TECHNOLOGY**ONE**

APPENDIX 4D

For the half year ended 31 March 2017
Technology One Limited ABN 84 010 487 180

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results				$A'000
Revenues from ordinary activities	Up	13%	to	113,945
Profit from ordinary activities after tax attributable to members	Up	10%	to	8,054
Net profit for the period attributable to members	Up	10%	to	8,054

Dividends	Amount per security Cents	Franked amount per security Cents
Current period		
Final dividend	N/A	N/A
Interim dividend	2.60	1.95
Previous corresponding period (**)		
Final dividend	5.09	5.09
Special dividend	2.00	2.00
Interim dividend	2.36	2.36

The Record date for determining entitlements to the dividend is 2 June 2017.
Conduit foreign income of 0.65 cents per share will be paid.

**Year ending 30 September 2016

BRIEF EXPLANATION OF ANY OF THE FIGURES REPORTED ABOVE

Consolidated retained profits	Current period 31 March 2017 $A'000	Previous corresponding period 31 March 2016 $A'000
Retained profits at the beginning of the financial period	**70,160**	**58,384**
Net profit attributable to members	8,054	7,351
Net transfers to reserves	(8,149)	(7,355)
Net transfers from reserves	-	-
Acquisition of subsidiary	-	(58)
Dividends and other equity distributions paid or payable	-	-
Retained profits at the end of financial period	**70,065**	**58,322**

Profit from ordinary activities after tax attributable to members	Current period 31 March 2017 Cents	Previous corresponding period 31 March 2016 Cents
Basic EPS	2.57	2.36
Diluted EPS	2.49	2.30
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	313,363,464	311,105,285

NTA backing	Current period 31 March 2017 Cents	Previous corresponding period 31 March 2016 Cents
Net tangible asset backing per ordinary security	24.52	18.75

Dividend Payable
The dividend is payable on 16 June 2017.

Dividend Reinvestment Plan
There is no dividend reinvestment plan in operation.

Total dividend per security (interim)	Current year Cents	Previous year Cents
Ordinary securities	2.60	2.36

Interim dividend on all securities	Current period $A'000	Previous corresponding period $A'000
Total	8,149	7,355

Control gained over entities having material effect	
Name of entity	NIL

Loss of control of entities having material effect	
Name of entity	NIL

Details of associates and joint venture entities	
Name of entity	NIL

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

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

Significant feature of operating performance
Refer to the Directors' Report in the attached Half Year Financial Accounts.

Results of Segments
Refer to the attached Half Year Report.

Trends in Performance
Refer to the attached Half Year Report.

Any other Significant Information
N/A.

COMPLIANCE STATEMENT
This report is based on accounts which have been reviewed.

A. Di Marco

Adrian Di Marco
Chairman
Date: 23 May 2017

Technology One Limited
Financial report
for the half-year ended 31 March 2017

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Company) consisting of Technology One Limited and the entities it controlled at the end of the half-year ended 31 March 2017.

Directors

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

Adrian Di Marco - Executive Chairman
Ron McLean - Non-executive Director
John Mactaggart - Non-executive Director
Kevin Blinco - Non-executive Director
Richard Anstey - Non-executive Director
Dr Jane Andrews - Non-executive Director

The Company Secretary is Gareth Pye. Stephen Kennedy was appointed Group Company Secretary on 13 April 2017.

Principal activities

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

- TechnologyOne Financials
- TechnologyOne Enterprise Asset Management
- TechnologyOne Supply Chain
- TechnologyOne Human Resource & Payroll
- TechnologyOne Corporate Performance Management
  - TechnologyOne Business Intelligence
  - TechnologyOne Budgeting and 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.

Results

TechnologyOne has posted a half year result which is in line with the market guidance provided at the start of this financial year, with Revenue up strongly 13% ($12.9m), and Profit Before Tax up 10% ($0.9m).

As we have previously indicated, half year results cannot be extrapolated to determine full year results, and TechnologyOne expects strong profit growth over the full year.

Dividends - Technology One Limited

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

	2017 $'000	2016 $'000
Final dividend for the year ended 30 September 2016 of 5.09 cents (2015 - 4.63 cents) per fully paid share paid on 14 December 2016	**15,947**	14,382
Special dividend for the year ended 30 September 2016 of 2.00 cents (2015 - 2.00 cents) per fully paid share paid on 14 December 2016	**6,267**	6,213
	22,214	20,595

Matters subsequent to the end of the financial half-year

The Company will pay a 75% franked dividend on 16 June 2017 of $8,149,250.

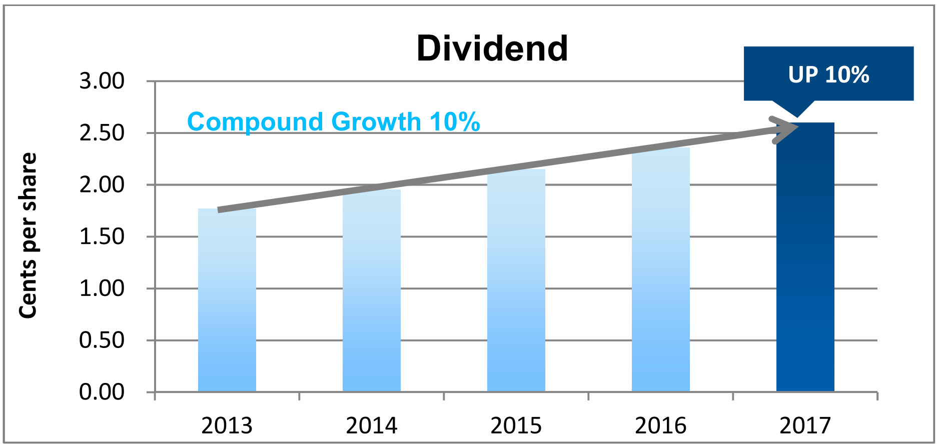
Review of operations

ANALYSIS OF HALF YEAR RESULTS

Highlights of our results are as follows:
- Revenue up 13%
- Net Profit Before Tax up 10%
- Total Expenses up 13%
- Expenses excluding R&D up 15%
- R&D expenses up 9%

Our results by revenue stream are as follows:
- Initial Licence fees up 30%
- Annual Licence fees up 10%
- Total Consulting Services line ball
- Cloud Service fees up 93+%

DIVIDENDS UP 10%



Review of operations (continued)

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

In light of our strong balance sheet, strong cash flow and our confidence in once again achieving strong profit growth over the full year, the dividend for the half year has been increased to 2.60 cents per share partially franked (75%), up 10% on the prior year. This represents a payout ratio of 101%. The dividend is partially franked because we have paid less tax due to the R&D Tax Concession and the TechnologyOne Share Trust. We expect the 2019 dividend to be fully franked once again.

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

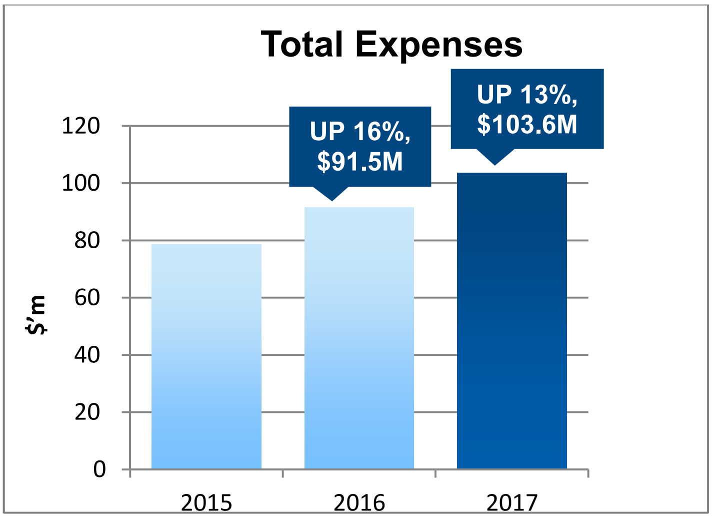
Profit Up 10%

Our profit was up 10%, driven primarily by our strong Licence Fees in the first half. At the same time we have had to contend with a number of 'one off events' as follows:

- Our very successful Evolve customer conference that is held every 3 years. The costs associated with this event were significant, approximately $1.8m, and have been fully expensed in the first half.
- Total Consulting Profit was down $4.1m, impacted significantly by the Brisbane City Council project and attendance by our consultants to our Evolve customer conference. We do not expect any further impact on our P&L from either the BCC project or Evolve.

Both these items are discussed in greater detail later.

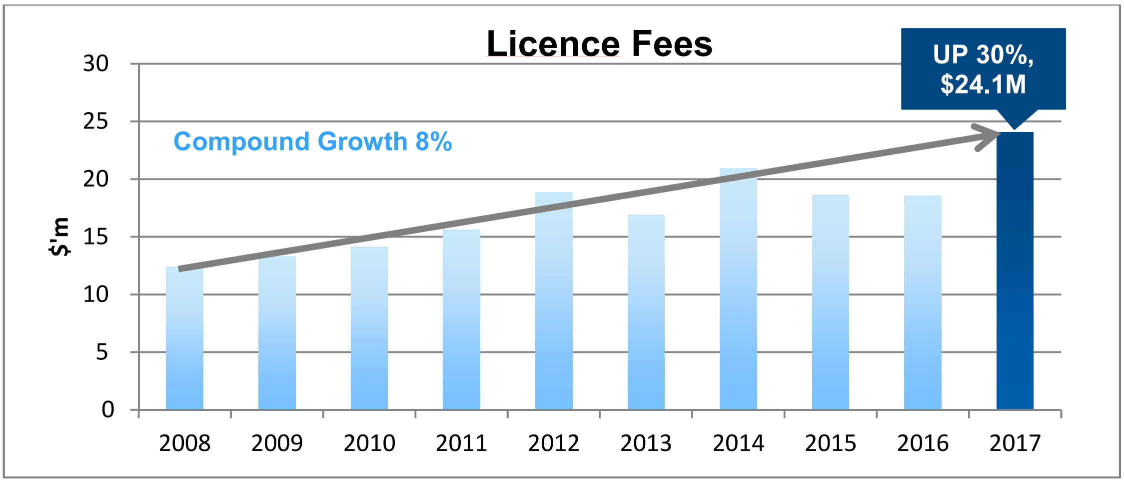
Total Expenses Up 13%



First half Total Expenses were up 13%. If our Evolve customer conference, that is held every 3 years, is excluded, Total Expenses are up 11%.

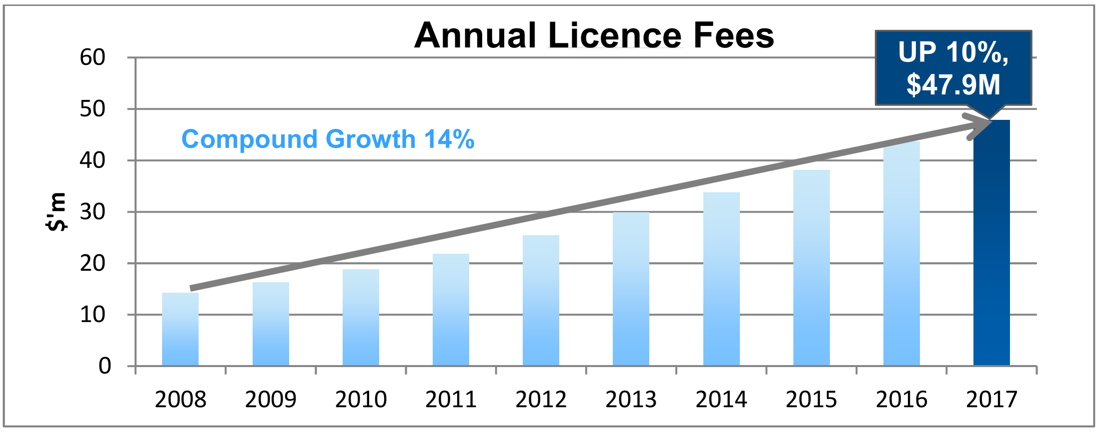
Review of operations (continued)

Initial Licence Fees Grew Strongly by 30%



Initial Licence Fees were up 30% which exceeded our expectations, because several deals closed earlier than originally anticipated. We added 30 new customers this half year. The pipeline for the second half is also strong, which will allow us to achieve continuing profit growth over the full year.

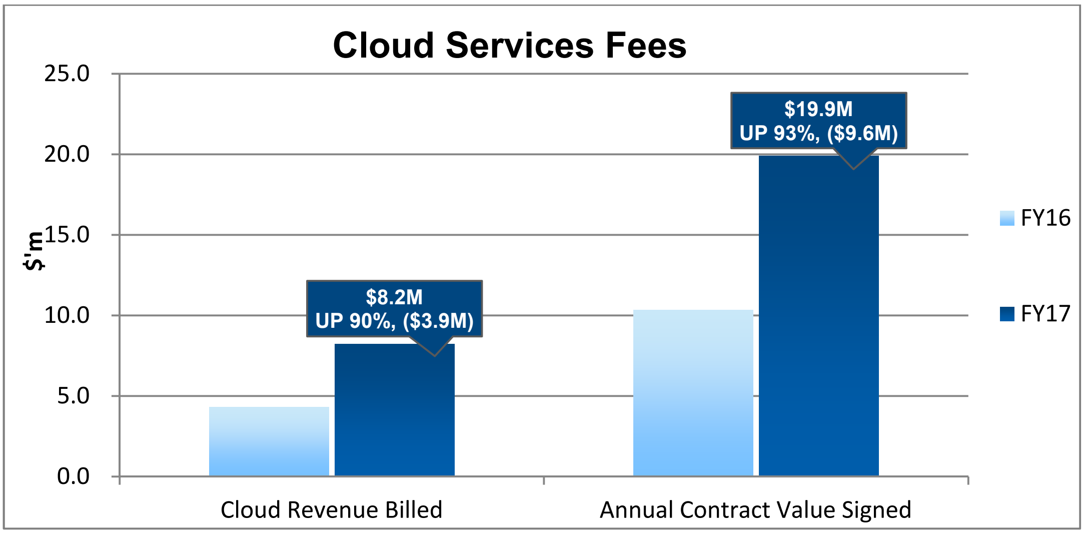
Annual Licence Fees Up 10%



In keeping with our very high customer retention and satisfaction rates, our recurring Annual Licence Fees once again grew strongly by 10%. Investment in our next generation product, CiAnywhere, and our Compelling Customer Experience program are critical to our ongoing success in this area.

Review of operations (continued)

TechnologyOne Cloud Services Fees Grew Strongly by 93%



It is important to note that the Cloud Services fee is the incremental revenue we earn for running our enterprise software on the TechnologyOne Cloud for our customers, and does not include any associated licence fees.

TechnologyOne Cloud Services Fees continued to grow strongly in the half, with Annual Contract Value now $19.9m up from $10.3m, an increase of 93%+ from last year. We now have 199 customers committed to the TechnologyOne Cloud.

For the first time TechnologyOne Cloud contributed a $937k profit in the half, compared to a $922k loss this time last year. This is due to our mass production Software as a Service (SaaS) architecture which is starting to deliver significant economies of scale and will continue to improve over the coming years.

Over the full year we have revised Cloud Services profit to increase from $1m to $2.5m a significant improvement compared to the $2.2m loss at the end of the 2016 financial year.

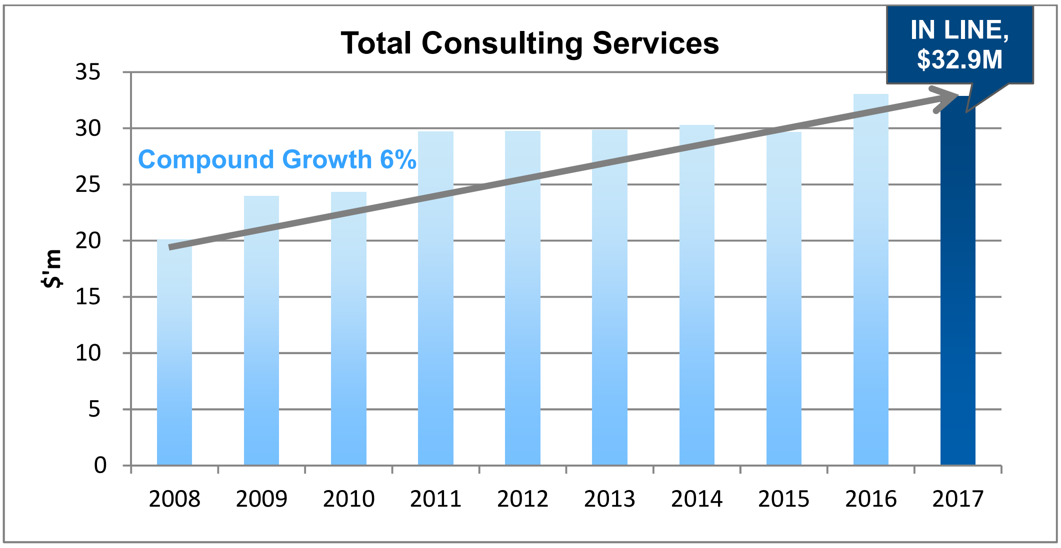
Our target is to have Annual Contract Value of $28m+ by financial year end. We expect this strong momentum to continue in the years to come and this business to generate an additional $143m of annual recurring revenue by 2022.

TechnologyOne Cloud has now been independently audited and recommended to be certified for the Federal Government IRAP security standard, making us the first enterprise SaaS vendor to achieve this high level of security accreditation in Australia which gives us a significant competitive advantage.

Review of operations (continued)

Total Consulting Services In Line

Though Total Consulting Services revenue was flat profit was down $4.1m (down 100+%).



This division was impacted by a number of 'once off' events as follows:

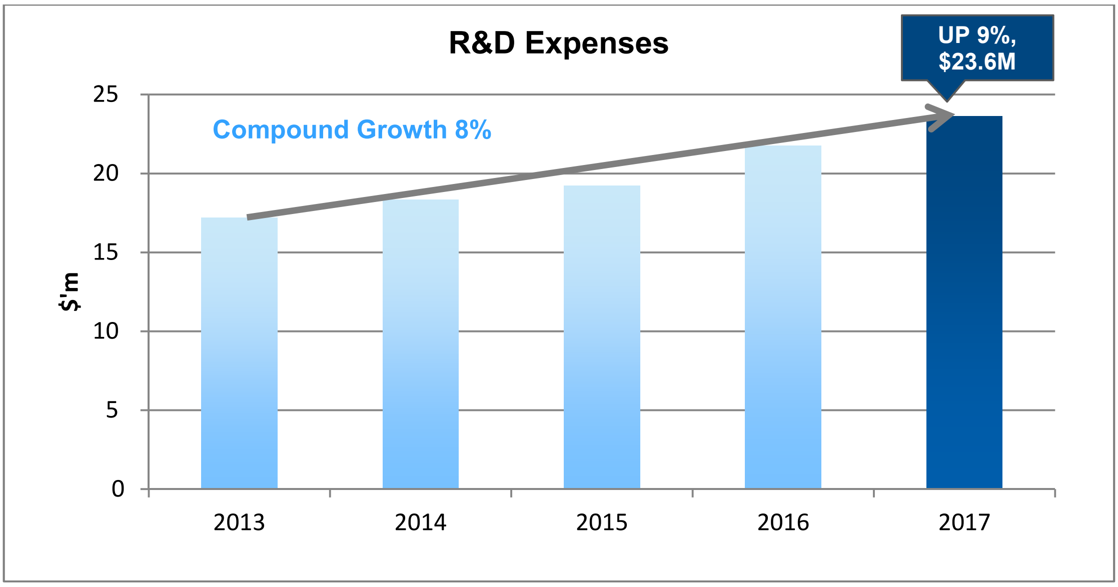
- TechnologyOne Evolve customer conference, which saw all our consultants attend the conference, and which impacted our utilisation and other associated costs to an amount of $1.6m
- The Brisbane City Council LGS project, in which TechnologyOne has been frustrated by BCC to deliver against the contract, as BCC is attempting to protect their negotiating position. This impacted the business unit by $2m. We do not expect any further impact on our P&L over the full year.
- The United Kingdom consulting practice loss increased by $475k, which was expected as we build this new practice.

Our expectation is that for the full year the Total Consulting Profit will be down approximately $1.5m for the full year. We expect in the 2018 financial year, this division will return to profit growth.

We are also mid way through the restructuring of our Consulting practice, which will see this business separated into two separate and focused business units, as follows: Consulting New Customers and Consulting Existing Customers. These business units will have different cultures, systems and processes to deliver excellence for their respective area of focus. Consulting New Customers will be a project focused business, to deliver large and complex projects 'on time and to budget'. Consulting Existing Customers will be an account focused business, with a service culture driven by a dedicated service delivery manager, guaranteed service levels, a catalogue of services, and premium support. We have appointed a new Operating Officer to implement this strategy, Mrs Nancy Mattenberg, who has extensive experience leading the INFOR consulting practice in the USA.

Review of operations (continued)

Research & Development (R&D)



R&D continues to be a significant investment for TechnologyOne at $23.6m for the half year, up 9%.

R&D spend represents 21% of revenue, which far exceeds our competitors' average spend on R&D of approximately 12%. R&D continues to be fully expensed in the period it is incurred.

R&D continued across our entire Ci Enterprise Suite, as well our next generation product CiAnywhere and the TechnologyOne Cloud.

We remain committed to delivering Compound Annual Growth (CAG) of 8% or less over the next 5 years to 2021 (compared to our historical growth rate of 16%), which will save approximately $75m over the 5 year period.

CiAnywhere

CiAnywhere 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 the only major enterprise software vendor committing to deliver our entire suite of enterprise 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. We see our customers flowing across smart mobile devices throughout the course of their day. Our software has been designed to be incredibly simple to use, and to adapt to the device, allowing customers to continue their work seamlessly as they flow across devices.

CiAnywhere opens up a new world of possibilities for our customers, allowing them to access their data from any device, anywhere in the world, at any time. It is a new and exciting generation of enterprise software that is incredibly simple to use. CiAnywhere will enable our customers to embrace the digital revolution.

We continue to work aggressively to complete our CiAnywhere suite by late 2018.

Review of operations (continued)

TechnologyOne Cloud

The TechnologyOne Cloud delivers the TechnologyOne Enterprise Suite as a service through the cloud to our customers. TechnologyOne takes complete responsibility for providing 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 (SaaS), 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 that simply host someone else's software in the cloud, we own our software and 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 proofing that hosting providers cannot ever achieve.

As part of our SaaS offering we automatically make available new releases of our software, with new features, functions and concepts. Our customers do not need to do anything to seamlessly get these new releases into production.

TechnologyOne is at the very forefront of delivering the benefits of mass production to the enterprise software industry. As we have seen in other industries, the economies of scale of mass production will change the face of the software industry.

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 our mass production SaaS platform. This provides a massively scalable platform with significant economies of scale.

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

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

Fast Track Subscription Licences

An important goal for us was to move away from perpetual licences, and to move all new business to subscription licences, to create a strong long-term annuity business. This half we achieved over 80% of all new business being recurring subscription licences.

Review of the UK Operation

We see the UK as a platform for significant growth for TechnologyOne in the coming years. Our 'blue ocean' strategy is gaining traction, which is to provide a total ERP solution for higher education and local government sectors. Important to the success of this strategy will be the introduction of our Human Resources & Payroll (HRP) product and Student Management product to this market. The regionalisation of these products for the UK market is in progress, and we will work with early adopters in the UK to establish these products.

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.

Licence Fees were $678k down 50%.

The pipeline for the full year remains strong, and we are on target to grow licence fees by 33% over the full year to $4m; and achieve a profit of $500k. This will be a substantial improvement on the prior year profit of $66k.

Review of operations (continued)

We are now entering a period of substantial growth for the UK business. We expect this strong momentum to continue in the years to come and this business to generate an additional $93m of annual revenue by 2022.

Evolve Customer Conference

Following the success of our Evolve Customer Conference which saw over 2,300 attendees, over three days with 11 concurrent streams by industry, and a huge exhibition area; we are now running our Showcases throughout Australia, New Zealand and the United Kingdom. These Showcases demonstrate our vision for a digital future, with a focus on our CiAnywhere enterprise suite and the TechnologyOne Cloud. This event will create significant sales momentum for us in the coming years.

Appointment of new CEO

Recently TechnologyOne announced the appointment of its long serving and highly successful Chief Operating Officer, Mr Edward Chung, to the new role of Chief Executive Officer, effective May 23. Mr Chung has been an executive of TechnologyOne for approximately 10 years. Mr Adrian Di Marco, TechnologyOne's founder and one of Australia's longest serving CEOs over a period of 30 years; continues in the role of Executive Chairman working with the executive team and board; as well continuing to focus on strategy, innovation and creativity to ensure the company continues to build future platforms for strong growth.

These changes have been a long time in the planning and have been openly discussed for the last few years with shareholders and staff. Over the last five years we have built a very strong and talented executive team.

BALANCE SHEET STRENGTH

TechnologyOne continues to have a strong balance sheet with cash and cash equivalents of $57.5m and undrawn banking facilities of $2m. Our debt/equity ratio remains conservative at only 0.01% and interest cover is 216 times.

Operating cash flow was a positive $2.6m this half. Operating cash flow will improve substantially over the full year, and will once again approximate our full year Net Profit After Tax.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Report) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Adrian Di Marco
Executive Chairman

Brisbane
23 May 2017

Technology One Limited
Consolidated income statement
For the half-year 31 March 2017

	Notes	31 Mar 2017 $'000	31 Mar 2016 $'000
Revenue	3	**113,945**	100,967
Variable costs		**(9,085)**	(8,509)
Variable customer cloud costs		**(4,625)**	(2,999)
Total variable costs		**(13,710)**	(11,508)
Occupancy costs	4	**(3,280)**	(4,363)
Corporate costs		**(8,968)**	(7,377)
Depreciation & amortisation		**(2,098)**	(2,297)
Computer & communication costs		**(5,610)**	(4,336)
Marketing costs		**(3,458)**	(1,169)
Employee costs		**(65,641)**	(59,616)
Share-based payments		**(808)**	(848)
Finance expense		**(48)**	(33)
Total operating costs		**(89,911)**	(80,039)
Profit before income tax		**10,324**	9,420
Income tax expense		**(2,270)**	(2,069)
Profit for the half-year attributable to equity holders of the parent		**8,054**	7,351

	Cents	Cents
Basic earnings per share	**2.57**	2.36
Diluted earnings per share	**2.49**	2.30

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

Technology One Limited
Consolidated statement of comprehensive income
For the half-year 31 March 2017

	31 Mar 2017 $'000	31 Mar 2016 $'000
Profit for the half-year attributable to equity holders of the parent (from previous page)	**8,054**	7,351
Other comprehensive income		
Items that may be classified to profit or loss (net of tax):		
Exchange differences on translation of foreign operations	**(558)**	(114)
Total comprehensive income for the half-year attributable to equity holders of the parent	**7,496**	7,237

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 31 March 2017

	Notes	31 Mar 2017 $'000	30 Sep 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**57,456**	82,588
Prepayments		**13,517**	5,817
Trade and other receivables		**38,708**	41,642
Earned and unbilled revenue		**15,668**	16,421
Other current assets		**1,596**	793
Current tax receivable		**1,521**	-
Total current assets		**128,466**	147,261
Non-current assets			
Property, plant and equipment		**13,579**	11,681
Intangible assets		**47,814**	48,088
Earned and unbilled revenue		**6,505**	3,980
Deferred tax assets		**6,789**	7,512
Total non-current assets		**74,687**	71,261
Total assets		**203,153**	218,522
LIABILITIES			
Current liabilities			
Trade and other payables		**29,405**	24,616
Provisions		**10,637**	11,194
Current tax liabilities		**-**	1,085
Unearned revenue		**21,605**	20,885
Total current liabilities		**61,647**	57,780
Non-current liabilities			
Trade and other payables	**5**	**11,324**	16,068
Provisions		**3,854**	4,555
Other non-current liabilities		**1,679**	1,625
Total non-current liabilities		**16,857**	22,248
Total liabilities		**78,504**	80,028
Net assets		**124,649**	138,494
EQUITY			
Contributed equity		**30,099**	29,984
Other reserves		**24,485**	38,350
Retained earnings		**70,065**	70,160
Total equity		**124,649**	138,494

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

	Contributed equity $'000	Retained earnings $'000	Dividend reserve $'000	FOREX reserve $'000	Share option reserve $'000	Total equity $'000
Balance at 1 October 2016	**29,984**	**70,160**	**22,172**	**(561)**	**16,739**	**138,494**
Profit for the period	-	8,054	-	-	-	8,054
Exchange differences on translation of foreign operations	-	-	-	(558)	-	(558)
Total comprehensive income for the half-year	**-**	**8,054**	**-**	**(558)**	**-**	**7,496**
Dividends paid	-	-	(22,214)	-	-	(22,214)
Transfer to dividend reserve	-	(8,149)	8,149	-	-	-
Exercise of share options	115	-	-	-	-	115
Share based payments	-	-	-	-	808	808
Tax impact of share trust	-	-	-	-	(50)	(50)
	115	(8,149)	(14,065)	-	758	(21,341)
Balance at 31 March 2017	**30,099**	**70,065**	**8,107**	**(1,119)**	**17,497**	**124,649**
Balance at 1 October 2015	**28,459**	**58,384**	**20,562**	**(216)**	**10,751**	**117,940**
Profit for the period	-	7,351	-	-	-	7,351
Exchange differences on translation of foreign operations	-	-	-	(114)	-	(114)
Total comprehensive income for the half-year	**-**	**7,351**	**-**	**(114)**	**-**	**7,237**
Dividends paid	-	-	(20,629)	-	-	(20,629)
Transfer to dividend reserve	-	(7,355)	7,355	-	-	-
Exercise of share options	415	-	-	-	-	415
Share-based payments	-	-	-	-	848	848
Tax impact of share trust	-	-	-	-	1,270	1,270
Other	-	(58)	-	-	-	(58)
	415	(7,413)	(13,274)	-	2,118	(18,154)
Balance at 31 March 2016	**28,874**	**58,322**	**7,288**	**(330)**	**12,869**	**107,023**

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 half-year 31 March 2017

	Notes	31 Mar 2017 $'000	31 Mar 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**125,544**	99,504
Payments to suppliers and employees (inclusive of GST)		**(111,324)**	(95,742)
Unused prepayments to suppliers		**(7,627)**	(4,886)
Interest received		**350**	554
Income taxes paid		**(4,522)**	(3,498)
Other revenue		**273**	758
Interest paid		**(48)**	(33)
Net cash inflow (outflow) from operating activities		**2,646**	(3,343)
Cash flows from investing activities			
Payments for acquisition of subsidiary (net of cash acquired)	**5**	**(1,246)**	(2,000)
Payments for property, plant and equipment		**(4,417)**	(2,645)
Net cash (outflow) from investing activities		**(5,663)**	(4,645)
Cash flows from financing activities			
Proceeds from exercise of share options		**115**	416
Finance lease payments		**(16)**	(1,915)
Dividends paid to Company's shareholders		**(22,214)**	(20,629)
Net cash (outflow) from financing activities		**(22,115)**	(22,128)
Net (decrease) in cash and cash equivalents		**(25,132)**	(30,116)
Cash and cash equivalents at the beginning of the financial year		**82,588**	75,536
Cash and cash equivalents at end of period		**57,456**	45,420

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

1 Basis of preparation

(a) *Corporate information*

The financial report of Technology One Limited (the Company) for the half-year ended 31 March 2017 was authorised for issue in accordance with a resolution of directors on 23 May 2017.

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

This interim financial report for the half-year reporting period ended 31 March 2017 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 September 2016 and considered together with any public announcements made by Technology One Limited during the half-year ended 31 March 2017 in accordance with the continuous disclosure obligations of the ASX listing rules and Corporations Act 2001.

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

(b) *New accounting standards and interpretations*

New or amended standards that became applicable for the first time for the 31 March 2017 half-year report did not result in a change to the Company's accounting policies or require retrospective adjustments. Certain new accounting standards and interpretations have been published that are not effective for the 31 March 2017 interim reporting period are outlined below.

(i) Issued but not yet effective

• AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010 - 7 to reflect amendments to the accounting for financial liabilities. The effective date of this standard is 1 January 2018, however it is available for early adoption. The Company 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 January 2015 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. The Company is assessing the impact, if any, of this new standard and does not intend to adopt it before its effective date, which means that it will be applied in the reporting period ending 30 September 2019.

• AASB 16 Leases was issued in February 2016. The standard introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard removes the clarification of leases as either operating or finance leases for the lessee and effectively treats all leases as finance leases. There are also changes in the accounting over the life of the lease. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, lessor accounting will remain similar to current practice. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The Company has not yet assessed how it will be affected by the new standard and has not yet decided when to adopt it.

2 Segment information

The Company's chief operating decision maker, being the Executive Chairman, 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 Company as discussed in note 1 in the annual report ending 30 September 2016 and Accounting Standard AASB 8 Operating Segments.

During the 2016 year, the reportable segments changed and now Consulting and Plus are reported as one segment. TechnologyOne's reportable segments are:

- Sales and Marketing - sales of licence fees and customer support to our customers.
- Consulting – implementation, consulting services and 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.

2 Segment information (Continued)

Half-year
2017

	Sales & Marketing $'000	Consulting $'000	R&D $'000	Cloud $'000	Corporate $'000	Total $'000
Revenue						
External revenue	72,013	32,853	29	8,213	837	**113,945**
Intersegment revenue	29	(134)	43	(1)	63	**-**
Net royalty	(47,386)	(3,441)	29,710	(884)	22,001	**-**
Total revenue	**24,656**	**29,278**	**29,782**	**7,328**	**22,901**	**113,945**
Expenses						
Total external expenses	**24,478**	**29,591**	**23,609**	**6,391**	**19,552**	**103,621**
Profit/(Loss) before tax	178	(313)	6,173	937	3,349	**10,324**
Income tax expense						(2,270)
Profit for the half-year						**8,054**
R&D expenses (external) as a % of total external revenue			**21%**			

Half-year
2016

	Sales & Marketing $'000	Consulting $'000	R&D $'000	Cloud $'000	Corporate $'000	Total $'000
Revenue						
External revenue	62,262	33,122	(6)	4,315	1,274	**100,967**
Intersegment revenue	109	(142)	(55)	(17)	105	**-**
Net royalty	(41,640)	(3,582)	25,733	(457)	19,946	**-**
Total revenue	**20,731**	**29,398**	**25,672**	**3,841**	**21,325**	**100,967**
Expenses						
Total external expenses	**22,039**	**25,569**	**21,756**	**4,763**	**17,420**	**91,547**
Profit/(Loss) before tax	(1,308)	3,829	3,916	(922)	3,905	**9,420**
Income tax expense						(2,069)
Profit for the half-year						**7,351**
R&D expenses (external) as a % of total external revenue			**22%**			

3 Revenue

	2017 $'000	2016 $'000
Sales revenue		
Software licence fees	**24,077**	18,536
Implementation and consulting services	**29,091**	27,583
Post sales customer support	**47,874**	43,709
Project services	**3,764**	5,438
Cloud Service Fees	**8,213**	4,318
Total sales revenue	**113,019**	99,584
Other revenue		
Foreign exchange gains / (losses)	**(4)**	45
Rents and sub-lease rentals	**273**	758
Interest received	**350**	396
Other	**307**	184
Total other revenue	**926**	1,383
Total revenue	**113,945**	100,967

4 Surrender of lease

	$'000
During the period, the Company surrendered a property lease resulting in the following impact:	
Reduction in sublease rental	485
Reduction in occupancy costs	922
Income Statement benefit	**437**

5 Fair Value

At 31 March 2017 the Company did not hold any assets or liabilities at fair value through the profit and loss except as noted below:

Contingent consideration relating to the business combinations of ICON, DMS or JRA as set out in the 2016 annual report is classified as Level 3 (2016: $17.4m). The impact on the income statement during the period represents the unwinding of the contingent consideration. The inputs and valuation techniques are consistent with those in the 2016 annual report and as such, the amounts payable under the respective acquisition agreements have been discounted to present value.

Reconciliation of Level 3 contingent consideration is set out below:

	Contingent Consideration $'000
Opening balance at 1 October 2016	17,399
Payments	(1,246)
(Gains) / losses recognized in income statement	148
Closing balance at 31 March 2017	**16,301**
Current	**4,977**
Non-current	**11,324**
Total	**16,301**

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

6 Events occurring after the reporting period

(a) *Dividends*

On 23 May 2017, the directors of Technology One Limited declared an interim dividend on ordinary shares in respect of the 2017 financial year. The total amount of the dividend is $8,149,250 and is 75% franked.

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

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 10 to 19 are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the half-year ended on that date.

- (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

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

On behalf of the board

Adrian Di Marco
Executive Chairman

Brisbane
23 May 2017

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

As lead auditor for the review of Technology One Limited for the half-year ended 31 March 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Technology One Limited and the entities it controlled during the financial period.

Ernst & Young

Brad Tozer
Partner
23 May 2017

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To the members of Technology One Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Technology One Limited, which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Technology One Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2017 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

Brad Tozer

Brad Tozer
Partner
Brisbane
23 May 2017

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