

technologyone

Transforming business, making life simple

Technology One Limited
ABN 84 010 487 180
Appendix 4E and
Annual Financial Report
for the year ended 30 September 2022

For personal use only

Technology One Limited ABN 84 010 487 180
Annual Financial Report - 30 September 2022

Contents

Results for announcement to the market	3
Directors' report.....	5
Auditor's Independence Declaration	18
Remuneration report (audited)	19
Financial Statements	57
<i>Consolidated income statement</i>	57
<i>Consolidated statement of comprehensive income</i>	58
<i>Consolidated statement of financial position</i>	59
<i>Consolidated statement of changes in equity</i>	60
<i>Consolidated statement of cash flows</i>	61
<i>Notes to the consolidated financial statements</i>	62
Independent Auditors Report.....	108

Appendix 4E

Results for announcement to the market

For the year ended 30 September 2022

(compared to the year ended 30 September 2021)

			2022	2021
			\$'000	\$'000
Revenue from ordinary activities	Up	18% to	369,391	312,012
Profit from ordinary activities after tax attributable to members	Up	22% to	88,843	72,691
Net profit for the period attributable to members	Up	22% to	88,843	72,691

Dividends		Amount per security Cents	Franked amount per security Cents
Current period			
Interim dividend		4.20	2.52
Final dividend		10.82	6.49
Special dividend		2.00	1.20
Prior period			
Interim dividend		3.82	2.29
Final dividend		10.09	6.05

The record date for determining entitlements to the final dividend for the year ended 30 September 2022 is 2 December 2022. There will be no conduit foreign income paid on the final dividend. The payment date for the final dividend is 16 December 2022.

Profit for the ordinary activities after tax attributable to members

Breakdown of the revenue figures above

			2022	2021
			\$'000	\$'000
Revenue - SaaS and continuing business	Up	22% to	358,668	293,553
Revenue - Legacy licence business	Down	46% to	9,566	17,742
Other income	Up	61% to	1,157	717
Revenue from ordinary activities			369,391	312,012

Profit for ordinary activities after tax attributable to members

	2022	2021
	Cents	Cents
Basic EPS	27.51	22.64
Diluted EPS	27.38	22.52
Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	322,953,789	321,074,997

NTA backing

	2022	2021
	Cents	Cents
Net tangible asset backing per ordinary share	10.01	4.28

Compliance statement

The report is based on the consolidated financial report which has been audited.

Refer to the attached full financial report for all other disclosures in respect of the Appendix 4E.

Signed:

A handwritten signature in blue ink, appearing to read 'Pat O'Sullivan', is written over a large, light grey watermark that says 'For personal use only'.

Pat O'Sullivan
Chair

Brisbane
22 November 2022

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 2022.

DIRECTORS

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

Pat O'Sullivan
CA, MAICD

Appointed 2 March 2021.

Experience and expertise

Mr O'Sullivan is a Chartered Accountant and has 40 years' experience working across a wide range of industries both as an executive and non-executive director. His last executive role was the Chief Operating Officer and Finance Director of Nine Entertainment Co Pty Limited, a position he held for six years until June 2012 and prior to that he was the Chief Financial Officer of Optus for five years.

He is currently Chairman of Carsales.com and Siteminder. His previous ASX non-executive director roles include Afterpay, iiNet, iSelect, APN Outdoor, iSentia and Marley Spoon.

Mr O'Sullivan is a member of The Institute of Chartered Accountants in Ireland and Australia.

He is a graduate of the Harvard Business School's Advanced Management Program.

Special responsibilities

Board Chair

Interests in shares and options

39,779 ordinary shares held in Technology One Limited.

Adrian Di Marco
B Sc, MAICD, FACS

Appointed 8 December 1999.

Retired 30 June 2022.

Experience and expertise

Mr Di Marco founded TechnologyOne in 1987, to undertake deep research to build configurable ERP software based on new and emerging technologies, that did not require customisation at the code level. 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 numerous IT companies.

Mr Di Marco is an active investor and supporter of Venture Capital and start-ups both here in Australia and overseas.

He has also been actively involved in charitable organisations and is a past Director of the Royal Children's Hospital Foundation Board. Having established the TechnologyOne foundation, he has in recent years also established the DiMarco Family foundation to support children causes.

Mr Di Marco has received extensive recognition for his contribution and pioneering work for the IT industry.

He retired as executive Chairman on the 30 June 2022 and remains a major shareholder of TechnologyOne.

Interests in shares and options held at the date of retirement

17,372,500 ordinary shares in Technology One Limited held beneficially through Masterbah Pty Ltd. 6,000 ordinary shares in Technology One Limited held on behalf of family members.

Ron McLean

Appointed 8 December 1999.

Experience and expertise

Mr McLean has more than 40 years' experience in the enterprise software industry including holding Senior Executive and Managing Director roles in several international and Australian software companies.

His involvement in the enterprise software industry has included leading and managing software development, consulting and sales and marketing teams.

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

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

Interests in shares and options

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

John Mactaggart FAICD

Appointed 8 December 1999.

Experience and expertise

Mr Mactaggart's experience spans industries such as agriculture, agri-tech, manufacturing and software. He 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

26,872,500 ordinary shares in Technology One Limited held beneficially through JL Mactaggart Holdings Pty Ltd. 30,000 ordinary shares in Technology One Limited held via the Jontra trust.

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 focussed upon the technology, telecommunications and life sciences sectors.

Through iQFunds and personally, Mr Anstey 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, Mr Anstey 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 of Queensland University of Technology-Entrepreneurship (a university-wide initiative with global collaborations, turning ideas into reality), 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 as a founder of iQ360 Pty Ltd.

Interests in shares and options

30,000 ordinary shares in Technology One Limited held beneficially through the Anstey super fund.

Jane Andrews
GAICD, PhD

Appointed 22 February 2016.

Experience and expertise

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

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

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

Special responsibilities

Chair of the Remuneration Committee, member of Audit and Risk Committee and Nomination and Governance Committee.

Interests in shares and options

30,600 ordinary shares held in Technology One Limited.

Sharon Doyle

B Laws (Hons), B IT (Dist), G Dip Bus Admin, FAICD

Appointed 28 February 2018.

Experience and expertise

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

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

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

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

Special responsibilities

Member of the Audit and Risk Committee and Nomination and Governance Committee.

Interests in shares and options

18,280 ordinary shares in Technology One Limited.

Clifford Rosenberg

B Bus Sc (Hons), M Sc (Hons)

Appointed 27 February 2019.

Experience and expertise

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

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

Special responsibilities

Chair of Nomination and Governance Committee and member of Remuneration Committee.

Interests in shares and options

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

Peter Ball
B Bus, CA

Appointed 2 March 2020.

Experience and expertise

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

Most of Mr Ball's work involves providing strategic, economic, commercial and business improvement advice to enable organisations to make fully informed business decisions. During his management consulting career Peter has worked across a number of industries including tourism and leisure, gaming and wagering, arts and sports, and state and local governments.

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

Special responsibilities

Chair of the Audit & Risk Committee and member of Remuneration Committee.

Interests in shares and options

21,900 ordinary shares held in Technology One Limited held beneficially through the Noosa Hill Super Fund.

COMPANY SECRETARIES

Stephen Kennedy
B Bus, FGIA

Appointed 13 April 2017.

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

Paul Jobbins
B Bus (ACA), CA, GDipAppFin, MAppFin, GAICD

Appointed 16 December 2019.

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

Meetings of Directors

The numbers of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 September 2022, and the numbers of meetings attended by each Director were:

	Full meetings of directors (Board)	Audit and Risk Committee	Nomination and Governance Committee	Remuneration Committee
A Di Marco*	8(8)	-	-	-
R McLean	10	-	-	1(1)
J Mactaggart	9(10)	-	-	-
R Anstey	9(10)	-	1(1)	-
J Andrews	10	4	3	3
S Doyle	10	4	3	-
C Rosenberg	9(10)	-	2(2)	3
P Ball	10	4	-	-
P O'Sullivan	9(10)	4	-	2(2)

*Mr Di Marco retired on 30 June 2022.

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

PRINCIPAL ACTIVITIES

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

- Technology One Business Analytics
- Technology One Corporate Performance Management
- Technology One DXP Local Government
- Technology One Enterprise Asset Management
- Technology One Enterprise Budgeting
- Technology One Enterprise Cash Receipting
- Technology One Enterprise Content Management
- Technology One Financials
- Technology One Human Resources and Payroll
- Technology One Performance Planning
- Technology One Property and Rating
- Technology One Spatial
- Technology One Strategic Asset Management
- Technology One Student Management
- Technology One Supply Chain Management
- Technology One Timetabling and Scheduling

DIVIDENDS

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

<i>Ordinary Shares</i>	2022	2021
	\$'000	\$'000
Final dividend for the year ended 30 September 2021 of 10.09 Cents (2020 - 9.41 Cents) per fully paid share paid in December 2021 (2020 - December 2020)		
60% franked (2020 - 60%) based on tax paid at 30%	32,454	30,225
Interim dividend for the year ended 30 September 2022 of 4.20 Cents (2021 - 3.82 Cents) per fully paid share paid in June 2022 (2021 - June 2021)		
60% franked (2021 - 60%) based on tax paid at 30%	13,673	12,279
Total dividends paid	46,127	42,504

REVIEW OF OPERATIONS

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

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

Continuing strong performance

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

Highlights for the Year

We are a SaaS company

Completed our fourth Generation ERP, CiA - During the year, we completed our fourth generation global SaaS ERP, CiA, having re-engineered our entire ERP code base leveraging SaaS technology.

Exceeding ARR targets and ended legacy licences - we have successfully completed our strategy ahead of schedule. No other ERP company in the world has successfully made the transition to SaaS without impacting its customers and/or its profit growth.

Record TechnologyOne SaaS ARR growth up 43% - adoption of the TechnologyOne global SaaS ERP solution (CiA) is exceeding our expectations, with customer adoption driving SaaS annual recurring revenue (ARR) of \$274.2m, up 43%.

Record TechnologyOne Total Growth ARR up 25% - Total annual recurring revenue (ARR) of \$320.7m, up 25%.

Profit After Tax up 22% - Our Profit After Tax was up 22%

Surpass \$500m+ ARR by FY26 - With our SaaS business growing faster than expected, we are on track to surpass our target of \$500m+ ARR by FY26.

Building the future, enabling us to continue to double in size every 5 years – With the completion of our fourth generation ERP, CiA, we have showcased exciting new products and solutions which continue to transform our customers' business, enabling us to continue to double in size every five years.

These points are discussed later in more detail.

Results Summary

- Profit After Tax of \$88.8m, up 22%
- Profit Before Tax of \$112.3m, up 15%, at the top end of guidance
- SaaS Annual Recurring Revenue (ARR)² of \$274.2m, up 43%
- Total Annual Recurring Revenue (ARR)² of \$320.7m, up 25%
- Total Revenue¹ of \$369.4m, up 18%
- Revenue from our SaaS and Continuing Business of \$358.7m, up 22%
- Expenses of \$257.1m, up 20%³
- Cash Flow Generation⁴ of \$77.2m, up 21%,
- Cash and Cash Equivalents of \$175.9m, up 22%
- Total Dividend of 17.02cps, including a special dividend of 2.0 cps, up 22%
- R&D investment of \$92.2m before capitalisation, up 19.6%, which is 25% of revenue

¹ Includes other income of \$1.2m

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

³ Impacted by Scientia acquisition. Synergies delivered in FY22 will reduce Scientia expenses in FY23

⁴ Cash Flow Generation is cash flow from operating activities less capitalised development costs, capitalised commission costs and lease payments. This is a non-IFRS financial measure and is unaudited. 87% of NPAT as expected. As previously disclosed aligns with NPAT from FY24 onwards

TechnologyOne SaaS ARR grows 43%

Adoption of the TechnologyOne global SaaS ERP solution is exceeding our expectations, with customer adoption driving SaaS annual recurring revenue (ARR) of \$274.2m, up 43%.

We now have over 800 large scale enterprise organisations, with millions of users, leveraging our fourth generation SaaS ERP, CiA, for mission critical activities for them and their customers. This makes TechnologyOne the largest single instance SaaS ERP offering in Australia.

Our strategy is to deliver a compelling customer proposition, providing our customers with any device, any time access from anywhere around the globe, as well as a simple and cost-effective way to run their enterprise. Our global SaaS ERP is allowing our customers to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies. We take care of all of this, making life simple for them and their customers.

TechnologyOne continues to lead in the Local Government sector, where we closed 20 major deals in FY22 with \$63.9 million in total contract value and we now have more than 320 council customers in APAC. Mornington Peninsula is an excellent example of a Local Government customer that came back from Oracle and, is extending their original TechnologyOne footprint and moving to our latest generation ERP, CiA.

In the Higher Education sector, we closed 10 major deals in FY22 worth \$47m in total contract value, cementing our position as the leading provider to the APAC Higher Education sector including large deals at customers such as Queensland University of Technology and University of Technology Sydney.

Exceed ARR targets and ended legacy licences

In 2018, we detailed our strategy to transition from an on-premise legacy licence business to a SaaS business. We set a plan to reduce on-premise legacy licence fees from a high of circa \$70m to zero over 5 years, whilst aggressively growing our SaaS recurring revenue business without impacting profit growth and without impacting our customers. We have now delivered this strategy, exceeding our ARR target in FY22, and allowing us to bring to an end our legacy licence fee business. This transition was extremely complex as we re-engineered all parts of our business including our products, our structure, our policies, processes and disciplines. No other ERP company in the world has successfully made this transition without impacting its customers and / or its profit growth.

Our philosophy of “transforming business, making life simple”, made the transition to our SaaS solution for our on-premise customers simple and seamless. They move to SaaS in weeks, not years, like those using our competitors’ products.

Our SaaS customers unlock significant benefits including:

- Two releases each year providing new functionality
- Eight active data centres
- Defence in depth security with the highest levels of cyber security certification
- Always on the latest release

- Always on the latest technology
- All products and modules available, so that our customers can take on additional products without friction
- Save 30%+ on their total cost of ownership

From here, they can easily move to our next generation SaaS ERP, CiA, and take advantage of new technologies, such as Artificial Intelligence and our new Digital Experience Platform (DXP).

Surpass \$500m+ ARR by FY26

The quality of the revenue from our latest generation global SaaS ERP business is exceptionally high, given its recurring contractual nature, combined with our industry leading low churn rate of ~1%.

Today, our Total Annual Recurring Revenue (ARR) is \$320.7m, up 25%. We are on track to surpass our target of \$500m+ ARR by FY26.

Our ARR stands at 90% of Total Revenue which means the majority of our revenue is locked-in at the start of the financial year. This positions us well to achieve strong continuing growth in the new year.

Building the future, enabling us to continue to double in size every 5 years

Investment in R&D of \$92.2m up 19.6% delivered our fourth generation SaaS ERP, CiA and underpins our future platforms for growth

During the year, we launched our fourth generation global SaaS ERP, CiA, having re-engineered our entire ERP code base using SaaS technology. This is the fourth time we have successfully re-engineered our entire code base, enabling our customers to always be on the latest technology. No other ERP provider has been able to achieve this.

This truly is a feat in making the impossible possible, as our global SaaS ERP, is extremely broad, deep, complex and rich in functionality providing mission critical applications that run local governments, higher education institutions, governments and large-scale infrastructure providers.

TechnologyOne invested \$92.2 million in R&D this year, up 19.6%, with the first full year of ownership of Scientia, locked in key R&D talent with remuneration increases and long-term incentives and took the opportunity to accelerate R&D into a number of new and exciting areas.

Our R&D is also focused on extending the functionality and capabilities of our global SaaS ERP. Our R&D program continues to be at the leading edge of our industry, as we embrace new technologies, new concepts and new paradigms.

We continue to invest in new, exciting ideas and innovations, including Solution as a Service, App Builder and our Digital Experience Platform (DXP) for Local Government and Higher Education. Our 16th product, DXP LG, was released for general adoption in June 2022.

Solution as a Service underpins our future platforms for growth

Solution as a Service will be a game changer in the ERP industry and is the next logical evolution of SaaS where TechnologyOne delivers the entire outcome faster, with little risk and in one single annual fee to our customer. Solution as a Service will deliver faster time to value as we continue to dramatically drive down implementation timeframes, removing the need for traditional risky and long-drawn-out implementations. Through the "power of one", TechnologyOne is the only SaaS ERP provider who will be able to deliver on this compelling proposition as we own all parts of the value chain with deep mission critical products, industry specific IP and expertise and our highly skilled inhouse consulting team which has been built up over 35 years.

We are excited about the opportunities these investments will bring to our APAC and UK customers.

It is these investments in R&D and Solution as a Service to build our future platforms for growth which underpins our ability to continue to double in size every 5 years. We manage this significant investment within our total cost base, continuing to achieve profit margin growth from the efficiencies gained through our single instance global SaaS ERP.

UK delivers ARR growth of \$17.5m up 95%. Doubling our investments in sales and marketing

We have seen our UK business continue to grow, with ARR of \$17.5m up 95%. We delivered profit of \$2.4 million, up from a profit \$1.6m last year, and we see significant opportunities in the coming years.

The regionalisation of our OneEducation solution is now complete as we delivered the first go-lives for our Student Management and Human Resources and Payroll products. Combined with the additional mission critical product, Timetabling and Scheduling through the acquisition of Scientia, we are now doubling our investments in sales and marketing to accelerate growth.

Integration of Timetabling and Scheduling (Scientia acquisition)

During the year, we progressed the integration of Scientia's mission critical Timetabling and Scheduling product. We created the first full SaaS offering of the product in just six months, with 16 customers now contracted to transition onto our SaaS platform. Customer feedback is exceedingly positive. These customers now have full visibility and access to TechnologyOne's entire ERP, reducing the friction for them to adopt the rest of the CiA product suite.

Profit Before Tax margin remained strong at 30%

We generated organic Profit Before Tax margin of 32%, compared to 31% pcp. Reported Profit Before Tax margin remained high at 30% and the temporary decrease was expected and caused by Scientia's lower margin. Synergies delivered in FY22 will reduce Scientia expenses in FY23 and we expect margin growth to return in FY23. We see group margins continuing to improve to 35%+ in the coming years, driven by the significant economies of scale from our single instance multi-tenanted global SaaS ERP solution.

Investment in people and culture

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

During the year, we set a target Employee Net Promoter Score (eNPS) of +50 by FY26. Our current eNPS score increased from +17 to +33 on the back of some new and exciting people programs and initiatives.

We have been an extremely successful company by any measure for our first 35 years because of our consistent strategy, mission, purpose, core beliefs, values, leadership philosophies and compelling customer experience. During the year, we refined and simplified our values and relaunched them to our team through our Culture Book, a collection of stories which explains to new starters and reminds long timers what makes TechnologyOne special and how we make the impossible possible.

We rolled out a career framework to the entire organisation, to underpin team development and enable us to have robust succession and promotion plans. During the year, we promoted 148 team members across all areas of our business. We continued our focus on diversity and strategies to increase the number of women in senior roles. During the year we achieved a gender equality rate of 37.4% across all roles at TechnologyOne.

During the year, we have put a deliberate focus on wellbeing, launching a number of wellbeing initiatives for our people. We have signed Stephanie Gilmore (8 x world surfing champion and greatest of all time) as our new brand ambassador to focus on the importance of physical and mental wellbeing. We have also launched an Employee Share Plan which provides 1 free share for every 2 shares purchased by our employees. This financial wellbeing initiative enables all team members to become owners of TechnologyOne and share in the growth of this great company.

In order to continue to double in size every five years, we launched our ongoing investment in our leaders through our Leadership Summit, designed to grow our leaders, teach the TechnologyOne Way and equip them to lead our teams to make the impossible possible.

Strong balance sheet and cashflows

TechnologyOne continues to have a strong balance sheet with net assets of \$239.1m, up 26% and cash and cash equivalents of \$175.9 million, up 22%. Cash Flow Generation was once again strong at \$77.2 million for the full year, versus a Net Profit After Tax of \$88.8 million. TechnologyOne continues its long history of strong cash flow generation which we expect to progressively grow to match Net Profit After Tax from FY24 onwards.

Dividend

In light of the company's strong results, our confidence going forward, and the significant fire power in our balance sheet to invest in growth and opportunities that may arise, we have announced a Special Dividend of 2.0 cents per share in addition to our final dividend of 10.82 cents per share.

The dividends for the full year have increased to 17.02 cents per share (including the Special Dividend), up 22% on the prior year, and in line with our Net Profit After Tax growth of 22%.

Executive remuneration

TechnologyOne remains focused on delivering strong growth and our current remuneration structure positions us well to continue to achieve this - both in the short and long-term, and also ensures alignment across our Executive KMP.

At a time when many businesses have struggled during the pandemic, TechnologyOne has delivered exceptional growth - Record SaaS ARR growth of 43%, Record Net Profit After Tax growth of 22%, and the UK growing ARR by 95%, achieving profit of \$2.4m. TechnologyOne is on track to surpass our target of \$500m+ ARR by FY26 and has announced new and existing products and solutions which will underpin our ability to continue to double in size every five years.

In an extremely competitive market for talent, we moved to lock in our key leaders with a one-off long term retention equity incentive plan fully aligned to share price performance over 4.5 years to November FY26.

There is clear alignment between the performance of the business and executive remuneration. While the company's Profit Before Tax grew by 15%, FY22 total remuneration for continuing executive KMP grew by 14% including the one-off issue of long-term retention options.

Refer Remuneration Report.

Environment, Social, Governance (ESG)

Governance

We now have an independent non-executive Chair of the board following our founder, Adrian Di Marco's retirement from the board in June 2022, and we have a majority of independent non-executive directors with all board committees being chaired by independent non-executive directors.

Environment

TechnologyOne is committed to its ESG obligations, beyond just regulatory requirements. TechnologyOne continues its Carbon Neutral status, and this year is our second year benchmarking and reporting under the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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

Social – TechnologyOne Foundation

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

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

An important part of the TechnologyOne Foundation is supporting great Australians doing great work, both locally and internationally, which includes the Fred Hollows Foundation, School of St Jude, Opportunity International, The Smith Family, The Princes Trust, KidsCan, Solar Buddy and St James College.

The Foundation will continue to grow with TechnologyOne through our commitment to the 1% pledge – which includes 1% profit, 1% product and 1% time. This represents a commitment of more than \$2m each year. The Foundation will continue to shape the DNA of our company and staff.

Please refer to the TechnologyOne website for our full Sustainability Report and Corporate Governance Statement:

<https://www.technologyonecorp.com/company/investors/corporate-governance>

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 22 November 2022, the Directors of Technology One Limited declared a final and special dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is \$41,455,316 and is 60% 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.

LIKELY DEVELOPMENTS

Refer to the Review of Operations section above.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Insurance and indemnity arrangements concerning officers of the Company were renewed or continued during the year ended 30 September 2022.

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

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

NON-AUDIT SERVICES

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

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:

	2022	2021
	\$	\$
Ernst & Young:		
Taxation advice and other advisory services	197,241	170,131
Total remuneration	197,241	170,131

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 18.

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

TechnologyOne has assessed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The outcome of the assessment is discussed in the section below.

TechnologyOne's climate change position

While the TechnologyOne operations do not have a material impact on the environment, we acknowledge that climate change mitigation will require deep and permanent greenhouse gas reductions as part of a universal transformation from business, government, and individuals collectively.

Climate change is both an environmental and economic issue. We accept the science of climate change and the Paris Agreement which aims to limit global temperatures well below 2°C above pre-industrial temperatures, and are committed to reducing our carbon emissions to the lowest amount possible and offsetting remaining scope 1 to 3 greenhouse gas emission amounts to maintain carbon neutrality. Given the growing importance of the IT sector in achieving global emission reductions, we see industry public disclosures on climate-related risks and opportunities as fundamental. We acknowledge climate-related risks and opportunities have the potential to impact our operational and financial performance. Therefore, TechnologyOne seeks to fulfil the recommendations of the TCFD.

As part of our progress to date, TechnologyOne has adopted an iterative approach to implementing the TCFD recommendations; to identify, measure, manage, assure and report on climate-related risks and opportunities.

Moving forward, we will continue to assess how we quantify climate-related risks and opportunities, how the Board integrates climate-related considerations into decision-making and strategy, and how we engage with shareholders, customers, team members, suppliers and other key stakeholders.

Climate Governance

The TechnologyOne Board maintains oversight of sustainability matters, translating these into our strategy for long-term value. TechnologyOne's broader focus on environmental, social and governance factors (ESG) is overseen by the Nomination & Governance Committee. The responsibility for implementing ESG sits with each Business Division, facilitated by our Group Company Secretary and Head of Compliance and Risk.

Through our Risk Management Framework, the Audit & Risk Committee oversees TechnologyOne's material enterprise-wide risks and the integrity of our statutory statements, including reviewing compliance with applicable laws, regulations and reporting standards. The Remuneration Committee considers executive performance on ESG issues when considering whether malus should be applied to vesting outcomes.

Climate Strategy

To further understand the strategic implications of climate-related risks and opportunities, we matured our assessment of potential future scenarios to maximise the positive impacts and minimise the negative impacts on our business under three global warming scenarios.

Under the 2°C scenario characterised by strong ambitious action which is orderly and gradual to meet climate goals, our key risks include reputational and legal risks associated with a lack of climate risk disclosure and action, as well as financial risks.

Under the 2°C scenario characterized by late, disruptive, sudden and/or unanticipated action which is disorderly but sufficient to meet climate goals, our key risks also include reputational and legal risks associated with a lack of climate risk disclosure and action, as well as financial risks.

Under the 4°C scenario characterised by limited action to meet climate goals beyond what has already been committed and there is continued increase in emissions, key aspects of the risks relate to physical damage, network disruptions, missed sales opportunities and health impacts on our staff

Climate Risk Management

We aim to ensure that our risk management process is dynamic and that the top climate change risks and emerging risks are identified, managed, and incorporated into our existing risk management processes.

TechnologyOne takes actions and procedures that seek to prevent and reduce climate-related risks, notably our goal is to reduce our greenhouse gas (GHG) emissions to the lowest amount possible and to offset remaining amounts to maintain carbon neutrality.

Our GHG decarbonisation strategy involves three phases:

Phase 1: measure (understand the key emission sources)

Phase 2: manage and minimise (reduce energy consumption and associated carbon emissions where practicable)

Phase 3: offset (all or a proportion of our carbon emissions)

Climate Metrics and Targets

During the reporting period, TechnologyOne conducted a GHG assessment in accordance with the GHG Protocol: A Corporate Accounting and Reporting Standard and Corporate Value Chain.

TechnologyOne's total global emissions for FY22 amounted to 5,870 tonnes of carbon dioxide equivalent, where the total emissions linked to our Australian operations amounted to 4,989 tonnes. Scope 3 emissions for third-party goods and services continue to be the key contributor, followed by utilities outside of purchased electricity.

We aim to use any arising opportunities to reduce our emissions. TechnologyOne is proud to say that our global operations are now carbon neutral, and our Australian operations have been carbon neutral for the past three consecutive years.

Refer to our 2022 Sustainability Report for further TCFD related information.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 5,485,153 unissued ordinary shares under options (5,485,153 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 1,392,572 fully paid ordinary shares in Technology One Limited at a weighted average exercise price of \$4.25. Refer to note 34 for further details of the options exercised during the year.

CORPORATE GOVERNANCE STATEMENT

The most recent Corporate Governance Statement can be located at the Group's Website (www.technologyonecorp.com).

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



Pat O'Sullivan
Chair

Brisbane
22 November 2022

For personal use only



**Building a better
working world**

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

As lead auditor for the audit of the financial report of Technology One Limited for the financial year ended 30 September 2022, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene 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.

Ernst & Young

John Robinson
Partner
22 November 2022

For personal use only

Remuneration report (audited) Introduction from the Chair of the Remuneration Committee

Dear Shareholders,

On behalf of TechnologyOne's Remuneration Committee (the Committee), I am pleased to present our Remuneration Report (the Report) for the year ended 30 September 2022.

The intention of this Report is to describe the linkage between our strategic initiatives, remuneration principles and remuneration framework and how these in turn, drive shareholder returns.

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

- A summary of incentive outcomes and alignment to Company performance
- Executive and Director Remuneration changes
- Enhancement of disclosures.

Summary of incentive outcomes and alignment to Company performance

The Company delivered exceptional results in the year:

- SaaS ARR growth of 43%.
- UK achieving profit of \$2.4m, up 100%, including Scientia
- Net profit after tax growth of 22%.
- Successful integration of the operations of Scientia which we acquired in late 2021.

We are on track to surpass \$500m Annual Recurring Revenue (ARR) by FY26.

Executive remuneration continues to be clearly aligned with shareholder value creation:

- Total Continuing Executive KMP remuneration, grew by 8% year on year (excluding Retention LTIs, see below).
- Total Continuing Executive KMP remuneration, grew by 14% year on year (including Retention LTIs).
- This compares to the Company's 15% growth in statutory net profit before tax (NPBT).
- Short Term Incentive (STI) outcomes across our Continuing Executive KMP was up 14% in line with growth in Executive NPBT of 14%. Executive NPBT has always been the basis for STI calculation.
- Deferred STI earned was up 14% in line with growth in statutory NPBT of 15%.
- Our Long-Term Incentive (LTI) plan, based on earnings per share (EPS) growth and total shareholder return (TSR) relative to technology companies, resulted in 97% of 'at risk' LTI vesting for our Executive KMP. The Board set challenging LTI targets, which drive superior performance and long-term shareholder wealth creation.

Retention LTI were granted in FY22 to ensure the retention of high performing technology industry executives during a critical phase of growth and to ensure smooth transition from a founder-led company.

In response to feedback, calculations for the EPS growth performance hurdle for long-term incentives are now calculated to two decimal places.

Executive and Director Remuneration changes

As announced on 23 February 2022, Mr Adrian Di Marco stepped down as Executive Chair on 30 June 2022. Mr Pat O'Sullivan was appointed as independent non-executive Chair from 30 June 2022.

Executive KMP remuneration – Change in Leadership and Global Skills Shortage

Through FY22 there has been a convergence of a number of factors impacting TechnologyOne which has resulted in us granting retention LTIs in the form of options for Executive KMP.

The founder and long-time leader of TechnologyOne, most recently as Executive Chair but for many years as CEO, Adrian Di Marco, retired from the Company in June 2022. Adrian had been the driving force behind the Company's successful strategy and growth for many years. He has built a strong board of directors and executive leadership team over the last thirty-five years, including appointing Edward Chung as CEO in 2017.

Adrian's departure was at a time when domestically and globally it is very hard to attract and retain executives with enterprise SaaS experience and skills which left us exposed to the risk of losing key executives. As has been widely

reported in the financial press, there is a huge skills shortage in Australia as the technology industry is facing unprecedented demand for staff. We had Executive KMP head-hunted aggressively around the time of Adrian's notification of his planned retirement.

We compete on a global level for executive talent and it is very difficult to attract executives with Enterprise SaaS experience and skills, with the ability to be hands on and deliver against our ambitious goals, and who align to and drive our unique culture.

In order to put us in the best possible position to retain the key senior talent in the Company, the Board took the decision to approve a single grant of long-dated Retention LTIs to Executive KMP in FY22, to ensure the retention of our high performing executives during this critical phase of growth, and to ensure smooth transition from a founder-led company. This is not an annual grant.

Prior to approving the Retention LTI's, the Board conducted independent benchmarking to ensure overall Executive KMP remuneration packages are appropriate when compared to our peers. The review confirmed that TechnologyOne Executives' remuneration is far more sensitive to performance, having the greatest percentage of their remuneration at risk and aligned with company performance. and, after including the retention LTIs, is appropriate and reasonable when compared to our peers.

After considering alternatives such as changing fixed remuneration or short-term incentives, the grant of long-term retention options was the most aligned with shareholders and the most appropriate mechanism for this situation. It has a temporary expense impact, is non-cash, only rewards executives if shareholders benefit as well, and the retention and exercise periods are aligned with the Company's SaaS strategy and target period. In addition, retention options are common within the technology industry and widely accepted market practice.

The options will vest in November 2026 subject to continuous employment and malus provisions. They lapse and there is no prorating if executives leave before November 2026. They have an implicit performance hurdle, with share price appreciation required for the instruments to have realisable value. The higher the share price, the higher the value of the options – aligning executives with shareholder returns. No dividends will be paid on options unless they are exercised. Further details are described in section 4.5.

There has been no other change to the Executive KMP remuneration framework. Fixed base salary increases were limited to 1.5%, including statutory increase for superannuation. Short-term incentive and deferred STIs increased in line with Executive net profit before tax.

Directors fees

In accordance with our policy of independent benchmarking every three years, the Board intends to increase Director fees for 2023, subject to shareholders resolving to increase the fee pool to \$2.0m at the 2022 AGM. The increases reflect the need for a market aligned independent non-executive chair fee, additional NED workloads arising from growth, ability to attract and retain high calibre directors, and the continuous need to ensure market aligned fees for board renewal. Further details are described in section 9.

Enhancement of Disclosures - controls to mitigate inappropriate actions that could increase STIs

We have included disclosure of our long-standing effective controls that mitigate inappropriate actions that could increase STIs (refer section 4.2). The Company has internal controls, external audit, internal audit and practice management reviews. Specific internal controls include strict pricing and discounting policies and processes, selling only solutions into 6 specific markets, robust approval processes for contractual terms that are non-standard or considered high risk, active management of outstanding debtors, malus provisions for deferred STIs and clawback provisions for amounts retained from STI payments.

Afterword

TechnologyOne remains focused on delivering sustainable long-term growth and we believe that our remuneration policies position us well to continue providing our shareholders with strong returns via effective executive attraction, retention and focus on performance, with NED fees aligned to market for effective company governance.

We welcome the ongoing engagement with our shareholders and their proxy advisors as we continue to evolve our remuneration framework to support sustainable long-term growth and returns.



Jane Andrews
Chair, Remuneration Committee

Brisbane
22 November 2022

Remuneration Report (Audited)

The Remuneration Report contains the following sections.

Remuneration report (audited)

1. About this Report	23
2. Remuneration Governance	24
3. Executive remuneration at TechnologyOne – strategy, principles and target mix	24
4. How Executive remuneration is structured	28
5. Key questions	35
6. Relationship between remuneration and Company performance	38
7. Detail of current year Executive remuneration and performance	40
8. Service agreements for the Executive KMP	48
9. Non-executive Director fees	49
10. Statutory Remuneration	51
11. Additional statutory disclosures	53

1. About this report

1.1 Basis for preparation of FY22 Remuneration Report

The information in this Remuneration Report has been prepared based on the requirements of the *Corporations Act 2001* and applicable Accounting Standards.

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

The Remuneration Report details the remuneration framework for TechnologyOne's Key Management Personnel (KMP). For the purpose of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of TechnologyOne, directly or indirectly, including any Director (whether Executive or otherwise).

This report has been audited.

1.2 People covered by the Remuneration Report

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

Non-executive Directors

Name	Position	Period
Pat O' Sullivan	Independent Non-Executive Chair (from 30 June 2022) Deputy Chair and Lead Independent Director (to 30 June 2022) Audit & Risk Committee (to 15 August 2022) Remuneration Committee (from 14 February 2022 to 15 August 2022)	Part year
Ron McLean	Independent Director Remuneration Committee (to 14 February 2022)	Full year Part year
John Mactaggart	Non-independent Director Major shareholder	Full year
Richard Anstey	Independent Director Nomination and Governance Committee Chair to 14 February 2022	Full year Part year
Dr Jane Andrews	Independent Director Remuneration Committee Chair Audit and Risk Committee Nomination and Governance Committee	Full year
Sharon Doyle	Independent Director Audit and Risk Committee Nomination and Governance Committee	Full year
Clifford Rosenberg	Independent Director Nomination and Governance Committee Chair from 14 February 2022 Remuneration Committee	Full year Part year
Peter Ball	Independent Director Audit and Risk Committee Chair Remuneration Committee (from 15 August 2022)	Full year Part year

Executive Director

Name	Position	Period
Adrian Di Marco	Executive Chair (Retired 30 June 2022) Chief Strategy and Innovation Officer (Retired 30 June 2022) Major shareholder	Part year

Executive KMP

Name	Position	Period
Edward Chung	Chief Executive Officer	Full year
Stuart MacDonald	Chief Operating Officer	Full year
Paul Jobbins	Chief Financial Officer	Full year

2. Remuneration governance

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

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

The key responsibilities of the Committee include:

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

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

Prior to the award or vesting of any deferred remuneration including deferred Short Term Incentives (STI) and Long Term Incentives (LTI), the Committee considers whether there are any irregularities or other factors (including ESG matters) that would affect the payment or vesting of that award. This is a formal agenda item for the Remuneration Committee and it is conducted without the executives present.

During the year, the Committee engaged an external advisor to review the Remuneration Report. No remuneration recommendations as defined under the Corporations Act (2001) Sect 9B were provided by the external advisor.

3. Executive Remuneration at TechnologyOne - strategy, principles, and target mix

3.1 Our remuneration strategy and principles

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

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

- Attract, retain and motivate skilled Directors and Executives in leadership positions
- Provide remuneration which is appropriate and competitive both internally and against comparable companies (our peers)
- Align Executives' financial rewards with shareholder interests and our business strategy
- Achieve outstanding shareholder wealth creation
- Articulate clearly to Executives the direct link between individual and Company performance, and individual financial reward
- Reward superior performance, while managing risks

- Provide flexibility to meet changing needs and emerging competitive market practices
- Commitment to diversity, reflecting a fair and equitable remuneration framework
- Commitment to simplicity

Our Executive remuneration framework aligns with common practices for ASX200 companies, with adaptations 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 STI portion aligning Executives to current year performance
- Deferred STI component to help further drive long-term shareholder wealth and ensure that we retain high performing Executives
- LTIs linked to long-term strategy, targets, and shareholder wealth creation
- Retention LTI grants to ensure the retention of high performing technology industry executives during a critical phase of growth and to ensure smooth transition from a founder-led company.

The winning of new business, driving continued profit growth in the current year is the key to our long-term success, and it is for this reason our STI as a percentage of the total remuneration is significantly higher than our ASX-listed peers. At the same time, the fixed remuneration for our Executives is comparatively low compared to our ASX-listed peers. The significant weighting towards the STI encourages our Executives to drive new business and financial performance in the current year, which creates Annual Recurring Revenue (ARR)¹ for future years, and therefore secures long-term success and shareholder wealth.

TechnologyOne Executives are exposed to the long-term outcomes of the business through the Deferred STI, Retention LTIs and a larger LTI component than our ASX-listed peers.

The talent pool in Australia for Executives with large scale enterprise software companies is highly competitive. Therefore, it is important to ensure that our remuneration framework is appropriately structured for the enterprise software market. We believe that our remuneration structure offers the necessary flexibility and incentive to ensure that we attract and retain talented Executives who understand the industry and, in turn, drive shareholder value.

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

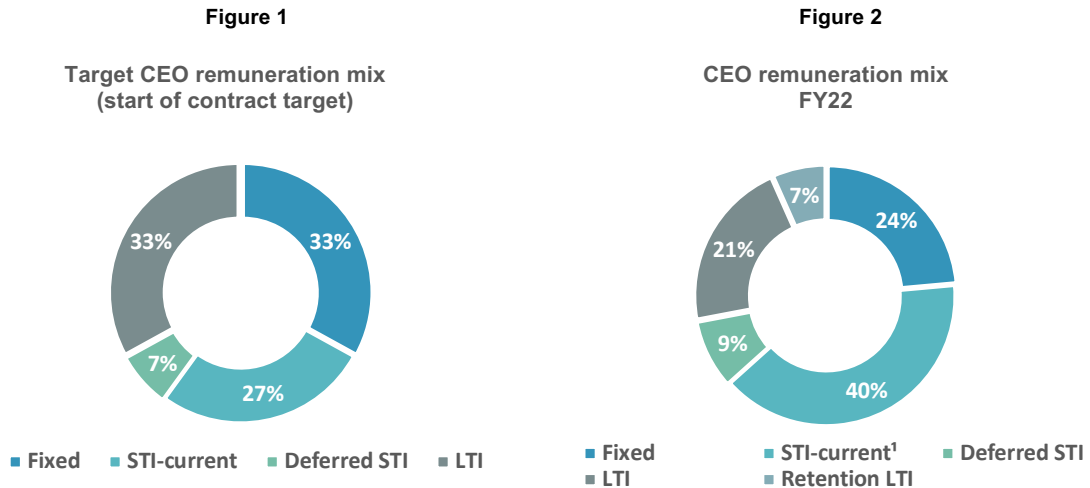
3.2 Overview of remuneration framework

The remuneration arrangements of our Executives are made up of both fixed and at-risk remuneration (STI and LTI), as follows:

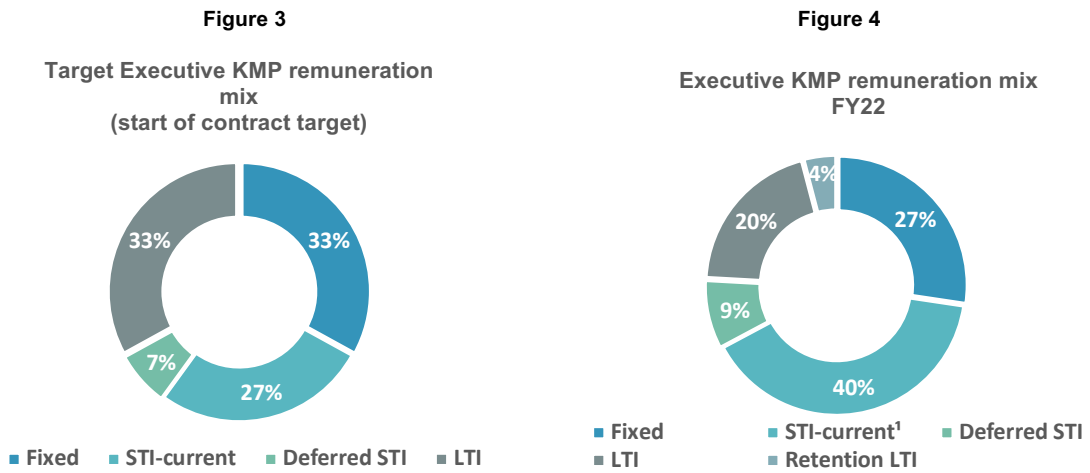
	Fixed Remuneration	Short-term incentive (STI)	Deferred Short-term incentive (STI)	Long-term incentive (LTI)	Retention Long-Term Incentive
Nature	Base salary plus superannuation.	Defined as payments contingent on a one year performance period.	An additional amount equal to 25% of the annual STI earned in the year is deferred (i.e. 20% of total STI) and paid at the conclusion of the two-year period following the end of the financial year.	Defined as payments contingent on performance over more than one year. Options and performance rights are subject to meeting performance targets tested over three years	Defined as payments contingent on service over more than one year. Options subject to meeting continuous service condition until November 2026. They have an implicit performance hurdle, with share price appreciation required for the instruments to have realisable value.
Form	Cash	Cash	Cash	Equity	Equity
Purpose	To provide a competitive salary based on market benchmarking from the Remuneration Committee.	Drives outstanding performance in the short-term which in turn translates to long-term shareholder wealth.	Deferral enables risk management via Malus Provision and encourages retention.	Creates a focus on long-term performance, with alignment to long-term shareholder wealth creation.	Ensures retention of key executives during critical growth phase through to November 2026 and the transition from a founder led company.
Performance targets	N/A	Percentage of applicable Executive Net Profit Before Tax (NPBT)	Percentage of STI awarded.	- Relative TSR (25%) - EPS growth (75%) Refer to section 4.4 below.	N/A
Performance and service period	Salary and superannuation prorated with service.	Annual. The STI is subject to a Malus Provision and claw back.	Deferred STI is accrued over a three-year period-comprising the annual performance period in which it is determined and a deferral period of two years of service. The Deferred STI component is subject to a Malus Provision in that there must be no irregularities or other factors that would affect the payment of that award. On termination, any accrued and deferred STI is forfeited.	Three years. The LTI component is subject to a Malus Provision in that there must be no irregularities or other factors that would affect the vesting of the award.	Options vest if Executive remains in service until November 2026. No prorating if Executives leave before November 2026. Subject to a Malus Provision that there must be no irregularities or other factors that would affect the vesting of the award.

Target remuneration mix

Target remuneration mix at the beginning of the contract for the CEO (Figure 1), and other Executive KMP (Figure 3) is represented below, based on target STI achievement and maximum LTI achievement. Over time, the remuneration mix is expected to change due to a larger increase in STI relative to other remuneration components. The below represents the target contract remuneration mix for the CEO at the beginning of a contract (Figure 1) and demonstrates how remuneration mix changes over time (Figure 2).



The below represents the target contracted remuneration mix for other Executive KMP at the beginning of a contract (Figure 3) and demonstrates how remuneration mix changes over time (Figure 4).



While the STI is the largest component of remuneration, Deferred STI encourages Executives to have a sustainable long-term mindset when approaching profit generation and when this component is summed with the LTI and retention LTI component, the long-term elements of variable remuneration work well in conjunction with the short term elements

¹ The growth in STI-current as a proportion of overall remuneration seen in the graphs above arises due to the STI award being uncapped on both the upside and the downside. Refer to section 4.2 for more details on the STI-current.

4. How Executive Remuneration is structured

4.1 Fixed remuneration

Fixed remuneration comprises base salary plus superannuation.

Fixed base salaries increased by 1.5% for FY22. Increase includes statutory increase for superannuation.

4.2 Short-term incentive

Executives participate in an STI plan which is based on Executive NPBT¹. Key features of the STI plan are detailed below:

Feature	Description
<p>Opportunity</p>	<p>The value of the STI is based on a percentage of applicable Executive Net Profit Before Tax¹. The percentage is determined at the outset of the Executive's contract and remains fixed for the contract period for each Executive KMP. Refer to section 7.5 below for each Executive's agreed percentage.</p> <p>STI awarded is uncapped to encourage over-achievement, drive performance in the current year and the creation of long-term shareholder wealth. Given expected growth in NPBT over time, the longer the Executive stays with TechnologyOne, the greater the weighting of the STI component of total remuneration in comparison to the fixed and LTI components, which typically only increase by CPI on an annual basis. An illustrative example of how this works over time in practice has been presented following this table. This effect encourages retention of outperformers by increasing their earning potential the longer they stay with the Company, which aligns them with shareholders.</p>
<p>Award vehicle</p>	<p>Cash</p>
<p>Performance measures</p>	<p>The STI is based on a percentage of applicable Executive Net Profit Before Tax¹. This effectively aligns the target incentive with shareholder return since share price has trended with the increase in earnings.</p> <p>TechnologyOne's use of STIs differs from most other organisations in that it utilises only one performance measure in determining STI awards. This is to create focus and clarity for Executives whilst also providing transparency for shareholders as to how STI awards are determined. The Board and Remuneration Committee continue to monitor STI performance measures so as to ensure that they best align with the Company's commitment to providing shareholder wealth.</p> <p>As a SaaS company, NPBT is critical to driving long term shareholder wealth. This is because the winning of new business, drives NPBT growth in the current year. This winning of new business translates to growth in annual recurring revenue (ARR)² in a SaaS company, which results in contracted returns for the business in the future. Therefore, although the KMP are rewarded in the short term for increases in profitability, the Company and shareholders continue to reap the benefits of that increase in profitability for the foreseeable future.</p>

¹ Executive Net Profit Before Tax is calculated based on Company profit before tax and before the Executive STI is deducted. For the Executive Chair the Executive Net Profit Before Tax is based on Company profit before tax before the Chair's STI is deducted.

² ARR is not an IFRS measure and is unaudited, it represents future contracted annual revenue at year end.

Feature	Description
STI cap	<p>An important element of the success of our STI has been that it is uncapped so the greater the results in the current financial year, the greater the STI. This not only encourages over performance in the current financial year for the Company, it also has a dramatic flow on effect in future years through the greater recurring revenues for the Company. Combined with the regular LTI and the retention LTI, the uncapped STI also helps retain Executives over the long-term because the more they succeed, the more financial incentive there is to stay with us and continue to work hard to achieve results each year, and the greater benefit to our shareholders through an ever-increasing recurring revenue base. Market value is contingent on high and sustained annual growth.</p> <p>Likewise, if the Company under-performs (e.g. loss of customers) or the results in a year are lower (e.g. impairment), there is a significant financial impact to Executives as their STI forms a significant portion of their total remuneration. Just as the STI is uncapped on the upside, it is also uncapped on the downside. Given that the Executive's fixed remuneration is significantly lower than our ASX-listed peers, under-performance has a significant, negative impact on their total remuneration. This ensures that Executive awards are aligned with shareholder returns.</p> <p>The STI framework aligns performance with remuneration outcomes encouraging over performance and penalising under performance.</p>
Malus/Clawback	<p>The ability to apply Malus Provision or clawback to Deferred STI exists in the unlikely event that business outcomes differ materially from expected or if there are any irregularities or other factors that would or have affect the payment of that award.</p>
Controls	<p>To mitigate inappropriate actions that could increase short term incentives, the Company has long-standing effective controls in place, internal and external audits, and practice management reviews.</p> <p>In addition, the Company has specific internal controls in place including strict pricing and discounting policies and processes, sells only solutions into 6 specific markets, has robust approval processes for contractual terms that are non-standard or considered high risk, performs active management of outstanding debtors, malus provisions for deferred STIs and clawback provisions for amounts retained from STI payments.</p>
Termination	<p>On termination, the Executive foregoes any further STI payments which would have otherwise been available for the remainder of the financial year under their STI plan.</p>

TechnologyOne Executives have an STI set at the start of their contract which is typically 33% of their total targeted remuneration. As noted above, this percentage of their total remuneration will increase with the Executive's tenure. The best way to consider the mechanics of the TechnologyOne STI is by way of the following worked example.

Worked example

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

STI target	STI rate set at 75% to 100% of fixed remuneration (as established during contract negotiations). \$300,000 is used as the initial STI target. If we assume that NPBT of the Company, applies for this employee and the forecast NPBT is \$40m, (a 15% increase on the prior year) then contract STI will be \$300,000/\$40m (or 0.75% of profit)
------------	---

Assuming an ambitious profit target increase of 15% per annum and actual profit increases of 12% per annum and CPI of 1% per annum, the following illustrates the operation of the STI.

Year	Fixed	Profit target (\$m)	Actual profit (\$m)	STI %	STI target (STI % x profit target (\$))	Actual STI (STI % x actual profit (\$))
1	300,000	40.00	38.96	0.75%	300,000	292,200
2	303,000	44.80 (+15%)	43.64 (+12%)	0.75%	336,030	327,264
3	306,030	50.18 (+15%)	48.87 (+12%)	0.75%	376,354	366,536

4.3. Deferred STI

Feature	Description
Opportunity	TechnologyOne introduced a Deferred STI in the FY19 year. An additional amount equal to 25% of the annual STI earned in the year under review is deferred (i.e. 20% of total STI) and paid at the conclusion of the two-year period following the end of the financial year.
Award vehicle	Cash.
Cap	For the same reasons outlined in section 4.2 for the STI, this Deferred STI is also uncapped on both the upside and the downside.
Deferral period and service requirements	The award will only be paid at the conclusion of the two-year period following the end of the financial year, on the condition that the Executive KMP remains employed with the Company for the entire deferral period.
Malus/Clawback	The Deferred STI component is subject to a malus/clawback provision in that there must be no irregularities or other factors that would or have affected the payment of that award.
Controls	Refer section 4.2
Termination	On termination, the Executive forgoes any accrued and deferred STI.

The following provides a worked example to illustrate the operation of the Deferred STI.

Amounts recognised for Deferred STI

As can be seen from the table below, the Deferred STI expense is recognised over a three-year period, being the year on award plus the two years of deferral.

FY	STI Measure	STI	Financial result (\$m)	STI-received immediately (\$)	Deferred STI	Deferred STI (\$)	Amounts recognised for Deferred STI (\$)				
							Year 1	Year 2	Year 3	Year 4	Year 5
1	NPBT	0.75%	38.96	292,200	25%	73,050	24,350	24,350	24,350	-	-
2	NPBT	0.75%	43.64	327,264	25%	81,816	-	27,272	27,272	27,272	-
3	NPBT	0.75%	48.87	366,536	25%	91,634	-	-	30,545	30,545	30,545
							24,350	51,622	82,167	57,817	30,545

The total value of the Deferred STI award is retained and will only be paid at the conclusion of the two-year period following the end of the financial year. The Deferred STI component is subject to a Malus Provision in that there must be no irregularities or other factors that would affect the payment of that award. For accounting purposes, the expense in relation to this award is recognised over the total three-year deferral period. The Deferred STI was introduced for the first time in FY19. The value recognised for FY22 includes one third of the FY20 award value plus one third of the FY21 award value plus one third of the FY22 award value.

4.4 Long-term incentives (LTI)

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

Feature	Description								
Opportunity	The value of the total number of LTI options and/or rights issued each year (a grant) to an KMP is typically set at 75% to 100% of fixed remuneration (excluding the Retention LTI grant) and is determined during contract negotiation when an KMP is hired.								
Award vehicle	Each LTI entitles the KMP the right to purchase one TechnologyOne share in the future at an agreed strike price, subject to meeting specified performance targets. The KMP has a choice between options or performance rights.								
Performance period	<p>For LTI grants issued during FY20 and onwards, performance is measured at the end of a three-year performance period only (i.e. no annually tested LTI measures). The test performed will be average annual growth over the three-year performance period. This is consistent with best practice and further aligns our LTI Plan with the creation of long-term shareholder wealth. For LTI grants issued prior to the end of FY19, performance is measured over a three-year performance period with individual and Company targets tested annually or at the conclusion of the three-year performance period. The performance period commences at the beginning of the fiscal year of the grant date and extends for three years to a vesting date.</p> <p>The number of options and/or rights in the grant are split into tranches based on the weighting of each performance measure. For performance measures with a three-year target, the relevant tranche vests at the end of the three-year period in accordance with the vesting schedule provided below.</p> <p>For accounting purposes, the expense is recognised in accordance with AASB 2 Share Based Payments over the three-year period.</p>								
Performance measures	<p>Performance measures for the most recent LTI grants are:</p> <ul style="list-style-type: none"> 75% of the options / rights vest based on EPS Growth. See Vesting Conditions below. 25% of the options / rights vest based on Relative Total Shareholder Return (rTSR) compared against the constituents of the ASX All Technology (XTX) index. See Vesting Conditions below. 								
Vesting Conditions	<p>For each performance target there is a mid and stretch target. Mid hurdles have been calculated so that if they are achieved, this will create substantial shareholder wealth.</p> <table border="1"> <thead> <tr> <th>Performance Metric</th> <th>Growth <5%</th> <th>Growth > 5%, < 15%</th> <th>Growth >= 15%</th> </tr> </thead> <tbody> <tr> <td>EPS growth¹</td> <td>0% vest</td> <td>50% vest at 5% growth with linear vesting (50% to 100%) up to 15%</td> <td>100% vest</td> </tr> </tbody> </table>	Performance Metric	Growth <5%	Growth > 5%, < 15%	Growth >= 15%	EPS growth ¹	0% vest	50% vest at 5% growth with linear vesting (50% to 100%) up to 15%	100% vest
Performance Metric	Growth <5%	Growth > 5%, < 15%	Growth >= 15%						
EPS growth ¹	0% vest	50% vest at 5% growth with linear vesting (50% to 100%) up to 15%	100% vest						

Feature	Description												
	<table border="1"> <tr> <td></td> <td></td> <td>growth</td> <td></td> </tr> <tr> <th>Performance Metric</th> <th>Percentile < 50</th> <th>Percentile >50, <75</th> <th>Percentile >= 75</th> </tr> <tr> <td>Relative TSR²</td> <td>0% vest</td> <td>50% vest at 50th percentile relative TSR with linear vesting (50% to 100%) up to 75th percentile</td> <td>100% vest</td> </tr> </table> <p>The number of options / rights that vest at the end of the relevant performance period is determined as follows:</p> <ul style="list-style-type: none"> Number of LTIs earned per three-year performance target = Number of LTIs available for that target x percentage earned x individual performance factor³ <p>¹ EPS growth is calculated to 2 decimals places.</p> <p>² Relative TSR targets are determined with reference to our peer group. Our peer group is defined as those constituent companies making up the ASX All Technology Index (XTX). Calculations for the vesting outcomes for relative TSR vesting conditions are prepared by an independent external company.</p> <p>³ The individual performance factor is typically 100% unless Malus Provision is applied.</p>			growth		Performance Metric	Percentile < 50	Percentile >50, <75	Percentile >= 75	Relative TSR ²	0% vest	50% vest at 50 th percentile relative TSR with linear vesting (50% to 100%) up to 75 th percentile	100% vest
		growth											
Performance Metric	Percentile < 50	Percentile >50, <75	Percentile >= 75										
Relative TSR ²	0% vest	50% vest at 50 th percentile relative TSR with linear vesting (50% to 100%) up to 75 th percentile	100% vest										
Allocation methodology	The LTI is allocated based on the cost of the option / right which is calculated with the strike price being the volume weighted average price (VWAP) over the 10 days prior to the grant date with no discount for the likelihood of performance conditions being met.												
Fair value methodology	The fair value of the LTI related to EPS growth is calculated using the Black-Scholes method and the fair value of the LTI related to TSR is calculated using the monte carlo method, in accordance with AASB 2 Share-based payment.												
Board discretion	<p>In situations where the Vesting Conditions are affected by factors beyond the control of the employee (e.g. global pandemic, trade restrictions, war, large-scale natural disasters, profit windfalls or unforeseen tailwinds), the Board has discretion to increase or decrease the number of LTI options and/or rights vesting.</p> <p>The Board retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event.</p> <p>For any single performance metric, the Board also has discretion to apply an Individual Performance Factor (IPF) to adjust the number that vest to take into consideration exceptional performance or contribution by an employee. The Board has the authority to increase the number of options vesting for any particular performance metric by up to 200%. The extent of this discretion is capped such that the total number of LTI instruments that vest will never exceed the maximum LTI opportunity, represented by the total number of LTI options and/or rights offered for all performance metrics for an executive in that year.</p>												
Change of control	The Board has discretion to determine the extent to which LTIs vest based on the period elapsed since the start of the performance period and the performance at the time of any change of control event.												
Termination	Awards lapse unless the Board determines otherwise, in which case it considers performance of the individual over the relevant period up to the date of termination of employment.												
Expiry	Any LTIs that have vested will expire 5 years after vesting.												
Revision	We do not revise our LTIs over the relevant performance period.												
Malus	The LTI component is subject to a Malus Provision in that there must be no irregularities or other factors that would affect the vesting of the award. Under the Malus Provision the Board has the ability to vary the LTI as appropriate e.g. reduce, forfeit, defer for longer period.												
Margin loans	Directors and Executives are not permitted to use TechnologyOne securities as security for margin loans.												

The following provides a worked example to illustrate the operation of the LTI

Feature	Description
Award vehicle	Options
Vesting period	3 years
LTI grant value	\$300,000
LTI metrics and weighting	EPS (75% weighting) and relative TSR (25% weighting)
Fair value of share option at grant date	\$1.50
Share price at grant date	\$7.65
Exercise price	\$7.39
Assumed growth in share price over the vesting period	30%

Amounts recognised for LTI

FY	LTI metrics	Weighting	Grant number	Fair value (\$)	Share price at grant (\$)	Exercise price per share (\$)
1	EPS growth %	75%	150,000	225,000	7.65	7.39
2	Relative TSR	25%	50,000	75,000	7.65	7.39
			200,000	300,000		

For the Year 1 tranche of LTIs, the fair value is \$300,000, recognised over 3 years. For the purposes of this worked example, we have assumed that the fair value of options granted with each metric is the same.

4.5 Retention LTI (option grant)

Through FY22, there has been a convergence of a number of factors impacting TechnologyOne which has resulted in the Board granting Retention LTIs in the form of options for Executive KMP.

The founder and long-time leader of TechnologyOne, most recently as Executive Chair but for many years as CEO, Adrian Di Marco, retired from the Company in June 2022. Adrian had been the driving force behind the Company's successful strategy and growth for many years. He has built a strong board of directors and executive leadership team over the last thirty-five years, including appointing Edward Chung as CEO in 2017.

Adrian's departure was at a time when domestically and globally it is very hard to attract and retain executives with enterprise SaaS experience and skills left us exposed to the risk of losing key executives. As has been widely reported in the financial press, there is a huge skills shortage in Australia as the technology industry is facing unprecedented demand for staff. We had Executive KMP head-hunted aggressively around the time of Adrian's notification of his planned retirement.

We compete on a global level for executive talent, and it is very difficult to attract executives with Enterprise SaaS experience and skills, with the ability to be hands on and deliver against our ambitious goals, and who align to and drive our unique culture. In order to put the Company in the best possible position to retain the key senior talent in the Company, the Board took the decision to approve a single grant of long-dated Retention LTIs to Executive KMP in FY22, to ensure the retention of high performing executives during this critical phase of growth, and to ensure smooth transition from a founder-led company. This is not an annual grant.

Prior to approving the Retention LTI's, the Board conducted independent benchmarking to ensure overall Executive KMP remuneration packages are appropriate when compared to our peers. The review confirmed that TechnologyOne Executives' remuneration is far more sensitive to performance, having the greatest percentage of their remuneration at risk and aligned with company performance, and, after including the retention LTIs, is appropriate and reasonable when compared to our peers.

After considering alternatives such as changing fixed remuneration or short-term incentives, the grant of long-term retention options was the most aligned with shareholders and the most appropriate mechanism for this situation. It has a temporary expense impact, is non-cash, only rewards executives if shareholders benefit as well, and the retention and exercise periods are

aligned with the Company's SaaS strategy and target period. In addition, retention options are common within the technology industry and widely accepted market practice.

The options will vest in November 2026 subject to continuous employment and malus provisions. They lapse and there is no prorating if executives leave before November 2026. They have an implicit performance hurdle, with share price appreciation required for the instruments to have realisable value. The higher the share price, the higher the value of the options – aligning executives with shareholder returns. No dividends will be paid on options unless they are exercised.

The details of the Retention LTI option grants are set out below.

Feature	Description								
Opportunity	The value of the options issued and recognised over the vesting period to November 2026 is:								
	<table border="1"> <thead> <tr> <th>Position</th> <th>Total grant value</th> </tr> </thead> <tbody> <tr> <td>CEO</td> <td>\$2,038,066</td> </tr> <tr> <td>COO</td> <td>\$1,154,250</td> </tr> <tr> <td>CFO</td> <td>\$582,305</td> </tr> </tbody> </table>	Position	Total grant value	CEO	\$2,038,066	COO	\$1,154,250	CFO	\$582,305
	Position	Total grant value							
	CEO	\$2,038,066							
COO	\$1,154,250								
CFO	\$582,305								
Award vehicle	Each option entitles the Executive the right to purchase one TechnologyOne share in the future, at a purchase price based on the market value at the grant date of the award, subject to being employed on 30 November 2026 and malus provisions.								
Allocation methodology	The options were allocated based on the fair value of the option which was calculated with the exercise price being the market price at the time of award.								
Vesting period	The Executive must be employed on 30 November 2026 for options to vest and become exercisable. There is no prorating if Executives leave before 30 November 2026.								
Fair value methodology	The fair value of options is calculated using the Black-Scholes method, in accordance with AASB 2 Share-based payment. For accounting purposes, the expense is recognised in accordance with AASB 2 Share Based Payments over the service period.								
Board discretion	The Board retains sole discretion to determine the amount and form of any award that may vest (if any) to prevent any unintended outcomes, or in the event of a corporate restructuring or capital event.								
Change of control	The Board has discretion to determine the extent to which options vest based on the period elapsed since the start of the service period to the time of any change of control event.								
Cessation of employment	Awards lapse. There is no prorating if Executives leave before 30 November 2026.								
Expiry	Any options that have vested will expire 5 years after vesting.								
Malus	The options are subject to a Malus Provision in that there must be no irregularities or other factors that would affect the vesting of the award. Under the Malus Provision the Board has the ability to vary the options as appropriate e.g. reduce, forfeit, defer for longer period.								
Margin loans	Directors and Executives are not permitted to use TechnologyOne securities as security for margin loans.								
Hedging	Hedging is not permitted.								

Amounts recognised for Retention LTIs (option grant)

The Retention LTI (option grant) expense is recognised over the service period up to 30 November 2026. The grant will only vest on 30 November 2026 subject to a Malus Provision in that there must be no irregularities or other factors that would affect the payment of that award. For accounting purposes, the expense in relation to this award is recognised over the total service period.

5. Key questions

Key questions	TechnologyOne approach
<p>Why does our remuneration framework have such a high weighting towards variable remuneration?</p>	<p>Our Executive Remuneration Framework aligns with many common practices 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:</p> <ol style="list-style-type: none"> 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 Deferred STI component to help further drive long-term shareholder wealth and ensure that we retain high performing Executives Long-term incentives (LTI) linked to long-term strategy, targets, and shareholder wealth creation. Retention LTI grants to ensure the retention of high performing technology industry executives during a critical phase of growth and to ensure smooth transition from a founder-led company. <p>The winning of new business, driving continued profit growth in the current year is the key to our long-term success, and it is for this reason our STI as a percentage of the total remuneration is significantly higher than our ASX-listed peers. At the same time, the fixed remuneration for our Executives is comparatively low compared to our ASX-listed peers. The significant weighting towards the STI encourages our Executives to drive new business and financial performance in the current year, which creates Annual Recurring Revenue (ARR)¹ for future years, and therefore long-term success and shareholder wealth.</p> <p>TechnologyOne Executives are aligned to the long-term outcomes of the business through the Deferred STI and a large long-term incentive (LTI and retention LTI) component.</p> <p>The talent pool in Australia for Executives with large scale enterprise software companies is highly competitive. Therefore, it is important to ensure that our remuneration framework is appropriately structured for the enterprise software market. We believe that our remuneration structure offers the necessary flexibility and incentive to ensure that we attract and retain talented Executives who understand the industry and, in turn, drive shareholder value.</p>
<p>Why is the KMP LTI based on EPS growth and Relative TSR?</p>	<p>Earnings per share (EPS) growth and relative total shareholder return (rTSR) have been selected as appropriate performance measures. The rationale for the selection of these two measures is as follows:</p> <ul style="list-style-type: none"> EPS growth: Ensures that our Executives are remunerated in line with growth in shareholder wealth over the long term. Relative TSR: Ensures that our Executives are remunerated in line with the Company's creation of shareholder wealth relative to our peers over the long term. <p>These two measures ensure we have LTI targets which are directly aligned with trends in shareholder wealth over the long term.</p> <p>There is debate among proxy advisors and investors about the use of rTSR as an LTI metric, with some for and some against. Relative TSR may not be particularly useful as an incentive on its own, as management have little direct influence over outcomes, however, when combined with the EPS growth metric (which has been given a higher weighting of 75%) we feel it results in a very effective LTI for our Executive KMP. The combination of these metrics ensures that Executives are aligned with shareholder wealth creation (EPS growth) and also ensuring that performance is better than that of our peers (rTSR).</p>
<p>Why does the Relative TSR performance hurdle not have a gate for positive TSR?</p>	<p>Relative TSR considers the relative performance of the Company's share price, relative to the share price of its market peers. For instruments to vest, the Company's performance needs to be better than that of our peers.</p> <p>If relative TSR is better than market peers, but represents a negative return, it is unlikely that there will be any intrinsic value in the equity instrument, so the Executive is unlikely to realise any increased value at the time of vesting. Further, the value of the instrument is aligned with shareholder experience, either positive or negative.</p>

Key questions	TechnologyOne approach
	We feel that this framework is consistent with our remuneration principle of commitment to simplicity.
Is our STI plan sufficiently challenging with only one performance measure?	<p>The winning of new business, driving continued profit growth is the key to our long-term success. Having Executives focus solely on net profit before tax (NPBT) ensures there is clear line of sight for Executives and transparency for shareholders as to how STI awards are determined. The setting of NPBT as the measure (rather than components contributing to NPBT) give Executives the flexibility to be agile and choose appropriate strategies based on the market environment and leveraging opportunities to meet their targets.</p> <p>NPBT incorporates the outcomes of the key drivers of our business including winning new annual recurring revenue through new and existing customers, customer retention, expense management and margin expansion.</p>
What is the rationale for having an uncapped STI?	<p>An important element of the success of our STI has been that it is uncapped on the upside and downside.</p> <p>The greater the results in the current financial year, the greater the STI. This not only encourages over performance in the current financial year for the Company, it has a significant flow on effect in future years through the greater annual recurring revenues for the Company. The uncapped STI also helps retain Executives over the long-term, because the more they succeed, the more financial incentive there is to stay with us and continue to work hard to achieve each year, and the greater benefit to our shareholders through an ever-increasing recurring revenue base.</p> <p>Likewise, if the Company under-performs (e.g. loss of customers) or the results in a year are lower (e.g. impairment), there is a significant financial impact to Executives as their STI forms a significant portion of their total remuneration. Just as the STI is uncapped on the upside, it is also uncapped on the downside. Given that the Executive's fixed remuneration percentage is significantly lower than our ASX-listed peers, under-performance has a significant, negative impact on their total remuneration.</p> <p>This performance measure is well-aligned with the interests of shareholders, as NPBT outcomes above target, rewards shareholders as well as executives. Poor performance also "penalises" executives as well as shareholders.</p>
Why did we introduce a Deferred STI?	<p>A Deferred STI component was introduced in FY19 where an additional amount equal to 25% of the STI earned in the year under review is awarded and deferred for a period of two years (i.e., 20% of total STI).</p> <p>The award is only paid out to the Executive if they remain in employment with the Company for the entire deferral period. This deferral:</p> <ul style="list-style-type: none"> • Assists in retaining high performing Executive KMP • Helps further drive long-term shareholder wealth via Executive skin in the game, fostering a long term mind set among executives • Provides opportunity to forfeit the award. Prior to its award or vesting, the Remuneration Committee considers whether there are any irregularities or other factors that would affect the payment or vesting of that award (Malus Provision).
What is the rationale for deferring 20% of the total STI award, and not a higher amount?	<p>Our Executives receive:</p> <ul style="list-style-type: none"> • 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 • Deferred STI component to help further drive long-term shareholder wealth and ensure that we retain high performing Executives <p>Given the low fixed remuneration, and emphasis on performance related at-risk remuneration, it is not considered appropriate to defer greater than 20% of the total STI.</p>
Why grant Retention LTIs?	<p>Through FY22, there has been a convergence of a number of factors impacting TechnologyOne which has resulted in the Board granting Retention LTIs in the form of options for Executive KMP.</p> <p>The founder and long-time leader of TechnologyOne, most recently as Executive Chair but</p>

Key questions	TechnologyOne approach
	<p>for many years as CEO, Adrian Di Marco, retired from the Company in June 2022. Adrian had been the driving force behind the Company's successful strategy and growth for many years. He has built a strong board of directors and executive leadership team over the last thirty-five years, including appointing Edward Chung as CEO in 2017.</p> <p>Adrian's departure at a time when domestically and globally it is very hard to attract and retain executives with enterprise SaaS experience and skills left us exposed to the risk of losing key executives. As has been widely reported in the financial press, there is a huge skills shortage in Australia as the technology industry is facing unprecedented demand for staff. We had Executive KMP head-hunted aggressively around the time of Adrian's notification of his planned retirement.</p> <p>We compete on a global level for executive talent and it is very difficult to attract executives with Enterprise SaaS experience and skills, with the ability to be hands on and deliver against our ambitious goals, and who align to and drive our unique culture.</p> <p>In order to put the Company in the best possible position to retain the key senior talent in the Company, the Board took the decision to approve a single grant of long-dated Retention LTIs to Executive KMP in FY22, to ensure the retention of high performing executives during this critical phase of growth, and to ensure smooth transition from a founder-led company. This is not an annual grant.</p> <p>Prior to approving the Retention LTI's, the Board conducted independent benchmarking to ensure overall Executive KMP remuneration packages are appropriate when compared to our peers. The review confirmed that TechnologyOne Executives' remuneration is far more sensitive to performance, having the greatest percentage of their remuneration at risk and aligned with company performance, and, after including the retention LTIs, is appropriate and reasonable when compared to our peers.</p> <p>After considering alternatives such as changing fixed remuneration or short-term incentives, the grant of long-term retention options was the most aligned with shareholders and the most appropriate mechanism for this situation. It has a temporary expense impact, is non-cash, only rewards executives if shareholders benefit as well, and the retention and exercise periods are aligned with the Company's SaaS strategy and target period. In addition, retention options are common within the technology industry and widely accepted market practice.</p> <p>The options will vest in November 2026 subject to continuous employment and malus provisions. They lapse and there is no prorating if executives leave before November 2026. They have an implicit performance hurdle, with share price appreciation required for the instruments to have realisable value. The higher the share price, the higher the value of the options – aligning executives with shareholder returns. No dividends will be paid on options unless they are exercised.</p>
<p>Does our remuneration framework align our executives with shareholders?</p>	<p>TechnologyOne Executive remuneration continues to be clearly aligned with shareholder value creation. Our Executives have the greatest percentage of their remuneration at risk and aligned with Company performance when compared to our peers.</p> <p>Refer section 3.1 for our remuneration strategy and principles, and section 6.1 showing the creation of shareholder wealth for the years ended 30 September 2022 compared to executive remuneration growth.</p> <p>The Executive Remuneration Framework has successfully driven performance and the creation of shareholder wealth over the longer term.</p>

6. Relationship between remuneration and Company performance

6.1 TechnologyOne's five-year performance

The below table sets out information showing the creation of shareholder wealth for the years ended 30 September 2018 to 30 September 2022. Profits and dividends have grown over the last five years, and growth in the fair value of Executive KMP's remuneration has not exceeded growth in profits over the period.

	2018 ¹	2019	2020	2021	2022
Actual profit before tax reported (\$'000)	66,528	76,389	82,470	97,843	112,320
Profit before tax growth	15%	15%	8%	19%	15%
Total dividend including special (cps)	11.02	11.93	12.88	13.91	17.02
Earnings per share (basic) (cps)	16.14	18.43	19.75	22.64	27.51
EPS growth	14%	14%	8%	15%	22%
Share price at start of period	5.02	5.58	7.18	7.94	11.36
Share price at end of period	5.58	7.18	7.94	11.36	10.60
Annual Total Shareholder Return (TSR)	13%	31%	12%	45%	(5%)
3-year TSR	39%	35%	58%	97%	61%
LTI vesting as a % of maximum	76%	72%	98%	99%	97%
Continuing Executive KMP remuneration growth	21%	12%	12%	12%	8% ²

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

² Excluding retention LTI granted in FY22

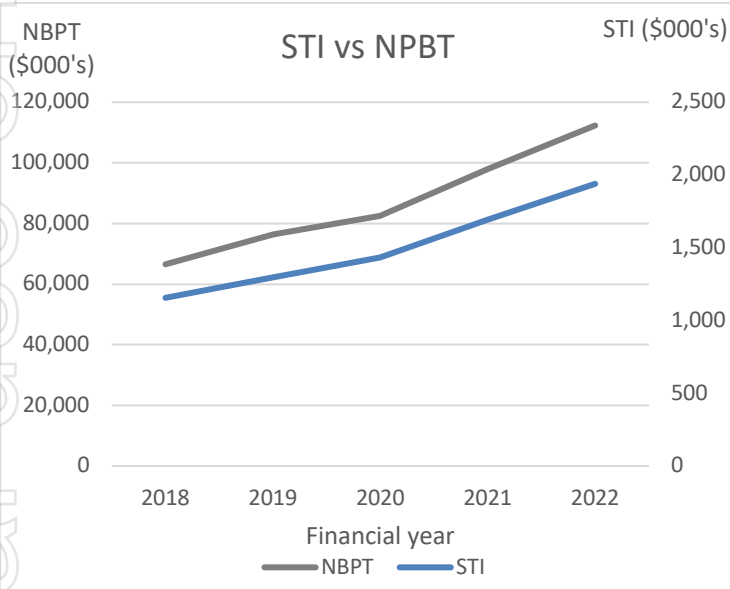
Profits have grown strongly and sustainably over the last five years, as have earnings per share and dividends, all while transforming from perpetual licenses to a SaaS model.

The results indicate substantial growth in shareholder value and, since TechnologyOne Executive remuneration is strongly linked to Company profit performance, has seen our Executives rewarded for their achievements.

As can be seen from the tables above, the Executives' Remuneration Framework has successfully driven performance and the creation of shareholder wealth over the longer term. In addition, Executives' remuneration has been in alignment with overall Company performance.

The graphs below set out information regarding TechnologyOne's performance, earnings and movement in shareholder wealth over the past five financial years up to and including FY22. Note, figures for 2018 and prior years represent reported results which have not been restated for changes in accounting policies or accounting standards.

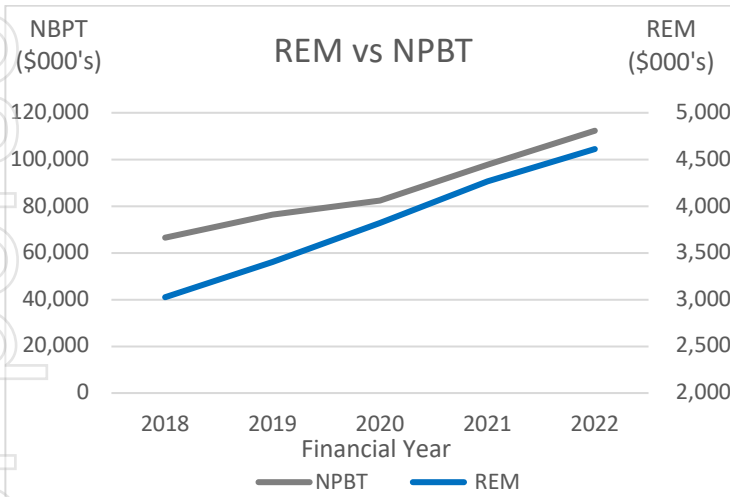
Graph one below shows how our Executives' STI has grown by 12.1% which is below the Company's Net Profit Before Tax (NPBT) profit growth of 14.1% over the last 5 years.



STI has grown by 12.1% which is at a slower rate than the 14.1% growth in reported NPBT over the last 5 years

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

Graph two below shows that the Executive's remuneration has been growing at less than the Company's NPBT



Executive remuneration has grown by 13.0% which is at a slower rate than the 14.1% growth in reported NPBT over the last 5 years.

Our remuneration structure is working as profit has grown faster than our executive remuneration.

Remuneration excludes retention LTI.

7 Detail of current year Executive KMP remuneration and performance

This section describes remuneration outcomes for each Executive KMP based on performance in FY22 using statutory accounting fair value.

7.1 Fixed remuneration

Fixed Remuneration includes base salary and, superannuation, paid in line with the remuneration strategy and principles described in section 4.1 above.

7.2 Short term incentive

The short-term incentives for Executives for FY22 were in line with the Executive Remuneration Framework described in section 4.2 above.

The following tables in section 7.5 show the amounts achieved in FY22 based on each Executive KMP's agreed percentage of net profit before tax.

Executive Net Profit Before Tax is calculated based on Company profit before tax and before the Executive STIs are deducted. For the Executive Chair the Executive Net Profit Before Tax is based on Company profit before tax before Chair's STI is deducted.

7.3 Deferred short term incentive

The Deferred STI achieved by Executives for FY22 were in line with the remuneration framework described in section 4.3 above.

The following tables in section 7.5 show the statutory accounting fair value of the amounts recognised in FY22.

7.4 Long-term incentive

The long-term incentives granted to Executives for FY22 were in line with the remuneration framework described in section 4.4 above. Refer to section 7.7 below for specific details of the grants for FY22.

The following tables in section 7.5 show the statutory accounting fair value of the amounts recognised and instruments forfeited in FY22.

Refer section 7.6 for details of the share options and Executive Performance Rights (EPRs) vested in FY22. 97% of instruments vested during the year.

7.5 Detail of Executive remuneration and performance

The remuneration for Executives, including the former Executive Chair, comprises the amounts outlined in the following tables.

Refer to section 8 below for details of service agreements with Executive KMP.

Name Adrian Di Marco
Position Executive Chair and Chief Strategy and Innovation Officer (retired 30 June 2022)

	2022	2021	Variance	Notes
	\$	\$	%	
Fixed remuneration				
Base salary	245,573	339,056		The base salary represents the amount earned for the role of Chief Strategy and Innovation Officer.
Chairman's fees	107,773	141,000		
Superannuation	25,780	27,500		
Total fixed remuneration (excl Chairman's Fees)	<u>379,126</u>	<u>507,556</u>	(25.3%)	The Executive Chair retired part way through the year on 30 June 2022.
STI				
STI - profit ¹	65,764,503	99,092,373	(33.6%)	The STI relates to the role of Chief Strategy and Innovation Officer.
STI %	1.26%	1.26%		
Total STI	<u>828,633</u>	<u>1,248,564</u>	(33.6%)	The Executive Chair retired part way through the year on 30 June 2022.
Total Deferred STI	-	-	-%	The Executive Chair has a substantial shareholding, so a Deferred STI is not required.
LTI				
Fair value of options recognised	-	-		
Fair value of options forfeited	-	-		
Fair value of EPRs recognised	-	-		
Fair value of EPRs forfeited	-	-		
Total LTI	-	-		The Executive Chair has a substantial shareholding so has declined an LTI.
Total remuneration	<u>1,207,759</u>	<u>1,756,120</u>	(31.2%)	The Executive Chair retired part way through the year on 30 June 2022.

¹Refer to section 7.2 above for the description of the net profit before tax used to calculate the STI. 2022 represents period from 1 October 2021 to time of retirement 30 June 2022

Name Edward Chung
Position Chief Executive Officer

	2022	2021	Variance	Notes
	\$	\$	%	
Fixed remuneration				
Base salary	513,358	505,568		
Directors' fees	-	-		
Superannuation	27,500	27,500		
Total fixed remuneration	<u>540,858</u>	<u>533,068</u>	1.5%	Increase includes statutory increase for superannuation.
STI				
STI - profit ¹	117,090,048	102,318,557	14.4%	
STI %	0.78%	0.78%		
Total STI	<u>913,302</u>	<u>798,085</u>	14.4%	Growth in STI is consistent with growth in NPBT, the primary measure of STI.
Total Deferred STI	198,851	174,678	13.8%	Deferred STI (refer to section 4.3) was introduced in FY19 for the first time. FY22 amount includes one third of the FY20 award plus one third of the FY21 award plus one third of the FY22 award. The growth shown is primarily due to the timing of accounting recognition and does not represent growth in remuneration awarded or realised.
LTI				
Fair value of options recognised	508,468	382,895		The value included for FY22 includes one third of the FY20 LTI fair value plus one third of the FY21 LTI fair value plus one third of the FY22 LTI fair value.
Fair value of options forfeited	(18,684)	-		
Fair value of EPRs recognised	-	-		
Fair value of EPRs forfeited	-	-		
Fair value of options recognised (old scheme)	-	58,471		The final tranche of share options vested and were exercised in FY21.
Total LTI	<u>489,784</u>	<u>441,366</u>	11.0%	
Fair value of Retention LTI recognised in FY22	152,855	-	N/A	Grant in FY22 to ensure retention of key executive during critical growth phase through to November 2026 and the transition from a founder led company. This is not an annual grant. (Refer to section 4.5)
Total remuneration	<u>2,295,650</u>	<u>1,947,197</u>	17.9%	Total remuneration has grown by 17.9%. When excluding Retention LTI, remuneration growth of 10% is less than reported net profit before tax growth of 15%.

¹ Refer to section 7.2 above for the description of the net profit before tax used to calculate the STI.

Name **Stuart MacDonald**
Position **Chief Operating Officer**

	2022	2021	Variance	Notes
	\$	\$	%	
Fixed remuneration				
Base salary	425,976	421,117		
Directors' fees	-	-		
Superannuation	27,500	25,827		
Total fixed remuneration	<u>453,476</u>	<u>446,944</u>	1.5%	Increase includes statutory increase for superannuation.
STI				
STI - profit ¹	117,090,048	102,318,557	14.4%	
STI %	0.533%	0.533%		
Total STI	<u>624,090</u>	<u>545,358</u>	14.4%	Growth in STI is consistent with growth in NPBT, the primary measure of STI.
Total Deferred STI	135,882	119,164	14.0%	Deferred STI (refer to section 4.3) was introduced in FY19 for the first time. FY22 amount includes one third of the FY20 award plus one third of the FY21 award plus one third of the FY22 award. The growth shown is primarily due to the timing of accounting recognition and does not represent growth in remuneration awarded or realised.
LTI				
Fair value of options recognised	272,215	139,132		The value included for FY22 includes one third of the FY20 LTI fair value plus one third of the FY21 LTI fair value plus one third of the FY22 LTI fair value
Fair value of options forfeited	(9,258)	-		
Fair value of EPRs recognised	-	110,862		
Fair value of EPRs forfeited	-	-		
Total LTI	<u>262,957</u>	<u>249,994</u>	5.2%	
Fair value of Retention LTI recognised in FY22	76,181	-	N/A	Grant in FY22 to ensure retention of key executive during critical growth phase through to November 2026 and the transition from a founder led company. This is not an annual grant. (Refer to section 4.5)
Total remuneration	<u>1,552,585</u>	<u>1,361,460</u>	14.0%	Total remuneration has grown by 14.0%, less than reported net profit before tax growth of 15%.

¹ Refer to section 7.2 above for the description of the net profit before tax used to calculate the STI.

Name Paul Jobbins
Position Chief Financial Officer

	2022	2021	Variance	Notes
	\$	\$	%	
Fixed remuneration				
Base salary	223,363	221,764		
Directors' fees	-	-		
Superannuation	27,500	25,486		
Total fixed remuneration	<u>250,863</u>	<u>247,250</u>	1.5%	Increase includes statutory increase for superannuation.
STI				
STI - profit ¹	117,090,048	102,318,557	14.4%	
STI %	0.343%	0.343%		
Total STI	<u>401,619</u>	<u>350,953</u>	14.4%	Growth in STI is consistent with growth in NPBT, the primary measure of STI.
Total Deferred STI	87,444	74,944	16.7%	Deferred STI (refer to section 4.3) was introduced in FY19 for the first time. FY22 amount includes one third of the FY20 award plus one third of the FY21 award plus one third of the FY22 award. The growth shown is primarily due to the timing of accounting recognition and does not represent growth in remuneration awarded or realised.
LTI				
Fair value of options recognised	262,304	283,269		The value included for FY22 includes one third of the FY20 LTI fair value plus one third of the FY21 LTI fair value plus one third of the FY22 LTI fair value. The reduction shown is primarily due to the timing of accounting recognition and does not represent reduction in remuneration awarded or realised.
Fair value of options forfeited	(9,557)	-		
Fair value of EPRs recognised	-	-		
Fair value of EPRs forfeited	-	-		
Total LTI	<u>252,747</u>	<u>283,269</u>	(10.8%)	
Fair value of Retention LTI recognised in FY22	29,115	-	N/A	Grant in FY22 to ensure retention of key executive during critical growth phase through to November 2026 and the transition from a founder led company. This is not an annual grant. (Refer to section 4.5).
Total remuneration	<u>1,021,788</u>	<u>956,416</u>	6.8%	Total remuneration has grown by 6.8%, less than reported net profit before tax growth of 15%.

¹ Refer to section 7.2 above for the description of the net profit before tax used to calculate the STI.

7.6 Options and EPRs that became eligible to vest during FY22

During the year, Edward Chung, Stuart MacDonald and Paul Jobbins completed a three-year performance period relating to the LTI instruments granted to them in FY20 and vesting in FY22. 100% of the Relative TSR options became eligible to vest and 96% of the EPS options, resulting in 97% of total LTI vesting.

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

Edward Chung:

Grant year	Performance measure	Option or EPR	Number of LTIs available	Testing	Testing year	Range	Performance measure achieved	Number forfeited	LTIs vested (\$)	% LTI vested
FY20	Relative TSR	Option	66,160	3 year	FY22	50th to 75th percentile	85.6%	-	66,160	100%
	EPS Growth	Option	198,479	3 year	FY22	5% to 15%	14.28%	(7,104)	191,375	96%
			264,639					(7,104)	257,535	97%

Stuart MacDonald:

Grant year	Performance measure	Option or EPR	Number of LTIs available	Testing	Testing year	Range	Performance measure achieved	Number forfeited	LTIs vested (\$)	% LTI vested
FY20	Relative TSR	Option	41,849	3 year	FY22	50th to 75th percentile	85.6%	-	41,849	100%
	EPS Growth	Option	125,547	3 year	FY22	5% to 15%	14.28%	(4,494)	121,053	96%
			167,396					(4,494)	162,902	97%

Paul Jobbins:

Grant year	Performance measure	Option or EPR	Number of LTIs available	Testing	Testing year	Range	Performance measure achieved	Number forfeited	LTIs vested (\$)	% LTI vested
FY20	Relative TSR	Option	36,629	3 year	FY22	50th to 75th percentile	85.6%	-	36,629	100%
	EPS Growth	Option	109,887	3 year	FY22	5% to 15%	14.28%	(3,933)	105,954	96%
			146,516					(3,933)	142,583	97%

7.7 Options/EPRs that have been granted in FY21 and FY22 and not yet vested

Edward Chung

Grant year	Performance measure	Number of LTIs available	Testing	Testing year	Range	LTIs due to vest
FY21	Relative TSR	63,730	3 year	FY23	50th to 75th percentile	Nov 2023
	EPS Growth	191,189	3 year	FY23	5% to 15%	Nov 2023
FY22	Relative TSR	48,104	3 year	FY24	50th to 75th percentile	Nov 2024
	EPS Growth	144,312	3 year	FY24	5% to 15%	Nov 2024

Stuart MacDonald

Grant year	Performance measure	Number of LTIs available	Testing	Testing year	Range	LTIs due to vest
FY21	Relative TSR	38,113	3 year	FY23	50th to 75th percentile	Nov 2023
	EPS Growth	114,339	3 year	FY23	5% to 15%	Nov 2023
FY22	Relative TSR	28,768	3 year	FY24	50th to 75th percentile	Nov 2024
	EPS Growth	86,304	3 year	FY24	5% to 15%	Nov 2024

Paul Jobbins

Grant year	Performance measure	Number of LTIs available	Testing	Testing year	Range	LTIs due to vest
FY21	Relative TSR	33,359	3 year	FY23	50th to 75th percentile	Nov 2023
	EPS Growth	100,077	3 year	FY23	5% to 15%	Nov 2023
FY22	Relative TSR	25,180	3 year	FY24	50th to 75th percentile	Nov 2024
	EPS Growth	75,539	3 year	FY24	5% to 15%	Nov 2024

7.8 LTI Retention options granted during the year that will vest on 30 November 2026

Edward Chung

Grant year	Performance measure	Number of options available for vesting	Vesting	Vesting year	Total grant value
FY22	Service	720,165	Nov 2026	FY27	\$2,038,066

Stuart MacDonald

Grant year	Performance measure	Number of options available for vesting	Vesting	Vesting year	Total grant value
FY22	Service	475,000	Nov 2026	FY27	\$1,154,250

Paul Jobbins

Grant year	Performance measure	Number of options available for vesting	Vesting	Vesting year	Total grant value
FY22	Service	205,761	Nov 2026	FY27	\$582,305

8 Service agreements for the Executive KMP

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

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

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

If a service agreement is terminated, payment in lieu of notice that is not worked may be provided, in addition to any statutory entitlements. No other additional termination or post-employment benefits are provided on termination of employment. Refer to sections 4.3, 4.4 and 4.5 for treatment of STIs and LTIs on cessation of employment.

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

In FY22, the Chair's fixed remuneration, for the period to 30 June 2022, consisted of:

Role	Fixed remuneration
Executive Chair	107,773
Chief Strategy and Innovation Officer	<u>271,353</u>
Total fixed remuneration	<u>379,126</u>

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

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

9 Non-executive Director fees

Determination of Non-executive Director fees

Director fees are set to enable TechnologyOne to attract and retain high calibre Directors and in recognition of the workload for Directors. Director fee levels and fee pool are reviewed every three years by an independent consultant to remain competitive with comparable companies based on market capitalisation, operational scope and key geographical areas. Fee increases between independent reviews are capped at CPI.

In FY21, Board fees were \$141,000 per Director, including statutory superannuation contributions. This was increased by CPI (3%) to \$145,230 in FY22. No additional fees were paid in respect of committee membership or attendance.

Aggregate fee pool

The total amount of Directors' fees is capped at a maximum pool that is approved by shareholders. The current fee pool is capped at \$1,500,000, which was approved by shareholders at the Annual General Meeting on 26 February 2019.

FY23 aggregate fee pool and Non-Executive Director fees

An independent market review of Non-Executive Director (NED) fees was conducted in the year.

The Board determined that an increase in the Board and Committee fees was appropriate given:

- The need to appropriately compensate an Independent Non-Executive Chairman in recognition of the additional workload of Pat O'Sullivan who was appointed to the position on 30 June 2022.
- Increased workload of Directors due to significant growth in size over the last 3 years, additional responsibilities transitioning from a founder-led company, and international expansion in the UK.
- NED fees were below market and inconsistent with market practice where additional fees are paid to recognise the additional workload in chairing a committee.

Shareholder approval will be sought at the FY22 AGM to increase the fee pool to \$2,000,000, from \$1,500,000. The proposed fee pool would allow the Board to attract and retain high calibre directors (including overseas directors) in a competitive technology market, provide flexibility for Board succession planning and appointment of new directors.

The table below sets out the Non-Executive Director Fees paid during FY22 and proposed fees for FY23. In line with the fee review policy above, any fee increases over the next two years will capped at CPI.

Board and Committee Fees (inclusive of superannuation)	FY22 Fees	Proposed FY23 Fees
Board Chair – all-inclusive fee	\$145,230*	\$300,000
Non-Executive Director – base board fee	\$145,230	\$175,000
Audit Committee Chair	-	\$27,500
Audit Committee Member	-	-
Remuneration Committee Chair	-	\$27,500
Remuneration Committee Member	-	-
Nomination Committee Chair	-	\$27,500
Nomination Committee Member	-	-

* Payable to the Executive Chair until his retirement on 30 June 2022. The new independent Non-Executive Chair appointed on 30 June 2022 received \$145,230 for FY22.

The Board Chair does not receive any additional committee fees.

Non-Executive Director shareholdings and requirements

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

2022	Balance at the end of the year	% of Mandatory Shareholding Requirement
Non-Executive Directors of Technology One Limited		
P O'Sullivan	39,779	100%
R McLean	69,737	100%
J Mactaggart	26,902,500	100%
R Anstey	30,000	100%
Dr J Andrews	30,600	100%
S Doyle	18,280	100%
C Rosenberg	27,533	100%
P Ball	21,900	100%

The Board in total holds 27,140,329 shares representing 8% of the total shareholding of the Company. Individual holdings are as shown above.

10 Statutory Remuneration

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

Name		Short-term employee benefits					Post employment benefits	Long-term incentives (including Retention LTIs)			Total	% growth on prior year excl LTI	% growth on prior year incl LTI
		Fixed remuneration	Directors' fees	Superannuation	Total fixed remuneration	Short-term Incentive	Termination benefits	Deferred STI	Value of share options	Value of performance rights			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Non-Executive Directors													
R McLean (Non-executive Director)	2022	-	132,027	13,203	145,230	-	-	-	-	-	145,230	3%	3%
	2021	-	128,767	12,233	141,000	-	-	-	-	-	141,000		
J MacLaggart (Non-executive Director)	2022	-	132,027	13,203	145,230	-	-	-	-	-	145,230	3%	3%
	2021	-	128,767	12,233	141,000	-	-	-	-	-	141,000		
K Blinco (Non-executive Director) ¹	2022	-	-	-	-	-	-	-	-	-	-	-100%	-100%
	2021	-	53,653	5,097	58,750	-	-	-	-	-	58,750		
R Anstey (Non-executive Director)	2022	-	132,027	13,203	145,230	-	-	-	-	-	145,230	3%	3%
	2021	-	128,767	12,233	141,000	-	-	-	-	-	141,000		
Dr J Andrews (Non-executive Director)	2022	-	132,027	13,203	145,230	-	-	-	-	-	145,230	3%	3%
	2021	-	128,767	12,233	141,000	-	-	-	-	-	141,000		
S Doyle (Non-Executive Director)	2022	-	132,027	13,203	145,230	-	-	-	-	-	145,230	3%	3%
	2021	-	128,767	12,233	141,000	-	-	-	-	-	141,000		
C Rosenberg (Non-Executive Director)	2022	-	132,027	13,203	145,230	-	-	-	-	-	145,230	3%	3%
	2021	-	128,767	12,233	141,000	-	-	-	-	-	141,000		
P Ball (Non-Executive Director)	2022	-	132,027	13,203	145,230	-	-	-	-	-	145,230	3%	3%
	2021	-	128,767	12,233	141,000	-	-	-	-	-	141,000		
Pat O' Sullivan ²	2022	-	132,027	13,203	145,230	-	-	-	-	-	145,230	77%	77%
	2021	-	75,114	7,136	82,250	-	-	-	-	-	82,250		
Executive KMP													
A Di Marco (Executive Chairman) ³	2022	245,573	107,773	25,780	379,126	828,633	-	-	-	-	1,207,759	-31%	-31%
	2021	339,056	141,000	27,500	507,556	1,248,564	-	-	-	-	1,756,120		
E Chung (Chief Executive Officer) ⁴	2022	513,358	-	27,500	540,858	913,302	-	198,851	642,639	-	2,295,650	10%	18%
	2021	505,568	-	27,500	533,068	798,085	-	174,678	441,366	-	1,947,197		
S MacDonald (Chief Operating Officer) ⁵	2022	425,976	-	27,500	453,476	624,090	-	135,882	339,137	-	1,552,585	10%	14%
	2021	421,117	-	25,827	446,944	545,358	-	119,164	139,132	110,862	1,361,460		
P Jobbins(Chief Financial Officer) ⁶	2022	223,363	-	27,500	250,863	401,619	-	87,444	281,862	-	1,021,788	10%	7%
	2021	221,764	-	25,486	247,250	350,953	-	74,944	283,269	-	956,416		
Total Executive KMP	2022	1,408,270	107,773	108,280	1,624,323	2,767,644	-	422,177	1,263,638	-	6,077,782	-5%	1%
	2021	1,487,505	141,000	106,313	1,734,818	2,942,960	-	368,786	863,767	110,862	6,021,193		
Total (Non-Executive Directors and Executive KMP)	2022	1,408,270	1,031,964	200,699	2,640,933	2,767,644	-	422,177	1,263,638	-	7,094,392	-4%	0%
	2021	1,487,505	1,096,023	197,040	2,780,568	2,942,960	-	368,786	863,767	110,862	7,066,943		

¹Mr Kevin Blinco resigned 23 February 2021.

²Mr Pat O' Sullivan was appointed on 2 March 2021.

³Mr Di Marco retired on 30 June 2022. He was again offered an LTI of \$400K which he declined in FY22 year, as he has in previous years. The Remuneration Committee acknowledged that Mr Di Marco's significant shareholding in

TechnologyOne provided the benefits that the LTI aimed to achieve. Mr Di Marco's STI is calculated as 1.26% of Group NPBT.

⁴Mr Chung's remuneration grew by 10% on the prior year (excluding Retention LTI). Growth in remuneration other than LTI was 10%. Mr Chung's STI is calculated as 0.78% of Executive NPBT, his STI is up 14%, in line with the increase in Executive NPBT.

⁵Mr MacDonald's remuneration grew by 8% on the prior year (excluding Retention LTI). Growth in remuneration other than LTI was 9%. Mr MacDonald's STI is calculated as 0.533% of Executive NPBT, his STI is up 14%, in line with the increase in Executive NPBT.

⁶Mr Jobbins's remuneration grew by 4% on the prior year (excluding Retention LTI). Growth in remuneration other than LTI was 10%. Mr Jobbins's STI is calculated as 0.343% of Executive NPBT, his STI is up 14%, in line with the increase in Executive NPBT.

personal use only

11 Additional statutory disclosures

11.1 Long-term incentive scheme

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

Options

2022							
Name	Opening balance of share options	Number of options granted during the period	Number of options exercised during the period	Number of options forfeited during the vesting period*	Closing balance of share options	Vested and exercisable	Unvested
Edward Chung	692,432	912,581	(172,876)	(7,104)	1,425,033	257,535	1,167,498
Stuart MacDonald	319,846	590,073	-	(4,494)	905,425	162,902	742,523
Paul Jobbins	492,713	306,480	(212,763)	(3,933)	582,497	142,583	439,914

Executive Performance Rights

2022							
Name	Opening balance of EPRs	Number of EPRs granted during the period	Number of EPRs exercised during the period	Number of EPRs forfeited during the vesting period*	Closing balance of EPRs	Vested and exercisable	Unvested
Edward Chung	-	-	-	-	-	-	-
Stuart MacDonald	46,299	-	(46,299)	-	-	-	-
Paul Jobbins	-	-	-	-	-	-	-

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

For details of grants under the previous EOP plan, please refer to section 11.3.

11.2 Fair value of options granted in FY22

Name	Number of options granted during the period ¹	Weighted average/Fair value per options issued during the period ²	Grant date	Exercise price (\$)	Vesting date	Expiry Date	Fair value of grant (\$)
Edward Chung	192,416	2.31	26/11/2021	12.31	30/11/2024	30/11/2029	444,481
	720,165	2.83	18/05/2022	10.37	30/11/2026	30/11/2031	2,038,066
Stuart MacDonald	115,073	2.31	26/11/2021	12.31	30/11/2024	30/11/2029	265,819
	475,000	2.43	23/02/2022	10.37	30/11/2026	30/11/2031	1,154,250
Paul Jobbins	100,719	2.31	26/11/2021	12.31	30/11/2024	30/11/2029	232,661
	205,761	2.83	18/05/2022	10.37	30/11/2026	30/11/2031	582,305

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

² The assessed fair value at grant date of options granted to the individuals is recognised over the period from grant date to vesting date. The amount is included in the remuneration tables above.

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

- (a) Options are granted for no consideration. Each tranche vests subject to meeting performance hurdles
- (b) Dividend yield – 1.2% to 1.4%
- (c) Expected volatility – 30.98% to 33.15%
- (d) Risk-free interest rate – 1.20% to 1.59%
- (e) Price of shares on grant date – \$9.23 to \$11.56
- (f) Fair value of options – \$2.13 to \$2.83

The performance measures for LTI grants made in FY22 are presented below while the Retention LTIs vest based on service conditions. The performance targets, set out below, are such that they are all considered to be challenging targets that, if met, will drive significant shareholder wealth creation.

Performance Metrics	Performance period	Testing	Weighting (all KMP)
EPS growth	3 years	3 years	75%
Relative TSR ¹	3 years	3 years	25%

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

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

Performance Metric	Percentile < 50	Percentile >50, <75	Percentile >= 75
Relative TSR ¹	0% vest	50% vest at 50 th percentile for relative TSR with linear vesting (50% to 100%) up to 75 th percentile	100% vest

¹ Relative TSR targets are determined with reference to our peer group. Our peer group is defined as those constituent companies making up the ASX All Technology Index (XTX).

11.3 Quarantined Executive Option Plan (EOP) (now superseded)

Previously, TechnologyOne had contracts with Executives which needed to be honoured. These pre-existing contracts were quarantined and as existing Executive Contracts come to an end, they will be renegotiated so that the LTI is based on the 2016 LTI plan going forward. All new appointments of Executives to the Company will be under the 2016 LTI plan. For the sake of disclosure, details of the now obsolete and quarantined EOP are provided below.

Under the EOP, options were issued with a strike price set typically at a 0% to 25% 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.

Edward Chung is the only current Executive KMP with LTIs issued under this plan. The final tranche of share options issued under this quarantined plan vested and were exercised during the prior year.

2022							
Name	Balance at start of the year	Granted as compensation	Exercised	Forfeited	Balance at the end of the year	Vested and exercisable	Unvested
Edward Chung	-	-	-	-	-	-	-

2021							
Name	Balance at start of the year	Granted as compensation	Exercised	Forfeited	Balance at the end of the year	Vested and exercisable	Unvested
Edward Chung	167,000	-	(167,000)	-	-	-	-

11.4 Equity instruments held by Key Management Personnel

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

2022	Balance at the start of year	Purchased during the year	Sale during the year	Other movements	Balance at the end of the year
Directors of Technology One Limited					
A Di Marco	17,378,500			(17,378,500)*	-
R McLean	69,737		-	-	69,737
J Mactaggart	26,902,500		-	-	26,902,500
Dr J Andrews	30,600		-	-	30,600
S Doyle	18,280		-	-	18,280
C Rosenberg	27,533		-	-	27,533
P Ball	21,900		-	-	21,900
P O' Sullivan	15,509	24,270		-	39,779

* Represents balance held at date of retirement

2022	Balance at the start of year	Received during the year	Sale during the year	Other movements	Balance at the end of the year
Senior Executives of the Group					
E Chung	900,068	172,876	(172,876)	-	900,068
S MacDonald	55,068	46,299	(55,000)	-	46,367
P Jobbins	68	212,763	(212,763)	-	68

2021	Balance at the start of year	Purchased during the year	Sale during the year	Other movements	Balance at the end of the year
Directors of Technology One Limited					
A Di Marco	20,378,500	-	(3,000,000)	-	17,378,500
R McLean	69,737	-	-	-	69,737
J Mactaggart	30,902,500	-	(4,000,000)	-	26,902,500
K Blinco	200,000	-	(100,000)	(190,000)*	-
R Anstey	25,500	4,500	-	-	30,000
Dr J Andrews	30,600	-	-	-	30,600
S Doyle	18,280	-	-	-	18,280
C Rosenberg	27,533	-	-	-	27,533
P Ball	18,000	3,900	-	-	21,900
P O' Sullivan	-	15,509	-	-	15,509

*Represents balance held at date of resignation.

2021	Balance at the start of year	Received during the year on the exercise of options	Sale during the year	Other movements	Balance at the end of the year
Senior Executives of the Group					
E Chung	733,000	569,758	(402,758)	68	900,068
S MacDonald	-	371,833	(316,833)	68	55,068
P Jobbins	-	-	-	68	68

11.5 Loans to Key Management Personnel

There have been no loans to Directors or Executives during the financial year (2021 - nil).

11.6 Other transactions with Key Management Personnel

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

Financial Statements
Consolidated income statement

	Notes	30-Sep-22 \$'000	30-Sep-21 \$'000
Revenue - SaaS and continuing business		358,668	293,553
Revenue - Legacy licence business		9,566	17,742
Revenue from contracts with customers	5	368,234	311,295
Other income	5(a)	1,157	717
Variable costs		(20,701)	(19,444)
Variable customer SaaS costs		(26,350)	(21,934)
Total variable costs		(47,051)	(41,378)
Occupancy costs	6	(2,539)	(1,942)
Corporate costs		(20,370)	(13,190)
Depreciation and amortisation	6	(38,110)	(25,832)
Computer and communication costs		(10,458)	(8,850)
Marketing costs		(8,685)	(7,890)
Employee costs	6	(124,661)	(110,381)
Share-based payments	6	(3,353)	(3,213)
Finance expense	6	(1,844)	(1,493)
Total operating costs		(210,020)	(172,791)
Profit before income tax		112,320	97,843
Income tax expense	7	(23,477)	(25,152)
Profit for the year		88,843	72,691
		Cents	Cents
Basic earnings per share	32	27.51	22.64
Diluted earnings per share	32	27.38	22.52

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

Technology One Limited
Consolidated statement of comprehensive income
For the year ended 30 September 2022

Consolidated statement of comprehensive income

	30-Sep-22	30-Sep-21
	\$'000	\$'000
Profit for the period (from previous page)	88,843	72,691
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(3,196)</u>	<u>(178)</u>
Other comprehensive income for the period, net of tax	(3,196)	(178)
Total comprehensive income for the period	<u>85,647</u>	<u>72,513</u>

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

Technology One Limited
Consolidated statement of financial position
As at 30 September 2022

Consolidated statement of financial position

	Notes	30-Sep-22 \$'000	30-Sep-21 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	175,865	144,210
Prepayments		20,379	13,811
Trade and other receivables	9	57,266	51,108
Contract assets	10	21,540	22,846
Other current assets	11	600	283
Contract acquisition costs	13	6,505	5,001
Total current assets		282,155	237,259
Non-current assets			
Property, plant and equipment	12	8,505	7,377
Right-of-use assets	20	23,110	22,442
Intangible assets	13	59,452	60,774
Capitalised development	13	126,909	101,008
Deferred tax assets	14	21,060	25,790
Contract assets	10	4,881	2,962
Contract acquisition costs	13	13,873	9,676
Total non-current assets		257,790	230,029
Total assets		539,945	467,288
LIABILITIES			
Current liabilities			
Trade and other payables	15	48,559	40,425
Provisions	17	20,902	21,521
Contingent consideration	18, 25	6,997	-
Deferred revenue	16	184,008	169,322
Current tax liabilities		2,784	2,632
Lease liability	20	7,897	3,342
Total current liabilities		271,147	237,242
Non-current liabilities			
Provisions	19	2,200	2,069
Contingent consideration	18, 25	-	7,576
Other non-current liabilities		94	120
Lease liability	20	27,407	30,047
Total non-current liabilities		29,701	39,812
Total liabilities		300,848	277,054
Net assets		239,097	190,234
EQUITY			
Contributed equity	22	57,635	51,645
Other reserves	23	81,875	72,717
Retained earnings		99,587	65,872
Total equity		239,097	190,234

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

Technology One Limited
Consolidated statement of changes in equity
For the year ended 30 September 2022

Consolidated statement of changes in equity

	Note	Contributed equity	Retained earnings	Dividend reserve	FOREX reserve	Share option reserve	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2021		51,645	65,872	32,454	1,958	38,305	190,234
Profit for the period		-	88,843	-	-	-	88,843
Exchange differences on translation of reserves		-	-	-	(3,196)	-	(3,196)
Total comprehensive income for the period		-	88,843	-	(3,196)	-	85,647
Dividends Paid	24	-	-	(46,127)	-	-	(46,127)
Transfer to dividends reserve		-	(55,128)	55,128	-	-	-
Exercise of share options	22	5,990	-	-	-	-	5,990
Share based payments	33	-	-	-	-	3,353	3,353
Tax impact of share trust		-	-	-	-	-	-
		5,990	(55,128)	9,001	-	3,353	(36,784)
Balance at 30 September 2022		57,635	99,587	41,455	(1,238)	41,658	239,097
Balance at 1 October 2020		40,551	38,093	30,046	2,136	31,342	142,168
Profit for the period		-	72,691	-	-	-	72,691
Exchange differences on translation of reserves		-	-	-	(178)	-	(178)
Total comprehensive income for the period		-	72,691	-	(178)	-	72,513
Dividends Paid	24	-	-	(42,504)	-	-	(42,504)
Transfer to dividends reserve		-	(44,912)	44,912	-	-	-
Exercise of share options	22	11,094	-	-	-	-	11,094
Share based payments	33	-	-	-	-	3,213	3,213
Tax impact of share trust		-	-	-	-	3,750	3,750
		11,094	(44,912)	2,408	-	6,963	(24,447)
Balance at 30 September 2021		51,645	65,872	32,454	1,958	38,305	190,234

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

Technology One Limited
Consolidated statement of cash flows
For the year ended 30 September 2022

Consolidated statement of cash flows

	Notes	30-Sep-22 \$'000	30-Sep-21 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		413,885	341,812
Payments to suppliers and employees (inclusive of GST)		(251,329)	(217,795)
Interest received		423	225
Net income taxes paid		(18,339)	(7,762)
Interest paid	6	(1,844)	(1,493)
Net cash inflow / (outflow) from operating activities	31	142,796	114,987
Cash flows from investing activities			
Payment for business acquisition net of cash acquired		-	(10,228)
Payments for property, plant and equipment	12	(3,767)	(1,658)
Payments for development expenditures and intangibles	13	(63,515)	(51,269)
Net cash inflow / (outflow) from investing activities		(67,282)	(63,155)
Cash flows from financing activities			
Proceeds from exercise of share options		5,920	10,595
Principal repayments of lease liabilities	20	(3,652)	(957)
Dividends paid to shareholders	24	(46,127)	(42,504)
Net cash inflow / (outflow) from financing activities		(43,859)	(32,866)
Net increase / (decrease) in cash and cash equivalents		31,655	18,966
Cash and cash equivalents at the beginning of the period		144,210	125,244
Cash and cash equivalents at the end of the period	8	175,865	144,210

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

The financial report of Technology One Limited (the Company) for the year ended 30 September 2022 was authorised for issue in accordance with a resolution of Directors on 22 November 2022.

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

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

(a) Basis of preparation

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

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

The accounting policies adopted are consistent with those of the previous financial year as no new or amended Standards or Interpretations were applicable in the current year.

Certain comparative items have been reclassified in the financial statements to align with the 30 September 2022 year end disclosures.

(i) Compliance with IFRS

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

(ii) New accounting standards and interpretations

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

(i) Issued but not yet effective

No new standards or amendment to an existing Standard have been issued that will have a material impact to the Group.

(ii) Critical accounting estimates

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

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Technology One Limited ('Company' or 'parent entity') as at 30 September 2022 and the results of all subsidiaries for the year then ended. Technology One Limited and its subsidiaries together are referred to in this financial report as the 'Group' or the 'Consolidated entity'.

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

(ii) Employee Share Trust

The Group has formed a trust to administer the Group's employee share scheme. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. At 30 September 2022, the Group had 260,813 treasury shares (2021: 66,897).

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

(iii) Business combination and goodwill

Business combinations are accounted for using the acquisition method under AASB 3 Business Combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9. Other contingent consideration that is not within the scope of AASB 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at

year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

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

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

(d) Revenue recognition

The Group has the following key revenue categories:

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

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

Revenue categories

1. SaaS Fees

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

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

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

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

2. Annual Licence Fees

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

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

Unsatisfied performance obligations in respect of Annual Licence Fees received or receivable are disclosed as deferred revenue in the consolidated statement of financial position. Refer to note 16 for details of deferred revenue.

3. Consulting Services

Consulting services includes services for software and project services revenue.

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

4. Initial licence fees

Initial (legacy) licence fees includes both perpetual licence fees and subscription term licences and are recognised on provision of the software. The Group considers that such contracts represent a right to use the Group's licenced intellectual property and as such the performance obligation is fulfilled at the point in time at which the customer receives the licence key.

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

Perpetual licence fees are typically invoiced upfront on signing the contract but subscription term licences are billed annually throughout the subscription period.

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

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

Associated contract balances

Under AASB 15, the timing of revenue recognition, customer invoicing and cash collections results in the recognition of trade and other receivables, contract asset and deferred revenue (contract liability) on the Group's Consolidated statement of financial position. At 30 September 2022, the statement of financial position shows a current liability balance of \$271m (30 September 2021: \$237m) which is largely attributable to the deferred revenue balance in current liabilities. As deferred revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised in future periods, and not a future cash outflow, this balance does not impact the Group's ability to meet its short-term obligations as and when they fall due.

Revenue Groups disclosed in the consolidated income statement

The Group has the following revenue groups:

1. Revenue – SaaS and continuing business

The Group defines continuing business as those revenue streams that form part of the growth strategy. Namely this includes SaaS fees, Annual Licence Fees and Consulting Services.

2. Revenue – Legacy licence business

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

(e) Income tax

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

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

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

income tax liability is settled.

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

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

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

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

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

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

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

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

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

AASB Interpretation 23 Uncertainty over Income Tax Treatments clarifies how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. This does not have a material impact on the Group.

(f) Segment reporting

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

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

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

(g) Leases

AASB 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

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

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

Lease liability

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

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

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

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

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

Right-of-use asset

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

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

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

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

Short term and low value assets

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

(h) Variable costs

The components of variable costs are made up of:

- Costs incurred in obtaining an initial licence fee contract as well as incentives on achievement of KPIs. These are expensed as incurred.
- Costs incurred in fulfilling the contract with a customer are capitalised if the requirements in AASB 15 are fulfilled and are then amortised in line with the satisfaction of the related performance obligation. The expense is recognised within the Depreciation and Amortisation line of the Consolidated Statement of Profit or Loss.

(i) Variable customer SaaS costs

Variable customer SaaS costs relate to costs incurred in providing our customers with access to our SaaS Platform. These costs are expensed as incurred.

(j) 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.

(k) Financial assets and liabilities

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

(i) Classification

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

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

Classification into these categories is based on an assessment of the Groups' business model for managing its financial instruments and the contractual terms of the cash flows.

(ii) Measurement

Amortised cost

Financial assets are initially measured at fair value. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price. Financial assets and liabilities at amortised cost are subsequently measured using the effective interest method. Further adjustments to the carrying value of the financial instrument will arise if there is a modification to the contractual cash flows creating a gain/loss in the measurement or if there is no longer a reasonable expectation of recovery of a financial asset, resulting in a write off.

FVPL- Fair value through profit and loss

The financial instrument is measured at fair value. Changes in fair value are recognised in profit and loss as they arise.

(iii) Impairment

The Group recognises impairment losses on its financial assets carried at amortised cost using an expected credit losses (ECL) model, in line with AASB 9 *Financial Instruments*. The ECL model essentially aims to calculate the Assets' credit risk. It involves consideration of scenarios that would lead to default, calculating the shortfall between what is contractually due and what would be received under each scenario and then multiplying the shortfall/loss by the probability of the default situation occurring.

The Group has elected to apply the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. The Group has also made use of the practical

expedient available for calculating expected credit losses for short term receivables. This practical expedient involves using a "provision matrix" to calculate the loss allowance. This matrix is based on historical default rates over the expected life of the trade receivables and it is adjusted for forward-looking estimates.

A 6-month historical default rate is applied to the trade receivables balance to calculate the expected credit loss. This appears as a provision against the trade receivables balance. Movements in this provision are recognised as an expense in the consolidated income statement to the extent that the related revenue has been recognised in the consolidated income statement. If a receivable balance is identified as being unrecoverable it is written off against the allowance for expected credit losses.

(l) Cash and cash equivalents

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

(m) Trade and other receivables

Trade and other receivables are recognised initially at transaction price which is deemed to be fair value and subsequently measured at amortised cost using the effective interest method. Trade receivables are typically due for settlement within 14 to 30 days.

The Group uses the simplified approach to measuring expected credit losses. The movement in the expected credit loss is recognised in the income statement within corporate expenses.

(n) 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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

(o) Intangible assets

(i) Goodwill

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

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

(ii) Intellectual property/source code

Intangible assets acquired separately are capitalised at cost, and if acquired as a result of a business combination, capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to all classes of intangible assets. The useful lives of the intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on intangible assets with finite lives, this expense is taken to the Income Statement through the 'depreciation and amortisation

Technology One Limited
Notes to the consolidated financial statements
(continued)

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	3 - 8 years
Customer contracts	8 - 12 years
Trade name	8 - 12 years

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

(iii) Software development

Research expenditure is recognised as an expense as incurred. Research costs are largely made up of employee labour which is included in employee costs in the consolidated income statement. Development expenditure is only capitalised if the recognition requirements within AASB 138 have been fulfilled and an economic benefit of more than 12 months is expected.

Costs that are directly associated with the development of this software are recognised as an intangible asset where the following criteria are met:

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) Intention to complete the intangible asset and use or sell it;
- (c) Ability to use or sell the intangible asset;
- (d) How the intangible asset will generate probable economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset and
- (f) Ability to measure reliably the expenditure attributable to the intangible asset during its development.

As a SaaS company, access is provided to our products via a SaaS platform over a prolonged term. The technical feasibility of our products can be established through pre-defined project roadmaps.

TechnologyOne follows a robust process to ensure the accuracy of the amounts capitalised on the balance sheet. The costs included in the balance are costs of personnel and other directly attributable costs incurred in the development of software. The process for determining what constitutes capitalisable spend under AASB 138 involves detailed analysis of all timesheet data available in regard to projects that employees have worked on during the year and other directly attributable costs in respect of software development spend.

Capitalised software development costs are recognised as an intangible asset and amortised over their estimated useful lives, which is considered to be from three to eight years. Software development costs are capitalised as "under development" until the products to which the costs relate become available for use. At the point in which the products become available for use, the costs are transferred from "under development" to "in use" and amortised from that point (refer to categorisation in note 13). Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

(p) Trade and other payables

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

(q) Provisions

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

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

(r) Employee benefit

(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) Deferred STI

An amount equal to an additional 25% of the annual STI earned by Executive KMP in the year is deferred and paid at the conclusion of the two-year period following the end of the financial year. It is accrued over a three-year period- throughout the annual performance period in which it is determined and a deferred for a two-year period following the end of the financial year.

(iii) 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.

(iv) Share-based payments

The Group provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares. The costs of share-based payment transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Refer to note 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). If options or rights do not vest at the end of the performance period due to the service condition or non-market condition not being met, the corresponding expense will be reversed.

(s) Contributed equity

Ordinary shares are classified as equity.

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

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(u) 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.

(v) Goods and services tax (GST) and equivalent overseas value added taxes

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

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

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

2. Financial Risk Management

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

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

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

The Group holds the following financial instruments:

(a) Interest rate risk

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

	2022	2021
	\$'000	\$'000
Financial assets		
Cash and cash equivalents	175,865	144,210
Trade and other receivables	57,266	51,108
	233,131	195,318
Financial liabilities		
Trade and other payables	48,559	40,425
Contingent consideration	6,997	7,576
Lease liability	35,304	33,389
	90,860	81,390

Technology One Limited
Notes to the consolidated financial statements
(continued)

(b) *Foreign currency risk*

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

The Group does not hedge this risk. The Group's exposure to foreign currency changes is not significant.

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

	2022	2022	2022	2021	2021
	USD	PGK	EUR	USD	PGK
	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables	11	104	106	-	-

(c) *Credit risk*

The Group is exposed to credit risk from its operating activities (primarily trade and other receivables and contract assets) and from its financing activities, including deposits with banks and financial institutions.

To manage this risk the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's expected credit loss is not significant. Information on credit risk exposures is contained in Note 9.

(d) *Liquidity risk*

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

The below table represents the financial assets under note 2(c) and the liquidity risk of financial liabilities referred to in note 2(d).

	Less than 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000
At 30 September 2022				
Financial assets				
Cash and cash equivalents	175,865	-	-	175,865
Trade and other receivables	57,266	-	-	57,266
Total	233,131	-	-	233,131
Financial liabilities				
Trade and other payables	41,562	-	-	41,562
Contingent consideration	6,997	-	-	6,997
Lease liabilities	9,715	27,276	2,635	39,626
Total	58,274	27,276	2,635	88,185
Net inflow / (outflow)	174,857	(27,276)	(2,635)	144,946

Technology One Limited
Notes to the consolidated financial statements
(continued)

	Less than 12 months	Between 1 and 5 years	Over 5 years	Total contractual cash flows
	\$'000	\$'000	\$'000	\$'000
At 30 September 2021				
Financial assets				
Cash and cash equivalents	144,210	-	-	144,210
Trade and other receivables	51,108	-	-	51,108
Total	195,318	-	-	195,318
Financial liabilities				
Trade and other payables	40,425	-	-	40,425
Contingent consideration	-	7,576	-	7,576
Lease liabilities	5,497	32,084	2,611	40,192
Total	45,922	39,660	2,611	88,193
Net inflow / (outflow)	241,240	39,660	2,611	283,511

(e) *Fair value measurement*

Contingent consideration is classified as Level 3. The balance of contingent consideration is recognised as contingent consideration in the Consolidated Statement of Financial Position. The release of the contingent consideration that does not represent payment is recognised within the other income line of the consolidated income statement while payment would be applied against this provision. For further details please refer to note 25.

Contingent consideration	2022	2021
	\$'000	\$'000
Opening balance	7,576	-
Amounts added for Scientia acquisition (note 25)	-	7,576
FX movement	(579)	-
Closing balance	6,997	7,576

The carrying value of trade and other receivables, contract assets and trade payables are assumed to approximate their fair value due to their short-term nature or the effect of discounting on non-current financial assets not being significant.

(f) *Capital risk management*

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

The current risk management structure of the Group is to use all equity funding.

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

3. Critical accounting estimates and judgements

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

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

(i) Impairment of goodwill and other assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(o)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 13 for details of these assumptions and the potential impact of changes to the assumptions.

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

(ii) Share-based payments

The Group provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares. The costs of share-based payment transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Refer to note 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). In the event that the rights over shares do not vest at the end of the performance period, the expense relating to the unvested rights is reversed. No expense is recognised for awards that do not ultimately vest due to not meeting the non-market conditions or service conditions.

(iii) Revenue contracts

Initial licence fee contracts entered into by the Group require judgement in the identification and separation of the contract components related to software licence fees, Annual Licence Fees and platform services. The Group assesses each customer contract individually and revenue is assigned to each component based upon the stand alone fair value of the component relevant to the total contract value.

(iv) Capitalisation of development costs

The Group capitalises costs related to software development. Software development costs are recognised upon meeting the criteria set out in note 1(o)(iii). The carrying value of these costs are regularly reviewed for impairment. Software development costs are amortised over a period of three to seven years.

(v) COVID-19

Management have considered the potential impact of COVID-19 in performing the Group's impairment assessments and in establishing the expected credit loss on financial assets. No adjustments were made to the Group's assets as a result of these additional assessments. At a time when many businesses have struggled during the pandemic, TechnologyOne has continued to perform strongly. There has been no impact to the Group's balance sheet. TechnologyOne did not receive any JobKeeper government support.

(vi) Legal Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The group recognises legal provisions based on the probability and management's best estimate of the outcome of the claim.

(vii) Contingent consideration

Contingent consideration has been recognised at the present fair value of anticipated costs for future contingent earn out considerations resulting from the acquisitions made by the Group. Further details are available at note 25.

For personal use only

4. Segment information

(a) *Description of segments*

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

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

The Group's reportable segments are:

- Software – consists of Sales and Marketing, R&D, SaaS platform.
- Consulting – responsible for services in relation to our software.
- Corporate – includes all corporate functions.

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

Royalties are a mechanism whereby each segment pays or receives funding for their contribution to the ongoing success of TechnologyOne. For example, Software pays Corporate for the use of corporate services.

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

(b) *Segment information provided to the Chief Operating Decision Maker (CODM)*

2022	Software	Consulting	Corporate	Total
	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers				
SaaS fees*	216,812	-	-	216,812
Annual licence fees*	70,221	-	-	70,221
Consulting services*	-	72,670	-	72,670
Initial licence fees **	8,531	-	-	8,531
Other income	583	-	574	1,157
Intersegment revenue	(443)	602	(159)	-
Net royalty	(66,320)	(7,300)	73,620	-
Total revenue	229,384	65,972	74,035	369,391
Expenses				
Total external expenses	(151,902)	(49,121)	(56,048)	(257,071)
Profit before tax	77,482	16,851	17,987	112,320
Income tax expense				(23,477)
Profit for the year				88,843
Total assets				539,945
Total liabilities				300,848
Total depreciation and amortisation				(38,110)

Technology One Limited
Notes to the consolidated financial statements
(continued)

2021	Software	Consulting	Corporate	Total
	\$'000	\$'000	\$'000	\$'000
Revenue from contracts with customers				
SaaS fees*	151,052	-	-	151,052
Annual licence fees*	78,965	-	-	78,965
Consulting services*	-	64,508	-	64,508
Initial licence fees **	16,770	-	-	16,770
Other income	462	-	255	717
Intersegment revenue	(281)	304	(23)	-
Net royalty	(56,893)	(6,547)	63,440	-
Total revenue	190,075	58,265	63,672	312,012
Expenses				
Total external expenses	(126,666)	(42,657)	(44,846)	(214,169)
Profit before tax	63,409	15,608	18,826	97,843
Income tax expense				(25,152)
Profit for the year				72,691
Total assets				467,288
Total liabilities				277,054
Total depreciation and amortisation				(25,832)

*Recognised over time / as services are rendered

**Recognised at a point in time

(c) Other segment information

(i) Segment revenue

	2022	2021
	\$'000	\$'000
Australia	303,643	260,564
New Zealand and Asia Pacific*	40,482	38,609
APAC total	344,125	299,173
United Kingdom	25,266	12,839
Total segment revenues from sales to external customers	369,391	312,012

(ii) Segment assets

	2022	2021
	\$'000	\$'000
Australia	442,497	380,179
New Zealand and Asia Pacific*	37,901	14,692
APAC total	480,398	394,871
United Kingdom	38,487	46,627
Total segment assets	518,885	441,498

Majority of non-current assets are located in Australia. Segment assets are presented net of deferred tax.

*Asia Pacific includes Malaysia and South Pacific

(iii) Major customers

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

5. Revenue

	2022	2021
	\$'000	\$'000
Revenue from contracts with customers		
SaaS fees*	216,812	151,052
Annual licence fees*	69,186	77,993
Consulting services*	72,670	64,508
Revenue - SaaS and continuing business	358,668	293,553
Initial licence fees **	8,531	16,770
Annual licence fees associated with initial licence fees* ¹	1,035	972
Revenue - Legacy licence business	9,566	17,742
Total revenue from contracts with customers	368,234	311,295

5.(a) Other income

	2022	2021
	\$'000	\$'000
Other income	\$'000	\$'000
Foreign exchange gains / (losses)	34	(9)
Interest received	423	225
Other	700	501
Total other income	1,157	717
Total revenue	369,391	312,012

¹This represents revenue on Annual Licence Fees recognised from the date the associated initial licence is delivered until the end of the first financial year post delivery.

*Recognised over time / as services are rendered

**Recognised at a point in time

6. Expenses

	2022	2021
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	2,627	3,331
Total depreciation	2,627	3,331
Amortisation		
Other intangible amortisation	1,185	443
Contract acquisition costs amortisation	5,839	3,639
Capitalised development amortisation	23,383	13,429
Amortisation of right-of-use assets	5,076	4,990
Total amortisation	35,483	22,501
Total depreciation and amortisation	38,110	25,832
Wages and salaries	94,048	83,722
Defined contribution plan expense	10,680	9,480
Payroll tax	8,588	7,593
Provision for employee benefits ¹	415	1,045
Other	10,930	8,541
Total employee costs	124,661	110,381
Share-based payments	3,353	3,213
Occupancy costs	2,539	1,942
Finance expense	1,844	1,493
Profit and loss movement in expected credit loss	639	267
Foreign exchange (gain) / loss	(68)	(21)
(Gain) / Loss on sale of property, plant and equipment	(6)	(13)

¹In addition to the employee benefits expense disclosed above, 'Variable costs' in the consolidated income statement includes \$17.7m (2021: \$17.3m) relating to employee costs, 'Contract acquisition costs' in the consolidated statement of financial position includes \$11.9m in current year employee benefits (2021: \$8.3m) and 'Capitalised development' includes \$41.6m in current year employee benefits (2021: \$36.1m)

7. Income tax expense

(a) *Income tax expense*

	2022	2021
	\$'000	\$'000
Current tax	19,374	17,760
Relating to origination and reversal of temporary differences	5,717	7,315
Adjustments for tax expense of prior periods	(1,614)	77
	23,477	25,152
Deferred income tax expense / (revenue) included in income tax expense comprises:		
(Increase) / decrease in deferred tax assets	(1,786)	(4,492)
Increase / (decrease) in deferred tax liabilities	6,447	10,500
Adjustments for deferred taxes of prior periods	1,057	1,307
	5,717	7,315

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

	2022	2021
	\$'000	\$'000
Profit from continuing operations before income tax expense	112,320	97,843
Tax at the Australian tax rate of 30% (2021 - 30%)	33,696	29,353
Adjustments for current tax of prior periods	(1,614)	77
Research and development tax concession	(8,453)	(4,235)
Expenditure not allowable for income tax purposes	279	(43)
Current year tax losses not recognised	(35)	-
Tax rate variance in subsidiaries	(396)	-
Income tax expense	23,477	25,152

(c) *Amounts recognised directly in equity*

	2022	2021
	\$'000	\$'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	-	(3,750)

8. Current assets - Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	175,865	144,210

The Group has a secured \$2 million overdraft facility to assist with working capital requirements. The facility is unused at 30 September 2022.

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

Term deposits are made for varying periods of between one day and three months, depending on immediate cash requirements of the Group, and earn interest at the respective term deposit rates. Given the short-term nature of these accounts the fair value of cash assets at 30 September are their carrying values.

9. Current assets – Trade and other receivables

	2022	2021
	\$'000	\$'000
Trade and other receivables	59,917	54,761
Allowance for expected credit losses	(3,172)	(4,158)
Sundry receivables	521	505
	57,266	51,108

(i) Trade and other receivables are non-interest bearing and are on 14 to 30 day terms. No interest is charged on trade and other receivables.

Included in the trade and other receivable balance are debtors with a carrying amount of \$4.2m (2021 - \$4.3m) which are past due at the reporting date for which the consolidated entity has not specifically provided as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances, however is able to withdraw future support and software licence use rights if concerns arise relating to the recoverability of an outstanding customer balance.

(a) *Allowance for expected credit losses*

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

	2022	2021
	\$'000	\$'000
Opening balance - 1 October	4,158	2,885
Increase/(decrease) in expected credit loss allowance	(387)	3,601
Amounts reversed/written off	(599)	(2,328)
Closing balance - 30 September	3,172	4,158

Note prior year has been re-stated to include Scientia.

In determining the recoverability of a trade and other receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Technology One Limited
Notes to the consolidated financial statements
(continued)

Age	Trade Debtors	Expected credit loss	Trade Debtors	Expected credit loss
	2022	2022	2021	2021
	\$'000	\$'000	\$'000	\$'000
0 – 30 days	47,234	(433)	44,633	(480)
31 – 60 days	4,742	(44)	4,572	(48)
61 – 90 days	1,135	(262)	1,044	(8)
91+ days	6,806	(2,433)	4,512	(3,622)
Total	59,917	(3,172)	54,761	(4,158)

Expected credit loss includes \$1.5m (FY21: \$2.8m) acquired with Scientia.

10. Contract asset

	2022	2021
	\$'000	\$'000
Contract assets	21,781	23,055
Contract assets - non current	4,881	2,962
Allowance for expected credit losses	(241)	(209)
	26,421	25,808

The above contract asset balance represents revenue recognised for contracts with customers which has not been invoiced at the end of the financial year, in line with customer contracts.

Expected credit loss for contract assets

Movements in the provision for impairment of contract assets are as follows:

	2022	2021
	\$'000	\$'000
Opening balance - 1 October	209	232
Increase/(decrease) in expected credit loss allowance recognised in profit and loss during the year	32	(23)
Unused amounts reversed	-	-
Closing balance - 30 September	241	209

11. Current assets – Other current assets

	2022	2021
	\$'000	\$'000
Deposits receivable	600	283
	600	283

12. Non-current assets – Property, plant and equipment

	Office furniture & equipment \$'000	Other \$'000	Total \$'000
Year ended 30 September 2022			
Opening net book amount	7,323	54	7,377
Additions	3,767	-	3,767
Disposals	(13)	-	(13)
Depreciation charge	(2,577)	(50)	(2,627)
Make good movement	(54)	-	(54)
Exchange difference	55	-	55
Closing net book amount	8,501	4	8,505
At 30 September 2022			
Cost	46,311	4,770	51,081
Accumulated depreciation	(37,810)	(4,766)	(42,576)
Net book amount	8,501	4	8,505
Year ended 30 September 2021			
Opening net book amount	8,823	146	8,969
Additions	1,636	-	1,636
Disposals	(17)	-	(17)
Depreciation charge	(3,239)	(92)	(3,331)
Make good movement	119	-	119
Exchange difference	1	-	1
Closing net book amount	7,323	54	7,377
At 30 September 2021			
Cost	43,009	4,770	47,779
Accumulated depreciation	(35,686)	(4,716)	(40,402)
Net book amount	7,323	54	7,377

13. Non-current assets – Intangible assets

	Goodwill	Intellectual property/ source code	Customer contracts	Contract acquisition costs ¹	Software under development	Software- in use	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 30 September 2022							
Opening net book amount	47,694	5,900	7,180	14,677	30,295	70,713	176,459
Additions	-	1,547	-	11,908	50,060	-	63,515
Transfers to software - in use	-	-	-	-	(46,369)	46,369	-
Amortisation charge	-	(569)	(616)	(5,839)	-	(23,383)	(30,407)
Impairment	-	-	-	-	-	-	-
Exchange difference	(1,114)	(86)	(484)	(368)	(39)	(737)	(2,828)
Closing net book amount	46,580	6,792	6,080	20,378	33,947	92,962	206,739
At 30 September 2022							
Cost	53,333	14,900	7,139	35,348	33,947	136,432	281,099
Accumulated amortisation	-	(5,431)	(1,059)	(14,970)	-	(43,470)	(64,930)
Accumulated impairment	(6,753)	(2,677)	-	-	-	-	(9,430)
Net book amount	46,580	6,792	6,080	20,378	33,947	92,962	206,739
Year ended 30 September 2021							
Opening net book amount	33,250	4,023	713	9,991	26,983	35,573	110,533
Additions	14,535	2,255	6,563	8,370	41,858	9,971	83,552
Transfers to software - in use	-	-	-	-	(38,546)	38,546	-
Amortisation charge	-	(388)	(55)	(3,639)	-	(13,429)	(17,511)
Impairment	-	-	-	-	-	-	-
Exchange difference	(91)	10	(41)	(45)	-	52	(115)
Closing net book amount	47,694	5,900	7,180	14,677	30,295	70,713	176,459
At 30 September 2021							
Cost	54,447	13,439	7,622	23,808	30,295	90,800	220,411
Accumulated amortisation	-	(4,862)	(442)	(9,131)	-	(20,087)	(34,522)
Accumulated impairment	(6,753)	(2,677)	-	-	-	-	(9,430)
Net book amount	47,694	5,900	7,180	14,677	30,295	70,713	176,459

¹ Balance of contract acquisition costs is split between current portion of \$6.5m and non-current portion of \$13.9m (2021: current \$5.0m; non-current \$9.7m).
Assets with indefinite life other than goodwill are within Intellectual property/source code above.

13. Non-current assets – Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill and indefinite life intangibles are allocated to the Group's Software and Consulting cash generating units (CGUs) which are also operating and reportable segments for impairment testing purposes.

A segment-level summary of the goodwill and indefinite life intangible assets allocation is presented below.

	Software	Consulting	Corporate	Total
	\$'000	\$'000	\$'000	\$'000
2022				
Goodwill	36,972	9,608	-	46,580
Indefinite life intangibles	1,362	660	-	2,022
	38,334	10,268	-	48,602
2021				
Goodwill	38,086	9,608	-	47,694
Indefinite life intangibles	1,362	660	-	2,022
	39,448	10,268	-	49,716

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.

In the prior year, there was a new CGU as a result of the acquisition. This has been tested for impairment for the year ended 30 September 2022. Refer to note 25 for further details of the acquisition.

The key assumptions used for all CGUs in value in use calculations for 30 September 2022 and 2021 are:

- Budgeted profit
- Growth rates - based on long-term historical trends for each segment
- The discount rate applied to cash flow projections is 15% pre-tax (2021 - 15%)
- Terminal growth rates - these have been set at 3% (2021 - 2%)

14. Non-current assets – Deferred tax assets

	2022	2021
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Employee benefits	5,097	5,179
Provisions-other	2,450	2,131
Accrued expenses	1,384	524
Intangibles	830	558
Copyright - software	37	39
Lease liability (net)	3,066	2,864
Employee share trust	2,952	4,927
Deferred revenue	50,621	45,877
Other	2,924	5,545
	69,361	67,644
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	(48,301)	(41,854)
Net deferred tax assets	21,060	25,790
Net deferred tax assets expected to be recovered within 12 months	48,688	43,500
Net deferred tax assets expected to be recovered after more than 12 months	(27,628)	(17,710)
	21,060	25,790
	2022	2021
	\$'000	\$'000
Movements:		
Opening balance at 1 October	67,643	55,497
Opening balance adjustment	-	3,903
Credited / (charged) to the consolidated income statement	1,718	4,494
Credited / (charged) to equity	-	3,750
Offset from deferred tax liabilities	(48,301)	(41,854)
Closing balance at 30 September	21,060	25,790

15. Current liabilities – Trade and other payables

	2022	2021
	\$'000	\$'000
Trade payables	40,331	31,120
Sundry creditors	8,163	9,204
Directors fees	65	101
	48,559	40,425

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

16. Current liabilities – Deferred Revenue

	2022	2021
	\$'000	\$'000
Carrying amount at 1 October	169,322	160,015
Carrying amount at 30 September	184,008	169,322
Revenue recognised from the opening balance	168,003	158,278

Deferred Revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised as revenue in future periods, generally over the next 12 months. These amounts are a contract liability under AASB15. These amounts do not result in a future cash outflow. The operating costs to deliver the services are not significant.

17. Current liabilities – Provisions

	2022	2021
	\$'000	\$'000
Make good provision	76	148
Other provisions ¹	5,524	5,444
Annual leave	8,032	8,461
Long service leave	7,270	7,468
	20,902	21,521

¹ On 2 October 2020, the Federal Court issued a judgement against TechnologyOne in a civil employment case. As a result of the judgement, the Group's provision was increased to \$5.2m as at 30 September 2020. The company lodged an appeal to the Full Federal Court on 27 October 2020. The company won its appeal, with the original judgement being overturned in August 2021, and a retrial being ordered. The Group has retained the full value of the provision at 30 September 2021 and 2022 (\$5.2m) based on management's best estimate pending the results of the retrial.

18. Contingent Consideration

	2022	2021
	\$'000	\$'000
Contingent consideration		
Contingent consideration - current	6,997	-
Contingent consideration- non-current	-	7,576
Total	6,997	7,576

Refer to note 25- Business Combinations for details of the acquisition.

19. Non-current liabilities – Provisions

	2022	2021
	\$'000	\$'000
Long service leave	2,066	1,926
Make good provision	134	143
	2,200	2,069

(a) Movements in provisions

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

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

	Annual leave	Long service leave	Make good	Other	Legal provision	Contingent consideration	Total
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
2022							
Carrying amount at 1 October 2021	8,461	9,396	290	222	5,221	7,576	31,166
Additional provisions recognised	3,593	1,456	(15)	162	-	-	5,196
Amount used during the year or FX movement	(4,022)	(1,516)	(65)	(81)	-	(579)	(6,263)
Carrying amount at 30 September 2022	8,032	9,336	210	303	5,221	6,997	30,099

20. Leases

Right-of-use assets

	Property \$'000	Equipment \$'000	Total \$'000
Year ended 30 September 2022			
Opening net book amount	22,385	57	22,442
Additions	4,558	40	4,598
Modifications during the year	1,292	-	1,292
Disposals	-	-	-
Depreciation charge	(5,018)	(58)	(5,076)
Exchange difference	(146)	-	(146)
Closing net book amount	23,071	39	23,110
At 30 September 2022			
Cost	38,164	199	38,363
Accumulated depreciation	(15,093)	(160)	(15,253)
Net book amount	23,071	39	23,110

Lease liability

	Property \$'000	Equipment \$'000	Total \$'000
Year ended 30 September 2022			
Opening liability	33,325	64	33,389
New leases entered into during the year	4,543	40	4,583
Modifications during the year	1,280	-	1,280
Payments	(5,322)	(54)	(5,376)
Interest expense	1,723	1	1,724
Exchange difference	(296)	-	(296)
Closing liability	35,253	51	35,304

The following are amounts recognised in profit or loss under AASB 16:

	2022 \$'000	2021 \$'000
Amortisation on right-of-use assets	5,076	4,990
Interest expense on lease liabilities	1,724	1,439
Expense related to short-term leases (included in occupancy costs)	-	25
Total amount recognised in profit or loss	6,800	6,454

Technology One Limited
Notes to the consolidated financial statements
(continued)

Cashflow from leases

	2022	2021
	\$'000	\$'000
Total cash outflow as a lessee ¹	5,376	2,421
	5,376	2,421

Right-of-use assets

	Property	Equipment	Total
	\$'000	\$'000	\$'000
Year ended 30 September 2021			
Opening net book amount	25,193	63	25,256
Additions	2,041	51	2,092
Modifications during the year	41	-	41
Disposals	-	-	-
Depreciation charge	(4,933)	(57)	(4,990)
Exchange difference	43	-	43
Closing net book amount	22,385	57	22,442
At 30 September 2021			
Cost	33,064	159	33,223
Accumulated depreciation	(10,679)	(102)	(10,781)
Net book amount	22,385	57	22,442

Lease liability

	Property	Equipment	Total
	\$'000	\$'000	\$'000
Year ended 30 September 2021			
Opening liability	32,262	61	32,323
New leases entered into during the year	2,041	51	2,092
Modifications during the year	(111)	-	(111)
Payments	(2,347)	(49)	(2,396)
Interest expense	1,438	1	1,439
Exchange difference	42	-	42
Closing liability	33,325	64	33,389

¹ Increase in lease payments year on year is largely due to a rental rebate on the Group's HQ lease. This rebate significantly reduced base rent payable between 1 July 2020 and 1 April 2022. The rent rebate applied in FY22 was \$3.1m (FY21 \$4.8m).

21. Non-current liabilities – Deferred tax liabilities

	2022	2021
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Contract assets	(5,461)	(5,222)
Accelerated depreciation for tax purposes	(914)	(851)
Prepayments	(25)	(25)
Capitalised development	(36,176)	(31,732)
Contract acquisition costs	(5,725)	(4,024)
Total deferred tax liabilities	(48,301)	(41,854)
Set-off of deferred tax liabilities pursuant to set-off provisions (note 14)	48,301	41,854
Net deferred tax liabilities	-	-
Movements:		
Opening balance at 1 October	(41,854)	(26,892)
Charged/(credited) to the Consolidated income statement	(6,447)	(10,500)
Closing balance adjustment	-	(4,462)
Offset to deferred tax assets	48,301	41,854
Closing balance at 30 September	-	-

22. Contributed Equity

Share capital

	2022	2021	2022	2021
	Shares	Shares	\$'000	\$'000
<i>Ordinary shares</i>				
Fully paid	323,365,816	321,648,793	57,635	51,645

Movements in ordinary share capital

(a) Employee Share Option Plan

Date	Details	Number of shares	\$'000
1-Oct-21	Opening balance	321,648,793	51,645
	Exercise of options	1,712,416	5,920
	Share grant to employees	4,607	70
30-Sep-22	Closing balance	323,365,816	57,635
1-Oct-20	Opening balance	319,295,458	40,551
	Exercise of options	2,282,537	10,595
	Share grant to employees	70,798	499
30-Sep-21	Closing balance	321,648,793	51,645

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.

23. Reserves

(a) Other reserves

	2022	2021
	\$'000	\$'000
Share option reserve	41,658	38,305
Foreign currency translation	(1,238)	1,958
Dividend reserve	41,455	32,454
	81,875	72,717

(b) Nature and purpose of other reserves

(i) Share option reserve

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.

24. Dividends

	2022	2021
	\$'000	\$'000
Final dividend for the year ended 30 September 2021 of 10.09 Cents (2020 - 9.41 Cents) per fully paid share paid in December 2021 (2020 - December 2020)		
60% franked (2020 - 60%) based on tax paid at 30%	32,454	30,225
Interim dividend for the year ended 30 September 2022 of 4.20 Cents (2021 - 3.82 Cents) per fully paid share paid in June 2022 (2021 - June 2021)		
60% franked (2021 - 60%) based on tax paid at 30%	13,673	12,279
Total dividends paid	46,127	42,504

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

	2022	2021
	\$'000	\$'000
Final		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 10.82 cents per fully paid ordinary share (2021 - 10.09 cents) 60% franked (2021 - 60%) based on tax paid at 30% (2021 - 30%).	34,988	32,454
The aggregate amount of proposed dividend expected to be paid out of retained earnings, but not recognised as a liability at year end.		
The directors have also recommended the payment of a special dividend of 2 cents per share, 60% franked.	6,467	-
	41,455	32,454

(b) *Franked Dividends*

The franked portions of the final dividends recommended after 30 September 2021 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 2022.

	2022	2021
	\$'000	\$'000
Franking account balance as at the end of the financial year at 30% (2021: 30%)	171	(1,391)
Franking credits that will arise from the payments of income tax payable as at the end of the financial year	1,197	3,324
	1,368	1,933

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

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

The impact on the franking account of the dividend recommended by the Directors since the end of the reporting date, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$10,659,985 (2021 - \$8,345,408).

25. Business Combinations

On 15 September 2021, Technology One UK Limited acquired 100% of the issued shares and voting rights in Scientia Resource Management Limited (Scientia). The Scientia acquisition forms part of the strategic focus to deliver further functionality for the Higher Education software solution and it will accelerate the growth and competitive position in the UK as well as have significant benefits in the Australian Higher Education market. Scientia's product, Syllabus Plus (now Timetabling and Scheduling), provides advanced academic timetabling and resource scheduling for over 150 leading universities across the United Kingdom and Australia.

At 30 September 2021, the business combination was provisional as the Company continued to receive information required to assess the fair values of the assets and liabilities acquired. The fair value of the acquisition was determined to be \$22.9m (£12.2m GBP) and was initially recorded to goodwill as there was limited information available for the purchase price accounting (PPA) allocation prior to the financial statements being issued.

In accordance with the accounting standards, changes to measurement during the provisional accounting period have been adjusted in the comparative balance sheet as at 30 September 2021. The provisional assessment is now complete, and the Company has completed its diligence and valuation work. Changes made to the provisional accounting to date have been noted in below.

Purchase consideration

The initial cash payment of \$11.5m (£6.1m GBP) on 25 August 2021 included payments to extinguish the list of liabilities of Scientia at the time of acquisition as well as payments to shareholders.

The sales and purchase agreement outlined earn out clauses including:

- The first earn out clause of \$3.8m (£2.1m GBP) is consideration for the acquisition and is earned through future performance hurdles on net profit before tax (NPBT) and annual recurring revenue (ARR) as of 31 December 2021.
- The second earn out clause of \$7.6m (£4.1m GBP) is consideration for the acquisition and is earned through future performance hurdles on NPBT and ARR as of 31 December 2022. The company has considered the future contingent payment to be a level 3 financial liability. The fair value as at 15 September 2021 of the earn out considering the time value discount is \$7.4m as at 15 September 2021. The fair value as at 30 September 2022 is \$6.9m.

At acquisition, the Scientia Group had not begun the preparation of the 2020 or 2021 financial statements, nor completion of the related audits. In the period between October 2021 and March 2022, the audit of 2020 financial statements was completed. The 2021 audit was also significantly progressed by then. This work, combined with external due diligence and valuation work and Technology One's internal efforts, uncovered facts already present at the date of acquisition and circumstances that would have strongly impacted the probability of Scientia achieving the first earn out. For this reason, the purchase consideration was

Technology One Limited
Notes to the consolidated financial statements
(continued)

retrospectively reduced to the initial cash payment of \$11.5m (£6.1m) plus the value of the second earn out, \$7.6m (£4.1m) within the half year accounts.

Further payments to the major selling shareholder may be due subject to the achievement of certain future NPBT and ARR targets between 31 December 2022 and 31 December 2024. These payments would be accrued if deemed to be probable. As of 30 September 2022, there has been no provision recorded.

There were \$0.5m of acquisition costs incurred during the comparison year ended 30 September 2021. The revenue and profit and loss for Scientia was insignificant for the 15 days of consolidation to 30 September 2021.

The inclusion of the Scientia Group in the Consolidated Statement of Comprehensive Income at 30 September 2022 resulted in additional profit of \$0.8m for the Technology One Group.

Assets acquired and liabilities assumed – PPA outcomes during provisional accounting period

	Finalisation of provisional accounting 2021 \$'000	2021 \$'000
	Finalised	Provisional
Purchase consideration		
Cash paid	11,535	11,535
Contingent consideration at FV on acquisition date	7,623	11,461
Total purchase consideration	19,158	22,996
Assets acquired		
Software	9,971	-
Tradenname	1,114	-
Customer relationships	6,563	-
Right-of-use assets (ROU)	1,479	-
Cash	2,123	-
Trade debtors	1,857	-
Prepayments and accrued income	694	-
Tangible assets	110	-
Liabilities assumed		
Deferred tax liabilities(net)	(555)	-
Creditors and accruals	(6,178)	-
Deferred revenue	(9,596)	-
Lease liability	(2,959)	-
Goodwill arising on acquisition	14,535	22,996

26. Key management personnel disclosures

(a) Key management personnel disclosures

	2022	2021
	\$	\$
Short-term employee benefits	5,408,577	5,733,291
Deferred STI	422,177	368,786
Share-based payments	1,263,638	974,629
	7,094,392	7,076,706

Short-term employee benefits have decreased due to Adrian Di Marco (executive Chairman) retiring on 30 June 2022.

(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.

27. Remuneration of auditors

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

(a) Ernst and Young (Australia)

	2022	2021
	\$	\$
<i>Fees to Ernst and Young (Australia)</i>		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	878,450	728,603
Fees for assurance services that are required by legislation	-	-
Fees for other assurance and agreed-upon-procedure services	214,987	212,816
Fees for other services	197,241	170,131
Total remuneration of Ernst & Young Australia	1,290,678	1,111,550

The relative ratio of other services to audit and assurance services was 15% (2021: 15%).

28. Contingencies

TechnologyOne is a global business and from time to time in the ordinary course of business it receives enquiries from various regulators and government bodies. TechnologyOne cooperates fully with all enquiries and these enquiries do not require disclosure in their initial state, however should the Group become aware that an enquiry is developing further or if any regulator or government action is taken against the group, appropriate disclosure is made in accordance with the relevant accounting standards.

As a global business, from time to time TechnologyOne is also subject to various claims and litigation from third parties during the ordinary course of its business. The Directors of TechnologyOne have given consideration to such matters which are or may be subject to claims or litigation at year end and, unless specific provisions have been made, are of the opinion that no material contingent liability for such claims of litigation exists. The group had no material contingent assets or liabilities.

Guarantees

At 30 September 2022, the Group had \$3,745,483 (2021 - \$3,694,124) in outstanding bank guarantees issued by Technology One. The total available guarantee facility is \$8,300,000 (2021- \$7,000,000).

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

29. Related party transactions

(a) Ultimate controlling entity

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

(b) Transactions with related parties

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

- Loans were advanced and repayments received on short-term intercompany accounts.
- Marketing support and management fees were charged to wholly owned controlled entities.
- The IP held in Scientia Ltd was transferred to Technology One Limited.

These transactions were undertaken on commercial terms and conditions. No allowance for expected credit loss has been recognised for amounts due to and receivable from related parties.

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

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	
			2022 %	2021 %
Technology One Corporation Sdn Bhd	Malaysia	Ordinary	100	100
Technology One New Zealand Ltd	New Zealand	Ordinary	100	100
Technology One UK Limited	England	Ordinary	100	100
Avand Pty Ltd	Australia	Ordinary	100	100
Desktop Mapping Systems Pty Ltd (DMS)	Australia	Ordinary	100	100
Digital Mapping Solutions NZ Limited (DMS)	New Zealand	Ordinary	100	100
Boldridge Pty Ltd	Australia	Ordinary	100	100
Icon Solution Unit Trust (ICON)	Australia	Ordinary	100	100
Icon Strategic Solutions Pty Ltd	Australia	Ordinary	100	100
Jeff Roorda and Associates Pty Ltd (JRA)	Australia	Ordinary	100	100
Scientia Resource Management Limited (UK)	England	Ordinary	100	100
Cyon Knowledge Computing Pty Ltd	Australia	Ordinary	100	100
Scientia Limited	England	Ordinary	100	100

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

Technology One HQ
Level 11,
540 Wickham Street,
Fortitude Valley, Qld, 4006

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

	2022	2021
	\$'000	\$'000
Profit for the year	88,843	72,691
Depreciation and amortisation	38,110	25,832
Non-cash employee benefits expense - share-based payments	3,353	3,213
Finance costs	1,844	1,493
Net (gain) / loss on sale of non-current assets	(6)	(21)
Movement in ECL through profit or loss	639	267
(increase)/decrease in trade and other receivables and contract assets	(6,771)	(16,804)
(increase)/decrease in prepayments and other current assets	(6,568)	(2,578)
(increase)/decrease in tax assets and liabilities	(3,466)	13,010
Increase / (decrease) in trade creditors	11,284	(556)
Increase / (decrease) in provisions	(1,067)	308
Increase / (decrease) in lease liabilities	1,915	2,265
Increase / (decrease) in deferred revenue	14,686	15,867
	142,796	114,987
Net cash inflow / (outflow) from operating activities	142,796	114,987

32. Earnings per share

(a) *Basic earnings per share*

	2022	2021
	Cents	Cents
Basic earnings per share (cents per share)	27.51	22.64
Diluted earnings per share (cents per share)	27.38	22.52
Profit used for calculating basic and diluted earnings per share (\$'000)	88,843	72,691

(b) *Weighted average number of shares used as denominator*

	2022	2021
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	322,953,789	321,074,997
Adjustments for calculation of diluted earnings per share:		
Options	1,526,148	1,667,676
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	324,479,937	322,742,673

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 up to 25% discount on the volume weighted average price for the 10 days prior to the grant date.

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. Options granted as part of remuneration are based on values determined using the Black-Scholes option pricing model.

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

Technology One Limited
Notes to the consolidated financial statements
(continued)

33. Share-based payments (continued)

Issue date	Expiry date	Exercise price	Balance at start of the period	Issued during the year	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested & exercisable at end of the period
			Number	Number	Number	Number	Number	Number
2022								
8/07/2022	30/11/2031	7.7800	-	468,022	-	-	468,022	-
23/02/2022	30/11/2031	10.3700	-	1,400,926	-	-	1,400,926	-
26/11/2021	30/11/2028	5.8850	-	37,593	-	-	37,593	-
26/11/2021	30/11/2027	9.2300	-	34,740	-	-	34,740	-
26/11/2021	30/11/2029	9.2300	-	547,113	-	(36,712)	510,401	-
26/11/2021	30/11/2029	12.3100	-	408,208	-	-	408,208	-
30/03/2021	30/11/2028	5.8850	11,064	-	-	-	11,064	-
22/01/2021	30/11/2028	5.8850	612,202	-	-	(131,959)	480,243	-
22/01/2021	30/11/2028	7.8467	540,801	-	-	-	540,801	-
22/01/2021	30/11/2027	5.8850	109,284	-	-	-	109,284	-
1/07/2020	1/10/2027	1.8914	50,000	-	-	-	50,000	-
1/10/2019	1/10/2027	7.3854	578,551	-	-	(15,531)	563,020	-
1/10/2019	1/10/2027	5.5391	804,768	-	-	(105,849)	698,919	-
1/10/2018	1/10/2026	4.1122	899,079	-	(847,166)	-	51,913	51,913
1/10/2018	1/10/2026	5.4829	390,520	-	(385,639)	(4,881)	-	-
1/10/2018	1/10/2025	4.1166	22,799	-	(2,799)	-	20,000	20,000
1/10/2018	1/07/2025	0.8633	16,750	-	(16,750)	-	-	-
1/10/2018	1/07/2025	1.8914	50,000	-	-	-	50,000	50,000
1/10/2017	1/10/2025	5.1456	92,014	-	(48,268)	(27,757)	15,989	15,989
1/10/2017	1/10/2025	5.7474	11,177	-	-	-	11,177	11,177
1/07/2018	1/10/2026	4.1122	22,853	-	-	-	22,853	22,853
1/07/2017	1/07/2024	0.8633	16,650	-	(16,650)	-	-	-
1/07/2016	1/07/2023	0.8633	15,300	-	(15,300)	-	-	-
25/08/2010	25/08/2023	0.3450	30,000	-	(30,000)	-	-	-
25/08/2011	25/08/2024	0.3450	30,000	-	(30,000)	-	-	-

Technology One Limited
Notes to the consolidated financial statements
(continued)

Issue date	Expiry date	Exercise price	Balance at start of the period	Issued during the year	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested & exercisable at end of the period
			Number	Number	Number	Number	Number	Number
2022								
Total			4,303,812	2,896,602	(1,392,572)	(322,689)	5,485,153	171,932
Weighted average exercise price			\$5.60	\$9.94	\$4.25	\$6.15	\$8.20	\$3.67

33. Share-based payments (continued)

Issue date	Expiry date	Exercise price	Balance at start	Issued during the	Exercised during	Forfeited during	Balance at end of	Vested &
			of the period	year	the period	the period	the period	exercisable at end
			Number	Number	Number	Number	Number	Number
2021			-	-	-	-	-	-
30/03/2021	30/11/2028	5.8850	-	11,064	-	-	11,064	-
22/01/2021	30/11/2028	5.8850	-	644,990	-	(32,788)	612,202	-
22/01/2021	30/11/2028	7.8467	-	540,801	-	-	540,801	-
22/01/2021	30/11/2027	5.8850	-	116,938	-	(7,654)	109,284	-
1/07/2020	1/10/2027	1.8914	50,000	-	-	-	50,000	-
1/10/2019	1/10/2027	-	1,691	-	-	(1,691)	-	-
1/10/2019	1/10/2027	7.3854	578,551	-	-	-	578,551	-
1/10/2019	1/10/2027	5.5391	913,938	-	-	(109,170)	804,768	-
1/10/2018	1/10/2026	4.1122	988,325	-	-	(89,246)	899,079	-
1/10/2018	1/10/2026	5.4829	390,520	-	-	-	390,520	-
1/10/2018	1/07/2026	1.5862	12,500	-	(12,500)	-	-	-
1/10/2018	1/10/2025	4.1166	313,582	-	(290,783)	-	22,799	22,799
30/04/2018	1/10/2025	4.9952	100,101	-	(100,101)	-	-	-
1/10/2018	1/07/2025	0.8633	29,250	-	(12,500)	-	16,750	16,750
1/10/2018	1/07/2025	1.5862	12,500	-	(12,500)	-	-	-
1/10/2018	1/07/2025	1.8914	50,000	-	-	-	50,000	50,000
1/10/2017	1/10/2025	5.1456	1,565,170	-	(1,410,064)	(63,092)	92,014	92,014
1/10/2017	1/10/2024	5.1456	50,000	-	(50,000)	-	-	-
1/10/2017	1/10/2025	5.7474	11,177	-	-	-	11,177	11,177
1/07/2018	1/07/2026	1.3388	167,000	-	(167,000)	-	-	-
1/07/2018	1/10/2026	4.1122	22,853	-	-	-	22,853	-
1/07/2017	1/07/2024	0.8633	16,650	-	-	-	16,650	16,650

Technology One Limited
Notes to the consolidated financial statements
(continued)

Issue date	Expiry date	Exercise price	Balance at start of the period	Issued during the year	Exercised during the period	Forfeited during the period	Balance at end of the period	Vested & exercisable at end of the period
			Number	Number	Number	Number	Number	Number
23/05/2017	1/10/2024	5.6046	155,482	-	(155,482)	-	-	-
10/03/2017	1/10/2024	5.6027	22,516	-	(22,516)	-	-	-
1/10/2016	1/10/2024	5.7474	17,000	-	(17,000)	-	-	-
1/07/2016	1/07/2023	0.8633	16,650	-	(1,350)	-	15,300	15,300
1/07/2015	1/07/2022	0.8633	16,650	-	(16,650)	-	-	-
25/08/2010	25/08/2023	0.3450	30,000	-	-	-	30,000	30,000
25/08/2011	25/08/2024	0.3450	30,000	-	-	-	30,000	30,000
Total			5,562,106	1,313,793	(2,268,446)	(303,641)	4,303,812	284,690
Weighted average exercise price			\$4.93	\$6.69	\$4.67	\$5.05	\$5.60	\$2.77

33.Share-based payments (continued)

At September 2022, a total of 5,485,153 options (2021 – 4,303,812) were offered to employees.

The weighted average share price at the date of exercise of options exercised during the year ended 30 September 2022 was \$4.25 (2021 - \$4.67).

The weighted average remaining contractual life of share options outstanding at the end of the period was 7.0 years (2021 - 6.0 years).

Fair value of options granted

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

The fair value of options granted during the year was between \$2.13 and \$3.65 (2021 - \$1.77 and \$2.66).

The model inputs for options granted during the year ended 30 September 2022 included:

- (I) Dividend yield of 1.2% (2021: 1.6%)
- (II) Expected volatility 33.15% (2021: 33.54%)
- (III) Risk-free interest rate 1.24% (2021: 0.01%)
- (IV) Expected life of option 3.3 years (2021: 3.3 years)
- (V) Option exercise price between \$12.31 and \$9.23 (2021: \$7.85 and \$5.88)
- (VI) Weighted average share price at grant date was \$11.56 (2021: \$7.85)

The expected volatility reflects the assumption that the historical volatility of the Group's share price over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Executive performance rights

After further market consultation, the Group made the decision to return to issuing options or EPRs. Please refer to section 3 of the remuneration report for further information.

Retention long-term incentives options

The Group made the decision to issue retention LTI's during the year to ensure the retention of key executives during the critical growth phase through to November 2026 and the transition from a founder led company. Option vest if the employee remains in service until November 2026 and malus provisions. Please refer to the remuneration report for more information.

A total of 1,400,926 retention LTI's were granted during the year (2021:nil).

Fair value of options granted

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

The fair value of options granted during the year was \$2.43 - \$2.83.

The model inputs for options granted during the year ended 30 September 2022 included:

- (I) Dividend yield of 1.4%
- (II) Expected volatility 30.98%
- (III) Risk-free interest rate 1.59%
- (IV) Expected life of option 5.07 years
- (V) Option exercise price \$10.37
- (VI) Weighted average share price at grant date was \$9.96

(d) *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:

	2022	2021
	\$'000	\$'000
Options issued under employee option plan:		
Vested	3,589	3,405
Forfeited	(236)	(192)
Total share-based payment expense	3,353	3,213

34. Parent entity financial information

(a) *Summary financial information*

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

	2022	2021
	\$'000	\$'000
Balance sheet		
Current assets	222,751	212,771
Non-current assets	260,224	225,836
Total assets	487,975	438,607
Current liabilities	219,344	198,267
Non-current liabilities	14,207	32,602
Total liabilities	233,551	230,869
Shareholders' equity		
Contributed equity	57,635	51,645
Dividend reserve	41,455	32,454
Share option reserve	41,658	38,305
Retaining earnings	113,624	85,283
	254,372	207,687
Profit or loss before tax for the year	103,583	92,260
Total comprehensive income	103,583	92,260

At 30 September 2022, the statement of financial position shows a current liability balance of \$217m (30 September 2021: \$198m) which is largely attributable to the Deferred Revenue balance in current liabilities. As Deferred Revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised in future periods, and not a future cash outflow, this balance does not impact the Group's ability to meet its short-term obligations as and when they fall due.

(b) *Guarantees entered into by the parent entity*

At 30 September 2022, the Group had \$3,745,483 (2021 - \$3,694,124) in outstanding bank performance guarantees. The total available guarantee facility is \$8,300,000 (2021- \$7,000,000).

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 2022 and 30 September 2021, the Parent had no contingent liabilities but did have a provision for contingent consideration as disclosed in note 25.

35. Events after the reporting period

On 22 November 2022, the Directors of Technology One Limited declared a final and special dividend on ordinary shares in respect of the 2022 financial year. The total amount of the dividend is \$41,455,498 and is 60% franked.

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

Technology One Limited Directors' declaration 30 September 2022

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 57 to 106 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 2022 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a); and
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the reporting year ended 30 September 2022.

On behalf of the Board of Directors



Pat O'Sullivan

Chair

Brisbane

22 November 2022



**Building a better
working world**

Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Technology One Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 September 2022, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 September 2022 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

For personal use only



Building a better working world

Measurement and recognition of revenue and associated assets and liabilities

Why significant	How our audit addressed the key audit matter
<p>The Group has the following key revenue streams:</p> <ul style="list-style-type: none">▶ SaaS fees;▶ Annual licence fees;▶ Initial licence fees; and▶ Consulting services <p>Customer contracts often include a number of products and services (separately identifiable components). Revenue recognition is considered a key audit matter due to the complexity of contracts and the judgement required to allocate revenue amongst the respective performance obligations.</p> <p>Note 1(d) to the financial statements details the Group's revenue streams and the associated accounting policies. Revenue is disclosed in Note 5, associated assets in Note 9 and Note 10 and associated liabilities in Note 16.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">▶ For a sample of customer contracts, we obtained supporting documentation and assessed management's judgement on whether the revenue has been recorded appropriately. Testing considered:<ul style="list-style-type: none">▪ The timing of revenue recognition based on the satisfaction of performance obligations;▪ The allocation of transaction price to identified performance obligations; and▪ The determination of stand-alone selling price for separately identifiable components.▶ For a sample of consulting service contracts, we assessed the Group's controls associated with the recording of consulting days delivered and the application of contracted fee rates to these days.▶ For deferred revenue (contract liabilities) and contract assets, we tested a sample of balances at year end, including:<ul style="list-style-type: none">▪ Agreeing the amounts recorded to contract, invoice and payment, where appropriate;▪ Reperforming the recognition of revenue based on the satisfaction of performance obligations; and▪ Recalculating the amount of the contract asset or contract liability balance at year end.▶ Assessed the adequacy of the financial report disclosures included in the financial statements.

For personal use only



Building a better
working world

Capitalisation of software development costs

Why significant	How our audit addressed the key audit matter
<p>As set out in Note 13 to the financial statements the Group capitalises costs related to the development of software products. Software development is core to the Company's operations and requires judgement as to whether it meets the capitalisation criteria of AASB 138 Intangible Assets.</p> <p>The capitalisation of software development costs was a key audit matter due to the significant management judgements, including:</p> <ul style="list-style-type: none">▶ Whether the costs incurred relate to research costs, which are required to be expensed, or development costs that are required for capitalisation;▶ The assessment of the useful life of the asset and the timing of amortisation; and▶ The assessment of future economic benefits and indications of impairment of the capitalised software development costs.	<p>We performed the following procedures in respect of the development costs capitalised:</p> <ul style="list-style-type: none">▶ Assessed the Group's policy of capitalisation of software development costs for compliance with Australian Accounting Standards.▶ Held inquiries with Project Directors and other project team members, to understand development activities undertaken and the feasibility of completion.▶ For capitalised salaries, we tested whether additions were appropriately supported to payroll records, including:<ul style="list-style-type: none">▪ Testing a sample of payroll transactions capitalised to payslips and employee contracts;▪ Performing independent data analysis to identify and investigate significant changes in salaries capitalised (including changes in employees) and the capitalisation rate applied to time recorded on employee timesheet.▶ For a sample of third-party costs capitalised, agreed the amount capitalised to invoice or other supporting documentation and assessed whether the service or good received was attributed to development activities.▶ Considered the appropriateness of the amortisation period for the capitalised software development costs and the timing of amortisation.▶ Assessed the completeness of the Group's indicators of impairment of capitalised software development costs.▶ Assessed the adequacy of the financial report disclosures included in the financial statements.

For personal use only



Building a better
working world

Purchase price allocation for Scientia business combination

Why significant	How our audit addressed the key audit matter
<p>On 15 September 2021, the Group acquired 100% of the issued shares and voting rights in Scientia Resource Management Limited (Scientia). The details of the business combination are disclosed in Note 25 of the financial statements.</p> <p>This is considered a key audit matter as:</p> <ul style="list-style-type: none">▶ Measurement of the fair value of the purchase consideration, including contingent consideration for the transaction, requires judgement in assessing the likelihood of achieving performance targets as at the date of acquisition; and▶ Identification and measurement of the fair value of identifiable assets, liabilities and contingent liabilities requires judgement and accounting estimation.	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">▶ Evaluated the Group's determination of purchase consideration with reference to Australian Accounting Standards including the assessment on recognition of the contingent consideration.▶ Considered management's identification of identifiable assets, liabilities and contingent liabilities.▶ Evaluated the competence and objectivity of the Group's expert used to identify and measure the fair value of identifiable assets, liabilities and contingent liabilities acquired as part of the business combination.▶ Involved EY's valuation specialists to determine whether the valuation methodology used by the Group's expert was in accordance with the requirements of the Australian Accounting Standards.▶ Agreed the allocation of fair value to acquired assets, liabilities and contingent liabilities to those assessed by the Group's expert or other supporting documentation not included in the scope of the expert's valuation.▶ Recalculated the amount of goodwill as the difference between the purchase consideration and the fair value of the identifiable assets, liabilities and contingent liabilities acquired.▶ Assessed the adequacy of the disclosures in Note 25 to the financial statements.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report other than the financial report and our auditor's report thereon and the Sustainability Report for the year ended 30 September 2022. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



**Building a better
working world**

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the Directors' Report for the year ended 30 September 2022.

In our opinion, the Remuneration Report of Technology One Limited for the year ended 30 September 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

John Robinson
Partner
Sydney
22 November 2022

Jennifer Barker
Partner
Brisbane
22 November 2022