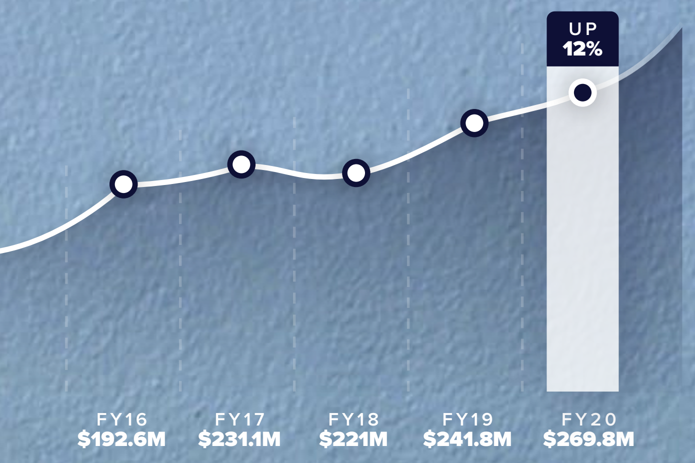
2020

# Annual Report

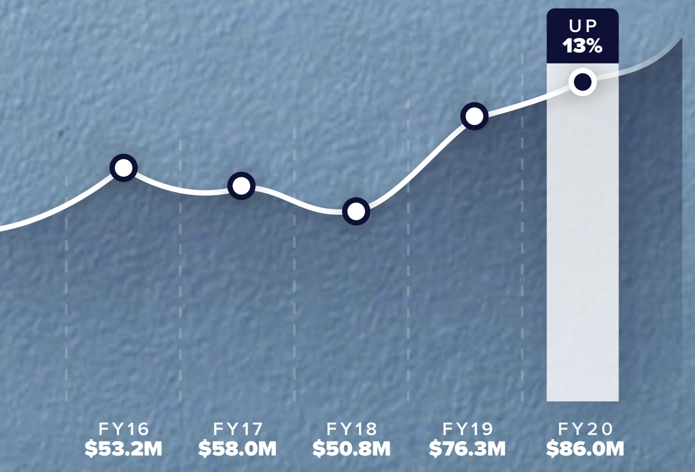

technologyone

Transforming business, making life simple

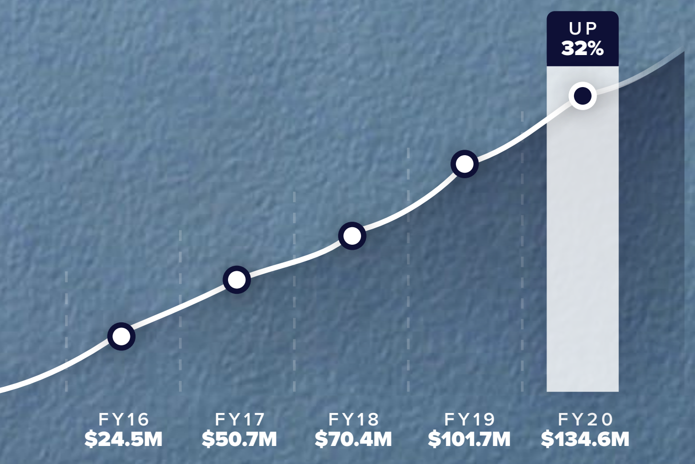

The future
of enterprise
software, today



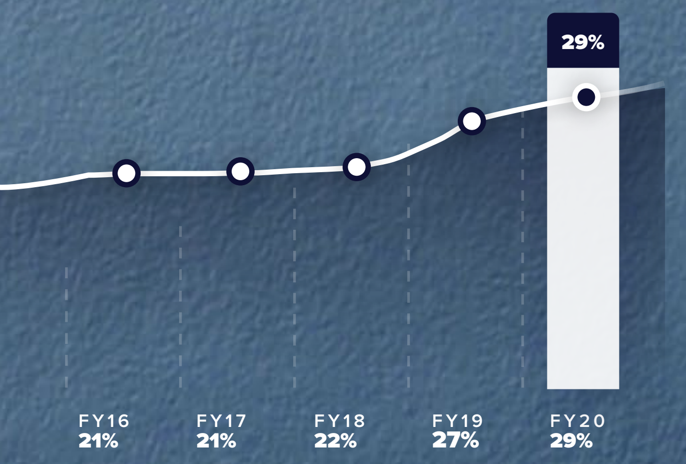

## Revenue from SaaS & Continuing Business up 12%




## Underlying Profit Before Tax[2] up 13%




## SaaS Annual Recurring Revenue up 32%




## Underlying Profit Before Tax Margin is 29%

These graphs should be read in conjunction with the Financial Highlights table on p8.

# What's inside

01

# At a glance

# Our finances

**$68.1M**
R&D investment up 13% (22% of revenue)

**11**
Consecutive years of record profit

**UP 12%**
Revenue from SaaS & Continuing Business

**UP 8%**
Dividend growth

**UP 33%**
Net assets

**UP 32%**
SaaS Annual Recurring Revenue

**UP 13%**
Underlying Profit Before Tax[2]

Profitable since
**1992**

**29%**
Underlying Profit Before Tax Margin

**UP 38%**
Consulting Profit Before Tax

**UP 10%**
Total ARR

**$125.2M**
Cash and cash equivalents

**44%**
Return on equity

**UK**
Breaks even

## Our vision

As the only company offering a true global Software as a Service (SaaS) ERP solution across the entire enterprise, we are transforming business and making life simple.

## Our difference

We are the only vendor that develops, sells, implements, supports and runs a fully integrated suite of enterprise software solutions. Our global SaaS ERP solutions span the entire enterprise and allow our customers to embrace the digital revolution and an exciting new world of possibilities in a cloud-first, mobile-first world.

## Our reach

TechnologyOne has a global presence throughout Australia, New Zealand, Asia and the United Kingdom.

## Our culture

Our international team is made up of more than 1,200 passionate individuals. We believe in investing in our people, and we do this with a wide range of initiatives such as O-Week, R&D Showcases and leadership courses.

To foster a customer-oriented culture, we developed the Compelling Customer Experience program. The program supports and encourages our team members so that they can deliver outstanding customer service every day.

## Compelling Customer experience

We continue to recognise that our customers are our compass for the decisions we make, the people we employ and the processes we create. This is why we continue to invest in our Compelling Customer Experience (CCE) program, which provides our people with ongoing development and support in delivering outstanding customer experiences.

Providing a compelling customer experience is fundamental to the way TechnologyOne does business and positions us well to attract customers away from our competitors.

## Our market-leading solutions and products

As the leading supplier of enterprise software solutions for more than 1,200 large-scale companies, and with more than 30 years' success in the business, we have developed a deep understanding of our key markets.

We offer our customers a range of industry-leading preconfigured enterprise solutions. Our solutions are effective and our implementations are streamlined, which reduces time, cost and risk for customers. We also offer a comprehensive suite of enterprise software products.

## Our markets

- Local government
- Education
- Federal government
- Health and community services
- Asset and project intensive industries
- Corporates and financial services

## Our preconfigured solutions

- OneCouncil
- OneEducation
- OneGovernment
- OneCare
- OneAsset
- OneCorporate

## Our products

- Corporate Performance Management
- Enterprise Content Management
- Human Resources & Payroll
- Spatial
- Supply Chain Management
- Strategic Asset Management
- Enterprise Cash Receipting
- Enterprise Asset Management
- Financials
- Property & Rating
- Student Management
- Business Analytics
- Enterprise Budgeting
- Performance Planning

## Our research and development

We continue to focus our research and development (R&D) efforts on new and emerging technologies, including cloud-based technologies, artificial intelligence, machine learning and other innovations. Our Australian-owned commercial R&D centre is the largest of its kind, with offshoot facilities in Indonesia and Vietnam.

## New ideas, new concepts

We are committed to a continuous cycle of redeveloping our software platform. This process leaves no line of code untouched and ensures that we are free to embrace new ideas, concepts and technologies – rather than needing to retain legacy systems. Over the past 30 years we have completely redeveloped our software platform four times.

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# Financial highlights

| | 2020 | 2019 | Growth on last year | 15-year compound growth | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Comparable** | Reported | | | | | | |
| Revenue - SaaS and Continuing Business | 269,774 | 241,790 | 12% | - | 221,046 | 231,151 | 192,657 | 175,279 | 140,024 | 128,226 | 117,567 | 110,348 |
| Total Revenue | 299,018 | 286,164 | 4% | 12% | 254,491 | 273,253 | 249,018 | 218,724 | 195,124 | 180,591 | 169,070 | 156,742 |
| SaaS ARR[1] | 134,557 | 101,677 | 32% | - | 70,372 | 50,701 | 24,486 | 14,265 | - | - | - | - |
| Annual Recurring Revenue (ARR)[1] | 221,908 | 202,480 | 10% | - | 173,912 | 153,896 | 126,996 | 108,853 | - | - | - | - |
| R&D Investment* | 68,062 | 60,124 | 13% | 13% | 54,042 | 49,856 | 46,009 | 41,038 | 37,873 | 35,595 | 33,524 | 31,796 |
| Underlying Profit Before Tax[2] | 86,070 | 76,389 | 13% | 13% | 50,807 | 58,019 | 53,240 | 46,494 | 40,235 | 35,097 | 30,324 | 26,675 |
| Net Profit Before Tax | 82,470 | 76,389 | 8% | 12% | 50,807 | 58,019 | 53,240 | 46,494 | 40,235 | 35,097 | 30,324 | 26,675 |
| Net Profit After Tax | 62,945 | 58,459 | 8% | 13% | 47,681 | 44,494 | 41,344 | 35,785 | 30,967 | 26,984 | 23,559 | 20,326 |
| Earnings Per Share (cents) | 19.75 | 18.43 | 7% | 12% | 15.10 | 14.18 | 13.26 | 11.57 | 10.06 | 8.78 | 7.73 | 6.71 |
| Total Dividends (cents per share) | 12.88 | 11.93 | 8% | 10% | 11.02 | 10.20 | 9.45 | 8.78 | 8.16 | 5.60 | 5.09 | 6.12 |
| Dividend Payout Ratio | 65% | 65% | - | - | 73% | 72% | 72% | 76% | 81% | 64% | 66% | 91% |
| Return on Equity | 44% | 55% | - | - | 46% | 28% | 31% | 30% | 30% | 31% | 32% | 30% |
| Cash & Cash Equivalents | 125,244 | 105,046 | 19% | 11% | 104,322 | 93,383 | 82,588 | 75,536 | 80,209 | 65,397 | 51,133 | 45,357 |
| Net Assets | 142,168 | 106,857 | 33% | 9% | 103,480 | 157,520 | 138,494 | 117,940 | 104,499 | 87,736 | 73,997 | 68,370 |

The table above shows previously reported results to FY17. Results for those years have not been restated for AASB15.

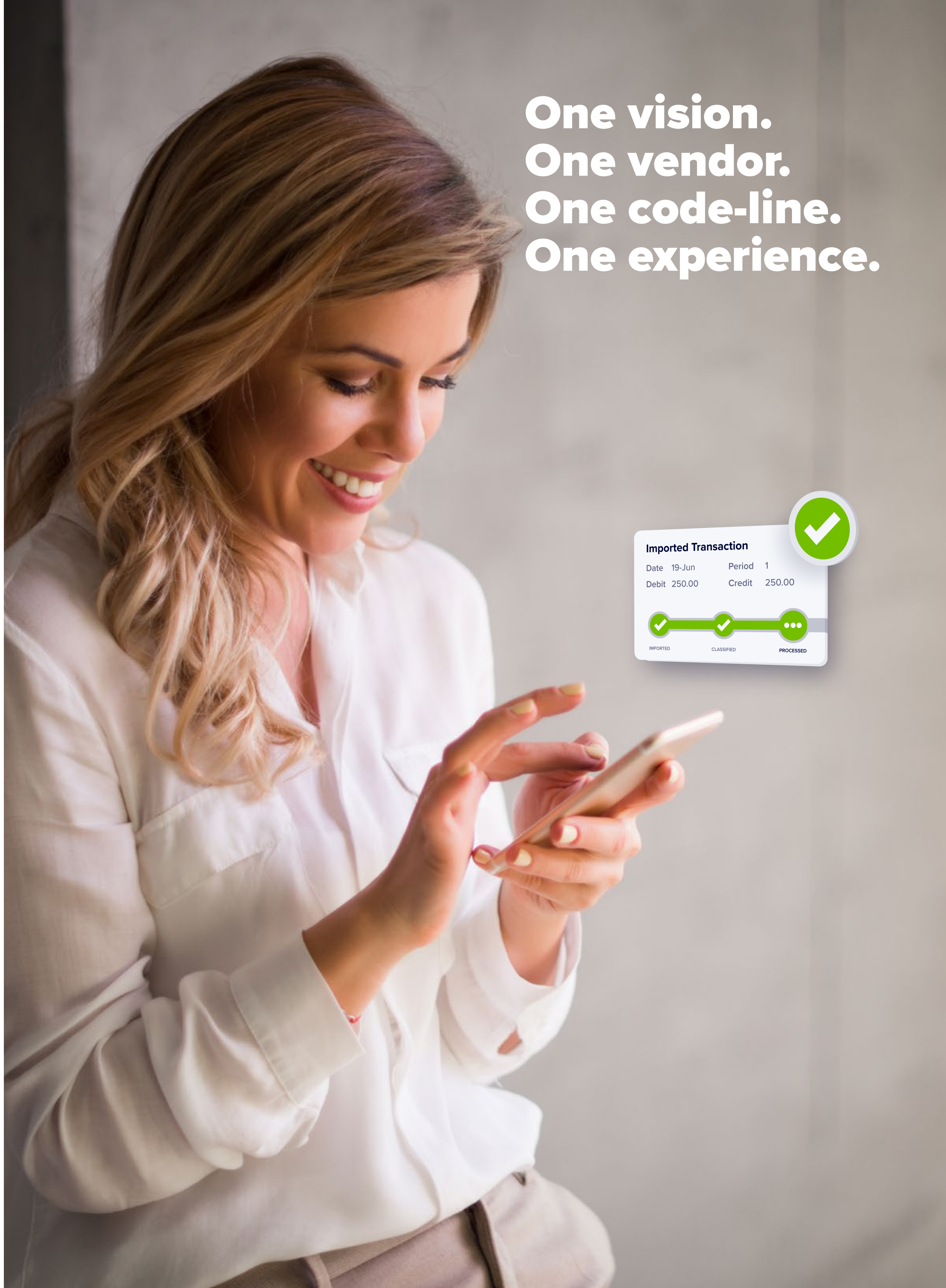
*Before capitalistion.

**2018 Comparable applies AASB15. It also assumes non-IFRS pro forma capitalisation of R&D costs (50%) for the FY18 year and is unaudited. As a SaaS company, R&D costs are capitalised from FY19 onwards, which is the common practice of our SaaS peers. We measure our performance using the comparable method because it is a better reflection of the performance of our business, setting a higher bar for the prior comparable period (FY18) than the statutory reporting. It allows for a 'like for like' comparison of the performance of the business, assuming R&D costs (50%) were capitalised in FY18. This is the basis used for all comparable reporting throughout this document.

[1]ARR is not an IFRS measure and is unaudited, it represents future contracted annual revenue at year end.

[2]Underlying profit excludes impact of once-off increased provision for a civil employment matter of $3.6m.





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# Letter to shareholders

# Letter to shareholders

## On behalf of TechnologyOne Limited (TechnologyOne) we are pleased to announce our 11th consecutive year of record profit, record revenues and record SaaS fees.

Our global SaaS ERP solution is transforming our customers' business and makes life simple for them.

When COVID-19 hit, our solution enabled our SaaS customers to seamlessly shift to remote working. COVID-19 has reinforced the significant value proposition of our global SaaS ERP solution which provides mission critical systems and enables our customers' staff to work on any device, anywhere, any time, seamlessly without interruptions. This has also resonated strongly with the market, driving our continuing strong results.

## Underlying Profit up 13%

Our Underlying Profit Before Tax was up 13% on the prior year, which was at the top end of guidance and underpinned by the continuing fast growth of the TechnologyOne global SaaS ERP solution.

## TechnologyOne SaaS ARR[i] grows 32%

The TechnologyOne global SaaS ERP solution is growing very fast with SaaS annual recurring revenue (ARR)[i] of $134.6m, up 32%. This is also discussed in more detail later.

## Results summary

**Key results were as follows:**

- Underlying Profit Before Tax[1] of $86.1m, up 13%
- Revenue from our SaaS and Continuing Business of $269.8m, up 12%
- SaaS Annual Recurring Revenue (ARR)[2] of $134.6m,up 32%
- Reported Profit Before Tax of $82.5m, up 8%[1]
- Total Revenue[3] of $299.0m, up 4%
- Expenses of $216.5m, up 3%
- Cash Flow Generation[4] of $66.4m, up 49%
- Cash and Cash Equivalents of $125.2m, up 19%
- Total Dividend of 12.88cps, up 8%
- R&D investment of $68.1m before capitalisation, up 13%, which is 22% of revenue

[1] For details on Profit Before Tax and Underlying Profit refer to the following pages

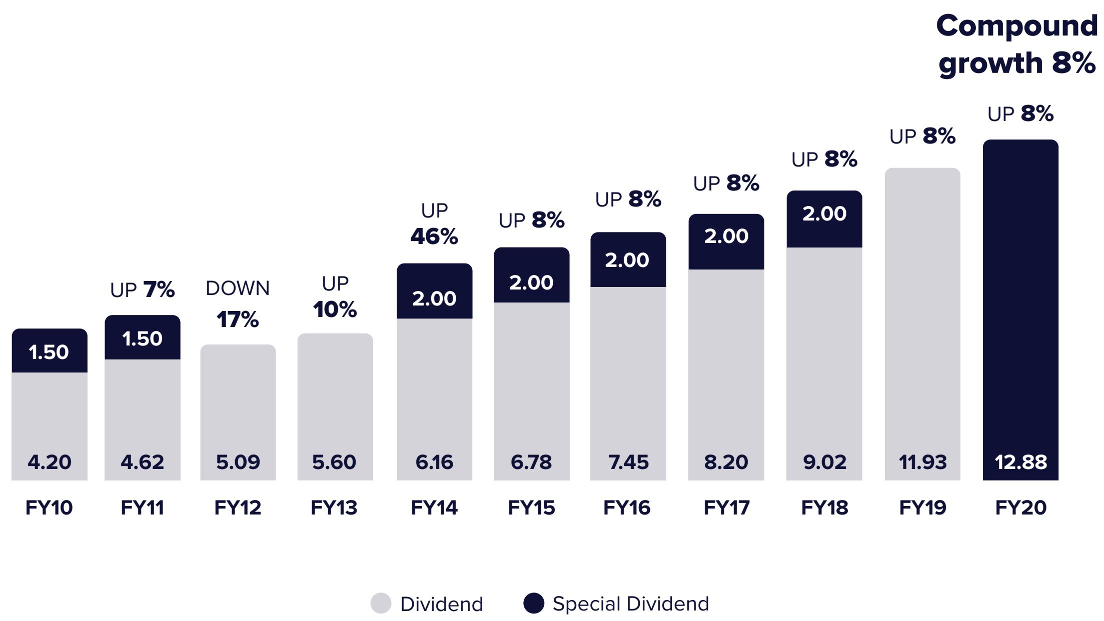
[2] ARR represents future contracted annual revenue at year end. This is a non-IFRS financial measure and is unaudited

[3] Includes other income of $0.7m

[4] Cash Flow Generation is Cash flow from operating activities less capitalised development costs. This is a non-IFRS financial measure and is unaudited

## Dividend up 8%

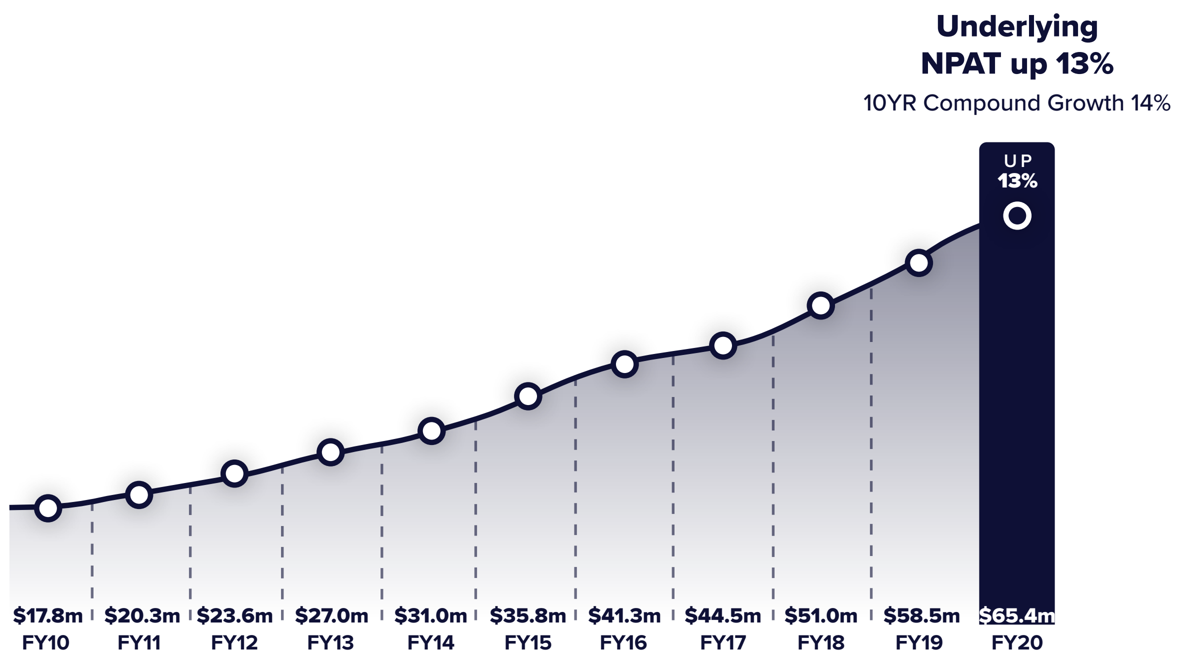
In light of the company's strong results, and our confidence going forward, the dividend for the full year has increased to 12.88 cents per share, up 8% on the prior year.




## Continuing strong performance

TechnologyOne has consistently delivered strong results since listing on the ASX in 1999. Our ability to deliver these results for 20+ years is due to our clear vision, strategy, culture and our significant investment in R&D. This is discussed in more detail in the Our Strategy section on page 28.

We see continuing strong growth in the future, and like we have in the past 32 years, we expect to double in size again in the next five years.




## TechnologyOne SaaS ARR[i] grows 32%

The TechnologyOne global SaaS ERP solution is growing very fast with SaaS Annual Recurring Revenue (ARR)[i] of $134.6m, up 32%. This growth is all organic and includes no acquisitions.

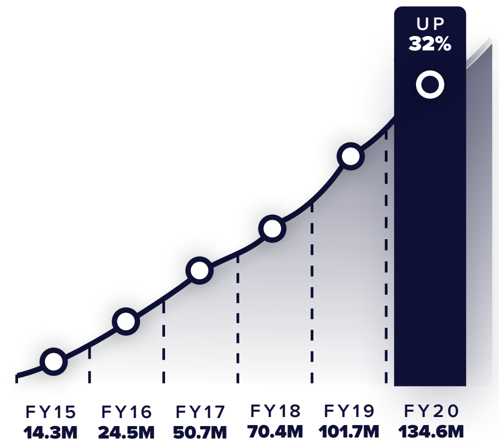
We added 104 enterprise customers this year to our global SaaS ERP solution and we now have 539 large scale enterprise customers, with hundreds of thousands of users; making it the largest single instance SaaS ERP offering in Australia.

Our global SaaS ERP solution is delivering a compelling value proposition for our customers, providing them any device, any time access from anywhere around the globe, as well as a simple and cost-effective way to run their enterprise. This is allowing our customers to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies. We take care of all of this, making life simple for them. This is discussed in more detail in the global SaaS ERP solution section on page 20.

This year we continued to win new, large enterprise customers from our competitors. 30+ organisations replaced our competitors' systems, including systems from Oracle, SAP, Microsoft, and Infor.

TechnologyOne continued to dominate in the local government sector, where we closed 40 major deals with $45+ million in total contract value. We have more than 300 council customers.

In the Higher Education sector, we closed 10 major deals with $10m in total contract value, cementing our position as the dominant provider to the APAC Higher Education sector.




## Recurring Revenue underpins quality of our business

As our SaaS business continues to grow quickly, the quality of this revenue stream is exceptionally high, given its recurring contractual nature, combined with our very low churn rate of <1%.

Today our Total Annual Recurring Revenue (ARR)[i] has hit $222m and is set to exceed $500m in the coming years.

Our ARR[i] stands at 86% of Total Revenue[1] which means the majority of our revenue is locked-in at the start of the financial year, which positions us well to achieve strong continuing growth in the new year.

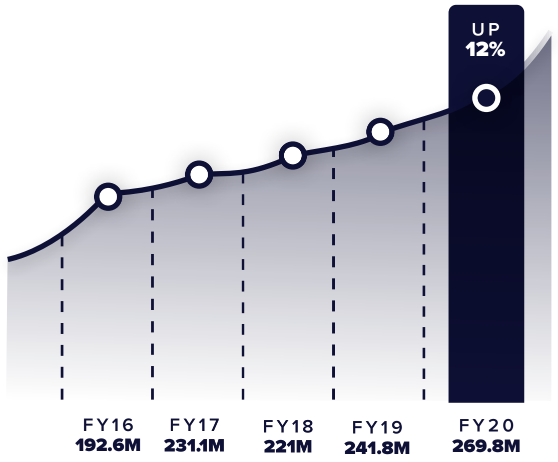
[1] Excludes consulting revenue as it flows from business wins

## Revenue from our SaaS and Continuing Business, a key measure, up 12%

Total Revenue was up 4%, but we believe this is not a true indication of the growth of our business, as it includes our legacy Licence business, which we are aggressively reducing, as we grow our SaaS business.

As planned our legacy Licence business was down 34% ($14.7m), as we continued to transition our customers to SaaS. If we remove the legacy Licence business from both FY19 and FY20, our Revenue from SaaS and Continuing Business, which is a key measure of the strength of our business, has grown 12%.

The reason we are aggressively pursuing our SaaS strategy is because of the significant benefits to both our customers and TechnologyOne. We note that the recurring nature of SaaS revenue, means it is a much higher quality revenue compared to legacy licence fee revenue.




## UK breaks even

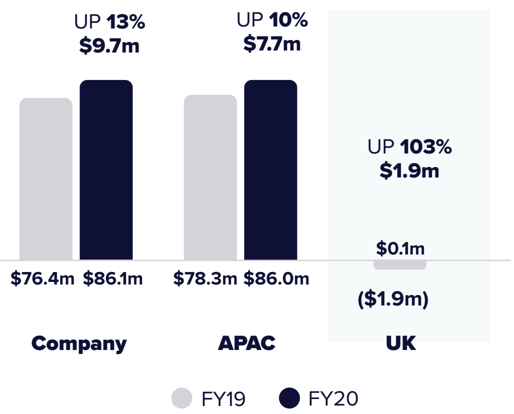
The UK regionalisation of our global SaaS ERP solution is nearing completion, and we have seen our UK business continue to grow, with SaaS ARR of $7.5m, up 22%. We delivered a breakeven result and we see significant opportunities in the coming years.

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 global SaaS ERP solution for the higher education and local government sectors. Important to the success of this strategy was the introduction of our Human Resources & Payroll (HRP) and Student Management products to this market. The regionalisation of these products for the UK market is nearing completion, 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.

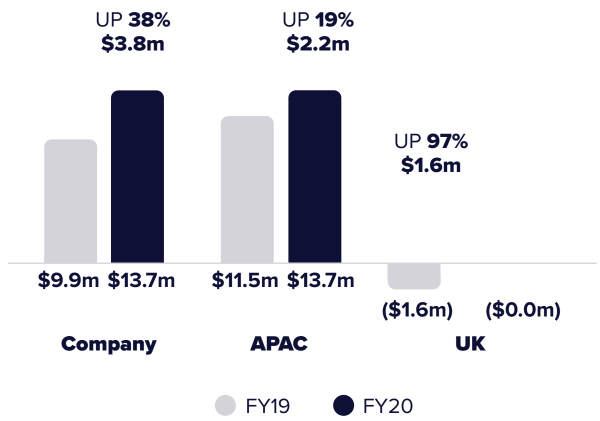
As previously foreshadowed, the challenge for us has been to build a successful and profitable consulting practice in the UK. This was not an insignificant undertaking.

We expect to deliver significant growth in the UK in the coming years.




## Consulting Profit Before Tax of $13.7m, up 38%

Our Consulting division delivered Profit Before Tax of $13.7m, up 38% through continued improvement in culture, systems and processes and disciplined use of our solution implementation methodology. We delivered all go lives and continue to support our customers remotely during the COVID-19 restrictions. The turnaround of the UK Consulting division continued during the year, profit improving $1.6m to deliver a breakeven result. The total Consulting group Profit Before Tax Margin has improved from 8% in 2017 to 22% in 2020. Our Application Managed Services business for existing customers is moving to recurring revenue with $14m now locked in as recurring revenue[2].




[2]Not included in our Total ARR.

## Investment in R&D up 13%

TechnologyOne invested $68.1 million in R&D this year, up 13%. This was significantly higher than our normal benchmark for R&D growth of 8%, as we took the opportunity this year to accelerate R&D into a number of new and exciting areas.

We continue to invest in new exciting ideas and innovation including our new Digital Experience Platform for Local Government, which we will ship in 2021.

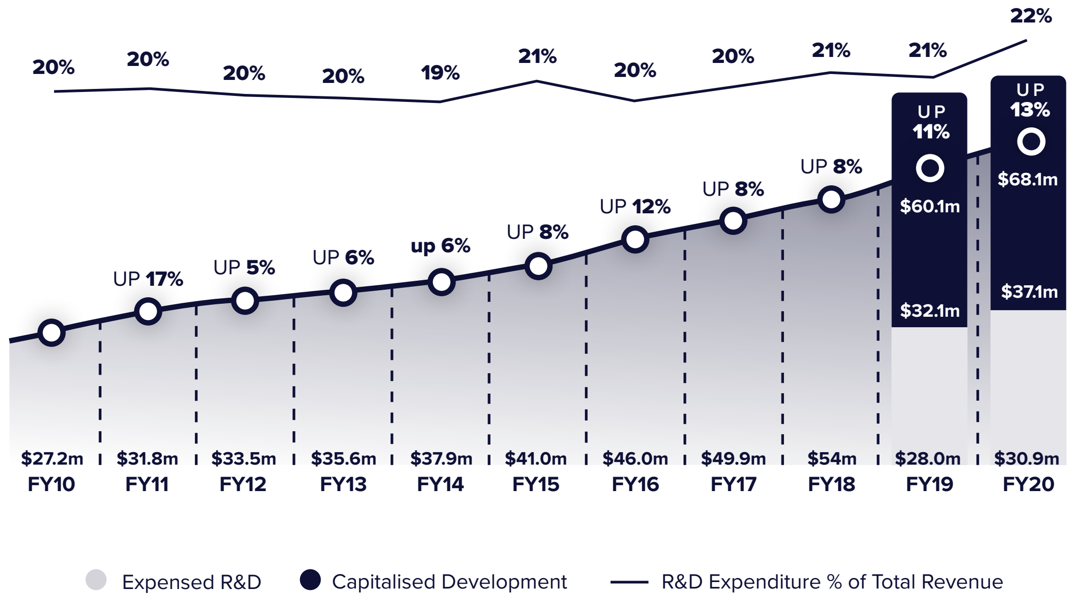
This year we achieved a significant milestone, becoming the first and only global SaaS ERP solution to be assessed for IRAP PROTECTED. We continue to invest millions of dollars and set the bar higher each year as we deliver the most trusted SaaS solution to our customers.

It is not feasible for individual organisations to keep up with increasing costs and complexity of cyber security unless they have adopted a SaaS first strategy.

Our R&D is also focused on extending the functionality and capabilities of our global SaaS ERP solution.

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.

We expect R&D growth next year to return back to the benchmark growth of 8% or less.




## Reported Profit up 8%

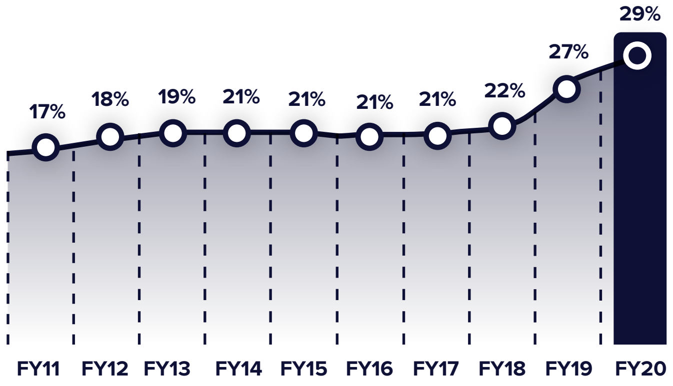
Reported Profit was impacted by a once-off increase in legal provisions, due to an unexpected judgement against TechnologyOne in a civil employment case. The company has retained very experienced counsel to expediate an appeal to the Full Federal Court. Our notice of appeal alleges 12 errors of law and fact. TechnologyOne has previously issued an ASX statement on this matter. As the matter remains before the Courts, we are unable to comment further at this time.

## Strong Balance Sheet and Cash Flows

TechnologyOne continues to have a strong balance sheet with net assets of $142m up 33% and cash and cash equivalents of $125.2 million up 19%. Cash Flow Generation[ii] was once again strong at $66.4m million for the full year, versus a Net Profit After Tax of $62.9m million. TechnologyOne continues its long history of strong Cash Flow Generation[ii] which will continue to grow in line with Net Profit After Tax.

## Underlying Profit Before Tax Margin Increases to 29%

Underlying Profit Before Tax Margin increased to 29%, compared to 27% pcp. We see margins continuing to improve to 35%+ in the coming years driven by the significant economies of scale from our single instance multi-tenanted global SaaS ERP solution. We are on track to double the size of our business once again in the next five years.




## Executive remuneration

This year we made further enhancements to our Remuneration Report and continued to evolve it based on feedback from our shareholders. We have also engaged external consultants to assist us with these changes.

At a time when many businesses have struggled during the pandemic, TechnologyOne has continued to perform strongly. Given the exceptional results delivered during the COVID pandemic, with Underlying Profit up 13%, SaaS ARR[i] growth of 32%, Consulting Profit growth of 38%, Underlying Profit Before Tax Margin growth to 29% and a breakeven result for the UK, the Board exercised discretion in the achievement of LTI targets to ensure our executives were appropriately rewarded and remained fully engaged with our business going forward, which is discussed in detail in our Remuneration Report.

There is clear alignment between the performance of the business and executive remuneration. FY20 total executive remuneration packages for continuing executives grew by 5%, after Board discretion, while the company's reported profit grew 8%, and underlying profit grew by 13%.

## Audit tender

TechnologyOne has taken advice from shareholders in relation to the external audit of TechnologyOne given the long tenure of our existing Auditors. During the year we have put the external audit services to tender. A detailed and carefully considered process was undertaken.

As a result of this tender, EY has been successful in continuing with our audit. Their significant experience in auditing SaaS companies in both Australia and globally was an important consideration as well as their exceptional references with other ASX companies.

## Environment, Social, Governance

TechnologyOne is committed to its ESG obligations, beyond just regulatory requirements. TechnologyOne is proud to go another step forward in 2020 and is now Carbon Neutral for the 12 months ending 30 June 2020 and is applying for Climate Active certification.

While the TechnologyOne operations do not have a material impact on the environment, we acknowledge that it is the changing attitude of many that will have a material impact on reducing climate change.

Please refer to the Company's website at: https://www.technologyonecorp.com/company/investors/corporate-governance for our Sustainability Report and Corporate Governance Statement.

## Board renewal

Given TechnologyOne is such a significant R&D and innovation-led business, coupled with our long track record of profitable growth, we have taken a cautious and measured approach to the renewal of our Board, to ensure a smooth transition. We have made good progress again this year with a new and highly experienced independent director, Mr Peter Ball, previously a partner at KPMG. We plan to add another independent director in the next 12 months which will see our Board then have five new independent directors.

Kevin Blinco, a long serving director, will not seek re-election at the AGM. We would like to take this opportunity to thank Kevin Blinco for his significant contribution to TechnologyOne and the Board.

## TechnologyOne Foundation

The TechnologyOne Foundation defines who we are as a company and is an important driver of the culture and values of our company.

We are committed to making a difference to underprivileged and at-risk youths, by empowering them to transform their lives and create their own pathways of success. We believe that it is through youth that we can have the greatest impact on the future. We have an ambitious goal of helping 500,000 children and their families out of poverty, which we are on track to achieve.

An important part of the TechnologyOne Foundation is supporting great Australians, doing great work both locally and internationally, which includes the Fred Hollows Foundation, School of St Jude, Opportunity International and Solar Buddy.

The Foundation will continue to grow with TechnologyOne through our commitment to the 1% pledge – 1% profit, 1% product and 1% time. This represents a $2m + commitment each year. The Foundation will continue to shape the DNA of our company and staff. This is discussed in more detail in the TechnologyOne Foundation section on page 62.

## Our people and culture

Our people solve incredibly complex business problems for our customers and have delivered our massively broad and deep global SaaS ERP. We compete and win against the world's largest multinational software companies who have R&D teams with tens of thousands of staff.

We continue to invest in our people and culture initiatives including our award-winning programs such as O-week, Graduate Program, Buddy program, Hack days, Town Halls and Regional Days to highlight a few. We also recognise those team members who live our values and demonstrate the TechnologyOne way through our annual MARVEL awards.

TechnologyOne conducts a continual eNPS survey to measure each team and to build our strong and unique culture. All of these initiatives have resulted in TechnologyOne being once again independently recognized as an employer of choice. This is discussed in more detail in the Our People section on page 52.

## Outlook for FY 2021

As we have seen over the last few years, the enterprise software market continues to remain resilient, with our products providing our customers the opportunity to reduce their costs, streamline their business and improve their efficiencies in a challenging economic time.

The TechnologyOne global SaaS ERP solution is driving our continuing success. As a result, TechnologyOne's sales pipeline of opportunities for 2021 is strong and this positions us for continuing strong profit growth in FY21.

Our SaaS business will continue to grow strongly and profitably.

We also expect to see continuing strong growth in the UK market.

The company will provide further guidance at both the Annual General Meeting and with the FY21 first half results.

## Afterword

To continue to succeed we must continue to innovate and focus on building beautiful software that is incredibly simple and easy for our customers to use. Our software must work on any device, anywhere, at any time if we are to enable our customers to embrace the exciting future that is possible with the digital revolution.

Also, we must continue to earn the right to be the enterprise software partner for our customers. At every touchpoint we have with our customers, we must strive to make things simpler for them and give them a great experience.

A few years ago, we set an ambitious goal to transform business and make life simple for our customers. We are now making this a reality.

This would not be possible without the talented and committed people who make up TechnologyOne.

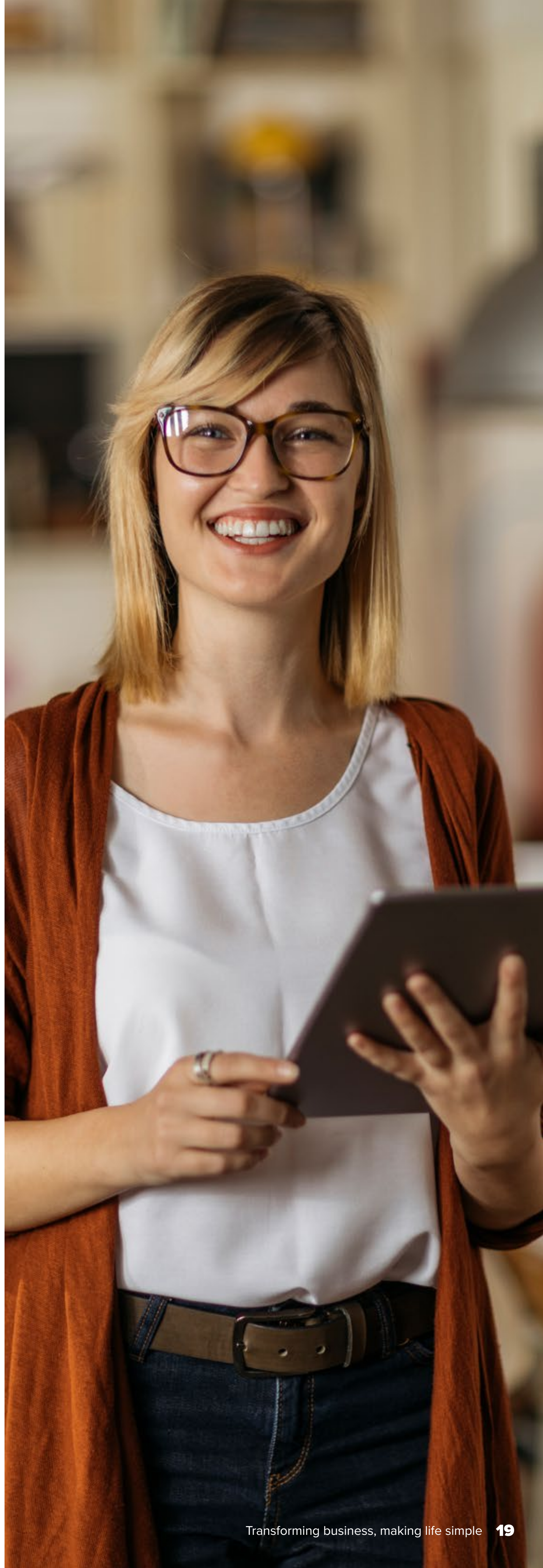
I would also like to thank you, our shareholders, for your continuing support.

Adrian Di Marco
Executive Director

Edward Chung
Chief Executive Officer

[i] ARR is not an IFRS measure and is unaudited, it represents future contracted annual revenue at year end

[ii] Cash Flow Generation is cash flow from operating activities less capitalised development costs. This is not IFRS financial measure and is unaudited.



04

# Global SaaS ERP solution

COVID-19 has highlighted the opportunity and benefits of providing access for staff wherever they are located. The pandemic and its impact, have definitely helped confirm the business case for moving to Software as a Service and a web-based portal.

**Helen Howard**
Head of Finance
North Wales Fire & Rescue

TechnologyOne's global SaaS ERP solution delivers the full functionality of ERP on any device, without compromise. Our Software as a Service (SaaS) runs one global code line, allowing us to continuously deliver new innovations to our customers, who benefit from the scale of our investment as an enterprise vendor.

Our solution leads the market because we own, build and support our own software. We take complete responsibility for providing the processing power, software and services, including backup, recovery, upgrade and support services for our SaaS customers. Other ERP providers fail to deliver the same economies of scale and cost efficiencies because they use cloud hosting and handcraft each customer's environment individually.

Our SaaS ERP solution is a single instance of software delivered globally, with a mass production line of servers running thousands of customers' organisations. It produces substantial economies of scale, creating cost efficiencies that hosting providers cannot come close to, and a level of service, security, reliability, scalability and future proofing that would not be otherwise possible.

TechnologyOne makes a substantial investment each year in ongoing R&D, to continue to improve our software and to capitalise on new technologies, concepts and ideas. Our global SaaS ERP solution provides a compelling value proposition to our customers, giving them what is essentially a very simple, cost effective and highly scalable model of computing.

Our customers gain access to two releases of software per year that delivers new features, functionality and concepts, as well as access to the TechnologyOne University for 'just-in-time' training. This is all provided standard as part of our SaaS solution, and we guarantee it will be future proof. Our customers do not need to do anything to seamlessly get these new releases into production.

With our configuration-driven software design, all our customers' unique configuration information is stored in their own dedicated and secure database. This is also the case for our customers' transactional data, allowing us deliver personalised service at scale.

Our approach to SaaS ERP is a key part of TechnologyOne's ongoing success, with our subscription revenue now representing 86 per cent of our total revenue. In FY20, we gained 104 new SaaS customers, joining many of our long-standing customers on the journey from on-premise to cloud-based solutions.

Our SaaS ERP has received international recognition for software innovation from the Australian Business Awards, the UK Cloud Awards, the SaaS Awards and Amazon Web Services.

Our latest release of TechnologyOne SaaS, 2020B, continues to deliver further economies of scale and enhanced security. We are now working on the next generation of our SaaS solution, 2021A. The pace at which we are innovating is accelerating, and we are seeing many opportunities to continue to improve the features, speed, security, availability and scalability of our SaaS solution for our customers.

**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.**

We are excited by the opportunities the TechnologyOne SaaS ERP solution 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.

## Any device, anywhere, at any time

TechnologyOne is the only enterprise vendor delivering 100 per cent of its enterprise software on smart mobile devices—with no carve outs or exceptions. Customers have access to the full functionality of our software on any device, anywhere, at any time.

Organisations can embrace iPad, iPhone and Android devices as part of their enterprise solution and our adaptive screen design guarantees a great user experience regardless of the device. Because the experience is tied to the user, not the device, an employee can move seamlessly from one device to another without interrupting their work. With its incredibly simple design, our SaaS ERP has created a new standard in enterprise software, giving us a significant competitive advantage. For customers undertaking digital transformations, this is the key to future success.

## DXP (Digital Experience Platform)

TechnologyOne's Digital Experience Platform (DXP) is a frictionless mobile app experience that harnesses new technologies and leverages the power of enterprise software. DXP will digitally enable every stakeholder throughout their organisation - be it an employee, customer, supplier, student or ratepayer - substantially streamlining their business and improving their experience. Artificial intelligence (AI) and machine learning (ML) are integral parts of our DXP.

TechnologyOne has released to early adopters the next stage of our DXP, and progressed the first two DXPs - DXP Meetings and DXP Expenses - into general release. We continue to invest in DXP, and our DXP for ratepayers and local government will ship in 2021.

"The rollout of DXP Meetings has only increased the appetite to modernise other areas of the council and has certainly driven us to explore other TechnologyOne solutions."

**Sarelle Sinclair**
Senior Business Services Officer
Tablelands Regional Council

"We are always looking for opportunities to improve business processes. Being an early adopter allowed Council to ensure real benefits could be realised immediately and that the most efficient and sustainable solution was delivered."

**Adele Taylor**
Manager Business Information Solutions
Shellharbour City Council

## Accelerating digital transformation

COVID-19 has accelerated digital transformation throughout the world and has validated our strategy here at TechnologyOne. Our enterprise customers are increasingly realising the financial and operational benefits of a cloud-first, mobile-first model. SaaS transforms the way organisations interact with their customers and communities, which is why more of our on-premise customers are transitioning to the cloud.

Our customers tell us that adopting SaaS gives them new capabilities and saves them millions of dollars compared to equivalent on-premise deployments.

As the world pivots to operate in the 'new normal', with remote working quickly becoming the norm, the efficiencies TechnologyOne's SaaS Platform offers have become even more essential to our customers.

We have also accelerated digital engagement internally, finding new virtual ways to engage, connect and achieve outcomes, with our Consulting team continuing to deliver projects 100 per cent remotely, as well as our Sales and Support teams continuing to remotely welcome new customers and support existing customers so that their businesses could continue to operate. We redefined the way we deliver events, both internally and externally, for a virtual world, which culminated in the creation of User Connect. You can read more about our User Connect virtual event series on page 38.

## Our commitment to innovation

In FY20, we invested $68.1 million in R&D to improve our SaaS offering with new technologies, concepts and ideas enhancements and innovations.

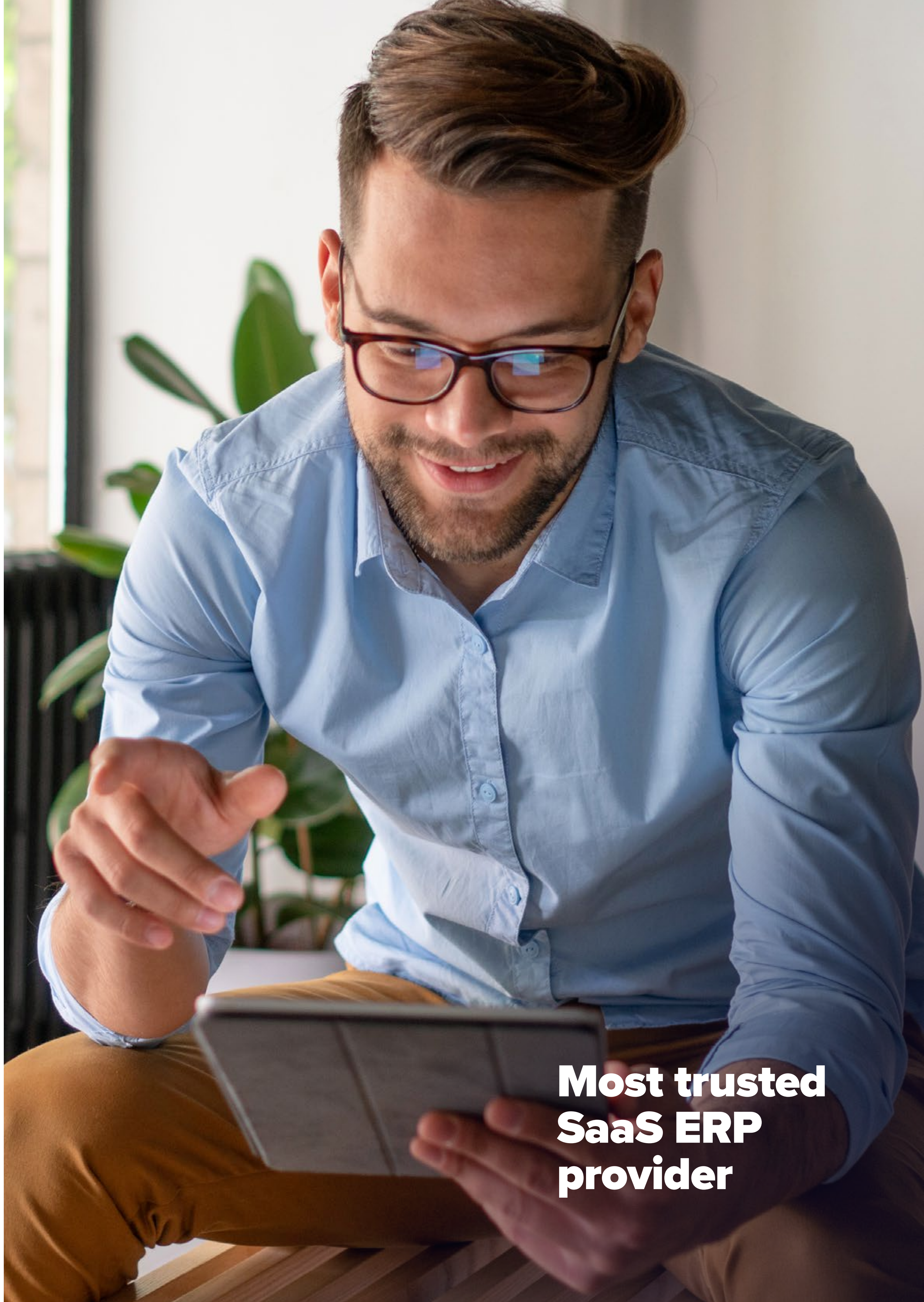
Our Software as a Service runs one global code line, allowing us to continuously deliver new innovations to our customers, who benefit from the scale of our investment as an enterprise vendor. With each new customer, our solution is enriched with new IP that powers the evolution of our software.

The economies of scale offered by our global SaaS ERP solution mean that when a customer signs up to our service, they receive far more than what they pay for. Each customer benefits from the hundreds of millions of dollars that we have invested to date and our commitment to continued investment. We take care of patching and upgrades, and offer two major software releases per year.

Our SaaS offering is massively scalable, resilient and fault-tolerant. All our customers run the same code-line globally, and all processing resources are shared. When we make an improvement to the service we automatically roll out that improvement to all our customers.

It is a testament to the collective skill of our people and organisational structure that we have achieved such a competitive advantage and level of differentiation in the SaaS market.

Insights—our SaaS monitoring platform—gives us unprecedented visibility of the real-time performance and reliability of our SaaS environments and software. This enables us to analyse, detect and respond to issues faster than ever before. Insights also strengthens our support processes by connecting our development teams directly with customers.



The transformation of our data into a single source of truth for the entire student journey will improve the student experience and the management of student pathways from vocational education through to higher education.

**Naomi Dempsey**
Acting Deputy Provost
Academic & Students
Victoria University


## Most trusted SaaS ERP provider

We take the privacy and security of our customers' data very seriously and weave this consideration into the fabric of everything we do. We are committed to building the world's most trusted SaaS for enterprise software and will continue to make significant investments to that end. That's why, since 2017, we have achieved the highest level security accreditation of any SaaS ERP vendor operating in Australia.

The foundation of our global SaaS ERP solution is a class-leading security and compliance program designed to give our customers the strongest protection and privacy. As part of this program we develop and maintain our security framework, which passes the most stringent external verification, testing and scrutiny.

We have held ISO 9001 accreditation continuously for 26 years. Our SaaS solution is accredited and certified for the following international standards:

- ISO/IEC 27001
- ISO/IEC 27017
- ISO/IEC 27018
- ISAE 3402 SOC 1
- SSAE 18 SOC 1 (USA)
- AT-C 205 SOC 2
- Cyber Essentials Plus (UK)
- Health Insurance Portability and Accountability Act (HIPAA) (USA)
- IRAP 'PROTECTED'

In the UK and European Union, we are certified with Cyber Essentials and comply with the General Data Protection Regulation (GDPR).

In FY20, we enhanced our offering by successfully completing the Information Security Registered Assessors Program (IRAP) assessment for PROTECTED classified data, providing our SaaS customers with greater certainty in a constantly evolving cyber security landscape.

As part of our service, customers receive the benefit of these certifications, along with ongoing security and privacy enhancements, at no extra charge.

539 customers have chosen TechnologyOne SaaS to power their organisations. This is an increase of more than 24 per cent in customer numbers over the past 12 months, and we expect this rapid growth to continue in 2021.

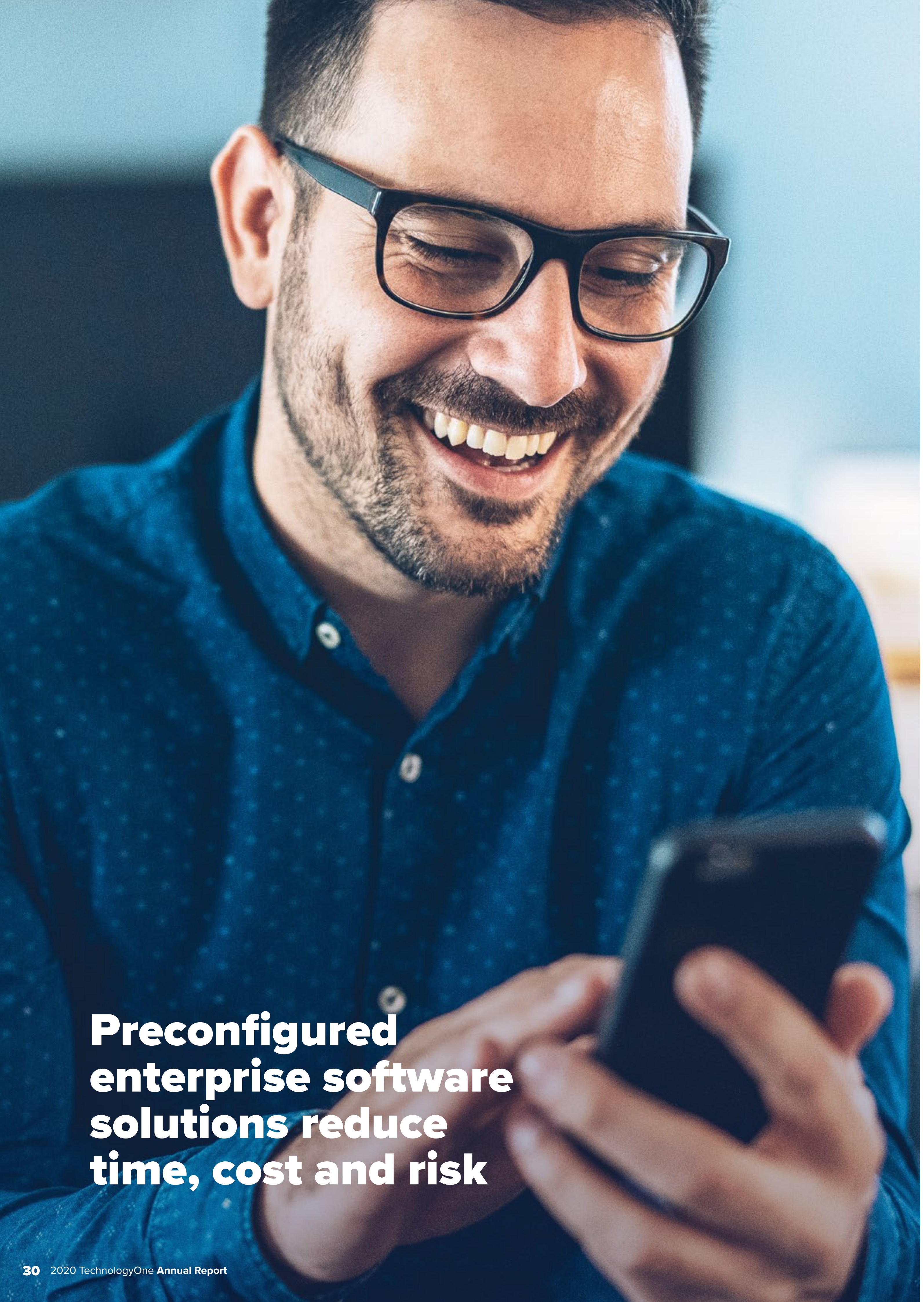
## TechnologyOne University

TechnologyOne University is the learning and training hub for our software. Through the power of SaaS, all of our customers can receive self-paced learning and comprehensive training on any device, anywhere, at any time. Our Learning and Development team is constantly adding content to the University's offering, which now includes more than 90 hours of high-quality video material.

An innovative digital learning solution, TechnologyOne University gives our customers a dynamic, real-time and up-to-date self-service support and education option that empowers users at all levels.

05

# Our strategy



# Preconfigured enterprise software solutions reduce time, cost and risk



# Our vision

## Transforming business, making life simple

Our vision is to build and deliver truly great products and services that transform business and make life simple for our customers. Our core beliefs allow us to deliver on our vision.

> Over more than three decades, TechnologyOne's clear vision, our beliefs, our supporting initiatives and our continuing growth have underpinned our success.

At TechnologyOne, we know that our customers' experiences define our success. We believe in leadership, not management. We know that our survival depends on our ability to set ambitious goals, and to lead and inspire our people to achieve great things. As a large, successful company, we also believe it is important to give back to the community. To pay our success forward, we established the TechnologyOne Foundation.

Our beliefs, dedication to customer experience, leadership model and charitable ethos have formed our vision. This is the TechnologyOne Way, which we developed more than 30 years ago and continues to define the way we operate.

# Our core beliefs

We believe in:

- An enterprise solution
- Deepest functionality for the markets we serve
- The Power of One
- The power of evolution
- Simplicity, not complexity

## Our enterprise solution

We believe in the power of a single, integrated ERP solution built on a modern platform with a consistent look and feel and user experience.

### A best-in-class enterprise solution

Only through an enterprise solution can organisations embrace the future of SaaS and smart mobile devices and unlock the efficiencies they need across their entire organisation. We have spent more than 30 years and hundreds of millions of dollars to deliver on this enterprise-wide vision. Today, we deliver best-in-class products that come together as a total enterprise solution from a single vendor.

In the SaaS world we have seen the proliferation of 'best-of-breed' products. We are confident, just as we have seen in the past for on-premise customers, that we will see a move from best-of-breed products to enterprise software solutions in the cloud, given the significant benefits it will provide: one vendor, one user interface, one common technology architecture, and preconfigured integration across all products. As TechnologyOne is one of only a few enterprise SaaS vendors globally, this positions us for continuing strong growth.

### Our leading-edge platform

Our comprehensive suite of fully integrated software products is designed to deliver the best possible experience for users.

Our software solutions are underpinned by our state-of-the-art platform. The platform provides the core functionality, security and a consistent user interface for each of our products, and enables our customers to access their information anywhere, at any time and from any device. We continue to evolve our platform, ensuring our customers can easily adapt to changes in mobile devices, computing and user preferences.

## Deep functionality for the markets we serve

We have chosen to focus on six key markets: local government, government, education, health and community services, asset- and project-intensive industries, and corporates and financial services. With more than 30 years' experience and over 1,200 large-scale enterprise customers we possess an expansive understanding of these sectors and provide the deepest functionality for the markets we serve. We continue to add more functionality to our products and preconfigured solutions for these markets, to streamline implementation and reduce customers' time, cost and risk.

### Preconfigured solutions

TechnologyOne's integrated products form the building blocks from which our preconfigured, industry-specific solutions are developed.

Created in collaboration with hundreds of customers, the solutions cover 80 per cent of each sector's requirements. This accelerates implementation, while leaving room for the software to be configured to customers' specific needs.

This approach is faster, cheaper and safer than that adopted by our competitors.

### Deep industry engagement

Each of our preconfigured solutions is developed by a team of specialists with an in-depth understanding of our key markets. We work closely with our sectors to stay abreast of current requirements, organisational and user challenges, legislation and emerging trends. This deep industry engagement ensures our preconfigured solutions continue to lead the market.

## The Power of One

TechnologyOne's hallmark is being one vendor with a single vision, code-line and experience. We do not use implementation partners or value-added resellers. We take complete responsibility for building, marketing, selling, implementing, supporting and running our enterprise solutions for each customer to guarantee long-term success.

### Our unique value proposition

We are accountable to our customers, whether the focus is on business needs, underlying technology, delivering implementations on time and within budget, or excellence in support and customer service.

When organisations invest in our solutions they benefit from a direct relationship with us every step of the way. From the start, we take ownership of a project and provide outstanding service and support.

Unlike our competitors, we provide a single, integrated consulting capability to enable a safer, faster and more cost-effective time to delivery for our industry solutions. We partner with our customers to ensure that they can truly unlock the value of their TechnologyOne investment. This is underpinned by the industry and product experience of our 300 consultants and the power of our Solutions Implementation Methodology (SIM) 2.0.

## The power of evolution

Substantial investment into R&D each year allows us to provide our customers a strong, continuing competitive advantage through an enterprise solution that adapts and evolves by embracing new technologies, concepts and innovation.

In our 30+ years, being ahead of the technological curve has been part of our DNA, because we've invested in technology, processes and people, for our customers and the verticals we serve. We're always innovating, so our customers can too.

### Using technology for competitive advantage

One of our founding principles in 1987 was to use new and emerging technologies to provide a competitive advantage for our customers. It continues to be a major focus today.

For more than 30 years, we have successfully delivered a continuous and smooth technology transition that has seen TechnologyOne migrate our customers across a number of technology paradigms, from mainframe to client-server computing to the Internet, to our Connected Intelligence (Ci) platform and more recently, Ci Anywhere. Our SaaS Platform is built on beautiful design, and can be used by any business consumer, anywhere, on any device and at any time. It is powerful and simple to use, allowing our customers to realise the benefits of our global SaaS ERP solution on their smart mobile devices.

## Simplicity, not complexity

As a leader in the ERP market, we have always focused on transforming business. More importantly, we do this to remove complexity and make life simple for our customers.

Simplicity is a philosophy we continue to embrace in everything we do for our customers. We want to be known for an ERP solution that is easy, simple and intuitive to use, and that removes needless complexity.

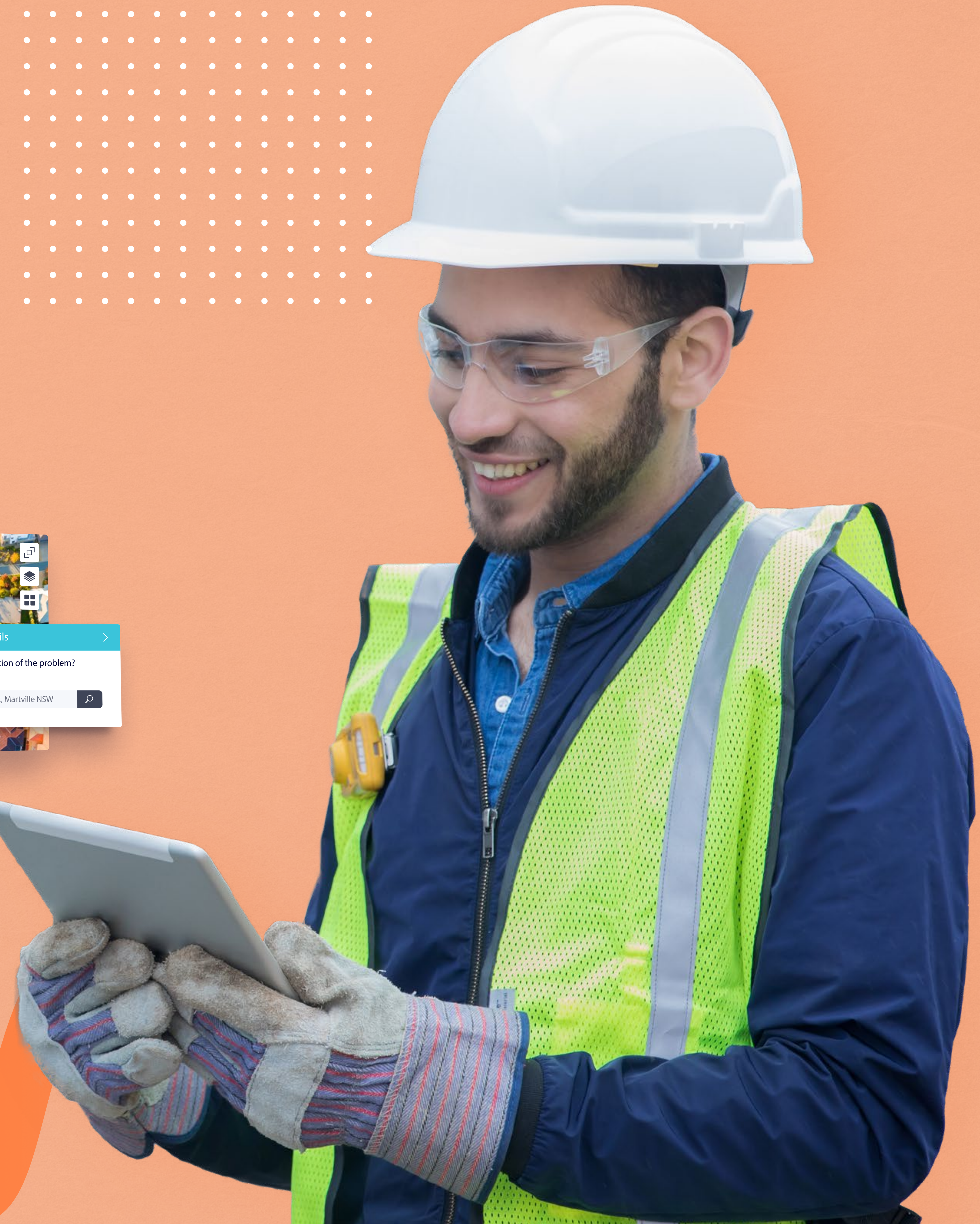
By embracing the simplicity of a SaaS model, we deliver our software in a high performing and secure manner. Our highly available infrastructure has redundancy built in at every level and ensures our customers don't have to worry about running or updating their own software and infrastructure.

By removing the need to manage their computing environment, customers can focus on business, rather than the supporting technology.

# The power of a single, integrated enterprise solution

06

# Our growth

## Global SaaS ERP solution

Our ongoing success has been underpinned by the incredible growth of our SaaS business, which doubles in size every 18 months. This is powering the growth of TechnologyOne, which continues to double in size every five years.

We now have 539 customers on our global SaaS ERP solution.

Our solution is a clear market leader because we are the only enterprise vendor to offer a true SaaS ERP solution across the entire enterprise.

Unlike many other software providers that use cloud hosting, we own, build and support our software. Because other providers handcraft each customer's environment, they cannot offer similar shared benefits or economies of scale.

## Expanding within our geographies

We have global locations across Australia, the United Kingdom (UK), New Zealand, the South Pacific and Asia.

We have adapted our business to meet the differing needs of customers in each of these regions. In particular, we adapt our sales strategies for different regions as we identify new and ongoing customer needs.

We will continue to build on our success and consistent growth in Australia and New Zealand, while also capitalising on the strong growth of our SaaS solution in the UK. We continue to grow our market share in the UK's local government and higher education sectors, and expect this will contribute significantly to our growth in the years to come.

## Expanding within our vertical markets

We operate within six large vertical markets and deliver preconfigured products to enable customers to quickly realise value from our solutions. This lets us specialise, while providing significant room to expand our customer base and grow our solution footprint as we add value for customers.

We have experienced continued success and expansion within each of our vertical markets. The adoption of our global SaaS ERP has also enabled us to penetrate our key vertical markets more deeply, by making it easier to reach customers that may not have been suitable for an on-premise solution.

Organisations that do not have the technical capability or resources to roll out our software on premise can easily implement our SaaS solution.

## Adding value to existing customers

We listen to our customers and make sure we understand their needs, meet their priorities and enable ongoing improvements in their business processes. Our goal is to build proven practices into our solutions and deliver the best software and services available for our customers.

Our Sales, Marketing and Customer Success teams keep customers informed about recent developments and the experiences of fellow TechnologyOne customers. This helps customers further improve their technology systems, business processes and models.

Building on this partnership approach, the TechnologyOne Customer Community has transformed our support experience.

As a dynamic group of TechnologyOne experts and customers, the Customer Community provides a world-class support experience to customers. It also enables them to influence product direction, keep up-to-date with industry news and collaborate with other customers.

## Expanding our product range and depth

We are working closely with our customers to ensure we meet their ongoing business needs and provide an increasing range of functions within our enterprise solutions. The result is that we continue to extend our product offering by developing additional features and functions – further building on what is already one of the world's most comprehensive enterprise software suites.

By re-engineering all our products, customers can enjoy the same software functionality across any device, anywhere, any time. Through DXP, we are extending the reach of our software from the back office power users such as the accountants, payroll clerks, student administration and customer service teams, to the front office end users such as employees, ratepayers and students, making the power of ERP available to everyone.

USERCONNECT by TechnologyOne

Insights

Transformation

Innovation

## A new way to stay connected

While we were unable to hold in-person events such as User Groups in 2020 due to COVID-19 restrictions, this disruption provided us with the opportunity to rethink and reimagine how we engage with and educate our customers.

This led to the release of User Connect, our new virtual event series that connects customers to industry insights, endless possibilities to drive business transformation and new product innovations.

Launching in August 2020, we delivered more than 50 sessions across three separate tracks, available both live and on-demand. With more than 1,000 customers tuning in for the inaugural series, and over 3,000 sessions viewed, it was an overwhelming success.

We'll continue to deliver our User Connect series twice-yearly, to ensure customers can stay connected with the TechnologyOne community and our latest insights, best practices and innovations. We'll supplement with User Groups and Showcases once we're able to resume physical events, to provide customers and prospects with an opportunity to meet with TechnologyOne experts and network with their peers in person.



07

# Our operations

# Stuart MacDonald

## Chief Operating Officer

We continued our SaaS evolution in FY20, this year finalising the unification and transformation of all our departments into a SaaS model. We realigned our organisational model to centralise the development of our products and solutions, continue the transition to SaaS and a high quality recurring revenue model, and empower our teams to be far more agile.

We continued our customer-first mindset, expanding our Customer Success team and delivering programs such as our Customer Reference Program, to improve customer experience.

The changes saw us become even more relevant to our customers and verticals, particularly during a challenging year where our customers were looking for partnerships that could help them navigate the uncertain path ahead. We continue to see success in this partnership model, with these changes supporting the growth of our SaaS customer base, new customers, and total product footprint within our existing customer base in FY21.

### Together as One

As the COVID-19 pandemic forced the world into lockdown, we realised many of our customers needed practical assistance during this uncertain time. In response, we launched our Together as One initiative to help them navigate their COVID-related challenges. This saw our Consulting, Product, SaaS Platform, Support, Marketing and Sales teams come together to offer access to our software, SaaS Platform, services and shared knowledge.

This coordinated, multi-function response to support our customers in a time of need was a great demonstration of customer centricity and teamwork, and provided millions of dollars' worth of support to our customers, including:

- 60 uptakes of our free Analytics Workforce Continuity dashboard
- 350 attendees for our free remote training on critical business services
- 280 new members joining our Customer Community to access shared knowledge from their peers
- Support to expedite transitions to SaaS for our on-premise customers, to ensure their business continuity during COVID-19 disruption

### Continued growth in the UK

FY20 was a breakout year for TechnologyOne's UK business, which saw the region deliver a breakeven result through an expanded portfolio of products in our key markets of local government and education. This year we signed nine new customers and completed 21 implementation projects, and continued to expand our footprint in Northern Ireland, with three new local councils added to our roster.

### Strategic priorities for FY21

While FY20 brought with it some challenges, it also validated our any time, any device, anywhere strategy. For customers at the beginning, or not yet on their digital transformation journey, the rapid changes brought on by COVID-19 has accelerated their appetite to move to SaaS and digitise their operations.

Our business model was positioned well to succeed and support our customers during this time, because we have spent years investing in the future and building strong partnerships with our customers through our vertical industry alignment.

As we move into FY21 we will continue to innovate to ensure we, and our customers, are prepared for the future. We will focus on driving the enhancement and success of our industry solutions, with our customers seeing the benefit of tighter alignment between our various departments, as a result of this year's organisational model optimisation and continued customer focus.

# Paul Jobbins

## Chief Financial Officer and Executive Vice President, Corporate Services

The Corporate Services team supports the company through strategic business partnering by providing systems and processes that drive efficiency, and by managing our capital and cost base to ensure we optimise return on our investments.

In FY20, we focused on strengthening our resources, skills and systems to ensure we can support the business to achieve future growth and scalability, and are well structured to provide detailed forecasts, planning and analysis to support sensible business decisions and win new business.

After adopting AASB 15 and our transition to SaaS accounting last year, we made further advancements this year, implementing the AASB 16 Leases accounting standard.

### Underpinning our business success

In FY20, we improved internal disciplines and worked closely with our customers and suppliers to ensure we could carefully manage our working capital and cashflow. This played a major role in contributing to the company's strong results, despite the difficult economic environment.

The Corporate Services team also supported an increased focus on the UK business, delivering additional finance and legal business support to assist in achieving breakeven in FY20.

Other highlights throughout the year included further enhancing our quality management and risk frameworks, achieving a carbon neutral footprint and the adoption of our own new product, DXP Expenses. By acting as 'customer zero', the Finance team was able to test our product in real time and provide meaningful insights back to our New Engineering team, leading to an enhanced user experience for our customers.

### Supporting our teams during COVID-19

Our IT team was instrumental in supporting the business in its transition to remote working in response to COVID-19. As a SaaS company, our business is underpinned by SaaS solutions, ensuring our employees can work on any device, anywhere, any time. As we didn't need to worry about our systems, we instead focused on our people, and ensuring they were supported throughout the changes and able to be successful in their roles.

We invested significant effort last year in implementing a new unified communications platform across the group. This proved to be timely and ensured team members were already proficient in our new communications technology as they transitioned to remote working. This meant that our legal team, for example, could continue to support sales in closing new customer deals, regardless of where they were working from.

The Corporate Services team also worked with our landlords to negotiate commercial outcomes while we weren't using our premises, which contributed to our cost controls during the pandemic.

### Strategic priorities for FY21

In FY21, the Corporate Services team will continue to support the business to drive growth in sales to new and existing customers, while driving improvements in internal systems and processes. The implementation of a new revenue processing system will further support our transition to a recurring revenue model.

By partnering with the business, we will assist in the transition of customers to our SaaS platform as well as the adoption of more TechnologyOne products by our customers, and support winning new customers in the UK and APAC

# Stuart MacDonald

## (Acting) Executive Vice President, Sales

In FY20 our main focus was to support our customers through the challenges they faced this year, and partner with them to continue driving their digital transformation agendas. This was spearheaded by our Together as One initiative, which empowered our Sales team to engage with customers and provide them with practical assistance during the COVID-19 pandemic.

Despite the challenging year, we continued to grow in the key areas of our business:

- SaaS transitions – we moved 104 customers to SaaS, taking our total SaaS customers to 539
- New customer logos
- Product upsell
- UK expansion - we delivered a breakeven result, signing nine new customers, including some key strategic deals in the local government market.

### Key wins for FY20

Our SaaS sales continued to grow in FY20, with the benefits of SaaS amplified as many customers were forced to rapidly shift to a remote working environment. Our successful expansion in federal government continued, as did our strong foothold in the UK's local government sector. Our key wins included:

- Department of Agriculture (Australia)
- Hawkes Bay Regional Council (NZ)
- Mid & East Antrim Borough Council (UK)
- Expansion within Victoria University (VIC)
- Strategic deal with Australian Rail Track Corporation (Australia)
- Expansion within Toowoomba Regional Council (QLD)
- Allity Aged Care (QLD)
- Australian Research Council (Australia)
- Expansion within Central Queensland University (QLD)
- Tasmanian Government (TAS)
- The Hills Shire Council (NSW)
- Brisbane Airport Corporation SaaS transition (QLD)

### Strategic priorities for FY21

In FY21, we will further invest in new tools and processes to drive the accuracy and efficiency of our sales model. In the UK, we will build on this year's success by continuing to grow our customer base, while in Australia and New Zealand, we will focus on transitioning on-premise customers to SaaS and at the same time, expanding their product footprint.

Acknowledging that the path ahead still looks uncertain for many of our customers, we will continue to build on our strong partnerships with customers to ensure we can help them navigate through the challenges ahead and prepare for their new normal.

# Brock Douglas

## Executive Vice President, Consulting

The TechnologyOne Consulting business has this year continued to see results from our transformation agenda, with profit on an upward trajectory and growth in our Application Managed Services (AMS) business.

In our AMS business we have been driving to create an ongoing relationship with our customers through annual contracts. The recurring revenue model for this Consulting stream enables us to get closer to our customers, and better understand both their business and customers. It also provides a stable cost base, predictability in our revenue stream and minimises risk. We plan to move more of our Consulting revenue to an Annual Recurring Revenue model, to drive the same benefits for both our customers and our business.

### Driving compelling experiences and growth

Our commitment to delivering a compelling experience has seen our customer satisfaction rate – measured through post-engagement surveys – climb.

The AMS program business grew by 31 per cent, with the recurring revenue from this stream contributing to 22 per cent of this year's total Consulting revenue.

Our AMS business continues to be critical to enhancing product penetration among our customer base, with customers that leverage AMS having five more products on average than a customer without an AMS program. Customer satisfaction within our AMS program sits at a phenomenal 97 per cent, which speaks to a highly engaged customer group.

### Supporting our customers

This year we delivered 235 go lives (213 in FY19), a 10 per cent increase year-on-year, despite the challenges many customers faced in response to COVID-19.

Given the dispersed nature of our customer base, our Consulting team were already set up with the training, processes, technology and methodology to successfully deliver implementation projects remotely. The transition was seamless for both our people and our customers, which resulted in seven go lives in the first two weeks following our transition to remote working. We saw an additional six new customers join public training during the same timeframe.

The Consulting team also played a key role in the company's Together as One initiative, which was launched in response to COVID-19 to support our customers through the challenges they were facing. Consulting contributed to this program by delivering critical business services, with over 600 customers registering in the first week. Our customer satisfaction rating with the training sessions was 95 per cent, demonstrating we provided the support our customers needed, when they needed it.

### Empowering our people

Our team members participated in more than 3,300 days of training in FY20, and we rolled out additional tools to support our consultants' success, including automation functions and real-time visibility across the portfolio of projects. This combination of tools and training is supporting our employees to deliver more predictable, consistent and compelling customer experiences.

We implemented a career framework for all our Consulting team members in FY20, to assess the demonstrated capabilities of our people and empower team members to create their own development plans. Employee engagement climbed by a further 18 points, demonstrating the continued success of our transformation agenda.

### Growth in the UK

We focused on growth of our UK operations in FY20, with 21 go lives delivered this year. We also appointed a UK Service Delivery Manager to increase our AMS presence in this market, foster new partnerships and deepen our relationships with existing customers.

### Strategic priorities for FY21

In FY21 we will continue to align our strategic priorities around our three pillars:

- Customer - Improving customer satisfaction and evolving our Solution Implementation Methodology
- People – Ensuring the wellbeing of our people, and supporting achievement and career development
- Discipline - Improving systemised tools, portfolio governance and project financial management



# Anwen Robinson

## Executive Vice President, United Kingdom

Despite the challenging year we faced in 2020, the UK business delivered a breakeven result through an expanded product portfolio in our key markets of local government and higher education, as planned.

COVID-19 has acted as a catalyst for change as many organisations struggled to quickly and securely accommodate mandated remote working, being hamstrung by old legacy technologies. The increasing cost of maintaining these systems with ever reducing budgets has also galvanised action.

The UK Government see use of digital technology as key to responding to ongoing business challenges and to underpinning recovery. In support of this, TechnologyOne this year signed on as the key partner of the UK Tech Cluster Group, supporting the UK public and higher education sectors to address issues impacting recovery in a post COVID-19 world. The Recovery Roadmap Report has received UK Government endorsement and support.

"Right now, our clear priority must be growth. Using tech to power us out of the recession, to drive productivity and create jobs in all parts of the industry, region by region, and indeed all parts of our economy."

**Rt Hon Oliver Dowden CBE MP**
**Secretary of State for Digital, Culture, Media, and Sport**

### Accelerating digital

In FY20, many existing customers accelerated their go lives and were able to join an increasing number of UK customers fully benefiting from SaaS ERP. Many endorsements supported the ease of reverting operations to remote SaaS working.

London School of Economics & Political Science's Director of Finance, Mike Ferguson, for example, said moving to a SaaS platform prior to the impact of COVID-19 allowed the university to be more adaptable and resilient.

"We've been on a digital transformation journey for some time. But over these last few weeks the ability to get work done anywhere, any time - which only SaaS can deliver - has changed from being something that was just part of an overall strategy to a mission critical requirement and without it we simply could not have continued financial operations without significant risk."

LSE THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

**Mike Ferguson**
**Director of Finance, London School of Economics & Political Science**

### Continuing growth momentum

From March 2020, our own TechnologyOne UK team also reverted to 100% remote working. All departments adopted new working practices with no impact on productivity, ensuring our continued growth momentum. This will continue for the foreseeable future.

In FY20, sales exceeded expectations, with nine new customers signing contracts. These included five new councils - three in Northern Ireland and four full OneCouncil ERP solutions (including Financials and HR & Payroll), along with one new university.

The key route for procurement was through the UK Government's G-Cloud framework, which contributed eight new customers. TechnologyOne UK was also successful in being appointed to the new G-Cloud 12 Government framework.

### Strategic priorities for FY21

Our focus as we move into the next financial year will be on finalising the regionalisation of our products in the UK.

As the uncertainty around the pandemic continues, TechnologyOne UK will continue to support customers to maintain business continuity, and focus on new sales into the local government market and higher education market.

We will also continue to raise our brand profile with strong positioning of the key benefits of our unique SaaS ERP solutions to our focus markets, taking advantage of the increased appetite for change.

# Richard Nicol

## Executive Vice President, Products

This year we established our newly-formed Products division, which incorporates the R&D and Product Success teams and unites the various parts of the organisation responsible for the successful delivery of our products.

The Products team is committed to creating software that our customers love using, and supporting the growth of our overall product footprint within our customer base.

We leverage customer feedback to drive product roadmap and strategy decisions, while keeping them informed about how their feedback is shaping our software. Across our two major software releases this year (2020A & 2020B), we successfully delivered more than 735 enhancements, with 77 per cent of these requested by our customers.

### Adapting to a new normal

TechnologyOne lives by a vision of any device, anywhere, any time. It has driven all our business decisions, including the development of our global SaaS ERP, as well as our shift to use only SaaS-based solutions to run our business.

During the COVID-19 pandemic, our product teams were able to easily transition to remote working and support our customers, while continuing to develop and deliver new product enhancements and features.

As our SaaS solution empowers anywhere, any time, any device access, our customers were also able to easily transition to remote working and innovate to meet the challenges ahead, without having to worry about the underlying technologies.

### Strategic priorities for FY21

In FY21 the Product team is focused on three key strategic priorities:

1. Deliver reliable, high-quality products that our customers love and are easy to implement
2. Deliver enterprise consistency and seamless integration between products
3. Deliver timely enhancements and features that improve the overall user experience of our software

# Jane Humphreys

## Executive Vice President, People & Culture

At TechnologyOne, we value our human capital and constantly explore ways to invest in and enable our people to be their best. We know that as our team members' capabilities grow, our business, marketplace and shareholder success accelerates.

During FY20, we invested in building and maturing our People & Culture offering, to ensure our continued success. To deliver our ambitious goals, we focused on driving accountability, clarifying roles and responsibilities and optimising our team structure to enable us to continue People & Culture's transformation from a tactical, operational model to a strategic partnership model.

### Keeping our people safe during COVID-19

When the COVID-19 situation escalated rapidly, our team swiftly and seamlessly transitioned to remote working, to keep ourselves, our families and our communities safe. Our people were provided with appropriate support and resources to help our customers navigate their business challenges.

TechnologyOne introduced our Mental Fitness program during FY20, recognising the critical role our mental health plays in engagement, productivity and broader wellbeing.

### Career Framework

We successfully piloted our career framework in Consulting, engaging team members at all levels of the business on their career paths to ensure they are clear on what's required to progress, be it laterally, cross-functionally or through promotion.

### Team member advocacy

Our eNPS survey measures team member advocacy and loyalty. Our survey has been enhanced during FY20 to include measures such as company confidence, enablement and customer focus. TechnologyOne has made progressive improvements in the company-wide score through targeted action planning and responsiveness to the feedback acquired through this tool.

### Strategic priorities for FY21

Our people are our greatest competitive advantage. Investment in their engagement, career paths and capability underpins TechnologyOne's success, success realised through achievement of our growth strategies; transitioning more customers to SaaS, increasing our product footprint within existing customers, adding new customers and accelerating growth of the UK.

In the coming year, we will focus on building leadership capability to enable our leaders to drive a culture of accountability and achievement. We will continue to foster team engagement with reward and recognition initiatives, and focus on creating opportunities for spontaneous collisions and collaborations, particularly following the extended period of remote working.

During the next 12 months, we will cement our Talent and Succession Framework. This framework seeks to identify our critical talent and critical roles, develop our highest potential team members and invest in our future leaders. Strong bench depth will deliver TechnologyOne a resilient, high-flow talent pipeline, positioning us well to deliver our growth objectives.

# Daniel Sultana

## Executive Vice President, SaaS Platform

Our SaaS business has continued to mature in size and capability. In what has been an extraordinary year, the benefits of running TechnologyOne software on our SaaS Platform has never been more evident. In response to COVID-19, our users seamlessly moved to remote working and experienced the full benefits of the SaaS Platform. It proved to be the ultimate validation of our technology, processes and people. We are proud that during this unusual year, our customers were able to experience a stable, consistent experience, while an additional 104 customers adopted the platform in FY20.

Our strong investment and determination to be the most trusted SaaS Platform has again ensured we are global leaders in the areas of and compliance, cyber security performance and reliability.

Our ability to ensure precise capacity planning allows us to scale as required and provide high levels of stability to deliver an outstanding customer experience.

### Highlights in FY20

We were extremely proud to be the first ERP SaaS provider to achieve a successful IRAP PROTECTED assessment, as part of our ongoing commitment to enhancing the cyber security of our platform. This means we can now process and store federal government information rated up to PROTECTED. Further to this, our decision to embed this directly into our service offering at no additional cost to our customers is a demonstration of our ongoing commitment to continuous improvement and to raising our compliance and cyber security standards.

We also invested in new technologies such as a new high performing storage solution for our customers and we see margins continuing to improve in the coming years driven by the significant economies of scale from our single instance, multi-tenanted global SaaS ERP solution.

Our continued, ongoing investments in automation and innovation is the reason we can provide faster, more efficient SaaS transitions and ongoing services for our customers. This allowed us to continue adding customers to the platform during the pandemic, as well as speed up the availability of new features and functions.

### Strategic priorities for FY21

We will continue to invest in new technology platforms, drive efficiencies and innovate. This, coupled with an emphasis on increasing the number of customers on our SaaS Platform will drive higher Annual Recurring Revenue, increased margins and profitability.

We will also focus on leveraging the IRAP PROTECTED posture beyond our federal government customers to deliver the enhanced cyber security benefits to our entire customer base. We will continue to expand the security and compliance posture of our platform to reaffirm our position as the most trusted SaaS provider.

# Brett Hooker

## Executive Vice President, New Engineering

This year we established our New Engineering division, which is committed to delivering future products, capabilities and architectural evolution for TechnologyOne and our customers.

By separating New Engineering from the ongoing development of our existing products, we have built capacity for our team members to focus on new product innovations, without impacting or being inhibited by the day-to-day operational requirements of our existing product roadmaps. This enables the team to explore new innovations without commercial risk or impact to the delivery and ongoing enhancement of our existing product suite.

With all new products and functionalities delivered on our SaaS Platform, New Engineering aims to provide further compelling reasons for our existing on-premise customers to move to SaaS, while expanding their product footprint.

### New product innovations

This year we continued the development of our first generation Digital Experience Platform (DXP) product, with DXP Expenses and DXP Meetings progressing through our early adopter program and into general release. This is an exciting milestone for TechnologyOne, with DXP Expenses marking the company's first mass adoption product that leverages artificial intelligence.

We also developed enterprise data migration software, which incorporates the unique IP we have developed from developing and implementing our own products. It has allowed us to build expertise around how we do data migrations for an enterprise software implementation, and we have passed on the benefit of that expertise to customers in this new capability.

### Navigating COVID-19

Our team was well positioned to seamlessly pivot to remote working when the COVID-19 pandemic hit, as our development teams were already operating in a SaaS-based operating and development environment. This meant the team could work from wherever they were, without needing to install VPNs or set up additional infrastructure. As a result, we were able to focus our attention on the wellness of our people and ensuring that they were comfortable and supported to navigate the changes while still delivering our program of work.

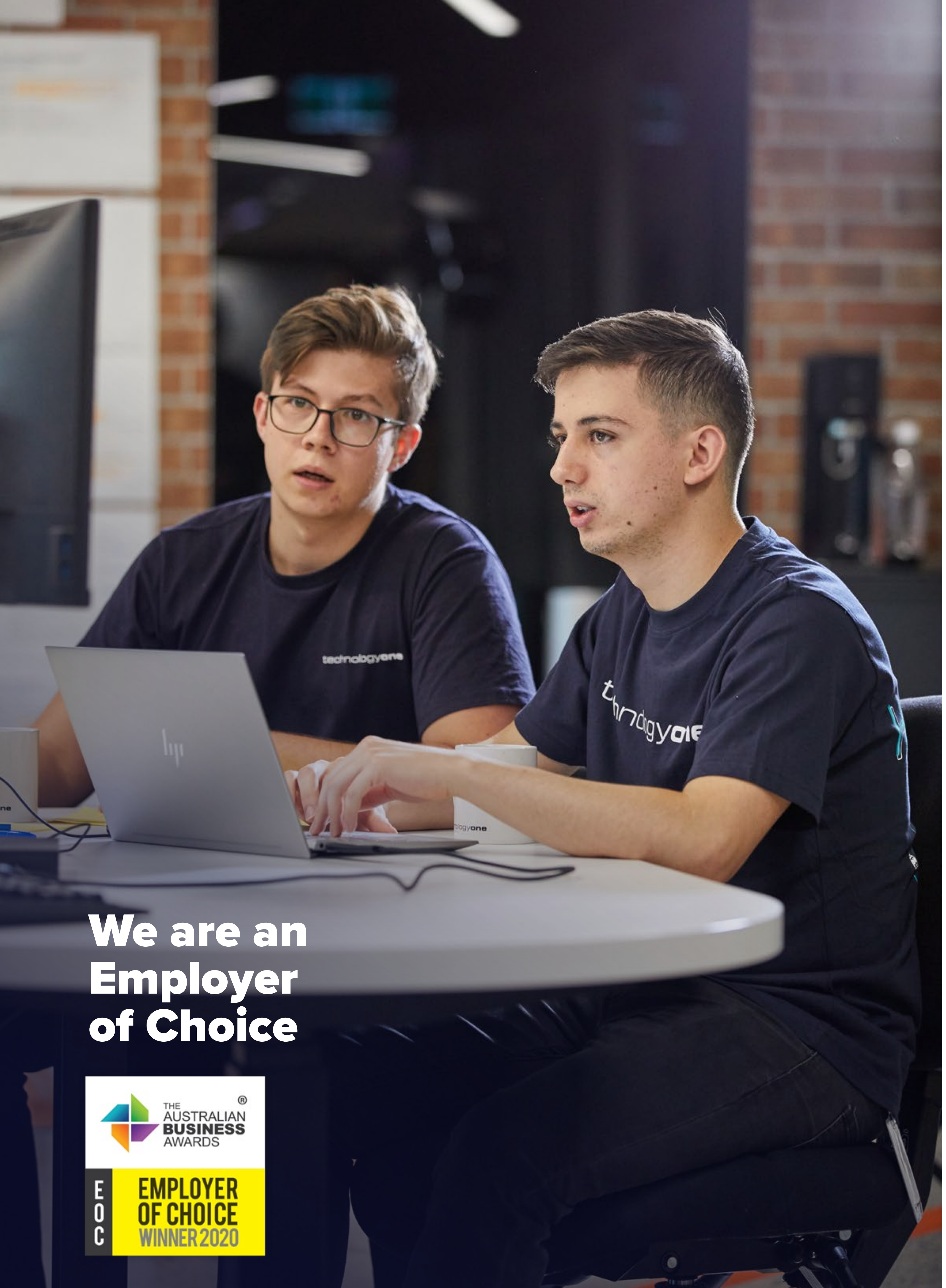
### Strategic priorities for FY21

Underpinned by our power of evolution philosophy, we will continue to embrace the accelerating pace of change in our industries and explore new innovations that will drive our business forward.

Our key focus for FY21 will be the development of our next generation DXP offering. The challenges faced by many councils as a result of COVID-19 has acted as a catalyst to accelerate the development of our Local Government DXP, which aims to provide an engaging digital experience for their communities.

## 08

# Our people




# We are an Employer of Choice

## Employer of choice

Our people are a crucial source of our competitive advantage, and we purposefully invest in initiatives that support the recruitment, retention, development and progression of individual talent within our workforce.

As a nationally recognised Employer of Choice, TechnologyOne is committed to providing an environment in which our talented people can be innovative, creative and realise their full potential.

This year, TechnologyOne received more than 13,000 recruitment applications, processed 62 promotions and facilitated eight international secondments, many of which were employee-initiated.

## Extensive onboarding and training

TechnologyOne hires passionate, talented and innovative people who are inspired to think about the future.

Our comprehensive onboarding program provides the best possible start for our people in their careers at TechnologyOne. The TechnologyOne Learning team continues to support our commitment to developing our people and growing their careers by delivering training in leadership, technical and professional skills development.

We continue to evolve our orientation and onboarding solution to be market leading, aligned to our new operating model and provide our new starters the best possible start to life at TechnologyOne.

## Graduate program

Our graduate and intern programs form the foundation of our talent pipeline into the future. Our graduate brand and experience is highly regarded by our peers, competitors and industry bodies alike. We received in excess of 3,000 applications, highlighting the competitive and highly sought-after nature of our program.

FY20 saw our award-winning graduate program expand beyond Research & Development (R&D), as we welcomed graduates from broader streams including Sales, Support & Enhance and SaaS. Our newest graduates work across TechnologyOne with the company's most influential and skilled leaders, who provide them with valuable learning opportunities and experience.

TechnologyOne's graduate program was recognised in 2020 as one of the top 50 leading graduate programs in Australia by the Australian Association of Graduate Employers.

## Our world-class R&D

With a team of more than 400 developers, TechnologyOne runs one of the largest Australian-owned R&D centres for enterprise software. Each year about 20 per cent of our revenue is invested into our R&D program, which continues to produce leading-edge technology that will enable our customers to accelerate digital transformation, streamline their business and improve their experience.

In addition to our R&D centres in Brisbane and Perth, we have offshore R&D centres in Indonesia and Vietnam. This allows us to extend our capability and better support our customers and existing products.

## Cultivating a culture of innovation

The innovation and creativity of our team is key to our success.

Our developers are leaders in their field who challenge conventional thinking and go beyond the traditional realms of development methodology. Our state-of-the-art R&D centre and initiatives are designed to foster collaboration, creativity and innovations that provide the platform for our future growth. In recent years, we have also learnt extensively from how consumers use technology, and applied it to simplify our enterprise software.

## Industry partnerships

We are committed to actively fostering a diverse and vibrant information and communications technology (ICT) industry. We want to create interest around this exciting time in Australia's economy and ensure we are engaging early with Australia's youngest and brightest minds in science, technology, engineering and maths (STEM) subjects.

As part of this commitment, we sponsor the Queensland University of Technology Dean's Scholars Program and the University of Queensland's School of Information Technology and Electrical Engineering (ITEE) ICT Excellence (Prentice) Scholars Program. Many of these students are later channelled into our award-winning internship program.

With a focus on diversity and building exceptional female talent pipelines, TechnologyOne partners with Women in Technology and Women in Digital to continue to build our brand recognition and employee value proposition to attract rising female stars to TechnologyOne. We also partner with the Australian Computer Society (ACS) Foundation to sponsor the national BiG Day In™ series, which is designed to inspire high school and university students to pursue careers in the IT industry.

## Equal opportunity

TechnologyOne takes diversity and inclusion seriously. We advocate for equal opportunity for all and are committed to addressing the shortage of female technology workers in Australia. To help achieve this, we provide equal pay opportunities for men and women and have a zero-tolerance policy for discrimination and harassment of any kind.

Recruitment and promotion within TechnologyOne are based only on the relevant skills, experience, qualifications, aspirations, potential and aptitude of applicants.

Women make up 36 per cent of TechnologyOne's workforce, which is high compared to other technology and software companies globally. However, we are committed to further increasing the representation of women by working with strategic partners to encourage more women to pursue STEM-based careers. In doing so, we play a leading role in growing a more diverse pipeline of future candidates to work in technical fields and at TechnologyOne.

Some key programs TechnologyOne supported this year included the Tech Girls Movement and the Queensland Women in Technology Awards.

## Hack Days

In FY20, TechnologyOne continued its investment in creating an innovative culture through company-wide Hack Days. These sessions encourage innovation, creativity and fun. They also give employees an opportunity to break down silos and participate in projects outside their normal day-to-day work.

Hack Days enable us to showcase some of our emerging leaders by giving our people the freedom to lead outside a traditional organisational structure. All parts of the business are encouraged to participate, regardless of which team or region they are in.

Some of the innovations that have come out of Hack Days have truly transformed the way we operate and have made our customers' lives simpler.

In a true demonstration of the innovative spirit of Hack Day, our Hack Day team innovated to allow us to continue in 2020, despite the shift to a more dispersed and remote workforce following COVID-19. With many of our Hack Day initiatives already delivered virtually to ensure that all regions and global employees can participate, the shift to a more remote delivery was swift and seamless.

Teams participating in Hack Day leveraged our virtual communications platform to collaborate on their hacks and engage with pitch coaches, with the pitches livestreamed for all global employees at the conclusion of the event. Employees working remotely were sent care packages that included our traditional Hack Day T-shirt and other 'innovation starters', so they could enjoy the Hack Day experience from wherever they were working.

## Rewards and recognition

To maintain our achievement- oriented culture, we think it is important to recognise and reward top talent. The annual TechnologyOne MARVEL awards celebrate team members who go above and beyond and showcases ordinary people, doing extraordinary things.

MARVEL stands for Merit, Achievement, Recognition, Values, Excellence and Leadership. Categories for the MARVEL awards are centred around our key initiatives. These include:

- Leader of the Year
- Compelling Customer Experience of the Year
- Hack of the Year
- Rookie of the Year
- TechnologyOne Superheroes

Winners of the MARVELs receive company-wide recognition, and are inducted into TechnologyOne's League of Extraordinary People.

## Capability development

We remain focused on implementing innovative programs to attract, retain and develop a loyal, achievement-oriented, accountable workforce. This is critical to achieving our goal of transforming our customers' businesses and making their working lives simple.

The TechnologyOne Learning team continues to deliver training programs to ensure we are providing our people with the right skills to further their careers and meet customers' needs.

## Employee engagement

At TechnologyOne, we value our employees' right to have their say. This year, we conducted employee Net Promoter Score (eNPS) surveys, which provided a channel for our people to be heard. The results of these are used to influence ongoing enhancements to our initiatives and programs.

To ensure connection and communication across our global employees, we conducted regular virtual Town Hall meetings throughout the year. These enable our executive team to share company updates with all employees simultaneously, by connecting all people, regardless of where they are working from.

We also continued our investment in Hack Days to give employees the opportunity to collaborate across functional teams and work on projects that fall outside their normal day-to-day work. These Hack Days are key to driving our culture of innovation and creativity.


## Regional Days

In FY20, we continued our Regional Days for our Sales and Consulting teams to discuss our strategy and goals, strengthen relationships across regions, teams and projects, and to improve engagement across the whole organisation.

## Wellness program

TechnologyOne has a wellness program aimed at encouraging our team members to get active in the community. However, due to social restrictions many community events were cancelled, so we provided team members with creative alternative options, such as yoga and strength building sessions, so they could keep moving in the comfort of their own home.

A wellness resource hub was also created during COVID-19 isolation, so team members could access weekly wellness tips, support, videos and material aligned to our overall wellness model – Healthy Minds, Healthy Bodies, Healthy Spaces and Healthy Culture. We also delivered a number of engagement activities to keep up social connectiveness, including a cooking class, online bingo, competitions and virtual drinks on a Friday.

Our annual wellness week pivoted to become entirely virtual, offering daily prizes, virtual ergonomic assessments, financial support services and EAP awareness sessions.

## Collaborative facilities and technology

Our Hack Space is an extension of the R&D centre in our Brisbane headquarters. The project area provides a collaborative workspace for aspiring interns, graduates and employees to innovate and develop world-class software.

With technology and design being at the forefront of the concept, the Village Green social areas provide spaces in our offices to showcase the ongoing accomplishments and achievements of the company in an environment that reflects our products and values.

This year, the remote working conditions brought about by COVID-19 provided us with the opportunity to reimagine our traditional employee engagement events. Using a combination of state-of-the-art audio visual equipment, technology and collaboration tools, we connected our employees digitally across all regions for virtual Town Hall meetings, Hack Days, R&D Showcases and other global company-wide events.

## Our corporate sustainability scheme

TechnologyOne is committed to managing our business operations in an environmentally responsible manner. Our headquarters in Brisbane's Fortitude Valley has a Six Green Star environmental rating. The building includes numerous environmentally-rated sustainable development features, including 50 per cent more fresh air than standard commercial buildings, carbon dioxide monitoring, external views to maximise daylight, energy-efficient lighting, dedicated exhausts in photocopier areas, a gas-powered generator and a large rainwater collection area on the roof to supply water for the toilets and garden irrigation.

In FY20, we also achieved Climate Active Carbon Neutral certification. We offset our carbon footprint through the acquisition of certified carbon credits, which have been created through a wind power initiative in India that aims to develop enough power to replace existing coal-fired power plants. This makes TechnologyOne now one of only two companies in the Australian technology sector to make this investment and reach this achievement.

Our people are also encouraged to access and adhere to our Environment Policy. It outlines our commitment to providing an environmentally responsible workplace, and ways to engage in sound workplace practices through reducing waste and giving more consideration to the use of energy and resources.

For more information see our Corporate Sustainability Report overview on page 60.

# Corporate Sustainability overview

Customer

**99%**

Customer retention

- Customer satisfaction and retention
- Data privacy and security

People

**36%**

Participation of women, placing us among the best globally in the IT industry

- Talent attraction and retention
- Workplace diversity and inclusion
- Employee engagement and culture
- Employee training and development
- Employee health and wellbeing

Responsible business

**$68.1m**

R&D investment for 2020 (22% of revenue)

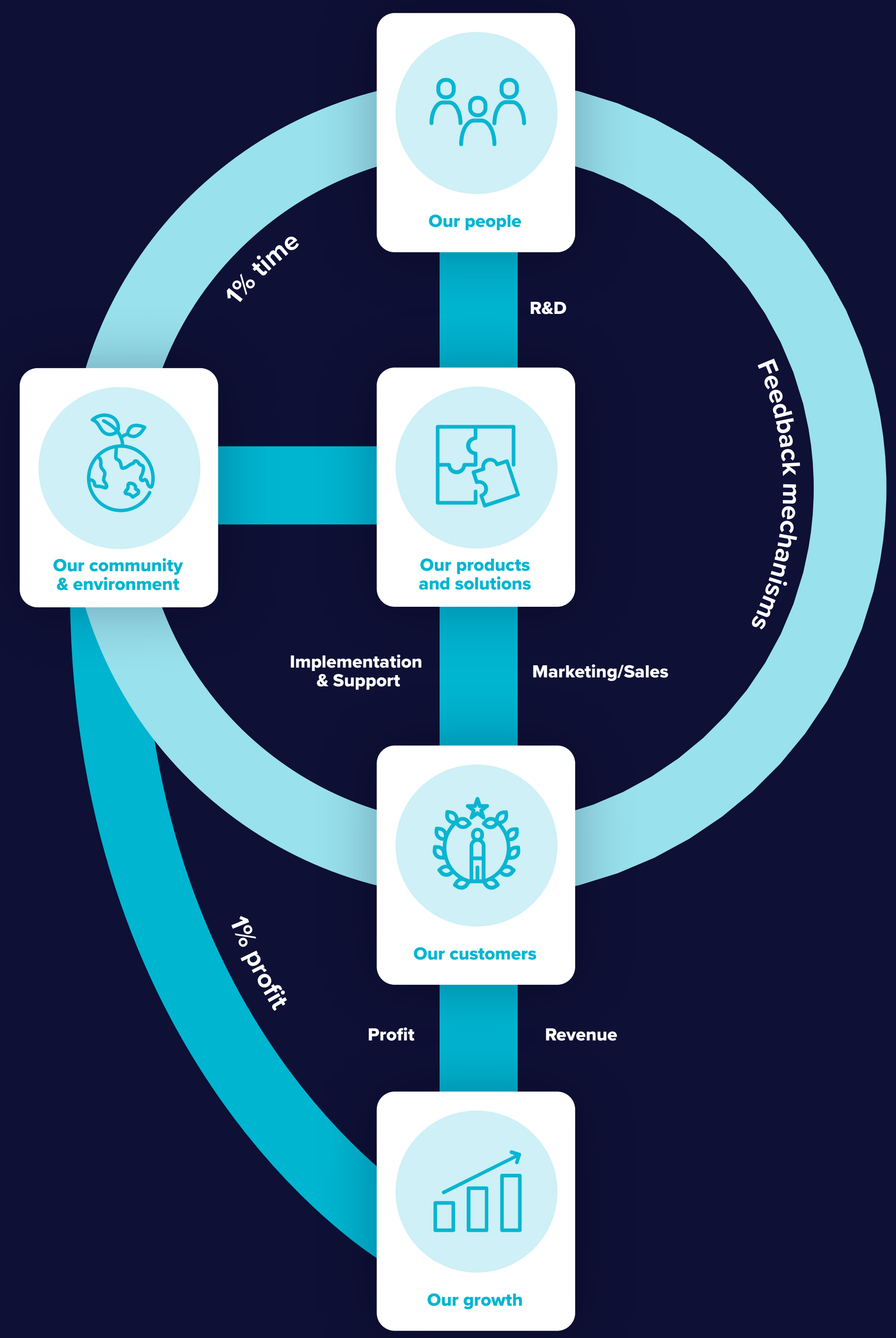
- Ethics, values and transparency
- Innovation
- Compliance

Our community & environment

**PLEDGE 1%**

- $2m global impact in FY20
- Community investment and education
- Environmental footprint

# TechnologyOne's approach to sustainability




For the full Sustainability Report visit our website TechnologyOneCorp.com


## Pledge 1%

The TechnologyOne Foundation is part of the Pledge 1% corporate philanthropy movement, which is dedicated to making the community a key stakeholder in every business. In committing to the Pledge 1% movement, individuals and companies donate 1% of their profit, product and employees' time to their communities.

The TechnologyOne Foundation is dedicated to making a difference to underprivileged and at-risk youth in our communities by empowering them to transform their lives and create their own pathways to success. The Foundation was established in 2016 to ensure that charitable giving would become a long-term initiative for the business, and encourage philanthropy to become part of the company culture.

TechnologyOne donates 1% of annual profit to our charity partners. We partner with a number of key charities, including Opportunity International Australia, The School of St Jude, The Fred Hollows Foundation, SolarBuddy and The Salvation Army. This strategic approach to charitable giving enables us to make a bigger difference to the causes we support.

Through the 1% product, our commitment is to donate 1% of licence fee revenue each year. This makes it easier for not-for-profit organisations to access our solutions and take advantage of the efficiencies they provide, which in turn extends the impact of their work.

All TechnologyOne team members can also take up to 2.5 days leave each year to volunteer during work hours for charitable organisations. This supports our 1% of time commitment. The Pledge 1% equated to a more than $2 million commitment by the company in FY20.

## The year in summary

In FY20, the TechnologyOne Foundation's work was recognised with two awards: Winner - The Australian Business Awards - Community Contribution; and Finalist - QCF Community Contribution Awards. We donated approximately $770,000 to our charity partners (Opportunity International Australia, The Salvation Army, The School of St Jude, SolarBuddy, The Prince's Trust UK, The Fred Hollows Foundation, The Big Issue and The Smith Family).

This year, we also:

- Finalised our commitment to a three-year partnership with The Fred Hollows Foundation to support the Vietnam Child Eye Care program, which aims to eradicate avoidable blindness in school-aged children. The Vietnamese Government will now fully fund the program into the future.
- Raised funds for those affected by the devastating bushfires that swept across the eastern states, with employee contributions matched by the Foundation. In total, $27,250 went to charity partner The Salvation Army to help communities in the Scenic Rim impacted by drought and then fire with ongoing physical and mental recovery.
- Financially supported 34 disadvantaged students, all who identify as Indigenous, through the Learning for Life program with The Smith Family. Staff also packed 900 stationary kits to be distributed to students.
- Assisted more than 30 charities through our volunteering hours and donations.
- Provided game-changing new software for the School of St Jude, which was delivered entirely remotely
- Provided over $50,000 worth of product discounts to not-for-profit customers as part of our 1% profit pledge.
- Through company-wide volunteering, supported 1,625 SolarBuddy lights being assembled and delivered to children in Vanuatu living in energy poverty. With access to these lights, students are studying 78% longer.
- Contributed 123 volunteer hours for The Big Issue, across vendor breakfasts, a community street soccer program and The Big Issue challenges.
- Sent our IT waste to a local social enterprise initiative, Substation 33, which assists disadvantaged youth to gain confidence and skills for the transition to sustainable employment, through the recycling of electronic waste.

In addition to our major charity partners, the Foundation supported a number of other worthy causes including: The Prince's Trust UK, Plan International, Drug ARM, Evolve Housing, St Vincent de Paul and KemBali School in Indonesia.

**Our goal is to help 500,000 children out of poverty by 2032**

THE AUSTRALIAN BUSINESS AWARDS
ABA100
COMMUNITY CONTRIBUTION WINNER 2020

## Our work with Opportunity International Australia

Through our donations to and partnership with the microfinance group Opportunity International Australia, we are transforming communities and helping families. We aim to help 500,000 children and their families over the 15-year period.

As a result of this partnership, families in India can access small loans to enable them to build businesses. This will also help them to earn regular incomes to support themselves, as well as feed, clothe and educate their children.

With funds for initiatives such as starting a shop or buying seeds for a vegetable farm, families can transform their lives and their children's futures. Further, because 98 per cent of the small loans are repaid and recycled, the impact creates a positive ripple effect in their communities as more jobs are created. Those jobs might include delivering goods or helping with sewing and weaving orders.

## Boosting local communities

With more income and therefore more money to spend on items such as food and transport, families who used to live in poverty become active participants in their local economies. This benefits the providers of those products and services, who are themselves often entrepreneurs.

This virtuous cycle ensures that microfinance provides a long-term boost to economies and helps to develop self-sustaining communities more so than one-time handouts.

## Creating change

Micro-entrepreneurs are also able to use their influence to bring about positive changes in their communities. With the confidence that comes with having their own businesses, people can begin to seek better infrastructure or educational facilities from government, or bring local families together to take on community projects.

# 06 Financial statements

# Directors' report

## Adrian Di Marco

B Sc, MAICD, FACS
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. Mr Di Marco has over 35 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.

Mr Di Marco has played a major role in promoting the Australian IT industry and is a past director of the Australian Information Industry Association, the industry's peak body. He has been a director of a number of IT companies. He has also been actively involved in charitable organisations and is a past director of the Royal Children's Hospital Foundation Board. He is a member of the Australian Institute of Company Directors and a Fellow of the Australian Computer Society. Mr Di Marco has received extensive recognition for his contribution and pioneering work for the IT industry. He remains a major shareholder of TechnologyOne.

Mr Di Marco is the Executive Chairman of TechnologyOne, and Chief Strategy and Innovation Officer for the company. He continues to work with the Executive team and Board. He continues to focus on strategy, innovation and creativity to ensure the company continues to build future platforms for strong growth.

**Special Responsibilities**

Chairman of the Board and Chief Strategy and Innovation Officer.

**Interests in shares and options**

20,372,500 ordinary shares in Technology One Limited held beneficially through Masterbah Pty Ltd. 6,000 ordinary shares in Technology One Limited held on behalf of family members. In addition, a relationship deed exists between Masterbah Pty Ltd and JL Mactaggart Holdings Pty Ltd (founding shareholders) – Masterbah Pty Ltd exercises voting rights only in respect of 30,872,500 securities and an escrow arrangement applies to 14,000,000 of those securities. There are no other beneficial rights incumbent on these shares other than voting rights.

## Ron McLean

Appointed 8 December 1999

**Experience and expertise**

Mr McLean has more than 40 years' experience in the enterprise software industry including holding Senior Executive and Managing Director roles in several international and Australian software companies. His involvement in the enterprise software industry has included leading and managing software development, consulting and sales and marketing teams.

Mr McLean joined the Board as a Non-Executive Director in 1992, was appointed as the General Manager in 1994, Chief Operating Officer in 1999 and was promoted to Chief Executive Officer of Operations in 2003.

Mr McLean retired from this role at TechnologyOne on 15 July 2004 and remains a Non-Executive Director.

**Special Responsibilities**

Member of the Remuneration Committee (from 1 June 2020).

**Interests in shares and options**

69,737 ordinary shares in Technology One Limited held beneficially through RONMAC Investments Pty Ltd.

## John Mactaggart

FAICD | Appointed 8 December 1999

**Experience and expertise**

Mr Mactaggart's experience spans industries such as agriculture, agri-tech, manufacturing and software. He is a co-founder of Brisbane Angels, and an active investor and mentor in a large number of entrepreneurial ventures. Mr Mactaggart played an integral role in the creation, funding, and development of TechnologyOne and remains a major shareholder. Mr Mactaggart has been a Fellow of the Australian Institute of Company Directors since 1991.

**Interests in shares and options**

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

## Kevin Blinco

B Bus, FCA | Appointed 1 April 2004

**Experience and expertise**

Mr Blinco is a former Director and Chair of Business Advisory accounting firm Moore Stephens Brisbane Ltd. He has over 30 years' experience in the areas of business services and planning, investment strategies, management and financial advice. Mr Blinco is a Director of a number of unlisted companies. His expertise is broadly respected and acknowledged throughout the business community. He is a Fellow of the Institute of Chartered Accountants and a Member of the Australian Institute of Company Directors.

**Special Responsibilities**

Member of the Audit and Risk Committee.

**Interests in shares and options**

200,000 ordinary shares in Technology One Limited held beneficially through Autun Pty Ltd ATF Blinco Accumulation Superannuation Fund.

## Richard Anstey

FAICD, FAIM | Appointed 2 December 2005

**Experience and expertise**

Mr Anstey's career has spanned over 40 years. His first company, Tangent Group Pty Ltd, established a strong reputation for the development of software products and strategic management consultancy for the banking and finance sector.

With the sale of Tangent, he then co-founded InQbator/iQFunds in 2000, an early stage investment group focused upon the technology, telecommunications and life sciences sectors.

Through iQFunds and personally, Richard has co-invested in more than 30 companies with the support of Commonwealth and State Government programs, Venture Capital Funds and both corporate and personal investors. Whilst being an active Non-Executive Director of his investments, Richard adds value to his companies wherever appropriate to maximise shareholder value and he has also been actively involved in the trade sale of seven companies to organisations in the US, Europe and Australia.

Mr Anstey is a Board member at the Queensland AI Hub and at the QUT Entrepreneurship within the Queensland University of Technology, a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. Mr Anstey now continues his career in venture capital and corporate advisory roles through iQ360 Pty Ltd.

**Special Responsibilities**

Chair of the Nomination and Governance Committee.

**Interests in shares and options**

25,500 ordinary shares in Technology One Limited held beneficially through the Anstey super fund.

## Jane Andrews

GAICD PhD | Appointed 22 February 2016

**Experience and expertise**

Dr Jane Andrews joined the Board in 2016, bringing more than 15 years' leadership experience in research and innovation-based organisations.

As a founder and investor in numerous innovative companies, Dr Andrews has extensive experience in corporate strategy, entrepreneurship, commercialisation, innovation, research and development.

Dr Andrews is a Graduate of the Australian Institute of Company Directors, holds a PhD in Life Sciences, a Bachelor of Science (First Class Honours) and a Graduate Diploma in Applied Finance and Investment.

**Special Responsibilities**

Chair of the Remuneration Committee (from 1 June 2020), member of Audit and Risk Committee and Nomination and Governance Committee.

**Interests in shares and options**

30,600 ordinary shares held in Technology One Limited.

## Sharon Doyle

B Laws (Hons), B IT (Dist), G Dip Bus Admin, GAICD | Appointed 28 February 2018

**Experience and expertise**

Ms Doyle is the Executive Chair and majority owner of corporate advisory firm, InterFinancial Corporate Finance Limited. She has successfully navigated technology companies through the challenges of steep global growth curves, with a strong understanding of the dynamics in Software as a Service (SaaS).

Ms Doyle's leadership of InterFinancial has seen her develop a core practice providing strategic advice for technology and other IP-rich, high-growth companies. She also has extensive international experience managing merger, acquisition and private equity processes across the technology industry.

Ms Doyle was previously Vice President at Mincom, one of Australia's most successful enterprise software companies.

Ms Doyle is a Non-Executive Director at Auto & General. She holds a Bachelor of Laws (Hons) and Bachelor of Information Technology (Dist.) from the Queensland University of Technology, as well as a Graduate Diploma of Business Administration from the University of Queensland. She is a qualified member of the Australian Institute of Company Directors.

**Special Responsibilities**

Member of the Audit and Risk Committee and Nomination and Governance Committee (from 1 June 2020).

**Interests in shares and options**

18,280 ordinary shares in Technology One Limited.

## Clifford Rosenberg

B.Bus Sc (Hons), M.Sc (Hons) | Appointed 27 February 2019

**Experience and expertise**

Mr Rosenberg has more than 20 years' experience leading change and innovation in technology and media companies. As the former Managing Director of LinkedIn for Australia, NZ and South-East Asia, Mr. Rosenberg started the Australian office in 2009 and oversaw the expansion of LinkedIn in Australia from 1 million members in 2009 to more than 8 million members in 2017. Previously, he was Managing Director at Yahoo! Australia and New Zealand, and prior to that role he was the founder and Managing Director of iTouch Australia NZ where he grew the Australian office to one of the largest mobile content and application providers in Australia.

Mr Rosenberg has more than seven years' experience on the boards of publicly listed companies. His directorships include Nearmap (ASX: NEA), A2B Australia Limited (ASX:A2B), Bidcorp (JSE) and up until recently Afterpay Group (ASX: APT). Cliff was also a Non-Executive Director with Dimmi (online reservations company bought by Tripadvisor.com in May 2015). He holds a Bachelor of Business Science (Hons) from the University of Cape Town and a Masters of Science (Hons) from the Universitat Ben Gurion Ba-Negev.

**Special Responsibilities**

Member of Remuneration Committee

**Interests in shares and options**

27,533 ordinary shares held in Technology One Limited held beneficially through Clifro Pty Ltd ATF Cliffro Trust.

# Peter Ball

B Bus, CA | Appointed 2 March 2020

### Experience and expertise

Mr Ball is a Chartered Accountant who has enjoyed a long career in the professional services sector spanning nearly 40 years, initially in audit both nationally and internationally, with the last 30 years in management consulting. Mr Ball has been a Partner with KPMG for some 25 years providing a range of professional services and advice to both public and private sector organisations. He has also held senior roles with KPMG including the national leader of KPMG's Strategic Planning and Economic Development service line and more recently as national partner responsible for the finance and operations for KPMG's Government Advisory Practice.

Most of Mr Ball's work involves providing strategic, economic, commercial and business improvement advice to enable organisations to make fully informed business decisions. During his management consulting career Mr Ball has worked across a number of industries including tourism and leisure, gaming and wagering, arts and sports, and state and local governments. He has been a lead adviser to government with respect to major projects and events including the Sydney 2000 and planned SEQ 2032 Olympics, Gold Coast Commonwealth Games, casino projects in all states and territories including Queensland's proposed Global Tourism Hubs. Mr Ball has also led international projects in the tourism and leisure sector.

Mr Ball has an entrepreneurial spirit and has been involved with a number of start-ups across a range of sectors including property, education, gaming and the pharmaceutical sector. He is also actively involved in the community/not-for-profit sector having been a Director of Alzheimer's Queensland for the past 10 years.

### Special Responsibilities

Chair of the Audit & Risk Committee.

### Interests in shares and options

18,000 ordinary shares held in Technology One Limited held beneficially through the Noosa Hill Super Fund.

# Company Secretaries

## Stephen Kennedy

BBus, FGIA | Appointed 13 April 2017

Mr Kennedy was appointed Company Secretary on 13 April 2017 and has been employed with TechnologyOne since January 2017.

## Paul Jobbins

BBus (ACA), CA, GDipAppFin, MAppFin, GAICD
Appointed 16 December 2019

Mr Jobbins is the TechnologyOne Chief Financial Officer and was appointed as Company Secretary on 16 December 2019.

## 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 2020, and the numbers of meetings attended by each Director were:

| | Full meetings of Directors (Board) | Meetings of committees | | |
|---|---|---|---|---|
| | | Audit | Nomination | Remuneration |
| A Di Marco | 10 | - | - | - |
| R McLean | 10 | - | - | 1(1) |
| J Mactaggart | 10 | - | - | - |
| K Blinco | 9(10) | 5 | 2(2) | 2(2) |
| R Anstey | 10 | - | 3 | - |
| J Andrews | 10 | 5 | 3 | 3 |
| S Doyle | 10 | 5 | 1(1) | - |
| C Rosenberg | 10 | - | - | 3 |
| P Ball | 5(5) | 2(2) | - | - |

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:

- Technology One Enterprise Asset Management
- Technology One Financials
- Technology One Human Resource and Payroll
- Technology One Enterprise Budgeting
- Technology One Supply Chain
- Technology One Property and Rating
- Technology One Student Management
- Technology One Business Intelligence
- Technology One Enterprise Content Management
- Technology One Performance Planning
- Technology One Spatial
- Technology One Enterprise Cash Receipting
- Technology One Stakeholder Management
- Technology One Business Process Management

## Dividends

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Final dividend for the year ended 30 September 2019 of 8.78 Cents (2018 - 6.16 Cents) per fully paid share paid in December 2019 (2018- December 2018)<br>60% franked (2018- 75%) based on tax paid at 30% | 27,930 | 19,527 |
| Special dividend for the year ended 30 September 2019 of 0.00 Cents (2018 - 2.00 Cents) per fully paid share (2018- December 2018)<br>(2018- 75% franked) based on tax paid at 30% | - | 6,334 |
| Interim dividend for the year ended 30 September 2020 of 3.47 Cents (2019 - 3.15 Cents) per fully paid share paid in June 2020 (2019- June 2019)<br>60% franked (2019- 75%) based on tax paid at 30% | 11,058 | 9,989 |
| **Total dividends paid** | **38,988** | **35,850** |

## Review of operations

Please refer to Letter to Shareholders on page 10.

## 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

On 24 November 2020, the Directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $30,045,703 and is 60% franked.

On 2 October 2020, the Federal Court issued a judgement against TechnologyOne in a civil employment case. As a result of the judgement, the Group's provision was increased to $5.2m (2019: $1.6m) as at 30 September 2020. The company has retained very experienced counsel for an appeal to the Full Federal Court which was lodged on 27 October 2020.

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 Letter to Shareholders.

## Indemnification and insurance of officers

Insurance and indemnity arrangements concerning officers of the Company were renewed or continued during the year ended 30 September 2020.

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.

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.

## 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 and other advisory services. 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 2001*.

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:

| | 2020 $ | 2019 $ |
|---|---|---|
| **Ernst and Young:** | | |
| Taxation advice and other advisory services | 148,290 | 131,672 |
| **Total remuneration** | **148,290** | **131,672** |

## 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 137.

## Rounding of amounts

The Company is of a kind referred to in 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.

## Environmental regulation

Based on the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD), TechnologyOne has determined that there are no material climate related risks or other environmental risks likely to have a material impact on the Group. There are also no particular or significant environmental regulations that apply to the Group.

## Share options

### Unissued shares

As at the date of this report, there were 5,562,106 unissued ordinary shares under options (5,679,385 at the reporting date). Refer to note 31 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 1,458,949 fully paid ordinary shares in Technology One Limited at a weighted average exercise price of $3.60. Refer to note 31 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 2020

[1]ARR is not an IFRS measure and is unaudited, it represents future contracted annual revenue at year end

[2]Cash Flow Generation is Cash flow from operating activities less capitalised development costs. This is a non IFRS financial measure and is unaudited.

# Remuneration Report (Audited)

## Introduction from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of TechnologyOne's Remuneration Committee (the Committee), I am pleased to present to you our Remuneration Report for the year ended 30 September 2020. The intention of this report is to provide you with information around the linkage between our strategic initiatives, remuneration principles and remuneration framework to give transparency over how they drive shareholder returns.

The primary objective of the Committee is to ensure that we align Key Management Personnel (KMP) financial rewards with shareholder interests and our business strategy, whilst ensuring that we attract and retain exceptional Executives, Directors and Employees who are collectively responsible for delivering long-term profitable growth and substantial shareholder returns. Below provides a summary of:

- Incentive outcomes and alignment to Company performance
- Remuneration framework changes during FY20
- Proposed changes to the remuneration framework in FY21

## Summary of incentive outcomes and alignment to Company performance

This report demonstrates a clear alignment between executive remuneration and shareholder value creation.

In what was a challenging year as a result of COVID-19, the company delivered exceptional results with SaaS ARR growth of 32%, consulting profit growth of 38%, a breakeven result for the UK, underlying profit after tax growth of 13%, underlying profit before tax margin growth to 29% and reported net profit after tax growth of 8%.

In summary:

- Total Executive KMP remuneration for continuing executives employed across both periods, based on total remuneration packages offered, grew by 5%. This is below the Company's 8% growth in net profit before tax.
- Short Term Incentive (STI) outcomes across our Executive KMP came in below target. This is consistent with our growth in NPBT of 8%. STI outcomes are based on reported, rather than underlying NPBT.
- Our Long Term Incentive (LTI) plan resulted in 98% of 'at risk' LTI vesting for our Executive KMP. The Board set challenging LTI targets, which we believe assist in incentivising our KMP to drive superior performance and long-term shareholder wealth creation.
- It should be noted that the Board exercised discretion in the achievement of LTI awards, given exceptional performance during difficult circumstances, which is discussed in detail in section 3.2.

## Remuneration framework changes in FY20

After consultation with proxy advisors, a review of our remuneration framework resulted in the following changes for FY20:

- The EPS growth performance hurdle for share options issued from the FY20 year onwards has been changed from an annually tested metric to being tested at the end of the applicable three-year performance period.
- In prior years, the Group disclosed targets for performance hurdles for LTI grants retrospectively on vesting. To provide further transparency, we now disclose targets for performance hurdles for LTI grants once issued, as requested by proxy advisors.
- There was a change in the weighting of LTI performance metrics, which were introduced in 2019. There was a shift in weighting from 50% on EPS growth and 50% on relative TSR, to a weighting of 75% on EPS growth and 25% on relative TSR.

## Proposed changes to the remuneration framework in FY21

TechnologyOne remains focused on delivering its growth promises and we believe that our current remuneration structure positions us well to continue providing our shareholders with strong returns, both in the short and long-term, as well as ensuring alignment across our Executive KMP. We will continue to have ongoing dialogue with proxy advisors and our shareholders to evolve our framework as well as its presentation in the remuneration report.

Jane Andrews
Chair, Remuneration Committee

Brisbane
24 November 2020

# Remuneration Report (Audited)

The remuneration report contains the following sections.

1. About this report
2. Key questions
3. Relationship between remuneration and Company performance
4. Executive remuneration at TechnologyOne
5. How remuneration is structured
6. Remuneration governance
7. Non-executive director fees
8. Service agreements for the Executive KMP
9. Statutory remuneration table
10. Additional statutory disclosures

## 1. About this report

### 1.1 Basis for preparation of FY20 Remuneration Report

The information in this report has been prepared based on the requirements of the *Corporations Act 2001* and 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 details the remuneration framework for TechnologyOne's Key Management Personnel (KMP). For the purpose of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of TechnologyOne, directly or indirectly, including any Director (whether Executive or otherwise).

This report has been audited.

### 1.2 People covered by the remuneration Report

The Remuneration Report discloses the remuneration arrangements and outcomes for those individuals who we have determined to meet the definition of KMP under AASB 124 Related Party Disclosures. The below table summarises each KMP, their position and term as KMP.

The table below shows all the personnel covered by the Remuneration Report.

| Non-executive Directors | | Term |
|---|---|---|
| **Ron McLean** | Deputy Board Chair<br>Independent Director<br>Remuneration Committee | Full year |
| **John Mactaggart** | Non-independent Director | Full year |
| **Kevin Blinco** | Independent Director<br>Audit and Risk Committee | Full year |
| **Richard Anstey** | Independent Director<br>Nomination & Governance Committee Chair | Full year |
| **Dr Jane Andrews** | Independent Director<br>Remuneration Committee Chair<br>Audit and Risk Committee<br>Nomination & Governance Committee | Full year |
| **Sharon Doyle** | Independent Director<br>Audit and Risk Committee<br>Nomination & Governance Committee | Full year |
| **Clifford Rosenberg** | Independent Director<br>Remuneration Committee | Full year |
| **Peter Ball** | Independent Director<br>Audit and Risk Committee Chair | Appointed 2 March 2020 |
| **Executive Director** | | |
| **Adrian Di Marco** | Board Chair<br>Chief Strategy and Innovation Officer | Full year |
| **Executive KMP** | | |
| **Edward Chung** | Chief Executive Officer | Full year |
| **Stuart MacDonald** | Chief Operating Officer | Full year |
| **Paul Jobbins** | Chief Financial Officer | Full year |

## 2. Key questions

| Key questions | TechnologyOne approach |
|---|---|
| **Why does our remuneration framework have such a high weighting towards variable remuneration?** | Our Executive remuneration framework complies with common practice for ASX200 companies but has been adapted to meet the demands of the enterprise software market. Relative to our ASX-listed peers, our Executives receive:<br>• Relatively low fixed remuneration to enable a greater emphasis on performance<br>• Relatively large at-risk short-term incentive (STI) portion aligning Executives to current year performance<br>• Long-term incentives (LTI) linked to long-term strategy, targets, and shareholder wealth creation<br>The winning of new business, driving continued 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 ASX-listed peers. At the same time, the fixed remuneration for our Executives is comparatively low compared to our ASX-listed peers. The significant weighting towards the STI encourages our Executives to drive new business and financial performance in the current year, which creates Annual Recurring Revenue (ARR)1 for future years, and therefore long-term success and shareholder wealth.<br>TechnologyOne Executives are already exposed to the long-term outcomes of the business through a larger long-term incentive (LTI) component than our ASX-listed peers.<br>The talent pool in Australia for Executives with large scale enterprise software companies is highly competitive. Therefore, it is important to ensure that our remuneration framework is appropriately structured for the enterprise software market. We believe that our remuneration structure offers the necessary flexibility and incentive to ensure that we attract and retain talented Executives who understand the industry and, in turn, drive shareholder value. |
| **Why have we replaced our LTI measures for KMP with EPS growth and Relative TSR?** | In FY19, earnings per share (EPS) growth and relative total shareholder return (TSR) were introduced to replace historical LTI measures, which included net profit after tax (NPAT) growth. The rationale for the selection of these two measures is as follows:<br>• EPS growth: Ensures that our Executives are remunerated in line with growth in shareholder wealth over the long term.<br>• Relative TSR: Ensures that our Executives are remunerated in line with the Company's performance relative to our peers over the long term.<br>The introduction of these two new measures ensures we have LTI targets which are better aligned with our peers and are more directly aligned with increase in shareholder wealth.<br>In FY20, we adjusted the balance between these two measures so that there is a 75% weighting towards EPS growth and 25% weighting on relative TSR. |
| **Is our STI plan sufficiently challenging with only one performance measure?** | The winning of new business, driving continued profit growth is the key to our long-term success. Having Executives focus solely on net profit before tax (NPBT) ensures there is clear line of sight for Executives and transparency for shareholders as to how STI awards are determined. The simplification of our software also reduces the cost of consulting services which in turn increases our consulting margins, thereby increasing our NPBT and enhancing our competitive advantage.<br>Therefore, we consider the use of NPBT as the sole measure within our STI to be appropriate. |
| **Why did we introduce a deferred retention bonus?** | A deferred retention bonus was introduced in FY19 where an amount equal to 25% of the STI earned in the year under review is retained for a period of two years and only paid out to the Executive if they remain in employment with the Company for the entire deferral period. This ensures that we retain high performing Executive KMP and is intended to help further drive long-term shareholder wealth.<br>The introduction of the deferral component also allows the company further opportunity to claw back amounts previously awarded to Executives, in the unlikely event that business outcomes differ materially from expected.<br>This incentive is considered to be a Long-Term Incentive. Refer to section 5.3.2. |

[1]ARR is not an IFRS measure and is unaudited, it represents future contracted annual revenue at year end

## 3. Relationship between remuneration and Company performance

### 3.1 TechnologyOne's five-year performance

The below table sets out information showing the creation of shareholder wealth for the years ended 30 September 2016 to 30 September 2020.

| | 2016[1] | 2017[1] | 2018[1] | 2019 | 2020 |
|---|---|---|---|---|---|
| Actual profit before tax reported ($'000) | 53,240 | 58,019 | 66,528 | 76,389 | 82,470 |
| Total dividend including special (cps) | 9.45 | 10.18 | 11.02 | 11.93 | 12.88 |
| Earnings per share (basic) | 13.26 | 14.20 | 16.14 | 18.43 | 19.75 |
| Share price at start of period | 3.84 | 5.94 | 5.02 | 5.58 | 7.18 |
| Share price at end of period | 5.94 | 5.02 | 5.58 | 7.18 | 7.94 |
| Total Shareholder Return | 57% | (14%) | 13% | 31% | 12% |
| Reported profit after tax growth % | 16% | 8% | 15% | 15% | 8% |
| Statutory accounting fair value remuneration growth % for continuing Executives[2] | 15% | -6% | 8% | 14% | 8% |
| Total remuneration package growth % for continuing Executives[3] | 15% | -6% | 8% | 17% | 5% |

[1]Accounting for revenue for these periods remains under AASB 118. They were not restated in this table for AASB 15

[2] Based on statutory accounting fair value remuneration earned excluding any termination payments or partial periods for Executives employed for the full year across both 2019 and 2020. This allows for comparison on a like for like basis. A deferred retention bonus was introduced in FY19. The total value of the award is retained and will only be realised at the conclusion of the two-year period following the end of the financial year, on the condition that the Executive KMP remains employed for the entire deferral period. For accounting purposes, the expense in relation to this award is recognised over the total three-year deferral period. The value included for FY19 represents one third of the FY19 award value. The value included for FY20 includes one third of the FY19 award value plus one third of the FY20 award value. The growth year on year does not represent growth in remuneration offered or realised.

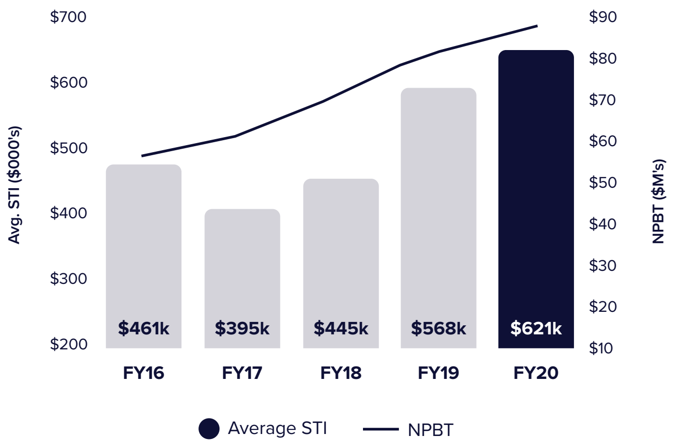
[3] Total Executive KMP remuneration for continuing executives employed across both periods, based on total remuneration packages offered, grew by 5%. This is below the Group's 8% growth in reported profit before tax.

As can be seen from the table above, the Executives' remuneration framework has successfully driven performance and the creation of shareholder wealth over the longer term. In addition, it is evident that the Executives' remuneration has been in alignment with overall Company performance.

The graphs below set out information regarding TechnologyOne's performance, earnings and movement in shareholder wealth over the past five financial years up to and including FY20. Note, figures for 2018 and prior years represent reported results which have not been restated for changes in accounting policy or accounting standard.

The first graph below shows our average Executives' STI has grown by 10% which is below the Company's Net Profit Before Tax (NPBT) profit growth of 12% over the last 5 years.

## Average STI vs. NPBT

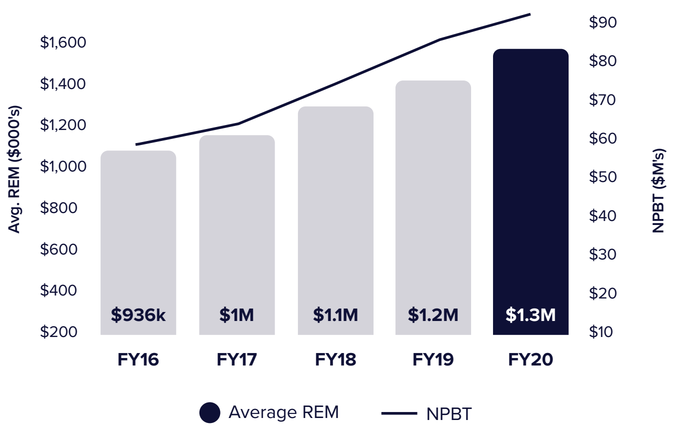



**Average STI has grown by 10% which is at a slower rate than the 12% growth in reported NPBT over the last 5 years**

Our STI structure is working as it drives short-term performance, which in turn creates a strong long-term recurring revenue base. In the long-term, this creates continuing financial success and substantial shareholder wealth for Technology One.

The second graph below shows that the average Executives' remuneration has been growing at less than the Company's NPBT profit growth over the last 5 years.

## Average REM vs. NPBT




**Average total Executive remuneration has grown by 10% which is at a slower rate than 12% growth in reported NPBT over the last 5 years.**

NPBT has grown faster than our Executives' remuneration which demonstrates how effective our remuneration structure is at driving long-term shareholder wealth.

### 3.2 Board Discretion applied to LTIs

This section discusses the application of Board discretion under exceptional circumstances.

#### 3.2.1 FY20 NPAT and EPS growth LTI

The global pandemic which has occurred in FY20 has had an enormous impact on the economy and businesses. Many businesses have struggled.

LTI targets based on FY20 NPAT and EPS growth were set in FY18, FY19 and FY20.

When the LTI targets for FY20 NPAT growth of 10% to 15% was set in FY18, and FY20 EPS growth of 5% to 15% was set in FY19 and FY20, there was no consideration possible for a global pandemic.

In what was a challenging year as a result of COVID-19, the company delivered exceptional results with SaaS ARR growth of 32%, consulting profit of 38%, a breakeven result for the UK, underlying profit before tax of 13%, underlying profit before tax margin growth to 29% and reported profit after tax of 8%.

The Board has carefully considered the exceptional results delivered during the COVID-19 pandemic and applied Board discretion so that the Executives achieve 100% of the NPAT and EPS growth LTIs for all option tranches which include a FY20 annual test.

The executives positively effected by this are Mr Edward Chung, Mr Stuart MacDonald and Mr Paul Jobbins. This discretion does not apply to Mr Di Marco.

Please refer to section 3.3 and 3.4 below for details on the LTI Test and where Board discretion has been applied.

#### 3.2.2 FY19 and FY20 Perpetual licence fee growth LTI

When the LTI target for Perpetual Licence Fee growth of 8% to 15% for FY19 and FY20 was set in FY18 there was no consideration given to the strategic shift we subsequently pursued away from Licence Fees to SaaS ARR growth.

In recent years, we have undertaken a strategic shift in focus to SaaS ARR growth with a planned reduction in licence fees. This strategic shift was after the LTI target for licence fees was set. It would be unfair to penalise executives given the strategic shift from licence fees to SaaS ARR growth, which we asked them to deliver, and which they did deliver, with SaaS ARR growth of 32%.

In FY19, licence fees recognised were down 38%[1] ($25m), and FY20 licence fees recognised were down 33% ($13m) as planned, as we pursued SaaS ARR growth of 40% in FY19, and 30% in FY20. The Board sees this strong growth in SaaS ARR as exceptionally strong performance, and in keeping with what we asked our Executives to deliver.

The Board has carefully considered the exceptional results delivered in SaaS ARR growth in both FY19 and FY20 and applied Board discretion so that Executives have achieved 100% of the Perpetual Licence Fee Growth LTI for all options which include an FY19 and FY20 annual test for this LTI.

The executive positively effected by this is Mr Stuart MacDonald. This discretion does not apply to Mr Di Marco, Mr Edward Chung or Mr Paul Jobbins.

Please refer to section 3.3 and 3.4 below for details on the LTI Test and where Board discretion has been applied.

[1]Licence fee growth used for the performance metric test was based on the FY18 annual report.

### 3.3 Options granted in FY18 which have no vested in FY20

During the year, Edward Chung and Stuart MacDonald completed a three-year performance period relating to the share options granted to them in FY18, becoming eligible to exercise options which have vested over that period.

A summary of the targets set performance against each target and options which have vested and are available to be exercised has been set out below:

**Edward Chung**

| Grant year | Performance measure | Number of LTIs available for target | Testing | Testing year | Target | Performance measure achieved | Board discretion | LTIs vested |
|---|---|---|---|---|---|---|---|---|
| | | 43,535 | | FY18 | >15%[1] | 15% | | 43,535 |
| FY18 | NPAT growth | 43,535 | Annual | FY19 | >15%[1] | 15% | | 43,535 |
| | | 43,535 | | FY20 | >15%[1] | 8% | Refer section 3.2.1 | 43,535 |
| FY18 | NPBT margin growth | 44,405 | 3 year | FY20 | 100bp[2] | 200bp | | 44,405 |
| | | 13,931 | | FY18 | >100%[3] | 102% | | 13,931 |
| FY18 | Operating cash flow / NPAT ratio | 13,931 | Annual | FY19 | >100%[3] | 76% | | - |
| | | 13,931 | | FY20 | >100%[3] | 101% | | 13,931 |
| | | 14,802 | | FY18 | >99%[4] | >99% | | 14,802 |
| FY18 | Customer retention (APAC) | 14,802 | Annual | FY19 | >99%[4] | >99% | | 14,802 |
| | | 14,802 | | FY20 | >99%[4] | 100% | | 14,802 |

[1]Options vest linearly from the mid hurdle target of 10% growth, at which 50% of options vest, up to the stretch target of 15% growth, at which 100% of options vest.

[2]Options vest linearly from the mid hurdle target of 50 basis points growth, at which 50% of options vest, up to the stretch target of 100 basis points growth, at which 100% of options vest.

[3]Options vest linearly from the mid hurdle target of 95%, at which 50% of options vest, up to the stretch target of 100%, at which 100% of options vest.

[4]Represents target at which 100% of options vest. No options vest below the target of 99% customer retention.

**Stuart MacDonald**

| Grant year | Performance measure | Number of LTIs available for target | Testing | Testing year | Target | Performance measure achieved | Board discretion | LTIs vested |
|---|---|---|---|---|---|---|---|---|
| | | 37,183 | | FY18 | >15%[1] | 15% | | 37,183 |
| FY18 | Perpetual license fee growth (APAC) | 37,183 | Annual | FY19 | >15%[1] | -38% | Refer section 3.2.2 | 37,183 |
| | | 37,183 | | FY20 | >15%[1] | -33% | Refer section 3.2.2 | 37,183 |
| | | 61,972 | | FY18 | >15%[2] | 15% | | 61,972 |
| FY18 | NPAT growth | 61,972 | Annual | FY19 | >15%[2] | 15% | | 61,972 |
| | | 61,972 | | FY20 | >15%[2] | 8% | Refer section 3.2.1 | 61,972 |
| FY18 | Sales operating expense growth | 37,183 | 3 year | FY20 | <8%[3] | 5% | | 37,183 |
| | | 12,394 | | FY18 | >99%[4] | >99% | | 12,394 |
| FY18 | Customer retention (APAC) | 12,394 | Annual | FY19 | >99%[4] | >99% | | 12,394 |
| | | 12,394 | | FY20 | >99%[4] | 100% | | 12,394 |

[1]Options vest linearly from the mid hurdle target of 8% growth, at which 50% of options vest, up to the stretch target of 15% growth, at which 100% of options vest.

[2]Options vest linearly from the mid hurdle target of 10% growth, at which 50% of options vest, up to the stretch target of 15% growth, at which 100% of options vest.

[3]Options vest linearly from the mid hurdle target of 9% expense growth, at which 50% of options vest, to the stretch target of 8% expense growth, at which 100% of options vest.

[4]Represents target at which 100% of options vest. No options vest below target of 99% customer retention.

## 3.4 Options/EPRs that have been granted in FY19 and FY20 and not yet vested

### Edward Chung

| Grant year | Performance measure | Number of LTIs available for target | Testing | Testing year | Target | Performance measure achieved | Board discretion | LTIs due to vest |
|---|---|---|---|---|---|---|---|---|
| FY19 | Relative TSR | 87,532 | 3 year | FY21 | 75% percentile | To be tested at the end of FY21 | | |
| | EPS Growth | 29,177 | Annual | FY19 | ≥15% | 14.2% | | 27,718 |
| | | 29,177 | Annual | FY20 | ≥15% | 8% | Refer section 3.2.1 | 29,177 |
| | | 29,177 | Annual | FY21 | ≥15% | To be tested at the end of FY21 | | |

| Grant year | Performance measure | Number of LTIs available for target | Testing | Testing year | Target | Performance measure achieved | Board discretion | LTIs due to vest |
|---|---|---|---|---|---|---|---|---|
| FY20 | Relative TSR | 66,160 | 3 year | FY22 | 75% percentile | To be tested at the end of FY22 | | |
| | EPS Growth | 198,479 | 3 year | FY22 | ≥15% | To be tested at the end of FY22 | | |

### Stuart MacDonald

| Grant year | Performance measure | Number of LTIs available for target | Testing | Testing year | Target | Performance measure achieved | Board discretion | LTIs due to vest |
|---|---|---|---|---|---|---|---|---|
| FY19 | Relative TSR | 23,443 | 3 year | FY21 | 75% percentile | To be tested at the end of FY21 | | |
| | EPS Growth | 7,814 | Annual | FY19 | >15% | 14.2% | | 7,423 |
| | | 7,814 | Annual | FY20 | >15% | 8% | Refer section 3.2.1 | 7,814 |
| | | 7,814 | Annual | FY21 | >15% | To be tested at the end of FY21 | | |

| Grant year | Performance measure | Number of LTIs available for target | Testing | Testing year | Target | Performance measure achieved | Board discretion | LTIs due to vest |
|---|---|---|---|---|---|---|---|---|
| FY20 | Relative TSR | 41,849 | 3 year | FY22 | 75% percentile | To be tested at the end of FY22 | | |
| | EPS Growth | 125,547 | 3 year | FY22 | >15% | To be tested at the end of FY22 | | |

### Paul Jobbins

| Grant year | Performance measure | Number of LTIs available for target | Testing | Testing year | Target | Performance measure achieved | Board discretion | LTIs due to vest |
|---|---|---|---|---|---|---|---|---|
| FY19 | Relative TSR | 107,728 | 3 year | FY21 | 75% percentile | To be tested at the end of FY21 | | |
| | EPS Growth | 35,909 | Annual | FY19 | >15% | 14.2% | | 34,114 |
| | | 35,909 | Annual | FY20 | >15% | 8% | Refer section 3.2.1 | 35,909 |
| | | 35,909 | Annual | FY21 | >15% | To be tested at the end of FY21 | | |

| Grant year | Performance measure | Number of LTIs available for target | Testing | Testing year | Target | Performance measure achieved | Board discretion | LTIs due to vest |
|---|---|---|---|---|---|---|---|---|
| FY20 | Relative TSR | 36,629 | 3 year | FY22 | 75% percentile | To be tested at the end of FY22 | | |
| | EPS Growth | 109,887 | 3 year | FY22 | >15% | To be tested at the end of FY22 | | |

Board discretion has been applied to result in full achievement of the current year portion of LTI tranches that are tied to net profit after tax and EPS growth performance hurdles. Refer section 3.2.1.

## 3.5 Fair value of options granted in FY20

**2020**

| Name | Number of options granted during the period[1] | Fair value per options issued during the period[2] | Vesting date | Exercise price | Expiry Date | Fair value of grant |
|---|---|---|---|---|---|---|
| Edward Chung | 264,639 | 2.63 | 1/10/2022 | 7.39 | 1/10/2027 | 697,104 |
| Stuart MacDonald | 167,396 | 2.06 | 1/10/2022 | 7.39 | 1/10/2027 | 345,197 |
| Paul Jobbins | 146,516 | 2.43 | 1/10/2022 | 7.39 | 1/10/2027 | 356,213 |

[1]LTIs are offered to Executive KMP as either options (with an exercise price) or EPRs (executive performance rights issued at market price

[2]The assessed fair value at grant date of options granted to the individuals is recognised 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 (q) (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 at the end of the three-year period, subject to meeting performance hurdles.

(b) Dividend yield – 1.6%

(c) Expected volatility – 30%

(d) Risk-free interest rate – 0.66%-0.91%

(e) Price of shares on grant date – $8.33-$9.16

(f) Fair value of options – $2.06-$2.63

Refer to section 10.1 for additional information on the outcome of equity plans.

The performance measures for LTI grants made in FY20 are presented below. The performance targets, set out below, are such that they are all considered to be challenging targets that, if met, will drive significant shareholder wealth creation.

| Performance targets[1] | Performance period | Testing | Weighting (all KMP) |
|---|---|---|---|
| EPS growth | 3 years | 3 years | 75% |
| Relative TSR[2] | 3 years | 3 years | 25% |

[1]The performance targets to be achieved by the Executives are set out below:

| Performance Metric | Growth <5% | 5%<= Growth > 15% | Growth >= 15% |
|---|---|---|---|
| EPS growth | 0% vest | 50% vest at 5% growth with linear vesting (50% to 100%) up to 15% growth | 100% vest |

| Performance Metric | Percentile < 50% | >=50% <75% | Percentile>= 75% |
|---|---|---|---|
| Relative TSR[2] | 0% vest | 50% vest at 50% relative TSR with linear vesting (50% to 100%) up to 75% relative TSR | 100% vest |

[2]Relative TSR targets are determined with reference to our peer group. Our peer group is defined as those constituent companies making up the ASX All Technology Index (XTX).

Refer to section 10.1 for additional information on the outcome of equity plans.

# 4. Executive remuneration at TechnologyOne

## 4.1 Our remuneration strategy and principles

At TechnologyOne, our remuneration strategy is aligned with our vision of "transforming business, making life simple". The Board believes that in order to deliver on our vision and build long-term shareholder growth, TechnologyOne must have a remuneration framework that allows it to compete for talent both locally and globally in a highly competitive and fast-moving environment and against companies such as Oracle and SAP, as well as other Australian software companies.

The remuneration principles that underpin our remuneration strategy and framework are:

- Attract, retain and motivate skilled Directors and Executives in leadership positions
- Provide 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
- Achieve 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
- Provide flexibility to meet changing needs and emerging competitive market practices
- Commitment to diversity, reflecting a fair and equitable remuneration framework

## 4.2 Overview of remuneration framework

| | Fixed remuneration | Short-term incentive (STI) | Long-term incentive (LTI) |
|---|---|---|---|
| **Nature** | Base salary plus superannuation. | Paid in cash monthly with 20% retention until accounts are audited and finalised. Retention amount paid in cash 3 months after year end. | Options and performance rights are subject to meeting performance targets tested over three years.<br>A deferred retention bonus equal to 25% of the annual STI earned in the year under review is retained and paid at the conclusion of the two-year period following the end of the financial year, only if the Executive remains in employment with the Company. |
| **Purpose** | To provide a competitive salary based on market benchmarking from the Remuneration Committee. | Drives outstanding performance in the short-term which in turn translates to long-term shareholder wealth. | Creates a strong focus on long- term performance, with a strong alignment to long-term shareholder wealth creation. |
| **Performance targets** | N/A. | Percentage of agreed Net Profit Before Tax (NPBT) for the Group; or percentage of NPBT for the relevant business segment for the Executive. | Blended approach of performance targets, including:<br>• Net Profit After Tax (NPAT) growth (for grants prior to FY19)<br>• Licence fee growth (for grants prior to FY19)<br>• Sales operating expense growth (for grants prior to FY19)<br>• R&D expense growth (for grants prior to FY19)<br>• Relative TSR (for grants FY19 onwards)<br>• EPS growth (for grants FY19 onwards). |
| **Performance period** | N/A. | Annual. | Three years for options.<br>Deferred retention bonus is calculated on the annual performance period and deferred for two years of service. The employee must remain employed with the company for the entire two-year deferral period. |

# Target remuneration mix

Target remuneration mix at the beginning of the contract for the CEO (Table 1), and other Executive KMP (Table 3) is represented below. Over time, the remuneration mix is expected to change due to a larger increase in STI relative to other remuneration components. The below represents the contracted remuneration mix for the CEO (Table 2) and demonstrates how remuneration mix has changed over time to FY20.

**Table 1. Target CEO remuneration mix (start of contract target)**

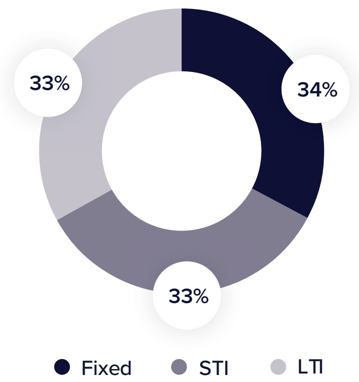
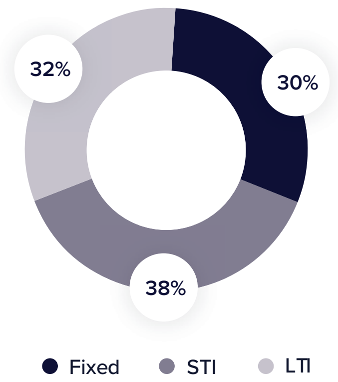



**Table 2. CEO Remuneration mix FY20**




The below represents the target contracted remuneration mix for other Executive KMP in FY20 and demonstrates how remuneration mix changes over time (Table 4).

**Table 3. Target Executive KMP remuneration mix (start of contract target)**

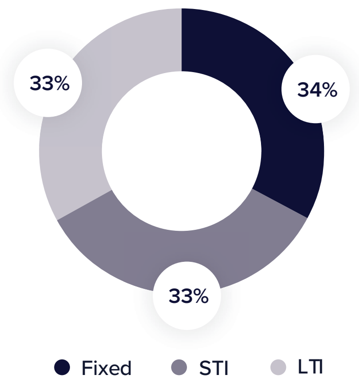
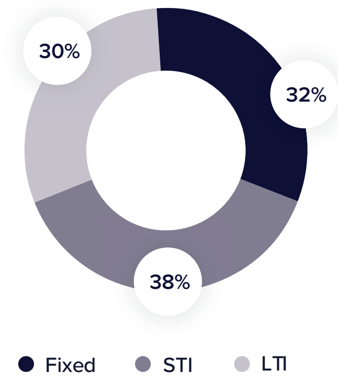



**Table 4. Executive KMP remuneration mix FY20**




We have reported separately the remuneration mix for our Executive Chairman (Table 5). The Chairman was offered an LTI of $400,000 which he declined as he has in previous years. The Remuneration Committee recognises that Mr Di Marco's total remuneration is substantially below that of comparable companies. The Remuneration Committee acknowledges that Mr Di Marco's significant shareholding in TechnologyOne provides the benefits that the LTI aims to achieve.

**Table 5. Target Executive Chairman remuneration mix**

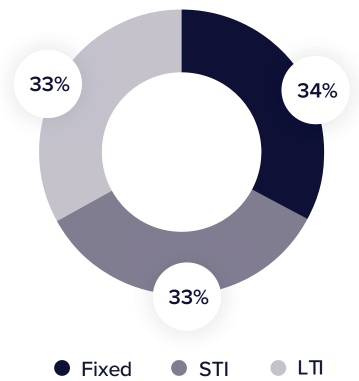
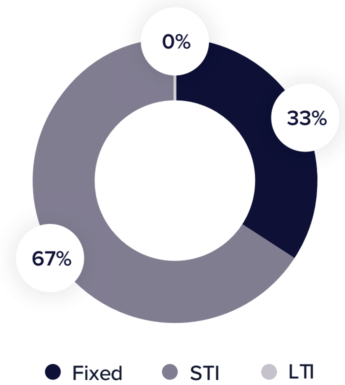



**Table 6. Executive Chairman remuneration mix FY20**



# 5. How executive remuneration is structured

## 5.1 Fixed remuneration

Fixed remuneration comprises base salary and superannuation. Following the end of the financial year, to ensure our fixed remuneration remains competitive, we undertake benchmarking relative to our peers.

Our peer group comprises companies within similar industries which are ASX listed and are used as a basis for benchmarking ourselves against internally. Based on the findings from the benchmarking, fixed remuneration was increased by 1% for FY20.

## 5.2 Short-term incentive

Executives participate in an STI plan which is based on NPBT. Key features of the STI plan are detailed in the table below:

| Feature | Description |
|---|---|
| **Opportunity** | The value of the STI is based on a percentage of Net Profit Before Tax (NPBT) for the Group or percentage of NPBT for the relevant business segment for the Executive. The percentage of target NPBT is determined at the outset of the contract and remains fixed for the contract period for each Executive KMP. As the STI awarded is a percentage of NPBT, it is uncapped to encourage over-achievement and drive performance in the current year and the creation of long-term shareholder wealth. Given the expected growth in NPBT over time, the STI component of total remuneration typically grows in greater proportion to the fixed and LTI components which typically only increase by CPI on an annual basis. An illustrative example of how this works over time in practice has been presented below this table.<br>The STI is uncapped and has no floor applied, aligning Executives with shareholder expectations.<br>In transitioning to a SaaS company, the use of NPBT as the sole basis for calculating our STI becomes even more relevant to driving long term shareholder wealth. This is because NPBT growth in a SaaS company translates to growth in annual recurring revenue (ARR)1 which results in guaranteed returns for the business in the future. Therefore, although the KMP are rewarded in the short term for increases in profitability, the Company and shareholders continue to reap the benefits of that increase in profitability for the foreseeable future. |
| **Award vehicle** | Cash |
| **Performance measures** | The STI target is based on NPBT for the Group or NPBT for the relevant business segment for the Executive. This effectively aligns the target incentive with shareholder return.<br>TechnologyOne's use of STIs differs from most other organisations in that it utilises only one performance measure (percentage of NPBT) in determining STI awards. This is to create focus and clarity for Executives whilst also providing transparency for shareholders as to how STI awards are determined. The Board and Remuneration Committee continue to monitor STI performance measures so as to ensure that they best align with the Company's commitment to providing shareholder wealth. |
| **Timing** | Because the fixed remuneration of an Executive is very low compared to our ASX-listed peers, to assist the Executives in meeting their short-term financial obligations, the STI is calculated and paid monthly with 20% retention.<br>20% retention of their STI is paid three months after TechnologyOne's year end to ensure that the STI paid is based on audited and finalised accounts. In the unlikely event that business outcomes differ materially to what was expected, the Company can claw back any STI. |
| **STI cap** | 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 for the company, 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 and continue to work hard to achieve it each year, and the greater benefit to our shareholders through an ever-increasing recurring revenue base.<br>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 also uncapped on the downside. Given that the Executive's fixed remuneration % is significantly lower than our ASX-listed peers, under-performance has a significant, negative impact on their total remuneration.<br>The STI framework aligns performance with remuneration outcomes encouraging over performance and penalising under performance. |
| **Clawback** | The ability to clawback STIs exists in the unlikely event that business outcomes differ materially from expected. |
| **Termination** | On termination, the Executive foregoes any further STI payments which would have otherwise been available for the remainder of the financial year under their STI plan. |

TechnologyOne Executives have an STI set at the start of their contract which is typically approximately 33% of their total targeted remuneration.

The best way to consider the mechanics of the TechnologyOne STI is by way of the following example.

**Worked example**

Consider a candidate who can command a remuneration package of $900,000 in the open market. The TechnologyOne method is as follows:

| | |
|---|---|
| **Fixed remuneration** | $300,000 (or 33% of the package with adjustments in future years) |
| **LTI component** | $300,000 (or 33% of the package with adjustments in future years) |
| **STI target** | Commences at 75% to 100% of fixed remuneration (as established during contract negotiations).<br>$300,000 is used as the initial STI target. If we assume that NPBT of the Group is to be used and the forecast NPBT is $40m (a 15% increase on the prior year) then contract STI will be $300,000/$40m (or 0.75% of profit) |
| **Increase in profit** | 12% per annum |
| **CPI** | 1% |
| **STI target as a % of NPAT** | 15% |

| Year | Fixed | Profit target ($m) | Actual profit ($m) | STI% | STI target(STI % x profit target ($)) | Actual STI (STI% x actual profit ($)) |
|---|---|---|---|---|---|---|
| 1 | 300,000 | 40.00 | 38.96 | 0.75% | 300,000 | 292,200 |
| 2 | 303,000 | 44.80 | 43.63 | 0.75% | 336,000 | 327,225 |
| 3 | 306,030 | 50.18 | 48.87 | 0.75% | 376,320 | 366,525 |

## 5.3 Long-term incentives (LTI)

LTI remuneration for TechnologyOne Executives is made up of a share-based remuneration element (5.3.1) and a deferred retention bonus (5.3.2).

### 5.3.1 Share based remuneration

TechnologyOne Executives are eligible to participate in an LTI plan. The LTI plan is designed to provide participants with the incentive to deliver substantial consistent growth in shareholder value:

| Feature | Description |
|---|---|
| **Opportunity** | The value of the total number of LTIs issued each year (called a grant) to an Executive is typically set at 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. |
| **Award vehicle** | Each LTI entitles the Executive the right to purchase one TechnologyOne share in the future at an agreed strike price, subject to meeting specified performance targets. |
| **Performance period** | For LTI grants issued prior to the end of FY19, performance is measured over a three-year performance period with individual and Company targets tested annually or at the conclusion of the three-year performance period. The performance period commences at grant date and extends for three years to give a vesting date. For LTI grants issued during FY20 and onwards, performance is measured at the end of a three-year performance period only (i.e. no annually tested LTI measures). This is consistent with best practice and further aligns our LTI plan with the creation of long-term shareholder wealth.<br>The number of options in the grant are split into tranches based on the weighting of each performance measure. For performance measures with a three-year target, the relevant tranche vests at the end of the three-year period in accordance with the vesting schedule provided below.<br>For performance measures with an annual target, 1/3 of the relevant tranche is tested in accordance with annual performance, however, the LTI will not vest until the end of the overall three-year performance period.<br>For accounting purposes, the expense is recognised in according with AASB 2 Share Based Payments over the three year period. |

| Feature | Description |
|---|---|

**Performance measures for grants issued for FY18 and prior years**

Grants made prior to FY19 are tested against the targets set at the time of grant. Those measures are outlined below:

| LTI feature | | Executive KMP and LTI weighting | | |
|---|---|---|---|---|
| **Performance targets[1,2]** | **Performance period** | **Testing** | **Edward Chung** | **Stuart MacDonald** |
| NPAT growth | 3 years | Annual[3] | 50% | 50% |
| Licence fee growth – APAC | 3 years | Annual[3] | - | 30% |
| Sales operating expense growth - APAC | 3 years | Annual[3] | - | 10% |
| Customer Retention by ASM Value - APAC | 3 years | Annual[3] | - | 10% |
| Customer Retention by ASM Value | 3 years | Annual[3] | 17% | - |
| Operating Cash Flow / NPAT | 3 years | Annual[3] | 16% | - |
| Company profit before tax margin growth | 3 years | 3 years[4] | 17% | - |

[1]Performance targets exclude acquisitions.

[2]The performance target has to be achieved for the Executive to meet their LTI target. These targets are set out below:

| Performance metric | Performance target |
|---|---|
| NPAT growth | (i) If equal to or greater than 15%, 100% will vest<br>(ii) If between 10% and 15%, 50% will vest at 10% and in linear increments to 15%, up to 100% vesting<br>(iii) If below 10% growth, no options vest |
| License fee growth – APAC | (i) If equal to or greater than 15% 100% will vest<br>(ii) If between 8% and 15%, 50% will vest in linear increments to 15%, up to 100% vesting<br>(iii) If below 8% growth then no options vest |
| Sales operating expense growth – APAC | (i) If equal to or lesser than 8% 100% will vest<br>(ii) If between 8% and 9%, 50% will vest in linear increments to 8%, up to 100% vesting<br>(iii) If greater than 9% growth then no options vest |
| Customer retention by ASM value - APAC | (i) If equal to or greater than 99%, 100% will vest<br>(ii) If less than 99%, 0% will vest |
| Customer retention by ASM value | (i) If equal to or greater than 99%, 100% will vest<br>(ii) If less than 99%, 0% will vest |
| Operating cashflow/NPAT | (i) If equal to or greater than 100%, 100% will vest<br>(ii) If between 95% and 100%, 50% will vest in linear increments to 100%, up to 100% vesting<br>(iii) If below 95% growth then no options vest |
| Company profit before tax margin growth | (i) If equal to or greater than 100BP, 100% will vest<br>(ii) If between 50BP and 100BP, 50% will vest at 10% and in linear increments to 100BP, up to 100% vesting<br>(iii) If below 50% growth then no options vest |

[3]The Company has chosen annual testing in circumstances, where long-term consistent year-on-year growth will drive greater shareholder returns. The performance targets are assessed on an annual basis with no LTIs vesting until the end of the three-year performance period. This ensures that the annually tested KPIs generate value for shareholders over time.

[4]The Company has chosen a three-year testing period where the average over a three-year performance period is used.

Under the prior LTI plan, it is acknowledged that the profit growth target, which made up 50% of each Executive's LTI measure, was also the primary target for STI. The rationale for including the measure for both STI and LTI assessment is that the growth of licence fee in the short-term translates into long-term ARR growth. We further note that even though this LTI performance measure is tested annually over a three-year period, if targets are achieved the options will only vest and become available for exercise at the conclusion of that three-year performance period (subject to any Board discretion which may be applied, as noted below).

**Vesting schedule**

For each performance target there is a mid and stretch target. Mid hurdles have been calculated so that if they are achieved, this will create substantial shareholder wealth.

| Performance achieved | Level of vesting |
|---|---|
| Meets the stretch hurdle | **100% vesting** |
| Between stretch and mid hurdle | **vest linearly** |
| Meets mid hurdle | **50%** |
| Less than the mid hurdle | **0%** |

The number of options that vest at the end of the relevant performance period is determined as follows:

- Number of LTIs earned per three-year performance target = Number of LTIs available for that target x percentage earned x individual performance factor[1]
- Number of LTIs earned per yearly performance target = 1/3 x number of LTIs available for that target x percentage earned x individual performance factor[1]

[1] The individual performance factor is typically 100%. The Board however has the discretion in exceptional circumstances to increase the individual performance factor above 100% to a maximum of 200% to take into consideration exceptional performance or contribution by an Executive.



| Feature | Description |
|---|---|
| **Allocation methodology** | The LTI is allocated based on the cost of the option which is accounted under AASB 2 Share Based Payments using the Black-Scholes model with a strike price being the volume weighted average price (VWAP) over the 10 days prior to the grant date with no discount. |
| **Board discretion** | In situations where the Vesting Conditions are not met due to factors beyond the control of the employee (eg global pandemic, trade restrictions, war, large-scale natural disasters), the Board has discretion to increase or decrease the number of LTIs vesting<br>The Board 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.<br>The Board has the discretion to apply an Individual Performance Factor (IPF) to "top up" the number of vesting LTIs where a performance hurdle in a Vesting Condition has not been met for reasons outside of the employee's control, or to take into consideration exceptional performance or contribution by an employee. The Board has the authority to increase the number of options vesting by up to 100% of the LTIs in the original grant. The total number of LTIs earned across all performance targets by an executive cannot exceed the total number of LTIs in a grant. |
| **Change of control** | The Board has discretion to determine the extent to which LTIs vest based on the period elapsed and performance at the time of any change of control event. |
| **Cessation of employment** | Awards lapse unless the Board determines otherwise, in which case it considers performance of the individual over the relevant period up to the date of cessation of employment. |
| **Expiry** | At the end of the applicable performance period, any LTIs that have vested will expire 5 years after vesting. |
| **Re-testing** | We do not revise or re-test our LTIs over the relevant performance period. |
| **Clawback** | Yes available |
| **Margin loans** | Directors and Executives are not permitted to use TechnologyOne securities as security for margin loans. |

### 5.3.2 Deferred retention bonus

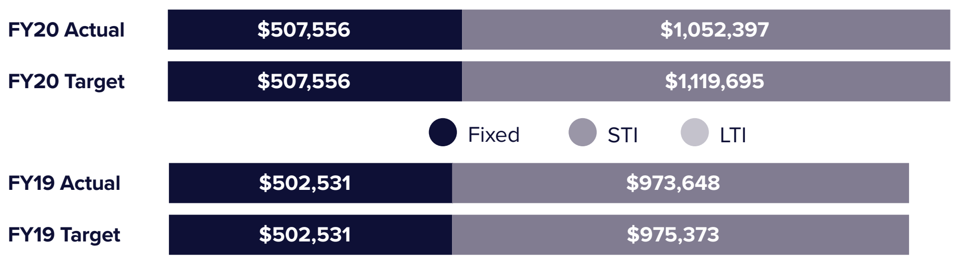
| Feature | Opportunity |
|---|---|
| **Opportunity** | We introduced a new deferred retention bonus in the FY19 year. An amount equal to 25% of the annual STI earned in the year under review is retained and will only be released at the conclusion of the two year period following the end of financial year, on the condition that the Executive KMP remains employed with the Company for the entire deferral period. |
| **Award vehicle** | Cash |
| **Cap** | For the same reasons outlined in section 5.2 for the STI, this deferred retention bonus is also uncapped. |
| **Allocation methodology** | The allocation of this LTI is based on linear recognition of the value over the performance period and service period. |

## 5.4 Detail of Executive remuneration and performance

### Adrian Di Marco

| Position | Executive Chairman and Chief Strategy and Innovation Officer |
|---|---|

**Remuneration mix**

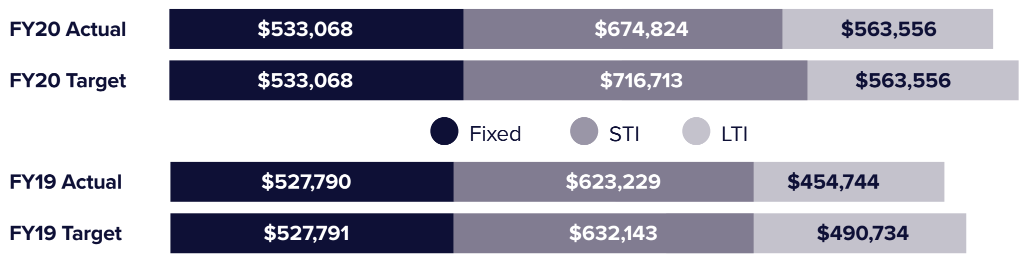



| Fixed remuneration | 2020 $ | 2019 $ | Notes |
|---|---|---|---|
| Base salary | 356,309 | 172,171 | The base salary represents the amount earned for the role of Chief Strategy and Innovation Officer |
| Chairman's fees | 131,237 | 310,548 | The Chairman's fees for the current year has been benchmarked in line with the Group's peers |
| Superannuation | 20,010 | 19,812 | |
| **Total fixed remuneration** | **507,556** | **502,531** | The Executive Chairman's fixed remuneration has increased by only 1%. |
| **STI** | 1,052,397 | 973,648 | The STI relates to the role of Chief Strategy and Innovation Officer. |
| **LTI new scheme** | | | |
| Fair value of share options recognised | - | - | |
| Fair value of share options forfeited | - | - | |
| Fair value of EPRs recognised | - | - | |
| Fair value of EPRs forfeited | - | - | |
| Fair value of deferred retention bonus recognised (refer section 5.3.2) | - | - | |
| **Fair value of LTI recognised** | - | - | |
| **Total remuneration** | **1,559,953** | **1,476,179** | |
| % growth on prior year excluding LTI and termination benefits | 6% | 10% | |
| % growth on prior year including LTI and termination benefits | 6% | 10% | Total remuneration has grown by 6%, less than reported net profit after tax growth of 8%. |
| **Post-employment** | | | |
| Post-employment benefits | - | - | |
| Termination benefits | - | - | |

### Edward Chung

| Position | Chief Executive Officer |
|---|---|

**Remuneration mix**

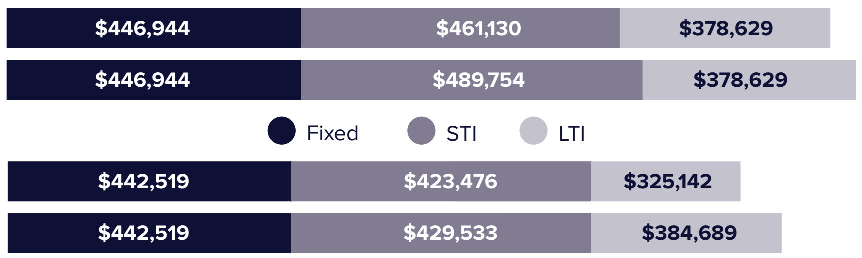



| Fixed remuneration | 2020 $ | 2019 $ | Notes |
|---|---|---|---|
| Base salary | 513,058 | 507,978 | |
| Directors' fees | - | - | |
| Superannuation | 20,010 | 19,812 | |
| **Total fixed remuneration** | **533,068** | **527,790** | The CEO's fixed remuneration has increased by only 1%. |
| **STI** | 674,824 | 623,229 | |
| **LTI new scheme** | | | |
| Fair value of share options recognised | 339,328 | 229,828 | |
| Fair value of share options forfeited | - | (3,261) | |
| Fair value of EPRs recognised | - | - | |
| Fair value of EPRs forfeited | - | - | |
| Fair value of deferred retention bonus recognised (refer section 5.3.2) | 108,171 | 51,936 | FY19 amount includes one third of the FY19 award value. FY20 amount includes one third of the FY19 award plus one third of the FY20 award value. The growth shown does not represent growth in remuneration awarded or realised. |
| **Fair value of LTI recognised** | **447,499** | **278,503** | |
| **LTI old scheme** | | | |
| Fair value of share options recognised | 116,057 | 176,241 | |
| **Total remuneration** | **1,771,448** | **1,605,763** | |
| % growth on prior year excluding LTI and termination benefits | 5% | 9% | Total remuneration, excluding LTI and termination benefits, has grown by 5%, less than reported net profit after tax growth of 8%. |
| % growth on prior year including LTI and termination benefits | 10% | 15% | |

## Stuart MacDonald

| Position | Chief Operating Officer |
|---|---|

**Remuneration mix**

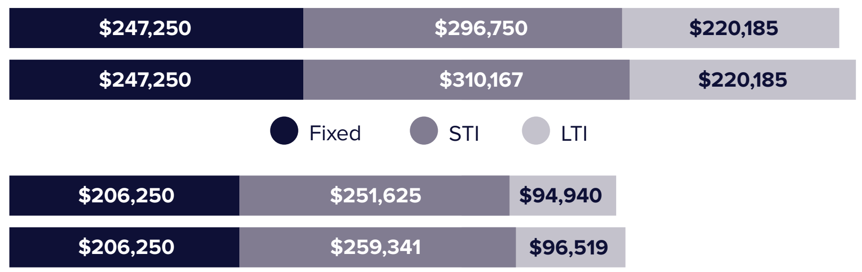



| Fixed remuneration | 2020 $ | 2019 $ | Notes |
|---|---|---|---|
| Base salary | 426,934 | 422,707 | |
| Director's fees | - | - | |
| Superannuation | 20,010 | 19,812 | |
| **Total fixed remuneration** | **446,944** | **442,519** | The COO's fixed remuneration has increased by only 1%. |
| **STI** | 461,130 | 423,476 | |
| **LTI new scheme** | | | |
| Fair value of share options recognised | 235,508 | 234,421 | |
| Fair value of share options forfeited | - | - | |
| Fair value of EPRs recognised | 69,404 | 58,438 | |
| Fair value of EPRs forfeited | - | (3,007) | |
| Fair value of deferred retention bonus recognised (refer section 5.3.2) | 73,717 | 35,290 | FY19 amount includes one third of the FY19 award value. FY20 amount includes one third of the FY19 award plus one third of the FY20 award value.<br>The growth shown does not represent growth in remuneration awarded or realised. |
| **Fair value of LTI recognised** | **378,629** | **325,142** | |
| **Total remuneration** | **1,286,703** | **1,191,137** | |
| % growth on prior year excluding LTI and termination benefits | 5% | 8% | Total remuneration, excluding LTI and termination benefits, has grown by 5%, less than reported net profit after tax growth of 8%. |
| % growth on prior year including LTI and termination benefits | 8% | 18% | |

## Paul Jobbins

| Position | Chief Financial Officer |
|---|---|

**Remuneration mix**




| Fixed remuneration | 2020 $ | 2019 $ | Notes |
|---|---|---|---|
| Base salary | 227,240 | 186,438 | |
| Director's fees | - | - | |
| Superannuation | 20,010 | 19,812 | |
| **Total fixed remuneration** | **247,250** | **206,250** | The increase from FY19 to FY20 reflects that FY19 was not a full year and that the CFO's fixed remuneration was increased by 10% for FY20. |
| **STI** | 296,750 | 251,625 | |
| **LTI new scheme** | | | |
| Fair value of share options recognised | 174,487 | 77,984 | |
| Fair value of share options forfeited | - | (4,013) | |
| Fair value of EPRs recognised | - | - | |
| Fair value of EPRs forfeited | - | - | |
| Fair value of deferred retention bonus recognised (refer section 5.3.2) | 45,698 | 20,969 | FY19 amount includes one third of the FY19 award value. FY20 amount includes one third of the FY19 award plus one third of the FY20 award value.<br>The growth shown does not represent growth in remuneration awarded or realised. |
| **Fair value of LTI recognised** | **220,185** | **94,940** | |
| **Total remuneration** | **764,185** | **552,815** | |
| % growth on prior year excluding LTI and termination benefits | 19% | partial year | Prior year figures are not reflective of a full year. Mr Jobbins commenced employment on 30 October 2018. |
| % growth on prior year including LTI and termination benefits | 38% | partial year | Prior year figures are not reflective of a full year. Mr Jobbins commenced employment on 30 October 2018. |

If Mr Jobbins had commenced employment on 1 October 2018, the FY20 growth on prior year, excluding LTI and termination benefits would have been 9% compared to reported net profit after tax growth of 8%. The CFO's fixed remuneration was increased by 10% for FY20.

# 6. Remuneration governance

The Remuneration 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.

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

The key responsibilities of the Committee include:

- Advising the Board on TechnologyOne's policy for Executive and Director remuneration
- Making recommendations to the Board on the remuneration arrangements for Executives and Directors to ensure they are aligned with TechnologyOne's vision and are set competitively to the market
- Approving KMP terms of employment

In making recommendations to the Board, the Committee reviews the appropriateness of the nature and amount of remuneration to Executives and NEDs on an annual basis.

In carrying out its duties, the Committee can engage external advisors who are independent of management. During the year the committee engaged an external advisor in relation to the drafting of this remuneration report.

# 7. Non-executive Director fees

### Determination of Non-executive Director fees

In FY20, Board fees were set at $141,000 per Director, including statutory superannuation contributions. This represents a 9% increase on prior year and is in line with independent consultation. The increase reflects a fee at the 50th percentile of comparable companies by market capitalisation and further provides alignment with market rates and previous statements to shareholders. No additional fees are paid in respect of committee attendance.

Directors' Fees are normally reviewed every three years by an independent consultant and the setting of fees is to be consistent with comparable companies by market capitalisation. Fee increases between independent reviews are capped at CPI.

### Aggregate fee pool

The total amount of Directors' fees is capped at a maximum pool that is approved by shareholders. The current fee pool is capped at $1,500,000, which was approved by shareholders at the Annual General Meeting on 26 February 2019. The increase in fee pool from FY18 ($1,000,000) acknowledges additional Directors added to the Board since the last review.

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.

### FY21 aggregate fee pool and Non-Executive Director fees

It is proposed that the current fee pool remain unchanged for FY21, capped at $1,500,000. Non-executive Director fees are set to increase in line with CPI, as per Board policy.

# 8. Service agreements for the Executive KMP

Remuneration and other terms and conditions of employment for Executive KMP are formalised in service agreements which are reviewed each year. All Executive KMP service agreements are rolling contracts which cease following notice of termination by either employee or employer.

The following table presents some of the key contractual arrangements for the Executive KMP:

| KMP | Contract term | Termination notice by either party | Post-employment restraint |
|---|---|---|---|
| Executive Chairman | Ongoing | 3 months | 12 months |
| CEO | Ongoing | 6 months | 12 months |
| Other Executive KMP | Ongoing | 12 weeks | 12 months |

If an Executive KMP resigns, payment in lieu of notice that is not worked is provided, in addition to any statutory entitlements. No other additional termination or post-employment benefits are provided on termination of employment. Refer to sections 5.2 and 5.3 respectively for treatment of STIs and LTIs on termination of Executive KMP.

The Executive Chairman's fixed remuneration package is established to compensate him for executing the role of Chairman and also for that of Chief Strategy and Innovation Officer (as tabled below).

In FY20, the Chairman's fixed remuneration consists of:

| Role | Fixed remuneration |
|---|---|
| Chairman | 131,237 |
| Cheif Strategy and Innovation Officer | 376,319 |
| **Total fixed remuneration** | **507,556** |

The Executive Chairman also receives an STI component for his role as Chief Strategy and Innovation Officer.

As the Chairman is also an Executive, the remuneration for performing the Chairman role (exclusive of Directors' fees) is not included in the Non-Executive Director Fee Pool.

# 9. Statutory remuneration

The information in the table below is based on the statutory accounting fair value of remuneration earned for each KMP and does not represent the value offered or realised.

The deferred retention bonus was introduced in FY19. The total value of the award is retained and will only be realised at the conclusion of the two-year period following the end of the financial year, on the condition that the Executive KMP remains employed for the entire deferral period. For accounting purposes, the expense in relation to this award is recognised over the total three-year deferral period. The value included in the table below for FY19 represents one third of the FY19 award value. The value included for FY20 includes one third of the FY19 award value plus one third of the FY20 award value. The growth seen in the table below does not represent growth in remuneration offered or realised.

Total statutory accounting fair value remuneration for Executives increased by 14% from FY19 as Chief Financial Officer, Paul Jobbins, was included for only part of FY19. Total remuneration packages offered for continuing executives employed across both periods grew by 5%, below net profit after tax growth of 8%.

Directors' fees increased by 9% per Director on an annualised basis, in line with the agreed board policy.

| | | Short-term employee benefits | | | | | Post employment benefits | Long-term incentives | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | | Fixed remuneration $ | Directors' fees $ | Superannuation $ | Total fixed remuneration $ | Short-term Incentive $ | Termination benefits $ | Deferred retention bonus $ | Value of share options $ | Value of performance rights $ | Total $ | % growth on prior year excl LTI $ | % growth on prior year incl LTI $ |
| **Non-executive Directors** | | | | | | | | | | | | | |
| **R McLean (Non-executive Director)** | **2020** | **-** | **128,767** | **12,233** | **141,000** | **-** | **-** | **-** | **-** | **-** | **141,000** | **9%** | **9%** |
| | 2019 | - | 118,313 | 11,240 | 129,553 | - | - | - | - | - | 129,553 | | |
| **J Mactaggart (Non-executive Director)** | **2020** | **-** | **128,767** | **12,233** | **141,000** | **-** | **-** | **-** | **-** | **-** | **141,000** | **9%** | **9%** |
| | 2019 | - | 118,313 | 11,240 | 129,553 | - | - | - | - | - | 129,553 | | |
| **K Blinco (Non-executive Director)** | **2020** | **-** | **128,767** | **12,233** | **141,000** | **-** | **-** | **-** | **-** | **-** | **141,000** | **9%** | **9%** |
| | 2019 | - | 118,313 | 11,240 | 129,553 | - | - | - | - | - | 129,553 | | |
| **R Anstey (Non-executive Director)** | **2020** | **-** | **128,767** | **12,233** | **141,000** | **-** | **-** | **-** | **-** | **-** | **141,000** | **9%** | **9%** |
| | 2019 | - | 118,313 | 11,240 | 129,553 | - | - | - | - | - | 129,553 | | |
| **Dr J Andrews (Non-executive Director** | **2020** | **-** | **128,767** | **12,233** | **141,000** | **-** | **-** | **-** | **-** | **-** | **141,000** | **9%** | **9%** |
| | 2019 | - | 118,313 | 11,240 | 129,553 | - | - | - | - | - | 129,553 | | |
| **S Doyle (Non-executive Director)** | **2020** | **-** | **128,767** | **12,233** | **141,000** | **-** | **-** | **-** | **-** | **-** | **141,000** | **9%** | **9%** |
| | 2019 | - | 118,313 | 11,240 | 129,553 | - | - | - | - | - | 129,553 | | |
| **C Rosenberg (Non-executive Director)[1]** | **2020** | **-** | **128,767** | **12,233** | **141,000** | **-** | **-** | **-** | **-** | **-** | **141,000** | **87%** | **87%** |
| | 2019 | - | 69,016 | 6,557 | 75,573 | - | - | - | - | - | 75,573 | | |
| **P Ball (Non-Executive Director)[2]** | **2020** | **-** | **75,114** | **7,136** | **82,250** | **-** | **-** | **-** | **-** | **-** | **82,250** | **N/A** | **N/A** |
| | 2019 | - | - | - | - | - | - | - | - | - | - | | |

| Name | Year | Short-term employee benefits | | | | | Post employment benefits | Long-term incentives | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Fixed remuneration $ | Directors' fees $ | Superannuation $ | Total fixed remuneration $ | Short-term Incentive $ | Termination benefits $ | Deferred retention bonus $ | Value of share options $ | Value of performance rights $ | Total $ | % growth on prior year excl LTI $ | % growth on prior year incl LTI $ |
| **Executives** | | | | | | | | | | | | | |
| **A Di Marco (Executive Chairman)[3]** | **2020** | **356,309** | **131,237** | **20,010** | **507,556** | **1,052,397** | **-** | **-** | **-** | **-** | **1,559,953** | **6%** | **6%** |
| | 2019 | 172,171 | 310,548 | 19,812 | 502,531 | 973,648 | - | - | - | - | 1,476,179 | | |
| **E Chung (Chief Executive Officer)** | **2020** | **513,058** | **-** | **20,010** | **533,068** | **674,824** | **-** | **108,171** | **455,385** | **-** | **1,771,448** | **5%** | **10%** |
| | 2019 | 507,978 | - | 19,812 | 527,790 | 623,229 | - | 51,936 | 402,808 | - | 1,605,763 | | |
| **S MacDonald (Chief Operating Officer)** | **2020** | **426,934** | **-** | **20,010** | **446,944** | **461,130** | **-** | **73,717** | **235,508** | **69,404** | **1,286,703** | **5%** | **8%** |
| | 2019 | 422,707 | - | 19,812 | 442,519 | 423,476 | - | 35,290 | 234,421 | 55,431 | 1,191,137 | | |
| **P Jobbins (Chief Financial Officer)[4]** | **2020** | **227,240** | **-** | **20,010** | **247,250** | **296,750** | **-** | **45,698** | **174,487** | **-** | **764,185** | **19%** | **38%** |
| | 2019 | 186,438 | - | 19,812 | 206,250 | 251,625 | - | 20,969 | 73,971 | - | 552,815 | | |
| **Total KMP** | **2020** | **1,523,541** | **131,237** | **80,040** | **1,734,818** | **2,485,101** | **-** | **227,586** | **865,380** | **69,404** | **5,382,289** | **7%** | **12%** |
| | 2019 | 1,289,294 | 310,548 | 79,248 | 1,679,090 | 2,271,978 | - | 108,195 | 711,200 | 55,431 | 4,825,894 | | |
| **Total Senior Executives** | **2020** | **1,523,541** | **1,107,721** | **172,806** | **2,804,068** | **2,485,101** | **-** | **227,586** | **865,380** | **69,404** | **6,451,539** | **10%** | **14%** |
| | 2019 | 1,289,294 | 1,089,442 | 153,245 | 2,531,981 | 2,271,978 | - | 108,195 | 711,200 | 55,431 | 5,678,785 | | |

[1]Mr Rosenberg was appointed on 27 February 2019.

[2]Mr Ball was appointed on 2 March 2020.

[3]Mr Di Marco was offered an LTI of $400K which he declined in the 2019/2020 year, as he has in previous years. The Remuneration Committee acknowledges that Mr Di Marco's existing significant shareholding in TechnologyOne provides the benefits that the LTI aims to achieve. Mr Di Marco's STI is calculated as 1.26% of Group NPBT. Mr Di Marco's remuneration grew by 6% on the prior year, due to his fixed remuneration being up 1% and his STI up 8% in line with company profit.

[4]Mr Jobbins commenced employment on 30 October 2018.

# 10. Aditional statutory disclosures

## 10.1 Long-term incentive scheme

In 2016, TechnologyOne replaced its previous Executive Option Plan (EOP) with an LTI plan aligned to market, shareholder and Executive requirements. Options and EPRs issued under the new plan are outlined in the tables below.

### Options

**2020**

| Name | Opening balance of share options | Number of options granted during the period | Number of options exercised during the period | Number of options forfeited during the period* | Closing balance of share options | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| Edward Chung | 591,753 | 264,639 | - | (13,931) | 842,461 | 402,758 | 439,703 |
| Stuart MacDonald | 697,197 | 167,396 | (271,137) | (54,227) | 539,229 | 371,833 | 167,396 |
| Paul Jobbins | 215,456 | 146,516 | - | - | 361,972 | - | 361,972 |

### Executive Performance Rights

**2020**

| Name | Opening balance of EPRs | Number of EPRs granted during the period | Number of EPRs exercised during the period | Number of EPRs forfeited during the period* | Closing balance of EPRs | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| Edward Chung | - | - | - | - | - | - | - |
| Stuart MacDonald | 46,885 | - | - | - | 46,885 | - | 46,885 |
| Paul Jobbins | - | - | - | - | - | - | - |

*Options and EPRs forfeited during the period, are due to non-achievement of performance targets set by the Board for 2020. The Board is focused on ensuring that management remuneration and shareholder value are aligned by setting performance targets that create long-term shareholder wealth.

For details of grants under the previous EOP plan, please refer to sections 10.2 and 10.3.

## 10.2 Quarantined Executive Option Plan (EOP) (now superseded)

These options were issued to existing Executives and TechnologyOne is required to honour these pre-existing contracts. The variation to the 2016 LTI plan allows for options with the condition that there is no discount to the strike price at grant date. The performance criteria still apply as per the 2015 LTI plan. 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 2016 LTI plan going forward. All new appointments of Executives to the Company will be under the 2016 LTI plan. For the sake of disclosure, details of the now obsolete and quarantined EOP are 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 Executive. 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 31 to the financial statements.

### 10.3 Historical incentive outcomes under the previous options plan

TechnologyOne previously issued options under a now obsolete Executive Option Plan (EOP). The EOP has now been quarantined and all new Executives to the Company, as well as existing Executives when their existing contracts come to an end, are offered LTIs under the new LTI plan.

The numbers of options over ordinary shares issued under the quarantined plan and held during the year is set out below.

Edward Chung is the only current Executive KMP with LTIs issued under this plan.

**2020**

| Name | Balance at start of the year | Granted as compensation | Exercised | Forfeited | Balance at the end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| Edward Chung | 334,000 | - | (167,000) | - | 167,000 | - | 167,000 |

### 10.4 Director shareholdings

Directors are required to hold a minimum shareholding of one year's (pre-tax) Directors' fees in TechnologyOne shares. Directors are required to rectify any short fall within a 12 month period. New Directors are allowed 36 months to meet this requirement.

The Board in total holds 51,670,650 shares representing 16% of the total shareholding of the Company.

### 10.5 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.

**2020**

| Name | Balance at start of the year | Purchased during the year | Sale during the year | Balance at the end of the year |
|---|---|---|---|---|
| **Directors of TechnologyOne Limited** | | | | |
| A Di Marco | 27,378,500 | - | (7,000,000) | 20,378,500 |
| R McLean | 111,000 | - | (41,263) | 69,737 |
| J Mactaggart | 38,902,500 | - | (8,000,000) | 30,902,500 |
| K Blinco | 200,000 | - | - | 200,000 |
| R Anstey | 25,500 | - | - | 25,500 |
| Dr J Andrews | 30,600 | - | - | 30,600 |
| S Doyle | 12,375 | 5,905 | - | 18,280 |
| C Rosenberg | 27,533 | - | - | 27,533 |
| P Ball | 9,000 | 9,000 | | 18,000 |

**2020**

| Name | Balance at start of the year | Received during the year on the exercise options | Sale during the year | Balance at the end of the year |
|---|---|---|---|---|
| **Senior Executive of the Group** | | | | |
| E Chung | 566,000 | 167,000 | - | 733,000 |
| S MacDonald | - | 271,137 | (271,137) | - |
| P Jobbins | - | - | - | - |

**2019**

| Name | Balance at start of the year | Purchased during the year | Sale during the year | Balance at the end of the year |
|---|---|---|---|---|
| **Directors of TechnologyOne Limited** | | | | |
| A Di Marco | 31,378,500 | - | (4,000,000) | 27,378,500 |
| R McLean | 141,000 | - | (30,000) | 111,000 |
| J Mactaggart | 42,902,500 | - | (4,000,000) | 38,902,500 |
| K Blinco | 260,000 | - | (60,000) | 200,000 |
| R Anstey | 25,500 | - | - | 25,500 |
| Dr J Andrews | 30,600 | - | - | 30,600 |
| S Doyle | - | 12,375 | - | 12,375 |
| C Rosenberg | - | 27,533 | - | 27,533 |

**2019**

| Name | Balance at start of the year | Received during the year on the exercise options | Sale during the year | Balance at the end of the year |
|---|---|---|---|---|
| **Senior Executive of the Group** | | | | |
| E Chung | 399,000 | 167,000 | - | 566,000 |
| S MacDonald | - | 241,700 | (241,700) | - |
| P Jobbins | - | - | - | - |

### 10.6 Loans to Key Management Personnel

There have been no loans to Directors or Executives during the financial year (2019 - nil).

### 10.7 Other transactions with Key ManagementPersonnel

During the year there were no transactions with the Key Management Personnel. This report is made in accordance with a resolution of Directors.

# Corporate Governance Statement

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

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

The Technology One Board routinely considers industry governance initiatives in consideration of their benefit to the Company and its many stakeholders. The Board has adopted the 4th Edition of the ASX Corporate Governance Principles and Recommendations.

The Corporate Governance Statement, as well as supporting documents are available on the Company's internet site: www.technologyonecorp.com/company/investors/corporate-governance.

## Board of Directors

The Board of the Company currently comprises nine Directors and includes

| Name | Position | Appointed |
|---|---|---|
| Adrian Di Marco | Executive Chairman - major shareholder | 08/12/1999 |
| Ronald McLean | Non-Executive Director – independent | 08/12/1999 |
| John Mactaggart | Non-Executive Director - major shareholder | 08/12/1999 |
| Kevin Blinco | Non-Executive Director - independent | 01/04/2004[1] |
| Richard Anstey | Non-Executive Director – independent | 02/12/2005 |
| Jane Andrews | Non-Executive Director – independent | 22/02/2016 |
| Sharon Doyle | Non-Executive Director - independent | 28/02/2018 |
| Cliff Rosenberg | Non-Executive Director - independent | 27/02/2019 |
| Peter Ball | Non-Executive Director - independent | 02/03/2020 |

[1]Kevin Blinco will not seek re-election at the upcoming AGM (ceasing to be a Director, 23 February 2021).

The following information is provided in the Corporate Governance section of the Company's Annual Report:

- Details of names, qualifications, skills, experience and dates of appointment of each Board member.
- The number of meetings of the Board and the names of attendees.
- Explanation of any departures from the ASX Corporate Governance Principles and Recommendations.

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 Managing Director and Chief Executive Officer.
- 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.
- To review and evaluate the performance of the Board as a whole, each Committee, key Executives and each Director on an annual basis.

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 a number of committees as follows:

- Nomination and Governance Committee
- Audit and Risk Committee
- Remuneration Committee

Board papers are prepared for the Directors, containing detailed operational reports from each region and department in the Company, highlighting:

- Operational performance.
- Initiatives undertaken/completed.
- Identified problems/risks and proposed solutions.

The Managing Director and Chief Executive Officer also prepare a summary report that highlights:

- Financial performance year to date and forecast for the full year.
- Significant issues.
- Significant changes proposed.
- Proposed strategic initiatives.

On a regular basis, members of the Executive/Management Team are invited to present to the Board directly and to answer questions the Board may have.

The strategy of the Company, as well as matters reserved to the Board, are reviewed annually by the Board.

## Matters reserved to the Board

Matters that are reserved to the Board are as follows:

- Communications with shareholders and the market in general, including ASX announcements, through the Chairman of the Board.
- Input into and subsequent approval of corporate strategy and performance objectives.
- Reviewing and ratifying systems of risk management, internal compliance and control, codes of conduct and legal compliance (ASX, ASIC, and ATO).
- Input into and subsequent approval of significant organisational structure/restructure.
- Review of the Managing Director, Chief Executive Officer and Company Secretary to the relevant Code of Conduct established by the Board.
- Appointing and removing the Managing Director and Chief Executive Officer and monitoring their performance respectively.
- Input into and subsequent approval of the budget including Operating Expenditure and Capital Expenditure, and any significant variations.
- Oversight of the Company, including its control and accountability systems.
- Input into and subsequent approval of changes to internal systems and controls.
- Review, and accept/reject recommendations from sub-committees such as Audit and Risk, Remuneration and Nomination and Governance committees.
- Input into and ratifying any acquisitions and divestitures.
- Oversee the establishment and implementation of a risk management system, and review regularly the effectiveness of the Company's implementation of that system.

All other matters are referred to management.

## Board Skills

As a collective, the Board has extensive commercial skills and experience which provide a solid base for the governance of the Company. The Board has a combination of experience in the following core areas:

- Strategic and Commercial Acumen
- Finance and Taxation
- Risk and Compliance
- IT and Communications Industry
- Software and Product Development
- Start-ups and Early Stage Investments
- Corporate Governance
- Sales and Marketing
- People, Culture and Conduct
- Executive Management and Leadership
- Listed Entities
- International Business

The Board as a whole benefits from the combination of the Director's individual skills, experience and expertise in particular areas, as well as the varying perspectives that arise from the interaction arising from the Board's diverse backgrounds.

The Board believes that its current membership provides a suitable level of skills to properly guide the Company and deliver the Company's strategic objectives and provide a solid base for governance.

The Board assesses its level of skills annually and will address any requirements for additional skills that it feels would be in the best interest of the Company in response to wider market factors and the growth of the Company. The Board has determined the core skills for its governance of the Company.

## Director Principles

The Directors operate in accordance with the following broad principles:

- The Board should comprise of at least three members, but no more than 10. The current Board membership is nine. 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 mix of skills, qualifications, expertise, experience and diversity. The skills, experience and expertise which the Board considers to be particularly relevant include those listed above. In respect of diversity, the Board recognises that diversity relates to, but is not limited to gender, age, ethnicity and cultural background. The Board values diversity and recognises the individual contribution that people can make and the opportunity for innovation that diversity brings.
- The Board shall meet on both a planned basis and an unplanned basis when required and have available all necessary information to participate in an informed discussion of agenda items.
- The Directors are entitled to be paid expenses incurred in connection with the execution of their duties as Directors. Each Director is therefore able to seek independent professional advice at the Company's expense, where it is in connection with their duties and responsibilities as Director. The Company policy is that a Director wishing to seek independent legal advice should advise the Chairman at least 48 hours before doing so.
- The Directors and Officers will not engage in short term trading of the Company's shares. Furthermore, the Directors and Officers will not buy or sell shares at a time when they possess information which, if disclosed publicly, would be likely to materially affect the market price of the Company's shares. Information is not considered to be generally available until a reasonable time has elapsed to allow the market to absorb these announcements. A detailed policy exists on this matter – refer below, section: Trading in Company Securities.
- Directors have a clear understanding of the corporate and regulatory expectations of them. To this end formal letters of appointment are made for each Director setting out the key terms and conditions, any special duties or arrangements, remunerations and expenses, their rights and entitlements, confidentiality and rights of access to corporate information, as well as Indemnity and Insurance cover provided.
- Newly appointed Directors undertake an induction course covering the Company's strategy, products and operations. They are also provided a copy of the Company's constitution, charters and key policies.
- Directors are required to disclose Directors' interests and any matters that affect the Director's independence. This includes disclosure of conflicts of interest, which may include transactions with family members or related entities.
- If there is a potential conflict of interest, conflicted Directors must immediately inform the Board and abstain from deliberations on such matters. Such Directors are not permitted to exercise any influence over other Board members. If the Board believes the conflict of interest is material or significant the Directors concerned will not be allowed to attend the meeting or receive the relevant Board papers.

## Director Independence

The Board comprises a majority of independent Non-Executive Directors who have broad commercial experience and bring independence, accountability and judgement in discharging the Board's responsibilities to ensure optimal returns to shareholders and the ongoing provision of benefits to the Company's employees.

The Board is required to disclose any new information that could, or would be reasonably perceived, to influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on the issues before the Board and to act in the best interests of the Company and its shareholders.

The independence of the Directors is assessed annually in accordance with the ASX Corporate Governance Principles and Recommendations.

While the ASX Corporate Governance Principles and Recommendations and proxy advisors consider the tenure of a Director as affecting independence, the Board believes that this is not a material consideration due to the way TechnologyOne facilitates interactions between Directors and Senior Executives and the benefits that tenure brings with established, deeper levels of company specific knowledge. TechnologyOne does not have casual, ad-hoc informal relationships between the Directors and Senior Executives and provides only formal interaction between the Board and Senior Executives in order to maintain the independence of each Director. All interactions are formal in nature and documented. TechnologyOne believes that by doing this, it maintains the independence of the Directors and nullifies the impact on tenure on independence. These formal interactions include presentations to the Board throughout the year on their business unit strategies and outcomes. Any other interaction by a Board Member and a Senior Executive is only under prior approval by the Chairman.

TechnologyOne will only enter into an agreement for the provision of consultancy or similar services by a Director or senior executive or by a related party of theirs if: TechnologyOne has independent advice that the services being provided are outside the ordinary scope of their duties as a Director or senior executive; the agreement is on arm's length terms; and, the remuneration payable under it is reasonable and with full disclosure of the material terms to securityholders.

The independence of Mr Ron Mclean has been debated by some corporate advisory groups because he was a past employee of TechnologyOne, ceasing to be an executive in 2004. The Board is of the opinion that, due to the period of time that has lapsed since Mr Mclean's employment with the company 14 years ago, Mr Mclean is considered as being independent. Mr McLean's appointment also took place in 1992, prior to the introduction of the ASX's 1st edition of the Principles of Good Corporate Governance in March 2003.

The ASX guidelines commentary provides the following guidelines note which supports this position: "The mere fact that a director has served on a board for a substantial period does not mean that he or she has become too close to management to be considered independent. However, the board should regularly assess whether that might be the case for any director who has served in that position for more than 10 years."

The ASX guidelines also states that it "recognises that the interests of a listed entity and its security holders are likely to be well served by having a mix of directors, some with a longer tenure with a deep understanding of the entity and its business and some with a shorter tenure with fresh ideas and perspective."

The company has set the objective to increase the Board size, with the aim of adding additional independent directors, with Jane Andrews' appointment in the 2016 financial year, Sharon Doyle's appointment in the 2018 Financial Year, Cliff Rosenberg's appointment in the 2019 Financial Year and Peter Ball appointed in the 2020 Financial Year, resulting in an indisputable majority of independent directors.

TechnologyOne is also progressing with a Committee composition strategy which continues to comply with the ASX Corporate Governance Principle recommendations while transitioning newly appointed Directors into the appropriate Committees once they have had sufficient time to develop a comprehensive understanding of TechnologyOne's operations.

## Lead Independent Director

The Company will appoint a Lead Independent Director in the next 12 months once the new independent non-executive Directors have been appointed and established in their roles. The Lead Independent Director will represent the interests of shareholders where the Executive Chairman is unable to do so due to a conflict of interest.

The role of Lead Independent Director will include:

- Representing the independent Directors as the most senior independent Director;
- Acting as principle liaison between the independent Directors and the Chairman; and
- Advising the Board with reference to the other independent Directors on the matters where there is a conflict of interest.

The roles of Deputy Chairman and Lead Independent Director will be separated to further strengthen the overall independence of the Board and to allow greater flexibility in responding to governance issues and in supporting the interests of the shareholders.

## Director Appointments

All Directors, both Executive and Non-Executive, receive written notifications of their appointment and a new Director induction pack which details the terms and conditions of their appointment, remuneration (including superannuation contributions), continuous disclosure requirements (including interests in the Company), ongoing confidentiality obligations, Company policies on when to seek independent professional advice, the Company's indemnity and insurance measures.

Prior to appointment, appropriate checks are undertaken on the candidates and relevant information provided to shareholders to consider when voting on the election of the Director. Relevant information is also provided for shareholders to consider when voting to re-elect existing Directors upon rotation. Executive Directors and senior management of the Company will also have formal written employment agreements which set out the terms of their employment, roles and responsibilities, reporting lines, remuneration, confidentiality and termination provisions.

All Directors and senior management are required to comply with key corporate policies which include, but are not limited to, Share Trading Policy, Insider Trading Policy, Privacy Policy, Diversity Policy and Code of Conduct.

All new Directors and senior management participate in the Company's formal on-boarding program which includes an induction program which incorporates meetings with key senior executives.

## Company Secretary

The Company has a Company Secretary that is appointed by the Board by resolution. The Company Secretary is accountable directly to the Board, through the Chairman.

The role of the Company Secretary is as follows:

- Advising the Board and Committees on governance matters.
- Monitoring adherence of Board and Committees to policies and procedures.
- Coordinating timely completion and despatch of Board and Committee papers.
- Ensuring business at Board and Committee meeting is accurately captured in the minutes.
- Helping to organise and facilitate induction and professional development of Directors.

## Audit & Risk Committee

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

| Name | Position |
|---|---|
| Peter Ball (Chair) | Independent Non-Executive Director |
| Jane Andrews | Independent Non-Executive Director |
| Sharon Doyle | Independent Non-Executive Director |
| Kevin Blinco | Independent Non-Executive Director[1] |

[1]Kevin Blinco will not seek re-election at the upcoming AGM (ceasing to be a Director, 23 February 2021).

The role of the committee is to:

- Ensure the integrity in financial reporting (refer section below – Safeguard Integrity in Financial Reporting).
- Receive and review reports from the external Auditor.
- Review for accuracy financial statements for each reporting period prior to approval by the Board, and publishing.
- 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.
- Ensure required declarations from the Company's CFO and Chief Executive are received for each reporting period.
- Monitor compliance with the requirements of the Corporations Act, Listing Rules, Australian and Foreign Taxation Offices and other related legal obligations.
- Ensure that the financial statements for each reporting period comply with appropriate accounting standards.
- Regularly review Accounting Standards and Company Policies in conjunction with the Auditors and recommend adoption/changes to the Board.
- Directly follow-up action where considered necessary.
- Relate any matters of concern to the Board.
- Ensure the Internal Audit Function maintains a high standard of performance
- Oversight of the process to ensure the independence and competence of the Company's external auditors.
- Review the performance of the external auditor on an annual basis.
- Recommend the selection and the appointment of the external Auditors, based on specified criteria.
- Oversee the ongoing development by management of an enterprise-wide risk management framework for management of material risks.
- Periodically review the adequacy and effectiveness of the Company's policies and procedures relating to risk management and compliance.
- Make recommendations to the Board on key risk management performance indicators and levels of risk appetite.
- Oversight and development of the Company's group taxation matters.
- Review of taxation governance processes, policies, control framework and reporting.

The number of meetings held during the years and the attendance of the members is provided in the Annual Report.

The Audit and Risk Committee Charter is available on the Company's website.

## Principles of the Audit & Risk Committee

The committee operates in accordance with the following broad principles:

- Advise and assist the Board in fulfilling its responsibilities relating to financial management, risk oversight and reporting functions and in safeguarding the Company's assets;
- Provide a means of easy access to the Board for the external auditors in order to assist them in performing their functions;
- Assign the Secretary of the Committee such duties and responsibilities as the Committee may deem appropriate.
- Do other things and take other actions as are necessary or prudent to fulfil the responsibilities of the Committee, provided that no action will be taken without prior approval of the Board.
- TechnologyOne requires the rotation of the external audit partner every five years. The Audit and Risk Committee includes members who are financially literate; and at least one member who has financial expertise, preferably a qualified accountant.

## Remuneration Committee

The Board has established a Remuneration Committee.

The committee is comprised of:

| Name | Position |
|---|---|
| Jane Andrews (Chair) | Independent Non-Executive Director |
| Cliff Rosenberg | Independent Non-Executive Director |
| Ron McLean | Independent Non-Executive Director |

The role of the committee is:

- To advise the Board with regard to the Company's broad policy for Executive and Director remuneration.

- To determine, on behalf of the Board, the individual remuneration packages for Executives and Directors.
- To give the Company's Executives encouragement to enhance the Company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contribution.

The number of meetings held during the years and the attendance of the members is provided in the Annual Report.

The Remuneration Committee Charter is available on the Company's website.

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

## Principles of the Remuneration Committee

The committee operates in accordance with the following broad principles:

- The committee should provide the packages needed to attract, retain and motivate Executives, but avoid paying more than is necessary.
- The committee should judge where to position the Company relative to other companies. Be aware of comparable companies' pay, but exercise caution.
- The committee should be sensitive to the wider scene, especially with regard to salary increases.
- Performance related elements should form a significant proportion of the package; should align interests with those of shareholders; and should provide keen incentives.

## Nomination & Governance Committee

The Board has established a Nomination & Governance Committee. The Committee is comprised of:

| Name | Position |
|---|---|
| Richard Anstey (Chair) | Independent Non-Executive Director |
| Sharon Doyle | Independent Non-Executive Director |
| Jane Andrews | Independent Non-Executive Director |

The role of the Committee is as follows:

- Assessment of the necessary and desirable competencies and experience for Board membership.
- Evaluation of the membership of the Board, Audit and Risk and Remuneration committees, and their membership.
- Evaluation initially and on an on-going basis of Non-Executive Director's professional development, 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.
- Recommendation for changes to committees.
- Recommendation of, and undertaking the appropriate checks, before for the appointment of new Directors.
- Recommendation of, and undertaking the appropriate checks, for the endorsement or non-endorsement of existing Directors.
- Ensuring that an effective induction process is in place for new Board members.
- Review and oversight of the Company's Corporate Governance Statement and governance related policies.
- Oversight of ESG strategy and Sustainability Reporting.
- Oversee compliance with Modern Slavery Regulations.

The number of meetings held during the years and the attendance of the members is provided in the Annual Report.

The Nomination and Governance Committee Charter is available on the Company's website.

## Principles of the Nomination & Governance Committee

The committee operates in accordance with the following broad principles:

- The Nomination and Governance Committee is entitled to seek the advice of an external consultant.
- The Nomination and Governance Committee will make recommendations to the Board. The Board is responsible to appoint the most suitable candidate, after receiving recommendations from the Nomination and Governance Committee. The nominated appointee upon acceptance will hold office until the next Annual General Meeting, where the appointee must retire and is entitled to stand for re-election.
- The Board is responsible to either recommend/not recommend the endorsement of a Director at the next Annual General Meeting.
- The name of all candidates submitted for election as Director is accompanied with necessary information required by shareholders to make an informed decision including biographical details, competencies, qualifications, details of relationships between the Company, the candidate and Directors; other directorships held, particulars of other positions held which involve significant time commitments, and any other particulars required by law or good corporate governance. For existing Directors standing for re-election, the number of years as a Director of TechnologyOne will also be provided.
- Directors (with the exception of the Managing Director who is appointed by the Board) must stand for re-election every three years in accordance with the Company's Constitution. One third of the Directors retire from office at each Annual General Meeting.
- A structured process has been established to review and evaluate the performance of the Board and its Committees. This process also identifies ways to improve their performance, interaction with management, and quality of information provided.

## Assessment of Director Independence

The Board has determined that an independent Director will meet all of the following criteria:

- Is not an Executive Director (i.e. not a member of the management)
- Is not a substantial shareholder of the Company, as defined by Section 9 of the Corporations Act, or an officer of a company that is a substantial shareholder.
- Is not directly associated with a substantial shareholder of the Company.
- Within the last three years, has not been employed in an Executive capacity by the Company or another group member, or been appointed a Director within three years after ceasing to hold such employment, insofar as the Director was not appointed prior to the introduction of the ASX Principles of Good Corporate Governance in March 2003.
- Within the last three years, has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provider.
- Is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated, either directly or indirectly, with a material supplier or customer. This includes family members being in these categories.
- Has no material contractual relationship with the Company or another group member other than as a Director of the Company.
- Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company.

## Corporate Governance Principles & Recommendations

### Ethical Standards and Code of Conduct

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.

A Code of Conduct has been established for each of the following:

- Directors
- Chief Executive Officer
- Chief Financial Officer
- Executives
- Employees

Each of the Codes of Conduct has been approved by the Board and given their full support.

The codes address:

- Responsibilities to shareholders, and clients
- "The TechnologyOne Way", which refers to the success of the company coming from our shared values, our entrepreneurial spirit and innovation
- Employment practices (anti-discrimination, occupational health and safety, etc.)
- Responsibilities to the community
- Responsibilities to the individual
- Compliance with the codes

In addition, the Directors, Executive Chairman, Chief Executive Officer, Chief Financial Officer, Executives and all employees have employment agreements, which include job descriptions. These job descriptions describe their duties, rights and responsibilities.

In conjunction with the Code of Conduct, Technology One has developed a Whistle-blower Policy and Bribery and Corruption Policy. The Whistle-blower Policy encourages employees to come forward with concerns that the entity is not acting lawfully, ethically or in a socially responsible manner and provides suitable protections if they do. The Board will be informed of any material concerns raised that call into question the culture of Technology One or have been raised under the Bribery and Corruption Policy.

The Board is informed of any material breaches of the Code of Conduct by a Director or Senior Executive and of any other material breaches of the code that call into question the culture of the organisation.

## Diversity Policy

TechnologyOne has an inclusive diversity policy which covers the broader dimension of diversity covering aspects of gender, age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender orientation within the total organisation, including the Board, and senior management. In conjunction with this policy, the Company has measurable objectives which are assessed and reported in the annual report.

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 2020 and the objectives are:

- Ensuring compliance with the published diversity policy
- Not less than 30% of the Board to be of each gender by 2025 (to allow for the Board transition)
- 30% of all vacant Senior Management roles are to have at least one female candidate shortlisted
- 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 Learning team

The Company's 2020 Workplace Gender Equality Agency report can be found on the 'Shareholders' section of the Company's website.

## Safeguard Integrity in Financial Reporting

The Company has established a structure of reviews and authorisations designed to ensure the truthful and factual presentation of the Company's financial position. This includes:

- The establishment of an Audit and Risk Committee, and the review and consideration of the accounts by the Audit and Risk Committee
- Process to ensure the independence and competence of the Company's external auditors
- Requirement that the Chief Executive Officer and Chief Financial Officer state in writing to the Board that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition; operational results are in accordance with the relevant accounting standards and the Company's Risk Management and Internal Compliance and Control System is operating efficiently and effectively in all material respects
- Ensuring that the Company's external Auditor's attend the Company's Annual General Meeting each year
- Verification of statements and data supplied in the annual directors' report and other corporate reports to ensure that the releases to the market are accurate, balanced and understandable and provide investors with appropriate information to make informed investment decisions
- Disclosure of the annual tax transparency statement

The Company has put the external audit services to tender in 2020, which is another example of how the Company expresses its dedication to ensuring integrity of the financial reporting is maintained.

## Continuous Disclosure

The Company Secretary working closely with the Executive Chairman, have been delegated responsibility for the continuous disclosure of information to the market, to ensure:

- All investors have equal and timely access to material information concerning the Company, including its financial position, performance, ownership and governance
- Company announcements are factual and presented in clear and a balanced way, requiring the disclosure of both positive and negative information
- When analysts are briefed on aspects of the Company's operations, the market is forewarned, and the materials used in such presentations are also released to the ASX and posted on the Company's website
- Any information that a reasonable person would expect to have a material effect on the price or value of the Company's share price (as per Listing Rule 3.1) is immediately notified to the ASX

The Company has established a documented procedure to handle continuous disclosure requirements. Directors are provided with copies of all announcements made under listing rule 3.1 promptly once made.

## Risk Assessment Management

The Company has adopted an active approach to risk management and the Board recognises that the Company's participation in commercial and operational activities require a certain level of risk. As such, the Board has delegated the risk management function to the management of the Company with oversight by the Audit and Risk Committee. Management provides risk reporting to the Audit and Risk Committee at each meeting.

The Board has received assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to the financial reporting risks.

The risk appetite of the Company takes into account the level of risk and risk combinations that the Board is prepared to take to achieve strategic objectives together with the level of risk shock that the Company is able to withstand.

The Board expanded the role of the Audit Committee in 2017 to include oversight of risk management and compliance functions and as such is now referred to as the Audit and Risk Committee. The Committee has performed an annual risk review and have identified a number of key risk categories for the business.

## Material Risks

### Human Risk

The company has identified that it has a material risk in relation to the human element of the business. The company manages human risk by undertaking half yearly performance assessment and reviews, performance management (where necessary), succession planning, key talent retention strategies, having human resources business partners assigned to each operating steam of the company to work with the business on any concerns raised, and by conducting half yearly surveys of managers to identify any known issues. The Board is provided with a summary of these issues as part of the Group Director – People and Culture's report tabled at each board meeting.

### Key Risks

The company's focus on risk management is primarily conducted through the Audit and Risk Committee, with a number of identified areas of specific risks as follows:

### Contract Risk

The company has established a Risk Management Committee that reviews all proposed new contracts with non-standard terms prior to signing to ensure the contracts can be fulfilled, the risks are known and can be managed, and that the contract can be completed profitably without exposing the company to ongoing liabilities.

### Financial Risk

The company has an Executive Committee that reviews the company's financial exposure with a particular focus in the area of outstanding debtors.

### Data Security and Privacy Risks

TechnologyOne has successfully completed the Information Security Registered Assessors Program (IRAP) assessment for Protected classified data for Federal Government SaaS customers. Systems implemented to achieve IRAP accreditation benefit all our SaaS customers with an increased cyber security posture and greater certainty in a constantly evolving cyber security landscape. This was achieved by leveraging the strong compliance and security foundations established over recent years and is a testament to TechnologyOne's mature security practices, accountability mechanisms and belief in continuous assessment and improvement.

The Company has a robust data security and privacy program developed in accordance with Australia's Privacy Amendments (Notifiable Data Breaches) Act 2017 and the UK General Data Protection Regulation requirements. This program ensures security is considered throughout the day to day operations of the Company and is backed by an independently verified process for dealing promptly with matters should they arise. The Company also is certified to the standards required in ISO27000, ISO9001, SOC1, SOC2 and SOC3.

### Software Risk

The company has an executive Research and Development Committee that reviews Software Release management, including resourcing and development issues.

### Insurance Risk

The Board of Technology One, on an annual basis, reviews the company's insurance requirements and compares this to the level of cover provided to ensure it is adequately covered.

### Project Risk

The Board requires the Chief Executive Officer to report on any project that may be at significant risk of either incurring substantial penalties or incurring substantial over-runs. In addition, the company has established a Project Risk Committee that reviews current projects and consulting activities to provide an early detection mechanism to ensure that any risks that pose a significant risk to the company are identified and resolved before exposing the company to potential liabilities.

### Sustainability Risk

The Company believes that it does not have material exposure to specific economic, environmental or social sustainability risks. However, the Company recognises the importance of these to its stakeholders and has developed a Sustainability Report to outline the Company's position and initiatives across a number of sustainability risks.

The Sustainability Report provides the company's initiatives and targets on items including:

- Diversity
- Customer Satisfaction
- Employee Satisfaction
- Corporate Culture
- Ethical Business Practices
- Community Support
- Environmental Sustainability Practices

The Sustainability Report is available on the Company's website.

## Accounting Standards and Company Policies

Adhering to Accounting Standards and Company Policies, and the appropriate interpretation of such policies/standards, is seen as critical to managing the financial risk of Technology One. Accounting Standards and Company policies are reviewed on a regular basis by the Audit and Risk Committee working in conjunction with the Auditors, and recommendations for adoption/change are made to the Board. Compliance to Accounting Standards and Company policies are included as part of the Auditors annual review.

## Internal Controls and Compliance

The Company has an internal control framework that consists of:

- Written policies and procedures.
- Division of responsibilities to ensure appropriate segregation of duties.
- Careful selection of high calibre well qualified staff.

Technology One undertakes Internal Audits in accordance with the Internal Audit schedule as approved by the Audit and Risk Committee. These audits are undertaken by the Governance, Risk and Compliance Team and reported directly through to the Audit and Risk Committee. The company's auditors or another suitable external independent organisation are engaged yearly to review the company's internal controls and compliance and to provide a report to the Board.

The Audit and Risk Committee also oversee the Company's compliance program with relevant international standards (including ISO 9000, 27000 series, SOC 1, 2 and 3).

## Remuneration Principles

Technology One believes in the full disclosure of remuneration of its Directors and Executives to the market, on at least an annual basis and as they occur in the case of new employment agreements. Disclosure will cover all monetary and non-monetary components including salary, fees, non-cash benefits, bonuses accruing each year irrespective of payment, profit share accruing each year irrespective of payment, superannuation contributions, payments entitled to termination or retirement, value of shares or options issued, sign-on payments etc.

As a matter of principle, Technology One has adopted the following guidelines to motivate Directors and Executives to pursue long-term growth, and ensure their interests and those of the shareholders are closely aligned:

- Remuneration packages should be set in the context of what is reasonable and fair, taking into account the Company's legal and industrial obligations, labour market conditions, the scale of the business and competitive forces.
- Non-Executive Directors should be remunerated solely on the basis of a cash payment, plus superannuation contributions as required by law. Non-Executive Directors should not be provided with bonuses, options, shares, loans or any other non-cash component. They should not participate in schemes designed for the remuneration of Executives. The Company does not provide a Director's Retirement Plan.
- Non-Executive Directors will not be provided termination or retirement payments other than statutory superannuation.
- Company Executives (including Executive Directors) should be provided with a significant component of their expected salary on "an at-risk basis", tied to the Company's profit target. Shares or Options may also be provided as part of the "at risk component", but these must be tied to performance hurdles. The performance hurdles are to be reasonable, objective and measurable.
- Termination payments should be agreed in writing and in advance if any are to be provided.

# Performance Evaluation

### Board

The Board meets annually for the purpose of reviewing and evaluating the performance of the Board as a whole, each Committee, key Executives and each Director individually in meeting key responsibilities and achieving its objectives.

The following areas were considered by the Board in its 2020 annual review:

- Performance evaluation of Directors and Senior Executives.
- Review of skills and experience of the Board for current operations of the Company and identification of any shortfalls.
- Director succession planning.
- Review of current legislation in relation to any age restrictions.
- Review of independence of each Director.
- Review of skills matrix to ensure relevance of required skills.

To assist the Board in maximising its effectiveness, the Board and Nomination and Governance Committee have a skills matrix to provide objective information about each Director and the Board as a whole during the past year.

Each Director is encouraged to discuss any issue concerning Board performance with the Chairman at any time.

Directors are encouraged to maintain and improve their knowledge, skills and expertise through briefings, seminars and going professional development programs.

Remuneration of the Board is assessed every three (3) years against comparative data for Australian publicly listed companies supplied by an independent consultant and reported to the Remuneration Committee. The relative risk, time, effort, complexity of the underlying business, competency of the management team, financial performance and track record, clarity of strategy as well as the number of Board meeting required to oversee the business are used as benchmarks to determine the appropriate level of Director's fees. For years where a formal assessment of remuneration is not conducted, the Director's fees are increased by the Australian Consumer Price Index (CPI).

### Senior Executives

The performance of Senior Executives is reviewed and evaluated annually by a combination of the Company's internal performance management program managed by the Company's human resources department and as part of the formal remuneration review that is conducted annually by the Remuneration Committee.

# Trading in Company Securities

The Directors have resolved to adopt the following policy in relation to trading by Directors and Officers in the Company's shares.

- The Directors and Officers will not engage in short term trading of the Company's shares.
- The Directors and Officers will not buy or sell shares at a time when they possess information which, if disclosed publicly, would be likely to materially affect the market price of the Company's shares. Information is not considered to be generally available until a reasonable time has elapsed to allow the market to absorb these announcements.

The Directors and Officers are not permitted to use the Company's shares as security for Margin Loans. To assist Directors and officers in abiding by these principles the following rules have been established, relating to when Directors and Officers can buy and sell the Company's shares:

- For 50 days from the day following the release of the following information to the market:
  - the half yearly financial statement
  - the annual financial statement
  - other reports relating to the financial performance or financial status of the Company.

At all times, the Director/Officer must notify the Board (as a minimum the Chairman) in advance of any intended transactions involving the Company's shares. It is recognised that there may be circumstances where it may not be appropriate for Directors and Executives to buy and sell within the above 50 day window in the event the Company is involved in strategic initiatives (such as acquisitions), which could materially affect the market price of the Company's shares.

The Directors and Executives must advise the Company Secretary of any completed trades immediately and definitely no later than one day after each transaction. This will allow the Company Secretary sufficient time to notify the ASX of the change in shareholding within the required period.

A register of Director's holdings is made available for inspection at every Board meeting.

This policy applies to Directors and Executives (including their nominee companies) and the entities which they control.

For the purpose of this Policy, Executive is deemed to include the following parties:

a) persons named by the Board from time to time who may be involved in strategic issues

b) Executive officers of the Company as defined in section 9 of the Corporations Act being: 'any person by whatever name called who is concerned or takes part in the management'

c) any member of the Company's Executive committee.

In addition to the policy for Directors and Executives, all employees are reminded of the Insider Trading provisions of the Corporations Act. Staff are reminded of their obligations during the Trading Windows.

# Shareholders' Rights and Communication

The Board of Directors aim to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The information is communicated to shareholders, and forms part of the company's two-way investor relations program:

- By ensuring that all shareholders can elect to receive information and communications from the Company's share registry either physically or electronically and can update their preferences through the share registry.
- 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.
- By publishing its Notice of Meetings and Explanatory Memorandum for each Annual General Meeting or other such meetings as required from time to time;
- By encouraging shareholders to attend and participate in the Company's Annual General Meeting;
- By encouraging shareholders to participate in proxy voting should they be unable to attend the Company's Annual General Meeting;
- By enabling shareholders to pose questions to the Company in the lead up to the Annual General Meeting for responding during the meeting;
- By facilitating polls for each resolution voted during an AGM;
- By the Half Year results released to the market;
- By disclosures forwarded to the ASX under the Company's continuous disclosure obligations;
- Through the Company's website, under a special area called Shareholders;
- By the Company's participation in scheduled briefings with institutional shareholders and security analysts;
- By the participation of the Company's Auditors and Solicitors at the Annual General Meeting.

All information communicated by the Company is in accordance with its continuous disclosure requirements under ASX Listing Rule 3.1.

# Non-Compliance with ASX Corporate Governance Principles and Recommendations 4th Edition

The Board of Technology One 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 4th Edition.

The Company has complied with the majority of recommendations, with the exception of the following. 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 highlights those areas of non-compliance and explains why it is appropriate.

# Independent Chairman (Refer ASX Corporate Guidelines – Recommendation 2.5)

The Board is of the opinion it should maximise the vision, skills and deep industry knowledge 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 listing on the ASX in 1999.

The Board believes Mr Di Marco continues to be the best candidate to clearly communicate the Company's vision, strategy and to set market expectations. To this end it is seen as appropriate that Mr Di Marco should remain as Executive Chairman of the Company. There is no empirical evidence to support the preference of an Independent Chairman.

The ASX Corporate Governance Principles and Recommendations propose that "if the Chair is not an independent Director, a listed entity should consider the appointment of an independent director as the Deputy Chair". Mr McLean was appointed Deputy Chair at the Board meeting held 15 August 2017. Mr McLean is deemed to be an independent non-executive director in the Board's opinion.

The Company will appoint a Lead Independent Director in the next 12 months once the new, independent non-executive Directors have been appointed and established in their roles.

On 23 May 2017, Mr Edward Chung was appointed as Chief Executive Officer.

Mr Di Marco is not deemed independent under the ASX guidelines due to him being a substantial shareholder. This, however, aligns Mr Di Marco with the interests of the Company's shareholders.

# Voluntary Tax Transparency Report

TechnologyOne has a strong commitment to transparency and compliance. TechnologyOne supports the objectives of the Government and the Board of Taxation to provide stakeholders with additional information and confidence that a company is compliant with their statutory obligations.

The information provided complies with the standard of disclosure expected of 'large businesses' under the Voluntary Tax Transparency Code.

The requirements of the Code are broken into Part A, which forms part of the tax notes as referenced below and Part B as disclosed below. The make-up of the respective parts is as follows:

(i) Part A:

- Effective company tax rates for our Australian and global operations (Note 7). The effective tax rate of the Australian Group for FY20 is 24.9%
- A reconciliation of accounting profit to tax expense and to income tax payable (Note 7)
- Identification of material temporary and non-temporary differences (Note 7)

(ii) Part B

- Tax policy, tax strategy and governance
- Information about international related party dealings
- A tax contribution summary of income tax paid.

Information in relation to the year ended 30 September 2020 is set out below.

## Our Approach to Tax

TechnologyOne has a tax governance framework which has been approved by the Board. Tax falls under the oversight of the Audit and Risk Committee.

Tax is one of a broad range of commercial factors taken into account when assessing and undertaking investment activities.

TechnologyOne is conservative in its approach to tax risk. TechnologyOne aims to achieve full compliance with tax obligations in each tax jurisdiction in which it operates. In accordance with its commitment to best practice corporate governance and a culture of excellence, TechnologyOne will not enter into any arrangements that may be regarded as tax evasion.

The Tax Risk Governance Policy includes a framework for the internal escalation process for referring matters to the CFO. The CFO must report any material tax issues to the Board. TechnologyOne will not pursue aggressive tax positions or strategies or adopt positions that are not able to be supported or defended in a court of law. Where the tax law is unclear or subject to interpretation, advice is obtained and when necessary the Australian Taxation Office (ATO) (or other relevant tax authority) is consulted to ensure certainty.

TechnologyOne has a strong history of compliance and an open engagement with relevant tax authorities. We seek to be co-operative and transparent and to maintain collaborative relationships.

## International related party dealings

TechnologyOne seeks to ensure all intercompany transactions are undertaken in accordance with the arm's length principle.

TechnologyOne has entered an Advanced Pricing Arrangements (APA) with the Australian Taxation Office.

As an Australian headquartered company, we have created and maintained significant intellectual property in Australia which has been successfully utilised in our overseas operations. Our engagement with the ATO through the APA process, seeks to ensure Australia receives a commercial return for the use of intellectual property by our overseas businesses. These returns are taxable in Australia.

In addition, loans are made to and received from foreign controlled entities for short term, medium term and long-term funding requirements. As a large global group, these transactions assist with managing cash flow and funding requirements.

## Tax Contribution Summary

Below is a summary of the taxes paid, collected and remitted by TechnologyOne to the relevant revenue authorities during the financial year ended 30 September 2020.

| Year ended 30 September 2020 | Consolidated Global Group AUD |
|---|---|
| Corporate income taxes | 13,307,721.93 |
| Fringe benefits taxes | 1,033,387.80 |
| Payroll taxes | 4,160,765.35 |
| Net GST/VAT tax | 28,271,317.77 |
| Employee taxes remitted | 48,910,243.24 |
| **TOTAL** | **95,683,436.09** |

# Financial Statements

## Consolidated income statement

### For the year ended 30 September 2020

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| Revenue - SaaS and continuing business | | **269,774** | **241,790** |
| Revenue - Legacy licence business | | **28,493** | **43,204** |
| **Revenue from contracts with customers** | **5** | **298,267** | **284,994** |
| Variable costs | | (19,130) | (19,708) |
| Variable customer cloud costs | | (19,479) | (16,965) |
| **Total variable costs** | | **(38,609)** | **(36,673)** |
| Occupancy costs | 6 | (3,259) | (10,808) |
| Corporate costs | | (18,312) | (17,285) |
| Depreciation and amortisation | 6 | (18,638) | (6,127) |
| Computer and communication costs | | (8,019) | (9,024) |
| Marketing costs | | (5,296) | (6,252) |
| Employee costs | | (119,615) | (121,840) |
| Share-based payments | 6 | (3,305) | (2,018) |
| Finance expense | 6 | (1,495) | (24) |
| **Total operating costs** | | **(177,939)** | **(173,378)** |
| Other income | 5(a) | **751** | **1,446** |
| **Profit before income tax** | | **82,470** | **76,389** |
| Income tax expense | 7 | (19,525) | (17,930) |
| **Profit for the year** | | **62,945** | **58,459** |

| | | Cents | Cents |
|---|---|---|---|
| Basic earnings per share | 30 | 19.75 | 18.43 |
| Diluted earnings per share | 30 | 19.61 | 18.30 |

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

## Consolidated statement of comprehensive income

### For the year ended 30 September 2020

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Profit for the year (from above)** | **62,945** | **58,459** |
| **Other comprehensive income** | | |
| Items that may be reclassified to profit or loss<br>Exchange differences on translation of foreign operations | 286 | 1,199 |
| **Other comprehensive income for the year, net of tax** | **286** | **1,199** |
| **Total comprehensive income for the year** | **63,231** | **59,658** |

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

# Consolidated statement of financial position

## as at 30 September 2020

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 125,244 | 105,046 |
| Prepayments | | 10,851 | 12,810 |
| Trade and other receivables | 9 | 37,396 | 49,032 |
| Contract assets | 10 | 22,051 | 24,607 |
| Other current assets | 11 | 397 | 463 |
| Current tax assets | | 8,077 | 6,783 |
| Contract acquisition costs | 13 | 2,956 | 2,104 |
| **Total current assets** | | **206,972** | **200,845** |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 8,969 | 10,900 |
| Right-of-use assets | 19 | 23,786 | - |
| Intangible assets | 13 | 37,986 | 37,521 |
| Capitalised development | 13 | 62,556 | 31,590 |
| Deferred tax assets | 14 | 28,605 | 32,153 |
| Contract acquisition costs | 13 | 7,035 | 5,415 |
| **Total non-current assets** | | **168,937** | **117,579** |
| **Total assets** | | **375,909** | **318,424** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 15 | 37,123 | 45,690 |
| Provisions | 17 | 20,548 | 13,861 |
| Prepaid subscription revenue | 16 | 144,148 | 147,558 |
| Lease liability | 19 | 2,148 | - |
| Borrowings | | - | 5 |
| **Total current liabilities** | | **203,967** | **207,114** |
| **Non-current liabilities** | | | |
| Provisions | 18 | 2,430 | 3,616 |
| Other non-current liabilities | | 147 | 837 |
| Lease liability | 19 | 27,197 | - |
| **Total non-current liabilities** | | **29,774** | **4,453** |
| **Total liabilities** | | **233,741** | **211,567** |
| **Net assets** | | **142,168** | **106,857** |
| **EQUITY** | | | |
| Contributed equity | 21 | 40,551 | 35,302 |
| Other reserves | 22 | 63,524 | 55,477 |
| Retained earnings | | 38,093 | 16,078 |
| **Total equity** | | **142,168** | **106,857** |

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



# Consolidated statement of changes in equity

## For the year ended 30 September 2020

| | Notes | Contributed equity $'000 | Retained earnings[1] $'000 | Dividend reserve $'000 | FOREX reserve $'000 | Share option reserve $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 October 2019** | | **35,302** | **16,078** | **27,905** | **1,850** | **25,722** | **106,857** |
| AASB 16 opening adjustment | 1(a) | - | 199 | - | - | - | 199 |
| **Adjusted opening balance** | | **35,302** | **16,277** | **27,905** | **1,850** | **25,722** | **107,056** |
| Exchange differences on translation of foreign operations | | - | - | - | 286 | - | 286 |
| Profit for the period | | - | 62,945 | - | - | - | 62,945 |
| **Total comprehensive income for the period** | | **-** | **62,945** | **-** | **286** | **-** | **63,231** |
| Transfer to dividend reserve | | - | (41,129) | 41,129 | - | - | - |
| Dividends paid | 23 | - | - | (38,988) | - | - | (38,988) |
| Exercise of share options | 21 | 5,249 | - | - | - | - | 5,249 |
| Share based payments | 31 | - | - | - | - | 3,305 | 3,305 |
| Tax impact of share trust | | - | - | - | - | 2,315 | 2,315 |
| | | 5,249 | (41,129) | 2,141 | - | 5,620 | (28,119) |
| **Balance at 30 September 2020** | | **40,551** | **38,093** | **30,046** | **2,136** | **31,342** | **142,168** |
| **Balance at 1 October 2018** | | **33,171** | **12,758** | **8,616** | **651** | **22,294** | **77,490** |
| Exchange differences on translation of foreign operations | | - | - | - | 1,199 | - | 1,199 |
| Profit for the period | | - | 58,459 | - | - | - | 58,459 |
| **Total comprehensive income for the period** | | **-** | **58,459** | **-** | **1,199** | **-** | **59,658** |
| Transfer to dividend reserve | | - | (55,139) | 55,139 | - | - | - |
| Dividends paid | 23 | - | - | (35,850) | - | - | (35,850) |
| Exercise of share options | 21 | 2,131 | - | - | - | - | 2,131 |
| Share-based payments | 31 | - | - | - | - | 1,947 | 1,947 |
| Tax impact of share trust | | - | - | - | - | 1,481 | 1,481 |
| | | 2,131 | (55,139) | 19,289 | - | 3,428 | (30,291) |
| **Balance at 30 September 2018** | | **35,302** | **16,078** | **27,905** | **1,850** | **25,722** | **106,857** |

[1]Refer to note 1(a) for details regarding the application of the new accounting policy AASB 16 Leases.

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

# Consolidated statement of cash flows

**For the year ended 30 September 2020**

| | Notes | 2020 $'000 | 2019 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 340,405 | 310,883 |
| Payments to suppliers and employees (inclusive of GST) | | (222,036) | (223,124) |
| Interest received | | 353 | 634 |
| Income taxes paid | | (13,716) | (11,534) |
| Interest paid[1] | 19 | (1,495) | (24) |
| **Net cash inflow / (outflow) from operating activities** | **29** | **103,511** | **76,835** |
| **Cash flows from investing activities** | | | |
| Payments of contingent consideration | | (223) | (4,059) |
| Payments for property, plant and equipment | | (1,979) | (2,350) |
| Payments for intangible assets | | (42,859) | (35,927) |
| **Net cash inflow / (outflow) from investing activities** | | **(45,061)** | **(42,336)** |
| **Cash flows from financing activities** | | | |
| Proceeds from exercise of share options | | 5,248 | 2,075 |
| Payments for principal repayments of lease liabilities[1] | 19 | (4,512) | - |
| Dividends paid to shareholders | 23 | (38,988) | (35,850) |
| **Net cash inflow / (outflow) from financing activities** | | **(38,252)** | **(33,775)** |
| **Net increase / (decrease) in cash and cash equivalents** | | 20,198 | 724 |
| Cash and cash equivalents at the beginning of the financial year | | 105,046 | 104,322 |
| **Cash and cash equivalents at end of year** | **8** | **125,244** | **105,046** |

[1]Refer to note 1(a) for details regarding the application of the new accounting policy AASB 16 Leases.

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



# Notes to the consolidated financial statements

## 1. Summary of significant accounting policies

The financial report of Technology One Limited (the Company) for the year ended 30 September 2020 was authorised for issue in accordance with a resolution of Directors on 24 November 2020.

Technology One Limited (the Company) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities 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 prepared by a for profit entity, 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 except where a change has been required due to the implementation of a new accounting standard.

Certain comparative items have been reclassified in the financial statements to align with the 30 September 2020 year end disclosures.

i. Compliance with IFRS

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

ii. New accounting standards and interpretations

**AASB 16 Leases – Impact of adoption**

AASB 16 Leases replaces AASB 117 Leases and is effective for the Group for the current financial year beginning 1 October 2019. The Group has adopted AASB 16 under the modified retrospective approach and therefore comparatives of the 2020 reporting period have not been restated. Accordingly, there is an adjustment to opening retained earnings at 1 October 2019.

The standard introduces a single lessee accounting model and requires a lessee 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 classification of leases as either operating or finance leases for the lessee and effectively treats all leases as finance leases.

Under the new standard a lease liability has been recognised, representing the Group's obligation to make lease payments and a corresponding right of use asset has been recognised, representing the lessee's right to use the underlying leased asset.

The lease liability has been measured as the present value of future lease payments discounted at the lessees incremental borrowing rate as at 1 October 2019. The weighted average incremental borrowing rate applied was 4.78%. The right of use asset has been measured either retrospectively as if the new standard has always been in place or at an amount equal to the lease liability on transition, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

The profile of the lease related expense has changed from being included within the occupancy costs line of the consolidated income statement as a rent expense to being made up of a depreciation expense on the right-of-use asset and an interest expense on the lease liability. Due to the transition option selected by the Group, the occupancy costs line in the consolidated income statement is lower than the prior corresponding period and the depreciation and finance expense lines are higher than the prior corresponding period.

**(i) Practical expedients applied**

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous applying AASB 137 as an alternative to performing an impairment review – there were no onerous contracts as at 1 October 2019
- accounting for leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- making use of the recognition exemption for leases for which the underlying asset is of low value
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 determining whether an arrangement contains a Lease. The types of leases relevant to the Group are property and equipment leases.

**(ii) Measurement of lease liabilities**

The below is a reconciliation between the operating lease commitment disclosed in the Group financial statements for the year ended 30 September 2019 to the opening lease liability balance recognised at 1 October 2019.

| | 1 October 2019 $'000 |
|---|---|
| **Operating lease commitment at 30 September 2019 as disclosed in the Group's consolidated financial statements** | **41,648** |
| Discounted using the weighted average incremental borrowing rate at 1 October 2019 | 35,708 |
| **Reconciling items** | |
| (Less) short-term leases recognised on a straight-line basis as an expense | (156) |
| Add/(less) adjustment as a result of a different treatment of extension and termination options | (2,735) |
| **Lease Liabilities recognised as at 1 October 2019** | **32,817** |

| | |
|---|---|
| Of which are: | |
| Current lease liabilities | 5,688 |
| Non-current lease liabilities | 27,129 |

**(iii) Measurement of right-of-use assets**

On transition the associated right-of-use assets were measured either retrospectively as if the new rules had always been applied, as was done for the Group's largest lease (HQ), or at an amount equal to the lease liability on transition, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019. This choice in the measurement of the right of use asset on transition to AASB 16 is allowable within the standard on a lease by lease basis under the modified retrospective approach.

**(iv) Adjustments recognised in the statement of financial position at 1 October 2019**

The change in accounting policy affected the following balance sheet items as at 1 October 2019:

| Statement of financial position increase/ (decrease) | 30 September 2019 AASB 117 reported ($000s) | Opening balance adjustment ($000s) | 1 October 2019 AASB 16 restated ($000s) |
|---|---|---|---|
| **Assets** | | | |
| Right-of-use assets | - | 28,686 | 28,686 |
| Prepayments | 12,810 | (610) | 12,200 |
| Deferred tax (net) | 32,153 | 1,239 | 33,392 |
| **Liabilities** | | | |
| Lease liability- current | - | 5,688 | 5,688 |
| Lease liability- non current | - | 27,129 | 27,129 |
| Trade and other payables | 47,290 | (3,041) | 44,249 |
| Other non-current liabilities | 837 | (660) | 177 |
| **Equity** | | | |
| Equity | 106,857 | 199 | 107,056 |

**(v) New Group accounting policy - AASB 16 Leases**

The accounting policy for leases has been set out below in section (g).

### Interpretation 23 – Uncertainty over Income Tax Treatments

AASB Interpretation 23 Uncertainty over Income Tax Treatments also became effective for the group from 1 October 2019. The interpretation clarifies how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. This has not had a material impact on the Group.

**(vi) Issued but not yet effective**

No new standards have been issued that are not in effect for the Group.

**(vii) 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 Group'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 2020 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 'Group' 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 Group.

**(ii) Employee Share Trust**

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. At 30 September 2020, the Group had 61,173 treasury shares (2019: 116,630).

Treasury shares are shares in the Group that are held by the Employee Share Trust for the purpose of issuing shares under the TechnologyOne employee share scheme.

## (c) Foreign currency translation

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

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

**(iii) Group companies**

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- 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)
- All resulting exchange differences are recognised in other comprehensive income

## (d) Revenue recognition

The Group has the following key revenue categories:

1. SaaS Fees
2. Annual Licence fees
3. Consulting Services
4. Initial Licence Fees

The accounting policies for each of these categories has been set out below:

### Revenue categories

**1. SaaS Fees**

Revenue from term SaaS contracts are recognised on a daily basis over the term of the contract. Included within this category is revenue from contracts for annual SaaS licences as well as Platform services associated with initial licence fees. The Group considers that SaaS licence contracts represent a right to access the Group's licenced intellectual property and as such the performance obligation is fulfilled over the contract term.

Payment terms in respect of SaaS Fees are typically annual within 14 to 30 days of invoice. Invoiced amounts are reflected in trade receivables.

Unsatisfied performance obligations in respect of SaaS Fees received or receivable are recognised as prepaid subscription revenue in the consolidated statement of financial position. Refer to note 16 for details of prepaid subscription revenue.

Costs incurred in obtaining the customer contract are expensed, unless they are incremental to obtaining the contract and the Group expects to recover those costs. Costs that meet the criteria for capitalisation will be amortised over the life of the contract that they relate to. The Group has identified certain commission costs as meeting the criteria of directly related contract costs. These costs are capitalised in the month in which they are incurred and amortised over an average contract term of 5 years. The movement in the year and the closing balance of this asset is disclosed within note 13 as 'contract acquisition costs'. This balance is presented as 'contract acquisition costs' in the statement of financial position.

**2. Annual license fees**

Annual Licence Fees are recognised on a daily basis over the term of the contract. The Group considers that the performance obligation in respect of these services is satisfied over time.

Payment terms in respect of Annual Licence Fees are typically annual within 14 to 30 days of invoice. Invoiced amounts are reflected in trade receivables until paid.

Unsatisfied performance obligations in respect of Annual Licence fees are disclosed as prepaid subscription revenue in the consolidated statement of financial position. Refer to note 16 for details of prepaid subscription revenue.

**3. Consulting services**

Consulting services includes services for licenced software and project services revenue.

Revenue from these services is recognised as services are rendered, typically in accordance with the achievement of contract milestones and/or hours expended.

**4. Initial license fees**

Initial Licence Fees are recognised on provision of the software. The Group considers that such contracts represent a right to use the Group's licenced intellectual property and as such the performance obligation is fulfilled at the point in time at which the customer receives the licence key.

Payment terms in respect of Initial Licence Fees are typically within 14 to 30 days of invoice. Invoiced amounts are reflected in trade receivables.

As the performance obligation is satisfied at a point in time (i.e. at contract delivery), there are no unsatisfied performance obligations in respect of Initial Licence Fees.

The Group considers the effects of variable consideration, reviews the contracts to identify if a significant financing component exists and considers the standalone pricing of the initial licence fees when allocating the transaction price of the contract to the performance obligation.

### Associated contract balances

Under AASB 15, the timing of revenue recognition, customer invoicing and cash collections results in the recognition of trade receivables, contract asset and prepaid subscription revenue (contract liability) on the Group's Consolidated statement of financial position. At 30 September 2020, the statement of financial position shows a current liability balance of $204m (30 September 2019: $207m) which is attributable to the prepaid subscription revenue balance in current liabilities. As prepaid subscription revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised in future periods, and not a future cash outflow, this balance does not impact the Group's ability to meet its short-term obligations as and when they fall due.

### Revenue Groups disclosed in the consolidated income statement

The Group has the following revenue groups:

**1. Revenue – SaaS and continuing business**

The Group defines continuing business as those revenue streams that form part of our growth strategy. Namely this includes SaaS, annual licence fees and consulting services.

**2. Revenue – Legacy licence business**

The legacy licence fee business encompasses the sale of initial licences which will continue to decline as our customers transition to SaaS, growing the SaaS and continuing business revenue. Included within this revenue group is annual licence fees recognised from the date the associated initial licence is delivered until the end of the first financial year post signing.

## (e) Income tax

The income tax expense or benefit 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 Group'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.

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 Group 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 Group 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 Group 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 Group 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 in equity.

Uncertain tax positions addressed by IFRS Interpretation 23 Uncertainty over Income Tax Treatment are disclosed in Note 1(a)(v).

## (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 Chief Executive Officer.

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.

## (g) Leases

AASB 16 supersedes AASB 117 Leases and IFRIC 4 determining whether an arrangement contains a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Group's lease portfolio primarily consists of property leases. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

Lease contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

**Lease liability**

The lease liability is initially measured at the present value of outstanding lease payments (including those to be made under reasonably certain extension options). The payments used in this calculation include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option and
- payments of penalties for terminating the lease, if the lease term reflects the group exercisingthat option.

The lease payments above are discounted using the interest rate implicit in the lease if that rate is readily determinable. This is not the case for the Group's current leases. When the interest rate implicit in the lease is not readily determinable AASB 16 requires the use of the incremental borrowing rate to calculate the present value of the lease payments. This rate is the rate of interest that a lessee would have to pay to borrow the funds necessary to purchase the right of use asset, over a similar term and with a similar security, in similar economic environment.

The most appropriate rate to use as a starting point in determining the incremental borrowing rate would be the interest rate incurred on existing borrowings. However, the Group does not have any existing borrowings. In the absence of this the Group uses the swap curve with a corresponding rating as the starting point in determining the incremental borrowing rate. In line with the accounting standard the Group adjusts the swap curve rate for the term of the leases, the value of the leases and the creditworthiness of the Group.

Once the lease liability has been recognised on the balance sheet the periodic lease repayments are allocated between an interest and a principal element. The interest is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

**Right-of-use asset**

The right-of-use asset is initially calculated as being equal to the lease liability and then adjusted for the following:

- Lease payments made on or before the commencement date less any incentives received
- Any initial direct costs, and
- An estimate of restoration costs.

This right-of-use asset is then depreciated on a straight-line basis over the calculated lease term.

Right-of-use assets are also subject to impairment testing under AASB 136 Impairment of assets.

**Short term and low value assets**

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

## (h) Variable costs

The components to variable costs are made up of:

- Costs incurred in obtaining a licence fee contract. These are expensed as incurred.
- Costs incurred in fulfilling the contract with a customer are capitalised if the requirements in AASB 15 are fulfilled and are then expensed in line with the satisfaction of the related performance obligation.

## (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) Financial assets and liabilities

Financial instruments recognised in the statement of financial position include; cash and cash equivalents, trade receivables, contract assets, trade payables and contingent consideration.

**(i) Classification**

The Group classifies its financial assets and financial liabilities into the following measurement categories;

- those to be measured at amortised cost (using the effective interest method) and;
- those to be measured at fair value with changes through the profit or loss (FVPL).

Classification into these categories is based on an assessment of the Groups' business model for managing its financial instruments and the contractual terms of the cash flows.

**(ii) Measurement**

**Amortised cost**

Under this method the financial instrument is measured at the amount recognised at initial recognition minus principal repayments. Further adjustments to the carrying value of the financial instrument will arise if there is a modification to the contractual cash flows creating a gain/loss in the measurement or if there is no longer a reasonable expectation of recovery of a financial asset resulting in a write off.

**FVPL**

The financial instrument is measured at fair value. Changes in fair value are recognised in profit and loss as they arise.

**(iii) Impairment**

The Group recognises impairment losses on its financial assets using an expected credit losses (ECL) model in line with AASB 9 Financial Instruments. The ECL model essentially aims to calculate the assets credit risk. It involves consideration of scenarios that would lead to default, calculating the shortfall between what is contractually due and what would be received under each scenario and then multiplying the shortfall/loss by the probability of the default situation occurring.

The Group has elected to apply the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. The Group has also made use of the practical expedient available for calculating expected credit losses for short term receivables.

This practical expedient involves using a "provision matrix" to calculate the loss allowance. This matrix is based on historical default rates over the expected life of the trade receivables and it is adjusted for forward-looking estimates.

A 6-month historical default rate is applied to the trade receivables balance to calculate the expected credit loss. This appears as a provision against the trade receivables balance. Movements in this provision are recognised as an expense in the consolidated income statement to the extent that the related revenue has been recognised in the consolidated income statement. If a receivable balance is identified as being unrecoverable it is written off against the allowance for expected credit losses.

## (k) 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. Cash and cash equivalents are presented in the consolidated statement of cash flows, net of outstanding bank overdrafts.

#### (l) Trade receivables

Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Trade receivables are generally due for settlement within 14 to 30 days.

The Group uses the simplified approach to measuring expected credit losses. The movement in the expected credit loss is recognised in the income statement within corporate expenses.

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (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 indefinite. Where amortisation is charged on intangible assets with finite lives, this expense is taken to the Income Statement through the 'depreciation and 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 3-8 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.

#### (iii) Software development

Development is only to be capitalised if the recognition requirements have been fulfilled and a benefit of more than 12 months is expected.

On transition to a SaaS company, which results in providing access to our products via a SaaS platform over a prolonged term, the technical feasibility of our products can be established at an earlier phase through pre-defined project roadmaps. Costs that are directly associated with the development of this software (largely CiAnywhere products) are recognised as an intangible asset where the following criteria are met:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) Intention to complete the intangible asset and use or sell it;

c) Ability to use or sell the intangible asset;

d) How the intangible asset will generate probable economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

f) Ability to measure reliably the expenditure attributable to the intangible asset during its development.

These costs include personnel and other directly attributable costs incurred in the development of software. Capitalised software development costs are recognised as an intangible asset and amortised over their estimated useful lives, which is considered to be from three to seven years. Software development costs are capitalised as "under development" until the products to which the costs relate become available for use. At the point in which the products become available for use, the costs are transferred from "under development" to "in use" and amortised from that point (refer to categorisation in note 13). Research costs are expensed as incurred and are largely made up of employee labour which is included in employee costs in the consolidated income statement. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

## (o) Trade and other payables

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

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

## (q) Employee benefits

#### (i) Short-term obligations

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

#### (ii) Long service leave

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

#### (iii) Share-based payments

The Group 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 31.

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). In the case that the rights over shares do not vest at the end of the performance period, the corresponding expense in relation to those rights will be reversed. 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 Group, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

#### (ii) Diluted earnings per share

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

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- 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) and equivalent overseas value added taxes

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

Financial instruments recognised in the statement of financial position include; cash and cash equivalents, trade receivables, lease liabilities and trade payables.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group'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.

The Group holds the following financial instruments:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **125,244** | 105,046 |
| Trade and other receivables | **37,396** | 49,032 |
| | **162,640** | **154,078** |
| **Financial liabilities** | | |
| Trade and other payables | **37,123** | 45,467 |
| Borrowings | **-** | 5 |
| Contingent consideration | **-** | 223 |
| Lease liability | **29,345** | - |
| | **66,468** | **45,695** |

### (a) Interest rate risk

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

### (b) Foreign currency risk

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

The Group does not hedge this risk. The Group's exposure to foreign currency changes is not significant.

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

| | 2020 USD $'000 | 2020 PGK $'000 | 2019 USD $'000 | 2019 PGK $'000 |
|---|---|---|---|---|
| **Trade Receivables** | - | **1,650** | 112 | 592 |

### (c) Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group'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 Group's expected credit loss 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 the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The below table represents the financial assets under note 2(c) and the liquidity risk of financial liabilities referred to in note 2(d).

| At 30 September 2020 | Less than 12 months $'000 | Between 1 and 5 years $'000 | Over 5 years $'000 | Total contractual cash flows $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 125,244 | - | - | 125,244 |
| Trade and other receivables | 37,396 | - | - | 37,396 |
| **Total** | **162,640** | **-** | **-** | **162,640** |
| **Financial liabilities** | | | | |
| Trade and other payables | 37,123 | - | - | 37,123 |
| Borrowings | - | - | - | - |
| Contingent consideration | - | - | - | - |
| Lease liabilities | 2,341 | 28,508 | 3,566 | 34,415 |
| **Total** | **39,464** | **28,508** | **3,566** | **71,538** |
| **Net inflow / (outflow)** | **123,176** | **(28,508)** | **(3,566)** | **91,102** |

| At 30 September 2019 | Less than 12 months $'000 | Between 1 and 5 years $'000 | Over 5 years $'000 | Total contractual cash flows $'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 105,046 | - | - | 105,046 |
| Trade and other receivables | 49,032 | - | - | 49,032 |
| **Total** | **154,078** | **-** | **-** | **154,078** |
| **Financial liabilities** | | | | |
| Trade and other payables | 45,467 | - | - | 45,467 |
| Borrowings | 5 | - | - | 5 |
| Contingent consideration | 223 | - | - | 223 |
| **Total** | **45,695** | **-** | **-** | **45,695** |
| **Net inflow / (outflow)** | **108,383** | **-** | **-** | **108,383** |

### (e) Fair value measurements

Contingent consideration is classified as Level 3. The balance of contingent consideration is recognised within the trade and other payables line in the Consolidated Statement of Financial Position. The release of the contingent consideration that does not represent payment is recognised within the other income line of the consolidated income and expense statement.

| Contingent Consideration | 2020 $'000 |
|---|---|
| Opening balance at 1 October 2019 | 223 |
| Payments (JRA) | (223) |
| Reduction in contingent consideration (JRA) | - |
| **Closing balance at 30 September 2020** | **-** |

| Contingent Consideration | 2019 $'000 |
|---|---|
| Opening balance at 1 October 2018 | 11,810 |
| Payments (DMS and JRA) | (4,059) |
| Reduction in contingent consideration (JRA) | (7,528) |
| **Closing balance at 30 September 2019** | **223** |

The carrying value of trade receivables, accrued revenue and trade payables are assumed to approximate their fair value due to their short-term nature or the effect of discounting on non-current financial assets not being significant.

### (f) Capital risk management

The Group 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 Group 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 Group 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 Group 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 Group 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 13 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 Group 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 31.

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). In the event that the rights over shares do not vest at the end of the performance period, the expense relating to the unvested rights is reversed. No expense is recognised for awards that do not ultimately vest due to not meeting the non-market conditions or service conditions.

### (iii) Long service leave

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

### (iv) Revenue contracts

Initial licence fee contracts entered into by the Group require judgement in the identification and separation of the contract components related to software licence fees, annual licence fees and platform services. The Group assesses each customer contract individually and revenue is assigned to each component based upon the stand alone fair value of the component relevant to the total contract value.

### (v) Capitalisation of development costs

The Group capitalises costs related to software development. Software development costs are recognised upon meeting the criteria set out in note 1(n)(iii). The carrying value of these costs are regularly reviewed for impairment. Software development costs are amortised over a period of three to seven years.

### (vii) AASB 16 Leases

The Group is required to determine the measurement of lease liabilities based on the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, if readily available. Where the implicit interest rate is not readily available the Group is required to use the Group's incremental borrowing rate. Judgement is required to determine the appropriate discount rate to apply. The discount rate must reflect the rate of interest that a lessee would have to pay to borrow the funds necessary to purchase the right-of-use asset, over a similar term and with a similar security, in a similar economic environment.

Another AASB 16 area that requires judgement relates to the assessment of the likelihood of the Group exercising, or not exercising any extension or termination options available within a lease. In performing these reasonably certain assessments management considers all facts and circumstances that create an economic incentive to either exercise, or not exercise an extension or termination option.

**(viii) COVID-19**

Management have considered the potential impact of COVID-19 in performing the Group's impairment assessments and in establishing the expected credit loss on financial assets. No adjustments were made to the Group's assets as a result of these additional assessments. At a time when many businesses have struggled during the pandemic, TechnologyOne has continued to perform strongly. There has been no impact to the Group's balance sheet. TechnologyOne has not received any JobKeeper government support.

# 4. Segment information

### (a) Description of segments

The Group's chief operating decision maker, being the Chief Executive Officer, makes financial decisions and allocates resources based on the information received from the Group's 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 the Accounting Standard AASB 8 Operating Segments.

The Group's reportable segments are:

- Software – consists of Sales and Marketing, R&D, SaaS platform.
- Consulting – responsible for services in relation to our software.
- Corporate – includes all corporate functions.

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, Software pays Corporate for the use of corporate services.

The chief decision maker views each segment's 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.

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

| 2020 | Software $'000 | Consulting $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue from contracts with customers** | | | | |
| SaaS fees* | 106,171 | - | - | **106,171** |
| Annual licence fees* | 102,272 | - | - | **102,272** |
| Consulting services* | - | 62,482 | - | **62,482** |
| Initial licence fees** | 27,342 | - | - | **27,342** |
| Other income | 384 | - | 367 | **751** |
| Intersegment revenue | (2,038) | 2,208 | (170) | - |
| Net royalty | (53,819) | (6,642) | 60,461 | - |
| **Total revenue** | **180,312** | **58,048** | **60,658** | **299,018** |
| **Expenses** | | | | |
| Total external expenses | (127,681) | (44,393) | (44,474) | **(216,548)** |
| **Profit before tax** | **52,631** | **13,655** | **16,184** | **82,470** |
| Income tax expense | | | | **(19,525)** |
| **Profit for the year** | | | | **62,945** |
| **Total assets** | | | | 375,909 |
| **Total liabilities** | | | | 233,741 |
| **Total depreciation and amortisation** | | | | (18,638) |

*Recognised over time / as services are rendered

**Recognised at a point in time

| 2019 | Software $'000 | Consulting $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue from contracts with customers** | | | | |
| SaaS fees* | 81,466 | - | - | **81,466** |
| Annual licence fees* | 101,307 | - | - | **101,307** |
| Consulting services* | - | 61,599 | - | **61,599** |
| Initial licence fees** | 40,622 | - | - | **40,622** |
| Other income | 543 | - | 903 | **1,446** |
| Intersegment revenue | (1,399) | 1,433 | (34) | - |
| Net royalty | (50,747) | (6,578) | 57,325 | - |
| **Total revenue** | **171,792** | **56,454** | **58,194** | **286,440** |
| **Expenses** | | | | |
| Total external expenses | (120,581) | (46,562) | (42,908) | **(210,051)** |
| **Profit before tax** | **51,211** | **9,892** | **15,286** | **76,389** |
| Income tax expense | | | | **(17,930)** |
| **Profit for the year** | | | | **58,459** |
| **Total assets** | | | | 318,424 |
| **Total liabilities** | | | | 211,567 |
| **Total depreciation and amortisation** | | | | (6,127) |

*Recognised over time / as services are rendered

**Recognised at a point in time

### (c) Other segment information

#### (i) Segment revenue

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Australia | 250,586 | 240,580 |
| New Zealand & Asia Pacific* | 36,533 | 35,416 |
| **APAC total** | 287,119 | **275,996** |
| United Kingdom | 11,899 | 10,444 |
| **Total segment revenues from sales to external customers** | 299,018 | **286,440** |

#### (ii) Segment assets

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Australia | 319,750 | 254,550 |
| New Zealand & Asia Pacific* | 19,834 | 21,128 |
| **APAC total** | 339,584 | **275,678** |
| United Kingdom | 7,720 | 10,593 |
| **Total segment assets** | 347,304 | **286,271** |

All significant non-current assets are located in Australia. Segment assets are presented net of deferred tax.

*Asia Pacific includes Malaysia and South Pacific

#### (iii) Major customers

The Group 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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Revenue from contracts with customers** | | |
| SaaS fees* | 106,171 | 81,466 |
| Annual licence fees** | 101,121 | 98,725 |
| Consulting services* | 62,482 | 61,599 |
| **Revenue - SaaS and continuing business** | **269,774** | **241,790** |
| Initial licence fees** | 27,342 | 40,622 |
| Annual licence fees associated with licence fees*[1] | 1,151 | 2,582 |
| **Revenue - Legacy licence business** | 28,493 | 43,204 |
| **Total revenue from contracts with customers** | **298,267** | **284,994** |

*Recognised over time / as services are rendered

**Recognised at a point in time

[1] This represents revenue on annual licence fees recognised from the date the associated initial licence is delivered until the end of that first financial year post delivery.

# 5.(a) Other income

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Other income** | | |
| Foreign exchange gains / (losses) | (3) | (2) |
| Interest received | 353 | 634 |
| Other* | 401 | 814 |
| **Total other income** | **751** | **1,446** |
| | | |
| **Total Revenue** | **299,018** | **286,440** |

*Other income for 2019 includes a gain of $7.5m recognised on reduction of contingent consideration provision relating to the acquisition of JRA and an impairment of $7.3m recognised in relation to Intangible assets obtained through the acquisition of JRA.

# 6. Expenses

| **Profit before income tax includes the following specific expenses:** | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Depreciation** | | |
| Plant and equipment | 3,905 | 3,710 |
| **Total depreciation** | **3,905** | **3,710** |
| **Amortisation** | | |
| Other intangible amortisation | 346 | 242 |
| Contract acquisition costs amortisation | 2,493 | 1,620 |
| Capitalised development amortisation | 6,103 | 555 |
| Amortisation of right-of-use assets | 5,791 | - |
| **Total amortisation** | **14,733** | 2,417 |
| **Total depreciation and amortisation** | **18,638** | **6,127** |
| Wages and salaries | 91,622 | 96,734 |
| Defined contribution plan expense | 9,919 | 7,330 |
| Payroll tax | 6,366 | 5,740 |
| Provision for employee benefits | 1,701 | 745 |
| Other | 10,007 | 11,291 |
| **Total employee costs** | **119,615** | **121,840** |
| **Share-based payments** | **3,305** | **2,018** |
| **Occupancy costs[1]** | **3,259** | **10,808** |
| **Finance expense[1]** | **1,495** | **24** |
| Profit and loss movement in expected credit loss | 34 | 942 |
| Foreign exchange (gain) / loss | 509 | (294) |
| (Gain) / Loss on sale of property, plant and equipment | (38) | (3) |

[1] Due to the adoption of AASB 16 Leases in the current year the profile of the lease related expense has changed from being included within the occupancy costs line of the consolidated income statement as a rent expense to being made up of a depreciation expense on the right-of-use asset and a finance expense on the lease liability.

In addition to the employee benefits expense disclosed above, 'Variable costs' in the consolidated income statement includes $18.6m (2019: $19.2m) relating to employee costs, 'Contract acquisition costs' in the consolidated statement of financial position includes $4.9m (2019: $3.8m) and 'Capitalised development' in the consolidated statement of financial position includes $32.3m (2019: $29.0m) relating to employee costs.

# 7. Income tax expenses

## (a) Income tax expense

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Current tax | 12,045 | 8,010 |
| Relating to origination and reversal of temporary differences | 8,680 | 10,534 |
| Adjustments for current tax of prior periods | (1,200) | (614) |
| | 19,525 | 17,930 |
| Deferred income tax expense / (revenue) included in income tax expense comprises: | | |
| (Increase) / decrease in deferred tax assets | (6,575) | (2,796) |
| Increase / (decrease) in deferred tax liabilities | 10,960 | 13,387 |
| Adjustment for deferred taxes of prior periods | 4,295 | (57) |
| | 8,680 | 10,534 |

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Profit from continuing operations before income tax expense | 82,470 | 76,389 |
| Tax at the Australian tax rate of 30% (2019 - 30%) | 24,741 | 22,917 |
| Adjustments for current tax of prior periods | (1,200) | (614) |
| Research and development tax concession | (4,131) | (4,523) |
| Expenditure not allowable for income tax purposes | 115 | 150 |
| **Income tax expense** | **19,525** | **17,930** |

## (c) Amounts recognised directly in equity

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Aggregate current and defered tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity: | | |
| **Net deferred tax - debited (credited) directly to equity** | (2,315) | (1,481) |

# 8. Current assets - Cash and equivalents

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Cash and cash equivalents | 125,244 | 105,046 |

The Group 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. The facility is unused at 30 September 2020.

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 Group, and earn interest at the respective money market deposit rates. Given the short-term nature of these accounts the fair value of cash assets at 30 September are their carrying values.

# 9. Current assets - Trade and other receivables

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Trade receivables | 40,320 | 50,053 |
| Allowance for expected credit losses | (2,885) | (1,135) |
| Sundry receivables | (39) | 114 |
| | 37,396 | 49,032 |

**(i) Trade receivables are non-interest bearing and are on 14 to 30 day terms. No interest is charged on trade receivables.**

Included in the trade receivable balance are debtors with a carrying amount of $7.6m (2019 - $9.3m) which are past due at the reporting date for which the consolidated entity has not specifically 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.

## (a) Allowance for expected credit losses

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Opening balance - 1 October | 1,135 | 902 |
| Increase/(decrease) in expected credit loss allowance | 2,885 | 1,135 |
| Unused amounts reversed | (1,135) | (902) |
| **Closing balance - 30 September 2019** | **2,885** | **1,135** |

In determining the recoverability of a trade receivable the Group 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.

| Age | Trade Debtors | Expected credit loss | Trade Debtors | Expected credit loss |
|---|---|---|---|---|
| | 2020 $'000 | 2020 $'000 | 2019 $'000 | 2019 $'000 |
| 0 – 30 days | 30,051 | (456) | 39,804 | (903) |
| 31 – 60 days | 5,915 | (90) | 4,081 | (93) |
| 61 – 90 days | 715 | (11) | 2,237 | (51) |
| 91+ days | 3,369 | (2,328) | 3,931 | (89) |
| **Total** | **40,050** | **(2,885)** | **50,053** | **(1,136)** |

# 10. Contract asset

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Contract assets | 22,283 | 24,722 |
| Allowance for expected credit losses | (232) | (115) |
| | 22,051 | 24,607 |

The above contract asset balance represents revenue recognised for contracts with customers which has not been invoiced at the end of the financial year, in line with customer contracts.

**Expected credit loss for contract assets**

Movements in the provision for impairment of contract assets are as follows:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Opening balance - 1 October | 115 | - |
| Increase/(decrease) in expected credit loss allowance recognised in profit and loss during the year | 117 | 115 |
| Unused amounts reversed | - | - |
| **Closing balance - 30 September** | **232** | **115** |

# 11. Current assets - Other current assets

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Deposits receivable | 397 | 463 |
| | 397 | 463 |

# 12. Non-current assets - property, plant and equipment

| | Office furniture & equipment $'000 | Other $'000 | Total $'000 |
|---|---|---|---|
| **Year ended 30 September 2020** | | | |
| Opening net book amount | 10,659 | 241 | 10,900 |
| Additions | 2,008 | 22 | 2,030 |
| Disposals | (51) | - | (51) |
| Depreciation charge | (3,788) | (117) | (3,905) |
| Make good movement | (14) | - | (14) |
| Excange difference | 9 | - | 9 |
| **Closing net book amount** | **8,823** | **146** | **8,969** |
| **At 30 September 2020** | | | |
| Cost | 41,510 | 4,769 | 46,279 |
| Accumulated depreciation | (32,687) | (4,623) | (37,310) |
| **Net book amount** | **8,823** | **146** | **8,969** |
| **Year ended 30 September 2019** | | | |
| Opening net book amount | 12,201 | 79 | 12,280 |
| Additions | 2,464 | 239 | 2,703 |
| Disposals | (355) | (4) | (359) |
| Depreciation charge | (3,636) | (73) | (3,709) |
| Make good movement | (29) | - | (29) |
| Excange difference | 14 | - | 14 |
| **Closing net book amount** | **10,659** | **241** | **10,900** |
| **At 30 September 2019** | | | |
| Cost | 43,335 | 4,733 | 48,068 |
| Accumulated depreciation | (32,676) | (4,492) | (37,168) |
| **Net book amount** | **10,659** | **241** | **10,900** |

# 13. Non-current assets - Intangible assets

| | Goodwill $'000 | Intellectual property/ source code $'000 | Customer contracts $'000 | Contract acquisition costs[1] $'000 | Software under development $'000 | Software in use $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 30 September 2020** | | | | | | | |
| Opening net book amount | 33,250 | 3,503 | 768 | 7,519 | 23,825 | 7,765 | 76,630 |
| Additions | - | 819 | - | 4,972 | 37,069 | - | 42,860 |
| Transfers to software - in use | - | - | - | - | (33,911) | 33,911 | - |
| Amortisation charge | - | (291) | (55) | (2,493) | - | (6,103) | (8,942) |
| Impairment | - | - | - | - | - | - | - |
| Exchange difference | - | (8) | - | (7) | - | - | (15) |
| **Closing net book amount** | **33,250** | **4,023** | **713** | **9,991** | **26,983** | **35,573** | **110,533** |
| **At 30 September 2020** | | | | | | | |
| Cost | 40,003 | 11,174 | 1,100 | 15,483 | 26,983 | 42,231 | 136,974 |
| Accumulated amortisation | - | (4,474) | (387) | (5,492) | - | (6,658) | (170,011) |
| Accumulated impairment | (6,753) | (2,677) | - | - | - | - | (9,430) |
| **Net book amount** | **33,250** | **4,023** | **713** | **9,991** | **26,983** | **35,573** | **110,533** |
| **Year ended 30 September 2019** | | | | | | | |
| Opening net book amount | 40,003 | 4,185 | 823 | 5,357 | - | - | 50,368 |
| Additions | - | - | - | 3,782 | 32,145 | - | 35,927 |
| Transfers to software - in use | - | - | - | - | (8,320) | 8,320 | - |
| Amortisation charge | - | (187) | (55) | (1,620) | - | (555) | (2,417) |
| Impairment | (6,753) | (500) | - | - | - | - | (7,253) |
| Exchange difference | - | 5 | - | - | - | - | 5 |
| **Closing net book amount** | **33,250** | **3,503** | **768** | **7,519** | **23,825** | **7,765** | **76,630** |
| **At 30 September 2019** | | | | | | | |
| Cost | 40,003 | 10,363 | 1,100 | 10,518 | 23,825 | 8,320 | 94,129 |
| Accumulation amortisation | - | (4,183) | (332) | (2,999) | - | (555) | (8,069) |
| Accumulation impairment | (6,753) | (2,677) | - | - | - | - | (9,430) |
| **Net book amount** | **33,250** | **3,503** | **768** | **7,519** | **23,825** | **7,765** | **76,630** |

[1] Balance of contract acquisition costs is split between current portion of $2.9m and non-current portion of $7.0m (2019: current $2.1m; non-current $5.4m).

### (a) Impairment tests for goodwill

Goodwill and indefinite life intangibles are allocated to the Group's Software and Consulting cash generating units (CGUs) which are also operating and reportable segments for impairment testing purposes.

A segment-level summary of the goodwill and indefinite life intangible assets allocation is presented to the right.

| 2020 | Software $'000 | Consulting $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| Goodwill | 23,643 | 9,608 | - | 33,251 |
| Indefinite life intangibles | 1,362 | 660 | - | 2,022 |
| | **25,005** | **10,268** | **-** | **35,273** |

| 2019 | Software $'000 | Consulting $'000 | Corporate $'000 | Total $'000 |
|---|---|---|---|---|
| Goodwill | 23,643 | 9,608 | - | 33,251 |
| Indefinite life intangibles | 1,362 | 660 | - | 2,022 |
| | **25,005** | **10,268** | **-** | **35,273** |

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 key assumptions used for all CGUs in value in use calculations for 30 September 2020 and 2019 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
- Growth rates - based on long-term historical trends for each segment
- The discount rate applied to cash flow projections is 15% pre-tax (2019 - 15%)
- Terminal growth rates - these have been set at 2% (2019 - 3%)

# 14. Non-current assets - Deferred tax assets

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Employee benefits | 4,958 | 4,338 |
| Provisions - other | 1,089 | 1,513 |
| Accrued expenses | 2,204 | 1,826 |
| Intangibles | 753 | 753 |
| Copyright - software | 245 | 240 |
| Lease liability (net) | 1,718 | 3 |
| Employee share trust | 3,536 | 2,699 |
| Prepaid subscription revenue | 40,762 | 36,604 |
| Other | 232 | 110 |
| | **55,497** | **48,086** |
| Set-off of deferred tax liabilities pursuant to set-off provisions (note 20) | (26,892) | (15,933) |
| **Net deferred tax assets** | **28,605** | **32,153** |
| Deferred tax assets expected to be recovered within 12 months | 13,779 | 15,488 |
| Deferred tax assets expected to be recovered after more than 12 months | 14,826 | 16,665 |
| | **28,605** | **32,153** |
| **Movements:** | | |
| Opening balance at 1 October | 48,085 | 44,823 |
| Credited / (charged) to the consolidated income statement | 6,575 | 2,796 |
| Credited / (charged) to equity | 837 | 466 |
| Offset from deferred tax liabilities | (26,892) | (15,932) |
| **Closing balance at 30 September** | **28,605** | **32,153** |

# 15. Current liabilities - Trade and other payables

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Trade payables | 29,315 | 37,178 |
| Contingent consideration | - | 223 |
| Sundry creditors | 7,249 | 7,826 |
| Directors fees | 559 | 463 |
| | **37,123** | **45,690** |

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 Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

# 16. Current liabilities - Prepaid subscription revenue

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Carrying amount at 1 October | 147,558 | 136,557 |
| Carrying amount at 30 September | 144,148 | 147,558 |
| **Revenue recognised from the opening balance** | **145,359** | **135,361** |

Prepaid subscription revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised as revenue in future periods, generally over the next 12 months. These amounts are a contract liability under AASB15. These amounts are enforceable, generally non-refundable when paid in accordance with the contract and do not result in a future cash outflow. The operating costs to deliver the services are not significant.

# 17. Current liabilities - Provisions

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Make good provision | 569 | 100 |
| Other provisions[1] | 5,416 | 1,818 |
| Annual leave | 8,030 | 6,639 |
| Long service leave | 6,533 | 5,304 |
| | **20,548** | **13,861** |

[1] On 2 October 2020, the Federal Court issued a judgement against TechnologyOne in a civil employment case. As a result of the judgement, the Group's provision was increased to $5.2m (2019: $1.6m) as at 30 September 2020. The company has retained very experienced counsel for an appeal to the Full Federal Court which was lodged on 27 October 2020.

# 18. Non-current liabilities - Provisions

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Long service leave | 2,285 | 2,921 |
| Make good provision | 145 | 695 |
| | **2,430** | **3,616** |

**(a) Movements in provisions**

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

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.

| 2020 | Annual Leave $'000 | Long service leave $'000 | Make Good $'000 | Service Level Commitment $'000 | Legal provision $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Carrying amount at 1 October 2019 | 6,639 | 8,225 | 795 | 218 | 1,600 | 17,477 |
| Additional provisions recognised | 4,436 | 2,555 | 8 | 49 | 3,600 | 10,648 |
| Amount used during the year | (3,045) | (1,963) | (89) | (50) | - | (5,147) |
| **Carrying amount at 30 September 2020** | **8,030** | **8,817** | **714** | **217** | **5,200** | **22,978** |

# 19. Leases

**Right-of-use-assets**

| Year ended 30 September 2020 | Property $'000 | Equipment $'000 | Total $'000 |
|---|---|---|---|
| Opening net book amount | 28,578 | 108 | 28,686 |
| Additions | 1,206 | - | 1,206 |
| Modifications during the year | (324) | - | (324) |
| Disposals | - | - | - |
| Depreciation charge | (5,746) | (45) | (5,791) |
| Exchange difference | 9 | - | 9 |
| **Closing net book amount** | **23,723** | **63** | **23,786** |
| **At 30 September 2020** | | | |
| Cost | 29,469 | 108 | 29,577 |
| Accumulated depreciation | (5,746) | (45) | (5,791) |
| **Net book amount** | **23,723** | **63** | **23,786** |

**Lease liability**

| 1 October 2019 | Property $'000 | Equipment $'000 | Total $'000 |
|---|---|---|---|
| Opening liability | 32,709 | 108 | 32,817 |
| New leases entered into during the year | 1,351 | - | 1,351 |
| Modifications during the year | (324) | - | (324) |
| Payments | (5,916) | (49) | (5,965) |
| Interest expense | 1,452 | 2 | 1,454 |
| Exchange difference | 12 | - | 12 |
| **Closing liability** | **29,284** | **61** | **29,345** |

**The following are amounts recognised in profit or loss under AASB 16:**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Amortisation on right-of-use assets | 5,791 | - |
| Interest expense on lease liabilities | 1,454 | - |
| Expense related to short-term leases (included in occupancy costs) | 599 | - |
| **Total amount recognised in profit or loss** | **7,844** | **-** |

**Cashflow from leases**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Total cash outflow as a lessee | 6,564 | 7,398 |
| | **6,564** | **7,398** |

# 20. Non-current liabilities – Deferred tax liabilities

| The balance comprises temporary differences attributable to: | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Contract assets | (4,269) | (4,237) |
| Accelerated depreciation for tax purposes | (1,323) | 64 |
| Prepayments | (28) | (26) |
| Capitalised development | (18,767) | (9,477) |
| Contract acquisition costs | (2,505) | (2,256) |
| Total deferred tax liabilities | **(26,892)** | **(15,932)** |
| Set-off of deferred tax liabilities pursuant to set-off provisions | 26,892 | 15,932 |
| Net deferred tax liabilities (note 14) | - | - |
| **Movements:** | | |
| Opening balance at 1 October | (15,932) | (2,545) |
| Charged/(credited) to the Consolidated income statement | (10,960) | (13,387) |
| Offset to deferred tax assets | 26,892 | 15,932 |
| **Closing balance at 30 September** | **-** | **-** |

# 21. Contributed Equity

**Share capital**

| | 2020 Shares | 2019 Shares | 2020 $'000 | 2019 $'000 |
|---|---|---|---|---|
| Ordinary shares Fully paid | **319,295,458** | 317,827,581 | **40,551** | 35,302 |

**Movements in ordinary share capital**

**(a) Employee Share Option Plan**

| Date | Details | Number of shares | $'000 |
|---|---|---|---|
| 1 Oct 2019 | Opening balance | 317,827,581 | 35,302 |
| | Exercise of options | 1,467,877 | 5,249 |
| **30 Sep 2020** | **Closing balance** | **319,295,458** | **40,551** |
| 1 Oct 2018 | Opening balance | 316,691,676 | 33,171 |
| | Exercise of options | 1,135,905 | 2,131 |
| **30 Sep 2019** | **Closing balance** | **317,827,581** | **35,302** |

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 31.

# 22. Reserves

**(a) Other reserves**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Share-based payments | 31,342 | 25,722 |
| Foreign currency translation | 2,136 | 1,850 |
| Dividend reserve | 30,046 | 27,905 |
| | **63,524** | **55,477** |

**(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 and associated tax benefits.

**(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(c) 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**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Final dividend for the year ended 30 September 2019 of 8.78 Cents (2018 - 6.16 Cents) per fully paid share paid in December 2019 (2018- December 2018)<br>60% franked (2018- 75%) based on tax paid at 30% | 27,930 | 19,527 |
| Special dividend for the year ended 30 September 2019 of 0.00 Cents (2018 - 2.00 Cents) per fully paid share (2018- December 2018)<br>(2018- 75% franked) based on tax paid at 30% | - | 6,334 |
| Interim dividend for the year ended 30 September 2020 of 3.47 Cents (2019 - 3.15 Cents) per fully paid share paid in June 2020 (2019- June 2019)<br>60% franked (2019- 75%) based on tax paid at 30% | 11,058 | 9,989 |
| **Total dividends paid** | **38,988** | **35,850** |

**(a) Dividends policy**

The Board will continue to consider paying a special dividend in future years if cash reserves remain high, franking credits are available, 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**

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Final** | | |
| In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 9.41 cents per fully paid ordinary share (2019 - 8.78 cents) 60% franked (2019 - 60%) based on tax paid at 30% (2019 - 30%).<br>The aggregate amount of proposed dividend expected to be paid out of retained earnings, but not recognised as a liability at year end | **30,046** | 27,905 |
| | **30,046** | **27,905** |

**(c) Franked Dividends**

The franked portions of the final dividends recommended after 30 September 2019 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 2020.

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Franking account balance as at the end of the financial year at 30% (2019: 30%) | 3,044 | (1,202) |
| Franking credits that will arise from the payments of income tax payable as at the end of the financial year | 519 | 2,728 |
| | **3,563** | **1,526** |

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

(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 $7,730,209 (2019 - $7,175,639).

# 24. Key management personnel disclosures

### (a) Key management personnel disclosures

| | 2020 $ | 2019 $ |
|---|---|---|
| Short-term employee benefits | 5,289,169 | 4,803,959 |
| Deferred retention bonus | 227,586 | 108,195 |
| Share-based payments | 934,784 | 766,631 |
| | **6,451,539** | **5,678,785** |

### (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:

### (a) Ernst & Young (Australia)

| | 2020 $ | 2019 $ |
|---|---|---|
| **Fees to Ernst and Young (Australia)** | | |
| Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities | 801,795 | 527,609 |
| Fees for assurance services that are required by legislation | - | - |
| Fees for other assurance and agreed-upon-procedure services | 174,440 | 168,600 |
| Fees for other services | **148,290** | 131,672 |
| **Total remuneration of Ernst & Young Australia** | **1,124,525** | **827,881** |

The relative ratio of other services to audit and assurance services was 13% (2019 19%).

# 26. Contingencies

TechnologyOne is a global business and from time to time in the ordinary course of business it receives enquiries from various regulators and government bodies. TechnologyOne cooperates fully with all enquiries and these enquiries do not require disclosure in their initial state, however should the Group become aware that an enquiry is developing further or if any regulator or government action is taken against the group, appropriate disclosure is made in accordance with the relevant accounting standards.

As a global business, from time to time TechnologyOne is also subject to various claims and litigation from third parties during the ordinary course of its business. The Directors of TechnologyOne have given consideration to such matters which are or may be subject to claims or litigation at year end and, unless specific provisions have been made, are of the opinion that no material contingent liability for such claims of litigation exists. The group had no material contingent assets or liabilities.

### Guarantees

At 30 September 2020, the Group had $3,397,831 (2019 - $6,155,631) in outstanding performance guarantees. The total available guarantee facility is $6,650,000 (2019 - $7,000,000). The Group also had unused foreign currency dealing limits of $1,606,393 (2019 - $1,256,319).

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

# 27. 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.
- Marketing support and management fees were charged to wholly owned controlled entities.
- Dividends were paid from Technology One New Zealand Limited to the parent entity during the year.

These transactions were undertaken on commercial terms and conditions. No allowance for expected credit loss has been recognised for amounts due to and receivable from related parties.

The ownership interest in related parties in the wholly owned group is set out in note 28.

# 28. 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 2020% | Equity holding 2019% |
|---|---|---|---|---|
| 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 |
| Desktop Mapping Systems Pty Ltd (DMS) | Australia | Ordinary | 100 | 100 |
| Digital Mapping Solutions NZ Limited (DMS) | New Zealand | Ordinary | 100 | 100 |
| Boldridge Pty Ltd | Australia | Ordinary | 100 | 100 |
| Icon Solution Unit Trust (ICON) | Australia | Ordinary | 100 | 100 |
| Icon Strategic Solutions Pty Ltd | Australia | Ordinary | 100 | 100 |
| Jeff Roorda & Associates Pty Ltd (JRA) | Australia | Ordinary | 100 | 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:

Technology One HQ
Level 11,
540 Wickham Street,
Fortitude Valley, Qld, 4006

# 29. Reconciliation of profit after income tax to net cash inflow from operating activities

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Profit for the year | 62,945 | 58,459 |
| Depreciation and amortisation | 18,638 | 6,127 |
| Non-cash employee benefits expense - share-based payments | 3,305 | 1,947 |
| Finance costs | 1,495 | - |
| Impairment of intangibles | - | 7,253 |
| Reduction in contingent consideration (JRA) | - | (7,528) |
| Net (gain) / loss on sale of non-current assets | (38) | 359 |
| Movement in ECL through profit or loss | 34 | 348 |
| (increase)/decrease in trade debtors and contract assets | 14,192 | (12,070) |
| (increase)/decrease in prepayments and other current assets | 1,959 | (1,958) |
| (increase)/decrease in deferred tax assets and liabilities | 3,548 | 6,299 |
| Increase / (decrease) in trade creditors | (3,967) | 7,526 |
| Increase / (decrease) in employee entitlements | 1,983 | (93) |
| Increase / (decrease) in other provisions | 2,827 | (835) |
| Increase / (decrease) in prepaid subscription revenue | (3,410) | 11,001 |
| **Net cash inflow / (outflow) from operating activities** | **103,511** | **76,835** |

# 30. Earnings per share

### (a) Basic earnings per share

| | 2020 Cents | 2019 Cents |
|---|---|---|
| Basic earnings per share (cents per share) | **19.75** | 18.43 |
| Diluted earnings per share (cents per share) | **19.61** | 18.30 |
| Profit used for calculating basic and diluted earnings per share ($'000) | **62,945** | 58,459 |

### (b) Weighted average number of shares used as denominator

| | 2020 Number | 2019 Number |
|---|---|---|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | **318,659,285** | 317,215,635 |
| Adjustments for calculation of diluted earnings per share: | | |
| Options | **2,295,131** | 2,284,678 |
| **Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share** | **320,954,416** | **319,500,313** |

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.

# 31. 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 up to 25% discount on the volume weighted average price for the 10 days prior to the grant date.

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
- Satisfactory performance on non-financial indicators as determined by the Executive Chairman

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

Each option entitles the holder to purchase one share. 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 year *Number* | Exercised during the period *Number* | Forfeited during the period *Number* | Balance at the end of the period *Number* | Vested and exercisable at end of the period *Number* |
|---|---|---|---|---|---|---|---|---|
| **2020** | | | | | | | | |
| 1/10/2019 | 1/10/2027 | - | - | 1,691 | - | - | 1,691 | - |
| 1/10/2019 | 1/10/2027 | 7.3854 | - | 578,551 | - | - | 578,551 | - |
| 1/10/2019 | 1/10/2027 | 5.5391 | - | 913,938 | - | - | 913,938 | - |
| 1/10/2018 | 1/10/2026 | 4.1122 | 1,003,568 | - | - | (15,243) | 988,325 | - |
| 1/10/2018 | 1/10/2026 | 5.4829 | 390,520 | - | - | - | 390,520 | - |
| 1/10/2018 | 1/07/2026 | 1.5862 | 12,500 | - | - | - | 12,500 | - |
| 1/10/2018 | 1/07/2026 | 1.8914 | 50,000 | - | (50,000) | - | - | - |
| 1/10/2018 | 1/10/2025 | 4.1166 | 313,582 | - | - | - | 313,582 | - |
| 1/10/2018 | 1/07/2025 | 1.0313 | 176,667 | - | (151,667) | (25,000) | - | - |
| 1/10/2018 | 1/10/2025 | 4.9952 | 100,101 | - | - | - | 100,101 | - |
| 1/10/2018 | 1/07/2025 | 0.8633 | 250,250 | - | (221,000) | - | 29,250 | 29,250 |
| 1/10/2018 | 1/07/2025 | 1.5862 | 12,500 | - | - | - | 12,500 | 12,500 |
| 1/10/2018 | 1/07/2025 | 1.8914 | 50,000 | - | - | - | 50,000 | 50,000 |
| 1/10/2017 | 1/10/2025 | 5.1456 | 1,593,113 | - | - | (27,943) | 1,565,170 | - |
| 1/10/2017 | 1/10/2024 | 5.1456 | 50,000 | - | - | - | 50,000 | - |
| 1/10/2017 | 1/10/2025 | 5.7474 | 11,177 | - | - | - | 11,177 | - |
| 1/07/2018 | 1/07/2026 | 1.3388 | 167,000 | - | - | - | 167,000 | - |
| 1/07/2018 | 1/07/2025 | 1.3388 | 167,000 | - | (167,000) | - | - | - |
| 1/07/2018 | 1/10/2026 | 4.1122 | 22,853 | - | - | - | 22,853 | - |
| 1/07/2017 | 1/07/2024 | 0.8633 | 29,150 | - | (12,500) | - | 16,650 | 16,650 |
| 23/05/2017 | 1/10/2024 | 5.6046 | 247,373 | - | (45,516) | (46,375) | 155,482 | 155,482 |
| 7/04/2017 | 30/09/2024 | - | 978 | - | (978) | - | - | - |
| 10/03/2017 | 1/10/2024 | 5.6027 | 22,516 | - | - | - | 22,516 | 22,516 |
| 14/02/2017 | 1/10/2024 | 5.0688 | 50,000 | - | (50,000) | - | - | - |
| 7/02/2017 | 1/10/2024 | 5.2334 | 50,000 | - | (50,000) | - | - | - |
| 1/10/2016 | 1/10/2024 | 5.7474 | 762,737 | 10,000 | (657,788) | (97,949) | 17,000 | 17,000 |
| 1/10/2016 | 1/10/2024 | - | 10,000 | - | (10,000) | - | - | - |
| 1/07/2016 | 1/07/2023 | 0.8633 | 29,150 | - | (12,500) | - | 16,650 | 16,650 |
| 1/07/2015 | 1/07/2022 | 0.8633 | 16,650 | - | - | - | 16,650 | 16,650 |
| 25/08/2009 | 25/08/2022 | 0.3450 | 30,000 | - | (30,000) | - | - | - |
| 25/08/2010 | 25/08/2023 | 0.3450 | 30,000 | - | - | - | 30,000 | 30,000 |
| 25/08/2011 | 25/08/2024 | 0.3450 | 30,000 | - | - | - | 30,000 | 30,000 |
| **Total** | | | **5,679,385** | **1,554,180** | **(1,458,949)** | **(212,510)** | **5,562,106** | **396,698** |
| **Weighted average exercise price** | | | **$4.27** | **$6.10** | **$3.60** | **$4.97** | **$4.93** | **$3.27** |

| Issue date | Expiry date | Exercise price | Balance at start of the period *Number* | Issued during the year *Number* | Exercised during the period *Number* | Forfeited during the period *Number* | Balance at the end of the period *Number* | Vested and exercisable at end of the period *Number* |
|---|---|---|---|---|---|---|---|---|
| **2019** | | | | | | | | |
| 1/10/2018 | 1/10/2026 | 4.1122 | - | 1,210,593 | - | (207,025) | 1,003,568 | - |
| 1/10/2018 | 1/10/2026 | 5.4829 | - | 390,520 | - | - | 390,520 | - |
| 1/10/2018 | 1/07/2026 | 1.5862 | - | 12,500 | - | - | 12,500 | - |
| 1/10/2018 | 1/07/2026 | 1.8914 | - | 50,000 | - | - | 50,000 | - |
| 1/10/2018 | 1/10/2025 | 4.1166 | - | 313,582 | - | - | 313,582 | - |
| 1/10/2018 | 1/07/2025 | 1.0313 | - | 176,667 | - | - | 176,667 | - |
| 1/10/2018 | 1/10/2025 | 4.9952 | - | 100,101 | - | - | 100,101 | - |
| 1/10/2018 | 1/07/2025 | 0.8633 | - | 250,250 | - | - | 250,250 | - |
| 1/10/2018 | 1/07/2025 | 1.1634 | - | 16,750 | - | (16,750) | - | - |
| 1/10/2018 | 1/07/2025 | 1.5862 | - | 12,500 | - | - | 12,500 | - |
| 1/10/2018 | 1/07/2025 | 1.8914 | - | 50,000 | - | - | 50,000 | - |
| 1/10/2017 | 1/10/2025 | 5.1456 | 2,343,304 | - | - | (750,191) | 1,593,113 | - |
| 1/10/2017 | 1/10/2024 | 5.1456 | 50,000 | - | - | - | 50,000 | - |
| 1/10/2017 | 1/10/2025 | 5.7474 | 11,177 | - | - | - | 11,177 | - |
| 1/07/2018 | 1/07/2026 | 1.3388 | 167,000 | - | - | - | 167,000 | - |
| 1/07/2018 | 1/07/2025 | 1.3388 | 167,000 | - | - | - | 167,000 | - |
| 1/07/2018 | 1/10/2026 | 4.1122 | 22,799 | 54 | - | - | 22,853 | - |
| 1/07/2017 | 1/07/2024 | 1.8914 | 50,000 | - | (50,000) | - | - | - |
| 1/07/2017 | 2/07/2024 | 1.5862 | 12,500 | - | (12,500) | - | - | - |
| 1/07/2017 | 1/07/2024 | 1.3388 | 167,000 | - | (167,000) | - | - | - |
| 1/07/2017 | 1/07/2024 | 1.1634 | 16,650 | - | (16,650) | - | - | - |
| 1/07/2017 | 1/07/2024 | 1.0313 | 225,667 | - | (151,667) | (74,000) | - | - |
| 1/07/2017 | 1/07/2024 | 0.8633 | 249,950 | - | (220,800) | - | 29,150 | 29,150 |
| 23/05/2017 | 1/10/2024 | 5.6046 | 189,759 | 57,614 | - | - | 247,373 | - |
| 7/04/2017 | 30/09/2024 | - | 978 | - | - | - | 978 | 978 |
| 10/03/2017 | 1/10/2024 | 5.6027 | 22,516 | - | - | - | 22,516 | - |
| 20/02/2017 | 1/10/2024 | 5.1064 | 101,242 | - | - | (101,242) | - | - |
| 14/02/2017 | 1/10/2024 | 5.0688 | 50,000 | - | - | - | 50,000 | - |
| 7/02/2017 | 1/10/2024 | 5.2334 | 50,000 | - | - | - | 50,000 | - |
| 1/10/2016 | 1/10/2024 | 5.7474 | 900,666 | - | - | (137,929) | 762,737 | - |
| 1/10/2016 | 1/10/2024 | - | 10,000 | - | - | - | 10,000 | - |
| 1/07/2016 | 1/07/2023 | 0.5302 | 50,000 | - | (50,000) | - | - | - |
| 1/07/2016 | 1/07/2023 | 0.8633 | 54,150 | - | (25,000) | - | 29,150 | 29,150 |
| 1/07/2016 | 1/07/2023 | 1.0313 | 74,000 | - | (74,000) | - | - | - |
| 1/07/2016 | 2/07/2023 | 1.5862 | 12,500 | - | (12,500) | - | - | - |
| 11/04/2016 | 1/10/2023 | 4.7969 | 221,673 | - | (146,162) | (75,511) | - | - |
| 1/07/2015 | 1/07/2022 | 0.8633 | 41,650 | - | (25,000) | - | 16,650 | 16,650 |
| 25/08/2009 | 25/08/2022 | 0.3450 | 30,000 | - | - | - | 30,000 | 30,000 |

| Issue date | Expiry date | Exercise price | Balance at start of the period *Number* | Issued during the year *Number* | Exercised during the period *Number* | Forfeited during the period *Number* | Balance at the end of the period *Number* | Vested and exercisable at end of the period *Number* |
|---|---|---|---|---|---|---|---|---|
| 25/08/2010 | 25/08/2023 | 0.3450 | 30,000 | - | - | - | 30,000 | 30,000 |
| 25/08/2011 | 25/08/2024 | 0.3450 | 30,000 | - | - | - | 30,000 | 30,000 |
| 1/05/2009 | 1/07/2021 | 0.3600 | 55,000 | - | (55,000) | - | - | - |
| | | | **5,407,181** | **2,641,131** | **(1,006,279)** | **(1,362,648)** | **5,679,385** | **165,928** |
| **Weighted average exercise price** | | | **$1.92** | **$3.74** | **$1.58** | **$4.75** | **$4.27** | **$0.58** |

# 31. Share-based payments (continued)

At September 2020 a total of 5,562,106 options (2019 – 5,679,358) were offered to employees.

The weighted average share price at the date of exercise of options exercised during the year ended 30 September 2020 was $3.60 (2019 - $1.58).

The weighted average remaining contractual life of share options outstanding at the end of the period was 6 years (2019 - 6.0 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 between $1.93 and $3.39 (2019 - $1.49 - $2.23).

The model inputs for options granted during the year ended 30 September 2020 included:

(I) Dividend yield of 1.6% (2019 – 2.1%)

(II) Expected volatility 29.5% (2019: 30%)

(III) Risk-free interest rate 0.62-1.89% (2019 1.98 – 2.1%)

(IV) Expected life of option 3.3 years (2019 – 3.3 years)

(V) Option exercise price between $7.39 and $5.54 (2019 - $4.11 - $5.48)

(VI) Weighted average share price at grant date was $7.39 (2019 - $6.13)

The expected volatility reflects the assumption that the historical volatility of the Group's share price over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

**(b) Executive performance rights**

After further market consultation, the Group made the decision to return to issuing options or EPRs. Please refer to section 3 of the remuneration report for further information.

**(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:

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| Options issued under employee option plan: | | |
| Vested | 3,355 | 2,243 |
| Forfeited | (50) | (296) |
| **Total share-based payment expense** | **3,305** | **1,947** |

# 32. Parent entity financial information

## (a) Summary financial information

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

| | 2020 $'000 | 2019 $'000 |
|---|---|---|
| **Balance sheet** | | |
| Current assets | 181,777 | 161,626 |
| Non-current assets | 197,068 | 150,331 |
| **Total assets** | **378,845** | **311,957** |
| Current liabilities | 178,175 | 170,139 |
| Non-current liabilities | 37,086 | - |
| **Total liabilities** | **215,261** | **170,139** |
| **Shareholders' equity** | | |
| Contributed equity | 40,551 | 35,302 |
| Dividend reserve | 30,046 | 27,905 |
| Share option reserve | 31,342 | 25,722 |
| Retained earnings | 62,278 | 49,309 |
| | **164,217** | **138,238** |
| **Profit or loss before tax for the year** | 75,787 | 74,075 |
| **Total comprehensive income** | **75,787** | **74,075** |

At 30 September 2020, the statement of financial position shows a current liability balance of $178m (30 September 2019: $170m) which is attributable to the prepaid subscription revenue balance in current liabilities. As prepaid subscription revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised in future periods, and not a future cash outflow, this balance does not impact the Group's ability to meet its short-term obligations as and when they fall due.

## (b) Guarantees entered into by the parent entity

At 30 September 2020, the Group had $3,397,831 (2019 - $6,155,631) in outstanding performance guarantees. The total available guarantee facility is $6,650,000 (2019 - $7,000,000). The Group also had unused foreign currency dealing limits of $1,606,393 (2019 - $1,256,319).

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 2020, the Parent had no contingent liabilities.

# 33. Events after the reporting period

## (a) Dividends

On 19 November 2020, the Directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2020 financial year. The total amount of the dividend is $30,045,703 and is 60% franked.

On 2 October 2020, the Federal Court issued a judgement against TechnologyOne in a civil employment case. As a result of the judgement, the Group's provision was increased to $5.2m (2019: $1.6m) as at 30 September 2020 (refer to note 17). The company has retained very experienced counsel for an appeal to the Full Federal Court which was lodged on 27 October 2020.

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

# Directors' declaration

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 109 to 135 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 2020 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 Group 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 2020.

On behalf of the Board of Directors

Adrian Di Marco
Director
Brisbane
24 November 2020

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Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia GPO
Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

## Auditor's Independence Declaration to the Directors of TechnologyOne Limited

As lead auditor for the audit of the financial report of TechnologyOne Limited for the financial year ended 30 September 2020, 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 audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TechnologyOne Limited and the entities it controlled during the financial year

Ernst & Young

Alison de Groot
Partner
24 November 2020

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Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia GPO
Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Technology One Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 September 2020, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 September 2020 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



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### Measurement and recognition of revenue and associated assets and liabilities

| Why significant | How our audit addressed the key audit matter |
|---|---|
| The Group has the following revenue streams:<br>► SaaS fees;<br>► Annual licence fees;<br>► Initial licence fees; and<br>► Consulting services<br><br>The Group contracts with its customers using written contracts which often include a number of products and services (separately identifiable components). Revenue recognition for these contracts was considered to be a key audit matter due to the complexity of contracts and the judgement required to allocate revenue amongst the respective performance obligations.<br><br>Note 1(d) to the financial statements details the Group's revenue streams and the associated accounting policies. Revenue is disclosed in Note 5, associated assets in Note 9 and Note 10 and associated liabilities in Note 16. | Our audit procedures included the following:<br>► For a sample of signed customer contracts, we obtained the supporting documentation and assessed management's judgement on whether the revenue recognition criteria had been met. The assessment included whether there were contract modifications or delayed payment terms.<br>► The testing of the customer contracts included:<br>▪ The determination of stand-alone price for separately identifiable components;<br>▪ The allocation of the transaction price to identified performance obligations, separated into the different revenue streams, and;<br>▪ The timing of revenue recognition based on the satisfaction of performance obligations.<br>► For a sample of consulting service contracts, (time and materials) we assessed the Group's controls associated with the recording of consulting days delivered and the application of contracted fee rates to these days.<br>► For prepaid subscription revenue (contract liabilities) and contract assets, we tested a sample of balances at year end that included:<br>▪ Agreeing the amounts recorded to invoice and payment;<br>▪ Reperforming the recognition of revenue based on the satisfaction of performance obligations; and<br>▪ Recalculating the amount of the contract asset or contract liability balance at year end.<br>► Assessed the adequacy of the financial report disclosures included in the financial statements. |

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## Capitalisation of software development costs

| Why significant | How our audit addressed the key audit matter |
|---|---|
| As set out in Note 13 to the financial statements the Group capitalises costs related to the development of software products. Software development is core to the Company's operations and requires judgement as to whether it meets the capitalisation criteria of AASB 138 Intangible Assets. The carrying value of the capitalised assets totalled $62.6m as disclosed in Note 13.<br><br>The capitalisation of software development costs was a key audit matter due to the significant management judgements, including:<br><br>► Whether the costs incurred relate to research costs, which are required to be expensed or development costs that are eligible for capitalisation;<br><br>► The assessment of the useful life of the asset and the timing of amortisation;<br><br>► The assessment of future economic benefits and recoverability of the capitalised software development costs. | We performed the following procedures in respect of the development expenditure capitalised:<br><br>► Assessed the Group's policy of capitalisation of software development costs for compliance with Australian Accounting Standards.<br><br>► Held inquiries with Project Directors, to understand development activities assessment and the feasibility of completion.<br><br>► For a sample of capitalised software development costs, we tested whether additions were appropriately supported to payroll records or third party documentation and attributed to development activities.<br><br>► Considered the appropriateness of the amortisation period for the capitalised software development costs.<br><br>► Assessed the recoverability of capitalised software development costs.<br><br>► Assessed the adequacy of the financial report disclosures included in the financial statements. |

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2020 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



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In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 September 2020.

In our opinion, the Remuneration Report of Technology One Limited for the year ended 30 September 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

Ernst & Young

| | |
|---|---|
| Alison de Groot<br>Partner<br>Brisbane<br>24 November 2020 | Jennifer Barker<br>Partner<br>Brisbane<br>24 November 2020 |



# Shareholder information

The shareholder information set out below was applicable as at 07 December 2020.

## (a) Distribution of equity securities

| Number of shares | Number of shareholders |
|---|---|
| 100,001 and Over | 69 |
| 10,001 to 100,000 | 1,186 |
| 5,001 to 10,000 | 1,225 |
| 1,001 to 5,000 | 4,371 |
| 1 to 1,000 | 3,986 |

There were 183 holders of less than a marketable parcel of ordinary shares.

## (b) Equity security holders

### Twenty largest quoted equity security holders

| Name | Number held | %IC |
|---|---|---|
| JL MACTAGGART HOLDINGS PTY LTD[1] | 30,902,500 | 9.62% |
| MASTERBAH PTY LTD[1] | 20,378,500 | 6.35% |
| HYPERION ASSET MANAGEMENT | 14,166,960 | 4.41% |
| SELECTOR FUNDS MANAGEMENT | 13,571,847 | 4.23% |
| FUNDSMITH | 12,376,995 | 3.97% |
| MODRIAN INVESTMENT PARTNERS | 11,111,305 | 3.46% |
| INVESCO (OPPENHEIMER FUNDS) | 10,580,024 | 3.29% |
| WASATCH GLOBAL INVESTORS | 8,225,822 | 2.56% |
| FIRST SENTIER INVESTORS | 8,076,881 | 2.52% |
| ACADIAN ASSET MANAGEMENT | 7,894,053 | 2.46% |
| VANGUARD INVESTMENTS AUSTRALIA | 7,042,164 | 2.19% |
| DIMENSIONAL FUND ADVISORS | 6,167,228 | 1.92% |
| VINVA INVESTMENT MANAGEMENT | 6,144,894 | 1.91% |
| ARGO INVESTMENTS | 5,964,564 | 1.86% |
| STATE STREET GLOBAL ADVISORS | 5,682,082 | 1.77% |
| BLACKROCK INVESTMENT MANAGEMENT (SAN FRANSISCO) | 5,108,450 | 1.59% |
| BLACKROCK INVESTMENT MANAGEMENT (SYDNEY) | 4,651,993 | 1.45% |
| PENDAL GROUP | 4,592,538 | 1.43% |
| COLUMBIA WANGER ASSET MANAGEMENT | 4,428,628 | 1.38% |
| VANGUARD GROUP | 4,200,217 | 1.31% |
| | **191,627,645** | **59.68%** |

[1]Substantial holder (including associate holdings) in Technology One Limited.
In their capacity as an investment manager, the following have lodged Form 604 notices as a Substantial Shareholder under section 608 of the Corporations Act: Hyperion Asset Management Limited (5.59% as at 02/11/20) and Pinnacle Investment Management Group Limited (5.05% as at 22/11/20)

## (c) Voting rights

All ordinary shares issued by Technology One Limited carry one vote per share without restriction. Options and Performance Rights have no voting rights.

# Corporate directory - Technology One Limited

## Board of Directors

Adrian Di Marco

Ron McLean

John Mactaggart

Kevin Blinco

Richard Anstey

Jane Andrews

Sharon Doyle

Cliff Rosenberg

Peter Ball

## Company Secretary

Stephen Kennedy

Paul Jobbins

## Australian Business Number

84 010 487 180

## Registered Office

Technology One Limited

Level 11, TechnologyOne HQ

540 Wickham Street

Fortitude Valley  QLD  4006

Australia

www.TechnologyOneCorp.com

P. 1800 671 978

International: +617 3167 7300

## Branch Locations

Brisbane

Sydney

Melbourne

Canberra

Adelaide

Perth

Hobart

Auckland

Wellington

Kuala Lumpur

Maidenhead

## Auditor

Ernst & Young

Level 51, 111 Eagle Street

Brisbane QLD 4000

www.ey.com/au

## Lawyer

McCullough Robertson

Level 11, 66 Eagle Street

Brisbane QLD 4000

www.mccullough.com.au

## Share Registry

Link Market Services Limited

Locked Bag A14

Sydney NSW 1235

Phone: 02 8280 7454

Fax: 02 9287 0303

www.linkmarketservices.com.au

## Stock Exchange Listing

Australian Securities Exchange
(ASX: TNE)

# Corporate calendar

The following calendar shows the planned dates for significant shareholder events for the 2020 year.
These dates are subject to change. The declaration of dividends is subject to board approval.

| 2021 (Year Ending 30 September 2021) | |
|---|---|
| Annual General Meeting[1] | 23 February 2021 |
| Announcement of Half Year results for 2021 | 25 May 2021 |
| Media Interviews | 25 May 2021 |
| Presentations to Institutions – Sydney (tentative) | 26 & 27 May 2021 |
| Presentations to Institutions – Melbourne (tentative) | 28 May 2021 |
| Ex-Dividend for 2021 Interim Dividend[2] | 3 Jun 2021 |
| Record date for 2021 interim dividend[3] | 4 Jun 2021 |
| Payment date for 2021 interim dividend[4] | 18 June 2021 |
| Announcement of Full Year Results for 2021 | 23 November 2021 |
| Media Interviews | 23 November 2021 |
| Presentations to Institutions – Sydney (tentative) | 24 & 25 November 2021 |
| Presentations to Institutions – Melbourne (tentative) | 26 November 2021 |
| Ex-Dividend for 2021 Final Dividend[2] | 2 December 2021 |
| Record date for 2021 dividend[3] | 3 December 2021 |
| Payment date for 2021 final dividend[4] | 17 December 2021 |
| Distribute 2021 Annual Report (tentative) | 17 January 2022 |
| Annual General Meeting (2021 tentative)[5] | 22 February 2022 |

Notes:

[1]Closing date for the receipt of director nominations is 4 January 2021 in accordance with ASX Listing Rule 14.3

[2]The **Ex-dividend date** occurs one business day before TechnologyOne's Record Date.

[3]The **Record Date** is 5.00pm on the date TechnologyOne closes its share register to determine which shareholders are entitled to receive the current dividend.

[4]The **Payment Date** is the date on which TechnologyOne's dividend is paid to shareholders.  The payment date is approximately 10 business days after the Record Date.

[5]Closing date for the receipt of director nominations is 3 January 2022 in accordance with ASX Listing Rule 14.3 (35 business days prior to AGM)

# Enterprise software, incredibly simple.

TechnologyOne (ASX: TNE) is Australia's largest enterprise software company and one of Australia's top 150 ASX-listed companies, with locations across six countries. We provide a global SaaS ERP solution that transforms business and makes life simple for our customers. Our deeply integrated enterprise SaaS solution is available on any device, anywhere and any time and is incredibly easy to use. Over 1,200 leading corporations, government agencies, local councils and universities are powered by our software. For more than 33 years, we have been providing our customers enterprise software that evolves and adapts to new and emerging technologies, allowing them to focus on their business and not technology.

ABN: 84 010 487 180

**TechnologyOneCorp.com**

Australia | New Zealand | South Pacific | Asia | United Kingdom
Freecall 1800 671 978 (within Australia) | +617 3167 7300 (outside Australia)