profit for the year		-	30,967	-	-	-	30,967
Total comprehensive income for the period		-	30,967	-	(249)	-	30,718
Dividends paid	23	-	-	(17,782)	-	-	(17,782)
Transfer to dividend reserve		-	(25,200)	25,200	-	-	-
Exercise of share options	21	736	-	-	-	-	736
Share-based payments	33	-	-	-	-	1,056	1,056
Tax impact of share trust		-	-	-	-	2,035	2,035
		736	(25,200)	7,418	-	3,091	(13,955)
Balance at 30 September 2014		27,447	49,901	19,186	(510)	8,475	104,499

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

Technology One Limited
Consolidated statement of cash flows
For the year ended 30 September 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		229,770	210,412
Prepayments to suppliers and employees		(583)	(1,777)
Payments to suppliers and employees (inclusive of GST)		(183,492)	(167,737)
Interest received		1,298	1,780
Income taxes paid		(10,699)	(8,826)
Other revenue		1,494	1,428
Interest paid		(146)	(230)
Net cash inflow / (outflow) from operating activities	31	<u>37,642</u>	<u>35,050</u>
Cash flows from investing activities			
Payments for acquisition of subsidiary (net of cash acquired)	29	(11,989)	-
Payments for property, plant and equipment		(4,338)	(1,555)
Proceeds from sale of property, plant and equipment		6	-
Net cash inflow / (outflow) from investing activities		<u>(16,321)</u>	<u>(1,555)</u>
Cash flows from financing activities			
Proceeds from exercise of share options		1,011	736
Repayment of finance lease		(1,137)	(1,637)
Dividends paid to Company's shareholders	23	(25,868)	(17,782)
Net cash inflow / (outflow) from financing activities		<u>(25,994)</u>	<u>(18,683)</u>
Net increase / (decrease) in cash and cash equivalents		(4,673)	14,812
Cash and cash equivalents at the beginning of the financial year		80,209	65,397
Cash and cash equivalents at end of year	8	<u>75,536</u>	<u>80,209</u>

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

1 Summary of significant accounting policies

The financial report of Technology One Limited (the Company) for the year ended 30 September 2015 was authorised for issue in accordance with a resolution of directors on 24 November 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.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Technology One Limited and its subsidiaries. The nature of the operations and principal activities of the Group are described in the directors' report.

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

The accounting policies adopted are consistent with those of the previous financial year.

(i) Compliance with IFRS

This financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(ii) Newly adopted standards

The Company has elected to apply the following pronouncement to the annual reporting period ending 30 September 2015.

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

- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*
- AASB 2013-5 *Amendments to Australian Accounting Standards - Investment Entities*
- AASB 2013-7 *Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]*
- AASB 1031 *Materiality*
- AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments*
- AASB 2014-1 Part A: *Amendments to Australian Accounting Standards - AASB 2, AASB 3, AASB 8, AASB 116 & AASB 138, AASB 124, AASB 13, AASB 140*

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) Newly adopted standards (continued)

- AASB 2014-Part B: Amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service.
- AASB 1053 *Transition to and between Tiers, and related Tier 2 Disclosure Requirements*

(iii) Issued but not yet effective

- AASB 9 *Financial Instruments* includes requirements for the classification, measurement and derecognition of financial assets and financial liabilities. The effective date of this standard is for the annual periods beginning on 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.
- AASB 15 *Revenue from Contracts with Customers* was issued by AASB in December 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 2018*, 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 2019.

*In IASB's July 2015 meeting it decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 was expected to be issued in October 2015. At this time it is expected that the AASB will make a corresponding amendment to the effective date of AASB 15 to be 1 January 2018 with early adoption permitted.

- AASB 2015-1 Amendment to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle the principal amendments to the standards included:
 - An amendment to AASB 119 Employee Benefits - clarifying that high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. As TechnologyOne currently uses the G100 corporate rate that is denominated in the same currency as the post-employment benefit obligations this amendment has been assessed as having no impact on TechnologyOne.
 - Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. The effective date of this amendment is the 1 January 2016 and will be assessed when TechnologyOne is preparing the interim financial statements.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through the income statement.

1 Summary of significant accounting policies (continued)

(a) *Basis of preparation (continued)*

(v) *Critical accounting estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) *Principles of consolidation*

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Technology One Limited ('Company' or 'parent entity') as at 30 September 2015 and the results of all subsidiaries for the year then ended. Technology One Limited and its subsidiaries together are referred to in this financial report as the 'Company' or the 'Consolidated entity'.

Intercompany transactions, balances and unrealised gains on transactions between companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(ii) *Employee Share Trust*

The Company has formed a trust to administer the Company's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Company.

(c) *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Company's operations are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Technology One Limited's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1 Summary of significant accounting policies (continued)

(c) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position, and
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company sells its licenced software under a perpetual licence contract with associated services, or as part of a "Software as a Service" (SaaS) solution which allows customers access to licensed software for a defined period, along with associated services.

Revenue is recognised for the major business activities as follows:

(i) Software Licence Fee Revenue

Revenue from licence fees due to software sales is recognised on the transferring of significant risks and rewards of ownership of the licensed software under an agreement between the Company and the customer.

(ii) Implementation and Consulting Services Revenue for Licenced Software

Revenue from implementation and consulting services attributable to licensed software is recognised in proportion to the stage of completion, typically in accordance with the achievement of contract milestones and/or hours expended.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

(iii) Post Sales Customer Support Revenue for Licensed Software

Post sales customer support (PSCS) revenue for licensed software comprises fees for ongoing upgrades, minor software revisions and helpline support. PSCS revenue is allocated between annual fees for helpline support and fees for rights of access to ongoing upgrades and minor software patches. Fees for rights of access to ongoing upgrades and minor software revisions are recognised at the commencement of the period to which they relate on the basis that the Company has no ongoing obligations or required expenditure related to this revenue.

(iv) Project Services Revenue

Revenue from project services agreements is recognised in proportion to their stage of completion, typically in accordance with the achievement of contract milestones and/or hours expended.

(v) Cloud Services

Revenue from cloud services is recognised as the services are performed.

(vi) Unearned Services Revenue

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

(vii) Earned and Unbilled Revenue

Amounts recorded as earned and unbilled revenue represent revenues recorded on software licence fees and PSCS fees not yet invoiced to customers. These amounts have met the revenue recognition criteria of the Company, but have not reached the payment milestones contracted with customers.

(viii) SaaS Revenue

Software as a Service (SaaS) revenue is separable into each of its components of software licence fees, post sales customer support and cloud services. At each reporting date, the unearned portion is assessed and deferred to be recognised over the period of service.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Summary of significant accounting policies (continued)

(e) *Income tax (continued)*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Technology One Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

The head entity, Technology One Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

The Company has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112.

The Company created an Employee Share Trust during 2009 which allows an employee on the exercise of an option to hold the share in the Trust. As per AASB 112, on granting the option, the Company now records a deferred tax asset on the expected value of the share. If the amount of the tax deduction (or estimated future tax deduction) exceeds the amount of the related cumulative remuneration expense, the difference is recognised directly in equity. When the employee exercises the option, the tax effect difference between the actual market value and what was recorded as a deferred tax asset is recognised to equity.

1 Summary of significant accounting policies (continued)

(f) *Segment reporting*

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision maker - being the Executive Chairman.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for 'all other segments'.

(g) *Leases*

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 11). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) *Research and Development costs*

Research and development expenses include payroll, employee benefits and other employee-related costs associated with product development. Technological feasibility for software products is reached shortly before products are released for commercial sale to customers. Costs incurred after technological feasibility is established are not material, and accordingly, all research and development costs are expensed when incurred.

1 Summary of significant accounting policies (continued)

(i) *Impairment of assets*

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) *Cash and cash equivalents*

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

For purposes of the statement of cash flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts.

(k) *Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is recognised in the income statement within corporate expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against corporate expenses in the income statement.

1 Summary of significant accounting policies (continued)

(l) *Investments and other financial assets*

The Company classifies its investments in the following categories: financial assets at fair value through the Income Statement, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) *Available-for-sale financial assets*

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Investments held which are classified as available-for-sale are measured at fair value where such investments comprise tradeable securities. Fair value is determined by reference to quoted market prices in an active, liquid and observable market.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

(m) *Property, plant and equipment*

Property, plant and equipment are measured at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful economic lives of the assets as follows:

Office furniture and equipment	3 - 11 years
Computer software	3 - 4 years
Motor vehicles	4 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) *Intangible assets*

(i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1 Summary of significant accounting policies (continued)

(n) *Intangible assets (continued)*

(i) *Goodwill (continued)*

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) *Intellectual Property/Source Code*

Intangible assets acquired separately are capitalised at cost, and if acquired as a result of a business combination, capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to all classes of intangible assets. The useful lives of the intangible assets are assessed to be either finite or infinite. Where amortisation is charged on intangible assets with finite lives, this expense is taken to the Income Statement through the 'depreciation & amortisation expense' line item. Intangible assets with finite lives are tested for impairment where an indicator of impairment exists. Useful lives are examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Intellectual Property/Source Code is amortised on a straight line basis over 8 years.

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the intangible asset is derecognised.

(o) *Trade and other payables*

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) *Provisions*

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) *Employee benefits*

(i) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave, which are non-vesting, are recognised when the leave is taken and measured at the rates paid or payable.

1 Summary of significant accounting policies (continued)

(q) *Employee benefits (continued)*

(ii) *Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) *Share-based payments*

The Company provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares. The costs of share-based payment transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Refer to note 33.

The cost of share-based payments is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period). No expense is recognised for awards that do not ultimately vest.

(r) *Contributed equity*

Ordinary shares are classified as equity.

Issued and paid up capital is recognised at the fair value of the consideration received. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(s) *Earnings per share*

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

1 Summary of significant accounting policies (continued)

(s) *Earnings per share (continued)*

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t) *Dividends*

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 Financial risk management

The Company's principal financial instruments are finance leases, cash and short-term deposits and assets available-for-sale and borrowings.

The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial assets and liabilities are interest rate risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the Financial Statements.

During 2010, the Company entered into an interest rate cap on our Asset Finance Facility. The cap was for \$8,000,000 put in place to limit any exposure in interest rate movements above a BBSY of 5.50%. During the financial year the interest rate cap was completed and not renewed.

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

The Company holds the following financial instruments:

	2015 \$'000	2014 \$'000
Financial assets		
Cash and cash equivalents	75,536	80,209
Trade and other receivables	38,273	30,844
	<u>113,809</u>	<u>111,053</u>
Financial liabilities		
Trade and other payables	22,026	17,826
Borrowings	2,392	3,606
Contingent consideration	8,513	-
	<u>32,931</u>	<u>21,432</u>

(a) Interest rate risk

The Company's cash and investment assets are exposed to movements in deposit and variable interest rates. The Company does not hedge this exposure. Interest rate risk on cash is not considered to be material.

2 Financial risk management (continued)

(b) Foreign currency risk

As a result of operations in New Zealand, Malaysia and the United Kingdom and sales contracts denominated in United States dollars, the Company's statement of financial position can be affected by movements in the exchange rates applicable to these geographical locations and currencies.

The Company does not hedge this risk.

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

	2015 USD \$'000	2014 USD \$'000
Trade receivables	640	515

(c) Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Information on credit risk exposures is contained in Note 9.

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and Groups subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contrac- tual cash flows \$'000
At 30 September 2015					
Financial assets					
Cash and cash equivalents	75,536	-	-	-	75,536
Trade and other receivables	38,273	-	-	-	38,273
Total	113,809	-	-	-	113,809
Financial liabilities					
Trade and other payables	22,026	-	-	-	22,026
Borrowings	1,896	511	30	-	2,437
Contingent consideration	-	-	10,000	-	10,000
Total	23,922	511	10,030	-	34,463
Net inflow / (outflow)	89,887	(511)	(10,030)	-	79,346

2 Financial risk management (continued)

(d) Liquidity risk (continued)

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

(e) Fair value measurements

At 30 September 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 29 is classified as Level 3 (2014: nil). The valuation techniques and fair value of consideration is outlined in note 29.

	Contingent Consideration \$'000
Opening balance at 1 October 2014	-
Other increases/(decreases)	8,513
(Gains)/losses recognised in income statement	-
Closing balance at 30 September 2015	8,513

The carrying value of trade receivables, accrued revenue and trade payables are assumed to approximate their fair value due to their short term nature. The fair value of non-current borrowings materially approximates their carrying amount, as the impact of discounting is not significant.

2 Financial risk management (continued)

(f) *Capital risk management*

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The current risk management structure of the Company is to use all equity funding except for funding required to purchase core information technology assets which is funded by a leasing facility.

The equity funded position of the Company is managed by the Board through dividends, new shares and share buy backs as well as the issue of new equity where considered appropriate to fund business acquisitions.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Impairment of goodwill and other assets*

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(n)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 12 for details of these assumptions and the potential impact of changes to the assumptions.

All other assets are reviewed for indicators or object evidence of impairment. If indicators or objective evidence exists, the recoverable amount is reviewed.

(ii) *Share-based payments*

The costs of equity-settled transactions are measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a Black-Scholes model, further details of which are given in note 33. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities with the next annual reporting period but may impact expenses and equity.

(iii) *Long service leave*

A liability for long service is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

3 Critical accounting estimates and judgements (continued)

(iv) Make good provisions

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

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

(v) Onerous lease

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

(vi) Onerous contract

A provision has been made for various customer contracts. Where a provision is required for an onerous contract, management has made an assessment of the expected aggregate costs required to complete the contract less the present value of expected revenue to be received.

(vii) Contingent consideration

A provision has been made for the present value of anticipated costs for future contingent earn out considerations resulting from the acquisitions made during the year. In estimating the liability it was assumed that the maximum earn out amount will be payable based on current operating projections. Further details are available at note 29.

4 Segment information

(a) Description of segments

The Group's chief operating decision maker makes financial decisions and allocates resources based on the information they receive from its internal management system. Sales are attributed to an operating segment based on the type of product or service provided to the customer.

Segment information is prepared in conformity with the accounting policies of the group as discussed in note 1 and Accounting Standard AASB 8.

TechnologyOne's reportable segments are:

- Sales and Marketing - sales of licence fees and customer support to our customers.
- Consulting - implementation and consulting services.
- Plus - custom software development services for large scale, purpose built applications.
- Research & Development (R&D) - the research, development and support of our products.
- Cloud - the delivery of cloud hosting 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 R&D for the development and support of the products that they have sold, as well as Corporate for the use of corporate services.

Our chief operating decision maker views each segments performance based on revenue post royalties and profit before tax. No reporting or reviews are made of segment assets, liabilities and cash flows and as such this is not measured or reported by segment.

4 Segment information (continued)

(b) Segment information provided to the strategic steering committee

2015	Sales & Marketing \$'000	Consulting \$'000	Plus \$'000	R&D \$'000	Cloud \$'000	Corporate \$'000	Total \$'000
Revenue							
External revenue	144,631	55,468	10,206	728	4,063	3,628	218,724
Intersegment revenue	122	(64)	23	(59)	(30)	8	-
Net royalty	(93,410)	(5,557)	(1,405)	58,436	(387)	42,323	-
Revenue from external customers	51,343	49,847	8,824	59,105	3,646	45,959	218,724
Expenses							
Total external expenses	45,802	40,661	7,593	41,038	6,181	30,955	172,230
Profit before tax	5,541	9,186	1,231	18,067	(2,535)	15,004	46,494
Income tax expense							(10,709)
Profit for the year							35,785
R&D expenses (external) as a % of total external revenue				19%			
Total assets							182,647
Total liabilities							64,707
Depreciation and amortisation							4,157
Other disclosures:							
Capital expenditure							4,540

4 Segment information (continued)

(b) Segment information provided to the strategic steering committee (continued)

2014	Sales & Marketing \$'000	Consulting \$'000	Plus \$'000	R&D \$'000	Cloud \$'000	Corporate \$'000	Total \$'000
Revenue							
External revenue	126,124	49,730	13,729	512	1,374	3,655	195,124
Intersegment revenue	266	(178)	(26)	62	-	(124)	-
Net royalty	(82,393)	(4,999)	(1,772)	51,174	(132)	38,122	-
Total revenue	43,997	44,553	11,931	51,748	1,242	41,653	195,124
Expenses							
Total external expenses	40,012	35,062	9,347	37,873	3,254	29,341	154,889
Profit before tax	3,985	9,491	2,584	13,875	(2,012)	12,312	40,235
Income tax expense							(9,268)
Profit for the year							30,967

R&D expenses (external) as a % of total external revenue

19%

Total assets	151,361
Total liabilities	46,862
Total depreciation and amortisation	4,792
Other disclosures:	
Capital expenditure	1,957

4 Segment information (continued)

(c) *Other segment information*

(i) *Segment revenue*

	2015 \$'000	2014 \$'000
Australia	193,440	172,810
New Zealand	19,956	19,015
International *	5,328	3,299
Segment revenues from sales to external customers	218,724	195,124

* International segments include United Kingdom, South Pacific and Malaysia.

(ii) *Segment assets*

	2015 \$'000	2014 \$'000
Australia	172,450	125,856
New Zealand	6,312	20,020
International *	3,885	2,590
Segment assets	182,647	148,466

* International segments include United Kingdom and Malaysia.

(iii) *Major customers*

The Company has a number of customers to which it provides both products and services, none of which contribute greater than 10% of external revenue.

5 Revenue

	2015 \$'000	2014 \$'000
<i>Sales revenue</i>		
Software licence fees	49,294	41,986
Implementation and consulting services	55,449	49,735
Post sales customer support	95,346	84,248
Project services	10,186	13,710
Product modifications	167	458
Total sales revenue	210,442	190,137
<i>Other revenue</i>		
Rents and sub-lease rentals	1,492	1,428
Interest received - Cash	1,608	1,771
Cloud service fees	4,124	1,374
Other	1,058	414
Total other revenue	8,282	4,987
Total revenue	218,724	195,124

6 Expenses

	2015 \$'000	2014 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	2,799	3,029
<i>Amortisation</i>		
Leased office furniture & equipment	680	1,440
Leased computer software	-	69
Intangible assets	678	254
Total amortisation	1,358	1,763
Total depreciation and amortisation	4,157	4,792
Wages and salaries	89,659	81,804
Defined contribution plan expense	7,696	6,954
Payroll tax	5,413	4,911
Provision for employee benefits	1,816	1,006
Share-based payments	1,548	1,056
Other	4,694	4,697
	110,826	100,428
Provision for doubtful debts	(2)	33
Foreign exchange gain	253	(122)
Rental expenses on operating leases	5,849	6,596
Loss on sale of fixed assets	19	-

7 Income tax expense

(a) Income tax expense

	2015 \$'000	2014 \$'000
Current tax	11,364	11,101
Relating to origination and reversal of temporary differences	(454)	26
Adjustments for current tax of prior periods	(201)	(1,859)
	<u>10,709</u>	<u>9,268</u>
Deferred income tax expense / (revenue) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(2,558)	300
Increase / (decrease) in deferred tax liabilities	2,842	(319)
Adjustment for deferred taxes of prior periods	170	(7)
	<u>454</u>	<u>(26)</u>

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

	2015 \$'000	2014 \$'000
Profit from continuing operations before income tax expense	46,494	40,235
Tax at the Australian tax rate of 30% (2014 - 30%)	13,948	12,071
Adjustments for current tax of prior periods	(201)	(1,859)
Research and development tax concession	(2,770)	(1,364)
Expenditure not allowable for income tax purposes	(268)	420
	<u>(3,239)</u>	<u>(2,803)</u>
Income tax expense	<u>10,709</u>	<u>9,268</u>

8 Current assets - Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash and cash equivalents	<u>75,536</u>	<u>80,209</u>

The Company has a secured \$2 million interchangeable facility which is transferable between an Overdraft, Fixed Rate Commercial Bill and Variable Rate Commercial Bill to assist with working capital requirements.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Money market accounts at call are made for varying periods of between one day and three months, depending on immediate cash requirements of the Company, and earn interest at the respective money market deposit rates. The fair value of cash assets at 30 September are their carrying values.

9 Current assets - Trade and other receivables

	2015 \$'000	2014 \$'000
Trade receivables (i) (ii)	38,432	31,178
Provision for impairment of receivables	(745)	(648)
Sundry receivables	586	314
	<u>38,273</u>	<u>30,844</u>

(i) Trade receivables are non-interest bearing and are on 30 day terms. No interest is charged on trade receivables. A specific analysis of debts that may be uncollectible is made at each reporting date by an internal credit committee and provisions made where appropriate. Provisions recorded are based on estimated irrecoverable amounts from the sale of goods and services, determined by reference to the circumstances of the specific customer.

Included in the trade receivable balance are debtors with a carrying amount of \$6,697,875 (2014 - \$6,847,000) which are past due at the reporting date for which the consolidated entity has not provided as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances, apart from the withdrawal of future support and software licence use rights. The average age of these receivables is 35 days (2014 - 32 days).

(ii) Included in trade receivables are amounts billed but not yet collected for post implementation customer support to commence post 30 September at each balance date. An equal and offsetting amount is included in unearned income. The balance at 30 September 2015 is \$8,192,469 (2014 - \$3,137,000).

9 Current assets - Trade and other receivables (continued)

(a) Impaired trade receivables

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

	2015 \$'000	2014 \$'000
At 1 October	648	605
Provision for impairment recognised during the year	343	622
Unused amounts reversed	(246)	(579)
At 30 September	<u>745</u>	<u>648</u>

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

10 Current assets - Other current assets

	2015 \$'000	2014 \$'000
Deposits receivable	254	251
Other	-	31
Income tax receivable	101	62
	<u>355</u>	<u>344</u>

11 Non-current assets - Property, plant and equipment

	Office furniture & equipment \$'000	Leased office furniture & equipment \$'000	Computer software \$'000	Motor vehicles \$'000	Leased computer software \$'000	Total \$'000
Year ended 30 September 2015						
Opening net book amount	5,605	2,702	480	88	-	8,875
Additions	4,492	-	48	-	-	4,540
Disposals	(29)	(6)	-	-	-	(35)
Depreciation charge	(2,458)	(680)	(302)	(38)	-	(3,478)
Exchange differences	29	-	-	-	-	29
Acquisition of subsidiary	76	7	-	86	-	169
Make good movement	(88)	-	-	-	-	(88)
Transfers	3	(3)	-	-	-	-
Closing net book amount	7,630	2,020	226	136	-	10,012
At 30 September 2015						
Cost	22,887	7,920	2,939	381	248	34,375
Accumulated depreciation	(15,257)	(5,900)	(2,713)	(245)	(248)	(24,363)
Net book amount	7,630	2,020	226	136	-	10,012
Year ended 30 September 2014						
Opening net book amount	6,580	4,212	694	63	68	11,617
Additions	1,685	-	219	53	-	1,957
Disposals	(50)	-	-	(3)	-	(53)
Depreciation charge	(2,571)	(1,440)	(433)	(25)	(69)	(4,538)
Exchange differences	13	-	-	-	1	14
Make good movement	(122)	-	-	-	-	(122)
Transfers	70	(70)	-	-	-	-
Closing net book amount	5,605	2,702	480	88	-	8,875
At 30 September 2014						
Cost or fair value	21,749	8,178	2,891	198	248	33,264
Accumulated depreciation	(16,144)	(5,476)	(2,411)	(110)	(248)	(24,389)
Net book amount	5,605	2,702	480	88	-	8,875

12 Non-current assets - Intangible assets

	Goodwill \$'000	Intellectual property/ Source code \$'000	Customer contracts \$'000	Total \$'000
Year ended 30 September 2015				
Opening net book amount	15,491	193	-	15,684
Additions - acquisition	13,497	5,400	4,200	23,097
Amortisation charge	-	(574)	(104)	(678)
Closing net book amount	28,988	5,019	4,096	38,103

At 30 September 2015				
Cost	28,988	7,758	4,200	40,946
Accumulated amortisation	-	(2,739)	(104)	(2,843)
Net book amount	28,988	5,019	4,096	38,103

Year ended 30 September 2014				
Opening net book amount	15,491	447	-	15,938
Amortisation charge	-	(254)	-	(254)
Closing net book amount	15,491	193	-	15,684

At 30 September 2014				
Cost	15,491	2,358	-	17,849
Accumulation amortisation and impairment	-	(2,165)	-	(2,165)
Net book amount	15,491	193	-	15,684

(a) *Impairment tests for goodwill*

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

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

	Sales & Marketing \$'000	Consulting \$'000	Research & Development \$'000	Total \$'000
2015				
Goodwill	9,001	8,400	11,587	28,988
2014				
Goodwill	5,044	4,858	5,589	15,491

12 Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill (continued)

The recoverable amounts have been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five year period, as there is no active market against which to compare the fair value of the unit.

The discount rate applied to cash flow projections is 15% pre-tax (2014 - 15%).

The key assumptions used for all CGUs in value in use calculations for 30 September 2015 and 2014 are:

- Budgeted margins - the basis used to determine the value assigned to budgeted margin is the average margin achieved in the year immediately before the budgeted year.
- Bond rates - the yield on a five year government bond rate at the beginning of the budgeted year is used.
- Growth rates - based on long term historical trends for each segment.
- Terminal growth rates - these have been set at 5% (2014 - 3%).

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

13 Non-current assets - Deferred tax assets

	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits	3,586	3,053
Provisions - other	2,402	1,703
Accrued expenses	882	532
Intangibles	77	-
Copyright - software	314	160
Lease liability (net)	691	914
Employee share trust	3,234	1,977
	11,186	8,339
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(4,730)	(1,888)
Net deferred tax assets	6,456	6,451
Deferred tax assets expected to be recovered within 12 months	3,098	3,095
Deferred tax assets expected to be recovered after more than 12 months	3,358	3,356
	6,456	6,451
Movements:		
Opening balance at 1 October	8,339	6,491
Credited / (charged) to the consolidated income statement	2,558	300
Credited / (charged) to equity	1,257	1,548
Acquisition of subsidiary	(968)	-
Offset from deferred tax liabilities	(4,730)	(1,888)
Closing balance at 30 September	6,456	6,451

14 Current liabilities - Trade and other payables

	2015 \$'000	2014 \$'000
Trade payables	13,884	12,047
Contingent consideration (note 29)	974	-
Sundry creditors	6,948	5,497
Directors fees	220	282
	<u>22,026</u>	<u>17,826</u>

Trade payables and sundry creditors are non-interest bearing and are normally settled on 30 day terms. No interest is payable on outstanding balances. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

15 Current liabilities - Provisions

	2015 \$'000	2014 \$'000
Make good provision	-	118
Annual leave	5,410	4,390
Onerous contracts	213	255
Long service leave	3,514	3,159
	<u>9,137</u>	<u>7,922</u>

(a) Movements in provisions

Please refer to note 17 for details.

16 Current liabilities - Borrowings

	2015 \$'000	2014 \$'000
Secured		
Lease liabilities (note 27)	2,363	1,302
Total secured current borrowings	<u>2,363</u>	<u>1,302</u>

17 Non-current liabilities - Provisions

	2015 \$'000	2014 \$'000
Long service leave	3,034	2,565
Make good provision	1,020	885
Onerous contracts	739	626
	<u>4,793</u>	<u>4,076</u>

(a) Movements in provisions

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

	Annual leave \$'000	Long service leave \$'000	Onerous contracts \$'000	Make good provision \$'000	Total \$'000
2015					
Carrying amount at start of year	4,390	5,724	881	1,003	11,998
Acquired through business combination	134	139	630	-	903
Additional provisions recognised	3,130	1,276	641	98	5,145
Amounts used during the year	(2,244)	(591)	(1,200)	(81)	(4,116)
Carrying amount at end of period	<u>5,410</u>	<u>6,548</u>	<u>952</u>	<u>1,020</u>	<u>13,930</u>

The non-current provisions have been discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

18 Non-current liabilities - Borrowings

	2015 \$'000	2014 \$'000
Lease liabilities (note 27)	<u>29</u>	<u>2,304</u>

19 Non-current liabilities - Other non-current liabilities

	2015 \$'000	2014 \$'000
Lease Incentive	<u>1,695</u>	<u>2,172</u>

The lease incentive relates to leases entered into by the Company whereby the Company has obtained an incentive to enter into a lease of office premises. The incentive is written back to the income statement on a straight line basis over the life of the lease.

20 Non-current liabilities - Deferred tax liabilities

	2015 \$'000	2014 \$'000
The balance comprises temporary differences attributable to:		
Accrued receivables	(3,290)	(2,240)
Accelerated depreciation for tax purposes	(1,479)	564
Prepayments	(48)	-
Other	87	(212)
Total deferred tax liabilities	<u>(4,730)</u>	<u>(1,888)</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	4,730	1,888
Net deferred tax liabilities	<u>-</u>	<u>-</u>
Movements:		
Opening balance at 1 October	(1,888)	(1,569)
Charged / (credited) to the income statement	(2,842)	(319)
Offset to deferred tax assets	4,730	1,888
Closing balance at 30 September	<u>-</u>	<u>-</u>

21 Contributed equity

(a) Share capital

	2015 Shares	2014 Shares	2015 \$'000	2014 \$'000
<i>Ordinary shares</i>				
Fully paid	<u>310,634,422</u>	308,796,455	<u>28,459</u>	27,447

(b) Movements in ordinary share capital

Date	Details	Number of shares	\$'000
1 Oct 2014	Opening balance	308,796,455	27,447
	Exercise of options	1,837,967	1,012
30 Sep 2015	Closing balance	<u>310,634,422</u>	<u>28,459</u>
1 Oct 2013	Opening balance	307,245,955	26,711
	Exercise of options	1,550,500	736
30 Sep 2014	Closing balance	<u>308,796,455</u>	<u>27,447</u>

21 Contributed equity (continued)

(c) *Employee Share Option Plan*

Information relating to the TechnologyOne Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 33.

22 Reserves

(a) *Other reserves*

	2015 \$'000	2014 \$'000
Share-based payments	10,751	8,475
Foreign currency translation	(216)	(510)
Dividend reserve	20,562	19,186
	<u>31,097</u>	<u>27,151</u>

(b) *Nature and purpose of other reserves*

(i) *Share-based payments*

The reserve is used to record the value of equity benefits provided to employees, through share-based payment transactions.

(ii) *Foreign currency translation*

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the income statement when the net investment is disposed of.

(iii) *Dividend reserve*

The reserve records retained earnings set aside for the payment of future dividends.

23 Dividends

Ordinary shares

	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 December 2014 (2013 - December 2013) 100% franked (2013 - 85%) based on tax paid at 30%	13,062	11,781
Special dividend for the year ended 30 September 2014 of 2.0 cents (2013 - 0.00 cents) per fully paid share paid on December 2014 100% franked based on tax paid at 30%	6,176	-
Interim dividend for the year ended 30 September 2015 of 2.15 cents (2014 - 1.95 cents) per fully paid share paid in June 2015 (2014 - June 2014) 100% franked (2013 - 85%) based on tax paid at 30%	6,630	6,001
Total dividends provided for or paid	<u>25,868</u>	<u>17,782</u>

(a) Dividend Policy

The Board will continue to consider paying a special dividend in future years if cash reserves remain high, available franking credits, growth continues as is expected and there is no compelling alternative use for the cash reserves.

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

	2015 \$'000	2014 \$'000
Final In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 4.63 cents per fully paid ordinary share, (2014 - 4.21 cents) fully franked based on tax paid at 30% (2014 - 100%). The aggregate amount of proposed dividend expected to be paid out of retained earnings, but not recognised as a liability at year end	14,382	13,000

Special

In addition to the above dividends, since year end the directors have recommended the payment of a special dividend per of 2.00 cents per fully paid ordinary share, (2014 - 2.00 cents) 100% franked based on a tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid in December 2015 out of retained earnings at 30 September 2015, but not recognised as a liability at the end of the year, is

6,213	6,176
<u>20,595</u>	<u>19,176</u>

(c) Franked dividends

The franked portions of the final dividends recommended after 30 September 2015 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 September 2016.

23 Dividends (continued)

(c) *Franked dividends (continued)*

	2015 \$'000	2014 \$'000
Franking account balance as at the end of the financial year at 30% (2014: 30%)	2,975	4,749
Franking credits that will arise from the payments of income tax payable as at the end of the financial year	3,268	3,920
	<u>6,243</u>	<u>8,669</u>

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

- (A) franking credits that will arise from the payment of the amount of the provision for income tax, and
- (B) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting date, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$8,826,000 (2014 - \$8,218,000). Additional franking credits to fully frank dividends at 30 September 2015 will be generated by income tax payments up to 30 September 2016.

24 Key management personnel disclosures

(a) *Key management personnel compensation*

	2015 \$	2014 \$
Short-term employee benefits	4,541,096	4,405,438
Post-employment benefits	63,471	56,035
Termination benefits	159,497	-
Share-based payments	765,207	331,315
	<u>5,529,271</u>	<u>4,792,788</u>

(b) *Equity instrument disclosures relating to key management personnel*

Details of options provided as remuneration to KMP and shares issued on the exercise of such, together with terms and conditions can be found in the remuneration report.

25 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the consolidated entity:

Ernst & Young

	2015 \$	2014 \$
<i>Audit and other assurance services</i>		
Audit and review of financial statements	261,382	246,727
Other assurance services		
Due diligence services	55,550	-
Total remuneration for audit and other assurance services	316,932	246,727
<i>Other services</i>		
Taxation advice	125,764	116,845
Compliance services	45,000	-
Total remuneration of Ernst & Young	487,696	363,572

26 Contingencies

The Company had contingencies at 30 September 2015 in respect of:

Guarantees

At 30 September 2015, the Company had \$2,100,000 (2014 - \$4,341,880) in outstanding performance guarantees. The total available guarantee facility is \$7,277,000 (2014 - \$6,000,000). The Company also had unused foreign currency dealing limits of \$1,278,767 (2014 - \$1,278,658).

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

Earn Out

At 30 September 2015, the Company had \$9,488,000 (2014 - nil) in earn out contingencies relating to the acquisitions during the year. This included \$1,945,184 of earn out payments and \$7,542,636 of contingent considerations. The valuation techniques and fair value of the consideration is outlined in note 29.

27 Commitments

(a) Operating lease commitments

Operating leases are entered into as a means of acquiring access to office property. Rental payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

There is a sublease until 2017. The current year revenue is \$1,382,000 (2014 - \$1,312,000) and this has not been included in the numbers below.

	2015 \$'000	2014 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	6,573	6,898
Later than one year but not later than five years	21,967	13,779
Later than five years	2,276	10
	<u>30,816</u>	<u>20,687</u>

(b) Finance lease commitments

The finance lease liabilities below are secured by a Registered Mortgage Debenture given by the Company in favour of ANZ Banking Group Limited for the assets under lease. The Company has available leasing facilities of \$5,207,298 (2014 - \$5,207,298) of which \$2,902,643 remain un-drawn at 30 September 2015 (2014 - \$1,600,615). The borrowings carry a rate of 4.495% (2014 - 4.93% - 5.22%) and have an average term of 5 years.

	2015 \$'000	2014 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	2,407	1,453
Later than one year but not later than five years	30	2,345
Minimum lease payments	<u>2,437</u>	<u>3,798</u>
Future finance charges	(45)	(192)
Total lease liabilities	<u>2,392</u>	<u>3,606</u>
Representing lease liabilities:		
Current (note 16)	2,363	1,302
Non-current (note 18)	29	2,304
	<u>2,392</u>	<u>3,606</u>

28 Related party transactions

(a) *Ultimate controlling entity*

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

(b) *Transactions with related parties*

The parent entity entered into the following transactions during the year with related parties in the wholly owned group:

- Loans were advanced and repayments received on short-term intercompany accounts, and
- Marketing support and management fees were charged to wholly owned controlled entities.

These transactions were undertaken on commercial terms and conditions. No provision for doubtful debts has been raised on amounts due to and receivable from related parties.

The ownership interest in related parties in the wholly owned group is set out in note 30.

29 Business combination

During the financial year ending 30 September 2015 Technology One Limited acquired two companies, ICON Strategic Solutions Pty Ltd (ICON) and Desktop Mapping Systems Pty Ltd, trading as Digital Mapping Solutions (DMS). Details of these acquisitions are disclosed below.

(a) Summary of acquisition - ICON

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 eGovernment 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 (c) below):	
Cash paid	4,556
Second tranche payment	974
Contingent consideration	4,725
Total purchase consideration	<u>10,255</u>

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

	Fair value \$'000
Cash	113
Trade receivables	219
Deferred tax asset	189
Intangible assets	4,500
Trade payables	(97)
GST liabilities	(43)
Provision for employee benefits	(71)
Other current liabilities	(14)
Onerous Contracts	(630)
Deferred tax liability	(390)
Net identifiable assets acquired	<u>3,776</u>

The goodwill is attributable to the profitability of ICON as well as the potential growth for TechnologyOne into the local government sector. Goodwill recognised was \$6,479,302.

(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.

29 Business combination (continued)

(a) Summary of acquisition - ICON (continued)

(ii) Contingent consideration

Contingent consideration up to a maximum of \$5,000,000 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 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 additional tranche is recorded in non-current contingent consideration. The fair value estimate of the contingent consideration of \$4,724,795 was calculated based on the assumption that the maximum \$5,000,000 will be payable three calendar years after acquisition and a discount rate of 1.96% based on relevant government bonds with terms to maturity. The contingent consideration is classified as Level 3. For further details on the fair value see note 2(e).

ICON has been fully consolidated into the results of TechnologyOne.

(iii) Revenue and profit contribution

ICON reported revenue of \$1,921,984 and profit before tax of \$693,105 for the period 1 February 2015 to 30 September 2015.

If the acquisition had occurred on 1 October 2014, revenue and loss for the financial year ended 30 September 2015 would have been \$2,827,935 and \$661,824 respectively. These amount have been calculated using the subsidiary's results.

(b) Summary of acquisition - DMS

On 8 May 2015 Technology One Limited acquired 100% of the issued shares in Desktop Mapping Systems Pty Ltd, trading as Digital Mapping Solutions (DMS), an unlisted Australian company with software that allows for the storage, retrieval and management of spatial data. This purchase included DMS's subsidiaries: Boldridge Pty Ltd of which DMS owns 100% and Digital Mapping Solutions NZ Limited (DMS NZ) of which DMS owns 60%. This acquisition allows TechnologyOne to acquire unique IP and specialist functionality that allows TechnologyOne to easily and deeply embed spatial data with enterprise data such as property and assets.

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

	\$'000
Purchase consideration:	
Cash paid	8,000
Second tranche payment	971
Contingent consideration	2,818
Total purchase consideration	<u>11,789</u>

29 Business combination (continued)

(b) Summary of acquisition - DMS (continued)

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

	Fair value \$'000
Cash	567
Trade receivables	402
Other Assets	101
Intangible assets	5,100
Office Furniture & Equipment	245
Creditors & Borrowings	(380)
Provisions	(326)
Other non-current liabilities	(54)
Deferred tax liability	(870)
Net identifiable assets acquired	<u>4,785</u>

The goodwill is attributable to the profitability of DMS as well as the potential growth for TechnologyOne into target markets. Goodwill recognised was \$7,018,173.

(i) Second Tranche payment

Consideration of \$1,000,000 (present value of \$970,732) 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 \$3,000,000 may be payable in cash to the selling shareholders.

The potential undiscounted earn out tranche amount payable under the agreement is between \$nil and \$3,000,000 and is based on a multiple of DMS's cumulative actual Net Profit Before Tax (NPBT) multiplied by \$12,000,000, divided by \$4,100,000 and less \$9,000,000 for the three calendar years after completion of the acquisition.

The financial liability for the earn out is recorded in non-current contingent consideration. The fair value estimate of the contingent consideration of \$2,817,840 was calculated based on the assumption that the maximum \$3,000,000 will be payable three calendar years after acquisition and a discount rate of 2.110% based on relevant government bonds with terms to maturity. The contingent consideration is classified as Level 3. For further details on the fair value see note 2(e).

DMS has been fully consolidated into the results of TechnologyOne.

(iii) Revenue and profit contribution

DMS reported revenue of \$2,251,244 and profit before tax of \$715,987 for the period 8 May 2015 to 30 September 2015.

If the acquisition had occurred on 1 October 2014, revenue and loss for the financial year ended 30 September 2015 would have been \$4,331,388 and \$764,706 respectively. These amount have been calculated using the subsidiary's results.

29 Business combination (continued)

(c) *Purchase consideration - cash outflow*

	\$'000
Purchase consideration:	
Cash paid	(12,556)
Net cash acquired with the subsidiary	567
Total purchase consideration	<u>(11,989)</u>

The net cash acquired from ICON is not disclosed above as it was distributed to the owners after acquisition.

Acquisition-related costs

Acquisition-related costs for both DMS and ICON of \$356,215 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.

Contingent consideration, earn outs and second tranche payments

The contingent consideration and earn out amounts for the DMS and ICON acquisitions are summarised below:

	ICON \$	DMS \$	Total \$
Current	974,452	-	974,452
Non-current	4,724,795	3,788,572	8,513,367
	<u>5,699,247</u>	<u>3,788,572</u>	<u>9,487,819</u>

30 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2015 %	2014 %
Technology One Corporation Sdn Bhd	Malaysia	Ordinary	100	100
Technology One New Zealand Ltd	New Zealand	Ordinary	100	100
Technology One UK Limited	England	Ordinary	100	100
Avand Pty Ltd	Australia	Ordinary	100	100
Avand (New Zealand) Pty Ltd	New Zealand	Ordinary	100	100
Technology One Employee Share Trust	Australia	Ordinary	100	100
Desktop Mapping Systems Pty Ltd	Australia	Ordinary	100	-
Digital Mapping Solutions NZ Limited	New Zealand	Ordinary	60	-
Boldridge Pty Ltd	Australia	Ordinary	100	-
Icon Solution Unit Trust	Australia	Ordinary	100	-

The parent entity is Technology One Limited, a public company, limited by shares and is domiciled in Brisbane, Australia and whose shares are traded on the Australian Securities Exchange. All entities operate in the software industry in their geographical locations.

The Registered office is located at:

Level 11, TechnologyOne HQ
540 Wickham Street
Fortitude Valley QLD 4006

31 Reconciliation of profit after income tax to net cash inflow from operating activities

	2015 \$'000	2014 \$'000
Profit for the period	35,785	30,967
Depreciation and amortisation	4,157	4,791
Non-cash employee benefits expense - share-based payments	1,548	1,056
Provision for onerous contract	(558)	584
Transfers to / (from) provisions:		
Employee entitlements	1,516	763
Doubtful debts	96	43
Net (gain) / loss on sale of non-current assets	19	(6)
Movements in provision for:		
Income tax payable	3,001	1,971
Deferred income tax	(2,991)	(2,040)
Change in operating assets and liabilities:		
Decrease / (increase) in trade debtors	(6,534)	(488)
Decrease / (increase) in sundry debtors	(282)	127
Decrease / (increase) in prepayments	(583)	136
Decrease / (increase) in earned and unbilled revenue	(789)	399
Decrease / (increase) in other assets	(67)	(105)
Increase / (decrease) in trade creditors	301	(1,633)
Increase / (decrease) in other liabilities	2,147	(1,170)
Increase / (decrease) in unearned revenue	879	(222)
Increase / (decrease) in lease liability	(3)	(123)
Net cash inflow / (outflow) from operating activities	<u>37,642</u>	<u>35,050</u>

32 Earnings per share

(a) Basic earnings per share

	2015 Cents	2014 Cents
Basic earnings per share (cents per share)	11.57	10.06
Diluted earnings per share (cents per share)	11.30	9.86
Profit used for calculating basic and diluted earnings per share (\$'000)	35,785	30,967

(b) Weighted average number of shares used as denominator

	2015 Number	2014 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	309,304,062	307,911,574
Adjustments for calculation of diluted earnings per share:		
Options	7,416,942	6,160,843
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	316,721,004	314,072,417

There are no potentially dilutive share instruments not included in the calculation of diluted earnings per share.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

33 Share-based payments

(a) Employee Option Plan

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

TechnologyOne issues options with typically between 0% and 50% discount on the volume weighted average price for the 10 days prior to the grant date. The discount can be reduced or removed prior to vesting at the Board's discretion. The option can be withheld by the Executive Chairman for unsatisfactory performance for as long as it takes for the employee to rectify the performance matter.

The options typically vest if and when the employees satisfy the following conditions:

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

The period available between vesting date and expiry date of each option is five years. There are no cash settlement alternatives.

33 Share-based payments (continued)

(a) Employee Option Plan (continued)

Each option entitles the holder to purchase one share. Fair values of options granted as part of remuneration are based on values determined using the Black-Scholes option pricing model.

Set out below are summaries of options granted under the plan:

Issue date	Expiry date	Exercise price	Balance at start of the period Number	Issued during the period Number	Exercised during the period Number	Balance at end of the period Number	Vested and exercisable at end of the period Number
2015							
01-Jul-15	Jul-22	\$0.57	-	200,000	-	200,000	-
01-Jul-15	Jul-22	\$0.86	-	249,950	-	249,950	-
01-Jul-15	Jul-22	\$0.68	-	400,000	-	400,000	-
01-Jul-15	Jul-22	\$1.03	-	227,316	-	227,316	-
01-Jul-15	Jul-22	\$1.16	-	16,650	-	16,650	-
01-Jul-15	Jul-22	\$0.48	-	50,000	-	50,000	-
01-Jul-15	Jul-22	\$0.53	-	150,000	-	150,000	-
01-Oct-14	Jul-21	\$1.59	-	485,000	-	485,000	-
01-Jul-14	Jul-21	\$0.86	249,950	-	-	249,950	-
01-Jul-14	Jul-21	\$0.57	200,000	-	-	200,000	-
01-Jul-14	Jul-21	\$0.68	400,000	-	-	400,000	-
01-Jul-14	Jul-21	\$0.40	60,000	-	-	60,000	-
01-Jul-14	Jul-21	\$0.48	50,000	-	-	50,000	-
01-Jul-14	Jul-21	\$0.53	150,000	-	-	150,000	-
01-Jul-14	Jul-21	\$1.16	16,650	-	-	16,650	-
01-Jul-14	Jul-21	\$1.03	157,317	-	-	157,317	-
14-Jul-13	Jul-26	\$1.34	1,000,000	-	-	1,000,000	-
20-Dec-13	Jul-20	\$1.16	16,650	-	-	16,650	-
12-Aug-13	Jul-20	\$1.03	97,317	-	(93,317)	4,000	4,000
01-Jul-13	Jul-20	\$0.86	249,950	-	(141,650)	108,300	108,300
01-Jul-13	Jul-20	\$0.57	200,000	-	(200,000)	-	-
01-Jul-13	Jul-20	\$0.68	400,000	-	(400,000)	-	-
01-Jul-13	Jul-19	\$0.40	60,000	-	-	60,000	-
01-Jul-13	Jul-20	\$0.48	50,000	-	(50,000)	-	-
01-Jul-13	Jul-20	\$0.53	150,000	-	(150,000)	-	-
01-Oct-12	Jul-19	\$0.68	100,000	-	-	100,000	-
12-Jul-12	Jul-19	\$0.40	60,000	-	-	60,000	-
12-Jul-11	Jul-18	\$0.40	60,000	-	-	60,000	60,000
26-Nov-10	Jul-24	\$0.36	135,000	-	-	135,000	135,000
12-Jul-10	Jul-17	\$0.40	60,000	-	(60,000)	-	-
10-Oct-08	Jul-20	\$0.41	280,000	-	(70,000)	210,000	140,000
05-May-08	Nov-19	\$0.41	200,000	-	(200,000)	-	-
25-Aug-06	Aug-24	\$0.35	363,000	-	(198,000)	165,000	165,000
01-May-09	Jul-22	\$0.36	1,365,000	-	(275,000)	1,090,000	565,000
			6,130,834	1,778,916	(1,837,967)	6,071,783	1,177,300
Weighted average exercise price			\$0.67	\$0.91	\$0.55	\$0.78	\$0.42

33 Share-based payments (continued)

(a) *Employee Option Plan (continued)*

At September 2015 a total of 2,867,400 options (2014 - 3,220,766) were offered to employees. The amount of options offered is in excess of options granted as certain options while offered will only be granted in a future period at the discretion of the Executive Chairman.

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

33 Share-based payments (continued)

(a) *Employee Option Plan (continued)*

The weighted average share price at the date of exercise of options exercised during the year ended 30 September 2015 was \$0.55 (2014 - \$0.47).

The weighted average remaining contractual life of share options outstanding at the end of the period was 4.4 years (2014 - 6.16 years).

Fair value of options granted

The fair value of the equity-settled options is measured at the reporting date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted.

The fair value of options granted during the year was \$1.47 (2014 - between \$1.19 and \$1.49).

The model inputs for options granted during the year ended 30 September 2015 included:

- (I) Dividend yield of 2.6% (2014 - 2.7%)
- (II) Expected volatility of 23.2% (2014 - between 40.5% and 54.8%)
- (III) Risk free interest rate of 3% (2014 - between 3.3% and 3.9%)
- (IV) Expected life of option 6 years (2014 - 6 years)
- (V) Option exercise price of \$1.59 (2014 - between \$1.16 and \$1.35)
- (VI) Weighted average share price at grant date of \$3.20 (2014 - between \$2.30 and \$2.63)

The expected volatility reflects the assumption that the historical volatility of a basket of similar companies over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

(b) *Executive Performance Rights*

EPR are measured against both individual targets and Company targets. The EPR awards granted may deliver value to Executives subject to meeting performance targets over a three year performance period, that are designed if met to deliver substantial shareholder value.

Each EPR entitles the Executives to receive one TechnologyOne share in the future, subject to meeting specified performance targets. A number of EPR's are issued to Executives each year, referred to as a grant. An EPR for a Grant will vest at a future date, 3 years from their issue date called the Vesting Date, if performance targets set for the Grant have been met. The number of EPR in a Grant that vest will not be known until the end of the performance period (i.e. the Vesting Date).

The actual number of EPRs allocated to each target is determined by the company at the start of the performance period. The number of EPR allocated across all targets, cannot exceed the total number of EPRs offered in the grant.

The EPR for a Grant will not vest until the end of the Performance Period (the Vesting Date), and the number to vest will be calculated using the performance achieved over the Performance Period as measured against the Performance Targets.

33 Share-based payments (continued)

(b) Executive Performance Rights (continued)

The model inputs for options granted during the year ended 30 September 2015 included:

- (I) Rights are granted for no consideration. Each tranche vests yearly.
- (II) Dividend yield - 2.2%
- (III) Expected volatility - 13%
- (IV) Risk-free interest rate - 1.8%
- (V) Price of shares on grant date - \$3.76
- (VI) Fair value of performance right - \$3.52

	Number of rights during the period granted	Value of rights at grant date*	Number of rights issued during the period	Number of rights still to be issued	Number of rights vested during the period	Number of rights lapsed during the period	Value at lapse date
E Chung	-	-	-	-	-	-	-
R Phare	-	-	-	-	-	-	-
M Harwood	-	-	-	-	-	-	-
P Rogers	-	-	-	-	-	-	-
G Pye	56,785	\$200,000	-	-	-	-	-

* The assessed fair value at grant date of rights granted to the individuals is allocated equally over the period from grant date to vesting date. The amount is included in the remuneration tables above.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	2015 \$'000	2014 \$'000
Options issued under employee option plan:		
Vested	1,546	1,056
Total share-based payment expense	1,546	1,056

34 Parent entity financial information

(a) Summary financial information

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

	2015 \$'000	2014 \$'000
Balance sheet		
Current assets	122,370	114,404
Non-current assets	49,877	35,549
Total assets	<u>172,247</u>	<u>149,953</u>
Current liabilities	46,219	35,961
Non-current liabilities	11,635	8,866
Total liabilities	<u>57,854</u>	<u>44,827</u>
Shareholders' equity		
Contributed equity	28,458	27,447
Dividend reserve	21,118	19,186
Share option reserve	10,752	8,475
Reserves	<u>31,870</u>	<u>27,661</u>
Retained earnings	<u>54,065</u>	<u>50,019</u>
	<u>114,393</u>	<u>105,127</u>
Profit or loss for the year	<u>44,000</u>	<u>39,308</u>
Total comprehensive income	<u>36,020</u>	<u>39,059</u>

The reserves balance is lower than Group due to the foreign currency translation reserve gains of \$294,000 (2014 - loss of \$249,000).

(b) Guarantees entered into by the parent entity

At 30 September 2015, the parent entity had \$2,100,000 (2014 - \$4,341,880) in outstanding performance guarantees. The total available guarantee facility is \$7,277,000 (2014 - \$6,000,000). The parent entity also had unused foreign currency dealing limits of \$1,278,767 (2014 - \$1,278,658).

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

(c) Contingent liabilities of the parent entity

At 30 September 2015, the Parent had \$9,488,000 (2014 - nil) in earn out contingencies relating to the acquisitions during the year. This included \$1,945,184 of earn out payments and \$7,542,636 of contingent considerations. The valuation techniques and fair value of the consideration is outlined in note 29.

35 Events occurring after the reporting period

(a) *Dividends*

On 24 November, the directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$14,382,000 and is 100% franked. There was also a special dividend declared for the 2015 financial year of \$6,213,000 and this is also fully franked.

(b) *Acquisition of entity*

On 2 October 2015 Technology One Limited acquired 100% of the issued shares in Jeff Roorda and Associates Pty Limited (JRA), an unlisted Australian company for cash consideration of approximately \$10,000,000. A significant proportion of the purchase price is payable on the achievement of an earn-out. The acquisition supports Technology One's strategy to provide innovative and relevant solutions that offer deep, enterprise wide, functionality for local government, government and asset intensive organisations.

The financial effects of this transaction have not been brought to account at 30 September 2015. The operating results and assets and liabilities of JRA and its subsidiaries will be consolidated from 2 October 2015.

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

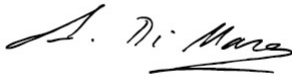
No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

In accordance with a resolution of the directors of Technology One Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 59 to 114 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 September 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the reporting year ended 30 September 2015.

On behalf of the Board of Directors

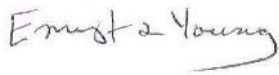


Adrian Di Marco
Director

Brisbane
24 November 2015

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

In relation to our audit of the financial report of Technology One Limited for the financial year ended 30 September 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



Brad Tozer
Partner
24 November 2015

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

Report on the financial report

We have audited the accompanying financial report of Technology One Limited which comprises the consolidated statement of financial position as at 30 September 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

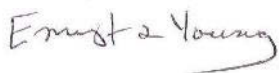
- a. the financial report of Technology One Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 September 2015 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Technology One Limited for the year ended 30 September 2015, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Brad Tozer
Partner
Brisbane
24 November 2015