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13 January 2017

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

BY ELECTRONIC LODGEMENT
TECHNOLOGY ONE LIMITED – ANNUAL REPORT

Please find attached a copy of Technology One Limited's Annual Report for the year ended 30 September 2016.

Once released by the ASX a copy of the Annual Report will be either posted or otherwise made available to Shareholders along with the Notice of Meeting for the Annual General Meeting and Shareholder Voting Forms for the meeting to be held on 21 February 2017.

Yours faithfully



Gareth Pye
Company Secretary

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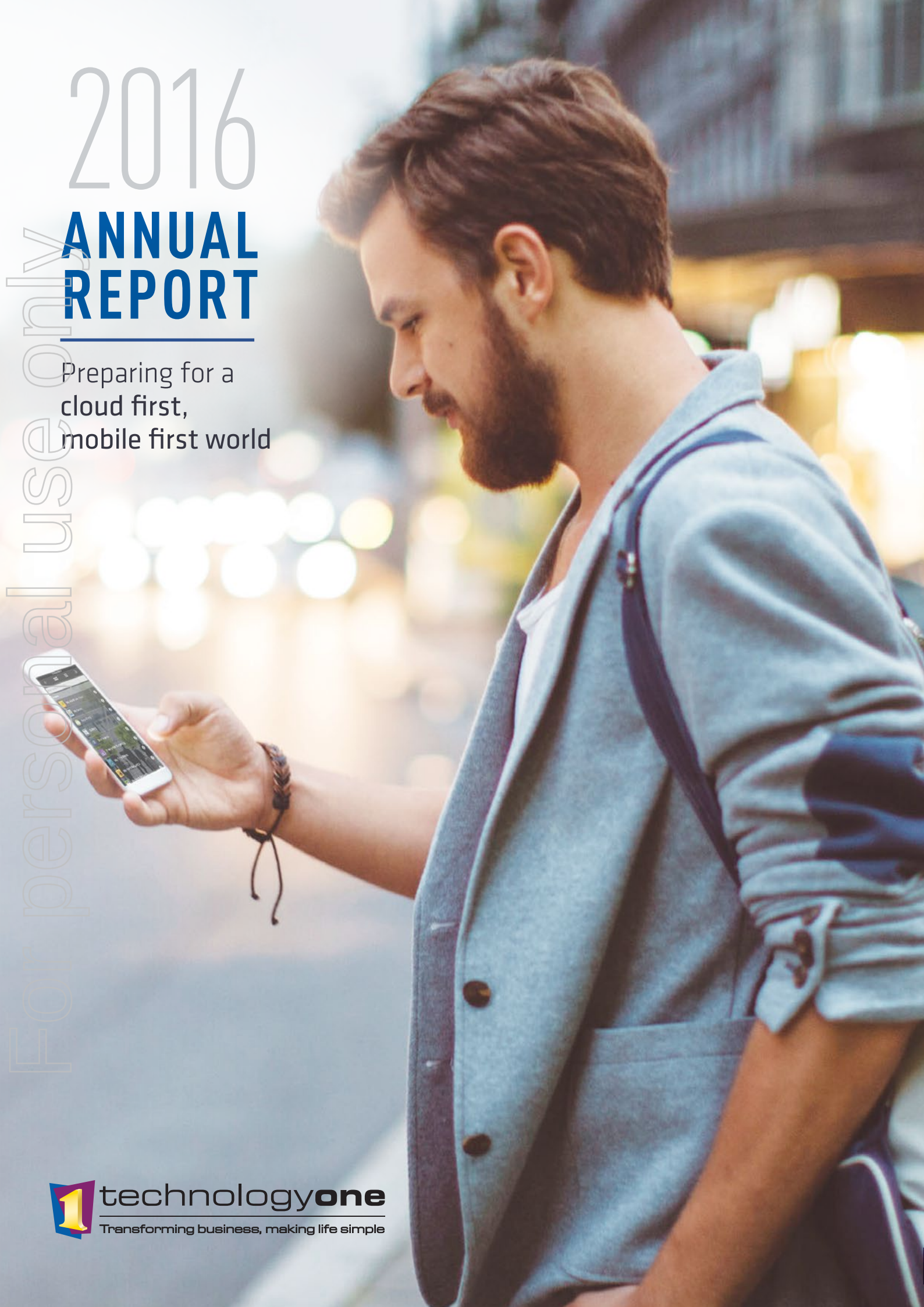
2016 ANNUAL REPORT

Preparing for a
cloud first,
mobile first world



technologyone
Transforming business, making life simple

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2016 **full year highlights**

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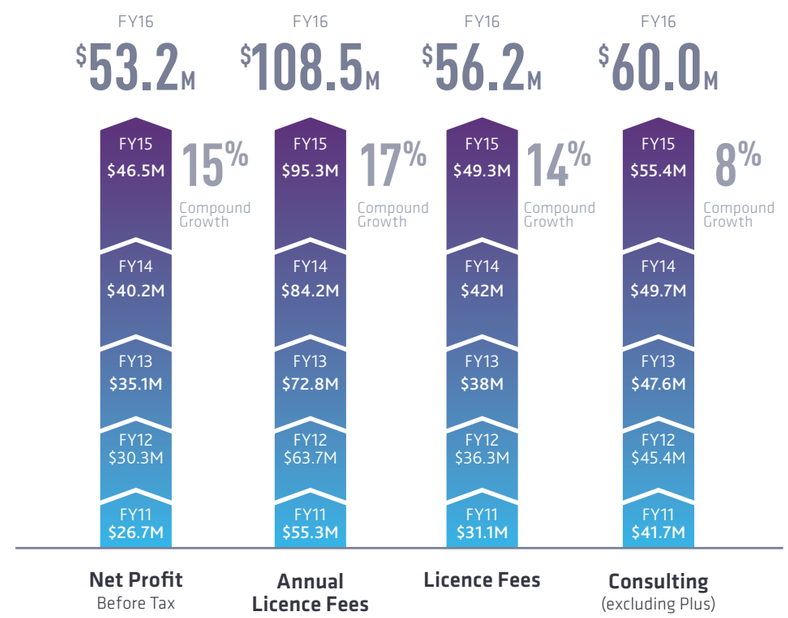

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PREPARING FOR A
DIGITAL REVOLUTION

Transforming business, making life simple

TechnologyOne (ASX:TNE) is Australia's largest and most successful enterprise software company and one of Australia's top 200 ASX-listed companies, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,000 leading corporations, government departments and statutory authorities are powered by our software.

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AT A GLANCE

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Our **people**

More than **1000** employees

TechnologyOne College delivers ongoing training to our people.

Compelling Customer Experience Program, which supports our people in delivering outstanding customer service.

Our **difference**

8 **Key markets**
A deep understanding and engagement with our markets enables us to develop integrated, preconfigured solutions.

1 **The power of one**
The only vendor to develop, sell, implement, support and run a fully integrated suite of enterprise software solutions.

We allow our customers to focus on their business and embrace an exciting new world of possibilities in a cloud first, mobile first world.

Our **finances**

17 Consecutive years of record revenue

UP **8%** **Dividend growth** per annum

UP **14%** **Revenue growth** per annum

UP **16%** **Net Profit After Tax growth** per annum

Profitable since **1992**

UP **145%** Cloud service fees

Strong financial track record over **17 YEARS**

UP **16%** Operating Cash flow

UP **14%** Initial Licence Fees

UP **14%** Annual Licence Fees

61% Return on Equity (adjusted)

R & D

Continued R&D into new and emerging technologies, including cloud-based technologies and new innovations.

The largest Australian-owned commercial R&D centre.

R&D facilities in Australia, Indonesia and Vietnam.

At a glance

Our vision

Transforming business, making life simple

Our markets

With a deep understanding of our eight key markets, TechnologyOne is the leading supplier of enterprise software solutions for more than 1000 organisations across:

- Local government
- Government
- Education
- Health and community services
- Financial services
- Asset intensive industries
- Project intensive industries
- Corporates

Our products

TechnologyOne's comprehensive suite of enterprise software products includes:

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

Our reach

TechnologyOne has 14 offices throughout Australia, New Zealand, Asia, the South Pacific and the United Kingdom.

Our preconfigured solutions

We offer a range of industry-leading preconfigured enterprise solutions that provide proven practice, streamline implementations and reduce time, cost and risk. These include:

- OneCouncil
- OneGovernment
- OneBanking
- OneWealth
- OneInsurance
- OneUniversity
- OneEducation
- OneCommunity
- OneHealth
- OneHousing
- OneAgedCare
- OneAirport
- OnePort
- OneWater
- OneEnergy

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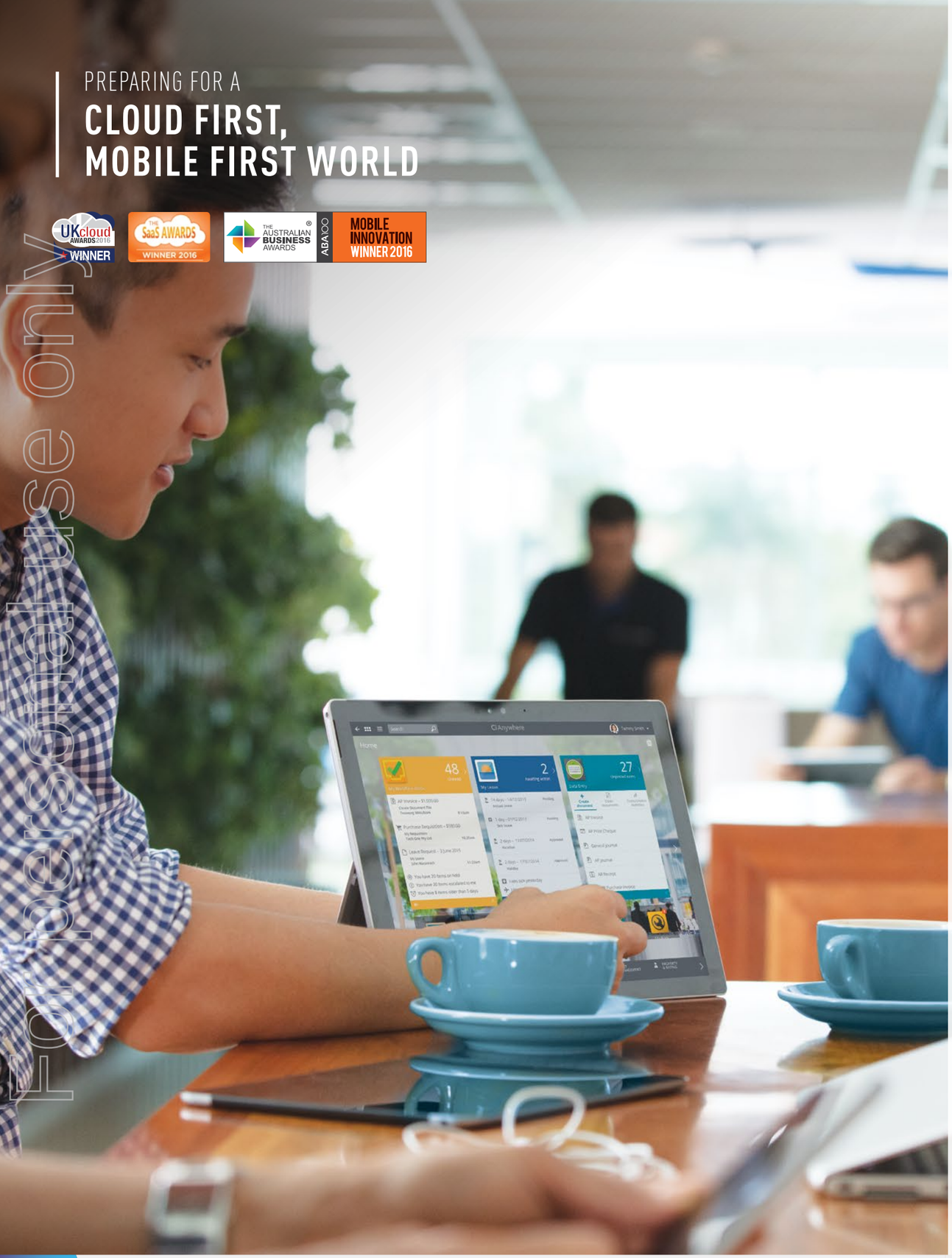
FINANCIAL HIGHLIGHTS

PREPARING FOR A

CLOUD FIRST, MOBILE FIRST WORLD



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Financial highlights

	2016	Growth on last year	15 year compound growth	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenue	**249,018**	**14%**	**13%**	218,724	195,124	180,591	169,070	156,742	135,906	122,487	110,215	78,367	66,485	55,165	51,551	48,348	47,380
Licence Fees	**56,165**	**14%**	**12%**	49,294	41,986	37,073	35,447	30,729	26,766	24,333	22,588	18,354	17,150	12,210	11,996	8,075	11,534
Consulting (excl. Plus)	**60,026**	**8%**	**11%**	55,449	49,735	47,573	45,388	41,746	41,583	41,023	35,882	22,498	18,060	14,846	13,438	14,078	13,830
Annual Support	**108,480**	**14%**	**18%**	95,346	84,248	72,753	63,684	55,268	48,506	43,114	36,343	25,594	21,064	17,173	14,388	12,426	10,704
R&D Expense	**46,009**	**12%**	**13%**	41,038	37,873	35,595	33,524	31,796	26,963	24,908	21,154	13,837	12,675	10,220	9,547	9,306	8,135
Net Profit Before Tax	**53,240**	**15%**	**11%**	46,494	40,235	35,097	30,324	26,675	23,282	20,276	23,129	19,772	16,257	14,429	13,110	10,121	12,844
Net Profit After Tax	**41,344**	**16%**	**12%**	35,785	30,967	26,984	23,559	20,326	17,813	15,684	17,229	14,781	12,314	10,597	9,479	7,030	8,755
Earnings Per Share	**13.26**	**15%**	**12%**	11.57	10.06	8.78	7.73	6.71	5.93	5.24	5.77	4.97	4.12	3.54	3.17	2.30	2.76
Dividend (excl. Special) - Cents per share	**7.45**	**10%**	**10%**	6.78	6.16	5.60	5.09	4.62	4.20	3.75	4.12	3.75	3.41	3.10	2.85	2.50	2.00
Dividend Payout Ratio (incl. special)	**72%**	-	-	76%	81%	64%	66%	91%	96%	72%	71%	75%	82%	90%	90%	106%	73%
Return on Equity	**31%**	-	-	30%	30%	31%	32%	30%	28%	27%	34%	33%	31%	27%	26%	20%	24%
Adjusted Return on Equity*	**61%**	-	-	63%	76%	83%	72%	62%	48%	43%	47%	58%	46%	46%	41%	28%	37%
Cash & Cash Equivalents	**82,588**	**9%**	**8%**	75,536	80,209	65,397	51,133	45,357	36,573	30,538	23,684	28,809	22,279	25,623	23,853	20,187	23,244
Net Assets	**138,494**	**17%**	**10%**	117,940	104,499	87,736	73,997	68,370	63,415	57,143	50,514	44,312	39,256	38,500	36,956	35,646	36,644

**Adjusted for net cash above required working capital, assumed at two months of staff costs*

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LETTER TO SHAREHOLDERS



Letter to shareholders

On behalf of Technology One Limited (TechnologyOne) I am pleased to announce our thirteenth consecutive year of record revenues and record licence fees.

Our cloud first, mobile first strategy is driving our continuing strong results with Net Profit After Tax up 16% and Initial Licence Fees up 14%. Our products continue to win against our large multinational competitors. Our cloud business continued to grow strongly with Annual Contract Value (ACV) for cloud services up 100% to $16m.

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

Analysis of full year results

Highlights of our results include:

- Net Profit After Tax up 16%
- Revenue up 14%
- Total Expenses up 14%
- Expenses excluding R&D up 14%
- Total R&D expenses up 12%, which is 19% of revenue
- R&D expenses excluding acquisitions up 9%

Our results by revenue stream are as follows:

- Initial Licence Fees up 14%
- Annual Licence Fees up 14%
- Total Consulting Fees up 8%
- Cloud Fees up 145%

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

- TechnologyOne Cloud, which made a loss of $2.2m (vs $2.5m last year)
- R&D, which was $46m for the year, including:
  - Ci, our existing successful enterprise software suite
  - Ci Anywhere, which supports any and all mobile devices

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

Our focus on specific markets once again underpinned our success. We continue to be very strong in local government, higher education, health / community services and federal government. We see opportunities for substantial growth in the coming years in state government, asset / project intensive industries and financial services.



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

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

Commentary

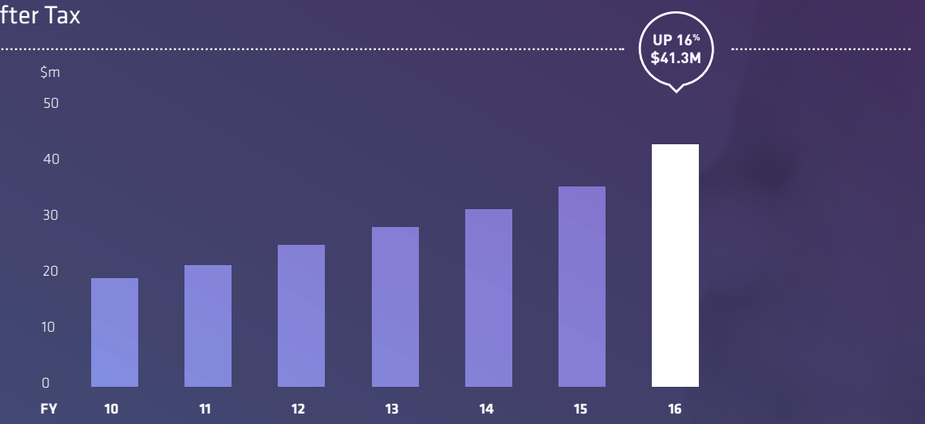
Continued strong profit growth over seven years

We have seen continuing strong growth in profit, with Net Profit After Tax up 16% and Net Profit Before Tax up 15%. Over the last seven years our compound growth in NPAT has been 15% per annum. We are on track to continue to double the size of our business once again in the next four to five years.

NPAT - up **16%**

Compound annual growth **15%**

Net Profit After Tax



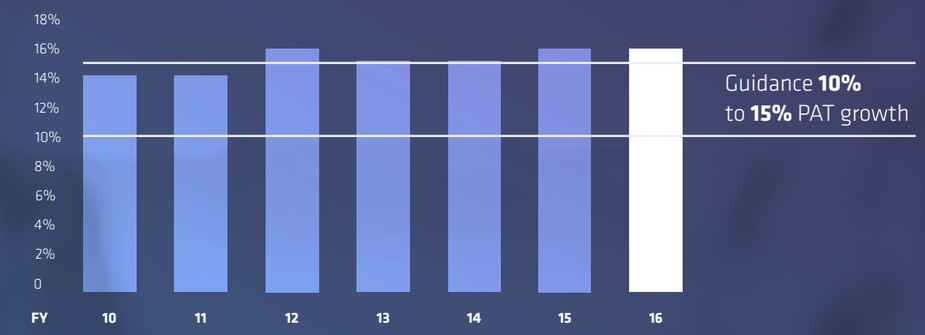
Consistently met top end of guidance over seven years

Our profit is at the higher end of market guidance provided in May, of profit growth between 10% and 15%. Over the last seven years we have consistently met the top end of our guidance, of profit growth of 10% to 15%.

NPAT - $41.3m up **16%**

Compound annual growth **15%**

Percentage profit growth by year

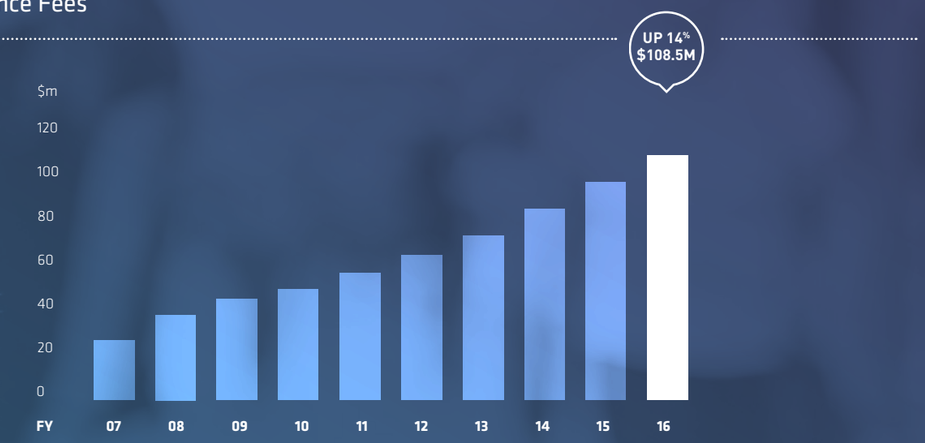


Continued strong growth of Annual Licence Fees

In keeping with our very high customer retention and satisfaction rates in excess of 99%, our recurring Annual Licence Fees once again grew strongly by 14%. Our investment in Ci Anywhere (the continued evolution of our Ci enterprise software) and the TechnologyOne Cloud has been critical to our ongoing success in this area.

Compound annual growth **17%**

Annual Licence Fees



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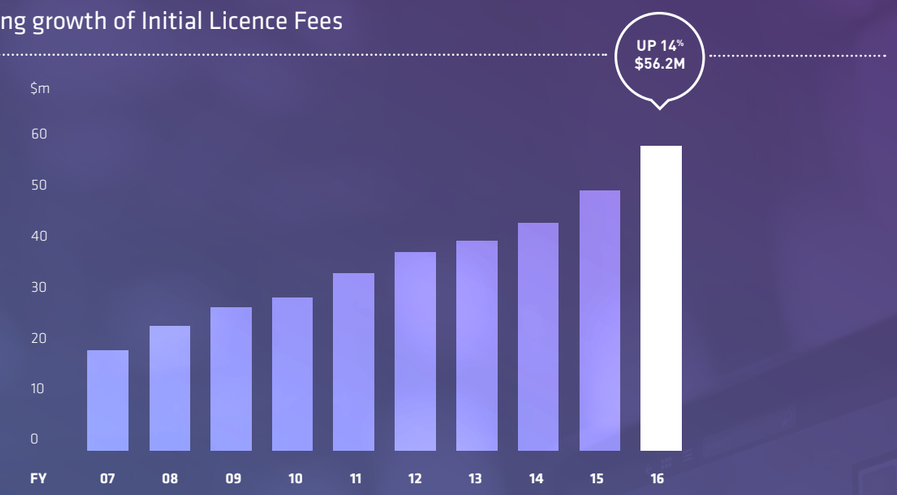
Continued strong growth of Initial Licence Fees

Our Initial Licence Fees were up once again, by 14%, making this our thirteenth consecutive year of year-on-year growth in licence fees. This year we added more than 60 major new corporate customers to our expanding customer base. Of these new customers, 12 of them were for the replacement of our competitors' systems, including systems from Oracle, SAP, Microsoft, Infor, etc. We continue to increase market share against our large multinational competitors. With the release of the TechnologyOne Cloud, our continued investment in Ci, and our investment in Ci Anywhere, we are confident this momentum will continue in future years.

What is particularly pleasing is the continuing win of very high profile, large-scale enterprise customers, against our multinational competitors. This includes customers such as TAFE Queensland, Federal Department of Agriculture & Water Resources, La Trobe University, Department of Health Northern Territory, Federal Department of Finance and Commonwealth Director of Public Prosecution.

Compound annual growth **13%**

Continued strong growth of Initial Licence Fees



Continued strong growth of TechnologyOne Cloud revenues

TechnologyOne Cloud continued to grow strongly over the full year, with Annual Contract Value now $16m, up 100%. We have added 57 new customers to the TechnologyOne Cloud this year, taking our number of enterprise customers on the TechnologyOne Cloud to over 150 customers.

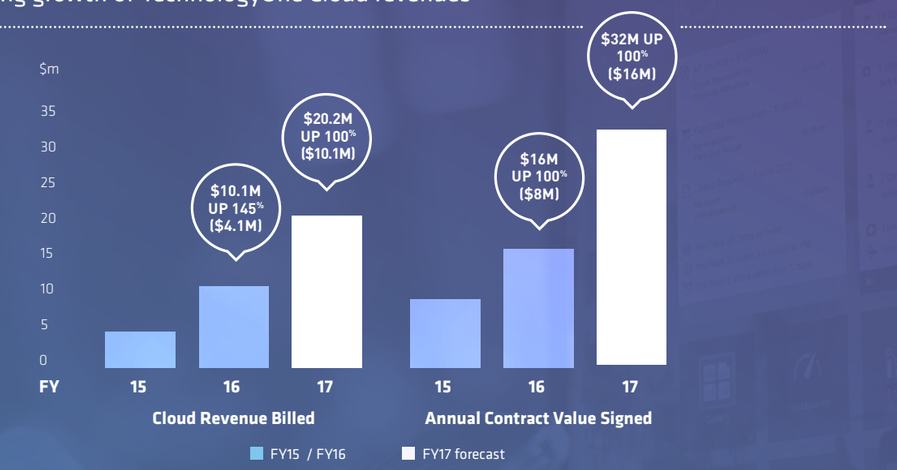
Once again we have found that the majority of our very large contract wins this year were based on the TechnologyOne Cloud.

We continued to receive significant recognition for the TechnologyOne Cloud with numerous awards including, Amazon Technology Partner of the Year, ERP Cloud Product of the Year, and Global Best Saas Product for Education.

We expect this strong momentum to continue in the years to come. Our target is to once again double the Annual Contract Value for Cloud to $32m in the next 12 months.

The TechnologyOne Cloud contributed a loss of $2.2m this year as we continued to invest strongly to build out this product offering. We originally planned to breakeven in 2016/2017, but we have now revised this to be a $1m profit, which will be a critical milestone for this business and it will create the platform for significant generation of profits in future years. Our Cloud 6.0 and 7.0 architecture which further builds on our new massively scalable, mass production architecture, will be key to achieving this goal.

Continued strong growth of TechnologyOne Cloud revenues



Continued growth of Consulting Services

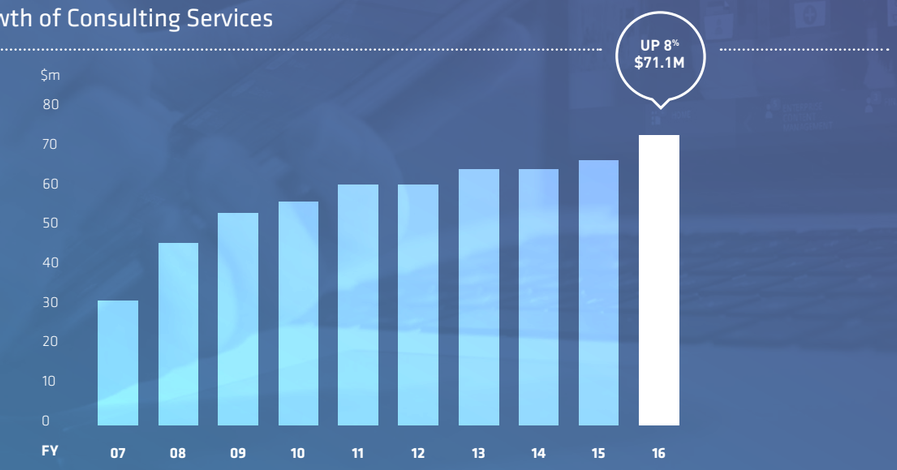
Total Consulting Revenue was up strongly at 8%, but profit contribution was down 6%.

As a result we have instigated changes to our consulting practice, which will see this business separated into two separate and focused business units, as follows: Consulting New Customers and Consulting Existing Customers.

These business units will have different cultures, systems and processes to deliver excellence for their respective area of focus. Consulting New Customers will be project focused, to deliver large and complex projects 'on time and to budget'. Consulting Existing Customers will be account focused, with a service culture driven by a dedicated service delivery manager, guaranteed service levels, a catalogue of services, and premium support.

Compound annual growth **10%**

Continued growth of Consulting Services















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Significant achievements

Evolve user conference

We once again hosted our very successful Evolve user conference in Brisbane, which saw over 2,300 attendees, over three days with 11 concurrent streams by industry, and a huge exhibition area. We were able to showcase our vision for a digital future, with a focus on our Ci Anywhere and the TechnologyOne Cloud. This event will create significant sales momentum for us in the coming years. We are now planning much smaller events in each state, called Solution Showcases, which will continue the momentum for the second half of the 2016/2017 and 2018 financial years.

Research & Development

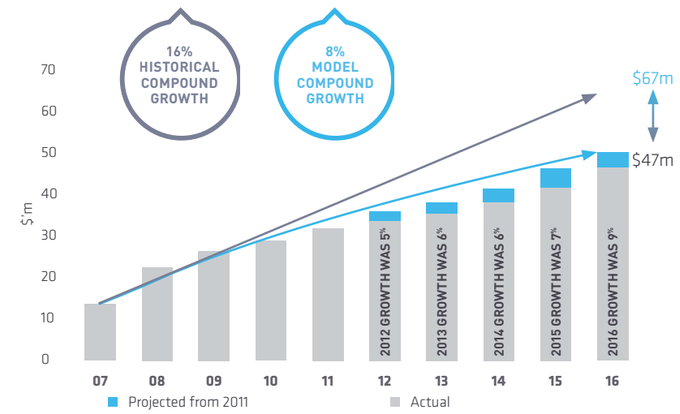
Research and Development (R&D) continues to be a significant investment for TechnologyOne at $46m for the year, up 12% including acquisitions; and up 9% excluding acquisitions. R&D represents 19% of revenue, which still exceeds the average of our competitors of approximately 12%. R&D continues to be fully expensed in the period it is incurred.

What is pleasing is that the compound annual growth (CAG) of R&D has been only 7% since 2011, well below the target of 8% we set.

We have now created an updated R&D plan for the next five years to 2021, which once again recommits the company to deliver CAG of 8% or less over that period.

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

2011 model for R&D expense growth (excluding acquisitions)



Ci Anywhere

Ci Anywhere is the continuation of our very successful Ci product, and allows organisations to embrace smart mobile devices including iPad, iPhone and Android devices, as part of our enterprise solution. We are delivering our entire suite of software and all our functionality on these mobile devices, as we envision a world where all work will be done on these devices in the near future. We see our customers flowing across smart mobile devices throughout the course of their day. Our software has been designed to be incredibly simple to use, and to adapt to the device, allowing customers to continue their work seamlessly as they flow across devices.

We are the only vendor guaranteeing 100% of our entire enterprise suite will be available on smart mobile devices.

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

Ci Anywhere has created a new standard in enterprise software, and gives us a significant competitive advantage.

In the 2017 year, we will focus our R&D efforts to bring all our remaining products onto our new powerful Ci Anywhere platform. This will be a challenging period for TechnologyOne.

We have now finalised our roadmaps, strategy and project plans for this next significant phase of R&D.

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ENTERPRISE

SOFTWARE AS A SERVICE

TechnologyOne Cloud

The TechnologyOne Cloud delivers the TechnologyOne Enterprise Suite as a service through the cloud to our customers. TechnologyOne takes complete responsibility for providing the processing power, software and services including backup, recovery, upgrade and support services for our cloud customers.

TechnologyOne is one of only a few companies globally, delivering enterprise software as a service, offering a fully configurable solution, based on a mass production line of servers that run our software for any and all of our customers

TechnologyOne is uniquely placed because we own our software, unlike hosting providers which simply host someone else's software in the cloud. Because we own our software, we are able to make a substantial investment each year in ongoing R&D to continue to improve our software for the fast changing cloud and capitalise on new technologies, concepts and ideas. Because we run our software for thousands of customers simultaneously, we have optimised our software and built the TechnologyOne Cloud specifically to do this, and we can achieve enormous economies of scale that cannot be achieved by hosting providers. The TechnologyOne Cloud will deliver a level of service, reliability, scalability and future proof that hosting providers cannot ever achieve.

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

The TechnologyOne Cloud provides a compelling value proposition to our customers, giving them what is essentially a very simple, cost effective and highly scalable model of computing.

We have continued to build on the TechnologyOne Cloud 5.0 which introduced the start of our mass production Software as a Service offering. With the release of TechnologyOne Cloud 6.0, we continue to deliver further economies of scale, and enhanced security. We are now working on the next generation of our cloud, 7.0. 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 cloud for our customers.

We are continuing to migrate customers from our earlier versions of the TechnologyOne Cloud 1.0 to 5.0, to the Cloud 6.0 architecture, which will see the TechnologyOne Cloud move from a loss of $2.2m this year, to $1m profit in 2016/2017 financial year, which will be a significant milestone for the company; and create a platform to generate significant profits in the coming years.

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

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

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

Connected Intelligence (Ci)

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

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

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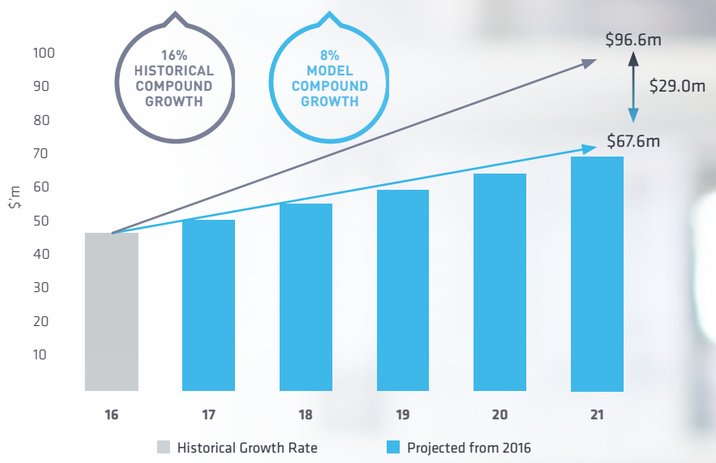
R&D going forward

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

Five years ago, TechnologyOne committed to using our scale and world best practices to grow R&D at a target growth rate of 8% per annum (excluding acquisitions), substantially below our historical 16% per annum growth rate. We have delivered against this target with the compound annual growth in R&D of 7%. This has led to a substantial improvement in our profit margins from 17% to 21%.

Our goal is to continue this trend, and to return our profit margins to 25% in the coming years. To this end, we have now committed to another five-year period until 2021, in which time we will continue to grow R&D at an annual compound rate not exceeding 8%, which will result in cost savings of approximately $29m in the 2021 year.

2016 Model for R&D Expense Growth to 2021

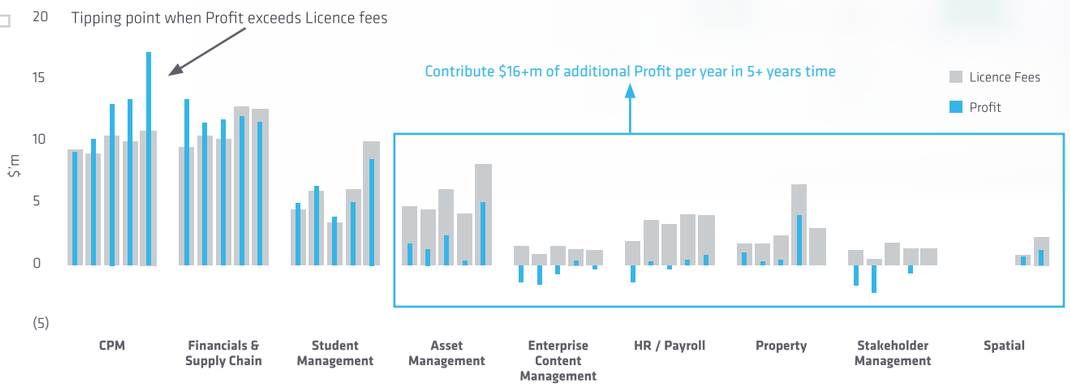


Our R&D program in the coming years continues to be at the leading edge of our industry, as we embrace new technologies, new concepts and new paradigms. The level of innovation and creativity is greater than at any time in our company's 29-year history.

Our Products

Over the last 11 years, TechnologyOne has invested substantial funds in building new products for our customers, such as Human Resource & Payroll (HRP), Asset Management (AM), Enterprise Content Management (ECM), Stakeholder Management (SHM) and others. These products have been a drag on the company's earnings over this time, but as they are now approaching 'best in class' status, we are seeing them move to profitability.

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





Review of the UK operation

This year we have once again increased our footprint in the UK, adding 13 new customers, taking us to a total of 40 enterprise customers in the region, which now gives us critical mass.

We are now executing the next part of our UK expansion strategy, which will see us in the next two years move from the highly competitive 'red ocean' to the 'blue ocean'. Critical to this next stage will be the introduction of our Human Resource & Payroll (HRP) solution into the UK market in mid 2017. Following on from this, we will introduce our Student Management solution into the UK market in mid/late 2018. 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.

The challenge for us in the coming years is to build a successful and profitable consulting practice in the UK. This is not an insignificant undertaking, as we will need to have in the coming years a very large consulting practice in the UK.

This is an exciting time for us, as we are now entering a period of substantial growth for the UK business.

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ENTERPRISE SOFTWARE,
INCREDIBLY SIMPLE

Acquisitions

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

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

In the last 18 months we undertook three acquisitions, as follows:

- ICON Software, which provides Online Planning and Approval software for local government that streamlines the process for development approvals, reducing time and cost for its customers.
- DMS, which provides Digital Mapping Solutions allowing for the management and viewing of spatial data, and for the integration of spatial data into business processes. DMS has a strong presence in local government and government.
- JRA, which provides Strategic Asset Management for our local government and the asset intensive customers.

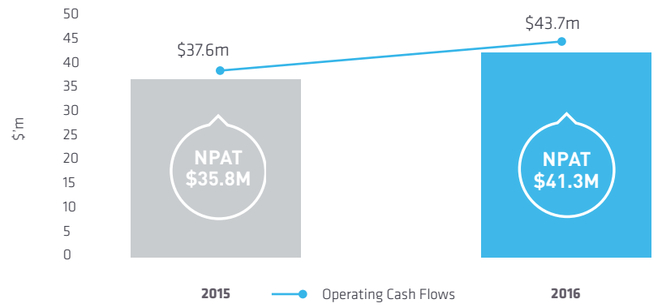
We have made substantial progress in the integration of these acquisitions into our business, as well as the redevelopment of these products onto our powerful Ci Anywhere platform, and to deeply integrate them into our enterprise suite. Overall, these acquisitions made a $2.2m contribution to our profit this year.

Balance sheet strength

TechnologyOne continues to have a strong balance sheet with cash and cash equivalents of $83m. Our debt/equity ratio remains conservative at less than 1% and interest cover is over 650 times.

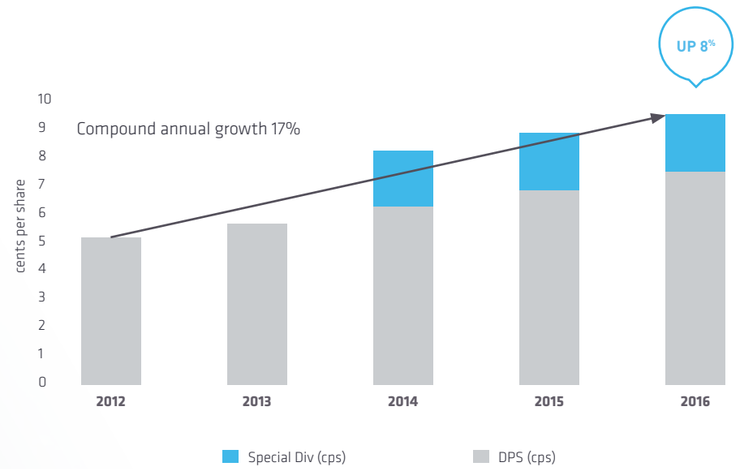
Operating cash flow was once again strong at $43m for the full year, versus a Net Profit After Tax of $41m, and exceeds our target ratio of one times NPAT.

NPAT versus Operating Cash Flows



Dividends

In light of our strong results and our confidence in the coming year, the dividend for the second half year has been increased to 5.09 cents per share, up 10% on the prior year. The Board has also proposed once again a special dividend of 2 cents per share. This takes the total dividend including special dividend, for the year to 9.45 cents per share, an increase of 8% on the prior year. This represents a payout ratio of 72% for the full year.



SHIFTING FROM

THE IMPLEMENTATION TO THE APPLICATION OF TECHNOLOGY

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Remuneration and Corporate Governance framework

Our Remuneration and Corporate Governance has created substantial shareholder wealth since we listed as a public company in 1999.

It is also well recognised by our shareholders that the quantum of remuneration paid to TechnologyOne executives is in the mid-range of our peers, and not excessive. It is the effectiveness of our remuneration framework and its alignment to the creation of shareholder wealth, that has seen TechnologyOne deliver long-term profitable growth and substantial shareholder returns.

Based on feedback from Proxy Advisors, TechnologyOne has in recent times made substantial changes to our remuneration framework and corporate governance to be more consistent with other ASX 200 companies, while at the same time ensuring our high performance culture and focus on shareholder return is not diluted. This has not been an easy exercise, but we do believe we have struck an appropriate balance, with significant changes to our executive remuneration framework as follows:

- Provided additional disclosure/ information on our remuneration structure and policies
- Aligned remuneration structure and policies to best practice for ASX 200 companies
- LTI based on options issued at market price
- Introduced mandatory performance hurdles for all LTI issued to executives
- Performance hurdles are all 'hard targets' that will generate significant shareholder wealth
- Introduced a mandatory shareholding for Directors

TechnologyOne continues to believe that a small board is an effective board. We have a very experienced and successful board. Notwithstanding this, we have added a new independent director taking our board size to six. We will look in time to further increase the board as part of a long-term board renewal process.

We have also changed our AGM procedure so that all voting is now undertaken by a poll.

Substantial changes such as these are not without risk, given it is a critical time in the company's history, as we aggressively transform into a cloud provider, making a significant investment in building the TechnologyOne Cloud, and Ci Anywhere.

Like always, TechnologyOne welcomes feedback so we can continue to evolve our Remuneration and Corporate Governance framework.

We also seek continued support from all our shareholders for our Remuneration and Corporate Governance framework, as we have seen some Proxy Advisors oppose our Remuneration Report in the past because of their 'tick the box' approach, and focus on 'form over substance'.

Outlook for 2016/2017

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.

Our cloud first, mobile first strategy is driving our continuing success. As a result, TechnologyOne's sales pipeline of opportunities for 2017 is strong and this positions us for continuing strong profit growth over the full year in 2017.

As in previous years, we see the sales pipeline this year once again weighted strongly to the second half. This year we also have the additional challenge caused by the substantial costs we incurred for our Evolve conference, with a 'once off impact' of approximately $3m in the first half; this will be fully expensed in the first half, though the benefits will be seen over the next 24 months.

Once again this year, our first half results will not be indicative of the full year results.

Having said this, the full year pipeline is strong and supports continuing strong profit growth over the full year.

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

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OUR ENTERPRISE VISION,

THE POWER OF A SINGLE, INTEGRATED ENTERPRISE SOLUTION



Long-term outlook

Looking out over future years, we are excited by the significant growth opportunities ahead.

We expect our existing TechnologyOne Ci Enterprise Suite to continue to be strong, coupled with the significant benefits associated with our preconfigured solutions, which reduce the time, effort, cost and risks associated with enterprise implementations.

We see continuing strong growth in our eight key vertical markets in Australia and New Zealand. These markets remain strong and resilient.

The UK operation having now moved into profitability, in the coming years will be a significant contributor to profits. We have a clear strategy to achieve this in the UK.

We also expect our newer products, such as Enterprise Content Management, Stakeholder Management and Human Resource & Payroll to become mature and increase substantially in profitability in the coming years.

We see substantial growth from our existing customer base in the coming years, as our customers increase the usage of our products and services and as they embrace the TechnologyOne Cloud.

The next generation of our enterprise suite, Ci Anywhere, is creating a new platform for continuing growth for us by leveraging smart mobile devices as well as new and exciting technologies and concepts to further increase our advantage against our competitors. It will also secure our large existing customer base for the future by providing a simple and easy way forward.

Our scale in R&D is now allowing us to do more with less. It is providing us significant synergies and scale, allowing us to continue to pursue our ambitious world class R&D agenda, yet at the same time, increase R&D at a substantially slower rate than in previous years. This will underpin the substantial improvement in margins over the next 10 years.

Our offshore R&D centre will allow us to reduce our R&D expenditure as a percentage of revenue, without impacting on any of our strategic initiatives and at the same time improve the level of support our customers experience.

I believe these events will have a significant positive impact, allowing us to continue to grow our revenue and profit and substantially improve our profit margin in the coming years.

Afterword

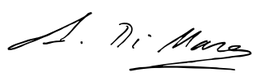
If we are to continue to succeed we must continue to innovate, and focus on building beautiful software that is incredibly simple and easy for our customers to use. Our software must work on any device, anywhere, at any time, if we are to enable our customers to embrace the exciting future that is possible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

We must continue to earn the right to be the enterprise software partner for our customers. At every touch point 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 that make up TechnologyOne, whom I am proud to lead.

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



Adrian Di Marco
Executive Chairman

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OUR STRATEGY



THE FUTURE OF
ENTERPRISE SOFTWARE, TODAY

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For more than 29 years, TechnologyOne's continued success has been a result of our clear vision, our beliefs, our supporting initiatives and our continuing growth.

Our vision

Transforming business, making life simple

We are here to build and deliver truly great products and services that transform business and make life simple for our customers.

The TechnologyOne Way

Transforming business, making life simple is our vision, which is underpinned by our beliefs, our dedication to customer experience and our leadership model.

Our five core beliefs are an enterprise vision, the power of one, market focus and commitment, the power of evolution and simplicity, not complexity.

At TechnologyOne we know that without our customers, we have no business. Their experience defines our success. We also believe in leadership, not management. 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 believe it is important to give back to the community. We have established the TechnologyOne Foundation as a way to pay it forward, and institutionalise giving for our company.

All these initiatives come together to make up The TechnologyOne Way, which was first developed more than 20 years ago and continues to define the way we do business.



AN ENTERPRISE VISION



MARKET FOCUS AND COMMITMENT



THE POWER OF ONE



THE POWER OF EVOLUTION



SIMPLICITY, NOT COMPLEXITY

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Our core beliefs

An enterprise vision

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

Providing a best in class enterprise solution

We have spent 20 years and hundreds of millions of dollars to deliver an enterprise vision, so that today we can provide best of breed products that come together from a single vendor to provide a total enterprise solution. Only through an enterprise solution can organisations really embrace the future of the cloud and smart mobile devices, and get the efficiencies they need across their complete organisation.

Our leading edge platform

Our comprehensive suite of software products is fully integrated and has the same user interface.

Underpinning our software solutions is our state-of-the-art Connected Intelligence (Ci) platform, which provides the core functionality, security and a consistent user interface for each of our products. This platform continues to evolve and adapt, allowing our customers to move forward painlessly and easily.

Modular by design

We offer a freedom of choice that enables our products to be implemented on their own, or as part of a single integrated enterprise solution.

Market focus and commitment

We consciously choose to participate in only eight key markets. We have a deep understanding and engagement with these markets, which enables us to deliver to our customers integrated, preconfigured solutions that provide proven practice, streamline implementations and reduce time, cost and risk.

Eight key vertical markets

Our key vertical markets are: government, local government, education, health and community services, financial services, asset intensive industries, project intensive industries and corporates. With a deep understanding of these sectors and the ongoing development of our preconfigured solutions, we are now realising greater success in these markets.

Preconfigured solutions

TechnologyOne's range of 14 integrated products form the building blocks from which our preconfigured solutions are developed.

Developed in collaboration with hundreds of customers within our key markets, the solutions cover 80% of the sector's requirements out of the box, leaving room to tailor the software to a customer's specific needs.

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

Deep industry knowledge

Each of our preconfigured solutions are developed by a team of specialists led by a vertical market Industry Manager with comprehensive industry knowledge and an in-depth understanding of the market in which they work. Our Industry Managers work closely with our sectors to stay abreast of current requirements, organisational and user challenges, legislation and emerging trends, ensuring our preconfigured solutions continue to lead the market.

As well as collaborating with customers in our target markets, our Industry Managers work with our Group General Managers, product General Managers, sales, service delivery and R&D teams to pass on customer feedback to be incorporated into our preconfigured solutions.

This commitment to industry knowledge and experience ensures we remain a market leader.

The power of one

One vision. One vendor. One code-line. One 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 solution for each customer to guarantee long-term success.

Our unique value proposition

When organisations invest in a TechnologyOne solution they benefit from a direct relationship with us every step of the way. From the beginning, our remarkable people take ownership of a project and provide excellent ongoing service and support.

This holds us accountable to our customers, whether the focus is on business needs, underlying technology, on time and on budget implementations or excellence in support and customer service.

The power of evolution

We provide our customers a strong, continuing competitive advantage through an enterprise solution that adapts and evolves by embracing new technologies, concepts and innovation.

Using technology for competitive advantage

Using new and emerging technologies to provide a competitive advantage was one of the founding principles when we began in 1987 and continues to be a major focus today.

For 29 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, our Ci platform and more recently, Ci Anywhere. Ci Anywhere introduces an exciting new era of enterprise software, allowing organisations to embrace smart mobile devices and new ideas and concepts.

Simplicity, not complexity

We embrace consumer concepts and expectations, which compels us to continuously innovate to deliver solutions that are incredibly easy to use and hide complexity.

The elegance of doing more, with less

Simplicity is a philosophy we will continue to embrace in everything we do for our customers. Our focus is to become known for software that is easy, simple and intuitive to use and removes needless complexity. Being part of the enterprise software market means we have always focused on transforming business, but more importantly, we also aim to remove complexity to make working life simple for our customers.



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Our initiatives

A culture of innovation, creativity and collaboration

We have always prided ourselves on developing incredibly simple software solutions that empower our customers. This is where innovation and creativity amongst our R&D teams is key.

We create software that sets us apart from the rest and our developers are leaders in this regard. They challenge conventional thinking and go beyond the traditional realms of development methodology. Our state-of-the-art R&D centre and specific programs are designed to foster collaboration, creativity and innovation to provide the platform for our future growth.

Our world class R&D centre

TechnologyOne has one of the largest Australian-owned R&D centres for enterprise software, with a dedicated team of more than 300 developers. Each year approximately, 20% of our revenue is invested into our substantial R&D program, which continues to produce leading-edge technology and provides our customers with a long term, secure and valuable partnership.



AN ENTERPRISE SOLUTION

THAT ADAPTS AND EVOLVES

Key to our R&D program is the recruitment of graduates. As well as having a dedicated graduate program, we endeavour to fill open positions in our R&D team with graduates where possible. Our graduates play a key part in our culture of collaboration and creativity, bringing with them new ideas and ways of working that drive innovation. The Employer of Opportunity section in this report details further information about our dedicated graduate strategy.

Hack Days

In 2016, TechnologyOne continued its investment in innovation and culture, by introducing company-wide quarterly Hack Days. TechnologyOne Hack Days are designed to encourage innovation, creativity and fun, providing an opportunity for employees to break down traditional silos and work on projects that are outside normal day-to-day work.

Hack Days also 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 in Hack Days, regardless of which team or region they're 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.

Village Greens

In 2016, we underwent major renovations of all our regional offices to create Village Green social areas. These projects included the installation of state-of-the-art audio visual equipment and have created new collaborative and social spaces for employees to use.

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

The power of best in class software

We ensure our software is easy to use and offers a wide range of features and functions. To achieve this we promote ownership, innovation and commitment within our R&D teams, which results in awesome software that has an overwhelmingly positive effect on our customers' businesses.

Maintaining speed and agility through our unique R&D model

We are committed to a continuous cycle of redeveloping our products from the ground up every seven years, leaving no line of code untouched. This opens our mind to new ideas, concepts and technologies and ensures we are not limited by the past.

Our solutions are built on proven practice, through a tight loop of feedback and enhancement by listening to customer needs and learning from their experiences. Our solutions continue to evolve at a market-relevant pace and include new features and functions.

Offshore R&D centres

Basing part of our R&D team in Indonesia and Vietnam has allowed us to better support our existing products.

It also provides operating leverage, enabling us to employ significantly more staff for the same expenditure, improve support time and KPIs for our customers and help deliver against our Compelling Customer Experience program.

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Ci ANYWHERE.

ANY DEVICE. ANYWHERE. ANY TIME.

A true partnership approach with our customers

Our customers benefit from our culture of ongoing improvement, excellent technology and innovative business models. We listen to our customers and make sure we understand their needs, meet their priorities and enable ongoing improvements in their business processes. This ensures we are able to build proven practice into our solutions and can provide our customers with the best software and services available.

Building on this partnership approach, the TechnologyOne Customer Community has transformed our support experience. The Customer Community provides a world-class support experience to customers through a dynamic community of TechnologyOne experts and customers. It enables our customers to influence product direction, keep up-to-date with industry news, and collaborate with other TechnologyOne customers.

We also run a series of R&D webinars, which showcase new or enhanced functionality that is currently in development. There provide our customers an opportunity to ask questions about the functionality and provide feedback that we can build into our products and solutions.

TechnologyOne Cloud - enterprise Software as a Service

The TechnologyOne Cloud delivers the TechnologyOne enterprise solution through the cloud to our customers. TechnologyOne takes complete responsibility to provide the processing power, software and services including backup, recovery, upgrade and support services for our cloud customers.

We are part of an elite group of companies globally delivering true enterprise Software as a Service (SaaS), making our software the premier enterprise cloud offering in Australia and New Zealand. SaaS brings the concepet of mass production to software. We are also the only enterprise provider offering a fully configurable solution, with a mass production line of servers running our software for our customers.

Our enterprise SaaS solution is a clear market leader, because we own, build and support our software, unlike many other software providers that use cloud hosting. Hosting providers handcraft each customer's environment and host third party software in the cloud, with no accountability for the software itself.

TechnologyOne's enterprise SaaS solution is the perfect marriage between infrastructure and software. Enterprise SaaS removes the complexity of managing costly IT infrastructure and greatly simplifies the decision to adopt smart mobile devices throughout the organisation - because this capability is provided as standard from our cloud. Customers simply sign in to get enterprise SaaS.

We make substantial investment each year in R&D to continue to improve our software and cloud service, capitalising on new technologies, concepts and ideas. Our enterprise SaaS offering is massively scalable, resilient and fault tolerant. We pass on the benefits of innovation only achievable through massive economies of scale.

Our enterprise SaaS enables our customers to be up and running on an enterprise system with less risk, lower cost and shorter time frames. The cloud dramatically reduces implementation time, and allows our customers to focus on their core business, while we take care of the software and infrastructure. It's a simple, flexible and cost effective computing model that future proofs our customers' businesses and enables them to embrace an exciting new world of possibilities in a cloud first, mobile first world.

Existing customers using our on premise solution can easily transition to the TechnologyOne Cloud - it is the same software. The data and configuration is simply migrated to the cloud and is ready to go. There are no software re-licensing costs for our customers to move to the TechnologyOne Cloud.

We now have more than 150 customers using TechnologyOne's enterprise SaaS solution, increasing by 50%+ in the last 12 months. We expect this rapid growth to continue in 2017.



Ci Anywhere - enterprise software, incredibly simple

Ci Anywhere is the next generation of our Connected Intelligence (Ci) product, and allows organisations to embrace smart mobile devices including iPad, iPhone and Android devices, as part of our enterprise solution.

We have committed to delivering our entire enterprise suite of software and all functionality on these mobile devices, as we envision a world where work will be done on many different devices in the near future, with the inevitable increase in the use of smart mobiles in the workplace.

An important design consideration for Ci Anywhere was the ability to move seamlessly across different devices throughout the day. Ci Anywhere delivers on this promise for our customers, allowing them to move from one device to another, and seamlessly continue their work.

Ci Anywhere understands the device it is operating on. The software automatically adapts to the screen size of the mobile device, PC or laptop, yet it remains immediately familiar to the user.

To make it as simple as possible to use, Ci Anywhere has also been designed from the ground up to embrace consumer concepts, using touch and gestures. It leverages all the capabilities of the device including GPS, location services and camera/video.

Ci Anywhere opens up a new world of possibilities for our customers, enabling them to access their data from any device, anywhere in the world and at any time. It transforms the way organisations interact with their customers and community, now and into the future. Through Ci Anywhere, our customers are well prepared for the digital revolution.

Ci Anywhere creates a new standard in enterprise software, and gives us a significant competitive advantage over our competitors. It is a new and exciting generation of enterprise software that is incredibly simple.

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HELPING OUR
CUSTOMERS REMAIN COMPETITIVE IN A NEW, DIGITAL WORLD

Commitment to quality

We believe that quality cannot be inspected in, it must be built in through a philosophy of do it right the first time. As such, quality is a shared responsibility for the entire business.

We have more than 23 years of continuous ISO 9001 accreditation. We also have ISO 27001 and ISAE3402 SOC1 type II accreditations for our cloud service.

Recruiting and retaining remarkable people

It is the innovative people TechnologyOne employs who ensure we can continuously evolve as an organisation. The key to our ongoing success is our positive work culture. We must continue to hire the best – people who are passionate, highly talented and committed to our ideals and goals.

Compelling Customer Experience Program

Providing a compelling customer experience is fundamental to the way TechnologyOne does business and positions us well to attract customers away from our competitors. To achieve this, we continue to recognise our customers are our compass for the decisions we make, the people we employ and the processes we create.

Delivering a compelling customer experience is our goal and 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.

TechnologyOne Leadership Development Program

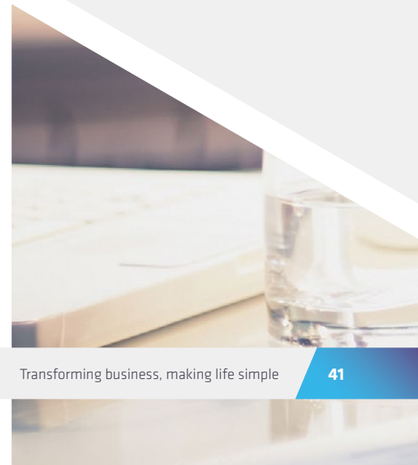
We employ people who challenge conventional thinking and empower them to make a difference at TechnologyOne and in our customers' businesses. We believe in leadership, not management, and grow talented leaders who have deep domain knowledge, set ambitious agendas, inspire their people, and work side by side with them to make the impossible, possible.

The TechnologyOne Leadership Program provides our people with skills, behaviours and techniques to become strong leaders.

Evolve user conference

This year we delivered our biennial Evolve user conference on 18 – 21 October at the Brisbane Convention and Exhibition Centre. This brought together more than 2,300 delegates including customers, employees and industry experts, and was our largest and most successful Evolve yet.

Evolve 2016 presented an opportunity for delegates to discover how they can prepare for a cloud first, mobile first world and maximise their investment in TechnologyOne's enterprise software. As pressure remains on cutting costs and improving efficiencies, the event was focused on showcasing our vision for a digital future, demonstrating how smart organisations are leading the way by embracing the powerful combination of cloud and mobile devices.



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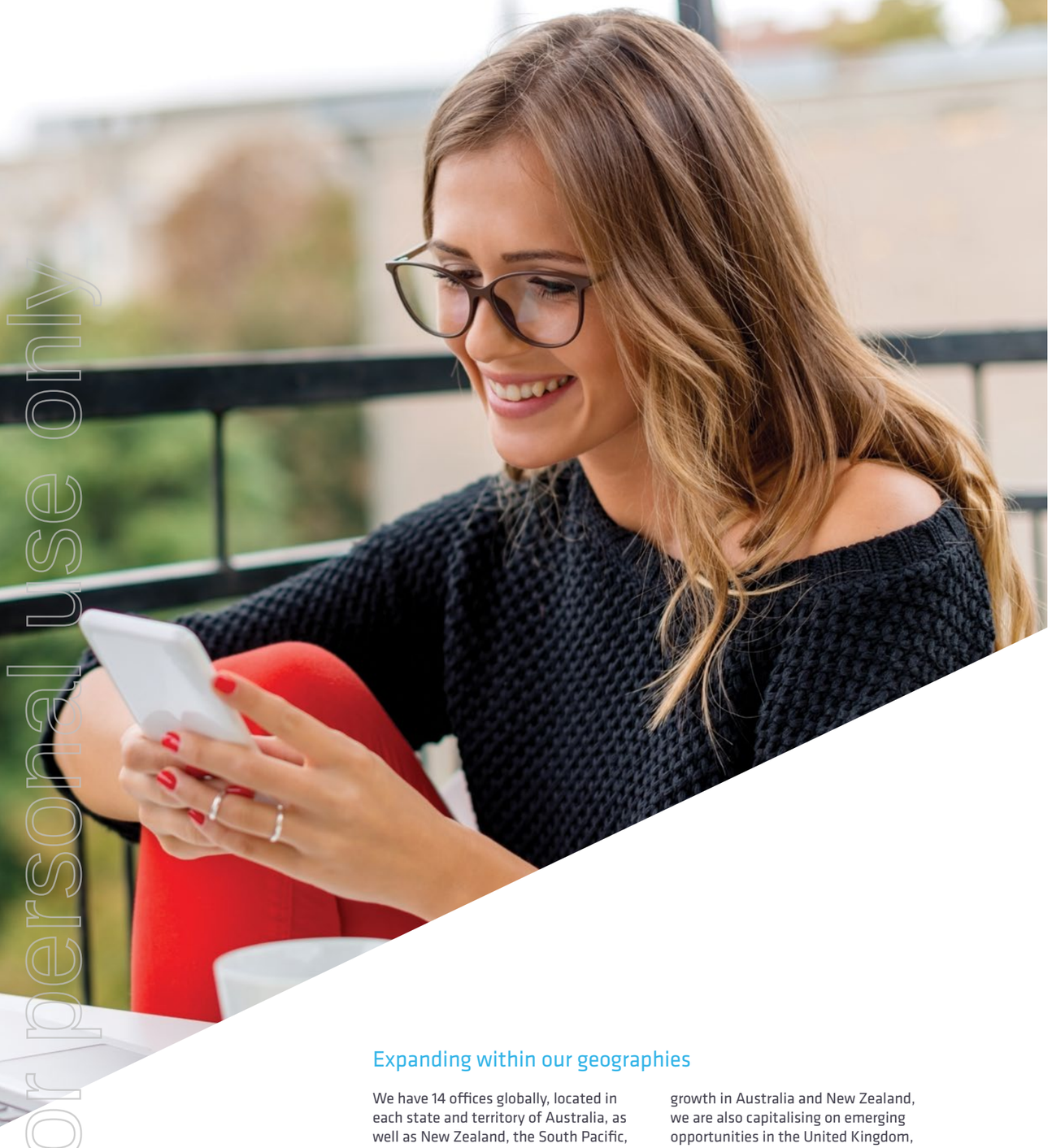
OUR GROWTH



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ONE VISION. ONE VENDOR.

ONE CODE-LINE. ONE EXPERIENCE.

Expanding within our geographies

We have 14 offices globally, located in each state and territory of Australia, as well as New Zealand, the South Pacific, Asia and the United Kingdom.

Our success has been achieved because of our ability to adapt the company to meet the differing needs of customers in each region. In particular, we adapt our sales strategies within our regions as we identify new and ongoing needs.

As we continue to build on our outstanding success and consistent growth in Australia and New Zealand, we are also capitalising on emerging opportunities in the United Kingdom, South Pacific and Asia. We expect these regions will contribute significantly to our growth in the years to come.

We will also look to expand into other geographies in the future, as we have built a global software platform that positions us well for growth.

Expanding within our vertical markets

We operate within eight specific vertical markets which provide room to expand our customer base and grow our solution footprint, adding value to customers.

We have experienced continued success and expansion within each of our markets. Our preconfigured solution approach is fundamental to the ongoing penetration within these markets. We currently offer more than 24 preconfigured solutions.

Adding value to existing customers

Our enterprise solution comprises a suite of 14 products that are deeply integrated, built on a common platform with a common user interface. We are committed to taking complexity out of the equation for our customers, through a single, integrated enterprise solution.

We support our customers on their journey with a dedicated sales and marketing approach, which keeps them informed about the latest developments and referential experiences from peer TechnologyOne customers.

Our investment in strategic events including the regional Showcases and biennial Evolve user conference, ensures our customers benefit from a strong community and have the opportunity to collaborate with experts and executives from all areas of the business.

Expanding our product range and depth

TechnologyOne currently boasts one of the most comprehensive enterprise software suites in the world. We are continuing to extend our product offering through the development of additional features and functions.

This year we acquired Jeff Roorda & Associates (JRA), Australia's leading Strategic Asset Management provider. This acquisition formed part of our strategy to continuously deepen and broaden our enterprise solutions for the industries we operate in.

We only make acquisitions that are in line with our business strategy, and do not endeavour to grow through acquisitions.

This acquisition has enabled us to improve upon our existing offering, particularly for customers who have invested in our Asset Management software. JRA's deep functional and industry knowledge has expanded our leading enterprise solution for asset-intensive organisations, delivering specialist expertise and capability to our customers.

We continued to invest in re-engineering all our products for Ci Anywhere, to ensure customers enjoy the same functionality of our software regardless of the device they are using. By making enterprise software incredibly simple, Ci Anywhere allows us to expand our footprint in our existing customer base.

We are working closely with our customers to ensure we continue to meet their ongoing business needs and provide an increasing range of functions within our enterprise solutions.

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OUR OPERATIONS



Edward Chung
Chief Operating Officer

Our unwavering strategy has been to invest in and continually develop our customers, people and products. Our operations for each of the core parts of the business - that is, Sales & Marketing, Consulting, Products & Solutions and Corporate Services, have been centred around developing these pillars.

Enhancing our products and solutions

This year, we invested considerably in research and development (R&D) in order to develop our Ci Anywhere platform and enterprise Software as a Service (SaaS) offering.

By delivering our enterprise SaaS, TechnologyOne takes complete responsibility to provide the processing power, software and services for our cloud customers. This delivers customers a very simple, cost effective and highly scalable model of computing.

Since the release of our fifth generation of the TechnologyOne Cloud, 5.0 last year, our enterprise SaaS solution no longer relies on unnecessary third party software such as Citrix, and offers a multi-tenanted software environment, with a single-tenanted database for each customer.

We've seen incredible take up of our enterprise SaaS solution this year, with more than 150 customers, an increase of 50%+ in the last 12 months.

Meanwhile, Ci Anywhere introduces an exciting new era of enterprise software, allowing organisations to embrace smart mobile devices as part of our enterprise solution. Ci Anywhere is highly scalable, operates on premise and on the cloud, and adapts to run on laptops/PCs and smart mobile devices.

We've received overwhelmingly positive feedback from customers, and have committed to completing the development of Ci Anywhere for all products in 2017.

Putting our customers first

We understand that without our customers, we have no business and so our focus in 2016 has been to ensure our customers are truly at the centre of everything we do.

This year we invested in bolstering our Support and Enhance team to improve engagement with our customers. We did this through the TechnologyOne Customer Community and our R&D webinars, which provide avenues to collaborate with our customers and deliver great products and solutions to meet their needs.

Because we believe the future is in cloud and smart mobile solutions, we also invested in improving our processes to better support existing customers transitioning from an on premise setup to the TechnologyOne Cloud.

As the business moves forward, we need to have a clear distinction between delivering new projects and focusing on existing customers. In order to do this, we are creating two teams within consulting. One team will focus on delivering new projects, and the other will focus on meeting and exceeding the expectations of our existing customers.

This existing customer team will be an extension of our Application Managed Services (AMS) structure, allowing us to leverage a range of proven systems and processes. Aligning the existing AMS team and return business consulting team will deliver significant benefits to our customers.

We have listened to feedback from customers and in 2017 will revisit and refresh our implementation methodology to provide customers with an improved experience.

Investment in people and culture

In order to ensure TechnologyOne remains a highly successful business, it is critical that we value our people and invest in building a culture of innovation and creativity.

In 2016, we continued our leadership development program, bolstered our graduate and intern program, invested in a number of industry sponsorships that enable us to foster young talent and engage with future tech leaders, and expanded our existing onboarding and training program.

We also introduced a number of new initiatives such as quarterly Hack Days: a company-wide program that has enabled employees to break down traditional silos and work on transformational projects that are outside their normal day-to-day work. We replaced annual performance appraisals with regular Check-ins, empowering our people to have more frequent, informal conversations with their leaders.



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Sales and marketing

Key wins throughout the year included:

- Department of Agriculture and Water Resources
- TAFE Queensland
- La Trobe University
- City of Canning
- Bendigo Health
- Tonga Power

Our increased focus on vertical positioning has also had several other tangible benefits for the sales and marketing organisation, including:

- A faster sales cycle, due to a greater understanding of the needs of each of our vertical markets
- Leveraging more products in our enterprise solution deals
- Shaping our go to market strategies around each market
- Enabling customers to realise the benefits of their investment faster, with preconfigured solutions built specifically for each market

This year, our biggest growth markets were education and government, and we continued to experience strong momentum in the local government sector.

We're also seeing increased growth in the health and community services sector and expect the aged care market to be one of our key growth areas moving forward.

Over the next 12 months we'll continue to increase our focus on vertical marketing, and further adjust our sales organisation to be vertically aligned at a national level - allowing our sales team to leverage a greater amount of IP from across our regions.

As part of this vertical focus, we're also shifting our discussions with customers to be centred around business processes, as opposed to the traditional product sales approach.

Marketing

During 2016, the marketing operation leveraged our vertical market strategy to launch several national campaigns highlighting our key achievements. This both generated general brand awareness, as well as promoted our capabilities in our core growth markets.

Our marketing team was also responsible for the delivery of our biennial Evolve user conference from 18 - 21 October 2016 at the Brisbane Convention and Exhibition Centre. With more than 2,300 delegates and 110 sessions, Evolve 2016 was our largest conference to date. The conference provided customers with insight on how to get more out of their TechnologyOne investment and prepare for a cloud first, mobile first world. All breakout sessions were arranged by sector, continuing our focus on vertical marketing.

Stuart MacDonald

Operating Officer - Sales & Marketing

In 2016, we've seen the increasing adoption of our industry-specific enterprise solutions, indicating the success of our vertical market focus.

We continued to adjust our organisational structure within the sales and marketing teams to be more vertically-aligned, which has in turn enabled us to make more strategic market wins.

Consulting services

This year the consulting team undertook a number of major new implementation projects for customers including: Commonwealth Department of Public Prosecutions, Queensland TAFE, Logan City Council, La Trobe University, Australian Catholic University NSW, Tonga Power, City of Parkes, Bayside Council, Clarence Council, City of Swan, Bass Coast Shire Council, North East Water Authority, City of Hume, Northern Territory Health, Cambridge and South Cambridge Councils in the United Kingdom, University of Exeter and Alpine Energy.

Application Managed Services (AMS)

Our Application Managed Services (AMS) drives productivity and cost efficiencies for our customers through specialised services that deliver continuous improvement and lower cost application management. The AMS team has many years' experience in running our software and a deep understanding of our customers, enabling them to deliver outstanding outcomes and value.

In the coming year, we will be expanding the AMS services we provide customers as part of our focus on delivering service excellence to our customers. It is all part of our culture of having our customers as the centre of everything we do, and ensuring that all customers benefit from the breadth of expertise our consulting team offers.

Business & Strategic Consulting

Our Business & Strategic Consulting (BSC) practice works collaboratively with customers to identify business benefits in transforming their business systems and to define the implementation approach. Our BSC team continued to work on major transformational programs during 2016, including Brisbane City Council and Mercy Health in Victoria.

Enterprise Services

Enterprise Services (ES) provides a range of system integration services aimed at integrating our industry solutions within a customers' existing application landscape. In addition, this business provides 'packaged' services across data migration. In 2016 the ES team delivered these services to a wide range of our major implementation projects across the business.

Investing in our people

We have grown our consulting team strongly during FY 2016, adding exceptional people to the existing team and bringing the total number of consultants to well over 300, including tripling the size of the team in our fast growing UK business. We invested heavily in professional development programs, to ensure that all our consultants deliver expert services and advice, and are focused on delivering a compelling customer experience every time they interact with a customer.



Martin Harwood

Operating Officer - Consulting

Our commitment to our customers is that we will deliver them a compelling experience through the continued investment in developing new services, and the ongoing professional development and expertise of our people.

We provide a full breadth of consulting services that assist our customers to transform their business. Our consulting capability covers:

- 14 offices around the world
- 8 key vertical markets
- 14 software products
- 4 specialist consulting practices
- Delivering value to our customers through our industry solutions

Our focus is to ensure we are delivering real value to our customers by implementing our industry solutions faster, delivering great outcomes with lower cost and lower risk.

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Tony Ristevski
Operating Officer - Corporate Services

The TechnologyOne Corporate Services department aims to provide the best finance, human resources, legal, IT and administrative services to all areas of our business. We do this to enable the company's leaders (our customers) to focus on leading their teams to achieve their goals, without the burden of administrative and traditional management functions.

We support our customers by using business partners from the HR, IT and finance teams. These partners work with each manager to gain a thorough understanding of their requirements, and identify and proactively manage any issues.

Corporate Services

Cost disciplines and margin improvement

This year, we made a decision to ramp up our investment in R&D and cloud to meet increased market demand. This included a significant investment in resourcing, in order to fast-track the development of Ci Anywhere.

Many of our new software innovations and developments from FY 2016 were unveiled at our Evolve user conference in October 2016, which saw more than 2,300 delegates attend - our highest numbers to date.

In FY 2017, there will be a renewed focus on cost discipline. We will work on implementing end-to-end processes across the finance team, and work with the leadership team to ensure cost management is a devolved responsibility across the entire business. This will enable us to maintain a scalable business model.

People and culture

The business has placed a considerable focus on fostering a company culture based around leadership, innovation and creativity. Our HR team was instrumental in driving employee engagement through a range of surveys, focus groups, Town Halls and other tools that improved communication throughout the business.

Key to fostering a culture of innovation and creativity this year was the implementation of quarterly Hack Days, a company-wide initiative that takes all employees out of their traditional jobs for one day per quarter. It enabled employees to break down traditional silos and work on transformational projects that are outside their normal day-to-day work. After a successful first year of Hack Days, we will now focus on ensuring the concept is delivering enough innovations to be commercially viable.

We also replaced yearly performance appraisals with regular Check-ins, a movement that is increasingly popular in the workplace and has been positively received at TechnologyOne. Check-ins ensure TechnologyOne has a culture of open conversations, by enabling our people to have more frequent, informal conversations with their leaders and receive feedback throughout the year.

We continued our investment in our Village Green collaborative areas, with four of our offices now equipped with Village Greens and another two planned for FY 2017. These spaces create an environment conducive to collaboration and achievement, and include a range of state-of-the-art interconnected audio visual equipment to enable improved collaboration between regions. The AV equipment and contribution from our IT team were key to the success of our Hack Days, Town Halls and other company-wide engagements.

Integrating acquisitions

This year, we successfully integrated all acquisitions made in 2015, including Jeff Roorda & Associates which was closed in October 2015. The final step of integrating our acquisitions was the merging of our Perth office with the DMS Perth office, which was completed in October 2016.

Compelling Customer Experience

Compelling Customer Experience (CCE) continued to be a major focus for TechnologyOne, and we remain committed to providing all customers (be they external or internal) with a CCE every time we interact with them. As the organisation grows, we will continue to invest in ensuring our people have a customer-first mindset.

As part of our commitment to providing a compelling customer experience, we also rolled out many new technologies and product enhancements within our IT team and across the business. This ensures we are able to test and optimise our software first, before delivering it to customers.

Investment in leadership

In FY 2017, we will further develop our leadership program and invest in our leadership capability. This will ensure that our people are developing in line with the business and we have the skill set required to lead us into the next phase of business growth.

United Kingdom

Key strategic sales success in 2016

This year there were 13 new customers signed, all of which were enterprise SaaS deals. The strength of our enterprise SaaS solution in the UK was recognised with the win of the 2016 UK Cloud award for ERP Product of the Year and the 2016 SaaS award for Best SaaS Product for Non-Profits or Education.

The most significant growth was experienced in the higher education market, with the University of Lincoln becoming the first customer to sign up for our Student Management software. The University of Dundee also became the inaugural site for our new HRP product in the UK as part of an integrated OneUniversity solution.

Other new customers in the education sector included University of Exeter - ranked one of the top 10 universities in the UK, West London College, Glasgow Clyde College and West College Scotland.

There was continued success in the local government market, with the signing of a number of key new customers in the Midlands region. These included Leicester, Cambridge, South Cambridge and Huntingdonshire Councils.

With the social housing market a target market moving forward, major breakthrough wins were secured with the first two housing associations customers - Ongo and Equity Housing. This is expected to be a key growth area over the next few years.

Future outlook

The UK operation continues its journey of significant growth, which will enable the goal of key market dominance to be achieved.

In order to sustain such rapid growth, there will be a continued focus on resourcing and robust structures, particularly in the areas of sales and solution delivery.

Over the past two years all new business in the UK region has been 100% cloud customers, indicating the market's interest in moving to a cloud first, mobile first world. In line with the overall company strategy, the UK will continue this pattern moving forward.



Roger Phare
Operating Officer - United Kingdom

The United Kingdom operation continues to execute in line with our vision to be the dominant enterprise Software as a Service (SaaS) provider within our key chosen markets.

This year we recorded our third consecutive year of 100+% growth in Licence Fees in the UK, underpinned by our continued strong growth in the education, local government and social housing markets.

We also introduced new products to the market - our Student Management and Human Resource & Payroll (HRP) solutions, enabling us to further strengthen our enterprise offering.

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EMPLOYER OF CHOICE

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THE AUSTRALIAN BUSINESS AWARDS® EMPLOYER OF CHOICE WINNER 2016

TechnologyOne is committed to providing an environment in which our talented people can be innovative, creative and realise their full potential.

Our people are a critical source of competitive advantage, and we invest heavily in activities that support the recruitment, retention and development of individual talent within our workforce.

Extensive onboarding and training

Our extensive onboarding program provides the best possible start for our people in their careers at TechnologyOne. Delivering training in leadership, technical and professional skills development, the TechnologyOne College continues to support our commitment to developing our people and growing their careers, and has provided training for 95% of our employees.

Graduate program

We believe our expanding graduate and intern programs will continue as the foundation of our talent pipeline into the future, and have developed strategies for investing in and valuing our high performers.

This year we onboarded 20 new Research & Development (R&D) graduates across Australia, including our first in Western Australia to coincide with the opening of a new R&D centre in WA. These graduates work very closely with the company's top engineers, providing them with valuable skills and experience. Our 2016 graduate cohort surpassed our expectations, resulting in the highest calibre of graduates to date.

Industry partnerships

We believe investment in STEM-qualified students and building local talent will propel the future of the technology industry, and will be vital to the advancement of Australia as a global leader in innovation.

As one of Australia's leading software companies, we are committed to actively fostering a diverse and vibrant 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 STEM.

As part of this commitment, we sponsor the QUT Dean's Scholars Program and the UQ School of Information Technology and Electrical Engineering (ITEE) ICT Excellence (Prentice) Scholars Program, with many of these students feeding directly into our award-winning internship program.

We have also partnered with the Australian Computer Society (ACS) Foundation to sponsor the national BiG Day In™ series, which is aimed at high school and university students nationwide who are interested in careers in technology. Our goal in sponsoring the BiG Day In™ is to inspire school-aged students to pursue careers in the IT industry.

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Equal opportunity

TechnologyOne is proud of its history of diversity within the organisation, which includes gender, age, ethnicity and cultural diversity.

We advocate equal opportunity for all, and are committed to addressing the shortages of female technology workers in Australia. To achieve this, we provide equal pay opportunities for men and women in our workplace and have a zero-tolerance policy of discrimination and harassment of any kind.

Our participation of women at TechnologyOne is at 34%, placing us amongst the best globally in the IT industry. However, we are committed to increasing this further, through involvement in programs that encourage female participation in STEM. In doing so, we play a lead role in growing a more diverse pipeline of future candidates to work in STEM and at TechnologyOne.

Some of the key programs TechnologyOne supported this year include the Tech Girls Movement and Girl Geek technical dinners.

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

Leadership development

At TechnologyOne, we believe in leadership at all levels. Our leadership model clearly communicates the expectations of our leaders and forms the foundation of our TechnologyOne Leadership Development Program, which is designed to grow the next generation of leaders from within the company.

As TechnologyOne continues to transform our customers' businesses and make their working lives simple, we remain focused on implementing innovative people programs to hire, retain and develop a high performing workforce.

Our Community Sports program

We are committed to supporting our people in sporting events, which encourages health and well being, and charitable fundraising. It has been one of the biggest years for our TechnologyOne athletes, with over 250 of our people competing in 11 different sports across 25 events.

Our people competed in events such as the Brissie to the Bay bike ride, Auckland & Wellington Round the Bays, New South Wales City to Surf, British 10K London Run, Canberra Colour Run and Adelaide City-Bay Run.

Our Corporate Sustainability scheme

TechnologyOne has a strong commitment to managing our business operations in an environmentally responsible manner. Our headquarters in Brisbane's Fortitude Valley is a six green star environmentally rated building. The building includes numerous environmentally rated sustainable development features, including 50% more fresh air than standard commercial buildings, C02 monitoring, external views to maximise daylight, energy efficient lighting, dedicated exhausts in photocopier areas, a gas powered generator and a large rain water collection area on the roof to supply water for the toilets and garden irrigation.

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



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TECHNOLOGYONE FOUNDATION

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technologyone | foundation

unite | donate | participate

As a large, successful company we have the capability and capacity to make a difference. The TechnologyOne Foundation establishes charitable giving as a long-term initiative, and represents a multi-million dollar annual commitment. The TechnologyOne Foundation is committed to making a difference to underprivilged and at risk youth in our communities, by empowering them to transform their lives and create their own pathways of successs.

The 1% pledge

Be the change you want to see

The driving initiative of our foundation is the 1% pledge, committing us to donating 1% of our time, 1% of profit and 1% of our product.

This initiative is part of the Pledge 1% corporate philanthropy movement, dedicated to making the community a key stakeholder in every business. Pledge 1% encourages and challenges individuals and companies to pledge 1% of profit, product, and employee time for their communities. It's a small commitment today that can make a huge impact in our communities tomorrow.

As part of our 1% pledge initiative, 1% time offers all employees up to 2.5 days leave per year to volunteer during work hours for selected charitable organisations. Through the 1% product, our commitment is to donate 1% of licence fee revenue each year, making it easier for not-for-profit organisations to access our solutions and take advantage of the efficiencies they bring, extending the impact of their services and the work they do in our communities.

The 1% profit component commits us to donating 1% of annual profit to our charity partners, supporting our vision of changing the future by empowering underprivileged and at risk youth to transform their lives. It is also supported by several initiatives which include:

Workplace giving program

Make it simple but significant

The workplace giving program allows employees to make regular donations to charities of their choosing as part of their pre-tax salary. TechnologyOne will match all employee donations two-to-one, increasing the impact of our charitable efforts.

Disaster relief

No act of kindness is wasted

The disaster relief initiative enables us to react quickly to disasters in our communities and provide them with financial aid to recover and rebuild. We partner with local charities or customers in the regions to distribute funds to those in need.

Recycle IT program

Dare to save the planet

This program enables us to recycle used or refurbished IT equipment to support charities or individuals in need. We also partner with community outreach companies that support disadvantaged youth by providing them with the training they need to secure employment and create a pathway for success.

In 2016 we:

- Launched the TechnologyOne Foundation, including the 1% pledge, workplace giving, recycle IT and disaster relief programs
- Supported The School of St Jude's e-learning and technical programs.
- Continued support for 20 ongoing disadvantaged youth programs through The Salvation Army and Mission Australia across Australia, New Zealand and the United Kingdom
- Supported World Vision's work with children, families and communities to overcome poverty and injustice
- Volunteered more than 200 hours as part of the 1% pledge initiative

In addition to our major charity partners, we supported a number of other worthy charities and causes including:

- Yayasan Kemanusiaan Ibu Pertiwi (YKIP)
- Royal Flying Doctors Service
- Cyclone Winston Appeal Fiji
- Drasa Avenue School, Fiji
- Substation 33
- 1,200 for Kids Charity Bike Ride
- Heart Foundation

The School of St Jude is a free, private school in Tanzania, established by Australian expatriate Gemma Sisia. Its mission is to educate disadvantaged, bright students to become leaders in their country.

The School of St Jude's strong commitment to empowering youth through education aligns with our strategic goal for the TechnologyOne Foundation. Through this partnership, we are able to support an inspirational Australian like Gemma making a global impact on the community.

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Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Company) consisting of Technology One Limited and the entities it controlled at the end of, or during, the year ended 30 September 2016.

Directors

The following persons were Directors of Technology One Limited during the financial year and up to the date of this report:



Adrian Di Marco

B Sc, FAICD

Appointed 8 December 1999.

Experience and expertise

Mr Di Marco founded TechnologyOne in 1987, after extensive experience in the software industry in the area of large scale fixed time and fixed price software development. 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 Fellow 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.

Special responsibilities

Chairman of the Board.

Interests in shares and options

34,372,500 ordinary shares in Technology One Limited held beneficially through Masterbah ply Ltd. 6,000 ordinary shares in Technology One Limited held via family trust.



Ron McLean

Appointed 8 December 1999.

Experience and expertise

Mr McLean has 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 the 15th July 2004 and remains a Non Executive Director.

Interests in shares and options

101,000 ordinary shares in Technology One Limited held beneficially through RONMAC Investments Ply Ltd. 40,000 ordinary shares in Technology One Limited held via a pension fund.



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 co-founded the Australian Association of Angel Investors Limited, is a co-founder of Brisbane Angels and was the Australian representative of the World Business Angels Association. 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

45,872,500 ordinary shares in Technology One Limited held beneficially through JL Mactaggart Holdings Pty Ltd. 30,000 ordinary shares in Technology One Limited held via family trust.



Kevin Blinco

B Bus, FCA

Appointed 1 April 2004.

Experience and expertise

Mr Blinco is a former Director and chairman 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 Institute of Company Directors.

Special responsibilities

Chairman of the Audit Committee and Remuneration Committee.

Interests in shares and options

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

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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, Rick has co-invested in more than 30 companies with the support of Commonwealth Government programs, Venture Capital Funds and both corporate and personal investors. While being an active Non-Executive Director of his investments, Rick has added value wherever appropriate to maximise shareholder value and 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 Australian Centre of Excellence for Entrepreneurship (ACE) at Queensland University of Technology, a Board member of the Bond University Business Accelerator Program, 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 iQFunds. Mr Anstey was appointed a Director and Non-Executive Chairman of Veriluma Limited (ASX: VRI) on 8 September 2016.

Special responsibilities

Chairman of the Nomination Committee.

Interests in shares and options

15,000 ordinary shares in Technology One Limited.



Jane Andrews

PhD, AICD

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.

Interests in shares and options

8,325 ordinary shares held in Technology One Limited held beneficially through the Sarabande Zenith Jewel Trust.

Gareth Pye

BCom, CA

Appointed 22 July 2014.

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



Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 September 2016, 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	4	-	-
J Mactaggart	10		4	3
K Blinco	10	4	4	3
R Anstey	10	4	4	3
J Andrews (appointed 22 February 2016)	6 (6)	3 (3)	3 (3)	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:

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

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

Dividends - Technology One Limited

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

	2016 $'000	2015 $'000
Final dividend for the year ended 30 September 2015 of 4.63 cents (2014 - 4.21 cents) per fully paid share paid on December 2015 (2014 - December 2014)	14,390	13,062
Special dividend for the year ended 30 September 2015 of 2.0 cents (2014 - 2.00 cents) per fully paid share paid on December 2015	6,213	6,176
Interim dividend for the year ended 30 September 2016 of 2.36 cents (2015 - 2.15 cents) per fully paid share paid on June 2016 (2015 - June 2015)	7,355	6,630
	27,958	25,868

Review of operations

Please refer to Letter to Shareholders on page 11.

Corporate structure

The TechnologyOne group of companies consists of the following:

- Technology One Limited
- Technology One New Zealand Limited
- Technology One Corporate Sdn Bhd
- Technology One UK Limited
- Avand Pty Ltd
- Avand Pty Ltd (New Zealand) Pty Ltd
- Desktop Mapping Systems Pty Ltd
- Digital Mapping Solutions NZ Limited
- Boldridge Pty Ltd
- Icon Strategic Solutions Pty Ltd
- Jeff Roorda & Associates Pty Ltd

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 22 November, the Directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is $15,947,000 and is 100% franked. There was also a special dividend declared for the 2016 financial year of $6,266,000 and this is also fully franked.

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.

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Likely developments

Refer to the Letter to Shareholders.

Indemnification and insurance of officers

Insurance and indemnity arrangements established in the previous year concerning officers of the Company were renewed or continued during the year ended 30 September 2016.

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

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

Indemnification of auditor

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

Non-audit services

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

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

	2016 $	2015 $
Ernst & Young firm:	5,555	55,550
Due diligence services Ernst & Young:		
Ernst & Young		
Taxation advice	31,690	125,764
Compliance services	146,353	45,000
Total remuneration	178,043	170,764

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 118.

On 15 August 2016 the Board approved the extension of the Lead Audit Partner rotation period from five years to seven years in accordance with section 324DAB of the *Corporations Act 2001* and the *Corporations Legislation Amendment (Audit Enhancement) Act 2012*.

The reasons why the Board approved the extension included:

- Mr Tozer, the Lead Audit Partner, has a detailed understanding of the Group's business and strategies, its systems and controls. This knowledge is considered to be invaluable to the Board at this point in time.
- The existing independence and service metrics in place with EY and Mr Tozer, are sufficient to ensure that auditor independence would not be diminished in any way by such an extension.
- Mr Tozer will continue to abide by the independence guidance provided in APES 110 'Code of Ethics for Professional Accountants' as issued by the Accounting Professional and Ethical Standards Board and EY's own independence requirements.
- The threats of self-interest and familiarity have been mitigated as EY appointed a new Engagement Quality Review Partner.
- The Board of Directors are of the view that Mr Tozer's continued involvement with the Group as the Lead Audit Partner will not in any way diminish the audit quality provided to the Group.

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

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

Share options

Unissued shares

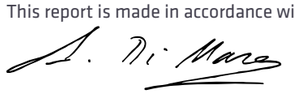
As at the date of this report, there were 5,014,172 unissued ordinary shares under options (5,014,172 at the reporting date). Refer to note 33 for further details of the options outstanding.

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

Shares issued on the exercise of options

During the year, employees and Executives have exercised options to acquire 1,966,197 fully paid ordinary shares in Technology One Limited at a weighted average exercise price of $1.56. Refer to note 33 for further details of the options exercised during the year.

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



Adrian Di Marco
Brisbane
22 November 2016

Remuneration Report (Audited)

The remuneration report contains the following sections.

1. Introduction
2. About this report
3. Executive Remuneration Framework
4. Relationship between remuneration and company performance
5. Executive Statutory Remuneration
6. Equity Plans
7. Remuneration governance
8. Non-Executive Director fees
9. Director shareholdings
10. Equity instruments held by Key Management Personnel
11. Loans to Key Management Personnel
12. Other transactions with Key Management Personnel

1. Introduction

TechnologyOne is pleased to present its Remuneration Report for the 2016 financial year, which sets out the remuneration framework for the Executive Chairman, our Executives and our Non-Executive Directors.

TechnologyOne has attracted exceptional Executives, Directors and employees, who collectively have been responsible for delivering long term profitable growth and substantial shareholder returns. In order to attract and retain such talent in a highly competitive and fast moving environment, it is critical to have a remuneration framework that enables TechnologyOne to compete for talent against the world's biggest enterprise software companies such as Oracle and SAP, as well as other Australian software companies.

We continue to engage with our shareholders and advisors in the ongoing refinement of our remuneration framework to ensure it is fair and equitable, and continues to reward Key Management Personnel (KMP) appropriately to drive performance for the Company and our shareholders.

The principles of our remuneration framework are to:

- 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; and
- Provide flexibility to meet changing needs and emerging competitive market practices.

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:

- Relatively low fixed remuneration to enable a greater emphasis on performance;
- Relatively large at risk short term incentive (STI) portion aligning Executives to current year performance; and
- Long term incentives (LTI) linked to long term strategy, targets, and shareholder wealth creation.

The reason for our emphasis on STIs is that short-term performance is a key driver of TechnologyOne's long-term success. This is because over 63% of our revenues each year are recurring revenues based on contract wins in prior years. If we drive short-term performance through new licences and profit, this translates into greater shareholder wealth over the longer term.

In FY2016, we have modified our Non-Executive Director mandatory shareholding policies to comply with best practice for companies in the ASX 100-200. In FY 2015, we introduced significant changes to our Executive remuneration framework which has been enhanced in FY 2016 as we rolled out the new plan to a broader set of Executives.

Net Profit After Tax (NPAT) for the year increased by 16% (2015 - 16%) reflecting the continued effectiveness of the TechnologyOne remuneration policies in driving increases in shareholder returns.

2. About this report

2.1 Basis for preparation

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

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

The Remuneration Report details the remuneration framework for TechnologyOne's Key Management Personnel (KMP). For the purpose of this report, KMP is 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). TechnologyOne defines its KMP as the Company's Non-Executive Directors (NEDs) and Executives including the Executive Chairman.

This report has been audited.

2.2 TechnologyOne Non-Executive Directors

For the 2016 financial year, the Non-Executive Directors of TechnologyOne are as follows:

- Ron McLean
- John Mactaggart

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- Kevin Blinco
- Richard Anstey
- Dr Jane Andrews (Appointed 22 February 2016)

2.3 TechnologyOne Executives

Executive Directors

- Adrian Di Marco (Executive Chairman)

Senior Executives

- Edward Chung (Chief Operating Officer – Asia Pacific)
- Roger Phare (Operating Officer - United Kingdom)
- Martin Harwood (Operating Officer – Consulting Services)
- Paul Rogers (Operating Officer - Consulting Services) – resigned 3 May 2016
- Gareth Pye (Operating Officer - Corporate Services) – changed position on 4 July 2016
- Stuart MacDonald (Operating Officer – Sales and Marketing) – appointed 11 April 2016
- Tony Ristevski (Operating Officer – Corporate Services and CFO) – appointed 4 July 2016

2.4 Key personnel changes during the financial year

During the financial year the following changes were made:

- Edward Chung moved from the position of Operating Officer - Products & Solutions to Chief Operating Officer – Asia Pacific on 16 February 2016.
- Martin Harwood moved from Operating Officer - Sales and Marketing to Operating Officer – Consulting Services effective 3 May 2016.
- Paul Rogers Operating Officer – Consulting Services left the Company effective 3 May 2016.
- Stuart MacDonald was appointed to the role of Operating Officer - Sales and Marketing effective 11 April 2016.
- Gareth Pye,Operating Officer – Corporate Services changed positions on 4 July 2016.
- Tony Ristevski was appointed to the role of Operating Officer – Corporate Services and CFO effective 4 July 2016.

2.5 Board Committee changes during the financial year

The following Board Committee changes have occurred during the financial year:

- Dr Jane Andrews was appointed on the 22 February 2016 to the Audit, Nomination and Remuneration Committees.

The Board believes that its existing Directors contribute valuable knowledge, skills and experience. In order to ensure that the Board and its committees clearly have a majority of independent Directors, the Board is considering appointing an additional independent Director at an appropriate time.

3. Executive Remuneration Framework

TechnologyOne introduced a new Executive Remuneration Framework in the 2015 financial year. The new remuneration framework has been enhanced following further market consultation. The key change adopted in 2016 is the use of options rather than performance rights. Following extensive market consultation and reviewing LTI programs across comparable growth companies in Australia and overseas, the view is that the use of options under a LTI scheme for a growth company best aligns shareholder and Executive interests.

A key element of the revised 2016 LTI plan is that the market price at the time of award is used to determine the quantum of LTIs granted and allocated against each KPI which are aligned to create long term shareholder value. The KPIs set are primarily yearly based measures to ensure a consistency year on year but importantly over a three year window creates value for shareholders which is when the options vest. Thus the Executive will only benefit if shareholder value is created. Details of the plan and worked example are provided in section 3.6. Executives only receive value if performance targets are met that have been previously set for the LTI.

TechnologyOne will continue to honour existing contracts with its Executives that predated the new framework, and which need to be honoured both legally and morally, as well as ensuring the existing momentum in the business is not lost.

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

3.1 Changes to remuneration framework in 2016 financial year

In the 2016 financial year, we have revised the remuneration benchmarks for our Executives to include locally-based senior Executives from global companies operating in the enterprise software market, as well as KMP from our information technology industry peers in the ASX 200.

We have increased Non-Executive Director remuneration from $74,022 to $75,132. The minimum mandatory shareholding for Directors has also been increased to the equivalent of one year's after-tax remuneration, with new Directors having two years to achieve this target.

3.2 Our remuneration benchmarks

The talent pool in Australia for Executives with large scale enterprise software experience and a proven track record is extremely small and is hotly contested with start-up companies at the lower end, and large multinationals at the other end of the spectrum. In such a ferociously competitive and relatively small market, our experience has shown that to attract and retain talented Executives who understand large scale enterprise software, requires a remuneration framework that is appropriately structured for the enterprise software market. The changes made to our LTI framework have been influenced by like organisations and ensuring we provide a flexible incentive structure whilst driving shareholder value.

We have benchmarked our Executives' remuneration against Australian-based KMP from our competitors in the enterprise software industry: Oracle, Microsoft, SAP, Workday and NetSuite. Our Executive remuneration is also calibrated against other listed IT companies on the ASX such as Seek Limited, Wisetech Limited and Aconex Limited.

3.3 Executive remuneration structure and principles

The TechnologyOne Operating Officers are the leaders of the organisation. It is their role to inspire, develop and lead over 1,000 talented professionals to perform at exceptional levels to produce outstanding returns for our shareholders.

When it is necessary to appoint a new candidate to these roles, only the best that the market can offer will be considered. They will have a proven track record and will therefore be able to command significant remuneration packages in their own right. These packages are significant (often 6 to 7 figures) but we believe that the organisation needs this level of management expertise to keep the growth momentum above the 12% experienced over the past 10 years, continuing into the future.

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

- Fixed remuneration;
- Short Term Incentive (STI) which is at risk and represents a share of profit (performance based); and
- Long Term Incentive (LTI) which is at risk and performance based.

Our remuneration structure differs from our ASX-listed peers, to encourage over performance, with a substantially lower proportion of fixed remuneration of 33% vs 65% for our peers; and an over weighting to the STI of 33% vs 15% for our peers. Over time, the fixed remuneration proportion becomes even lower compared to our peers due to increases in the STI component. This difference from our ASX-listed peers is justified by the fact that improvements in our short-term performance are based on factors such as new licence fees, which drive TechnologyOne's recurring revenues and shareholder returns.

	Fixed remuneration	Short term incentive (STI)	Long term incentive (LTI)
Nature	Base salary plus superannuation. Includes any salary sacrifice items.	Paid monthly with up to 20% retention by TechnologyOne until accounts are audited and finalised. Paid three months after year end.	From 2016, Executives will be allocated options which provide the right to purchase one TechnologyOne share, subject to meeting performance targets.
Percentage of total remuneration at contract start date	Typically, 33% of total remuneration at start of contract, decreasing over time due to increase of STI.	Typically, 33% of total remuneration at start of contract.	Typically, 33% of total remuneration at start of contract, decreasing over time due to increase of STI.
Changes in percentage of total remuneration over time	Typically increases by CPI each year but decreases as a percentage of total remuneration based on larger increases in STI component.	Typically increases over time in line with increases in Company (or business segment) profitability (see section 3.5 for more information).	Typically decreases as a percentage of total remuneration based on larger increases in STI component.
Performance targets	N/A	Percentage of agreed Executive Net Profit Before Tax (NPBT) for the Group; or percentage of Net Profit Before Tax (NPBT) for the relevant business segment for the Executive (see section 4.4 for more information).	The LTI scheme has a blended approach of performance targets[1] such as: • NPAT growth • Licence fee growth • Sales operating expense growth • R&D expense growth
Performance period	N/A	Annual	Three years
Clawback available	No	Yes if business outcome differ from expected	Yes
Cap	N/A	No	Yes, attainment of 100% of target if stretch goal is reached
Floor	N/A	No	Yes, 0% vesting if actual performance is less than mid hurdle

[1] LTI targets will be reviewed each year as Executives join the LTI scheme in the coming years.

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

3.4 Fixed remuneration

Key attributes of the fixed remuneration component include:

- The Board determines an appropriate level of fixed remuneration for Executives with recommendations based on market benchmarking from the Remuneration Committee at the start of their contract;
- Fixed remuneration is made up of base remuneration and superannuation. Fixed remuneration includes cash salary and any salary sacrifice items;
- Fixed remuneration grows at a rate similar to CPI, there are no guaranteed fixed remuneration pay increases for Executives; and
- The Executives fixed remuneration is reviewed annually, following the end of the performance period (30 September). For the 2016 financial year, the average fixed remuneration increases for the Executive Chairman and Executives was 1%.

3.5 Short term incentives (STI)

Overview

Our STI differs from that of many other ASX 200 companies because strong short term performance creates a strong recurring revenue base in the long term, driving outstanding performance and shareholder wealth.

Key attributes of the short term incentives (STI) are as follows:

- TechnologyOne Executives have a cash-based STI set at the start of their contract which is typically approximately 33% of their total remuneration and which increases to approximately 50% of their remuneration over time;
- The STI target is based on a percentage of Net Profit Before Tax (NPBT) for the Group or percentage of Net Profit Before Tax (NPBT) for the relevant business segment for the Executive. This effectively aligns the target incentive with shareholder return. The STI targets are not renegotiated during the course of the Executive's employment to provide certainty to the Executive, that if they build their business, they will share in the upside;
- The STI is calculated and paid monthly with up to 20% retention to assist the Executives in meeting their short term financial obligations. This is appropriate because Executives' fixed remuneration is very low compared to our ASX-listed peers (33% vs 65%). Up to 20% retention of STI is paid three months after TechnologyOne's year end to ensure that the STI paid are based on audited and finalised accounts. In the unlikely event business outcomes differ materially to what was expected, the Company can claw back any STI;
- The STI is uncapped to encourage over-achievement, driving performance in current year and long term shareholder wealth; and
- There is no floor on the STI, aligning Executives with shareholder expectations.

Change in STI over time

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

The best way to consider the mechanics of the TechnologyOne salary packaging arrangements is by way of the following 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 package of approximately $300,000 or 33% of the package with minimal future adjustments, akin to CPI, in future years.
- The LTI is typically 33% of the package compared to industry norms of 15% to 20%.
- The STI target typically commences at 75% to 100% of the fixed remuneration value established during contract negotiations. Our expectation is that at the start of an Executives' contract the STI will be similar to their fixed remuneration. In this example, $300,000 is used as the initial STI target. If we assume that Net Profit Before Tax (NPBT) of the Group is to be used and the forecast NPBT is $40m (a 15% increase on the prior year) then the contract STI will be $300,000/$40m, or 0.75% of profit.

To explain the growth of the STI over time compared to the fixed remuneration consider the following using the above example over a three-year period with:

- Profit increasing by 12% p.a.
- CPI at 3%; and
- STI target of 15% NPBT.

Year	Fixed	Profit target (M)	Actual profit (M)	STI %	STI target (STI % x profit target)	Actual STI (STI % x actual profit)	LTI accrued (target is $100,000 accrued per year)	Total
1	$300,000	$40.000	$38.957	0.75	$300,000	$292,174	$70,000[1]	$592,174
2	$309,000	$44.800	$43.631	0.75	$336,000	$327,234	$140,000	$636,234
3	$318,270	$50.176	$48.867	0.75	$376,317	$366,502	$210,000	$894,772
% of total rem	36%					41%	23%	

[1] LTI is explained further in section 3.6. This number is provided for illustrative purposes only. The LTI of $70k is based on the KPI of NPAT growth >10% with 50% of LTI earned and 100% earned if growth >15%. Growth between 10% and 15% will be calculated on a linear basis, as the example has NPAT growth of 12%, this equates to 70% of the LTI as being earned.

Our unique approach to STI drives outstanding performance long term shareholder wealth.

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

Approximately 58% of our revenues each year are recurring revenue, which directly flow from contract wins in prior years.

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

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

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

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

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

The STI framework aligns performance with remuneration outcomes encouraging over performance and penalising under performance.

Timing of STI payment

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

Up to 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.

TechnologyOne does not defer the STI any longer than three months because:

- Executives have low fixed remuneration relative to their ASX-listed peers and so payment of STI in a fair and reasonable time frame is important. TechnologyOne packages are structured so that our Executives fixed remuneration and 70% of their STI target is the equivalent of our competitors fixed remuneration.
- TechnologyOne carries minimal risk associated with revenue and as such the long term deferral of STI greater than three months does not serve any purpose.
- 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 (33% vs 20% for our peers). It is important to note that our LTI being 33% of our Executives remuneration is similar to the STI and LTI of our ASX-listed peers (15% and 20%).

3.6 Long term incentives (LTI)

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

TechnologyOne long term incentive (LTI) 2016 plan provides for the grant of options as follows:

- The LTI plan is designed to provide participants with the incentive to deliver substantial consistent growth in shareholder value;
- Performance is measured over a three-year performance period with individual and Company targets assessed annually or at the conclusion of the performance period;
- Executives only receive value if performance targets are met at the end of the three-year performance period. The option vests if the performance targets have been met;
- Executives have the option to purchase one TechnologyOne share at an agreed strike price;
- No dividends are paid while the LTI awards are unvested; and
- The Board has the discretion to adjust the number of LTIs awarded or vested in the event of any unintended consequences.

LTIs are measured against both individual and Company targets. The LTI awards granted may deliver value to Executives subject to meeting performance targets over a three-year period. Targets are designed to reward Executives for outcomes that deliver substantial shareholder value.

The following table provides the key features of the LTI award:

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Feature	Description
LTI	Each LTI entitles the Executive to receive the right to purchase one TechnologyOne share in the future at the agreed strike price, subject to meeting specified performance targets. Performance targets have a combination of annual and three-yearly testing windows. A number of LTIs are issued to Executives each year referred to as a grant. The grant quantum is calculated according to the formula described below. It is important to note that the LTI for a grant will vest at a future date - three years from their issue date called the vesting date. If performance targets set for the grant have been met, the number of LTIs in a grant that vest will be assessed each year for KPIs with annual targets to have the quantity locked in but not accessible until the end of the three year vesting date. KPIs with three yearly testing will not be known until the end of the performance period (i.e. the vesting date).
Number of LTI issued each year in a tranche	The value of the total number of LTIs issued each year (called a grant) to an Executive is typically 75% to 100% of fixed remuneration and is determined during contract negotiation when an Executive is hired, but will ultimately depend on negotiations and the overall package components negotiated. The contracted LTI % may be changed where appropriate by the Board, such as if there is a change in the Executive's responsibilities. The LTI increases by approximately CPI each year, in line with the increase in fixed remuneration. 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.
Performance period & vesting date	The performance period commences at grant date and extends for three years to give a vesting date. This may be less where an Executive commences part way through a financial year. For example, for the annual grant of LTIs issued during the 2016 financial year (called the 2016 grant), the performance period would start on 1 October 2015 and end three years later on 30 September 2018 with 30 September 2018 being the vesting date. Based on meeting the targets over the performance period, up to 100% of the LTIs in that grant may vest, allowing the Executive to exercise options available in the trading window following the end of the performance period.
Performance targets	Each grant of LTIs is subject to performance targets being met for the relevant performance period. If there is more than one performance target, then a portion of LTIs in a grant are allocated to each specific performance target, called a tranche. To illustrate how LTIs are allocated across performance targets, we have assumed an Executive's agreed LTI value is $200,000. For 2016, under the LTI plan rules where the 10 working day VWAP is $5, using the Black Scholes model the cost of each option is $0.64. The Executive will be allocated 312,500 options. Following the above example, the 312,500 options would be allocated into two tranches as follows: • 156,250 options to profit after tax growth target; and • 156,250 options to licence fee growth target. The actual number of LTIs allocated to each target is determined by the Company at the start of the performance period. The number of LTIs allocated across all targets cannot exceed the total number of LTIs offered in the grant. For each performance target there will be a mid and stretch hurdle (for the performance period) based on the Executive's area of responsibility: • If performance meets the stretch hurdle, 100% vesting of LTIs for that target will be achieved • If performance meets mid hurdle, then 50% of the number of LTIs will vest • If performance is between stretch and mid hurdle, the number of LTIs for that target will vest linearly • If performance is less than the mid hurdle, 0% of the number of LTIs allocated to that target will vest. Mid hurdles have been calculated so that if they are achieved, this will create substantial shareholder wealth. Targets will be based on factors such as Company profit after tax, licence fee growth, consulting revenue growth, R&D expense growth and customer retention rates. It is based on the average result achieved for that target over the performance period.

Feature	Description
Vesting	The LTI for a grant will not vest until the end of the performance period (the vesting date) and the number to vest will be calculated using the performance achieved over the performance period as measured against the performance targets. Performance targets are set before the performance period as either yearly targets or three year targets. If the performance target is a three-year target, it is tested at the end of the three-year performance period. For example, R&D expense growth of less than 8% over three years. **Number of LTIs earned per three-year performance target is equal to Number of LTIs available for that target x percentage earned x individual performance factor.** As an example, a three-year performance target based on R&D expense growth might be as follows, based on the annual growth targets set: • R&D expense growth of < 8% - 100% earned • R&D expense growth > 8% - nil % earned The individual performance factor (IPR) is typically 100%. The total number of LTIs earned across all performance targets by an Executive cannot exceed the total number of LTI in a grant. **The number of LTIs earned per yearly performance target is equal to 1/3 x number of LTIs available for that target x percentage earned x individual performance factor.** As an example a yearly performance target based on profit growth might be as follows, based on the growth for that one-year period: • Profit growth of 15% - 100% earned • Profit growth of 10% - 50% earned, and apportioned linearly for performance between 10% and 15% • Profit growth of less than 10% - nil % earned • The individual performance factor (IPR) is typically 100%. It is important to note that though the LTIs are earned, they do not vest until the end of the performance period - typically three years. Refer to section 4.5 for LTIs offered during the year. The Board has the discretion in exceptional circumstances to increase the IPR above 100% to a maximum of 200% to take into consideration exceptional individual performance or contribution by an Executive. The total number of LTIs earned across all performance targets by an Executive cannot exceed the total number of LTIs in a grant. The committee has a preference for a three-year performance window with annual targets to drive the optimum result.
Board discretion	The Board also retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event. The Board may also renegotiate the annual grant of LTIs based on exceptional circumstances such as the change of responsible area for an Executive, a restructuring of the company, an acquisition etc. In the event of a change of control, and to the extent that the LTIs have not already lapsed, the Board has the discretion to determine whether the LTIs vest or otherwise. Upon termination of an Executive for poor performance, LTIs will not vest. Upon redundancy of an Executive, or for other reasons such as resignation due to ill health, the Board has the discretion to negotiate a settlement which includes the vesting of a portion of LTIs granted.
Expiry	At the end of the applicable performance period, any LTIs that have vested will expire five years after vesting.

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2016 performance targets

The LTI performance targets that have been identified for our Executives are both Company targets such as Net Profit After Tax (NPAT) and individual business unit targets for the Executives business unit such as licence fee growth or R&D expense growth.

The Board has considered the following list of key performance targets that will ensure the Executives will focus on creating long term shareholder wealth. Typically, there is a blended approach of LTI performance targets, incentivising our Executives to work for the benefit of the Company as a whole as well as driving their individual business unit.

The performance targets for the 2016 year are as follows:

Performance targets [1]	Performance period	Testing
NPAT growth	Three years	Annual [2]
Licence fee growth	Three years	Annual [2]
Sales operating expense growth	Three years	Three years [3]

[1] Performance targets exclude acquisitions.

[2] These performance targets do not have a minimum target. The performance target has to be achieved for the Executive to meet their LTI target. 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.

[3] The Company has chosen a three year testing where the average over a three-year performance period average is more appropriate in driving long term shareholder wealth.

Quarantined Executive Option Plan (EOP) (now superseded)

They're options were issued to existing Executives and TechnologyOne is required to honour. These pre-existing contracts utilise the previous LTI plan based on options. 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 new LTI plan going forward. All new appointments of Executives to the Company will be under the new 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 33 to the financial statements.

4. Relationship between remuneration and company performance

4.1 TechnologyOne's five-year performance

The 2016 financial year once again saw Net Profit After Tax increase 16%.

Executives remuneration excluding LTI and termination benefits increased at a rate below Net Profit After Tax, which is the Remuneration Committee's goal.

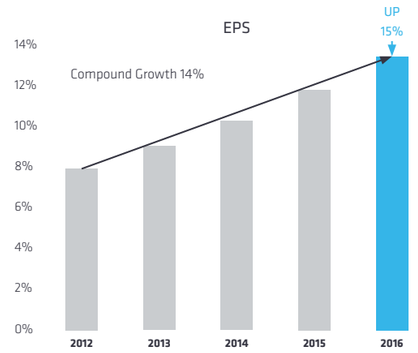
The below table sets out information showing the creation of shareholder wealth for the years ended 30 September 2012 to 30 September 2016.

	2012	2013	2014	2015	2016
Actual profit before tax ($'000)	30,325	35,097	40,235	46,494	53,240
Total dividend including special (cps)	5.09	5.60	8.16	8.78	9.45
Earnings per share (basic)	7.73	8.80	10.06	11.58	13.26
Share price at start of period	1.05	1.37	2.05	3.18	3.84
Share price at end of period	1.37	2.05	3.18	3.84	5.94
Total Shareholder Return	35%	54%	59%	24%	57%
Profit after tax growth %	16%	15%	15%	16%	16%
Average Executives growth[1] %	14%	15%	7%	15%	15%

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

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

The graph below shows EPS growth over the last five years:



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

	2012	2013	2014	2015	2016
Average STI ($'000)[1]	325	390	409	412	462
Actual profit before tax ($'000)	30,325	35,097	40,235	46,494	53,240
% increase in average STI	4%	20%	5%	1%	12%
% increase in NPBT	14%	16%	15%	16%	15%

[1] The STI for Executives who commenced during the year has been annualised

	2012	2013	2014	2015	2016
Average remuneration ($'000)[1]	621	737	751	843	923
Actual profit before tax ($'000)	30,325	35,097	40,235	46,494	53,240
% increase in average remuneration	(3)%	19%	2%	12%	9%
% increase in NPBT	14%	16%	15%	16%	15%

[1] The remuneration for Executives who commenced during the year has been annualised

The relationship between Executive contract terms and performance outcomes are outlined for each of TechnologyOne's Executives in the following section. It is important to note that outcomes reported in this section will differ from those reported in section 5 due to timing differences given the accounting methodology employed in the statutory treatment.

4.2 Summary of Executive remuneration and performance for FY 2016

The remuneration package for Executives, including the Executive Chairman, for FY 2016 comprises the amounts outlined in the following tables. It is worth noting that employment contract terms presented for the CEO and other Executives do not have a fixed duration period (i.e., they are ongoing rolling contracts that cease following notice of termination by either employee or employer).

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Adrian Di Marco

Position	Executive Chairman		
Fixed remuneration	**2016 $**	**2015 $**	**Notes**
Base salary	472,202	470,040	
Directors fees	75,132	74,022	Inclusive of superannuation
Chairman's fee	-	-	
Superannuation	10,478	7,094	Compulsory superannuation guarantee contributions up to the maximum contribution base, equating to $10,478 per annum.
Total fixed remuneration	**557,812**	**551,156**	**Fixed remuneration increased by CPI**
% growth on prior year excluding LTI and termination benefits	9%	10%	
% growth on prior year including LTI and termination benefits	9%	10%	
Performance based remuneration			
1. STI	**913,200**	**797,485**	Mr Di Marco is paid 1.68% based on Group Net Profit Before Tax as an incentive. 10% of this is retained for three months after the reporting period. STI is up 15% in line with CEO Net Profit Before Tax.
2. LTI new scheme			
Value of share options offered	Nil	Nil	The Remuneration Committee recognises that Mr Di Marco's total remuneration is substantially below that of comparable companies. The Remuneration Committee offered Mr Di Marco an award of $400,000 of options in the 2015/2016 year for his LTI component of his remuneration. Mr Di Marco declined this offer to the detriment of his total remuneration. The Remuneration Committee acknowledges that Mr Di Marco's existing 12+% shareholding in TechnologyOne provides the benefits that the LTI aims to achieve.
3. LTI old scheme			
Value of share options	Nil	Nil	
4. Post-employment			
Post-employment benefits			Nil
Post-employment restraint			12 months
Termination notice by either party			3 months
Termination benefits			Nil

Edward Chung

Position	Chief Operating Officer – Asia Pacific		
Fixed remuneration	**2016 $**	**2015 $**	**Notes**
Base salary	303,661	227,839	The increase in Mr Chung's base is due to his promotion to COO and taking on additional responsibilities whilst at the same time stepping down from the board.
Directors fees	-	74,022	Mr Chung resigned as a Director effective from 10 August 2015.
Superannuation	10,588	8,856	Compulsory superannuation guarantee contributions up to the maximum contribution base.
Total fixed remuneration	**314,249**	**310,717**	**Fixed remuneration Increased by CPI**
% growth on prior year excluding LTI and termination benefits	8%	9%	
% growth on prior year including LTI and termination benefits	15%	38%	
Performance based remuneration			
1. STI	**346,980**	**303,013**	Mr Chung is paid 0.625% of Executive Net Profit Before Tax as an incentive. 20% of this is retained for three months after the reporting period. STI is up 15% in line with Executive Net Profit Before Tax.
2. LTI new scheme			
Value of share options offered	Nil	Nil	
3. LTI old scheme			
Value of share options	326,207	245,011	Mr Chung was issued with 1,000,000 options in July 2014. No further options will be issued under this plan as it has been quarantined. 165,000 options vested during FY2016. All future LTI will be based on the new LTI scheme.
4. Post-employment			
Post-employment benefits			Nil
Post-employment restraint			12 months
Termination notice by either party			12 weeks
Termination benefits			Nil

Roger Phare

Position	Operating Officer – United Kingdom		
Fixed remuneration	**2016 $**	**2015 $**	**Notes**
Base salary	230,550	237,440	Mr Phare is paid in GBP and this is the AUD equivalent. The reduction is based solely on foreign exchange fluctuations.
Superannuation	Nil	Nil	No compulsory superannuation guarantee contributions payable as currently employed by TechnologyOne UK Limited.
Total fixed remuneration	**230,550**	**237,440**	
% growth on prior year excluding LTI and termination benefits	(1%)	(2%)	
% growth on prior year including LTI and termination benefits	(4%)	(4%)	
Performance based remuneration			
1. STI	**419,420**	**417,781**	Mr Phare is paid 7% of UK Net Profit Before Tax inclusive of a $6.45m company capital contribution. 20% of this is retained for three months after the reporting period. STI is up slightly with UK Net Profit Before Tax and allowance for company capital contribution.
2. LTI new scheme			
Value of share options offered	Nil	Nil	
3. LTI old scheme			
Value of share options	61,604	82,206	Mr Phare was issued with 1,000,000 options in July 2012. No further options will be issued under this plan as it has been quarantined. 200,000 options vested during FY 2016. All future LTI will be based on the new LTI scheme.
4. Post-employment			
Post-employment benefits			Nil
Post-employment restraint			12 months
Termination notice by either party			12 weeks
Termination benefits			Nil

Martin Harwood

Position	Operating Officer – Consulting Services		
Fixed remuneration	**2016 $**	**2015 $**	**Notes**
Base salary	213,161	210,728	
Superannuation	9,658	9,531	Compulsory superannuation guarantee contributions up to the maximum contribution base.
Total fixed remuneration	**222,819**	**220,259**	**Fixed remuneration increased by CPI**
% growth on prior year excluding LTI and termination benefits	10%	12%	
% growth on prior year including LTI and termination benefits	18%	43%	
Performance based remuneration			
1. STI	**566,272**	**494,517**	Mr Harwood is paid 1.02% of Executive Net Profit Before Tax. 20% of this is retained for three months after the reporting period. STI is up 15% in line with Executive Net Profit Before Tax.
2. LTI new scheme			
Value of share options offered	Nil	Nil	
3. LTI old scheme			
Value of share options	331,693	233,441	Mr Harwood was issued with 600,000 options in October 2014. No further options will be issued under this plan as it has been quarantined. 200,000 options vested during FY 2016. All future LTI will be based on the new LTI scheme.
4. Post-employment			
Post-employment benefits			Nil
Post-employment restraint			12 months
Termination notice by either party			12 weeks
Termination benefits			Nil

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Stuart MacDonald

Position	Operating Officer – Sales & Marketing		
Fixed remuneration	**2016 $**	**2015 $**	**Notes**
Base salary	150,883	-	
Superannuation	14,334	-	Compulsory superannuation guarantee contributions up to the maximum contribution base.
Total fixed remuneration	**165,217**	**-**	**This is the prorated fixed remuneration for Mr MacDonald from 11 April. The negotiated fixed remuneration for a full year is $380,000.**
% growth on prior year excluding LTI and termination benefits	100%	NA	
% growth on prior year including LTI and termination benefits	100%	NA	
Performance based remuneration			
1. STI	**206,754**	**-**	Mr MacDonald is paid 0.455% of Executive Net Profit Before Tax. 20% of this is retained for three months after the reporting period. The negotiated STI for a full year is $250,000.
2. LTI new scheme			
Value of share options offered	46,667	-	During FY 2016, Mr MacDonald was offered 317,211 options with an exercise price of $4.7969. Please refer to section 4.4 for further information.
3. LTI old scheme			
Value of share options	-	-	
4. Post-employment			
Post-employment benefits			Nil
Post-employment restraint			12 months
Termination notice by either party			12 weeks
Termination benefits			Nil

Tony Ristevski

Position	Operating Officer – Corporate Services & CFO		
Fixed remuneration	**2016 $**	**2015 $**	**Notes**
Base salary	51,954	-	
Superannuation	4,296	-	Compulsory superannuation guarantee contributions up to the maximum contribution base.
Total fixed remuneration	**56,250**	**-**	**This is the prorated fixed remuneration for Mr Ristevski from 4 July. The negotiated fixed remuneration for a full year is $275,000.**
% growth on prior year excluding LTI and termination benefits	100%	NA	
% growth on prior year including LTI and termination benefits	100%	NA	
Performance based remuneration			
1. STI	**188,055**	**-**	Mr Ristevski is paid 0.499% of Executive Net Profit Before Tax. 20% of this is retained for three months after the reporting period. The negotiated STI for a full year is $275,000.
2. LTI new scheme			
Value of share options offered	Nil	-	
3. LTI old scheme			
Value of share options	Nil	-	
4. Post-employment			
Post-employment benefits			Nil
Post-employment restraint			12 months
Termination notice by either party			12 weeks
Termination benefits			Nil

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4.3 Calculation of Executive STI performance for the year

There is no maximum or minimum STI for Executives as the Company wants to ensure a strong focus on performance in the current year. Please refer section 3.7 for a detailed explanation.

Up to 20% of the STI is deferred for a period of three months.

Calculation of STI:

The respective terms of each Executives STI entitlement is summarized in section 4.2 and 4.3. The key measures in which the STI is applied against is as follows for FY16:

UK Net Profit Before Tax and allowance for company capital contribution[1.] of $5,991,715

Executive Net Profit Before Tax[2.] of $55,516,815

CEO Net Profit Before Tax[3.] of $54,357,120

[1.] UK Net Profit Before Tax for incentives is calculated based on the UK company profit before tax plus corporate contribution of $6.45m.

[2.] Executive Net Profit Before Tax is calculated based on company profit before tax before the Executive STI is calculated.

[3.] The CEO Net Profit Before Tax is calculated after we have calculated the Executives STI. Once calculated it is used to calculate the CEO STI.

4.4 Summary of LTI issued during the year 2016 LTI grant for Stuart MacDonald

317,211 options were granted to Stuart MacDonald effective 11 April 2016 being his start date based on a volume weighted average price of $4.7969. The value of this issue is $200,000 and the first testing window will be 30 September 2016 for the year 1 period.

The performance targets that have been set for the 2016 LTI grant for Stuart MacDonald are as follows:

Performance target	% of Options granted	Performance period	Testing [1]
Licence fee growth [2]	30%	three years	Yearly
Sales operating expense growth [2]	20%	three years	three years
Company profit after tax	50%	three years	Yearly

[1] Each target is over a three-year period. The Executive will only receive these LTIs at the end of the three- year performance period.

[2] Performance targets exclude acquisitions.

The targets have been excluded as they are commercially sensitive. The targets will be disclosed at the completion of the performance period.

5. Executive Statutory Remuneration

	Short-term employee benefits				Post-employment benefits		LTI Equity remuneration				
Name	Fixed remuneration[5] $	Directors' fees $	Total fixed remuneration $	Short-term Incentive $	Superannuation $	Termination benefits $	Value of share options $	Value of performance rights offered $	Total $	% growth on prior year excl LTI & termination benefits %	% growth on prior year incl LTI & termination benefits %
A Di Marco (Executive Chairman)											
2016	472,202	75,132	547,334	913,200	10,478	-	-[1]	-	1,471,012	9%	9%
2015	470,040	74,022	544,062	797,485	7,094	-	-	-	1,348,641		
E Chung (Chief Operating Officer – Asia Pacific)											
2016	303,661	-	303,661	346,980	10,588	-	326,207	-	987,436	8%	15%[2]
2015	227,839	74,022	301,861	303,013	8,856	-	245,011	-	858,741		
R Phare (Operating Officer – United Kingdom)											
2016	230,550	-	230,550	419,420	-	-	61,604	-	711,574	(1%)	(4%)[3]
2015	237,440	-	237,440	417,781	-	-	82,206	-	737,427		
M Harwood (Operating Officer – Sales and Marketing)											
2016	213,161	-	213,161	566,272	9,658	-	331,693	-	1,120,784	10%	18%[4]
2015	210,728	-	210,728	494,517	9,531	-	233,441	-	948,217		
P Rogers (Operating Officer - Consulting Services)											
2016	276,471	-	276,471	92,278	12,455	65,500	-	-	446,704	(21%)	(34%)
2015	289,172	-	289,172	256,972	17,802	-	117,948	-	681,894		
S MacDonald (Operating Officer – Sales and Marketing)[7]											
2016	150,883	-	150,883	206,754	14,334	-	46,667	-	418,638	100%	100%
2015	-	-	-	-	-	-	-	-	-		
T Ristevski (Operating Officer – Corporate Services)[8]											
2016	51,954	-	51,954	188,055	4,296	-	-	-	244,305	100%	100%
2015	-	-	-	-	-	-	-	-	-		
G Pye (Operating Officer – Corporate Services)[9]											
2016	142,587	-	142,587	59,259	10,033	-	11,406	50,411	273,696	(44%)	(44%)
2015	180,907	-	180,907	200,000	17,186	-	19,934	66,667	484,694		
L Thompson (Operating Officer – Sales and Marketing)[6]											
2016	-	-	-	-	-	-	-	-	-	-	-
2015	11,070	-	11,070	-	3,002	159,497	-	-	173,569		
Total Senior Executives											
2016	1,841,469	75,132	1,916,601	2,792,218	71,842	65,500	777,577	50,411	5,674,149	8%	8%
2015	1,627,196	148,044	1,775,240	2,469,767	63,471	159,497	698,540	66,667	5,233,182		
Total KMP											
2016	1,841,469	427,532	2,269,001	2,792,218	71,842	65,500	777,577	50,411	6,026,549	8%	8%
2015	1,627,196	444,132	2,071,328	2,469,767	63,471	159,497	698,540	66,667	5,529,270		

[1] The Remuneration Committee recognises that Mr Di Marco's total remuneration is substantially below that of comparable companies. The Remuneration Committee offered Mr Di Marco an award of $400,000 of options in the 2015/2016 year for his LTI component of his remuneration. Mr Di Marco declined this offer to the detriment of his total remuneration. The Remuneration Committee acknowledges that Mr Di Marco existing 12+% shareholding in TechnologyOne provides the benefits that the LTI aims to achieve.

[2] Mr Chung was issued 1,000,000 options under the Company's previous LTI plan based on options, in July 2014, after approval at the AGM in February 2014. This issue of options has increased the share based payment expense from the prior year (which relates to Mr Chung's LTI which was originally granted in 2008).

[3] Mr Phare is now paid in Great British Pounds and these amounts have been converted into Australian dollars at an average rate over the year.

[4] Mr Harwood was issued 600,000 options under the company's previous LTI plan based on options in October 2014. This issue of options has increased the share based payment expense from the prior year (which relates to Mr Harwood's LTI which was originally granted in 2009).

[5] Fixed remuneration includes cash salary and fees including superannuation

[6] Mr Thompson left the Company on 3 October 2014.

[7] Mr MacDonald commenced with the Company on 11 April 2016.

[8] Mr Ristevski commenced with the Company on 4 July 2016.

[9] Mr Pye changed roles on 4 July 2016. It is expected that the EPRs will be modified to align with the new remuneration framework, the fair value provided to Mr Pye will not be in excess of the EPRs fair value previously provided.

6. Equity Plans

6.1 Long term incentive scheme

As discussed previously in this report, TechnologyOne no longer uses the previous Executive Option Plan (EOP), but has in the 2016 financial year implemented an LTI plan aligned to market, shareholder and Executive requirements. The LTIs are described in further detail in section 3.6 of this report.

2016 Name	Number of options granted during the period	Value of options at grant date *	Number of options issued during the period	Number of options still to be issued	Number of options vested during the period	Number of options lapsed during the period	Value at lapse date
E Chung	-	-	-	-	165,000	-	-
R Phare	-	-	-	-	200,000	-	-
M Harwood	-	-	-	-	200,000	-	-
S MacDonald	317,211	$200,000	-	-	-	-	-
T Ristevski	-	-	-	-	-	-	-

For details of these grants please refer to section 3.6

* The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. The amount is included in the remuneration tables above. As outlined in greater detail in note 1 (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.

b) Dividend yield – 1.83%

c) Expected volatility – 20.17%

d) Risk-free interest rate – 1.85%

e) Price of shares on grant date - $4.80

f) Fair value of option - $0.6305

6.2 Historical performance outcomes under the previous Options Plan

TechnologyOne previously issued options under a now obsolete Executive Option Plan (EOP), which was described in section 3.6. 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 under the new LTI plan.

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

- The value actually received by individuals differs from the remuneration outlined in the previous table (which is based on accounting values). For the 2016 financial year, 16% ($436,816) of the performance related bonus as previously accrued in that period became payable in cash to Executives (based on audited results) and was paid during the 2017 financial year. There were no forfeitures.
- The numbers of options over ordinary shares in the Group held during the financial year by each Executive of the Group, including their personally related parties, are set out below.
- The KMP have historically received the following share options:
  - M Harwood participated in options granted 1 October 2014,
  - E Chung who participated in options granted 14 July 2014, and
  - R Phare who participated in options granted 1 July 2012.

2016 Name	Balance at start of year	Granted as compensation	Exercised	Balance at the end of the year	Vested and exercisable	Unvested
Senior Executives of the Group						
E Chung	1,000,000	-	(165,000)	835,000	-	835,000
R Phare	600,000	-	(200,000)	400,000	-	400,000
M Harwood	1,200,000	-	(600,000)	600,000	200,000	400,000

6.3 Shares provided on exercise of remuneration options

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

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the period	Total paid at exercise
E Chung	1/7/2016	165,000	220,902
R Phare	1/7/2016	200,000	113,720
M Harwood	22/1/2016	600,000	216,000

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

6.4 Value of LTI grants yet to vest

For the new option plan, they vest three years after the grant date providing that the vesting conditions are met. For the old EOP, they vest after two years.

The maximum value of options yet to vest has been determined as the amount of the grant date fair value that could be expensed.

The number of options granted during the year is disclosed below:

LTI (Options)

Name	Year granted	Vested %	Forfeited %	Financial years in which rights may vest	Maximum total value of grant yet to vest $
S MacDonald	2016	-	-	2019	200,000

LTI (Quarantined Options)

Name	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum total value of grant yet to vest $
E Chung	2014	16.5	-	2017-2021	1,240,304
R Phare	2012	60	-	2017 – 2018	160,532
M Harwood	2015	33	-	2016 – 2018	589,677

7. Remuneration governance

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

As at 30 September 2016, the Committee is made up of a majority of independent Directors and is chaired by an independent Director; and consists of the following members:

- Kevin Blinco (Chairman)
- Rick Anstey
- John Mactaggart
- Dr Jane Andrews

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

8. Non-Executive Director fees

The total amount of Directors' fees is capped at a maximum pool that is approved by shareholders. The current fee pool is $1,000,000, which was approved by shareholders at the Annual General Meeting on 17 February 2016.

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

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

At 30 September 2016, Non-Executive Director fees were $75,132 including statutory superannuation contributions, this is an increase of 1.5%. No additional fees are paid for each Board Committee on which a Director sits.

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Non-Executive Director Fees for 2016 and 2015

	Short-term employee benefits				Post-employment benefits		Equity remuneration				
Name	Fixed remuneration $	Directors' fees $	Total fixed remuneration $	Short-term Incentive $	Superannuation $	Termination benefits $	Value of share options $	Value of performance rights $	Total $	% growth on prior year excl LTI	% growth on prior year incl LTI
R McLean (Non-Executive Director)											
2016	-	75,132	75,132	-	-	-	-	-	75,132	1%	1%
2015	-	74,022	74,022	-	-	-	-	-	74,022		
J Mactaggart (Non-Executive Director)											
2016	-	75,132	75,132	-	-	-	-	-	75,132	1%	1%
2015	-	74,022	74,022	-	-	-	-	-	74,022		
K Blinco (Non-Executive Director)											
2016	-	75,132	75,132	-	-	-	-	-	75,132	1%	1%
2015	-	74,022	74,022	-	-	-	-	-	74,022		
R Anstey (Non-Executive Director)											
2016	-	75,132	75,132	-	-	-	-	-	75,132	1%	1%
2015	-	74,022	74,022	-	-	-	-	-	74,022		
Dr J Andrews (Non-Executive Director – appointed 22/2/16)											
2016	-	51,872	51,872	-	-	-	-	-	51,872	100%	100%
2015	-	-	-	-	-	-	-	-	-		
Total Non- Executive Directors											
2016	-	352,400	352,400	-	-	-	-	-	352,400	19%	19%
2015	-	296,088	296,088	-	-	-	-	-	296,088		

9. Director shareholdings

Directors are required to hold a minimum shareholding of one year's Directors' fees in TechnologyOne shares. Directors are required to rectify any shortfall within a 12-month period. New Directors are allowed 24 months to meet this requirement.

The Board in total holds 80,695,325 shares representing 26% of the total shareholding of the Company.

10. 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.

2016

Directors of Technology One Limited	Balance at the start of year	Purchased during the year	Sales during the year	Balance at the end of the year
A Di Marco	37,378,500	-	(3,000,000)	34,378,500
R McLean	141,000	-	-	141,000
J Mactaggart	48,902,500	-	(3,000,000)	45,902,500
K Blinco	250,000	-	-	250,000
R Anstey	7,500	7,500	-	15,000
J Andrews	-	8,325	-	8,325

Senior Executives of the Group	Balance at the start of year	Received on exercise of options	Sales during the year	Balance at the end of the year
E Chung	350,000	165,000	(250,000)	265,000
R Phare	-	200,000	(200,000)	-
M Harwood	400,000	600,000	-	1,000,000
P Rogers	-	200,000	(200,000)	-
S MacDonald	-	-	-	-
T Ristevski	-	-	-	-

2015

Directors of Technology One Limited	Balance at the start of year	Purchased during the year	Sales during the year	Balance at the end of the year
A Di Marco	43,378,500	-	(6,000,000)	37,378,500
R McLean	101,000	40,000	-	141,000
J Mactaggart	54,902,500	-	(6,000,000)	48,902,500
K Blinco	201,285	48,715	-	250,000
R Anstey	7,500	-	-	7,500

Senior Executives of the Group	Balance at the start of year	Received on exercise of options	Sales during the year	Balance at the end of the year
E Chung	400,000	200,000	(250,000)	350,000
R Phare	-	200,000	(200,000)	-
M Harwood	400,000	-	-	400,000
P Rogers	-	200,000	(200,000)	-
G Pye	100,000	50,000	-	150,000

11. Loans to key management personnel

There have been no loans to Directors or Executives during the financial year (2015 - nil).

12. Other transactions with Key Management Personnel

During the year there were no transactions with Key Management Personnel.

This report is made in accordance with a resolution of The Directors.

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Corporate governance statement

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

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

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

TechnologyOne's corporate governance practices were in place throughout the year ended 30 September 2016. As noted below, there are some recommendations with which the Company has not complied. These are at the end of the statement. Apart from these, the Company has complied with all of the principles.

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

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

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

Board of Directors and its Committees

Board of Directors

The Directors are as follows:

Name	Position
Adrian Di Marco	Executive Chairman - major shareholder
John Mactaggart	Non-Executive Director - major shareholder
Ronald McLean	Non-Executive Director - independent
Kevin Blinco	Non-Executive Director - independent
Richard Anstey	Non-Executive Director - independent
Jane Andrews	Non-Executive Director - independent (Appointed 22 February 2016)

The Company Secretary is Gareth Pye.

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

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

The Role of the Board is as follows:

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

A code of conduct has been established for the Board.

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

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

Appointment of Directors

If a vacancy exists, or where the Board considers it will benefit from the appointment of a new Director with particular skills, the Board will interview the candidates. Potential candidates will be identified by the Board Nomination Committee although the Board will be entitled to seek the advice of an external consultant. The Board will then appoint the most suitable candidate, who upon acceptance will hold office until the next Annual General Meeting, where the appointee must retire and is entitled to stand for re-election.

Majority of Independent Directors

Four of the six Directors are independent. To be classified as independent, these Directors are Non-Executive Directors of the Company and are not major shareholders.

Ron McLean was previously an Executive of the Company until 2004. Notwithstanding this, TechnologyOne classify him as an independent Non-Executive Director as a result of the lapse of time (12 years) since holding the position, and the changes in senior management at TechnologyOne since then. His direct operational control and influence over the business has ended.

Having said this, some advisors have not considered Mr McLean as independent. As a result the Board may be seen as not majority independent. Because of this the Board has added Dr Jane Andrews in the 2016 financial year and will look at adding another additional independent Director in the future. This would then deliver without doubt, a majority of independent Directors.

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

Audit Committee

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

The Committee is comprised of:

- K Blinco
- R Anstey
- R McLean
- J Andrews

The role of the Committee is as follows:

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

Remuneration Committee

The Board has established a Remuneration Committee.

The Committee meets at least two times per year.

The Committee is comprised of a majority of independent Directors, and is chaired by an independent Director. The Committee is comprised of:

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

The role of the Committee is as follows:

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

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

Nomination Committee

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

The Committee is comprised of a majority of independent Directors, and is chaired by an independent Director. The Committee is comprised of:

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

The role of the Committee is as follows:

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

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

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Ethical Standards

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

Shareholders' Rights

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

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

Risk Management

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

Diversity at TechnologyOne

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 2017 and the objectives are:

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

These objectives have been met, however TechnologyOne recognises further progress and improvement is possible and for this reason, for 2017, TechnologyOne will continue to progress objectives one through to four.

TechnologyOne's Australian workplace profile as at 30 September 2016 is detailed below:

	Male	%	Female	%	Total
Board & Executive Directors	5	83%	1	17%	6
Executive	4	100%		0%	4
Managers	94	75%	31	25%	125
Employees	454	64%	257	36%	711
	557	66%	289	34%	846

The Board has committed to increase the board size by adding an additional independent Director. Dr Jane Andrews was added in the 2016 financial year to increase gender diversity.

Non-Compliance with ASX Corporate Governance Principles and Recommendations

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

The ASX Corporate Governance Council has recognised this fact, and has allowed companies to explain where they do not comply with the Corporate Governance Principles and Recommendations 3rd Edition.

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

This section highlights those areas of non-compliance and provides the reasons why.

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

The number of Directors is six. The Board has identified four of these Directors as independent, and two as not independent because they are major shareholders.

The Board is of the opinion that it should bring independent judgment in making all decisions and believes strongly that having two major shareholders (both who have been founders of the Company) has added to the significant strength of the Board, and provides a continuing vision for the Company's success.

The independence of Mr Ron McLean has been debated by some corporate advisory groups because he was a past employee of TechnologyOne twelve years ago. The Board is of the opinion that, due to the period of time that has lapsed since Mr McLean's employment with the Company, Mr McLean is considered as being independent.

The ASX guidelines commentary provide the following guidelines note that supports this conclusion:

"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 Company has set the objective to increase the Board size, with the aim of adding additional independent directors, with the first appointment in the 2016 financial year, resulting in having an undisputed majority of independent directors.

Independent Chairman (Refer to 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 and strategy and to set market expectations. To this end it is seen as appropriate that Mr Adrian Di Marco should remain as Executive Chairman of the Company.

There is no empirical evidence to support the preference of an Independent Chairman.

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

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

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 and CEO, since listing on the ASX in 1999.

Any risk associated with the combined role of Chairman and CEO is mitigated by the fact the day to day operations are run by four Operating Officers who are responsible for each operational stream of the Company, as well as a Chief Operating Officer who is responsible for the whole Company's day to day operation. The Operating Officers and Chief Operating Officer present to the Board on a regular basis to provide a link from the business to the Board. The Board believes this provides the necessary balance required.

The Company has developed succession plans which will see a CEO appointed in the coming years, which will see the separation of Chairman and CEO.

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Financial Statements

Consolidated income statement

For the year ended 30 September 2016

	Notes	2016 $'000	2015 $'000
Revenue	5	249,018	218,724
Variable costs		(23,965)	(21,713)
Variable customer cloud costs		(7,575)	(3,189)
Total variable costs		(31,540)	(24,902)
Occupancy costs		(9,033)	(8,376)
Corporate costs		(13,665)	(12,303)
Depreciation & amortisation	6	(3,924)	(4,157)
Computer & communication costs		(9,262)	(7,484)
Marketing costs		(2,751)	(3,237)
Employee costs		(124,006)	(110,077)
Share-based payments		(1,496)	(1,548)
Finance expense		(101)	(146)
Total operating costs		(164,238)	(147,328)
Profit before income tax	7	53,240	46,494
Income tax expense	7	(11,896)	(10,709)
Profit for the year		41,344	35,785
		Cents	**Cents**
Basic earnings per share	32	13.26	11.57
Diluted earnings per share	32	12.85	11.30

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 2016

	2016 $'000	2015 $'000
Profit for the year	**41,344**	35,785
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(345)	294
Other comprehensive income for the year, net of tax	(345)	294
Total comprehensive income for the year	40,999	36,079

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

Consolidated statement of financial position

For the year ended 30 September 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	82,588	75,536
Prepayments		5,817	1,802
Trade and other receivables	9	41,642	38,273
Earned and unbilled revenue		16,421	10,230
Other current assets	10	793	355
Total current assets		147,261	126,196
Non-current assets			
Property, plant and equipment	11	11,681	10,012
Intangible assets	12	48,088	37,245
Earned and unbilled revenue		3,980	1,880
Deferred tax assets	13	7,512	7,314
Total non-current assets		71,261	56,451
Total assets		218,522	182,647
LIABILITIES			
Current liabilities			
Trade and other payables	14	24,587	22,026
Provisions	15	11,194	9,137
Current tax liabilities		1,085	3,479
Unearned revenue		20,885	12,672
Borrowings	16	29	2,363
Total current liabilities		57,780	49,677
Non-current liabilities			
Trade and other payables	29	16,068	8,513
Provisions	17	4,555	4,793
Borrowings	18	-	29
Other non-current liabilities	19	1,625	1,695
Total non-current liabilities		22,248	15,030
Total liabilities		80,028	64,707
Net assets		138,494	117,940
EQUITY			
Contributed equity	21	29,984	28,459
Other reserves	22	38,350	31,097
Retained earnings		70,160	58,384
Total equity		138,494	117,940

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

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Consolidated statement of changes in equity

For the year ended 30 September 2016

	Notes	Contributed Equity $'000	Retained Earnings $'000	Dividend reserve $'000	FOREX reserve $'000	Share option reserve $'000	Total equity $'000
Balance at 1 October 2015		28,459	58,384	20,562	(216)	10,751	117,940
Exchange differences on translation of foreign operations		-	-	-	(345)	-	(345)
Profit for the period		-	41,344	-	-	-	41,344
Total comprehensive income for the period		-	41,344	-	(345)	-	40,999
Dividends paid	23	-	-	(27,958)	-	-	(27,958)
Transfer to dividend reserve		-	(29,568)	29,568	-	-	-
Exercise of share options	21	1,525	-	-	-	-	1,525
Share based payments	33	-	-	-	-	1,496	1,496
Tax impact of share trust		-	-	-	-	4,492	4,492
		1,525	(29,568)	1,610	-	5,988	(20,445)
Balance at 30 September 2016		29,984	70,160	22,172	(561)	16,739	138,494
Balance at 1 October 2014		27,447	49,901	19,186	(510)	8,475	104,499
Exchange differences on translation of foreign operations		-	-	-	294	-	294
Profit for the period		-	35,785	-	-	-	35,785
Total comprehensive income for the period		-	35,785	-	294	-	36,079
Non-controlling interests on acquisition of subsidiary		-	(58)	-	-	-	(58)
Dividends paid	23	-	-	(25,868)	-	-	(25,868)
Transfer to dividend reserve		-	(27,244)	27,244	-	-	-
Exercise of share options	21	1,012	-	-	-	-	1,012
Share-based payments	33	-	-	-	-	1,546	1,546
Tax impact of share trust		-	-	-	-	730	730
		1,012	(27,302)	1,379	-	2,276	(22,638)
Balance at 30 September 2015		28,459	58,384	20,562	(216)	10,751	117,940

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 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		266,492	229,770
Prepayments to suppliers and employees		(3,996)	(583)
Payments to suppliers and employees (inclusive of GST)		(210,508)	(183,492)
Interest received		1,035	1,298
Income taxes paid		(10,711)	(10,699)
Other revenue		1,530	1,494
Interest paid		(101)	(146)
Net cash inflow/ (outflow) from operating activities	31	43,741	37,642
Cash flows from investing activities			
Payments for acquisition of subsidiary (net of cash acquired)		(3,017)	(11,989)
Payments for property, plant and equipment		(4,889)	(4,338)
Proceeds from sale of property, plant and equipment		13	6
Net cash inflow / (outflow) from investing activities		(7,893)	(16,321)
Cash flows from financing activities			
Proceeds from exercise of share options		1,525	1,011
Repayment of finance lease		(2,363)	(1,137)
Dividends paid to Company's shareholders	23	(27,958)	(25,868)
Net cash inflow / (outflow) from financing activities		(28,796)	(25,994)
Net increase / (decrease) in cash and cash equivalents		7,052	(4,673)
Cash and cash equivalents at the beginning of the financial year		75,536	80,209
Cash and cash equivalents at end of year	8	82,588	75,536

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

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1 Summary of significant accounting policies

The financial report of Technology One Limited (the Company) for the year ended 30 September 2016 was authorised for issue in accordance with a resolution of Directors on 22 November 2016.

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

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

(a) Basis of preparation

The financial report is a general purpose financial report 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.

(i) Compliance with IFRS

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

(ii) Newly adopted standards

The Company has elected to apply the following pronouncement to the annual reporting period ending 30 September 2016.

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

- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 1057 Application of Australian Accounting Standards

(iii) Issued but not yet effective

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. The effective date of this standard is 1 January 2018, however it is available for early adoption. The group has not yet assessed how it will be affected by the new standard and has not yet decided when to adopt it.
- AASB 15 Revenue from Contracts with Customers was issued by the AASB in January 2015 and replaces all revenue recognition requirements, including those as set out in AASB 118 Revenue. The standard contains a single model that applies to all revenue arising from contracts, unless the contracts are in the scope of other standards (eg. leases). The effective date of this standard is 1 January 2017, with early adoption permitted. The IAS released an announcement on 28 April 2015 proposing a one-year deferral on the effective date of the standard to 1 January 2018. TechnologyOne has not yet assessed this new standard's impact and does not intend to adopt it before its effective date, which means that it will be applied in the reporting period ending 30 September 2019.
- AASB 2015-1 Amendment to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle the principal amendments to the standards included:
  - An amendment to AASB 119 Employee Benefits - clarifying that high quality corporate bonds used to esimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. As TechnologyOne currently uses the G100 corporate rate that is denominated in the same currency as the post-empoyment benefit obligations this amendment has been assessed as having no impact on TechnologyOne.
  - Disclosure of information 'elsewhere' in the interim financial report - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.
- AASB 16 Leases was issued in February 2016. The standard introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value. The standard removes the clarification of leases as either operating or finance leases for the lessee and effectively treats all leases as finance leases. There are also changes in the accounting over the life of the lease. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, lessor accounting will remain similar to current practice. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contract with Customers, has been applied, or is applied at the same date as AASB 16. The group has not yet assessed how it will be affected by the new standard and has not yet decided when to adopt it.

(iv) Historical cost convention

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

(v) Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Technology One Limited ('Company' or 'parent entity') as at 30 September 2016 and the results of all subsidiaries for the year then ended. Technology One Limited and its subsidiaries together are referred to in this financial report as the 'Company' or the 'Consolidated entity'.

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

(ii) Employee Share Trust

The Company has formed a trust to administer the Company's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Company. At 30 September 2016, the company had 954,679 (2015 - 697,500) Treasury Shares.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

(d) Revenue recognition

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

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

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

Revenue is recognised for the major business activities as follows:

(i) Software Licence Fee Revenue

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

(ii) Implementation and Consulting Services Revenue for Licenced Software

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

(iii) Post Sales Customer Support Revenue for Licensed Software

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

(iv) Project Services Revenue

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

(v) Cloud Services

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

(vi) Unearned Services Revenue

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

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(vii) Earned and Unbilled Revenue

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

(viii) SaaS Revenue

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

(e) Income tax

The income tax expense or 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 Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

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

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

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

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

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

(f) Segment reporting

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

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

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

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

(g) Leases

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

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

(h) Research and development costs

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

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

(k) Trade receivables

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

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

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

(l) Investments and other financial assets

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

(i) Available-for-sale financial assets

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

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

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

(m) Property, plant and equipment

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

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

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

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

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

(n) Intangible assets

(i) Goodwill

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

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

(ii) Intellectual Property/Source Code

Intangible assets acquired separately are capitalised at cost, and if acquired as a result of a business combination, capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to all classes of intangible assets. The useful lives of the intangible assets are assessed to be either finite or 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 linebasis over eight years.

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

(o) Trade and other payables

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

(p) Provisions

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

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

(q) Employee benefits

(i) Short-term obligations

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

(ii) Long service leave

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

(iii) Share-based payments

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

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

(r) Contributed equity

Ordinary shares are classified as equity.

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

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(t) Dividends

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

(u) Goods and Services Tax (GST)

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

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

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

2 Financial risk management

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

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

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

There are no changes in the financial risks faced by the Company in the period. The Company holds the following financial instruments:

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	82,588	75,536
Trade and other receivables	41,642	38,273
Earned and unbilled revenue	20,401	12,110
	144,631	125,919
Financial liabilities		
Trade and other payables	24,587	22,026
Borrowings	29	2,392
Contingent consideration	17,399	8,513
	42,015	32,931

(a) Interest rate risk

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

(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 Company's statement of financial position can be affected by movements in the exchange rates applicable to these geographical locations and currencies.

The Company does not hedge this risk.

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

	2016 USD $'000	2016 PGK $'000	2015 USD $'000	2015 PGK $'000
Trade receivables	539	988	640	-

(c) Credit risk

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

Information on credit risk exposures is contained in Note 9.

(d) Liquidity risk

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

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At 30 September 2016	Less than 6 months $'000	6 - 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000
Financial assets					
Cash and cash equivalents	82,588	-	-	-	82,588
Trade and other receivables	41,642	-	-	-	41,642
Earned and unbilled	16,421	-	3,980	-	20,401
Total	140,651	-	3,980	-	144,631
Financial liabilities					
Trade and other payables	24,587	-	-	-	24,587
Borrowings	5	19	5	-	29
Contingent consideration	1,331	-	16,068	-	17,399
Total	25,923	19	16,073	-	42,015
Net inflow / (outflow)	114,728	(19)	(12,093)	-	102,616

At 30 September 2015	Less then 6 months $'000	6 - 12 months $'000	Between 1 and 5 years $'000	Over 5 years $'000	Total contractual cash Flows $'000
Financial assets					
Cash and cash equivalents	75,536	-	-	-	75,536
Trade and other receivables	38,273	-	-	-	38,273
Earned and unbilled	10,230	-	1,880	-	12,110
Total	124,039	-	1,880	-	125 ,919
Financial liabilities					
Trade and other payables	22,026	-	-	-	22,026
Borrowings	1,896	511	30	-	2,437
Contingent consideration	-	-	10,000	-	10,000
Total	23,922	511	10,030	-	34,463
Net inflow / (outflow)	100,117	(511)	(8,150)	-	91,456

(e) Fair value measurements

At 30 September 2016, the Company did not hold any assets or liabilities at fair value through the profit and loss.

Contingent consideration as set out in note 29 is classified as Level 3 (2015 - $9,488,000). The valuation techniques and fair value of consideration is outlined in note 29.

Contingent Consideration $'000	
Opening balance at 1 October 2015	9,488
Other increases/(decreases)	8,798
Payments	(887)
Closing balance at 30 September 2016	17,399

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

(f) Capital risk management

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

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

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

3 Critical accounting estimates and judgements

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

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

(i) Impairment of goodwill and other assets

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

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

(ii) Share-based payments

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

(iii) Long service leave

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

(iv) Make good provisions

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

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

(v) Onerous lease

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

(vi) Onerous contract

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

(vii) Contingent consideration

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

4 Segment information

(a) Description of segments

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

Segment information is prepared in conformity with the accounting policies of the group as discussed in note1 and Accounting Standard AASB 8.

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

- Sales and Marketing - sales of licence fees and customer support to our customers
- Consulting - implementation, consulting services and custom software development services for large scale, purpose built applications
- Research & Development (R&D) - the research development and support of our products
- Cloud - the delivery of cloud hosting services to our customers
- Corporate - the aggregation of the corporate services functions' costs and revenue, and corporately-funded projects

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

Royalties are a mechanism whereby each segment pays or receives funding for their contribution to the ongoing success of TechnologyOne. For example, Sales & Marketing pays R&D for the development and support of the products that they have sold, as well as Corporate for the use of corporate services.

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

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(b) Segment information provided to strategic steering committee

2016	Sales & Marketing $'000	Consulting $'000	R&D $'000	Cloud $'000	Corporate $'000	Total $'000
Revenue						
External revenue	164,874	71,243	62	10,111	2,728	249,018
Intersegment revenue	216	(280)	26	(41)	79	-
Net royalty	(107,576)	(7,653)	67,482	(1,051)	48,798	-
Total revenue	57,514	63,310	67,570	9,019	51,605	249,018
Expenses						
Total external expenses	48,938	53,561	46,009	11,255	36,015	195,778
Profit before tax	8,576	9,749	21,561	(2,236)	15,590	53,240
Income tax expense						(11,896)
Profit for the year						41,344
R&D expenses (external) as a % of total external revenue			**18%**			
Total assets						218,522
Total liabilities						80,028
Depreciation and amortisation						3,924
Other disclosures: Capital expenditure						5,638

2015	Sales & Consulting $'000	Marketing $'000	R&D $'000	Cloud $'000	Corporate $'000	Total $'000
Revenue						
External revenue	144,631	65,674	728	4,063	3,628	218,724
Intersegment revenue	122	(41)	(59)	(30)	8	-
Net royalty	(93,410)	(6,962)	58,436	(387)	42,323	-
Total revenue	51,343	58,671	59,105	3,646	45,959	218,724
Expenses						
Total external expenses	45,802	48,254	41,038	6,181	30,955	172,230
Profit before tax	5,541	10,41 7	18,067	(2,535)	15,004	46,494
Income tax expense						(10,709)
Profit for the year						35,785
R&D expenses (external) as a % of total external revenue			**19%**			
Total assets						182,647
Total liabilities						64,707
Depreciation and amortisation						4,157
Other disclosures: Capital expenditure						4,540

(c) Other segment information

(i) Segment revenue

	2016 $'000	2015 $'000
Australia	220,448	193,440
New Zealand	20,845	19,956
International*	7,725	5,328
Segment revenues from sales to external customers	249,018	218,724

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

(ii) Segment assets

	2016 $'000	2015 $'000
Australia	207,116	172,450
New Zealand	5,603	6,312
International*	5,803	3,885
Segment assets	218,522	182,647

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

All significant non-current assets are located in Australia.

(iii) Major customers

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

5 Revenue

	2016 $'000	2015 $'000
Sales revenue		
Software licence fees	56,165	49,294
Implementation and consulting services	60,026	55,449
Post sales customer support	108,480	95,346
Project services	11,102	10,186
Cloud service fees	10,111	4,124
Total sales revenue	245,884	214,399
Other income		
Rents and sub-lease rentals	1,530	1,492
Interest received - cash	876	1,608
Product modifications	62	167
Other	666	1,058
Total other income	3,134	4,325
Total revenue	249,018	218,724

6 Expenses

	2016 $'000	2015 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	3,188	2,799
Amortisation		
Leased office furniture & equipment	206	680
Intangible assets	530	678
Total amortisation	736	1,358
Total depreciation and amortisation	3,924	4,157
Wages and salaries	101,339	89,659
Defined contribution plan expense	8,641	7,696
Payroll tax	6,304	5,413
Provision for employee benefits	1,399	1,816
Share-based payments	1,496	1,548
Other	5,639	4,694
	124,818	110,826
Provision for doubtful debts	(202)	(2)
Foreign exchange (gain) / loss	816	(253)
Rental expenses on operating leases	6,388	5,849
(Gain) / Loss on sale of available-for-sale assets	(12)	19

7 Income tax expense

(a) Income tax expense

	2016 $'000	2015 $'000
Current tax	12,308	11,364
Relating to origination and reversal of temporary differences	(398)	(454)
Adjustments for current tax of prior periods	(14)	(201)
	11,896	10,709
Deferred income tax expense/ included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(847)	(2,558)
Increase / (decrease) in deferred tax liabilities	728	2,842
Adjustment for deferred taxes of prior periods	517	170
	398	454

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

	2016 $'000	2015 $'000
Profit from continuing operations before income tax expense	53,240	46,494
Tax at the Australian tax rate of 30% (2015 - 30%)	15,972	13,948
Adjustments for current tax of prior periods	(14)	(201)
Research and development tax concession	(3,154)	(2,770)
Expenditure not allowable for income tax purposes	(908)	(268)
	(4,076)	(3,239)
Income tax expense	11,896	10,709

(c) Amounts recognised directly in equity

	2016 $'000	2015 $'000
Aggregate current and deferred 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	4,492	730

8 Current assets - Cash and cash equivalents

	2016 $'000	2015 $'000
Cash and cash equivalents	82,588	75,536

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

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

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

9 Current assets - Trade and other receivables

	2016 $'000	2015 $'000
Trade receivables (i) (ii)	41,725	38,432
Provision for impairment of receivables	(528)	(745)
Sundry receivables	445	586
	41,642	38,273

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

Included in the trade receivable balance are debtors with a carrying amount of $9,720,605 (2015 - $6,697,875) which are past due at the reporting date for which the consolidated entity has not provided as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances, apart from the withdrawal of future support and software licence use rights. The average age of these receivables is 39 days (2015 - 35 days).

(ii) Included in trade receivables are amounts billed but not yet collected for post implementation customer support to commence post 30 September at each balance date. An equal and offsetting amount is included in unearned income. The balance at 30 September 2016 is $14,780,000 (2015 - $8,192,469).

(a) Impaired trade receivables

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

	2016 $'000	2015 $'000
At 1 October	745	648
Provision for impairment recognised during the year	248	343
Unused amounts reversed	(465)	(246)
At 30 September	528	745

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

10 Current assets - Other current assets

	2016 $'000	2015 $'000
Deposits receivable	302	254
Income tax receivable	491	101
	793	355

11 Non-current assets - Property, plant and equipment

	Office furniture & Equipment $'000	Leased Office furniture & Equipment $'000	Computer software $'000	Motor vehicles $'000	Leased computer software $'000	Total $'000
Year ended 30 September 2016						
Opening net book amount	7,630	2,020	226	136	-	10,012
Additions	5,630	-	7	-	-	5,637
Disposals	(426)	-	-	(29)	-	(455)
Depreciation charge	(2,961)	(206)	(184)	(43)	-	(3,394)
Exchange differences	1	(1)	(1)	-	-	(1)
Make good movement	(118)	-	-	-	-	(118)
Transfers	1,751	(1,751)	-	-	-	-
Closing net book amount	11,507	62	48	64	-	11,681
At 30 September 2016						
Cost	34,953	1,240	2,946	282	248	39,669
Accumulated depreciation	(23,446)	(1,178)	(2,898)	(218)	(248)	(27,988)
Net book amount	11,507	62	48	64	-	11,681
Year ended 30 September 2015						
Opening net book amount	5,605	2,702	480	88	-	8,875
Additions	4,492	-	48	-	-	4,540
Disposals	(29)	(6)	-	-	-	(35)
Depreciation charge	(2,458)	(680)	(302)	(38)	-	(3,478)
Exchange differences	29	-	-	-	-	29
Acquisition of Subsidiary	76	7	-	86	-	169
Make good movement	(88)	-	-	-	-	(88)
Transfers	3	(3)	-	-	-	-
Closing net book amount	7,630	2,020	226	136	-	10,012
At 30 September 2015						
Cost or fair value	22,887	7,920	2,939	381	248	34,375
Accumulated depreciation	(15,257)	(5,900)	(2,713)	(245)	(248)	(24,363)
Net book amount	7,630	2,020	226	136	-	10,012

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12 Non-current assets - Intangible assets

	Goodwill $'000	Intellectual property/ Source code $'000	Customer contracts $'000	Total $'000
Year ended 30 September 2016				
Opening net book amount	31,230	5,019	996	37,245
Additions - acquisition	8,773	2,600	-	11,373
Amortisation charge	-	(467)	(63)	(530)
Closing net book amount	40,003	7,152	933	48,088
At 30 September 2016				
Cost	40,003	10,358	1,100	51,461
Accumulated amortisation	-	(3,206)	(167)	(3,373)
Net book amount	40,003	7,152	933	48,088
Year ended 30 September 2015				
Opening net book amount	15,491	193	-	15,684
Additions - acquisition	15,739	5,400	1,100	22,239
Amortisation charge	-	(574)	(104)	(678)
Closing net book amount	31,230	5,019	996	37,245
At 30 September 2015				
Cost	31,230	7,758	1,100	40,088
Accumulation amortisation	-	(2,739)	(104)	(2,843)
Net book amount	31,230	5,019	996	37,245

(a) Impairment tests for goodwill

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

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

	Sales & Marketing $'000	Consulting $'000	Research & Development $'000	Total $'000
2016 Goodwill	13,378	12,947	13,678	40,003
2015 Goodwill	10,395	10,052	10,783	31,230

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

The discount rate applied to cash flow projections is 15% pre-tax (2015- 15%).

The key assumptions used for all CGUs in value in use calculations for 30 September 2016 and 2015 are:

- Budgeted margins - the basis used to determine the value assigned to budgeted margin is the average margin achieved in the year immediately before the budgeted year.
- Bond rates - the yield on a five year government bond rate at the beginning of the budgeted year is used. Growth rates - based on long term historical trends for each segment.
- Terminal growth rates - these have been set at 3% (2015 - 5%).

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

13 Non-current assets - Deferred tax assets

	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	4,005	3,586
Provisions other	2,258	2,402
Accrued expenses	696	882
Intangibles	1,289	935
Copyright software	295	314
Lease liability (net)	9	691
Employee share trust	4,417	3,234
	12,969	12,044
Set-off of deferred tax liabilities pursuant to set-off provisions (note 20)	(5,457)	(4,730)
Net deferred tax assets	7,512	7,314
Deferred tax assets expected to be recovered within 12 months	3,604	3 ,509
Deferred tax assets expected to be recovered after more than 12 months	3,908	3,805
	7,512	7,314
Movements:		
Opening balance at 1 October	12,044	8,339
Credited/ (charged) to the consolidated income statement	(847)	2,558
Credited/ (charged) to equity	1,184	1,257
Acquisition of subsidiary	588	(110)
Offset from deferred tax liabilities	(5,457)	(4,730)
Closing balance at 30 September	7,512	7,314

14 Current liabilities - Trade and other payables

	2016 $'000	2015 $'000
Trade payables	16,583	13,884
Contingent consideration (note 29)	1,331	974
Sundry Creditors	6,454	6,948
Directors fees	219	220
	24,587	22,026

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

15 Current liabilities - Provisions

	2016 $'000	2015 $'000
Make good provision	47	-
Other provisions	796	-
Annual leave	5,702	5,410
Onerous contacts	249	213
Long service leave	4,400	3,514
	11,194	9,137

(a) Movements in provisions

Please refer to note 17 for details.

16 Current liabilities - Borrowings

	2016 $'000	2015 $'000
Secured		
Lease liabilities (note 27)	29	2,363
Total secured current borrowings	29	2,363

17 Non-current liabilities - Provisions

	2016 $'000	2015 $'000
Long service leave	3,314	3,034
Make good provision	1,018	1,020
Onerous contracts	223	739
	4,555	4,793

(a) Movements in provisions

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

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2016	Annual leave $'000	Long service leave $'000	Onerous contracts $'000	Make good provision $'000	Other $'000	Total $'000
Carrying amount at start of year	5,410	6,548	952	1,020	-	13,930
Additional provisions recognised	(3,511)	(1,500)	(1,455)	(6)	(18)	(6,490)
Acquired through business combination	169	149	-	-	-	318
Charged/(credited)to the profit or loss - unwinding of discount	3,634	2,517	2,147	51	814	9,163
Carrying amount at end of period	5,702	7,714	1,644	1,065	796	16,921

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

18 Non-current liabilities - Borrowings

	2016 $'000	2015 $'000
Lease liabilities (note 27)	-	29

19 Non-current liabilities - Other non-current liabilities

	2016 $'000	2015 $'000
Other non-current liabilities	1,625	1,695

Other non-current liabilities consist of lease incentives.

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

20 Non-current liabilities - Deferred tax liabilities

	2016 $'000	2015 $'000
The balance comprises temporary differences attributable to:		
Accrued receivables	(5,090)	(3,290)
Accelerated depreciation for tax purposes	(587)	(1,479)
Prepayments	(34)	(48)
Other	254	87
Total deferred tax liabilities	(5,457)	(4,730)
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	5,457	4,730
Net deferred tax liabilities	-	-
Movements:		
Opening balance at 1 October	(4,730)	(1,888)
Charged (credited) to the income statement	(727)	(2,842)
Offset to deferred tax assets	5,457	4,730
Closing balance at 30 September	-	-

21 Contributed equity

(a) Share capital

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares				
Fully paid	313,294,930	310,634 ,422	29,984	28,459

(b) Movements in ordinary share capital

Date	Details	Number of shares	$'000
1 Oct 15	Opening balance	310,634,422	28,459
	Exercise of options	2,660,508	1,525
30 Sep 16	Closing balance	313,294,930	29,984

Date	Details	Number of shares	$'000
1 Oct 14	Opening balance	308,796,455	27,447
	Exercise of options	1,837,967	1,012
30 Sep 15	Closing balance	310,634,422	28,459

(c) Employee Share Option Plan

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

22 Reserves

(a) Other reserves

	2016 $'000	2015 $'000
Share-based payments	16,739	10,751
Foreign currency translation	(561)	(216)
Dividend reserve	22,172	20,562
	38,350	31,097

(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

	2016 $'000	2015 $'000
Final dividend for the year ended 30 September 2015 of 4.63 cents (2014 - 4.21 cents) per fully paid share paid on December 2015 (2014 - December 2014)		
100% franked (2013- 85%) based on tax paid at 30%	14,390	13,062
Special dividend for the year ended 30 September 2015 of 2.0 cents (2014 - 2.00 cents) per fully paid share paid on December 2015		
100% franked based on tax paid at 30%	6,213	6,176
Interim dividend for the year ended 30 September 2016 of 2.36 cents (2015 - 2.15 cents) per fully paid share paid in June 2016 (2015 - June 2015)		
100% franked (2013- 85%) based on tax paid at 30%	7,355	6,630
Total dividends provided for or paid	27,958	25,868

(a) Dividend Policy

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

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

	2016 $'000	2015 $'000
Final		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 5.09 cents per fully paid ordinary share, (2015 -4.63 cents) fully franked based on tax paid at 30% (2015 - 30%). The aggregate amount of proposed dividend expected to be paid out of retained earnings, but not recognised as a liability at year end	15,947	14,382
Special		
In addition to the above dividends, since year end the directors have recommended that payment of a special dividend of 2.00 cents per fully paid ordinary share (2015 -2.00 cents) 100% franked based on a tax paid at 30%. The aggregate amount and the proposed dividend expected to be paid in December 2016 out of retained earnings at 30 September 2016, but not recognised as a liability at the end of the year, is	6,266	6,213
	22,213	20,595

(c) Franked dividends

The franked portions of the final dividends recommended after 30 September 2016 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 2017.

	2016 $'000	2015 $'000
Franking account balance as at the end of the financial year at 30% (2015: 30%)	678	2,975
Franking credits that will arise from the payments of income tax payable as at the end of the financial year	4,601	3,268
	5,279	6,243

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

(A) franking credits that will arise from the payment of the amount of the provision for income tax, and

(B) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.

The impact on the franking account of the dividend recommended by the directors since the end of the reporting date, but not recognised as a liability at the reporting date, will be a reduction in the franking account of $9,519,690 (2015 - $8,826,000). Additional franking credits to fully frank dividends at 30 September 2016 will be generated by income tax payments up to 30 September 2017.

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24 Key management personnel disclosures

(a) Key management personnel compensation

	2016 $	2015 $
Short-term employee benefits	5,061,219	4,541,096
Post-employment benefits	71,842	63,471
Termination benefits	65,500	159,497
Share-based payments	827,988	765,207
	6,026,549	5,529,271

(b) Equity instrument disclosures relating to key management personnel

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

25 Remuneration of auditors

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

Ernst & Young

	2016 $	2015 $
Audit and other assurance services		
Audit and review of financial statements	307,135	261,382
Other assurance services		
Due diligence services	5,555	55,550
Total remuneration for audit and other assurance services	312,690	316,932
Other services		
Taxation advice	31,690	125,764
Compliance services	146,353	45,000
Total remuneration of Ernst & Young	490,733	487,696

26 Contingencies

The Company had contingencies at 30 September 2016 in respect of:

Guarantees

At 30 September 2016, the Company had $6,801,304 (2015 - $2,100,000)in outstanding performance guarantees. The total available guarantee facility is $7,000,000 (2015 - $7,277,000). The Company also had unused foreign currency dealing limits of $1,253,365(2015 - $1,278,767).

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

Earn Out

At 30 September 2016, the Company had $17,399,000 (2015 - $9,488,000) in earn out contingencies relating to the acquisitions during the year. This included $10,601,430 of earn out payments and $6,798,031 of contingent considerations. The valuation techniques and fair value of the consideraiton and the recording of the liability is outlined in note 29.

27 Commitments

(a) Operating lease commitments

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

There is a sublease until 2017. The current year revenue is $1,529,512 (2015 - $1,382,000) and this has not been included in the numbers below.

	2016 $'000	2015 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	8,175	6,573
Later than one year but not later than five years	22,645	21,967
Later than five years	319	2,276
	31,139	30,816

(b) Finance lease commitments

The primary finance lease liabilities are secured by a Registered Mortgage Debenture given by the Company in favour of ANZ Banking Group Limited for the assets under lease. The Company has a separate available leasing facilities of $439,370 (2015 - $5,207,298) of which $409,370 remain un-drawn at 30 September 2016 (2015 - $2,902,643). The borrowings carry a rate between 1.72% and 1.94% (2015 - 4.495%) and have an average term of 12 months.

	2016 $'000	2015 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	25	2,407
Later than one year but not later than five years	5	30
Minimum lease payments	30	2,437
Future finance charges	(1)	(45)
Total lease liabilities	29	2,392
Representing lease liabilities:		
Current (note 16)	29	2,363
Non-current (note 18)	-	29
	29	2,392

28 Related party transactions

(a) Ultimate controlling entity

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

(b) Transactions with related parties

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

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

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

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

29 Business combination

During the financial year ended 30 September 2016 TechnologyOne Ltd acquired Jeff Roorda and Associates Pty Ltd (JRA). Details of the acquisition are disclosed below.

(a) Summary of acquisition

On 2 October 2015, TechnologyOne acquired 100% of the issued shares in the business and selected assets and liabilities of Jeff Roorda and Associates Pty Ltd (JRA), an unlisted Australian company. The acquisition forms part of TechnologyOne's strategic focus on providing innovate and relevant solutions for asset intensive organisations. JRA was earnings positive in the financial year ended 30 September 2016.

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

Purchase consideration (refer to (b) below):

	Acquisition Date $'000
Purchase consideration (refer to (b) below):	
Cash paid	2,000
Second Tranche	495
Earnout Tranche	2,453
Bonus Tranche	988
North American Tranche	4,862
Total purchase consideration	10,798

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

	Fair value $'000
Plant and equipment	7
Intangible assets	2,600
Trade payables	(10)
Provision for employee benefits	(317)
Net identifiable assets acquired	2,280
Add: goodwill	8,518
Net assets acquired *	10,798

The goodwill is attributable to the profitability of JRA as well as potential growth of TechnologyOne.

(i) Second Tranche payment

Consideration of $500,000 (present value of $165,237 after taking to account the completion working capital) will be payable in cash to the selling shareholders 12 months after completion of the acquisition

(ii) Contingent consideration

Contingent consideration up to a maximum of $8,500,000 ($2,500,000 for earn-out tranche, $1,000,000 for bonus tranche and $5,000,000 for the North American tranche) may be payable in cash to the selling shareholders.

The potential undiscounted earn-out tranche amount payable under the Agreement is between $nil and $2,500,000 and is based on the earn out tranche Net Profit Before Tax (NPBT) divided by the earn-out tranche Target NPBT of $6,300,000 multiplied by $5,000,000 less $2,500,000.

The earn-out tranche is payable three years after the completion of the acquisition.

TechnologyOne has agreed to pay the selling shareholders an additional bonus tranche based on JRA's three-year cumulative actual NPBT Bonus Tranche divided by the Target NPBT of $6,300,000 multiplied by 33% of any amount above the Bonus tranche figure to a maximum of $1,000,000. The additional bonus tranche is payable three years after the completion of the acquisition.

TechnologyOne has agreed to pay the selling shareholders an additional North American tranche based on JRA's three-year cumulative actual NPBT Bonus Tranche divided by the North American Target NPBT of $3,500,000, multiplied by $5,000,000 to a maximum of $5,000,000. The additional North American tranche is payable three years after the completion of the acquisition.

The financial liability for the earn-out and bonus tranches is recorded in non-current consideration. The total fair value estimate of $8,242,621 for the contingent consideration was calculated based on the assumption the maximum $8,500,000 will be payable three calendar years after acquisition 2(e).

JRA has been fully consolidated into the results of TechnologyOne.

(iii) Revenue and profit contribution

JRA reported revenue of $2,292,085 and Net Profit Before Tax of $572,288 for the period 2 October 2015 to 30 September 2016. There would be no change to these results had the acquisition occurred on 1 October 2015.

(b) Purchase consideration - cash outflow

	$'000
Purchase consideration:	
Cash paid	2,000
Net cash acquired with the subsidiary	-
Total purchase consideration	2,000

Acquisition-related costs

Acquisition-related costs of $230,000 are included in other expenses in the Statement of Profit or Loss and other Comprehensive Income and in operating cash flows in the Statement of Cash Flows.

Contingent consideration, earn outs and second tranche payments

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

(c) Amounts due for business combinations

Contingent consideration, earn outs and second tranche payments

	$'000
Balance at 30 September 2015	9,488
Acquisitions of JRA	8,798
Payments	(887)
	17,399

	ICON $'000	DMS $'000	JRA $'000	Total $'000
Current	-	1,166	165	1,331
Non Current	4,899	2,926	8,243	16,068
Total	4,899	4,092	8,408	17,399

(d) Finalisation of Acquisition of ICON and DMS

On 31 January 2015, Technology One Limited acquired 100% of ICON Strategic Solutions Pty Ltd (ICON), an unlisted company and Australasia's leading provider of ePlanning and eGoverment software. In January 2016, the valuation was completed and the acquisition date fair value of the acquired intangibles was $3,200,000, a decrease of $1,300,000 under the provisional value. The 2015 comparative information was restated to reflect the adjustment to the provisional amounts. There was also a corresponding increase in goodwill of $1,300,000 resulting in $7,868,448 of total goodwill arising on the acquisition.

On 8 May 2015 Technology One Limited acquired 100% of the issued shares in Desktop Mapping Systems Pty Ltd, trading as Digital Mapping Solutions (DMS), an unlisted Australian company with software that allows for the storage, retrieval and management of spatial data. This purchase included DMS's subsidiaries: Boldridge Pty Ltd of which DMS owns 100% and Digital Mapping Solutions NZ Limited (DMS NZ) of which DMS owns 60%. In July 2016, the valuation was completed and the acquisition date fair value of the acquired intangibles was $3,300,000, a decrease of $1,800,000 under the provisional value. The 2015 comparative information was restated to reflect the adjustment to the provisional amounts. There was also a corresponding increase in goodwill of $1,800,000 resulting in $8,261,000 of total goodwill arising on the acquisition.

On 1 April 2016, Technology One Limited acquired the remaining 40% of Digital Mapping Solutions NZ Limited (DMS NZ) for $476,000.

30 Controlled entities

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

Name of entity	Country of incorporation	Class of shares	Equity holding 2016 %	Equity holding 2015 %
Technology One Corporation Sdn Bhd	Malaysia	Ordinary	100	100
Technology One New Zealand Ltd	New Zealand	Ordinary	100	100
Technology One UK Limited	England	Ordinary	100	100
Avand Pty Ltd	Australia	Ordinary	100	100
Avand (New Zealand) Pty Ltd	New Zealand	Ordinary	100	100
Technology One Employee Share Trust	Australia	Ordinary	100	100
Desktop Mapping Systems Pty Ltd	Australia	Ordinary	100	100
Digital Mapping Solutions NZ Limited	New Zealand	Ordinary	100	60
Boldridge Pty Ltd	Australia	Ordinary	100	100
Icon Strategic Solutions Pty Ltd	Australia	Ordinary	100	100
Jeff Roorda & Associates Pty Ltd	Australia	Ordinary	100	-

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

The Registered office is located at:

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

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

	2016 $'000	2015 $'000
Profit for the period	41,344	35,785
Depreciation and amortisation	3,924	4,157
Non-cash employee benefits expense - share-based payments	1,496	1,548
Provision for onerous contract	842	(558)
Transfers to / (from) provisions:		
Employee entitlements	1,139	1,516
Doubtful debts	(216)	96
Net (gain) / loss on sale of noncurrent assets	1	19
Movements in provision for:		
Income tax payable	(294)	3,001
Deferred income tax	1,479	(2,991)
Change in operating assets and liabilities:		
Decrease / (increase) in trade debtors	(3,270)	(6,534)
Decrease / (increase) in sundry debtors	159	(282)
Decrease / (increase) in prepayments	(3,996)	(583)
Decrease / (increase) in earned and unbilled revenue	(7,656)	(789)
Decrease / (increase) in other assets	(283)	(67)
Increase / (decrease) in trade creditors	833	301
Increase / (decrease) in other liabilities	816	2,147
Increase / (decrease) in unearned revenue	7,512	879
Increase / (decrease) in lease liability	(89)	(3)
Net cash inflow/ (outflow) from operating activities	43,741	37,642

32 Earnings per share

(a) Basic earnings per share

	2016 Cents	2015 Cents
Basic earnings per share (cents per share)	13.26	11.57
Diluted earnings per share (cents per share)	12.85	11.3
Profit used for calculating basic and diluted earnings per share ($'000)	41,344	35,785

(b) Weighted average number of shares used as denominator

	2016 Number	2015 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	311,780,703	309,304,062
Adjustments for calculation of diluted earnings per share:		
Options	10,026,246	7,416,942
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	321,806,949	316,721,004

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

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

33 Share-based payments

(a) Employee Option Plan

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

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

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

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

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

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.

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

Issue date	Expiry date	Exercise price	Balance at start of the period number	Issued during the period number	Exercised during the period number	Forfeited during the period number	Balance at the end of the period number	Vested and exercisable at end of the period number
2016								
21-Sep-16	Sep-16	$0.00	-	4,479	(4,479)	-	-	-
4-Aug-16	Sep-16	$0.00	-	4,479	(4,479)	-	-	-
001-Jul-16	Jul-23	$0.57	-	200,000	-	-	200,000	-
01-Jul-16	Jul-23	$1.59	-	200,000	-	-	200,000	-
01-Jul-16	Jul-23	$0.68	-	200,000	-	-	200,000	-
01-Jul-16	Jul-23	$0.48	-	60,000	-	-	60,000	-
01-Jul-16	Jul-23	$1.89	-	50,000	-	-	50,000	-
01-Jul-16	Jul-23	$1.03	-	200,666	-	-	200,666	-
01-Jul-16	Jul-23	$1.16	-	16,650	-	-	16,650	-
01-Jul-16	Jul-23	$0.53	-	150,000	-	-	150,000	-
01-Jul-16	Jul-23	$0.86	-	249,950	-	-	249,950	-
01-Jul-16	Jul-23	$4.10	-	100,000	-	-	100,000	-
01-Jul-16	Jul-23	$1.59	-	12,500	-	-	12,500	-
01-Oct-16	Jul-22	$3.03	-	100,000	-	-	100,000	-
11-Apr-16	Oct-23	$4.80	-	317,211	-	-	317,211	-
01-Oct-16	Jul-22	$1.89	-	50,000	-	-	50,000	-
10-Oct-15	Oct-23	$3.78	-	50,262	-	-	50,262	-
1-Jul-15	Jul-22	$0.57	200,000	-	-	-	200,000	-
1-Jul-15	Jul-22	$1.59	225,000	-	-	(25,000)	200,000	-
1-Jul-15	Jul-22	$0.68	400,000	-	-	(200,000)	200,000	-
1-Jul-15	Jul-22	$0.48	50,000	-	-	-	50,000	-
1-Jul-15	Jul-22	$1.03	227,316	-	-	(26,650)	200,666	-
1-Jul-15	Jul-22	$1.16	16,650	-	-	-	16,650	-
1-Jul-15	Jul-22	$0.53	150,000	-	-	-	150,000	-
1-Jul-15	Jul-22	$0.86	249,950	-	-	-	249,950	-
1-Jul-15	Jul-22	$1.59	12,500	-	-	-	12,500	-
01-Oct-14	Jul-21	$1.59	235,000	-	-	(35,000)	200,000	200,000
01-Oct-14	Jul-21	$1.59	12,500	-	(12,500)	-	-	-
14-Jul-14	Jul-21	$1.34	165,000	-	(165,000)	-	-	-
14-Jul-14	Jul-22	$1.34	167,000	-	-	-	167,000	-
14-Jul-14	Jul-23	$1.34	167,000	-	-	-	167,000	-
14-Jul-14	Jul-24	$1.34	167,000	-	-	-	167,000	-
14-Jul-14	Jul-25	$1.34	167,000	-	-	-	167,000	-
14-Jul-14	Jul-26	$1.34	167,000	-	-	-	167,000	-
12-Jul-14	Jul-21	$0.40	60,000	-	-	-	60,000	60,000
01-Jul-14	Jul-21	$0.57	200,000	-	(200,000)	-	-	-
01-Jul-14	Jul-21	$0.68	400,000	-	(400,000)	-	-	-
01-Jul-14	Jul-21	$0.48	50,000	-	(50,000)	-	-	-
01-Jul-14	Jul-21	$1.03	157,317	-	(66,667)	(16,650)	74,000	74,000
01-Jul-14	Jul-21	$1.16	16,650	-	(16,650)	-	-	-
01-Jul-14	Jul-21	$0.53	150,000	-	(150,000)	-	-	-
01-Jul-14	Jul-21	$0.86	249,950	-	(125,000)	-	124,950	124,950
20-Dec-13	Jul-20	$1.16	16,650	-	(16,650)	-	-	-
12-Aug-13	Jul-20	$1.03	4,000	-	-	-	4,000	4,000
12-Jul-13	Jan-20	$0.40	60,000	-	(60,000)	-	-	-
01-Jul-13	Jan-20	$0.86	108,300	-	(36,583)	-	71,717	71,717
01-Oct-12	Jul-19	$0.68	100,000	-	(100,000)	-	-	-
12-Jul-12	Jul-19	$0.40	60,000	-	(60,000)	-	-	-
12-Jul-11	Aug-18	$0.40	60,000	-	(60,000)	-	-	-
26-Nov-10	Jul-24	$0.36	135,000	-	(135,000)	-	-	-
01-May-09	Jan-22	$0.36	1,090,000	-	(975,000)	(60,000)	55,000	55,000
10-Oct-08	Jan-20	$0.41	210,000	-	-	-	210,000	210,000
25-Aug-06	Aug-24	$0.35	165,000	-	(22,500)	-	142,500	142,500
			6,071,783	1,966,197	(2,660,508)	(363,300)	5,014,172	942,167
Weighted average exercise price			$0.78	$1.91	$0.57	$0.80	$1.35	$0.79

At September 2016 a total of 3,178,068 options (2015 - 2,867,400) were offered to employees. The amount of options offered is in excess of options granted as certain options while offered will only be granted in a future period at the discretion of the Executive Chairman.

Issue date	Expiry date	Exercise price	Balance at start of the period number	Issued during the period number	Exercised during the period number	Balance at the end of the period number	Vested and exercisable at end of the period number
2015							
01-Oct-14	Jul-21	$1.59	-	485,000	-	485,000	-
14-Jul-13	Jul-26	$1.34	1,000,000	-	-	1,000,000	-
12-Aug-13	Jul-20	$1.03	97,317	-	(93,317)	4,000	4,000
01-Jul-13	Jul-20	$0.68	400,000	-	(400,000)	-	-
01-Jul-13	Jul-20	$0.48	50,000	-	(50,000)	-	-
12-Jul-10	Jul-17	$0.40	60,000	-	(60,000)	-	-
01-Jul-13	Jul-20	$0.57	200,000	-	(200,000)	-	-
01-Jul-13	Jul-20	$0.53	150,000	-	(150,000)	-	-
01-Jul-15	Jul-22	$0.57	-	200,000	-	200,000	-
01-Jul-15	Jul-22	$0.68	-	400,000	-	400,000	-
01-Jul-15	Jul-22	$0.48	-	50,000	-	50,000	-
01-Jul-15	Jul-22	$1.03	-	227,316	-	227,316	-
01-Jul-15	Jul-22	$1.16	-	16,650	-	16,650	-
01-Jul-15	Jul-22	$0.53	-	150,000	-	150,000	-
01-Jul-15	Jul-22	$0.86	-	249,950	-	249,950	-
01-Jul-14	Jul-21	$0.40	60,000	-	-	60,000	-
01-Jul-14	Jul-21	$0.57	200,000	-	-	200,000	-
01-Jul-14	Jul-21	$0.68	400,000	-	-	400,000	-

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

The weighted average share price at the date of exercise of options exercised during the year ended 30 September 2016 was $0.57 (2015 - $0.55).

The weighted average remaining contractual life of share options outstanding at the end of the period was 6.27 years (2015 - 4.4 years).

(a) Employee Option Plan (continued)

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 $0.60 - $1.68 (2015 - $1.47). The model inputs for options granted during the year ended 30 September 2016 included:

(I) Dividend yield between 1.7% and 2.3% (2015 - 2.6%)

(II) Expected volatility between 11.3% and 20.2% (2015 - 23.2%)

(III) Risk free interest rate between 1.7% and 2.4% (2015 - 3.0%)

(IV) Expected life of option six years (2015 - six years)

(V) Option exercise price between $0.00 and $4.80 (2015 - $1.59)

(VI) Weighted average share price at grant date between $3.89 and $5.13 (2015 - $3.20)

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

(b) Executive performance rights

After further market consultation, the company made the decision to return to issuing options instead of EPRs. The view is that the use of options under an LTI scheme for a growth company best aligns shareholder and executive interests. 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:

	2016 $'000	2015 $'000
Options issued under employee option plan:		
Vested	1,591	1,546
Forfeited	(95)	-
Total share-based payment expense	1,496	1,546

34 Parent entity financial information

(a) Summary financial information

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

	2016 $'000	2015 $'000
Balance sheet		
Current assets	138,102	122,370
Non-current assets	61,214	49,877
Total assets	199,316	172,247
Current liabilities	55,970	46,219
Non-current liabilities	18,732	11,635
Total liabilities	74,702	57,854
Shareholders' equity		
Contributed equity	29,983	28,458
Dividend reserve	22,170	21,118
Share option reserve	16,739	10,752
Retained earnings	55,722	54,065
	124,614	114,393
Profit or loss before tax for the year	50,613	44,000
Total comprehensive income	50,268	36,020

The reserves balance is higher than Group due to the foreign currency translation reserve losses of $345,000 (2015 - gain of $294,000).

(b) Guarantees entered into by the parent entity

At 30 September 2016, the parent entity had $6,801,304 (2015 - $2,100,000) in outstanding performance guarantees. The total available guarantee facility is $7,000,000 (2015 - $7,277,000). The parent entity also had unused foreign currency dealing limits of $1,253,356 (2015 - $1,278,767).

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 2016, the parent entity had $17,161,479 (2015 - $9,488,000) in earn out contingencies relating to the acquisitions during the year. This included $10,363,448 of earn out payments and $6,798,031 of contingent considerations. The valuation techniques and fair value of the consideration is outlined in note 29.

35 Events occurring after the reporting period

(a) Dividends

On 22 November, the Directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2016 financial year. The total amount of the dividend is $15,947,000 and is 100% franked. There was also a special dividend declared for the 2016 financial year of $6,266,000 and this is also fully franked.

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.

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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 96 to 123 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 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

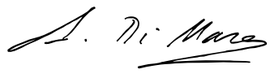
(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a); and

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

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the reporting year ended 30 September 2016.

On behalf of the Board of Directors

Adrian Di Marco
Director



Brisbane

22 November 2016

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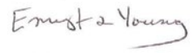
Auditor's Independence Declaration to the Directors of Technology One Limited

As lead auditor for the audit of Technology One Limited for the financial year ended 30 September 2016, 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 Technology One Limited and the entities it controlled during the financial year.



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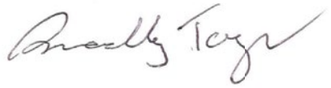

Brad Tozer
Partner
22 November 2016

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

Report on the financial report

We have audited the accompanying financial report of Technology One Limited which comprises the consolidated statement of financial position as at 30 September 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

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Opinion

In our opinion:

a. the financial report of Technology One Limited is in accordance with the *Corporations Act 2001* , including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 September 2016 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 September 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Technology One Limited for the year ended 30 September 2016, complies with section 300A of the *Corporations Act 2001* .

Ernst & Young

Brad Tozer
Partner
Brisbane
22 November 2016

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SHAREHOLDER INFORMATION

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Shareholder Information

Substantial shareholders as at 30 November 2016

Shareholder Name	Number of Ordinary Shares
HSBC Custody Nominees (Australia) Limited	60,173,116
J P Morgan Nominees Australia Limited	36,006,027
JL Mactaggart Holdings Pty Ltd	35,872,500
Masterbah Pty Ltd	31,372,500
Citicorp Nominees Pty Limited	18,106,265
RBC Investor Services Australia Nominees Pty Limited	17,382,824

Distribution of shareholdings as at 30 November 2016

Size of Holding	Ordinary Shareholders
1 to 1,000	1,506
1,001 to 5,000	2,461
5,001 to 10,000	1,051
10,001 to 100,000	1,107
100,001 and Over	78
Total	6,203
Unmarketable Parcels	0

Voting rights

All ordinary shares issued by Technology One Limited carry one vote per share without restriction.

Twenty largest shareholders as at 30 November 2016

Name	30 Nov 2016	%IC
HSBC Custody Nominees (Australia) Limited	60,173,116	19.21
J P Morgan Nominees Australia Limited	36,006,027	11.49
JL Mactaggart Holdings Pty Ltd	35,872,500	11.45
Masterbah Pty Ltd	31,372,500	10.01
Citicorp Nominees Pty Limited	18,106,265	5.78
RBC Investor Services Australia Nominees Pty Limited	17,382,824	5.55
National Nominees Limited	10,842,894	3.46
BNP Paribas Noms Pty Ltd	9,318,039	2.97
J L Mactaggart Holdings Pty Ltd	7,000,000	2.23
Argo Investments Limited	5,964,564	1.90
BNP Paribas Nominees Pty Ltd	5,338,109	1.70
UBS Nominees Pty Ltd	3,208,719	1.02
Citicorp Nominees Pty Limited	2,751,988	0.88
Warbont Nominees Pty Ltd	2,301,438	0.73
HSBC Custody Nominees (Australia) Limited	1,948,235	0.62
Mr Nicholas Barry Debenham	1,392,465	0.44
Brispot Nominees Pty Ltd	1,164,912	0.37
Morgan Stanley Australia Securities (Nominee) Pty Limited	1,072,814	0.34
BNP Paribas Nominees Pty Ltd	1,053,000	0.34
Martin Harwood	1,000,000	0.32

Corporate directory

Board of Directors

Adrian Di Marco

Ron McLean

John Mactaggart

Kevin Blinco

Richard Anstey

Jane Andrews

Company Secretary

Gareth Pye

Australian Business Number

84 010 487 180

Registered Office

Technology One Limited

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Branch Offices

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Melbourne

Canberra

Adelaide

Perth

Hobart

Auckland

Wellington

Kuala Lumpur

Maidenhead

Glasgow

Port Moresby

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)

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Financial calendar

The following calendar shows the planned dates for significant shareholder events for the 2017 year. These dates are subject to change, and should be checked before taking any action, by looking at the company's web site: www.TechnologyOneCorp.com/about-us/shareholders.

2017 (Year Ending 30 September 2017)

Announcement of half year results for 2017	23 May 2017
Media interviews	23 May 2017
Presentations to Institutions – Brisbane (tentative)	23 May 2017
Presentations to Institutions – Sydney (tentative)	23 – 24 May 2017
Presentations to Institutions – Melbourne (tentative)	31 May 2017
Shares quotes ex-dividend for interim dividend	1 June 2017
Record date for interim dividend	2 June 2017
Distribute 2017 Half Year Results Report	17 June 2017
Payment date for interim dividend	17 June 2017
Announcement of Full Year Results for 2016	21 November 2017
Media interviews	21 November 2017
Presentations to Institutions – Sydney (tentative)	21 - 22 November 2017
Shares quotes ex-dividend for final dividend	28 November 2017
Presentations to Institutions – Melbourne	29 November 2017
Record date for 2017 dividend	29 November 2017
Payment date for 2017 final dividend	14 December 2017
Distribute 2017 Annual Report	5 January 2018
Annual General Meeting (tentative)	February 2018 (TBD)

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TechnologyOne (ASX:TNE) is Australia's largest enterprise software company and one of Australia's top 200 ASX-listed companies, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,000 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only eight key markets: government, local government, financial services, education, health and community services, asset intensive, project intensive and corporate. For these markets we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For 29 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. Today, our software is available on the TechnologyOne Cloud and across smart mobile devices.

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