

Technology One Limited Annual Report 2011



Transforming business, making life simple

TechnologyOne (ASX: TNE) is a leading enterprise software solutions provider. For 25 years we have been providing deeply integrated software solutions for the business, government, financial services, health and community, education and the utilities sectors. Tens of thousands of people each day use our best in class integrated solutions, which we develop, market, sell, implement and support. Our enterprise-wide solution suite is based on leading edge technology and is backed by a substantial R&D program. Our consulting teams provide world class services and this provides our customers with a long-term, secure and valuable partnership. TechnologyOne employs more than 800 people and has offices in each state and territory of Australia, as well as New Zealand, Asia, the South Pacific and the United Kingdom.

One vision

For the industries we serve and the software solutions we deliver.

One vendor

Responsible for the comprehensive end-to-end service and care of our customers.

One experience

A compelling, positive experience, which enhances our customers' success.

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Notice of Annual General Meeting

The Annual General Meeting of Technology One Limited for Financial Year 2011 will be held on Friday 17 February 2012 at 10.30am (AEST) at the Brisbane Convention and Exhibition Centre, Merivale Street, South Brisbane, Queensland 4101. The business to be presented is set out in the separate Notice of Meeting issued to shareholders with a Proxy Form with this report.



TechnologyOne at a glance

Our vision

Transforming business, making life simple.

Our main activities

TechnologyOne is a leading supplier of integrated software solutions for enterprise-level organisations in the following markets:

- Local government
- Government
- Education
- Health & community services
- Utilities
- Financial services
- Managed services, including property, construction, media, entertainment and mining

We develop, market, sell, implement and support world class software solutions, which are used by hundreds of organisations each day in Australia, New Zealand, Asia, the South Pacific and the United Kingdom.

Our products

TechnologyOne's comprehensive suite of business software products include:

- TechnologyOne Financials
- TechnologyOne Human Resource & Payroll
- TechnologyOne Supply Chain
- TechnologyOne Corporate Performance Management
 - TechnologyOne Business Intelligence
 - TechnologyOne Enterprise Budgeting
 - TechnologyOne Performance Planning
- TechnologyOne Property & Rating
- TechnologyOne Student Management
- TechnologyOne Asset Management
- TechnologyOne Enterprise Content Management
- TechnologyOne Customer Relationship Management
- TechnologyOne Mobile Solutions
- TechnologyOne Plus — custom software development

Our finances

- TechnologyOne has been continually profitable since 1992
 - Eight consecutive years of record revenues
 - Strong financial track record including:
 - Revenue growth* up 22% per annum
 - Profit growth* up 20% per annum
 - Dividend growth* up 23% per annum
- *Compound growth per year over 15 years*

Our reach

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

Our people

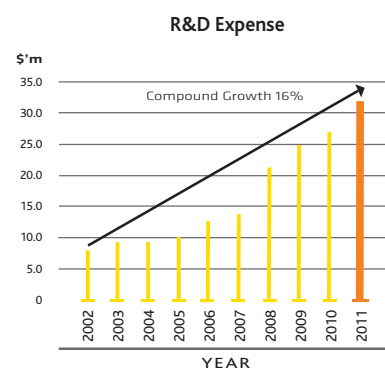
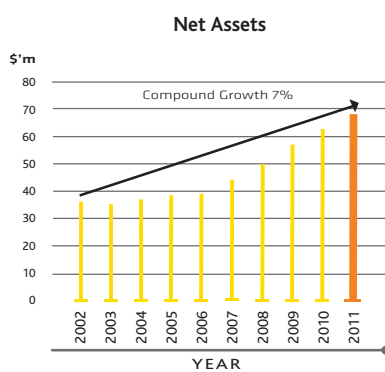
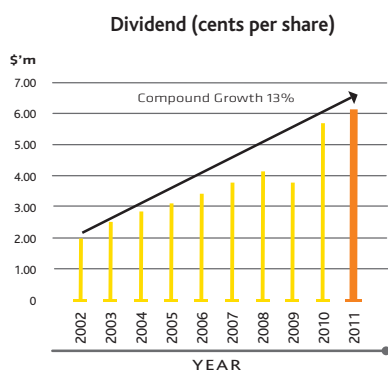
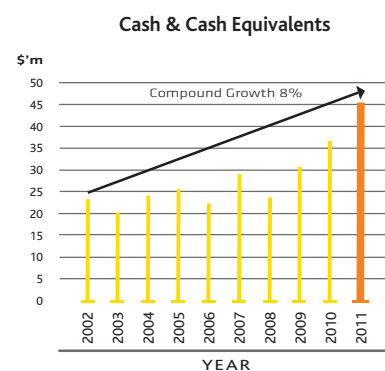
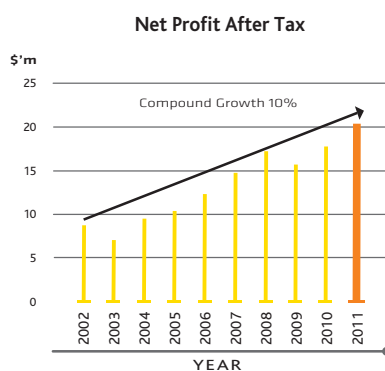
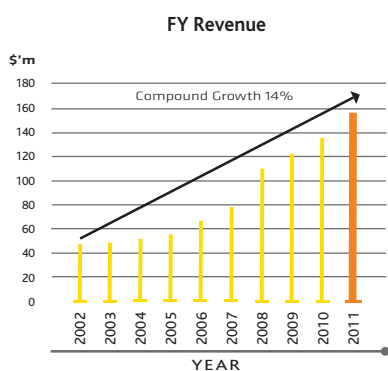
We employ more than 800 people throughout our offices.

Other facts about TechnologyOne

- One of Australia's largest publicly listed software companies
- The largest Australian-owned commercial R&D facility
- The only vendor to develop, sell, implement and support a fully integrated suite of enterprise software solutions
- Our preconfigured solutions reduce the time, cost and risk associated with implementing enterprise software solutions
- Our Cloud Computing capabilities will be progressively developed and delivered through our Ci suite of software solutions

Financial highlights

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Growth on Last Year	10 Year Compound Growth
Revenue	47,380	48,348	51,551	55,823	66,485	78,367	110,215	122,487	135,906	156,742	15%	14%
Licence Fees	11,534	8,075	10,463	10,644	15,606	18,354	22,588	24,333	26,766	30,729	15%	12%
Consulting	13,830	14,078	13,309	14,846	18,060	22,498	35,882	41,023	41,583	42,774	0%	13%
Annual Support and Maintenance	10,704	12,426	14,388	17,173	21,064	25,594	36,343	43,114	48,506	55,268	14%	20%
R&D Expense	8,135	9,306	9,547	10,220	12,675	13,837	21,154	24,908	26,963	31,796	18%	16%
Net Profit Before Tax	12,844	10,121	13,110	14,302	16,257	19,772	23,129	20,276	23,282	26,675	15%	8%
Net Profit After Tax	8,755	7,030	9,479	10,280	12,314	14,781	17,229	15,684	17,813	20,326	14%	10%
Earnings Per Share	2.76	2.30	3.17	3.55	4.12	4.97	5.77	5.24	5.93	6.71	14%	10%
Dividend (cps)	2.00	2.50	2.85	3.10	3.41	3.75	4.12	3.75	5.70	6.12	7%	13%
Dividend Payout Ratio	0.73	1.06	0.90	0.90	0.82	0.75	0.71	0.72	0.96	0.87	-	-
Return on Equity	24%	20%	52%	55%	62%	35%	36%	28%	28%	30%	-	-
Cash & Cash Equivalents	23,244	20,187	23,853	25,623	22,279	28,809	23,684	30,538	36,573	45,357	24%	8%
Net Assets	36,644	35,646	36,956	38,500	39,256	44,312	50,514	57,143	63,415	68,370	8%	7%



Letter to shareholders

On behalf of Technology One Limited (TechnologyOne), I am pleased to announce our results for the full year ending 30 September 2011.

TechnologyOne has continued to post strong growth with a record Net Profit Before Tax up 15% on the prior full year period. This result is at the higher end of market guidance previously provided by TechnologyOne of profit growth of between 10% and 15%.

We have continued to increase our market penetration against our multinational competitors, with new contracts across all our major vertical markets.

TechnologyOne has now posted its eighth consecutive year of record revenues and licence fees, with revenue up 15% and licence fees up 15%.

Based on our strong performance this year, and our continuing confidence going forward, I am also pleased to announce both a final dividend and a special dividend for the year. This takes the total dividend for the year to 6.12 cents per share (up 7% on the prior year), which based on a share price of \$1.01, represents a fully franked dividend yield of 6%.

Analysis of full year results

Highlights of our results include:

- Net Profit Before Tax up 15% (up \$3.4m to \$26.7m)
- Net Profit After Tax up 14% (up \$2.5m to \$20.3m)
- Revenue up 15% (up \$20.8m to \$156.7m)
- Total Expenses up 15% (up \$17.4m to \$130.0m)
- Expenses excluding R&D up 15% (up \$12.6m to \$98.3m)
- R&D expenses up 18% (up \$4.8m to \$31.8m)
- R&D expenses as a percentage of revenue remained at 20%

Our results by revenue stream are as follows:

- Initial licence fees up 15% (up \$4.0m to \$30.7m)
- Annual licence fees up 14% (up \$6.8m to \$55.3m)
- Consulting services fees up 1% (up \$441k to \$41.7m)
- TechnologyOne Plus (Project Services) up 49% (up \$6.6m to \$20.1m)

Our results are especially pleasing given our costs for the full year were up 15%, which were higher than the original planned cost growth of 14% for the full year, as we accelerated a number of important initiatives including the establishment and trial of our new R&D centre in Indonesia. This impacted our results by \$1.1m.

We have also continued to make a significant investment in R&D, which this year was \$31.8m. This investment was once again not capitalised, but fully expensed in the year it was incurred. This investment represents 20% of our revenues invested in R&D, which is a considerable investment, the benefits of which we will only see in future years. Our historical target for R&D is 18%, which means this year we invested an additional \$3.6m in R&D.

Other areas of significant investment included:

- The United Kingdom (UK), which made a loss of \$1.5m
- Our new preconfigured Solutions business, which made a loss of \$3.2m

We see significant revenue streams in future years emerging from these investments in R&D, the UK and our emerging Solutions business. These items are discussed in more detail later in this letter.

Commentary

Continued Licence Fees Growth

We saw continuing growth in licence fees, with licence fees up 15% driven by our Financials and Supply Chain, Corporate Performance Management, Asset Management, Property & Rating, Customer Relationship Management and Student Management products.

Consulting Services

Growth in our Consulting Services was not as strong as we expected. Our Consulting Services was impacted by a number of factors, including the United Kingdom slow down in licence fees and issues with utilisation of staff in a number of product areas. These factors are not expected to be repeated next year. We are also planning to undertake a full review of our consulting business, with a goal to transform this business into a world class consulting and services business.

TechnologyOne Plus

TechnologyOne Plus has had strong results, with the success of our new strategy of working closely with our product groups in providing new 'value added' services to our customers. These services have traditionally been provided by other vendors in the past.

This has resulted in improved performance for this division, and a much better outcome for our customers as they can deal with a single supplier for the products, implementation services and now the 'value added' services provided by TechnologyOne Plus. TechnologyOne Plus is expected to continue to perform strongly next year.

Compelling Customer Experience

Some 12 months ago, TechnologyOne committed to what we now call our Compelling Customer Experience program. This initiative puts our customers at the heart of our business, and re-engineers our culture and our business around our customers, ensuring they receive an outstanding and compelling experience from us at all times.

We have seen a substantial change in the attitude of our staff as they move from a 'product' culture to a 'customer service' culture. In the next 12 months we will continue to invest in our Compelling Customer Experience program.

In parallel to this program we have also started to re-engineer our business to ensure our systems, processes and policies support our people to deliver an outstanding experience to our customers. This re-engineering program will take a number of years to complete – it is a large and complex project and represents a significant undertaking by TechnologyOne to put our customer at the centre of our business.

I believe our commitment to delivering a compelling customer experience and re-engineering our business around our customers will provide us with a significant advantage over our competitors, as our competitors' cultures and business models do not support them in delivering this to the market.

Research & Development (R&D)

R&D continued to be a significant investment for TechnologyOne, at \$31.8m.

An important area of R&D this year has been the research and initial development into new cloud-based technologies for our enterprise suite. This will provide our customers with a simple, easy and evolutionary path using our proven Ci platform as a way forward to the exciting new paradigm of Cloud Computing. This will be an important driver of sales in future years.

Another important area for R&D this year has been the creation of a new TechnologyOne Mobile Solutions group. This investment will allow us to build a new mobile platform and a range of mobile solutions across our entire product range that leverage the power and take-up of iPhones, iPads, Android smart phones and other mobile devices. We see significant demand for mobile solutions in our customer base.

Other areas of investment in R&D included Financials, Supply Chain, Human Resource & Payroll, Customer Relationship Management, Enterprise Content Management, Student Management, Performance Planning, Business Intelligence, Enterprise Budgeting, Asset Management and Property & Rating.

New Offshore R&D Centre

Having established a new state of the art R&D centre in Brisbane last financial year, we are now looking to the challenges that the next stage of our growth presents. In the last six months we commenced the trial of a new R&D centre in Indonesia. This trial will allow us to prove and quantify the benefits of a new offshore R&D centre, and allow us to develop the expertise, systems and processes for it to be successful.

The focus of the new offshore R&D centre will be to improve the support of our existing products for our customers. The new offshore R&D centre provides us operating leverage, allowing us to employ significantly more staff for the same expenditure, improve support time and KPIs for our customers and help deliver against our Compelling Customer Experience program. The new offshore R&D centre will more importantly allow our Australian R&D staff to focus on new and innovative areas of R&D, such as Cloud Computing, that will in turn drive future sales.

Once our new offshore R&D centre has been successfully established and proven, this will help us to contain our R&D expenditure in future years, tap into a pool of new talent and at the same time improve our customers' experience with our products.

TechnologyOne College

Today we are one of Australia's largest software companies.

Critical to our future success will be our ability to quickly 'on board' new staff with the training and skills they need to do their tasks to a high standard. It is also important our existing staff receive ongoing 'just in time' training to continually improve their skills. Given the wide range of products we have, the number of vertical markets we service and the diverse range of skills we employ (from software engineers, consultants, project managers, technical staff etc) this is a significant challenge.

Our customers are also looking to us to provide 'just in time' training for their staff to help them use our enterprise software effectively. To address this challenge, we have now opened the TechnologyOne College. The TechnologyOne College will provide continual training courses to our staff, and ultimately our customers.

Leadership Program

Our ability to successfully execute against our ambitious agenda is our single biggest challenge in the coming years, as distinct to competition from our multinational competitors.

As such, it is important we have strong leaders, as opposed to managers within TechnologyOne, who can set ambitious goals for their teams, inspire their staff to meet these ambitious goals, have the capacity and ability to work with their staff to overcome unforeseen problems as they arise, and create what we call a 'can do culture'.

Going forward, identifying and recruiting strong leaders will become paramount, and in parallel we are also developing a 'leadership' training program to help our senior staff become the strong leaders we need.

House of Solutions

Over the last 12 months, TechnologyOne's new Solutions Group has been working with our customers to preconfigure our products for 'proven practice' within each of our target vertical markets.

These preconfigured solutions dramatically reduce the times and risk typically associated with a large enterprise-wide implementation by allowing a prospective customer to take a 'preconfigured solution' relevant to their industry as the starting point, and then tailor it to the specific needs of their organisation.

This is a significant and ambitious undertaking for the company. This has the potential to significantly streamline our business, reduce our risks, and dramatically enhance the value our solutions provide to our customers in our target vertical markets.

This year a substantial number of contract wins are due to the highly attractive nature of our preconfigured solutions.

The United Kingdom

The United Kingdom (UK) continues to be impacted by the Global Financial Crisis (GFC) and as a new entrant to this market, this has made it challenging for us.

To address these issues we have put in place a new strategy for the UK, which will see us focus on using our Business Intelligence tools as an entry point into new organisations, rather than just promoting our traditional core Financials product. We are also investigating the possibility of a partner with a strong track record in the UK to work with us to win new business. Lastly, we have in the last 12 months started to rebuild the UK management team with the appointment of two new Regional Managers with extensive enterprise software experience in the market to drive this business, as well as assigning an Operating Officer to spend a considerable amount of time in the UK on a regular basis.

With the new strategy, new structure and new people in place, we are seeing our pipeline of opportunities grow once again. TechnologyOne remains committed to the UK market, as we see significant long-term growth opportunities in the coming years.

Statement of Financial Position Strength

TechnologyOne continues to have a strong statement of financial position with cash of \$43.4m, short term investments available-for-sale of \$1.9m and undrawn banking facilities of \$7m. Our debt/equity ratio remains conservative at only 14%.

Operating cashflow was \$21.2m, versus a Net Profit After Tax of \$20.3m.

Dividend

In light of our continuing strong performance, the final dividend for the year has been set at 3.16 cents per share. This takes the full year dividend to 4.62 cents, up 10% on the prior year, in line with our Net Profit After Tax. This represents a payout of 70% and is in line with our previous guidance given to the market.

Additional Special Dividend

Because of the strong Balance Sheet, continuing growth, and confidence in the company's future outlook, the board has also approved the payment of an additional special dividend of 1.50 cents, which will be paid at the same time as the final year-end dividend.

This will take the total dividend for the year to 6.12 cents per share (up 7% on the prior year), which based on a share price of \$1.01, represents a fully franked dividend yield of 6%. It is interesting to note that though TechnologyOne is still a high growth company, we will also now be a high dividend paying company.

Outlook for 2012

The biggest unknown we face this year is the impact from the global economic uncertainty we have witnessed in recent months, and its effect on business confidence in Australia. This will need to be closely monitored and managed this financial year. Historically the enterprise software market has been one of the strongest and most resilient sectors in the IT industry.

The first half of the new financial year will also be challenging due to the fact that in the first half of the previous year (2011), we had a number of significant contracts which closed earlier than anticipated. This resulted in the first half profit growth being up 33% compared to 15% at year end. This year we do not expect any significant contracts to close in the first half of the year – these are expected to close in the second half. Also expense growth in the first half will be disproportionately higher, peaking at approximately 17% up on the previous half, before dropping substantially by year end.

Having said this, TechnologyOne's sales pipeline of opportunities for 2012 remains good and this positions us well for continuing growth in licence fees and revenue over the full year in 2012. We will need to carefully monitor and manage the sales cycle for potential contract delays given the uncertain economic climate we are operating in.

Long-Term Outlook

TechnologyOne has built a suite of enterprise products that puts us in an elite group of software companies globally, providing a true 'end to end' enterprise solution to an organisation. The breadth of our enterprise suite today encompasses Financials, Supply Chain, Asset Management, Human Resource & Payroll, Enterprise Budgeting, Business Intelligence, Performance Planning, Property & Rating, Student Management, Customer Relationship Management, Enterprise Content Management and Mobile Solutions.

TechnologyOne provides a compelling proposition to our target customers because of our advanced product functionality, the deep integration across our enterprise suite, our advanced user interface, our Connected Intelligence (Ci) platform, and our unique 'Power of One' business model.

Our concentration on seven key vertical markets and the introduction of our new Solutions Group now enables us to better focus our sales, marketing, R&D and consulting teams to deliver an exceptional customer experience, with the aim of becoming one of the dominant suppliers in each of the sectors we operate in. As we deliver our 'preconfigured, proven practice enterprise solutions' to each of these vertical markets, we have now dramatically reduced the implementation times and risk typically associated with a large enterprise-wide implementation and this provides us with a significant competitive advantage.

Adrian Di Marco
Executive Chairman



Richard Anstey
Non-Executive Director



Kevin Blinco
Non-Executive Director



Ron McLean
Non-Executive Director



Our Solutions, Programs and Promotions marketing approach now allows us to better focus on our expanding product line to ensure we achieve a greater return on our investment in R&D.

We are also continuing to expand geographically, which is creating new opportunities for us. The UK, though a challenging market in the short-term, has significant long-term growth potential for us.

We are continuing to use new technologies to gain an advantage over our competitors, as we have already achieved with our Ci series. The incorporation of new cloud-based technologies into our products in the coming years will provide us with continuing leadership and innovation over our competitors.

Our focus on delivering our customers an outstanding and compelling experience will also position us as the enterprise supplier of choice in the coming years.

Lastly, and most importantly, as many of our newer products move from 'start-up' to 'established' mode over the next few years, this will improve our margins and return on investment on these products.

As such, we remain confident of continuing growth in the long-term.

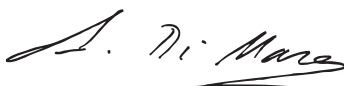
Afterword

TechnologyOne has by any measure been very successful. Notwithstanding, we are not complacent, as we continue to see significant room for improvement. What excites me personally is the total commitment by our people to continually challenge the status quo, to embrace change and to meet head on the significant challenges that come with change.

We have set an ambitious agenda for the next five years, and there are significant challenges ahead for us. Our people are once again rising to these challenges. It is their passion and their commitment to excellence and their ability to change and to evolve that is the real strength and true competitive advantage of TechnologyOne.

Let me finish off by once again acknowledging the hard work, passion and commitment of our people, and the great work being done to build, market, sell, implement and support our world class suite of enterprise software. As we continue to 'raise the bar', it is exciting to see our people respond enthusiastically to the new challenges.

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



Adrian Di Marco
Executive Chairman

Finally, Dugald Mactaggart, who played a critical role in starting TechnologyOne, sadly passed away. Dugald was an early pioneer in bringing new technologies into the hides processing business and in the process revolutionising that industry. His company was one of the biggest processors of hides in Australia. I was fortunate to meet Dugald when I computerised his hides processing plant at Hemmant some 30 years ago. It was to be a very fortuitous meeting, as years later when I could not raise venture capital for a new business venture, I approached him to become an angel investor.

Dugald was an entrepreneur at heart, and loved to back great ideas and all things Australian. Fortunately for me, he said yes and TechnologyOne was born, and we started at the front of his hides processing factory at Hemmant in a small demountable shed. Dugald was always a passionate supporter of TechnologyOne - he believed in what we were doing, and was prepared to back Australian talent and ideas. The Mactaggart family continue to be a major shareholder and passionate supporters of TechnologyOne.

John Mactaggart
Non-Executive Director



Edward Chung
Executive Director



Rodney Hooper
Company Secretary



TechnologyOne's success is the result of our strategy focusing on:

1. Our technology

- Maintaining speed and agility in our R&D efforts
- Innovation, creativity and collaboration
- Our Ci platform
- Simplicity
- Using technology for competitive advantage
- The power of best in class software

2. Our markets

- Seven key vertical markets
- Delivering deeply integrated preconfigured solutions
- Harnessing the opportunities of our House of Solutions business model
- Expanding within our vertical markets
- Extending our product breadth and depth
- Expanding within our geographies

3. Our business

- Our culture of innovation involving a true partnership approach with our customers
- Evolve, our technology strategy, which offers a ground breaking, evolutionary way forward for our customers
- The 'Power of One' value proposition
- A compelling customer experience
- Recruiting and retaining remarkable people



Evolving our strategy

For 25 years, TechnologyOne has been a leader in providing deeply integrated enterprise software solutions for the business, government, financial services, health and community, education and utilities sectors. We continuously evolve our products and business model to keep pace with market demands and technological advances, a strategy that, along with our ability to respond quickly to our customers' needs, has been instrumental to our success.

Our teams continue to grow to meet the ongoing demand for our products and services and TechnologyOne now employs more than 800 people in offices in each state and territory of Australia, as well as New Zealand, Asia, the South Pacific and the United Kingdom. Our solution suite offers 12 fully integrated enterprise software solutions.

1. Our technology

TechnologyOne operates at the leading edge of technology and ensures our customers are provided with solutions that transform their business and makes their working life simple.

Maintaining speed and agility in our R&D efforts

TechnologyOne works closely with our customers to offer software releases every 12 months. This ensures our solutions continue to evolve at a market-relevant pace and include new features and functions. Our upgrades are easy to install and, most importantly, are available for no additional licence fees.

Innovation, creativity and collaboration

TechnologyOne has always prided itself on developing software solutions that are based on the business and social drivers our customers face. This is where innovation and creativity amongst our R&D teams is key. We need to create software that sets us apart from the rest and our developers are leaders in this regard. They challenge conventional thinking, think outside the square and go beyond the traditional realms of development methodology. Our state of the art R&D facility and specific programs designed to foster collaboration, creativity and innovation provide the platform for our future growth.

Simplicity

Simplicity is the elegance of doing more with less and is a philosophy we will embrace in everything we do for our customers. Our focus is to become known for software that is easy, simple, intuitive and pleasurable to use that removes needless complexity. Supporting this focus for the company is our new vision statement, 'Transforming business, making life simple'.

Being a part of the ERP market means we have always focused on transforming business, but more importantly, we also want to conquer and remove complexity to make working life simple for our customers.

Our Connected Intelligence platform

TechnologyOne has a suite of 12 products working on the Connected Intelligence (Ci) platform, offering superior integration and ease of use. This has assisted with the development of our preconfigured solutions for our key vertical markets and their sub-sectors, delivering proven industry practice, reduced risk and providing a faster return on investment. The Ci platform forms the basis for our Loosely Coupled Architecture, which enables our customers to upgrade or implement products individually and places us well ahead of our competitors.

Using technology for competitive advantage

Using new and emerging technologies to provide a competitive advantage was one of the founding principles when TechnologyOne began 25 years ago and continues to be a major focus today. This is manifest in our delivery of cloud-based technologies, which provide our customers with cost benefits, scalability and a simple computing model.

The power of best in class software

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

Evolving our strategy continued...

2. Our markets

TechnologyOne focuses on specific markets with the aim of becoming the leading software supplier within them. This approach has led to our current success and will continue to support our future growth.

Seven key vertical markets

TechnologyOne focuses its R&D, sales and marketing on seven key vertical markets: government, local government, financial services, education, health and community services, utilities, and managed services. With our greater understanding of these markets and the development of our preconfigured solutions, we are now realising greater success in these chosen vertical markets.

Delivering deeply integrated preconfigured solutions

Our preconfigured solutions provide our vertical markets with out of the box software designed to meet the diverse needs of their sector. TechnologyOne has been able to develop these solutions because it is one of the few vendors world-wide to own the intellectual property of a core enterprise suite, including Financials, Human Resource & Payroll, Supply Chain, Enterprise Budgeting, Business Intelligence and Asset Management software.

As we continue to develop preconfigured solutions, customers will realise the ongoing benefits of rapid implementation and a reduced total cost of ownership through streamlined services and more efficient operations. Each solution is developed by a Solutions Manager who possesses an in-depth knowledge of the market in which they work.

Harnessing the opportunities of our House of Solutions business model

TechnologyOne has appointed Solutions Managers with comprehensive industry knowledge to drive the company's long-term strategy of developing specific solutions for its seven vertical markets. These senior managers report directly to the Operating Officer, Vertical Market Solutions and work closely with customers in their markets to further understand the sectors' requirements. They are also responsible for working closely with the product General Managers, sales, service delivery and R&D to pass on customer feedback that will be incorporated into preconfigured solutions.

The combination of vertical market-specific Solutions Managers and product General Managers to focus on developing strategy and systems to ensure TechnologyOne remains a market leader is an evolution of our best in class commitment to our customers. This combined approach also drives integrated R&D, marketing, sales, implementation and support strategies for the development of both products and solutions, all of which are based on our Ci platform.

Expanding within our vertical markets

Our broad markets offer a great deal of room to expand into new industries and as TechnologyOne continues to grow, we will be seeking to continue this expansion to generate further growth. For example, this year we have continued to develop solutions for use within five different sectors in the health and community services market: community housing, community services, not-for-profit, research institutions and health organisations. Likewise, in the financial services sector, we are focusing on superannuation and wealth management, insurance, credit union and banking organisations.

Extending our product breadth and depth

Along with the development of preconfigured solutions, TechnologyOne is continuing to extend its product offering through the development of additional features and functions. We are working closely with our customers to ensure we continue to meet their ongoing business needs and provide an increasing range of functions within our enterprise solutions.

Expanding within our geographies

As TechnologyOne continues to achieve outstanding success in the Australian and New Zealand markets, we are looking to expand within our geographies to ensure the business continues to grow. One such expansion includes the establishment of a new office in Glasgow, to demonstrate our commitment to the UK market.

Our success has been achieved because of our ability to adapt the company to meet the differing needs in each region. In particular, we adapt our sales strategies within our regions as we identify new and ongoing needs. For example, we have divided the UK into two regions; a north and west office, which cover Wales, Ireland, the north of England and Scotland and a southern office covering the rest of England. We have appointed highly experienced managers to each of these regions, both of whom have a strong background in driving software sales and growing businesses in new markets.

3. Our business

TechnologyOne's innovative approach to software offers significant benefits and provides a compelling experience for both our customers and our people.

Our culture of innovation involving a true partnership approach with our customers

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

Evolve, our technology strategy, which offers a ground breaking, evolutionary way forward for our customers

Our technology strategy commitment, Evolve, means we offer customers continuous improvement in our products and our iterative approach ensures our upgrades are easy to implement. This approach has now seen TechnologyOne successfully migrate its customers across a number of technology releases; from mainframe and client/server based computing to web and our Ci platform. Our next technology release is allowing our customers the opportunity to embrace Cloud Computing technologies through the Ci platform.

The Power of One value proposition

Our unique value proposition, 'The Power of One', is that we develop, market, sell, implement and support our best in class software solutions. We do not sell our products through resellers, nor do we use third party organisations to implement them. Our customers profit from a direct relationship with us every step of the way. From the beginning of a project, our remarkable people take ownership of a project and provide excellent ongoing service and support. Our commitment to R&D means customers are able to influence product development directly and work with a receptive R&D team. We guarantee our customers will receive the best available solutions and services.

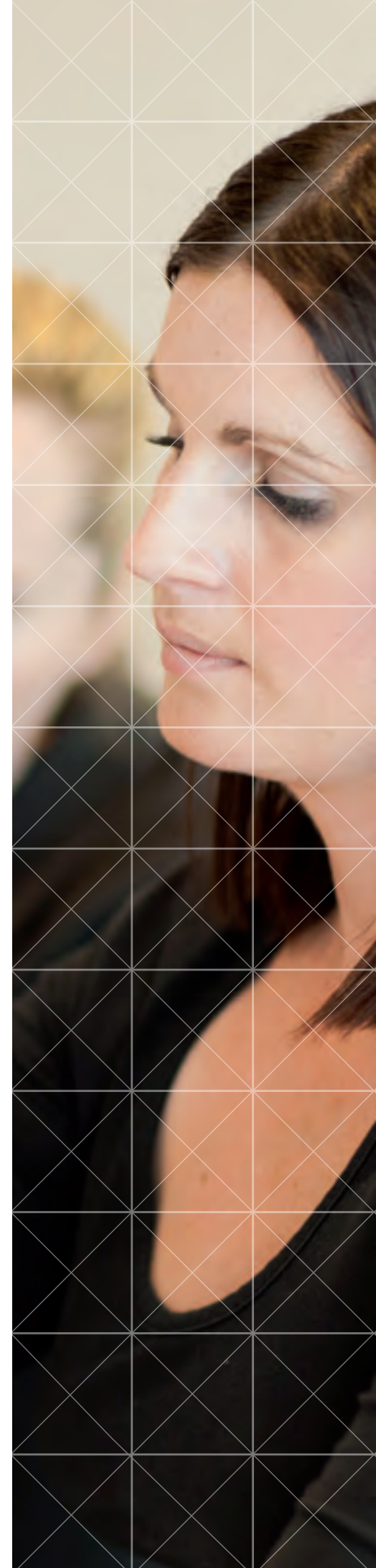
A compelling customer experience

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

Delivering a compelling customer experience is an overriding concern for the company and we are transforming our business to ensure all our policies, procedures, work practices and attitudes reflect this focus. We will constantly strive to deliver exceptional software, solutions and services and we will be flexible so we can evolve with our customers and their expectations. The only way to achieve these aims is to listen to our customers, who have the knowledge to help us.

Recruiting and retaining remarkable people

It is the innovative people TechnologyOne employs who ensure we can continuously evolve as an organisation. Key to our ongoing success is our positive work culture. We must continue to attract the best and most talented people and have invested in collaborative spaces which inspire our people to work innovatively. These new office designs have been rolled out across each of our regions to provide a work environment where people can pursue excellence, where they can lead and where they can make a difference.





Our integrated solution suite

Each product stands alone as best in class, or can seamlessly join together to create one total enterprise solution.

TechnologyOne Financials

TechnologyOne Financials delivers organisation-wide control and integration of financial information critical to assist strategic decision making and improving the bottom line. With rich functionality, powerful online enquiries, and flexible reporting, its unique structural design lets users create an unlimited number of ledgers for any range of items, allowing both macro and micro control and analysis.

TechnologyOne Supply Chain

TechnologyOne Supply Chain automates and optimises each stage or 'cost pocket' of the purchasing process to deliver significant cost savings. Simple to use for even the most widely distributed organisation, it delivers advanced workflow to efficiently and effectively request, order, receive, distribute and pay for an organisation's resources.

TechnologyOne Human Resource & Payroll

TechnologyOne Human Resource & Payroll is a complete human resource management system that empowers organisations to make better people related decisions. It delivers true integration with other organisational systems, business process automation and career planning and self-service capabilities.

TechnologyOne Business Intelligence

TechnologyOne Business Intelligence comes data-aware for TechnologyOne software to deliver immediate business benefits. With a user-friendly dashboard, organisations can monitor, visualise and take action across software system boundaries with an integrated, real-time, organisation-wide view of key strategic and operational metrics. Data warehousing capabilities mean this can provide a true whole of organisation view.

TechnologyOne Budgeting and Forecasting

TechnologyOne Enterprise Budgeting has been designed from the ground up to link business drivers to financial implications – rather than the other way around. Enabling the budgeting process to be devolved throughout the organisation, it meaningfully connects both business and financial people through ease of use and by presenting financial information in operational terms, linking operations with budgeting and forecasting functions.

TechnologyOne Property & Rating

TechnologyOne Property & Rating is a functionally rich solution that covers all aspects of property and people management, revenue management, customer management and a wide range of regulatory applications. Its unique design and powerful workflow fulfil the rapidly changing needs of the new self-service and mobile, customer-centric business model.

TechnologyOne Student Management

TechnologyOne Student Management empowers all stakeholders in an education institution by providing online, real-time access to user-specific information in order to self-serve or make effective business decisions. It provides a total education solution that enables students, academics, administrators and organisational partners to all connect through one intuitive application.

TechnologyOne Performance Planning

TechnologyOne Performance Planning forms part of a total corporate performance management solution that enables organisations to define strategic goals, outcomes and outputs and measure and manage performance against them. It delivers a set of integrated, iterative management and analytical processes that align the philosophies of quadruple bottom line reporting to promote improved planning, reporting and organisational performance.

TechnologyOne Asset Management

TechnologyOne Asset Management manages the complete asset lifecycle, including construction and acquisition, operations, maintenance and disposal. It brings together human, physical and financial resources into a single solution, delivering a 360 degree view of asset and project management activities through a totally integrated project management, work management, asset maintenance, asset capitalisation, contract management, job costing and timesheets, billing and reporting solution.

TechnologyOne Enterprise Content Management

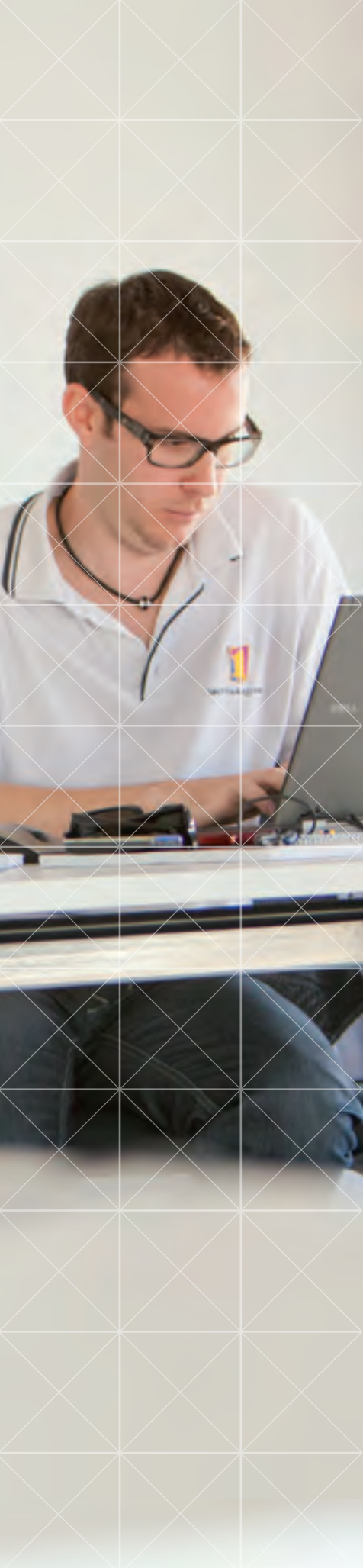
TechnologyOne Enterprise Content Management makes capture and processing of corporate documents both efficient and easy. It can automate specific document processing requirements from many authoring environments, including Microsoft Office and other TechnologyOne products. Customers make efficiency savings while simultaneously meeting information management compliance obligations.

TechnologyOne Customer Relationship Management

TechnologyOne Customer Relationship Management allows organisations to manage critical relationships with all stakeholders. Offering all the features you would expect from a best in class CRM solution, it differentiates itself with the ability to cater to the specific needs of government, community service, sales and service focused organisations.

TechnologyOne Mobile Solutions

TechnologyOne Mobile Solutions empower the increasing numbers of people working outside a traditional office. People need access to information at home, in transit or out in the community and mobile computing allows for organisation's to do this better. Our mobile solutions provide mobile functionality for our products including Customer Relationship Management, Asset Management and Property & Rating.



Our preconfigured solutions

Our preconfigured solutions are developed to meet customers' specific business needs, while reducing the risk associated with an enterprise-wide implementation.

The preconfigured solutions group was formed in December 2010 to deliver the company's preconfigured proven practice solutions and enhance the value our solutions provide to customers.

TechnologyOne's range of 12 integrated products forms the building blocks from which the preconfigured solutions are developed.

Our Solutions Managers work closely with product General Managers and the sales, service delivery and R&D teams to gain ongoing customer feedback that is incorporated into our preconfigured solutions to ensure we continue to meet our customers' business needs.

Our Solutions Architects then build industry-leading solutions for each of our key vertical markets.

The solutions group has already contributed significantly to licence fee revenue with positive market acceptance and better than expected take up of the TechnologyOne preconfigured solutions. The success will only continue to grow as we further enhance these proven practice solutions.

Solutions built to meet our customers' business needs

- OneGovernment
- OneGrant
- OneCouncil
- OneBanking
- OneUniversity
- OneResearch
- OneTAFE
- OneHousing
- OneCommunity
- OneHealth
- OneAgedCare
- OnePorts
- OneEnergy
- OneAirports

Our market focus

For 25 years we have been providing deeply integrated software solutions for the business, government, financial services, health and community, education and utilities sectors.

Government

TechnologyOne's powerful enterprise-wide solutions enable government organisations to anticipate and meet the rapidly changing needs of stakeholders while delivering real value and improved services. We deliver comprehensive, integrated software solutions that work with government processes to help increase managerial effectiveness, reduce reliance on third party consultants, and ensure that correct and up to date business critical information is accessible to all stakeholders.

Local government

TechnologyOne is one of the largest providers of enterprise solutions for local government, with more than 30% of Australasian rates notices produced using our software. Our integrated Property & Rating Solution is the foundation to our offering and enables the management of property, land, people and address information within one central location. Integration with other key TechnologyOne solutions provides organisation-wide budgeting, financial management, asset management, human resource and payroll, content management and performance management solutions.

Financial services

TechnologyOne is a leading provider of corporate and information management software solutions to organisations in the financial services market, including insurance companies, fund managers, credit unions, banks and finance companies. Our integrated solution suite and flexible interfacing options provide financial services organisations with the ability collate and effectively use information from disparate systems and to efficiently manage, collect and report on core financial, regulatory and operational information.

Education

More than 50% of universities in Australia count on TechnologyOne to deliver their leading edge software solutions. As a provider of Student Management and a suite of fully integrated enterprise solutions, TechnologyOne delivers unparalleled efficiencies to institutions in Australia and New Zealand. Our speed to the market in response to legislative changes ensures the breadth and depth of our Education Solution suite are key factors behind our success in this market.

Health & community services

TechnologyOne presents hospitals, health care, community care, aged care, medical research institutions and privatised medical facilities, charities and not-for-profit providers with an integrated enterprise solution suite that allows them to control costs, manage facilities and operational activity, and provide key stakeholders with accurate financial information.

Utilities

TechnologyOne meets the needs of water and energy organisations, ports and airports. We deliver a flexible, scalable and integrated solution portfolio encompassing key systems such as project, works and asset management, customer request management, billing, financials, human resources, payroll and property management. Our solutions integrate with specialised products such as GIS and other specific operational systems, and we are ready for smart grids and smart metering. In addition to managing transactional and operational systems, our suite of corporate performance management tools provides timely and clear business information online.

Managed services

TechnologyOne has recognised the fast growing services sector, which has expanded as a result of workforce shortage and need for effective people and project management capabilities. We define this area as the managed services sector and recognise that these organisations require powerful operational, financial and analytical business solutions to effectively manage their customers and run their businesses. Organisations in this sector, such as property and construction, media and entertainment, mining and engineering, memberships, ICT and corporate services will benefit from TechnologyOne's fully integrated solution suite.



Review of operations by groups

The executive team is leading our commitment to ongoing improvement. As the company continues to deliver strong growth, improving the way we work, engage with our customers and innovate remains paramount.

Sales and Marketing



Roger Phare

TechnologyOne strengthened and improved its sales and marketing capabilities through a number of key initiatives in 2011, many of which will continue to be rolled out during the 2012 financial year. Our focus is to put in place the necessary structure to drive a high performing sales team.

Continued sales growth

The company has continued to grow its licence fee revenue this year, achieving success from the introduction of our preconfigured solutions. Our 12 integrated products form the building blocks from which our preconfigured, proven practice solutions have been developed. See below for a description of preconfigured solutions and sales for the year.

Strength of regional sales team

The company continues to improve its regional sales effectiveness by supporting the recruitment and development of experienced regional managers to lead and manage the sales teams in each region. The sales force will be further strengthened in 2012 with the introduction of a new cadet program, aimed at attracting and retaining highly talented undergraduates and graduates, to ensure the company has strong succession capability for the future as well as a robust operational team in the short to medium term. The first cadets have already been recruited and will undergo formal

training each quarter with TechnologyOne College to accelerate their career development and help them contribute to the success of the TechnologyOne sales function in the short, medium and longer term.

New lead generation

TechnologyOne has enhanced its telemarketing function with the employment of an experienced telesales manager who has substantially expanded the size and capabilities of the team. The company's sales pipeline has increased in proportion with the new people employed and the new manager has further improved productivity and lead generation by introducing a new incentive model, improving scripting and providing more short term rewards for the telemarketing team. The telemarketing environment has also been redesigned to make it a more inspiring and dynamic work space, assisting the team to achieve better telesales engagement and lead generation for the company.

The telemarketing team is also trialling a direct telesales model, to sell discrete programs and promotions through the telesales environment. This initiative will create efficiency by freeing up the more senior sales people to focus on higher value deals while supporting higher volume sales of particular modules and additional connectors.

Executive engagement sales methodology

A new sales methodology was rolled out internationally to the sales team this year. The approach deepens the engagement with customers in the markets we service and demonstrates how our solutions map to key processes. This methodology provides an organisational view that improves our alignment with customer requirements and cascades into the products and solutions we offer to support process and operational requirements for our customers.

The new methodology includes 3D diagrams of operational environments within our target organisations and provides a point of discussion to prompt comment and initiate conversation between our sales people and our existing and potential customers. This is driving an improved performance from our sales people and delivering a competitive edge for TechnologyOne in the market.

Detailed product knowledge and sales capability

This year saw the introduction of new Business Development Managers aligned to products, supplementing the skills and capabilities of the Customer Development Managers (CDMs) working in each region. This model ensures we have detailed product knowledge and sales capability that supplements the channel management capability of the CDMs in each region. The new structure will continue to evolve and develop, as we monitor its progress and level of success.

Vertical Market Solutions



Martin Harwood

The solutions group was established last financial year to develop industry leading enterprise solutions that deliver end-to-end business solutions for customers in the seven markets targeted by TechnologyOne.

For each market we are now delivering a proven practice solution that has at least 80% of the configuration required to meet the specific needs of each of the sectors we service. This offering provides a proven practice, preconfigured, out of the box solution which can be delivered to our customers quickly, at a lower cost and lower risk to their organisation.

This year the solutions team has focused on delivering 22 industry leading solutions which address the specific needs of organisations in sub-segments across our seven markets. Half of these solutions have been fully developed and successfully implemented, while the other half are in the planning and building stages.

This has proven an extremely effective strategy, with TechnologyOne now enjoying a strong competitive position as a result of the development of these solutions, in particular the OneCouncil, OneHealth, OneHousing, OneCommunity and OneBanking solutions.

The OneCouncil solution has helped the company win new business from 10 councils including Hurstville City Council, Corangamite Shire Council, Hepburn Shire Council, Quilpie Shire Council, Cassowary Coast Regional Council and Playford City Council.

In the government space, OneGovernment will be implemented into the Republic of Nauru and New Zealand's Te Papa while in the utilities sector, TechnologyOne's first OnePort configuration will be utilised at Newcastle Ports.

The OneHealth solution will be rolled out at the Chris O'Brien Lifehouse at Royal Prince Alfred Hospital, NSW's first fully integrated cancer care facility, and also used to assist the deployment of Mercy Health and Aged Care providing services across five hospitals from Bundaberg to Mackay.

TechnologyOne's OneHousing solution will be rolled out across St George Community Housing, Housing Choices Australia, Affordable Community Housing and Mission Australia.

OneCommunity has been well received by the not-for-profit sector, with Anglicare New South Wales and the Disability Trust purchasing the solution this year.

Of particular note is the OneBanking solution, recently implemented at the Police & Nurses Credit Society. A key requirement of this contract was the delivery of the Standard Business Reporting for the Australian Prudential Regulation Authority (APRA), which has given us a unique differentiator in the financial services market.

This has been an important move forward for the company, as it has delivered software to the banking, superannuation and insurance industries that enables them to report to the regulators.

There has also been solid growth in the CRM for Grants Management solution with a number of sales including the Ministry for the Environment and Wise Management in New Zealand, Arts South Australia, City of Melbourne and the Tasmania Department of Health and Human Services.

In 2012, the company will focus its efforts on sectors experiencing growth in the Australian and New Zealand markets such as local government, housing, aged care and health and community services. There are also significant opportunities in the managed services industries, particularly in the resources and construction sectors. We expect

our Grants and Research solutions to achieve substantial success for the company in 2012.

Business efficiencies and the bid management team

A centralised bid management team was established this year to support the regional sales teams with a high quality and consistent bid development and coordination function across the organisation. The structured and streamlined approach to the sales strategy focuses on qualifying in and out of new business opportunities and ensures submitted proposals resonate well with executive management. The bid management team is working across the sales, product and solutions teams to deliver consistently higher quality proposals aimed at winning a greater proportion of new business from across the seven markets we service.

Certification of consulting and the presales people

Another key area of activity has been collaboration with the company's new training facility, TechnologyOne College, to deliver accreditation for consultants and presales people working in various industry sectors delivering products and solutions. This initiative will be a key driver in improving the professionalism, knowledge, standards and quality of implementations. The college will also improve the delivery of our solutions to our customers, ensuring we provide a compelling customer experience.

Service Delivery



Mark Culverson

This year has been a busy time for the service delivery area as we continued to improve and refine our resource management and allocation, project delivery, consistency of work, as well as training and education of our people.

Centralised resource management

We have continued to consolidate, centralise and systemise our approach to resource management, building on the success of the project management office which was established last year.

A new centralised resource coordination facility is now in place to catalogue and map out the skills, experience and capabilities of consultants and to allocate these resources accordingly. This is delivering a valuable centralised library of the capability of our service delivery personnel and increasing the efficiency and effectiveness of our resource allocation function. It is enhancing the company's ability to allocate the right people to the right jobs.

Delegating resource allocation to the central coordinators enables project managers to spend more time engaging with customers and planning implementations. It also drives our project managers to fully scope and identify the requirements of each project at the outset, to ensure the most appropriate resources are allocated to each project, which delivers consistency of resourcing for our customers.

Dedicated consultants for new and existing work

As part of our Compelling Customer Experience program, we have divided our consulting resources to focus on either new or existing customers. This approach will guarantee the availability and consistency of resources to meet the demand of our existing customers and enable our consultants working on new implementations to develop specialist market skill sets adding more value to our solution delivery.

Onboarding new employees

The service delivery team has been working in partnership with TechnologyOne College to develop improved onboarding training for consultants and ongoing education. Such professional development will improve the hard and soft skill sets required to provide a high standard of consulting support to our customers.

We have also enhanced our practice management to improve the consistency of approach, regardless of which market a consultant is working in. We expect these initiatives will help us to continue to develop our people and improve the standard of services we deliver to all our customers.

Review of operations by groups continued...

Research & Development



Peter Cameron

This year we have focused on the continued improvement of our best in class suite of software solutions on the Connected Intelligence (Ci) platform, while investigating new technologies which will be used to enhance and evolve the functionality and deployment of our Ci suite of solutions in the future.

Representing more than 20% of our revenue, our ongoing investment in R&D ensures our solutions and products continuously adapt to meet emerging customer needs in a competitive and ever changing business and technology environment.

For the past 12 months, R&D has focused on developing our new Customer Relationship Management (CRM) solution, migrating our Enterprise Content Management (ECM) and Performance Planning products to our Ci platform and stabilising our Student Management Ci product. The team has also continued to invest heavily in the Human Resource & Payroll product as well as further enhancing our Business Intelligence, Enterprise Budgeting, Asset Management and Property & Rating products.

Enhancing and evolving our Ci platform

More than 800 TechnologyOne customers currently use the Ci platform and the company is committed to continuing to maintain, evolve and support its software in this environment for many years to come.

To ensure our customer experience across all touch points is consistent and remains at the highest standards in line with the objectives of our Compelling Customer Experience program, we are consolidating all current Ci software offerings into a single release. Having all customers on one release will drive efficiency and enable our teams to focus on delivering one platform, with superior functionality and quality support across each of our products. The plan is to maintain this Consolidation Release as our 'go to' release for customers for the long term.

One of the most significant customer benefits associated with the Consolidation Release is ongoing enhancements will be available without the need for major upgrades.

Cloud Computing

An important area of R&D this year has been the research into new cloud-based technologies for our enterprise suite. This will provide our customers with a simple, easy and evolutionary path using our proven Ci platform as a way forward to the exciting new paradigm of Cloud Computing. This will be an important driver of sales in future years.

Offshore R&D centre

Having established a state of the art R&D centre in Brisbane in May 2010, this year the company established an offshore R&D centre in Bali, Indonesia. The new centre will efficiently deliver low-level continuing improvements, maintenance and fixes for software in the Ci environment. The offshore R&D centre is already delivering quality work and freeing up the R&D team in Australia to work on the future technology strategies for its Ci suite of products and beyond.

Our preconfigured, vertical market solutions

The success of our new preconfigured solution this year demonstrated there is strong demand for integrated solutions which address the specific requirements of each of the vertical markets we service. The seamless integration of our product offering delivers exceptional best in class preconfigured solutions for this purpose, as evidenced by the successful implementations of our OneHousing, OneCouncil, OneCommunity, OneBanking and OneHealth solutions.

Mobile solutions

This year has seen the creation of a new TechnologyOne Mobile Solutions group to grow our mobile offering. The group has focused on extending the functionality of our products by developing Asset Management, CRM, Property & Rating and Student Management applications for mobile devices. Moving forward, we will develop mobile extensions for our entire product range to meet our customers' growing demand of conducting their work outside an office environment.

Delivering a compelling customer experience

The R&D team has been redefined as part of the Compelling Customer Experience program through a number of changes.

Our support teams play a vital role in ensuring our customers have a positive experience when they contact TechnologyOne for assistance. We continue to review and improve our approach to customer service, providing ongoing training for our people aimed at reducing response times and enhancing the customer experience of our support function.

In a further enhancement to our existing quality assurance practices, independent testers have been employed to thoroughly check and approve all software development work before it is shipped to customer sites. This will improve the quality of software across all product groups and ensure our customers always receive a consistently excellent standard of software.

This year also saw the appointment of product owners within R&D. These new positions act as product evangelists and ensure we fully understand the markets we service, our competitors and that we are actively listening to our customers' needs. The product owners will be responsible for organising and facilitating customer focus groups and establishing advisory boards. They will also analyse and respond to requests for product enhancements and improvements. The appointments further strengthen our delivery of a compelling customer experience.

Corporate Services



Edward Chung

The corporate services department delivers administrative, legal, IT, financial and HR services to enable the company's managers to focus on leading their teams to deliver the key outputs required by the business from their area.

The team supports the organisation using a model which identifies dedicated business partners from the HR and finance teams. These partners work with each manager to get a comprehensive understanding of their requirements and then action the necessary activity.

Efficiency through new systems

We have improved the efficiency and effectiveness of our operations by rolling out a new price book to streamline our pricing framework, enhancing our CRM, implementing the latest version of the company's HR & Payroll software as well as utilising the TechnologyOne Scanwatcher solution to digitally record and store documents.

The company has also started the implementation of cloud-based solutions, with the enterprise-wide implementation of new mail and calendar systems in the cloud. Our board and executive papers are now also managed and delivered in the cloud and our vision is for all of our systems to be hosted in the cloud within the next 12 months, which will substantially improve business efficiencies.

TechnologyOne College

Extensive planning has been undertaken to prepare for the launch of our internal training facility, TechnologyOne College, next financial year. TechnologyOne College will provide accreditation and certification for our consultants and pre sales people to complete work in particular markets and with certain software products and solutions.

TechnologyOne College will also help the company to attract and retain high calibre people by improving our onboarding capabilities, enabling the company to better harness and develop the skills and abilities of our people, and help them to plan challenging and rewarding career paths within the organisation.

Eventually TechnologyOne College will offer training to external customers, providing accreditation and certification across TechnologyOne's suite of software solutions. This will represent a new revenue stream for the company.

Leadership

Supporting the Executive Chairman's vision to inspire greater leadership throughout the organisation and to ensure we continue to attract and retain remarkable people, new training programs will be rolled out throughout the organisation next year to improve the leadership capabilities of our people.

Compelling Customer Experience program

TechnologyOne is committed to providing its customers with a compelling customer experience, which we feel differentiates us from our competitors. Training to highlight the importance of this goal to our people has continued to be rolled out throughout the organisation over the past two years. Planning for the next stage of our Compelling Customer Experience program is underway.

Strong balance sheet

We have continued our focus on cost control initiatives, including a program of annual leave accrual management, improved performance management and renegotiating contracts with key suppliers.

Our strong balance sheet, continuing growth, and confidence in the company's future outlook has enabled the board to approve the payment of an additional, special dividend of 1.50 cents, which will be paid at the same time as the final year-end dividend.



Review of operations by solutions

With a focus on innovation, our general managers lead the way in delivering fully integrated enterprise-level business solutions.

Financials and Supply Chain



Richley Down

Financials and Supply Chain continue to be two of the highest licence fee generating products offered by TechnologyOne. Their success has continued this year and has been enhanced by the inclusion of both products in our new preconfigured, proven practice solutions.

This year we have focused on the continued improvement of our best in class Financials and Supply Chain products on the Connected Intelligence (Ci) .NET platform. We have also investigated and commenced development of new technologies which will be used to enhance and evolve the functionality and deployment of these products in the future. Independent testing procedures have been enhanced to drive a consistent high quality standard across our products. Our new offshore R&D centre in Bali is effectively managing a range of maintenance and support tasks for the Ci environment, enabling our local developers to focus on enhancing and developing the products to continue to meet the needs of our customers and prospects.

Financials

TechnologyOne works in close partnership with our customers to ensure we continue to provide a compelling experience. Development activity for our Financials product this year mirrors the feedback we have received from our most important stakeholders.

Our new Standard Business Reporting capability was shipped in March. This module compliments the new reporting legislation which the Australian Government brought into effect in July 2010 to streamline government reporting requirements.

We shipped phase two of our Travel & Expense Management module in September. This assists customers to more effectively and efficiently manage approvals, reimbursement and accounting requirements for personal expenses and travel costs incurred across an organisation.

Our Advanced Debt Management module was also distributed in September and this has been well received by customers. Significant sales of Financials for this year included Newcastle Ports and Wesley Mission.

Supply Chain

The Supply Chain product continued to grow and develop in 2011. Our Prosthetics module was released in March and has helped us win nine new hospitals that purchased our OneHealth solution featuring the Prosthetics management functionality. Our inventory scanning solution was also shipped in March and has been well received.

We have continued to work hard on the delivery of our highly anticipated Enterprise Cash Receipting system scheduled for launch in March 2012. Supply Chain also adopted responsibility for the company's contracts module this year, which had previously sat as part of the Asset Management product. We have a range of enhancements planned for this module in 2012. Significant new sales for Supply Chain this year included Southern Cross Hospitals and Mercy Health Central Queensland.

Human Resource & Payroll



Iain Rouse

The Human Resource & Payroll team has continued its focus on improving the customer experience across product functionality and support this year. As a result, a number of improvements and enhancements were made to the Human Resource & Payroll product, with a specific focus on ease of use and the simplification of complex processes.

This assisted the team to successfully implement the solution for our first customer in Papua New Guinea – PNG Ports Corporation, which went live in 2011.

Sales of the product were slower than expected in 2011 and this has been addressed with the appointment of a dedicated Business Development Manager who will support the sales teams in the regions. This role will provide a greater focus on lead generation, cross selling opportunities and will provide the sales team with more detailed knowledge around the product and the benefits it offers our customers and prospects.

The team has also commenced work on our new cloud offering. Our investment in this area has been around delivering enhanced self-service for our customers and we are now the first TechnologyOne product to deliver a 100% browser delivered solution.

Upgrades have also commenced to migrate our customers onto the company's Consolidation Release. This environment will provide a stable platform for all our customers, which be fully supported for many years to come, with ongoing enhancements, additional value packs and quality support.

Next year is expected to be more successful for the Human Resource & Payroll solution, as the product continues to be rolled out as part of the company's preconfigured, proven practice solutions. In particular, the health and community Services sector represents promising opportunities for the Human Resource & Payroll product. This is supported by the ongoing positive reaction to the inclusion of Human Resource & Payroll within our OneCouncil solution.

Corporate Performance Management



Peter Gill

The rebranded Corporate Performance Management suite was officially launched this year. Comprised of Business Intelligence,

Enterprise Budgeting and Performance Planning, this product suite has achieved the highest licence fee revenue for the company in 2011. The Corporate Performance Management suite has continued to achieve sales success across the existing customer base as well as in new sites. Notable stand-alone sales of the Corporate Performance Management solution this year were achieved with Greater London Enterprises and City of Port Philip.

The appointment of a dedicated Business Development Manager for the solution has been of considerable assistance to the regions, helping them to better understand the detail of the solution and the benefits it delivers to customers.

A major initiative this year was the launch of our new Publisher module, which allows customers to create reports Microsoft Word, PowerPoint, PDF, HTML and email formats. TechnologyOne Publisher delivers an automated method for generating periodic reports, such as board, project and management reports, delivering our customers genuine time savings and a return on investment.

The development of the Publisher module has delivered a substantial new revenue source for the Corporate Performance Management solution. This new reporting capability has already surpassed first year sales expectations in the first six months after its launch.

As well as providing opportunities to develop new customers, we see as a market for this solution the entire customer base.

With the delivery of Publisher and the re-release of our Performance Planning solution, we believe we have a complete Corporate Performance Management solution, which provides a unique offering in the market. The combination of business intelligence, budgeting and forecasting, and strategic planning capabilities in a form that focuses on business users, rather than technical users, sets us apart from traditional business intelligence solutions, which focus primarily on information delivery and technical features.

The team is continuing to work on further enhancements to the Corporate Performance Management solution in the Ci environment and has commenced work on the development of our future cloud offering.

Property & Rating

The Property & Rating product had a very successful year, exceeding licence fees for the previous year. This has been achieved through some significant new council and water business, as well as through the improved promotion of the Property & Rating product to our existing local government customer base. This success is expected to continue next year as the company continues to win new business via the rollout of the OneCouncil solution.

The OneCouncil preconfigured, proven practice solution has received much positive feedback from the local government sector and is expected to generate substantial new business going forward. It provides an excellent vehicle for the Property & Rating solution, delivering the product as part of a proven practice solution for councils, with a simplified implementation methodology that reduces costs and mitigates risk for the customer. The commonality being achieved across OneCouncil implementations will deliver a number of substantial benefits for our team and for our customers.

The Property & Rating R&D team delivered significant funded development this year, through partnerships with customers and also through the initiatives associated with the new Electronic Development Application System (eDAIS). This development will underpin the future success of our ePlanning solution.

To drive more effective and efficient business practices through optimised use of the Property & Rating product, we have also been rapidly migrating our customers to the new Ci environment and this transition is now entering its final stage. We have had very positive feedback from customers about their experience using the Ci version of the product.

The restructure of the R&D team is delivering a higher standard of testing and the feedback from this has also been very promising. We have also achieved increased profitability and higher utilisation across our consulting services through improved education, training and up-skilling.

Asset Management



Peter Suchting

This year saw significant advancement in the Asset Management business. The solution was repositioned as Enterprise Asset Management to better appeal to our customer base and prospects. The product was rebranded and repackaged to better align with the requirements and emerging trends in the asset management market. This new approach was promoted successfully throughout the customer base and to prospects with seminars, new collateral and other marketing activities. The feedback from customers about the new direction has been very positive.

Software sales of Asset Management this year improved with a number of break-through deals into target industry markets. Many of these new business wins were achieved through the inclusion of Asset Management as an integral component of our preconfigured proven practice solutions. This included Newcastle Ports, City of Playford and Corangamite Shire Council. We have also made new sales into our existing customer base this year, including Hawkesbury City Council, City of Yarra and Dampier Ports. Many of these sales saw us displace competitor products and we expect this trend to continue and increase through 2012 as additional product capability comes to market.

This successful marketing effort was further underpinned by a more strategic approach to the development roadmap which has reoriented the product direction to ensure future developments continue to satisfy the emerging market requirements for asset management solutions in our target sectors. We have also focused development this year on the continued improvement of our Asset Management solution, with enhanced mobile applications, embedded GIS, integrated mapping capability and improved work scheduling and dispatch tools.

Review of operations by solutions continued

Another key strategic initiative was the development of a close partnership with asset management leaders, Assetic Pty Ltd. The Strategic Asset Management solution provided by Assetic uses nationally benchmarked algorithms and modelling for long-term financial analysis, forecasting and community service planning. This complements the operational and maintenance capabilities of TechnologyOne's Enterprise Asset Management solution. Together the companies provide organisations with a complete integrated solution to manage, maintain, upgrade, report on and plan for long-term infrastructure such as roads, water, sewerage and buildings.

We also continued to build the Asset Management team with highly experienced and skilled industry candidates. These individuals have brought valuable new insight into the strategy and future directions we need to take to build on the success of the Asset Management solution.

We expect demand for the Enterprise Asset Management solution will continue to grow strongly in upcoming years in the local government, utilities, housing and aged care sectors. As an ageing population and increasing taxation burden places even more pressure on organisations to do more with less, organisations must carefully manage asset expenditure to meet their asset management plans.

Student Management



Matt Arnott

The focus this year has been on further developing the Student Management solution to improve the student experience, with new developments such as mobile applications for students, online class timetabling and integrated Customer Relationship Management enquiry management. Further enhancements to our online application solution have been particularly successful, with almost all our higher education customers taking up the software.

The Student Management team continued work on the TAFE solution over the past 12 months and finished the development of its dual sector solution. The successful delivery of our solution for the vocational education and training sector, developed in partnership with Schools Victoria, will lead to other substantial opportunities in the TAFE market for TechnologyOne. The University of Tasmania commenced implementation of the product this year and Swinburne University will soon follow.

The New Zealand market has a number of promising opportunities in the higher education and polytechnic sectors which will be a focus for the company in 2012. Our differentiator for this market will be the lower cost of ownership of our solutions, with ongoing upgrades provided at no charge as part of ongoing annual support and maintenance fees.

The past 12 months has seen the team work closely with the company's solution group on the OneTAFE and OneUniversity solutions, developed to address the administrative and business requirements of higher education organisations. Work on these solutions will continue in 2012.

Looking ahead, the focus for the Student Management R&D team for the coming years is to develop additional functionality and further web based deployment, which will be added incrementally to the Student Management product.

Enterprise Content Management



Geoff Moore

TechnologyOne successfully launched the Ci version of its Enterprise Content Management (ECM) offering this year. This is a major achievement that has been well received by the customer base. Three customers have already gone live with the Ci release (version 4.01) and another 20 customers are in the process of doing so. More than 50% of our 150 ECM customers

are expected to transition to the Ci environment over the next 12 months. This will deliver a superior experience for ECM customers as well as provide better integration to the full suite of TechnologyOne's enterprise software solutions.

Another major achievement this year was attaining Victorian Electronic Recordkeeping Strategy (VERS) endorsement, which will assist the company to gain traction in the Victorian State Government market. Interestingly, the Victorian Public Records Office was so impressed with TechnologyOne's ECM solution when it was assessing it for the VERS compliance, it requested a demonstration of the product to potentially procure for its own purposes. This is a ringing endorsement of our solution from the most well respected public records office in Australia.

A successful initiative for the ECM team this year has been the development of its connected content offering. This has generated substantial interest in the customer base, who can see the benefits that connected content will deliver in terms of integration across TechnologyOne's suite of products. This functionality will be delivered in March next year.

New sales of the ECM product are looking promising for next financial year, with momentum gaining in the marketplace following our new business wins at City of Casey and Sunshine Coast Council. GippsTAFE went live very successfully with the ECM solution this year and the company hopes to achieve further penetration of the national TAFE market on the back of this achievement.

Sales of our eMinisterials have been slower than expected this year, although we have seen promising interest which we expect will result in some sales to large government departments in 2012. An industry seminar promoting the solution in New Zealand has generated some very strong leads. Achieving traction with government customers using our eMinisterials solution will generate more widespread confidence and sales of the solution should pick up accordingly.

A customer advisory group comprised of end-users has been established to review and provide feedback on screen designs and other elements of our offering as it develops

The ECM team has also been developing further enhancements of the product in the Ci environment. Cloud enabling technologies will be

gradually introduced to our evolution of the Ci platform, as we strive to support agnostic devices, computing anywhere, scalability, cost savings and to embrace the benefits that new technologies have to offer.

Customer Relationship Management



Nick Davey

The Customer Relationship Management (CRM) team has had a successful year, with a growing team, an increasing customer base and a rapidly improving offering for our customers.

In order to meet growing demands from our CRM solution, the team has expanded significantly with new people, including a new R&D Manager and two new specialist CRM business consultants recruited from the UK. These positions have provided the team with a refined set of CRM skills and expertise that will be very important as the product continues to gain traction and evolve. The team growth will also help to accelerate the delivery of new functionality and provide additional capabilities for the implementation of specific industry solutions such as our Grants Management, Community Engagement and Fundraising Management solutions.

The CRM R&D team has commenced development of enhanced browser-based functionality and is investigating cloud enabling technologies that will represent a new paradigm in user experience. The team is also focused on researching and developing new offerings such as Membership Management, Funding Acquisition and Tender Management. This work is balanced with further maturing our existing CRM solution.

Sales this year have grown significantly on previous years. Once again, sales have predominantly been focused on the health and community services and government markets. Government customers have been the focus for Grants Management. We have introduced a web portal that allows customers to manage the full

granting lifecycle. This new capability has led to a number of new customers and a lot of interest from major granting bodies.

The CRM product is now also able to manage the grants-in process and has early adopters in local government and tertiary education. The health and community services sector is the principal market for our Fundraising solution. The Fundraising solution is now live at Children's Medical Research Institute (CMRI), which managed the well known Jeans for Genes campaign using TechnologyOne CRM software.

One of the major successes for the year was the implementation of CRM at Te Pou (part of Wise Management Services) in New Zealand. The agency was able to implement the full grants solution in just a matter of weeks and is now using CRM to deliver outcomes to both its customers and internal stakeholders.

The other significant event for the CRM team was the sale of the first Community Engagement solution to Porirua City Council in New Zealand. The Community Engagement module helps Porirua City Council comply with legislative requirements to consult, engage and report upon public participation initiatives within Porirua.

Our strategy to embed and integrate CRM functionality within other TechnologyOne products is also well under way. CRM is now integrated with the Student Management product, offering enhanced functionality to better manage the end-to-end student lifecycle, from enquiry to alumni. The CRM team is also developing similar functionality within ECM, Property & Rating and Asset Management.

PLUS



John Vickers

The past financial year has been very successful for Plus with both revenue and profit growth. As a services-based business, offering value added services as well as custom development to the market, this was a singular achievement.

Accordingly, we have focused on the sales process to engage through procurement panels - known to be a more efficient and effective engagement strategy - and we have worked more closely with the sales team to add value to TechnologyOne's core offering in terms of additional services.

The pipeline has grown considerably this financial year to approximately \$50 million and we are more focused on targeted opportunities where we have capability and experienced resources. This is already bringing dividends through the Townsville and Victoria TAFE engagements.

We are also cooperating with regional teams and the central bid team to increase our reach and revenue opportunities.

TechnologyOne has added to the Department of Broadband, Department of Climate Change, ACT Revenue Office, Southern Cross University, Queensland University of Technology and Tasmanian Polytechnic to our portfolio of new customers.

Significant successes during the year included the delivery of the complex VOTS development project, which has placed Victoria at the forefront of land titling systems, as well as the delivery of the ATLAS legal aid systems improvement project for New South Wales and Victoria.

Other highlights included the support of the QLS legacy system for Victoria TAFE, significant support work with Queensland Titling Systems, and new contracts with Legal Aid commissions in West Australia and South Australia.

Next year, we intend breaking new ground in the ACT region. Our participation in the ACT market will be heavily dependent upon gaining membership of local ACT service panels, and we are focused on achieving this in the short term. Panels will also play a significant role in our go-to-market strategies in all states.

Internally, we continue improving our body of knowledge and methodologies with TechnologyOne College as a means of accelerating our people development.



Employer of opportunity

This year the focus has been on driving a cultural transformation to support TechnologyOne's key strategic initiatives.

The cornerstones of this transformation – our customers, our people, leadership and innovation – are our focus for building a high performance culture characterised by accountability, delivery and employee engagement.

Strengthening our position as an employer of opportunity this year has been a significant investment to build capability, expand our existing people programs and continue our focus on employee engagement.

Our Compelling Customer Experience program remains a priority. We have worked to refine internal processes and empower individuals to deliver a compelling customer experience. Our innovative approach to removing bureaucracy has created career opportunities and is allowing our people to do what they do best.

With the focus on our new technology development in support of the cloud strategy, a complete review of the R&D function has produced positive outcomes for our people. As we embrace new technologies, new positions have been created providing our people with enhanced career choice as well as additional training and skills development. Coupled with the opening of our new R&D centre in Bali, we now proudly offer six international locations for employment, fostering a more collaborative and innovative working environment.

TechnologyOne College has been established to deliver timely, relevant and standardised training and development for our people; and in the future, our customers. The college delivers a course curriculum of foundation-to-advanced level training in technical and professional skills development. Providing a significant point of difference in the employment market, TechnologyOne College is an integral part of our strategy enabling our people's success.

We recognise our leadership capability is critical to our future success. In support of this, we have invested in the creation of a leadership development program, planned for implementation in the coming financial year. The TechnologyOne leadership development program will provide strategically aligned professional development opportunities.

We continue to take a holistic approach to the employee experience. Our onboarding and induction programs have been expanded to provide more comprehensive and timely delivery of both organisational and position specific information. Our Club Grad (for graduates), Kick Start (for new employees) and Buddy (partnering a new employee with an existing employee) programs are further embedded into the business and offer structured support for all employees. We continue to expand our reward and recognition programs, to support a significant level of recruitment and business growth.

With an ambitious strategic plan for the business comes the need for strong and engaging people strategies. At TechnologyOne, we remain focused on innovative people programs to attract, retain, grow and develop our workforce; strengthening competitive advantage in the market.

Investing in the community

Our ongoing investment in the community means we design and plan an annual program of activities and events that have far reaching benefits for those in need.

Corporate citizenship

At TechnologyOne, we operate with respect and integrity and feel empowered to make a difference. We pride ourselves on holding a strong set of values that underpin the way in which we conduct ourselves, how we form and nurture relationships with our customers and how we engage with each other and our stakeholders.

With the support of our people and many gracious charitable organisations, the company has been able to deliver much needed funds, awareness and hope to those less fortunate.

Community partnerships

This year TechnologyOne partnered with two not-for-profit customers, The Salvation Army (Australia and New Zealand chapters) and Mission Australia, donating a significant financial contribution to these organisations.

The Salvation Army used our donation to support two programs.

The first program was to support The Salvation Army's work in the Goodna community, west of Brisbane, which was severely impacted by the devastating January 2011 floods. The Salvation Army is building a Youth and Community Centre in Goodna with a focus on providing long term recovery. The centre will operate a number of programs, including youth services, a café, Salvos store and community hall.

The second program was The Salvation Army's Street Level Mission based in Brisbane's Fortitude Valley. Many people in this area are affected by drugs and alcohol, homelessness, mental illness and other aspects of poverty. Street Level aims to engage with these people with a long term commitment to see them through to a genuinely better life.

This is the fifth year TechnologyOne has supported The Salvation Army's programs.

Mission Australia used our financial contribution to support the work of its homeless shelter, Café One on Wickham.

Café One on Wickham is a unique service also operating in Fortitude Valley. It's a place where homeless and disadvantaged people can come together and receive an affordable meal. Operating primarily as a food business enables Café One to provide its clients with a soft-entry point for a range of other support services.

Further to its financial contribution, TechnologyOne also set up a volunteer program for our people to support the café. Working a breakfast shift once a month, the 25 TechnologyOne volunteers can see first-hand where our financial contributions go to support those in need of a helping hand.

Natural disasters

This year has seen unfathomable and widespread natural disasters in Queensland and other parts of Australia, Japan and in New Zealand.

TechnologyOne was able to make significant financial contributions to fundraising efforts set up for each of these disasters, with all monies raised by our people matched dollar for dollar by the company.

With the Queensland floods close to our heart, a special staff contribution fund was set up to support our own people who were affected in the disaster. With the support, the compassion and deep pockets of our people, we were able to help our team members rebuild their lives.

Other donations

In addition to support for disaster relief and education, TechnologyOne encourages and supports regular charitable events our people choose throughout the year. This year, the company and our people made donations to:

- Movember Foundation's beneficiaries Prostate Cancer Foundation of Australia and BeyondBlue
- Multiple Sclerosis Australia through the MS Brissie to the Bay Bike Ride
- Diabetes Australia and the Heart Foundation through the Wilson HTM Brisbane to the Gold Coast Cycle Challenge
- Autism Queensland through support of the Bridge to Brisbane fun run
- The Cancer Council through Australia's Biggest Morning Tea and Eastern Suburbs Relay For Life

- The Children's Medical Research Institute's annual Jeans for Genes Day fundraiser
- The Lord Mayor's Community Trust through the Big City BBQ in Brisbane
- Spinal Injuries Association
- WaterAid Australia
- Oxfam through the annual Trailwalker Brisbane 100km walk

TechnologyOne also sponsors nine children in third world countries through World Vision Australia and PLAN Australia.

To celebrate the opening of our new offshore R&D centre in Bali, in July the company held a fundraising day with proceeds going to Balinese charity Yayasan Kemanusiaan Ibu Pertiwi (YKIP). Our YKIP educational sponsorship will cover two Balinese children's school expenses including uniforms, books and stationary for a couple of years.

Caring for the environment

TechnologyOne has a strong commitment to managing its business operations in an environmentally responsible manner. Firmly settled in at our headquarters, the six star green star environmentally rated building in Brisbane's Fortitude Valley includes a number of environmentally sustainable development features such as 50% more fresh air than standard commercial buildings, CO2 monitoring, external views to maximise daylight, energy efficient lighting, dedicated exhausts in photocopier areas, a gas powered generator and a large rain water collection area on the roof to supply water for the toilets and garden irrigation.

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



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Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Company) consisting of Technology One Limited and the entities it controlled at the end of, or during, the year ended 30 September 2011.

Directors

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

Adrian Di Marco B Sc, FAICD

Experience and expertise

Mr Di Marco founded TechnologyOne in 1987, after extensive experience in the software industry in the area of large scale fixed time and fixed price software development projects to meet client specific requirements. Mr Di Marco has over 25 years experience in the software industry. He has been responsible for all operational aspects of TechnologyOne, as well as the strategic direction of the Company. Appointed 8 December 1999.

Special responsibilities

Chairman of the board.

Interests in shares and options

55,372,500 ordinary shares in Technology One Limited held beneficially through Masterbah Pty Ltd.

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

Ron McLean

Experience and expertise

Mr McLean has over 30 years experience in the software industry, having held senior positions in companies in Australia and overseas, including the multi-national computer manufacturer NCR Corporation. Mr McLean joined the board as a Non-Executive Director in 1992, was appointed as a General Manager in 1994, Chief Operating Officer in 1999 and Chief Executive Officer of Operations in 2003. Mr McLean resigned as Chief Executive Officer of Operations on 15 July 2004, and remains a Non-Executive Director. Appointed 8 December 1999.

Special responsibilities

Chairman of the Executive Remuneration Committee.

Interests in shares and options

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

John Mactaggart FAICD

Experience and expertise

Mr Mactaggart has extensive experience across many industries, including export of animal products, food processing, industrial fasteners, manufacturing of building equipment and computer hardware and software. Mr Mactaggart is a director of a number of unlisted companies. Mr Mactaggart through JL Mactaggart Holdings Pty Ltd is a founding shareholder of TechnologyOne. He has been a Fellow of the Australian Institute of Company Directors since 1991. Appointed 8 December 1999.

Interests in shares and options

66,872,500 ordinary shares in Technology One Limited held beneficially through JL Mactaggart Holdings Pty Ltd.

30,000 ordinary shares in Technology One Limited held via family trust.

Kevin Blinco B Bus, FCA

Experience and expertise

Mr Blinco is a former Director of accounting firm Moore Stephens. His expertise is broadly respected and acknowledged throughout the business community. He is a Fellow of the Institute of Chartered Accountants. Appointed 1 April 2004.

Special responsibilities

Chairman of Audit Committee.

Interests in shares and options

201,285 ordinary shares in Technology One Limited held beneficially through Assembly Road Pty Ltd.

Richard Anstey AICD, FAIM

Experience and expertise

Mr Anstey has over 30 years experience in the information technology and telecommunications industry and in associated investment banking roles. For the past 22 years he has been building and managing his own companies. The first, Tangent Group Pty Ltd, established a strong reputation for the development of software and strategic management consultancy for the banking and finance sector. After the sale of Tangent, he co-founded InQbator in 2000, an early stage investment group focused upon the technology, telecommunications and life sciences sector. InQbator manages a Federal Government backed seed fund and a portfolio of some 14 active companies across Australia. In 2006, Mr Anstey continued his career in venture capital by co founding iQ Capital Management Pty Ltd, which manages iQfund 3 Pty Ltd. Mr Anstey is a member of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management. Appointed 2 December 2005.

Special responsibilities

Chairman of Nomination Committee.

Interests in shares and options

7,500 ordinary shares in Technology One Limited.

Edward Chung BCom, MCom, CA, FTIA, AICD

Experience and expertise

Mr Chung is a Chartered Accountant, Fellow of the Tax Institute of Australia and an Associate Member of the AICD. Prior to joining TechnologyOne as Operating Officer – Corporate Services, Edward was Chief Financial Officer of Queensland Rail, leading a finance team of approximately 300 staff where he was responsible for the areas of accounting, tax and treasury functions, as well as strategy and merger and acquisition activity. Edward's experience spans corporate law, audit, senior finance and commercial roles in both the public and private sector. Appointed 14 May 2008.

Interests in shares and options

200,000 shares and 800,000 options in Technology One Limited.

Company secretary

Mr Rodney Hooper LLB, BIT was appointed Company Secretary after the resignation of Mr David Orchard on 8 July 2011. Mr Hooper also holds the role as the Company's General Counsel and has been employed with TechnologyOne since January 2009.

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 2011, and the numbers of meetings attended by each director were:

	Full meetings of directors	Meetings of committees		
		Audit	Nomination	Executive Remuneration
Adrian Di Marco	8	-	1	1
Ron McLean	8	4	1	1
John Mactaggart	8	4	1	1
Kevin Blinco	8	4	1	1
Richard Anstey	8	4	1	1
Edward Chung	8	-	-	-

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.

Directors' report continued...

Principal activities

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

- TechnologyOne Financials
- TechnologyOne Asset Management
- TechnologyOne Supply Chain
- TechnologyOne Human Resource & Payroll
- TechnologyOne Corporate Performance Management
 - TechnologyOne Business Intelligence
 - TechnologyOne Budgeting & Forecasting
 - TechnologyOne Performance Planning
- TechnologyOne Enterprise Content Management (ECM)
- TechnologyOne Customer Relationship Management (CRM)
- TechnologyOne Student Management
- TechnologyOne Property & Rating
- TechnologyOne Mobile Solutions

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

Dividends Technology One Limited

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

	2011 \$'000	2010 \$'000
Final dividend for the year ended 30 September 2010 of 2.87 cents (2009 - 2.87 cents) per fully paid share paid in December 2010 (2009 - December 2009)	8,697	8,619
Special dividend for the year ended 30 September 2010 of 1.5 cents (2009 - nil) per fully paid share paid on December 2010	4,546	-
Interim dividend for the year ended 30 September 2011 of 1.46 cents (2010 - 1.33 cents) per fully paid share paid on June 2011 (2010 - June 2010)	4,426	3,995
	17,669	12,614

Review of operations

On behalf of Technology One Limited (TechnologyOne), we are pleased to announce our results for the full year ending 30 September 2011.

TechnologyOne has continued to post strong growth with a record Net Profit Before Tax up 15% on the prior full year period. This result is at the higher end of market guidance previously provided by TechnologyOne of profit growth of between 10% and 15%.

We have continued to increase our market penetration against our multinational competitors, with new contracts across all our major vertical markets.

TechnologyOne has now posted its eighth consecutive year of record revenues and licence fees, with revenue up 15% and licence fees up 15%.

Based on our strong performance this year, and our continuing confidence going forward, we are also pleased to announce both a final dividend and a special dividend for the year. This takes the total dividend for the year to 6.12 cents per share (up 7% on the prior year), which based on a share price of \$1.01, represents a fully franked dividend yield of 6%.

For more detailed information, please see Letter to shareholders, Review of operations by groups and Review of operations by solutions, starting on page 4.

Corporate Structure

The Technology One group of companies consist of the following:

- Technology One Limited
- Technology One New Zealand Limited
- Technology One Corporation Sdn Bhd
- Technology One UK Limited
- Avand Pty Ltd

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

The Company will pay a fully franked dividend on 16 December 2011 of \$9,587,000. There will also be a fully franked special dividend paid on the same day for \$4,551,000.

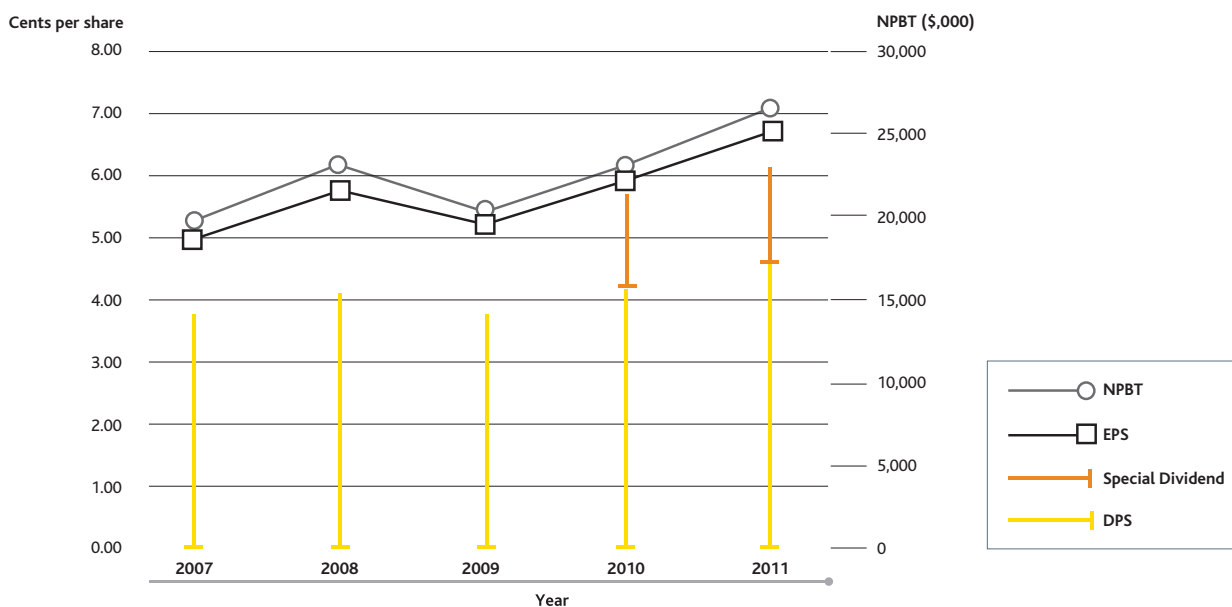
Likely developments

Refer to the letter to shareholders.

Additional information

Performance of Technology One Limited

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



Directors' report continued...

Remuneration report (Audited)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

In considering the remuneration to be paid to executives, the following principles are applied:

- The Company should provide the packages needed to attract, retain and motivate highly talented and experienced executives.
- The Company should judge where to position itself relative to other companies. This involves being aware of comparable companies' pay, but to exercise caution.
- The Company should be sensitive to the wider scene, especially with regard to salary increases.
- Performance related elements should form a significant proportion of the package, should align interests with those of shareholders and should provide keen incentives.
- The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.
- Lastly the Company must take in specific and unique conditions that may apply in individual circumstances in order to attract and retain the right executive team in the long term.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The Board has established a remuneration committee which makes recommendations to the Board on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The Corporate Governance Statement provides further information on the role of this committee.

Directors' fees

The Company's constitution and the ASX listing rules specify that the aggregate remuneration of non executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was the 6 February 2009 when shareholders approved an aggregate remuneration of \$600,000 per year. In the 2011 year, directors' fees of \$278,100 were paid. No additional fees are paid for each board committee on which a director sits.

Executive pay

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation, and
- Short-term performance incentives, and
- Long-term incentives through participation in the TechnologyOne Employee Option Plan.

The combination of these comprises an executive's total remuneration.

Base pay and benefits

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a relatively low component of base pay that comprises the fixed component of pay and rewards. Once established, base pay for executives is reviewed annually generally in line with or less than CPI.

There are no guaranteed base pay increases included in any executives' contracts.

Short-term incentives

The objective of the incentive program is to create a direct link between the achievement of the Company's profit target with the remuneration received by the executives charged with meeting those targets.

The target incentive component of the executives' remuneration ranges between 35% and 70% of their total remuneration. This is a relatively large component and is evidence of the Company's requirement for executives to perform well, in order to attain their target remuneration.

For each executive, the incentive is based on the relevant divisions, Net Profit Before Tax figure (NPBT) and this basis is consistent with prior years. NPBT has been chosen as it is the key indicator of performance. This is calculated in accordance with statutory reporting requirements and is a transparent and effective measurement of performance.

High internal NPBT growth targets are set for each business unit and the executive shares in the success or otherwise of the business unit. If the business units fail to meet its targets, then the Executive will not meet their remuneration target. For example, if an executive's business units' NPBT increases by 20% then their short-term incentive will increase 20%, however if a business units' NPBT decreases by 20% then their short-term incentive will also decrease 20%.

Long-term incentives

The objective of having long-term incentives for executives is to reward executives in a manner which aligns this element of remuneration with the Company's interests. By having an equity interest in the Company, it aligns the executives' actions with the interests of shareholders. The executives must meet continued service conditions in order to exercise these options. In order to meet the service condition each executive must consistently achieve our high internal NPBT hurdles. The options become exercisable over five separate tranches, commencing in July 2007.

Share options are granted to executives at the discretion of the Executive Chairman based on the option plan approved by the board. The exercise price of the options is set based on future expected share price movements. 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. The Executive Chairman has the discretion to increase the exercise price of the options.

Executives are not permitted to hedge their exposure to equity interests.

Summary

TechnologyOne has an executive pay and reward framework which has three components:

- Relatively low component of base pay and benefits, including superannuation which increases each year generally in line with or less than CPI, and
- A relatively high component of short-term performance incentives linked to a high internal NPBT growth target. Since there is a high at risk component, if the NPBT targets are not met, then the executives remuneration will be significantly less than the target remuneration, and
- Long-term incentives through participation in the TechnologyOne Employee Option Plan which align the executive with the interests of shareholders. In order to meet the service conditions the executive must consistently achieve our high internal NPBT hurdles.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Company (as defined in AASB 124 *Related Party Disclosures*) and includes the five highest paid executives of Technology One Limited are set out in the following tables.

The key management personnel of Technology One Limited includes the directors and the following executives being:

- R Down - Operating Officer - New Business Development *
- M Culverson - Operating Officer - Consulting Services
- R Phare - Operating Officer - Sales & Marketing
- P Cameron - Operating Officer - Research & Development
- M Harwood - Operating Officer - Products & Solutions
- D Orchard - Company Secretary **

* As a result of a restructure, R Down was appointed General Manager - Financials on 1 September 2011.

** D Orchard resigned from the Company on 8 July 2011.

Directors' report continued...

Details of remuneration continued

2011	Short-term employee benefits			Post-employment benefits	Termination benefits & leave entitlements	Share-based payments	Total	Performance related %
	Cash salary and fees	Performance related bonus	Directors' fees	Super-annuation		Options		
Name	\$	\$	\$	\$	\$	\$	\$	%
Directors								
A Di Marco (Executive)	419,965	455,751	46,350	21,225	-	-	943,291	48%
R McLean (Non-Executive)	-	-	46,350	-	-	-	46,350	0%
J Mactaggart (Non-Executive)	-	-	46,350	-	-	-	46,350	0%
K Blinco (Non-Executive)	-	-	46,350	-	-	-	46,350	0%
R Anstey (Non-Executive)	-	-	46,350	-	-	-	46,350	0%
E Chung (Executive)	208,570	168,658	46,350	10,986	-	74,868	509,432	48%
Sub total Non-Executive Directors	628,535	624,409	278,100	32,211	-	74,868	1,638,123	43%
Key Management Personnel								
R Down (Operating Officer - New Business Development)*	192,573	262,197	-	17,332	-	40,121	512,223	59%
M Culverson (Operating Officer - Consulting Services)	177,466	321,545	-	15,944	-	42,305	557,260	65%
R Phare (Operating Officer - Sales and Marketing)	177,466	350,884	-	15,944	-	27,355	571,649	66%
P Cameron (Operating Officer - Research & Development)	207,930	246,649	-	8,924	-	27,355	490,858	56%
M Harwood (Operating Officer - Products & Solutions)	187,183	275,250	-	16,817	-	68,744	547,994	63%
D Orchard (Company Secretary)**	163,514	-	-	14,717	128,994	-	307,225	0%
Total Key Management Personnel	1,106,132	1,456,525	-	89,678	128,994	205,880	2,987,209	56%
Total Key Management Personnel Compensation (Company)	1,734,667	2,080,934	278,100	121,889	128,994	280,748	4,625,332	51%

* Changed position from 1 September 2011 to be General Manager - Financials and will no longer be considered part of Key Management Personnel.

** Resigned 8 July 2011.

2010	Short-term employee benefits			Post-employment benefits	Share-based payments	Total	Performance related %
	Cash salary and fees	Performance Related Bonus	Directors' fees	Super-annuation	Options		
Name	\$	\$	\$	\$	\$	\$	%
Directors							
A Di Marco (Executive)	395,527	397,031	45,000	35,597	-	873,155	45%
R McLean (Non-Executive)	-	-	45,000	-	-	45,000	0%
J Mactaggart (Non-Executive)	-	-	45,000	-	-	45,000	0%
K Blinco (Non-Executive)	-	-	45,000	-	-	45,000	0%
R Anstey (Non-Executive)	-	-	45,000	-	-	45,000	0%
E Chung (Executive)	197,477	146,249	45,000	17,773	94,777	501,276	48%
Sub total Non-Executive Directors	593,004	543,280	270,000	53,370	94,777	1,554,431	41%
Key Management Personnel							
R Down (Operating Officer - New Business Development)	205,317	304,342	-	18,479	66,530	594,668	48%
M Culverson (Operating Officer - Consulting Services)	173,109	350,884	-	15,580	58,967	598,540	62%
R Phare (Operating Officer - Sales and Marketing)	173,109	350,884	-	15,580	38,476	578,049	68%
P Cameron (Operating Officer - Research & Development)	194,092	251,942	-	17,468	38,476	501,978	67%
Martin Harwood (Operating Officer - Products & Solutions)	183,486	210,598	-	16,514	61,859	472,457	58%
D Orchard (Company Secretary)	158,752	-	-	14,288	18,040	191,080	9%
Total Key Management Personnel	1,087,865	1,468,650	-	97,909	282,348	2,936,772	60%
Total Key Management Personnel Compensation (Company)	1,680,869	2,011,930	270,000	151,279	377,125	4,491,203	53%

For the 2011 financial year, 30% (\$618,748) of the performance related bonus as previously accrued in that period vested to executives and was paid in the 2012 financial year. There were no forfeitures.

Service agreements

The Executive Chairman, Mr Di Marco, is employed under contract. The current employment contract commenced on 1 December 1999 and continues until terminated in accordance with the agreement. Under the terms of the present contract:

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

All other executives are employed on a continuing basis and are required to give not less than 3 months written notice.

Apart from termination benefits which accrue under statute, or mentioned above (such as unpaid annual leave, long service leave), there are no retirement benefits for executive directors and executives.

The Company retains between 10% to 20% of the performance related bonus until the audited results are released to market. If an employee leaves prior to this date, they forego this retainer and it will be reversed to the income statement.

Compensation Options: Granted and Vested During the Year

During the year, there were shares issued to directors and key management personnel on exercise of compensation options during the year.

Details of options over ordinary shares in the Company provided as remuneration to each director of Technology One Limited and each of the key management personnel of the Company are set out below. When exercisable, each option is convertible into one ordinary share of Technology One Limited. Further information on the options is set out in note 32 to the financial statements.

	Number of options granted during the year	Value of options at grant date *	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date **
Directors of Technology One Limited					
E Chung	-	-	200,000	-	-
Other key management personnel of the Company					
R Down	-	-	400,000	-	-
M Culverson	-	-	400,000	-	-
R Phare	-	-	250,000	-	-
P Cameron	-	-	250,000	-	-
M Harwood	-	-	-	-	-
D Orchard **	-	-	45,000	180,000	\$64,930

* For details on the valuation of the options, including models and assumptions used, please refer to note 24.

** The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because of D Orchard's resignation. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Directors' report continued...

Shares provided on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Technology One Limited and other key management personnel of the Company are set out below.

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Value at exercise date *
<i>Directors of Technology One Limited</i>			
E Chung	24 Nov 2010	200,000	\$83,000
<i>Other key management personnel of the Company</i>			
R Down	24 Nov 2010	400,000	\$110,000
M Culverson	24 Nov 2010	375,000	\$123,750
R Phare	24 Nov 2010	625,000	\$206,250
P Cameron	24 Nov 2010	850,000	\$280,500
M Harwood	-	-	-
D Orchard	12 Oct 2010	120,000	\$41,400

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

Details of remuneration: Bonuses and share based compensation benefits

Details of options over ordinary shares in the Company provided as remuneration to each director of Technology One Limited and each of the key management personnel of the entity are set out below. When exercisable, each option is convertible into one ordinary share of Technology One Limited.

Further information on the options is set out in note 32 to the financial statements. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

Share based compensation benefits (options)

Name	Year granted	Vested %	Forfeited %	Financial years in which may vest	Maximum total value of grant yet to vest \$
E Chung	2008	20	-	2012 - 2015	305,972
R Down	2004	100	-	-	-
M Culverson	2004	100	-	-	-
R Phare	2004	100	-	-	-
P Cameron	2004	100	-	-	-
M Harwood	2009	-	-	2012 - 2016	273,927
D Orchard	2006	40	60	-	-

Indemnification of officers

Insurance and indemnity arrangements established in the previous year concerning officers of the Company were renewed or continued during the year ended 30 September 2011.

An indemnity agreement has been entered into between TechnologyOne and each of the directors of the Company named earlier in this report and with each full time executive officer and secretary of the Company. Under the agreement, the Company has indemnified those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. There is a limit of \$20,000,000 for any one claim.

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

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 and statutory compliance assistance. 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:

	Consolidated	
	2011 \$	2010 \$
Ernst & Young:		
Taxation advice	131,917	126,083
Compliance services	96,628	17,687
Total remuneration	228,545	143,770

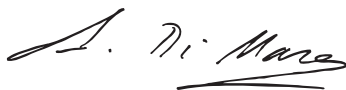
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 83.

Rounding of amounts

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

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



Adrian Di Marco

Executive Chairman

Brisbane

21 November 2011

Corporate governance statement

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

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

The format of the Corporate Governance Statement is in accordance with the Australian Securities Exchange Corporate Governance Council's 'Corporate Governance Principles and Recommendations with 2010 Amendments' Second Edition. In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period.

TechnologyOne's corporate governance practices were in place throughout the year ended 30 September 2011. As noted below, there are some recommendations with which the Company has not complied. These are at the end of the statement. Apart from these, the Company has complied with all of the principles.

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

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

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

Board of Directors and its Committees

Board of Directors

The directors are as follows:

Adrian Di Marco	Executive Chairman (and Chief Executive Officer) – major shareholder
John Mactaggart	Non-Executive Director – major shareholder
Ronald McLean	Non-Executive Director – independent
Kevin Blinco	Non-Executive Director – independent
Richard Anstey	Non-Executive Director – independent
Edward Chung	Executive Director

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

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

Appointment of Directors

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

Independence of Directors

Three of the six directors are independent. To be classified as independent, these directors are non-executive directors of the Company and are not major shareholders. Ron McLean was previously an executive of the Company until 2004.

Notwithstanding that Mr McLean previously held an executive role with TechnologyOne, we believe that he is an independent Non-Executive Director as a result of the lapse of time (seven years) since holding the position, the continuing growth and evolution of the business and changes in senior management. His direct operational control and influence over the business has ended. We believe that he provides an independent view of strategy and of the stewardship of operations of the business.

Audit Committee

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

The Committee is comprised of:

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

The role of the Committee is as follows:

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

Executive Remuneration Committee

The Board has established an Executive Remuneration Committee. The Committee meets annually.

The Committee is comprised of:

- R McLean (Chairman)
- J Mactaggart
- A Di Marco
- K Blinco
- R Anstey

The role of the Committee is as follows:

- Advise the Board with regard to the Company's broad policy for executive remuneration.
- Determine, on behalf of the Board, the individual remuneration packages for executives and directors.
- Give the executives encouragement to enhance the Company's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contribution.

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

Corporate governance statement continued...

Nomination Committee

The Board has established a Nomination Committee. The Committee meets annually.

The Committee is comprised of:

- R Anstey (Chairman)
- A Di Marco
- J Mactaggart
- R McLean
- K Blinco

The role of the Committee is as follows:

- Assessment of the necessary and desirable competencies and experience for board membership.
- Assessment of the independence of each director. Evaluation of the performance of the Board, Audit and Remuneration Committees, and their membership.
- Evaluation initially and on an on-going basis of Non-Executive Director's commitments and their ability to commit the necessary time required to fulfil their duties to a high standard.
- Adherence by directors to the Director's Code of Conduct and to good corporate governance.
- Review of Board succession plans, changes to committees and appointment of new directors.

Ethical Standards

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

Shareholders' Rights

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

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

Risk Management

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

Diversity at Technology One

On 30 June 2010, the ASX Corporate Governance Council released amendments to the ASX Principles and Recommendations (Amended ASX Principles and Recommendations), in particular in relation to diversity. While the changes do not take effect until the first financial year beginning on or after 1 January 2011 (being the financial year commencing 1 October 2011 in our case), TechnologyOne acknowledges the recommendations and has already taken steps to implement the provisions of the Amended ASX Principles and Recommendations to ensure compliance for the 2012 reporting year.

Non-Compliance with ASX Corporate Governance Principles and Recommendations

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

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

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

This section explains those areas of non-compliance.

Majority of Independent Directors (Refer ASX Corporate Guidelines – Recommendation 2.1)

The number of directors is six. Three of these are independent, and three are not independent. This combination is seen as appropriate in order to provide balance on the Board. Only two of the directors are executives, and this provides sufficient resources for the daily operations of the Company. It would be inappropriate to add another director at this stage, purely to meet the ASX guidelines.

Independent Chairman (Refer ASX Corporate Guidelines – Recommendation 2.2)

The Board is of the opinion it should maximise the vision, skills and deep industry knowledge of the Company's founder and major shareholder to continue to lead the Company forward. The Board believes Mr Adrian Di Marco is the best candidate to clearly communicate the Company's vision, strategy and to set market expectations. To this end it is seen as appropriate that Mr Adrian Di Marco should remain as Executive Chairman (and Managing Director) of the Company. There is no empirical evidence to support the preference of an Independent Chairman.

Separation of Chairman & CEO Roles (Refer ASX Corporate Guidelines – Recommendation 2.3)

The Company's Chief Executive Officer, is also the Company's Executive Chairman. There are six Operating Officers who are responsible for the day to day operations, who report to the Executive Chairman. The Board believes this provides the necessary balance required.

Income statement For The Year Ended 30 September 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Revenue	5	156,742	135,906
Sales & marketing expense		(25,583)	(20,625)
Occupancy expense		(6,431)	(6,700)
Administration expense		(23,978)	(20,073)
Depreciation and amortisation expense	6	(5,155)	(3,888)
Product distribution & servicing expense		(33,292)	(31,261)
Other expense		(2,734)	(2,250)
Finance expense		(512)	(194)
Share based payments		(586)	(670)
Profit From Continuing Activities before Research & Development expense		58,471	50,245
Research & Development expense		(31,796)	(26,963)
Profit before income tax	7	26,675	23,282
Income tax expense	7	(6,349)	(5,469)
Profit for the year		20,326	17,813
Basic earnings per share (cents per share)	31	6.71	5.93
Diluted earnings per share (cents per share)	31	6.54	5.80

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

Statement of comprehensive income For The Year Ended 30 September 2011

	Notes	Consolidated	
		2011 \$'000	2010 \$'000
Profit for the year (from previous page)		20,326	17,813
Other comprehensive income			
Translation of foreign operation:			
Exchange differences taken to equity		198	(378)
Revaluation of assets:			
Revaluation of available-for-sale assets taken to equity		136	144
Other comprehensive income for the year, net of tax		334	(234)
Total comprehensive income for the year		20,660	17,579

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

Statement of financial position

For The Year Ended 30 September 2011

		Consolidated	
	Notes	2011 \$'000	2010 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	43,431	32,652
Available-for-sale financial assets		1,926	3,921
Trade and other receivables	9	18,303	16,486
Earned and unbilled revenue		4,086	2,078
Other current assets	10	1,822	1,356
Total current assets		69,568	56,493
Non-current assets			
Property, plant and equipment	11	18,733	18,814
Intangible assets	12	16,461	16,742
Deferred tax assets	13	6,286	6,035
Other non-current assets		157	220
Total non-current assets		41,637	41,811
Total assets		111,205	98,304
Liabilities			
Current liabilities			
Trade and other payables	14	11,620	9,264
Provisions	15	7,373	7,378
Current tax liabilities		147	1,757
Unearned revenue		6,549	5,379
Borrowings	16	2,260	1,234
Total current liabilities		27,949	25,012
Non-current liabilities			
Provisions	17	2,479	2,198
Borrowings	18	7,351	1,656
Other non-current liabilities	19	5,056	6,023
Total non-current liabilities		14,886	9,877
Total liabilities		42,835	34,889
Net assets		68,370	63,415
Equity			
Contributed equity	21	25,316	24,299
Reserves	22	16,615	14,326
Retained earnings		26,439	24,790
Total equity		68,370	63,415

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

Statement of changes in equity For The Year Ended 30 September 2011

Consolidated	Notes	Contributed equity \$'000	Retained earnings \$'000	Dividend reserve \$'000	FOREX reserve \$'000	Share option reserve \$'000	Investment revaluation reserve \$'000	Total equity \$'000
Balance at 1 October 2010		24,299	24,790	13,130	(1,676)	3,282	(410)	63,415
Reversal of losses on sale of available-for-sale financial assets		-	-	-	-	-	107	107
Loss realised on sale of available-for-sale financial assets		-	-	-	-	-	29	29
Exchange differences on translation of foreign operations		-	-	-	198	-	-	198
Profit for the year		-	20,326	-	-	-	-	20,326
Total comprehensive income for the year		-	20,326	-	198	-	136	20,660
Dividends paid	23	-	-	(17,669)	-	-	-	(17,669)
Transfer to dividend reserve		-	(18,677)	18,677	-	-	-	-
Exercise of share options	21	1,017	-	-	-	-	-	1,017
Share based payments	32	-	-	-	-	586	-	586
Tax impact of share trust		-	-	-	-	361	-	361
		1,017	(18,677)	1,008	-	947	-	(15,705)
Balance at 30 September 2011		25,316	26,439	14,138	(1,478)	4,229	(274)	68,370
Balance at 1 October 2009		24,284	24,104	8,617	(1,298)	1,990	(554)	57,143
Net gains on available-for-sale financial assets		-	-	-	-	-	60	60
Loss realised on sale of available-for-sale financial assets		-	-	-	-	-	84	84
Exchange differences on translation of foreign operations		-	-	-	(378)	-	-	(378)
Profit for the year		-	17,813	-	-	-	-	17,813
Total comprehensive income for the year		-	17,813	-	(378)	-	144	17,579
Dividends paid	23	-	-	(12,614)	-	-	-	(12,614)
Transfer to dividend reserve		-	(17,127)	17,127	-	-	-	-
Exercise of share options	21	15	-	-	-	-	-	15
Share based payments	32	-	-	-	-	670	-	670
Tax impact of share trust		-	-	-	-	622	-	622
		15	(17,127)	4,513	-	1,292	-	(11,307)
Balance at 30 September 2010		24,299	24,790	13,130	(1,676)	3,282	(410)	63,415

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

Statement of cash flows For The Year Ended 30 September 2011

		Consolidated	
	Notes	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		173,147	152,803
Payments to suppliers and employees (inclusive of GST)		(146,364)	(116,255)
Interest received		1,501	1,069
Income taxes paid		(7,848)	(6,622)
Other revenue		1,293	774
Interest paid		(511)	(194)
Net cash (outflow) inflow from operating activities	30	<u>21,218</u>	<u>31,575</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(4,715)	(14,299)
Proceeds from sale of available-for-sale financial assets		2,051	1,106
Net cash (outflow) inflow from investing activities		<u>(2,664)</u>	<u>(13,193)</u>
Cash flows from financing activities			
Proceeds from leasing of property, plant and equipment		8,877	1,597
Proceeds from exercise of share options		1,017	15
Payment for interest rate cap		-	(314)
Dividends paid to Company's shareholders	23	(17,669)	(12,614)
Net cash (outflow) inflow from financing activities		<u>(7,775)</u>	<u>(11,316)</u>
Net increase in cash and cash equivalents		10,779	7,066
Cash and cash equivalents at the beginning of the financial year		<u>32,652</u>	<u>25,586</u>
Cash and cash equivalents at end of year	8	<u>43,431</u>	<u>32,652</u>

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

Notes to the financial statements 30 September 2011

1 Summary of significant accounting policies

The financial report of Technology One Limited (the Company) for the year ended 30 September 2011 was authorised for issue in accordance with a resolution of directors on 21 November 2011.

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 years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Technology One Limited and its subsidiaries. The nature of the operations and principal activities of the Group are described in the directors' report.

(a) Basis of preparation

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

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

Compliance with IFRS

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

Newly adopted standards

The Company has elected to apply the following pronouncements to the annual reporting period beginning 1 October 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 8 & 136)* effective 1 January 2010
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash - Settled Share-Based Payment Transactions (AASB 2)* effective 1 January 2010

Annual Improvements Project

In May 2009 and June 2010 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

AASB 8 *Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information in note 4.

AASB 136 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash - Settled Share-Based Payment Transactions

The amendments clarify the scope of AASB 2 Share-Based Payment by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 - Group and Treasury Share Transactions. It did not have an impact on the financial position or performance of the Group.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment.

Critical accounting estimates

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

(b) New accounting standards and interpretations

Relevant Australian Accounting Standards that have recently been issued or amended but are not yet effective and have not yet been adopted for the annual reporting period ended 30 September 2011, are as follows:

(i) Revised AASB 124 *Related Party Disclosures*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Company will apply the amended standard from 1 October 2011. When the amendments are applied, the Company will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

(ii) *Improvements to IFRSs (effective from 1 January 2011)*

In May 2010, the IASB made a number of amendments to the International Financial Reporting Standards as part of its ongoing improvements project. The AASB is expected to make equivalent amendments to the Australian Accounting Standards shortly. The Company will apply the amendments from 1 July 2010. The Company does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iii) *AASB 2011 - 4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective from 1 January 2013)*

The AASB made a number of amendments to remove individual key management personnel disclosure requirements from AASB 124. The Company will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

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

- AASB 2009 - 12 *Amendments to Australian Accounting Standards*
- AASB 1054 *Australian Additional Disclosures*
- AASB 2010 - 4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2010 - 5 *Amendments to Australian Accounting Standards*
- AASB 2010 - 6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets*
- AASB 2010 - 8 *Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets*
- AASB 2011 - 9 *Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income*
- AASB 1053 *Application of Tiers of Australian Accounting Standards*
- AASB 9 *Financial Instruments*
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*

(c) 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 2011 and the results of all subsidiaries for the year then ended. Technology One Limited and its subsidiaries together are referred to in this financial report as the 'Company' or the 'Consolidated entity'.

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

(ii) *Employee Share Trust*

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's operations are measured using the currency of the primary economic environment in which it 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 profit or loss.

(iii) Group companies

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

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

(e) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) Software License Fee Revenue

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

(ii) Implementation and Consulting Services Revenue for Licensed Software

Revenue from implementation and consulting services attributable to licensed software is recognised in proportion to the stage of completion.

(iii) Post Sales Customer Support Revenue for Licensed Software

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

(iv) Project Services Revenue

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

(v) Unearned Services Revenue

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

(vi) Earned and Unbilled Revenue

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

(f) Income tax

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

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

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

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

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

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

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

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

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

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

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

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

(g) Segment reporting

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

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

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

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

(h) Leases

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

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

(i) Research and Development costs

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

(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 impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the financial statements 30 September 2011 continued..

(k) Cash and cash equivalents

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

For purposes of the cash flow statement, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(l) Trade receivables

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

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

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

(m) Investments and other financial assets

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

(i) Available-for-sale financial assets

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

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

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

(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:

	Life	Method
Office furniture and equipment	3 - 11 years	Straight line
Computer software	3 - 4 years	Straight line
Motor vehicles	4 - 5 years	Straight line

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 income statement.

(o) Intangible assets

(i) Goodwill

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

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

(ii) Intellectual Property/Source Code

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

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

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

(p) Trade and other payables

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

(q) Provisions

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

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

(r) Employee benefits

(i) Short-term obligations

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

(ii) Long service leave

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

(iii) Share-based payments

The Company provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares. The costs of share-based payment transactions with employees are measured by reference to the fair value of the equity instruments at the date at which they are granted. Refer to note 32.

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

(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

Basic earnings per share is calculated by dividing:

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

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

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

(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)

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

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

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

2 Financial risk management

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

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

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

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

During 2010, the Company entered into an interest rate cap on our Asset Finance Facility. The Cap was for \$8,000,000, put in place to limit any exposure in interest rate movements above a BBSY of 5.50%.

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

The Company's cash and investment assets are exposed to movements in deposit and fixed interest rates. The Company does not hedge this exposure. Interest rate risk on leasing instruments is managed by taking out fixed interest leases. No variable interest risk exposures exist. Interest rate risk on available-for-sale instruments and cash is not considered to be material.

The Company holds the following financial instruments:

	Consolidated	
	2011 \$'000	2010 \$'000
Financial assets		
Cash and cash equivalents	43,431	32,652
Available-for-sale financial assets	1,926	3,921
Trade and other receivables	18,303	16,486
Other financial assets	220	283
	<u>63,880</u>	<u>53,342</u>
Financial liabilities		
Trade and other payables	11,509	9,264
Borrowings	9,611	2,890
	<u>21,120</u>	<u>12,154</u>

At balance date the Company held investments in available-for-sale instruments. These instruments represented reset preference shares traded on the Australian Securities Exchange paying interest as opposed to dividends. The exposure on these instruments is principally interest related. At each reporting date the fair value of these shares is determined as the close bid price published by the Australian Securities Exchange. Any movements in the fair value of these instruments are included in an equity reserve. Fixed returns are recorded as interest as received.

The designation of available-for-sale investments is made on acquisition. Where the intent is not to acquire an instrument for short-term profit taking the instrument is classified as available-for-sale.

Notes to the financial statements 30 September 2011 continued..

(a) Foreign currency risk

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

The Company does not hedge this risk.

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

	Consolidated	
	2011 \$'000	2010 \$'000
Receivables		
United States Dollars	<u>402</u>	<u>320</u>

The Company's sensitivity to an upward movement of 10% in the Australian Dollar against the United States Dollar would decrease net profit by \$39,000 (2010: \$205,000).

The Company's sensitivity to an upward movement of 10% in the New Zealand Dollar against the Australian Dollar would decrease foreign currency translation reserve by \$89,000 (2010: \$87,000).

The effect of any movements in the Great British Pound and Malaysian Ringgit would not be material.

(b) Credit risk

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

Information on credit risk exposures is contained in Note 9.

(c) Liquidity risk

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

At 30 September 2011	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Liquid financial assets					
Cash and cash equivalents	43,431	-	-	-	43,431
Trade and other receivables	18,303	-	-	-	18,303
Total	61,734	-	-	-	61,734
Financial liabilities					
Trade and other payables	11,509	-	-	-	11,509
Borrowings	1,306	954	7,351	-	9,611
Total	12,815	954	7,351	-	21,120
Net inflow/(outflow)	48,919	(954)	(7,351)	-	40,614
At 30 September 2010	Less than 6 months \$'000	6 - 12 months \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000
Liquid financial assets					
Cash and cash equivalents	32,652	-	-	-	32,652
Trade and other receivables	16,486	-	-	-	16,486
Total	49,138	-	-	-	49,138
Financial liabilities					
Trade and other payables	9,264	-	-	-	9,264
Borrowings	708	526	1,656	-	2,890
Total	9,972	526	1,656	-	12,154
Net inflow/(outflow)	39,166	(526)	(1,656)	-	36,984

Notes to the financial statements 30 September 2011 continued..

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 October 2009, Technology One Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1), and
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities measured and recognised at fair value at 30 September 2011.

At 30 September 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Available-for-sale financial assets				
Listed investments	1,926	-	-	1,926
At 30 September 2010				
Assets				
Available-for-sale financial assets				
Listed investments	3,921	-	-	3,921

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

(e) Capital risk management

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

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

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

3 Critical accounting estimates and judgements

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

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

Impairment of goodwill and other assets

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

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

Share-based payments

The costs of equity settled transactions are measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial model, further details of which are given in note 32. The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities with the next annual reporting period but may impact expenses and equity.

Long service leave

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

Make good provisions

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

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

Onerous lease

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

4 Segment information

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

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

TechnologyOne's reportable segments are:

- Sales and Marketing Sales of licence fees and customer support to our customers
- Service Delivery Implementation and consulting services
- Research & Development The research, development & support of our products

Intersegment revenues/expenses are where another operating segment has been charged at an agreed rate for the use of their expertise, as well as an internal royalty for the use of the Technology One brand and corporate functions.

Notes to the financial statements 30 September 2011 continued...

2011	Sales & Marketing \$'000	Service Delivery \$'000	Research & Development \$'000	Total \$'000
Segment revenue				
Software licence fees & customer support	85,997	-	-	85,997
Implementation & consulting services	-	62,813	4,692	67,505
Intersegment revenue	975	831	33,996	35,802
Total segment revenue	86,972	63,644	38,688	189,304
Intersegment elimination				(35,802)
Other revenues from external customers				3,240
Consolidated revenue				156,742
Segment result				
	3,948	10,497	6,892	21,337
Corporate Services contribution				5,338
Profit before income tax				26,675
Income tax expense				(6,349)
Profit for the year				20,326
Total assets				111,205
Total liabilities				42,835
Total depreciation and amortisation				5,155

2010	Sales & Marketing \$'000	Service Delivery \$'000	Research & Development \$'000	Total \$'000
Segment revenue				
Software licence fees & customer support	75,272	-	-	75,272
Implementation & consulting services	-	55,079	3,688	58,767
Intersegment revenue	411	351	30,294	31,056
Total segment revenue	75,683	55,430	33,982	165,095
Intersegment elimination				(31,056)
Other revenues from external customers				1,867
Consolidated revenue				135,906
Segment result				
	3,338	8,961	7,019	19,318
Corporate Services contribution				3,964
Profit before income tax				23,282
Income tax expense				(5,469)
Profit for the year				17,813
Total assets				98,304
Total liabilities				34,889
Total depreciation and amortisation				3,888

(a) Segment information provided to the strategic steering committee

	Segment revenues from sales to external customers		Segment assets	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Australia	143,379	124,036	101,502	90,175
New Zealand	11,896	10,260	8,417	6,781
International	1,467	1,610	1,286	1,348
	<u>156,742</u>	<u>135,906</u>	<u>111,205</u>	<u>98,304</u>

Major customers

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

5 Revenue

	Consolidated	
	2011 \$'000	2010 \$'000
Sales revenue		
Software licence fees	30,729	26,766
Implementation and consulting services	42,774	41,583
Post sales customer support	55,268	48,506
Project services	20,110	13,730
Product modifications	4,485	3,454
Total sales revenue	<u>153,366</u>	<u>134,039</u>
Other revenue		
Rents and sub-lease rentals	1,293	774
Interest received - Cash	1,244	852
Interest received - Available-for-sale investments	246	214
Other	593	27
	<u>3,376</u>	<u>1,867</u>
Total revenue	<u>156,742</u>	<u>135,906</u>

Notes to the financial statements 30 September 2011 continued...

6 Expenses

	Consolidated	
	2011 \$'000	2010 \$'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Depreciation	2,666	2,472
Amortisation		
Leased office furniture & equipment	2,147	978
Leased computer software	61	157
Amortisation	281	281
Total amortisation	<u>2,489</u>	<u>1,416</u>
Total depreciation and amortisation	<u>5,155</u>	<u>3,888</u>
Employee benefit expenses		
Wages and salaries	70,045	60,798
Defined contribution plan expense	5,800	5,055
Payroll tax	3,971	3,533
Provision for annual leave	(52)	447
Provision for long service leave	394	260
Share based payments	586	670
Other	3,174	2,871
Total employee benefit expenses	<u>83,918</u>	<u>73,634</u>
Provision for doubtful debts	(293)	349
Foreign exchange loss	82	177
Rental expenses on operating leases	6,703	6,082
Loss on sale of available-for-sale assets	75	70

7 Income tax expense

	Consolidated	
	2011 \$'000	2010 \$'000
(a) Income tax expense		
Current tax	6,896	7,963
Relating to origination and reversal of temporary differences	(306)	(2,156)
Adjustments for current tax of prior periods	(241)	(338)
	<u>6,349</u>	<u>5,469</u>
Deferred income tax/(revenue) expense included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(8)	(3,694)
(Decrease)/increase in deferred tax liabilities	(299)	1,538
	<u>(307)</u>	<u>(2,156)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	26,675	23,282
Tax at the Australian tax rate of 30% (2010 - 30%)	8,003	6,985
Adjustments for current tax of prior periods	(241)	(338)
Research and development tax concession	(1,432)	(1,118)
Recognition of previously unrecognised tax asset	-	(85)
Non-assessable foreign income	(128)	(104)
Expenditure not allowable for income tax purposes	335	322
Employee Share Trust	(188)	(193)
	<u>(1,654)</u>	<u>(1,516)</u>
Income tax expense	<u>6,349</u>	<u>5,469</u>

8 Current assets - Cash and cash equivalents

	Consolidated	
	2011 \$'000	2010 \$'000
Cash and cash equivalents	<u>43,431</u>	<u>32,652</u>

The Company has a secured \$7 million interchangeable facility which is transferable between an Overdraft, Fixed Rate Commercial Bill and Variable Rate Commercial Bill to assist with working capital requirements.

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

Notes to the financial statements 30 September 2011 continued..

9 Current assets - Trade and other receivables

	Consolidated	
	2011 \$'000	2010 \$'000
Net trade receivables		
Trade receivables (i) (ii)	18,617	17,294
Sundry receivables	150	(116)
Provision for impairment of receivables	(464)	(692)
	<u>18,303</u>	<u>16,486</u>

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

Included in the trade receivable balance are debtors with a carrying amount of \$3,060,000 (2010: \$1,774,000) which are past due at the reporting date for which the consolidated entity has not provided as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances, apart from the withdrawal of future support and software licence use rights. The average age of these receivables is 26 days (2010: 25 days).

(ii) Included in trade receivables are amounts billed but not yet collected for post implementation customer support to commence post 30 September at each balance date. An equal and offsetting amount is included in unearned income. The balance at 30 September 2011 is \$1,115,000 (2010: \$2,324,000).

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

	Consolidated	
	2011 \$'000	2010 \$'000
At 1 October	692	366
Receivables written off during the year as uncollectible	-	(349)
Provision for impairment recognised during the year	483	692
Unused amount reversed	(711)	(17)
	<u>464</u>	<u>692</u>

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

10 Current assets - Other current assets

	Consolidated	
	2011 \$'000	2010 \$'000
Prepayments	1,136	1,042
Deposits receivable	623	251
Other	63	63
	<u>1,822</u>	<u>1,356</u>

11 Non-current assets - Property, plant and equipment

	Office furniture & equipment \$'000	Leased office furniture & equipment \$'000	Computer software \$'000	Motor vehicles \$'000	Leased computer software \$'000	Total \$'000
Year ended 30 September 2011						
Opening net book amount	15,597	2,176	853	136	52	18,814
Additions *	4,584	62	430	-	-	5,076
Disposals	(445)	(7)	-	-	-	(452)
Exchange differences	10	1	-	-	-	11
Depreciation charge	(2,299)	(2,147)	(340)	(27)	(61)	(4,874)
Make good movement	158	-	-	-	-	158
Transfer to leased assets	(8,182)	8,184	(327)	-	325	-
Closing net book amount	9,423	8,269	616	109	316	18,733
At 30 September 2011						
Cost or fair value	14,974	11,755	1,049	185	638	28,601
Accumulated depreciation	(5,551)	(3,486)	(433)	(76)	(322)	(9,868)
Net book amount	9,423	8,269	616	109	316	18,733
	Office furniture & equipment \$'000	Leased office furniture & equipment \$'000	Computer software \$'000	Motor vehicles \$'000	Leased computer software \$'000	Total \$'000
Year ended 30 September 2010						
Opening net book amount	5,625	1,292	201	141	209	7,468
Additions *	13,013	1,612	880	21	-	15,526
Disposals	(440)	(2)	-	-	-	(442)
Exchange differences	(13)	-	-	-	-	(13)
Depreciation charge	(2,313)	(978)	(133)	(26)	(157)	(3,607)
Make good movement	(118)	-	-	-	-	(118)
Transfer to leased assets	(157)	252	(95)	-	-	-
Closing net book amount	15,597	2,176	853	136	52	18,814
At 30 September 2010						
Cost or fair value	21,881	4,385	2,230	185	312	28,993
Accumulated depreciation	(6,284)	(2,209)	(1,377)	(49)	(260)	(10,179)
Net book amount	15,597	2,176	853	136	52	18,814

* Included in additions of office furniture & equipment, are fitout incentives received of \$nil (2010: \$4,233,190) that was used to fitout out our new offices.

Notes to the financial statements 30 September 2011 continued..

12 Non-current assets - Intangible assets

	Goodwill \$'000	Intellectual property/ Source code \$'000	Total \$'000
Year ended 30 September 2011			
Opening net book amount	15,491	1,251	16,742
Amortisation charge	-	(281)	(281)
Closing net book amount	15,491	970	16,461
At 30 September 2011			
Cost	15,491	2,358	17,849
Accumulated amortisation and impairment	-	(1,388)	(1,388)
Net book amount	15,491	970	16,461

	Goodwill \$'000	Intellectual property/ Source code \$'000	Total \$'000
Year ended 30 September 2010			
Opening net book amount	15,491	1,532	17,023
Amortisation charge	-	(281)	(281)
Closing net book amount	15,491	1,251	16,742
At 30 September 2010			
Cost	15,491	2,358	17,849
Accumulated amortisation and impairment	-	(1,107)	(1,107)
Net book amount	15,491	1,251	16,742

(a) Impairment tests for goodwill

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

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

The discount rate applied to cash flow projections is 15% pre tax (2010: 13.5%).

The key assumptions used in value-in-use calculations for 30 September 2011 and 2010 are:

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

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

13 Non-current assets - Deferred tax assets

	Consolidated	
	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:		
Employee benefits	2,515	2,382
Provisions - other	1,443	2,957
Accrued expenses	271	596
Copyright - software	340	425
Lease liability (net)	1,810	199
Employee share trust	1,705	1,573
	<u>8,084</u>	<u>8,132</u>
Set off of deferred tax liabilities pursuant to set off provisions (note 20)	<u>(1,798)</u>	<u>(2,097)</u>
Net deferred tax assets	<u>6,286</u>	<u>6,035</u>
Movements:		
Opening balance at 1 October	8,132	4,438
Credited/(charged) to the income statement	8	3,694
Credited/(charged) to equity	(56)	-
Offset from deferred tax liabilities	<u>(1,798)</u>	<u>(2,097)</u>
Closing balance at 30 September	<u>6,286</u>	<u>6,035</u>
Deferred tax assets expected to be recovered within 12 months	3,016	5,154
Deferred tax assets expected to be recovered after more than 12 months	<u>3,270</u>	<u>881</u>
	<u>6,286</u>	<u>6,035</u>

14 Current liabilities - Trade and other payables

	Consolidated	
	2011 \$'000	2010 \$'000
Trade payables	8,055	6,673
Sundry creditors	3,426	2,523
Directors fees	139	68
	<u>11,620</u>	<u>9,264</u>

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

Notes to the financial statements 30 September 2011 continued..

15 Current liabilities - Provisions

	Consolidated	
	2011 \$'000	2010 \$'000
Annual leave	4,206	4,255
Onerous contracts	235	213
Make good	125	271
Long service leave	2,807	2,639
	7,373	7,378

(a) Movements in provisions

Please refer to note 17 for details.

16 Current liabilities - Borrowings

	Consolidated	
	2011 \$'000	2010 \$'000
Lease liabilities (note 27)	2,260	1,234

17 Non-current liabilities - Provisions

	Consolidated	
	2011 \$'000	2010 \$'000
Long service leave	1,166	1,072
Onerous contracts	529	566
Make good	784	560
	2,479	2,198

Refer to note 1(r) and 3 for a description of the nature and timing of cash flows associated with the above provisions.

(a) Movements in provisions

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

	Annual leave \$'000	Long service leave \$'000	Onerous contracts \$'000	Make good \$'000	Total \$'000
Consolidated 2011					
Carrying amount at start of year	4,255	3,711	779	831	9,576
Charged/(credited) to the profit or loss					
- additional provisions recognised	2,023	1,222	-	202	3,447
- unwinding of discount	-	-	18	22	40
Amounts used during the year	(2,072)	(960)	(33)	(146)	(3,211)
Carrying amount at end of year	4,206	3,973	764	909	9,852

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

18 Non-current liabilities - Borrowings

	Consolidated	
	2011 \$'000	2010 \$'000
Lease liabilities (note 27)	7,351	1,656

19 Non-current liabilities - Other non-current liabilities

	Consolidated	
	2011 \$'000	2010 \$'000
Lease incentive	4,841	5,697
Other payables	215	326
	<u>5,056</u>	<u>6,023</u>

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

Other payables consist of a contingent consideration payable for the acquisition of Outcome Manager Pty Ltd that occurred during 2008. The amount was \$500,000 to be paid based on the performance of the product. At balance date, \$285,000 has so far been earned.

20 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2011 \$'000	2010 \$'000
The balance comprises temporary differences attributable to:		
Accrued receivables	(1,023)	(468)
Intangible assets	82	(13)
Accelerated depreciation for tax purposes	(672)	(1,438)
Other	(185)	(178)
Total deferred tax liabilities	<u>(1,798)</u>	<u>(2,097)</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (note 13)	<u>1,798</u>	<u>2,097</u>
Net deferred tax liabilities	<u>-</u>	<u>-</u>
Movements:		
Opening balance at 1 October	(2,097)	(559)
Charged/(credited) to the income statement	299	(1,538)
Offset to deferred tax assets	<u>1,798</u>	<u>2,097</u>
Closing balance at 30 September	<u>-</u>	<u>-</u>

Notes to the financial statements 30 September 2011 continued..

21 Contributed equity

	2011 Shares	2010 Shares	2011 \$'000	2010 \$'000
Ordinary shares				
Fully paid	303,379,455	300,303,455	25,316	24,299

(a) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 October 2010	Opening balance	300,303,455	24,299
	Exercise of share options	3,076,000	1,017
30 September 2011	Balance	303,379,455	25,316
1 October 2009	Opening balance	300,257,455	24,284
	Exercise of share options	46,000	15
30 September 2010	Balance	300,303,455	24,299

(b) Employee Share Option Plan

Information relating to the TechnologyOne Employee Share Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 32.

22 Reserves and retained earnings

	Consolidated	
	2011 \$'000	2010 \$'000
Investment revaluation reserve	(274)	(410)
Share based payments	4,229	3,282
Foreign currency translation	(1,478)	(1,676)
Dividend reserve	14,138	13,130
	16,615	14,326

(i) Investment revaluation reserve

The reserve is used to record changes in fair values of available-for-sale investments.

(ii) Share based payments

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

(iii) Foreign currency translation

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

(iv) Dividend reserve

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

23 Dividends

	Consolidated	
	2011 \$'000	2010 \$'000
Final dividend paid for the year ended 30 September 2010 of 2.87 cents (2009 - 2.87 cents) per fully paid share paid in December 2010 (2009 - December 2009) Fully franked based on tax paid @ 30%	8,697	8,619
Special dividend paid for the year ended 30 September 2010 of 1.50 cents (2009 - nil) per fully paid share paid December 2010 (2009 - nil) Fully franked based on tax paid @ 30%	4,546	-
Interim dividend paid for the year ended 30 September 2011 of 1.46 cents (2010 - 1.33 cents) per fully paid share paid June 2011 (2010 - June 2010) Fully franked based on tax paid @ 30%	4,426	3,995
Total dividends provided for or paid	17,669	12,614

(a) Capital Management Policy

The Board will continue to consider capital management options including share buy-backs or special dividends in future years if cash reserves remain high, growth continues as is expected and there is no other compelling alternative use for the cash reserves.

	Consolidated	
	2011 \$'000	2010 \$'000
(b) Dividends not recognised at the end of the reporting period		
<i>Final</i>		
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 3.16 cents per fully paid ordinary share, (2010 - 2.87 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 16 December 2011 out of retained earnings at 30 September 2011, but not recognised as a liability at the end of the year, is	9,587	8,697
<i>Special</i>		
In addition to the above dividends, since year end the directors have recommended the payment of a special dividend of 1.5 cents per fully paid ordinary share, (2010 - 1.5 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 16 December 2011 out of retained earnings at 30 September 2011, but not recognised as a liability at the end of the year, is	4,551	4,546
	14,138	13,243

Notes to the financial statements 30 September 2011 continued..

(c) Franked dividends

The franked portions of the final dividends recommended after 30 September 2011 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2012.

	Consolidated	
	2011 \$'000	2010 \$'000
Franking account balance as at the end of the financial year at 30% (2010 - 30%)	5,870	6,081
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	698	1,832
	6,568	7,913

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

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

The impact on the franking account of the dividend recommended by the directors since the end of the reporting period, but not recognised as a liability at the reporting date, will be a reduction in the franking account of \$6,059,000 (2010 - \$5,627,000).

24 Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	2011 \$	2010 \$
Short-term employee benefits	4,064,362	3,962,799
Post-employment benefits	121,889	151,279
Termination benefits	128,994	-
Share-based payments	280,748	377,125
	4,595,993	4,491,203

(b) Equity instrument disclosures relating to key management personnel

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Technology One Limited and other key management personnel of the Company, including their personally related parties, are set out below.

All of the key management personnel participated in the share options granted on 1 July 2004, except D Orchard who participates in options granted 25 August 2006. E Chung was the only director to participate in the share options granted on 5 May 2008.

24 Key management personnel disclosures continued

2011	Balance at start of the year	Granted as compensation	Exercised	Forfeited	Balance at end of the year	Vested and exercisable	Unvested
Directors of Technology One Limited							
E Chung	1,000,000	-	(200,000)	-	800,000	-	800,000
Other key management personnel of the Company							
R Down	800,000	-	(400,000)	-	400,000	400,000	-
M Culverson	775,000	-	(375,000)	-	400,000	400,000	-
R Phare	875,000	-	(625,000)	-	250,000	250,000	-
P Cameron	1,100,000	-	(850,000)	-	250,000	250,000	-
M Harwood	-	-	-	-	-	-	-
D Orchard	300,000	-	(120,000)	(180,000)	-	-	-

2010	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Technology One Limited							
E Chung	1,000,000	-	-	-	1,000,000	-	1,000,000
Other key management personnel of the Company							
R Down	800,000	-	-	-	800,000	400,000	400,000
M Culverson	775,000	-	-	-	775,000	375,000	400,000
R Phare	875,000	-	-	-	875,000	625,000	250,000
P Cameron	1,100,000	-	-	-	1,100,000	850,000	250,000
M Harwood	-	-	-	-	-	-	-
D Orchard	300,000	--	-	-	300,000	120,000	180,000

Notes to the financial statements 30 September 2011 continued..

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Technology One Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2011				
Name	Balance at the start of the year	Received during the year on the exercise of options	Sales during the year	Balance at the end of the year
A Di Marco	55,378,500	-	-	55,378,500
R McLean	500,000	-	(399,000)	101,000
J Mactaggart	66,902,500	-	-	66,902,500
K Blinco	201,285	-	-	201,285
R Anstey	7,500	-	-	7,500
E Chung	-	200,000	-	200,000
Other key management personnel of the Company				
R Down	420,000	400,000	-	820,000
M Culverson	485,000	375,000	-	860,000
R Phare	110,000	625,000	-	735,000
P Cameron	-	850,000	-	850,000
M Harwood	-	-	-	-
D Orchard	224,351	120,000	-	344,351

2010				
Name	Balance at the start of the year	Received during the year on the exercise of options	Sales during the year	Balance at the end of the year
A Di Marco	55,378,500	-	-	55,378,500
R McLean	500,000	-	-	500,000
J Mactaggart	66,902,500	-	-	66,902,500
K Blinco	201,285	-	-	201,285
R Anstey	7,500	-	-	7,500
E Chung	-	-	-	-
Other key management personnel of the Company				
R Down	420,000	-	-	420,000
M Culverson	485,000	-	-	485,000
R Phare	110,000	-	-	110,000
P Cameron	-	-	-	-
M Harwood	-	-	-	-
D Orchard	224,351	-	-	224,351

(c) Other transactions with directors and key management personnel

During the financial year the Royal Children's Hospital Foundation Qld (RCHF) purchased consulting services of \$2,500 (2010: \$8,200), software of nil (2010: nil) and post sales customer support of \$21,996 (2010: \$21,397) from TechnologyOne. The sale was on normal business terms and conditions.

Mr Di Marco is a director of Technology One Limited and RCHF.

25 Remuneration of auditors

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

	Consolidated	
	2011 \$'000	2010 \$'000
Ernst & Young		
Audit and review of financial statements	248,300	241,800
Total remuneration for audit	248,300	241,800
<i>Other services</i>		
Taxation advice	131,917	126,083
Compliance services	96,628	17,687
Total remuneration of Ernst & Young	476,845	385,570

26 Contingencies

The Company had contingent liabilities at 30 September 2011 in respect of:

Guarantees

At 30 September 2011 the Company had \$6,586,012 (2010: \$7,679,203) in outstanding performance guarantees. The total available guarantee facility is \$10,000,000 (2010: \$10,000,000). The Company also had unused foreign currency dealing limits of \$696,410 (2010: \$1,300,000).

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

Notes to the financial statements 30 September 2011 continued...

27 Commitments

(i) Operating lease commitments

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

	Consolidated	
	2011 \$'000	2010 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	6,352	6,507
Later than one year but not later than five years	25,831	25,323
Later than five years	6,749	10,723
	<u>38,932</u>	<u>42,553</u>

(ii) Finance lease commitments

The finance lease liabilities below are secured by a Registered Mortgage Debenture given by the Company in favour of ANZ Banking Group Limited for the assets under lease. The Company has available leasing facilities of \$10,410,772 (2010: \$9,670,000) of which \$799,404 remain un-drawn at 30 September 2011. The borrowings carry a fixed rate of 7.23% - 9.12% (2010: 6.89% - 9.12%) and have an average term of three years.

	Consolidated	
	2011 \$'000	2010 \$'000
Commitments in relation to finance leases are payable as follows:		
Within one year	2,874	1,401
Later than one year but not later than five years	8,427	1,805
Minimum lease payments	<u>11,301</u>	<u>3,206</u>
Future finance charges	(1,690)	(316)
Total lease liabilities	<u>9,611</u>	<u>2,890</u>
Representing lease liabilities:		
Current (note 16)	2,260	1,234
Non-current (note 18)	7,351	1,656
	<u>9,611</u>	<u>2,890</u>

28 Related party transactions

(a) Ultimate controlling entity

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

(b) Transactions with related parties

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

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

These transactions were undertaken on commercial terms and conditions. Amounts due to and receivable from related parties in the wholly-owned group are set out in the respective notes to the financial statements.

The ownership interest in related parties in the wholly owned group is set out in note 29.

29 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(c):

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
Technology One Corporation SDN BHD	Malaysia	Ordinary	100	100
Technology One New Zealand Ltd	New Zealand	Ordinary	100	100
Technology One UK Limited	England	Ordinary	100	100
Avand Pty Ltd	Australia	Ordinary	100	100
Avand (New Zealand) Ltd	New Zealand	Ordinary	100	100
Technology One Employee Share Trust	Australia	Ordinary	-	-

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

The Registered office is located at:

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

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

	Consolidated	
	2011 \$'000	2010 \$'000
Profit for the year	20,326	17,813
Depreciation and amortisation	5,155	3,888
Non-cash employee benefits expense-share-based payments	586	670
Provision for onerous contract	(15)	779
Transfers to/(from) provisions:		
Employee entitlements	213	728
Doubtful debts	(228)	327
Net (gain)/loss on sale of non-current assets	(18)	301
Movement in provision for:		
Income tax payable	(896)	3,497
Deferred income tax	(603)	(4,651)
Net (gain)/loss on sale of available-for-sale financial assets	74	70
Change in operating assets and liabilities		
Decrease/(Increase) in trade debtors and bills of exchange	(1,322)	4,362
Decrease/(Increase) in sundry debtors	(241)	517
Decrease/(Increase) in prepayments	(94)	46
(Increase)/Decrease in earned and unbilled revenue	(2,008)	(606)
(Increase)/Decrease in other assets	(396)	(1)
Increase/(Decrease) in trade creditors	171	591
Increase/(Decrease) in other liabilities	(656)	2,458
Increase/(Decrease) in unearned revenue	1,170	786
Net cash inflow/(outflow) from operating activities	21,218	31,575

During the financial period the Company acquired equipment and software with an aggregate fair value of \$8,877,214 (2010: \$1,597,307), by means of finance leases.

Notes to the financial statements 30 September 2011 continued..

31 Earnings per share

	Consolidated	
	2011 Cents	2010 Cents
(a) Basic earnings per share		
Basic earnings per share	6.71	5.93
Diluted earnings per share	6.54	5.80
Profit used for calculating basic and diluted earnings per share (\$'000)	20,326	17,813
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	302,768,921	300,300,052
Adjustments for calculation of diluted earnings per share:		
Options	8,016,822	6,727,041
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	310,785,743	307,027,093

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.

32 Share-based payments

Share options are granted to employees at the discretion of the Executive Chairman. The exercise price of the options is set based on future expected share price movements. The options vest if and when the employees satisfy the period of service contained in each option grant. The period available between vesting date and expiry date of each option varies between four and 10 years. There are no cash settlement alternatives.

Each option entitles the holder to purchase one share.

Fair values of options granted as part of remuneration are based on values determined using the binomial option pricing model. Options issued 1 July 2004 have had their fair value increased in line with modifications to the exercise price of such options approved on 25 August 2006.

The Executive Chairman has the discretion to increase the option exercise price.

Set out on the next page are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated-2011								
12 July 2011	Jul 2018	\$0.40	-	60,000	-	-	60,000	-
1 July 2011	Jul 2018	\$0.53	-	240,000	-	-	240,000	-
26 Nov 2010	Jul 2024	\$0.36	-	135,000	-	-	135,000	-
12 July 2010	Jul 2013 to Jul 2017	\$0.40	60,000	-	-	-	60,000	-
1 May 2009	Jul 2016 to Jul 2022	\$0.36	3,950,000	-	(80,000)	(635,000)	3,235,000	410,000
10 Oct 2008	Jul 2015 to Jul 2020	\$0.41	1,100,000	-	(170,000)	-	930,000	220,000
5 May 2008	Nov 2015 to Nov 2019	\$0.41	1,000,000	-	(200,000)	-	800,000	200,000
25 Aug 2006	Aug 2018 to Aug 2024	\$0.35	1,745,000	-	(376,000)	(264,000)	1,105,000	526,000
1 July 2004	Jun 2012 to Jun 2016	\$0.33	3,550,000	-	(2,250,000)	-	1,300,000	1,300,000
Total			11,405,000	435,000	(3,076,000)	(899,000)	7,865,000	2,656,000
Weighted average exercise price			\$0.36	\$0.46	\$0.34	\$0.36	\$0.37	\$0.35

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated-2010								
12 July 2010	Jul 2013 to Jul 2017	\$0.40	-	60,000	-	-	60,000	60,000
1 May 2009	Jul 2016 to Jul 2022	\$0.36	4,550,000	-	-	(600,000)	3,950,000	3,950,000
10 Oct 2008	Jul 2015 to Jul 2020	\$0.41	1,100,000	-	-	-	1,100,000	1,100,000
5 May 2008	Nov 2015 to Nov 2019	\$0.41	1,000,000	-	-	-	1,000,000	1,000,000
25 Aug 2006	Aug 2018 to Aug 2024	\$0.35	1,766,000	-	(21,000)	-	1,745,000	1,745,000
1 July 2004	Jun 2012 to Jun 2016	\$0.33	3,550,000	-	-	-	3,550,000	3,550,000
31 Oct 2002	Oct 2006 to Oct 2009	\$0.31	25,000	-	(25,000)	-	-	-
Total			11,991,000	60,000	(46,000)	(600,000)	11,405,000	1,405,000
Weighted average exercise price			\$0.36	\$0.40	\$0.33	\$0.36	\$0.36	\$0.36

The weighted average share price at the date of exercise of options exercised during the year ended 30 September 2011 was \$0.34 (2010 - \$0.33).

The weighted average remaining contractual life of share options outstanding at the end of the period was 7.22 years (2010 - 7.45 years).

Notes to the financial statements 30 September 2011 continued...

Fair value of options granted

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

The fair value of options granted during the year was between \$0.42 and \$0.58 (2010: \$0.35).

The model inputs for options granted during the year ended 30 September 2011 included:

- (a) Dividend yield of between 5.1% and 5.8% (2010 - 4.7%)
- (b) Expected volatility of between 19.6% and 19.8% (2010 - 25.8%)
- (c) Risk free interest rate of between 4.6% and 5.2% (2010 - 4.7%)
- (d) Expected life of option four years (2010 - three years)
- (e) Option exercise price of between \$0.36 and \$0.53 (2010 - \$0.40)
- (f) Weighted average share price at grant date of between \$0.98 and \$1.12 (2010 - \$0.80)

(a) Expenses arising from share based payment transactions

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

	Consolidated	
	2011 \$'000	2010 \$'000
Options issued under employee option plan		
Vested	631	704
Forfeited	(53)	(34)
Modified	8	-
Total share-based payment expense	586	670

33 Parent entity financial information

(a) Summary financial information

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

	Parent entity	
	2011 \$'000	2010 \$'000
Balance sheet		
Current assets	64,943	52,845
Non-current assets	44,616	44,791
Total assets	<u>109,559</u>	<u>97,636</u>
Current liabilities	26,457	23,728
Non-current liabilities	14,996	9,835
Total liabilities	<u>41,453</u>	<u>33,563</u>
<i>Shareholders' equity</i>		
Contributed equity	25,316	24,299
Reserves	22,522	16,003
Retained earnings	<u>20,268</u>	<u>23,771</u>
	<u>68,106</u>	<u>64,073</u>
Profit or loss for the year	<u>19,603</u>	<u>18,905</u>
Total comprehensive income	<u>19,739</u>	<u>19,049</u>

The Reserves balance is higher than Group due to the foreign currency translation reserve losses of \$1,478,000 (2010: loss of \$1,676,000).

(b) Guarantees entered into by the parent entity

At 30 September 2011, the parent entity had \$6,586,012 (2010: \$7,679,203) in outstanding performance guarantees. The total available guarantee facility is \$10,000,000 (2010: \$10,000,000). The parent entity also had unused foreign currency dealings of \$696,410 (2010: \$1,300,000).

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

(c) Contractual commitments for the acquisition of property, plant and equipment

At balance date, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling \$230,453 (2010: \$23,132). These commitments are not recognised as liabilities at 30 September 2011 as the relevant assets have not yet been received and accordingly the amounts are not yet payable.

34 Events occurring after the reporting period

On 21 November, the directors of Technology One Limited declared a final dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$9,587,000 and is fully franked. There was also a special dividend declared for the 2011 financial year of \$4,551,000 and this is also fully franked.

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

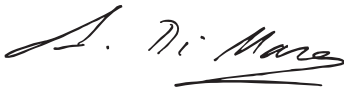
Directors' declaration 30 September 2011

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 of the consolidated entity 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 2011 and of its performance for the year ended on that date; and
 - (ii) Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a); and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (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 financial year ending 30 September 2011.

On behalf of the Board of Directors



Adrian Di Marco

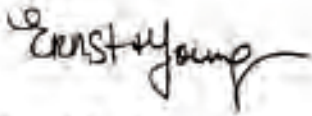
Director

Brisbane

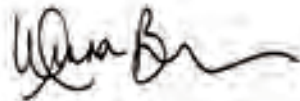
21 November 2011

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

In relation to our audit of the financial report of Technology One Limited for the financial year ended 30 September 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Winna Brown
Partner
21 November 2011

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

Report on the financial report

We have audited the accompanying financial report of Technology One Limited, which comprises the consolidated statement of financial position as at 30 September 2011, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

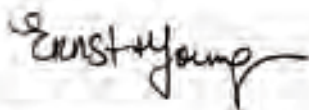
- a. the financial report of Technology One Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 September 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the remuneration report

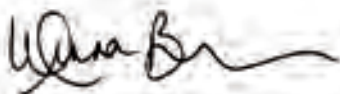
We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 September 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Technology One Limited for the year ended 30 September 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Winna Brown
Partner
Brisbane
21 November 2011

Shareholder information

Substantial shareholders as at 30 November 2011

Shareholder Name	Number of Ordinary Shares
JL MACTAGGART HOLDINGS PTY LTD	66,872,500
MASTERBAH PTY LTD	55,372,500
NATIONAL NOMINEES LIMITED	32,532,377
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	28,602,600
J P MORGAN NOMINEES AUSTRALIA LIMITED	25,590,696

Distribution of shareholdings as at 30 November 2011

Size of Holding	Ordinary Shareholders
1 to 1,000	364
1,001 to 5,000	1,124
5,001 to 10,000	845
10,001 to 100,000	1,173
100,001 and Over	83
Total	3,589
Number of ordinary shareholders with a less than marketable parcel	0

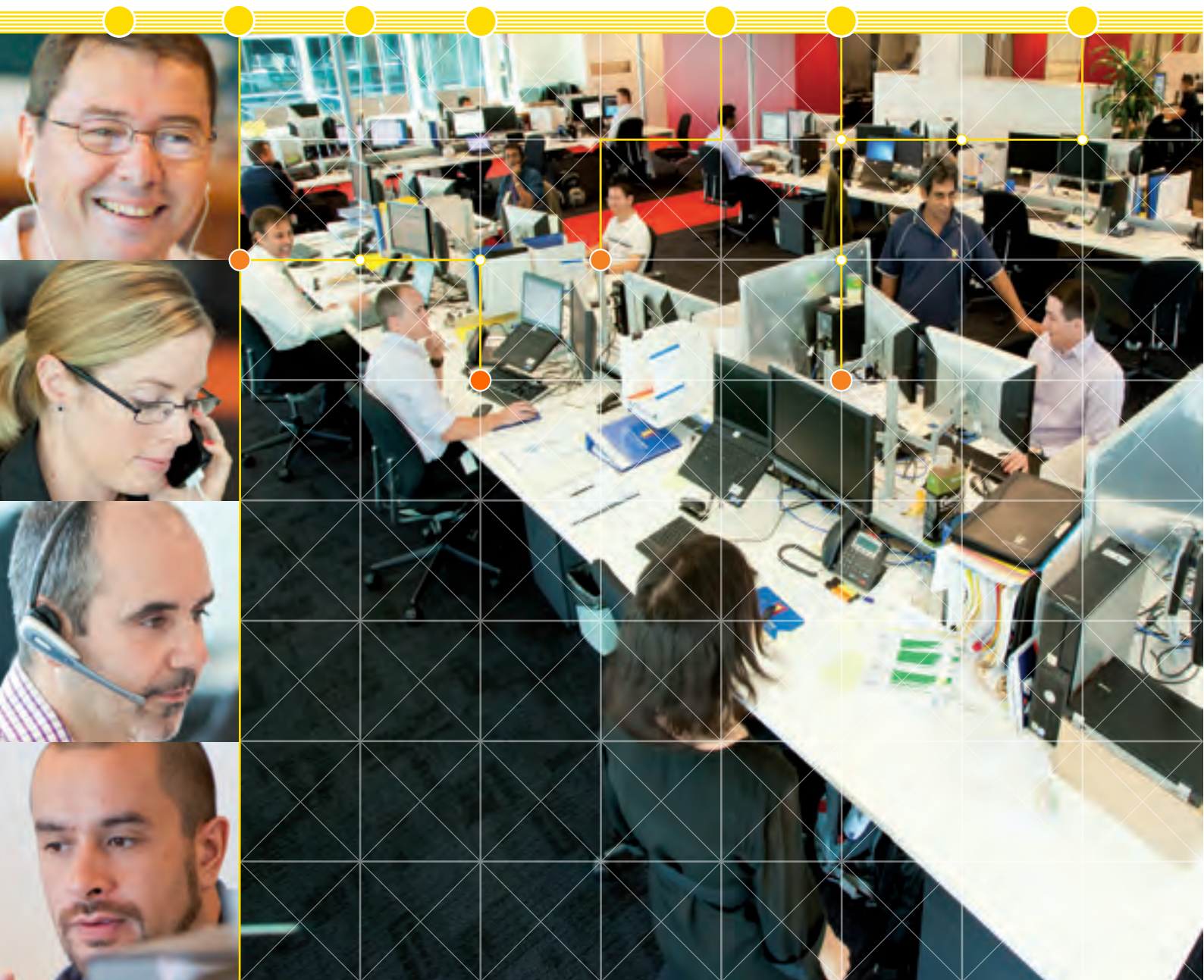
Voting rights

All ordinary shares issued by Technology One Limited carry one vote per share without restriction.

Twenty largest shareholders as at 30 November 2011

Shareholder Name	Number of ordinary shares	%
JL MACTAGGART HOLDINGS PTY LTD	66,872,500	21.93%
MASTERBAH PTY LTD	55,372,500	18.16%
NATIONAL NOMINEES LIMITED	32,532,377	10.67%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	28,602,600	9.38%
J P MORGAN NOMINEES AUSTRALIA LIMITED	25,590,696	8.39%
CITICORP NOMINEES PTY LIMITED	10,206,981	3.35%
COGENT NOMINEES PTY LIMITED	8,562,494	2.81%
ARGO INVESTMENTS LIMITED	4,164,564	1.37%
PACIFIC CUSTODIANS PTY LIMITED	3,363,500	1.10%
MR NICHOLAS BARRY DEBENHAM & MRS ANNETTE CECILIA DEBENHAM	2,739,848	0.90%
BOND STREET CUSTODIANS LTD	1,847,730	0.61%
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,491,412	0.49%
MR NICHOLAS BARRY DEBENHAM	1,417,119	0.46%
AUST EXECUTOR TRUSTEES NSW LTD	1,082,874	0.36%
UBS NOMINEES PTY LTD	1,018,496	0.33%
MR CHARLES DOUGLAS SHEARDOWN	900,000	0.30%
EQUITY TRUSTEES LIMITED	849,002	0.28%
NOREMA PTY LTD	720,000	0.24%
CLAHSEN ENTERPRISES PTY LTD	700,000	0.23%
MR DUGALD GILMORE MACTAGGART & MRS JUDITH BARBARA MACTAGGART	604,000	0.20%





- Australia
- New Zealand
- Asia
- South Pacific
- United Kingdom
- TechnologyOneCorp.com

Corporate directory

Board of Directors

Adrian Di Marco
Ron McLean
John Mactaggart
Kevin Blinco
Richard Anstey
Edward Chung

Company Secretary

Rodney Hooper

Australian Business Number

84 010 487 180

Registered Office

Technology One Limited

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

www.TechnologyOneCorp.com

Phone: 1800 671 978

International: +617 3167 7300

Branch Offices

Brisbane
Sydney
Melbourne
Canberra
Adelaide
Perth
Hobart
Darwin
Auckland
Wellington
Kuala Lumpur
London
Glasgow
Port Moresby

Auditor

Ernst & Young

Waterfront Place
1 Eagle Street
Brisbane Queensland 4000
www.ey.com/au

Lawyer

McCullough Robertson

Level 12, 66 Eagle Street
Brisbane Queensland 4000
www.mccullough.com.au

Share Registry

Link Market Services Limited

Locked Bag A14
Sydney NSW 1235
Phone: 02 8280 7454
Fax: 02 9287 0303
www.linkmarketservices.com.au

Stock Exchange Listing

Australian Securities Exchange (ASX: TNE)

Financial calendar

Our calendar shows the planned dates for significant shareholder events for the 2012 year. These dates may be subject to change and should be checked before taking any action at www.TechnologyOneCorp.com under the heading Investor Relations.

2012 (Year Ending 30 September 2012)

Announcement of half year results for 2012	28 May 2012
Media Interviews	28 May 2012
Presentations to Institutions - Brisbane	28 May 2012
Presentations to Institutions - Sydney	29 - 30 May 2012
Shares quoted ex-dividend for interim dividend	4 June 2012
Record date for interim dividend	8 June 2012
Payment date for interim dividend	22 June 2012
Distribute 2012 Half Year Results Report	22 June 2012
Announcement of Full Year Results for 2012	26 November 2012
Media Interviews	26 November 2012
Presentations to Institutions - Brisbane	26 November 2012
Presentations to Institutions - Sydney	27 - 28 November 2012
Shares quoted ex-dividend for final dividend	5 December 2012
Record date for 2012 dividend	12 December 2012
Payment date for 2012 final dividend	19 December 2012
Distribute 2012 Annual Report	10 January 2013
Annual General Meeting	15 February 2013