TECHNOLOGYONE

APPENDIX 4D

For the half year ended 31 March 2019
Technology One Limited ABN 84 010 487 180

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results				$A'000
Revenues from ordinary activities	Up	5%	to	129,287
Profit from ordinary activities after tax attributable to members	Up	119%	to	17,921
Net profit for the period attributable to members	Up	119%	to	17,921

Dividends	Amount per security Cents	Franked amount per security Cents
Current period		
Final dividend	N/A	N/A
Interim dividend	3.15	2.36
Previous corresponding period (**)		
Final dividend	6.16	4.62
Special dividend	2.00	1.50
Interim dividend	2.86	2.15

The Record date for determining entitlements to the dividend is 31 May 2019.

** Year ended 30 September 2018

BRIEF EXPLANATION OF ANY OF THE FIGURES REPORTED ABOVE

Consolidated retained profits	Current period 31 March 2019 A$'000	Restated previous corresponding period 31 March 2018 $A'000
Retained profits at the beginning of the financial period	**13,759**	**16,910**
Net profit attributable to members	**17,921**	**8,188**
Net transfer to reserves	(27,234)	(17,226)
Retained profits at the end of the financial period	**4,446**	**7,872**

Profit from ordinary activities after tax attributable to members	Current period 31 March 2019 Cents	Previous corresponding period 31 March 2018 Cents
Basic EPS	5.65	2.59
Diluted EPS	5.62	2.57
Weighted average number of ordinary shares outstanding during the period used in the calculation of Basic EPS	316,983,290	315,505,138

NTA backing	Current period 31 March 2019 Cents	Previous corresponding period 31 March 2018 Cents
Net tangible asset backing per ordinary security	5.34	10.28

Dividend Payable

The dividend is payable on 14 June 2019.

Dividend Reinvestment Plan

There is no dividend reinvestment plan in operation.

Total dividend per security (interim)	Current year Cents	Previous year Cents
Ordinary securities	3.15	2.86

Interim dividend on all securities	Current period $A'000	Previous corresponding period $A'000
Total	9,989	9,024

Control gained over entities having a material effect	
Name of entity	Nil

Loss of control over entities having a material effect	
Name of entity	Nil

Details of associated and joint venture entities	
Name of entity	Nil

Earnings per Security

The Earnings per Security (EPS) increase is similar to our net profit after tax increase. Refer to the Directors' Report in the attached half-year Financial Report for additional detail.

Returns to Shareholders

The dividend for the half-year has increased by 10% on the previous corresponding period.

Results of Segments

Refer to the attached half-year Financial Report.

Trends in performance

Refer to the attached half-year Financial Report.

Any other Significant Information

N/A.

COMPLIANCE STATEMENT

This report is based on accounts which have been reviewed.

Adrian Di Marco
Executive Chairman
Date: 21 May 2019

Technology One Limited
Financial report
for the half-year ended 31 March 2019

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Company or TechnologyOne) consisting of Technology One Limited and the entities it controlled at the end of the half-year ended 31 March 2019.

Directors

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

Adrian Di Marco - Executive Chairman
Ron McLean - Non-executive Director
John Mactaggart - Non-executive Director
Kevin Blinco - Non-executive Director
Richard Anstey - Non-executive Director
Dr Jane Andrews - Non-executive Director
Sharon Doyle – Non-executive Director
Clifford Rosenberg – Non-executive Director (appointed 27 February 2019)

Stephen Kennedy is the Group Company Secretary.

Principal activities

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

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

Review of operations

The Company announced a strong first half with continued strong growth with profit up 130% underpinned by the fast growth of the TechnologyOne enterprise SaaS solution.

Key results were as follows:

- Net Profit Before Tax of $24.5m, up 130%
- Revenue of $129.3m, up 5%
- Expenses of $104.8m, down 7%
- Total SaaS Fees of $37.5m, up 42%
- Total SaaS Annual Contract Value (ACV) of $85.8m, up 45%
- Operating Cashflow of $7.8m, up 100+%
- Cash and Cash Equivalents of $68.2m, up 19%
- Dividend of 3.15cps, up 10%
- R&D expenditure (before capitalisation) of $27.8m, up 7%, which is 22% of revenue

FY18 Statutory Report restated for AASB 15

Review of operations (continued)

This half, TechnologyOne delivered record revenue, record SaaS fees, record Annual Contract Value (ACV) and record profits.

Today, we are a SaaS company. Our results clearly show we have a strong SaaS growth engine, with our SaaS Fees recognised up 42% to $37.5m. TechnologyOne increased the number of large-scale enterprise SaaS customers by 39% to 389, (compared to 280 at 31 March 2018). These customers have hundreds of thousands of users, making it the largest single instance ERP SaaS offering in Australia. Our SaaS ACV continues to grow very fast and is up 45%.

Our SaaS offering is delivering a compelling value proposition for our customers providing them ‘any device, anytime access from anywhere around the globe’, defence in depth security, as well as a simple and cost-effective way to run their enterprise. This allows our customers to innovate and meet the challenges ahead with greater agility and speed, without having to worry about underlying technologies. We take care of everything for our customers, making life simple for them. The economies of scale that we are delivering to our customers are unprecedented in the enterprise space.

We continue to dominate the local government sector with more than 300 council customers and continue to grow fast. We also continued to see strong growth in the government market.

The Company continued to invest in the UK and has seen strong momentum in the first half, with new customers and the UK loss reducing from $3.2m to $900k for the half-year. TechnologyOne sees significant growth opportunities for the coming years.

The Company will continue to grow quickly, and like we have in the past 32 years, expects to double in size again in the next 5 years. TechnologyOne has consistently delivered strong and growing results since listing on the ASX in 1999. The Company’s ability to deliver these results for 20 years has not relied on riding the cycle of the economy but it is because of our clear vision, strategy and our significant investment in R&D. TechnologyOne will continue to invest in R&D. Our ability to successfully undertake large-scale cutting-edge R&D and commercialise it has underpinned our success. There are few companies in Australia that come close to the level of creativity and innovation at TechnologyOne. We continue to invest in new exciting ideas and innovation including Artificial Intelligence and Machine Learning, which we will ship in our 2019A release in the first half of 2019.

2019 is a transition year to AASB15 and reporting as a SaaS company. Over the last few years, the Company has made the transition to a SaaS company, reengineering our business, systems and processes and retrained our entire organisation. This has been a significant and very complex undertaking.

In light of the Company’s strong results, the dividend for the first half was increased to 3.15 cents per share, up 10% on the prior half-year.

Operating cash flow

Operating cash flow increased from a $9.5m outflow for the half-year ended 31 March 2018 to a $7.8m inflow for the half-year ended 31 March 2019, reflecting the impact of SaaS reporting which includes *AASB 15 Revenue from contracts with customers* and capitalised development costs.

Dividends - Technology One Limited

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

	2019	2018
	$'000	$'000
Final dividend for the year ended 30 September 2018 of 6.16 cents (2017 – 5.60 cents) per fully paid share paid on 14 December 2018	19,508	17,668
Special dividend for the year ended 30 September 2018 of 2.00 cents (2017 - 2.00 cents) per fully paid share paid on 14 December 2018	6,334	6,309
	25,842	23,977

Matters subsequent to the end of the financial half-year

On 21 May, the directors of Technology One Limited declared an interim dividend on ordinary shares of 3.15 cents per share in respect of the 2019 financial year. The total amount of the dividend is $9.99m and is 75% franked.

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

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 20.

Rounding of amounts

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

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

Adrian Di Marco
Executive Chairman

Brisbane
21 May 2019

Technology One Limited
Consolidated income statement
For the half-year ended 31 March 2019

	Notes	**31 Mar 2019 $'000**	31 Mar 2018 Restated* $'000
Revenue	3	129,287	123,584
Variable costs		(10,492)	(12,342)
Variable customer cloud costs		(7,875)	(5,643)
Total variable costs		(18,367)	(17,985)
Occupancy costs		(5,456)	(5,039)
Corporate costs		(9,703)	(8,802)
Depreciation & amortisation		(1,996)	(2,355)
Computer & communication costs		(5,698)	(5,250)
Marketing costs		(3,407)	(2,340)
Employee costs		(59,188)	(70,456)
Share-based payments		(991)	(723)
Total operating costs		(86,439)	(94,965)
Profit before income tax		24,481	10,634
Income tax expense		(6,560)	(2,446)
Profit for the half-year attributable to equity holders of the parent		17,921	8,188

	Cents	Cents
Basic earnings per share	5.65	2.59
Diluted earnings per share	5.62	2.57

The above Consolidated income statement should be read in accordance with the accompanying notes.
**See note 1 for details about the restatements for changes in accounting policies.*

	31 Mar 2019 $'000	31 Mar 2018 Restated* $'000
Profit for the half-year attributable to equity holders of the parent (from previous page)	17,921	8,188
Other comprehensive income		
Items that may be classified to profit or loss (net of tax):		
Exchange differences on translation of foreign operations	1,313	676
Total comprehensive income for the half-year attributable to equity holders of the parent	19,234	8,864

The above Consolidated statement of comprehensive income should be read in accordance with the accompanying notes.
**See note 1 for details about the restatements for changes in accounting policies.*

Technology One Limited
Consolidated statement of financial position
As at 31 March 2019

	Notes	**31 Mar 2019 $'000**	30 Sep 2018 Restated* $'000
ASSETS			
Current assets			
Cash and cash equivalents		68,177	104,322
Prepayments		10,206	10,852
Trade and other receivables		48,791	61,433
Income tax receivable		3,999	1,574
Contract acquisition assets		1,683	1,347
Other current assets		823	959
Total current assets		133,679	180,487
Non-current assets			
Property, plant and equipment		11,960	12,280
Intangible assets		44,848	45,011
Capitalised development		14,005	-
Other receivables		257	245
Deferred tax assets		42,260	42,278
Contract acquisition assets		4,631	4,010
Total non-current assets		117,961	103,824
Total assets		251,640	284,311
LIABILITIES			
Current liabilities			
Trade and other payables		45,035	52,617
Provisions		12,744	13,257
Unearned revenue		113,655	136,587
Borrowings		5	5
Total current liabilities		171,439	202,466
Non-current liabilities			
Provisions		3,389	3,144
Other non-current liabilities		1,040	1,241
Total non-current liabilities		4,429	4,385
Total liabilities		175,868	206,851
Net assets		75,772	77,460
EQUITY			
Contributed equity		34,904	33,171
Other reserves		36,422	30,530
Retained earnings		4,446	13,759
Total equity		75,772	77,460

The above Consolidated statement of financial position should be read in accordance with the accompanying notes.
**See note 1 for details about the restatements for changes in accounting policies.*

Technology One Limited
Consolidated statement of changes in equity
For the half-year ended 31 March 2019

	Contributed equity $'000	Retained earnings $'000	Dividend reserve $'000	FOREX reserve $'000	Share option reserve $'000	Total equity $'000
Restated Equity balance as at 1 October 2018	**33,171**	**13,759**	**8,616**	**(380)**	**22,294**	**77,460**
Profit for the period	-	17,921	-	-	-	17,921
Exchange differences on translation of foreign operations	-	-	-	1,313	-	1,313
Total comprehensive income for the half-year	-	17,921		1,313	-	19,234
Transfer to dividend reserve	-	(27,234)	27,234	-	-	-
Dividends paid	-	-	(25,861)	-	-	(25,861)
Exercise of share options	1,733	-	-	-	-	1,733
Share based payments	-	-	-	-	991	991
Tax impact of share trust	-	-	-	-	2,215	2,215
Balance at 31 March 2019	**34,904**	**4,446**	**9,989**	**933**	**25,500**	**75,772**

	Contributed equity $'000	Retained earnings $'000	Dividend reserve $'000	FOREX reserve $'000	Share option reserve $'000	Total equity $'000
Balance at 1 October 2017	**32,152**	**90,681**	**15,775**	**(728)**	**19,640**	**157,520**
Change in accounting policy (AASB 15)	**-**	**(73,771)**	**-**	**-**	**-**	**(73,771)**
Restated Equity balance as at 1 October 2017	**32,152**	**16,910**	**15,775**	**(728)**	**19,640**	**83,749**
Profit for the period	-	8,188	-	-	-	8,188
Exchange differences on translation of foreign operations	-	-	-	676	-	676
Total comprehensive income for the half-year	-	8,188	-	676	-	8,864
Transfer to dividend reserve	-	(17,226)	17,226	-	-	-
Dividends paid	-	-	(23,977)	-	-	(23,977)
Exercise of share options	64	-	-	-	-	64
Share-based payments	-	-	-	-	723	723
Tax impact of share trust	-	-	-	-	462	462
Balance at 31 March 2018	**32,216**	**7,872**	**9,024**	**(52)**	**20,825**	**69,885**

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

	Notes	**31 Mar 2019 $'000**	31 Mar 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		128,097	112,079
Payments to suppliers and employees (inclusive of GST)		(111,029)	(115,205)
Unused prepayments to suppliers		(3,358)	(1,776)
Interest received		440	340
Income taxes paid		(6,359)	(4,941)
Net cash (outflow)/inflow from operating activities		7,791	(9,503)
Cash flows from investing activities			
Payments for property, plant and equipment		(784)	(1,573)
Payments for intangible assets		(14,005)	-
Payments for contract acquisition assets		(1,679)	(861)
Payment for contingent consideration		(3,322)	-
Net cash outflow from investing activities		(19,790)	(2,434)
Cash flows from financing activities			
Proceeds from exercise of share options		1,733	64
Repayment of finance lease		(18)	(3)
Dividends paid to Company's shareholders		(25,861)	(23,977)
Net cash outflow from financing activities		(24,146)	(23,916)
Net decrease in cash and cash equivalents		(36,145)	(35,853)
Cash and cash equivalents at the beginning of the financial year		104,322	93,383
Cash and cash equivalents at end of period		68,177	57,530

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

1 Basis of preparation

(a) *Corporate information*

The financial report of Technology One Limited (the Company) for the half-year ended 31 March 2019 was authorised for issue in accordance with a resolution of directors on 21 May 2019.

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

This interim financial report for the half-year reporting period ended 31 March 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full-year financial report. It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 September 2018 and considered together with any public announcements made by Technology One Limited during the half-year ended 31 March 2019 in accordance with the continuous disclosure obligations of the ASX listing rules and Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial period except where a change has been required due to the implementation of a new accounting standard.

(b) *New accounting standards and interpretations*

AASB 15 Revenue from Contracts with Customers – Impact of adoption

AASB 15 supersedes AASB 111 *Construction Contracts* (which is not relevant to the Company) and AASB 118 *Revenue* and related interpretations. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 has become effective for the Company from 1 October 2018.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company has adopted AASB 15 using the full retrospective method of adoption. In applying this method of adoption, the Company has applied the practical expedients in paragraph C5 of AASB 15, under which the Company does not disclose the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue for all reporting periods presented before the date of initial application. The transaction price allocated to performance obligations that are partially satisfied will be recognised over the remaining term of the individual contracts as the Company continues to satisfy the performance obligations.

The application of AASB 15 has resulted in the following key revenue categories for the Company:

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

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

1. Basis of preparation (continued)

Revenue categories

1. SaaS Fees

Revenue from term SaaS contracts are recognised on a daily basis over the term of the contract. The Company considers that such contracts represent a right to access the Company's licenced intellectual property and as such the performance obligation is fulfilled over the contract term.

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

Unsatisfied performance obligations in respect of SaaS Fees are disclosed as unearned revenue in the consolidated statement of financial position. Unearned revenue represents a contract liability which is recognised on the customer being invoiced and unwound as revenue is earned.

2. On Premise Initial Licence Fees

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

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

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

3. On Premise Annual Licence Fees

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

Payment terms in respect of On Premise Annual Licence Fees are typically annual within 30 days of invoice. Invoiced amounts are reflected in trade receivables.

Unsatisfied performance obligations in respect of On Premise Annual Licence fees are disclosed as unearned revenue in the consolidated statement of financial position. Unearned revenue represents a contract liability which is recognised on the customer being invoiced and unwound as revenue is earned.

4. Consulting Services

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

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

Directly related contract costs

Costs incurred in obtaining the customer contract are expensed, unless they are incremental to obtaining the contract and the Company expects to recover those costs. Costs that meet the criteria for capitalisation will be amortised over the life of the contract that they relate to. The Company has identified certain commission costs as meeting the criteria of directly related contract costs. These costs are capitalised in the month in which they were incurred and amortised over an average contract term of 5 years. These are contract assets in accordance with AASB 15 and are presented as "contract acquisition assets" in the statement of financial position.

Allocation of transaction price to performance obligations

With regards to SaaS licences hosted on the Company's SaaS environment (cloud environment), the consideration is allocated to the performance obligation based on the relative stand-alone selling price which is generally the fee charged to the customer for the single performance obligation. This fee is net of any discounts which are generally applied evenly across the performance obligations.

1. Basis of preparation (continued)

Consideration in respect of On Premise contracts is allocated to separate performance obligations based on their relative stand-alone selling prices.

Fees charged are net of any discounts which are allocated as appropriate to each performance obligation. Given the relatively short term between billing and cash receipt, the Company has determined that there is not a significant financing component inherent in the transaction price.

Current assets and current liabilities

At 31 March 2019, the statement of financial position shows a net current asset deficiency of $37.8m (30 September 2018 (restated): $22.0m) which is attributable to the unearned revenue balance in current liabilities. As unearned revenue represents payments received in advance from customers for SaaS Fees and On Premise Annual Licence Fees which will be recognised as revenue in future periods, the net current asset deficiency does not impact on the Company's ability to meet its short-term obligations as and when they fall due.

Trade and other receivables include earned and unbilled revenue which is a contract asset.

The impact of the restatement on the consolidated income statement as reported for the half-year ended 31 March 2018 is as follows:

Statement of comprehensive income (increase/(decrease))	**AASB 118 reported ($000s)**	**Remeasurements ($000s)**	**AASB 15 restated ($000s)**
Revenue from contracts with customers	120,362	3,222	123,584
Variable costs	(9,329)	(3,013)	(12,342)
Income tax expense	2,313	133	2,446

The variable costs include amounts related to capitalised commissions and other incentives.

The impact of adopting AASB 15 on the statement of financial position as at 30 September 2018 is as follows:

Statement of financial position (increase/(decrease))	**AASB 118 reported ($000s)**	**Remeasurements ($000s)**	**AASB 15 restated ($000s)**
Assets			
Contract acquisition assets – current	-	1,347	1,347
Contract acquisition assets – non-current	-	4,010	4,010
Earned and unbilled revenue – current	19,758	(17,879)	1,879
Earned and unbilled revenue – non-current	26,374	(26,129)	245
Deferred tax assets	404	41,874	42,278
Liabilities			
Unearned revenue	31,305	105,253	136,558
Equity			
Retained earnings	115,818	(102,029)	13,789

The adoption of AASB 15 has had no impact on the statement of cash flows.

1. Basis of preparation (continued)

AASB 9 – Financial Instruments

AASB 9 supersedes AASB 139 Financial Instruments: Recognition and Measurement. It came into effect for the Company for the financial year beginning 1 October 2018. The standard provides guidance on recognition, classification, measurement and impairment for all financial instruments as well as guidance for hedge accounting.

AASB 9 introduces a new 'expected loss' impairment model for financial assets. The impairment model will only be applicable for those assets that are not classified and measured at fair value through the profit and loss - FVPL. This new impairment model has therefore been applied to the Company's trade receivables balance and its earned and unbilled revenue balance.

There are no material impacts to the financial statements as a result of adopting this accounting standard

(i) Issued but not yet effective

AASB 16 Leases was issued in February 2016. The standard introduces a single lessee accounting model and requires lessees to recognise right of use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard removes the classification of leases as either operating or finance leases for the lessee and effectively treats all leases as finance leases. There are also changes in the accounting over the life of the lease. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, lessor accounting will remain similar to current practice. The new standard will be effective for annual periods beginning on or after 1 January 2019. The Company is continuing its assessment on the effect of the new standard however it is expected to materially gross-up the statement of financial position.

2. Segment information

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

Segment information is prepared in conformity with the accounting policies of the Company as discussed in note 1 in the annual report ending 30 September 2018 and Accounting Standard AASB 8 Operating Segments. During FY19, as a result of the transition into a SaaS business, the Company has consolidated the way it reports to the chief operating decision maker. This has resulted in a change in the Company's reportable segments with the change being applied retrospectively.

The Company's new reportable segments are:

- Software – consolidates Sales and Marketing, R&D, SaaS platform (Cloud). This segment also includes capitalised development costs.
- Consulting – responsible for the implementation of our software and remains unchanged from prior years.
- Corporate – includes all corporate functions and remains unchanged from prior years.

The table presented below illustrates how the new segments relate to the segments reported in the prior year financial statements:

New Segment as reported above	**Old Segment as reported in the prior year financial statements**
Software	R&D Cloud Sales and Marketing
Consulting	Consulting
Corporate	Corporate

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

2. Segment information (continued)

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

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

Half-year 2019

	Software $'000	Consulting $'000	Corporate $'000	Total $'000
Revenue				
External revenue	99,644	29,195	448	**129,287**
Intersegment revenue	(770)	774	(4)	**-**
Net royalty	(24,714)	(3,148)	27,862	**-**
Total revenue	**74,160**	**26,821**	**28,306**	**129,287**
Expenses				
Total external expenses	**(57,293)**	**(23,436)**	**(24,077)**	**(104,806)**
Profit/(Loss) before tax	**16,867**	**3,385**	**4,229**	**24,481**
Income tax expense				(6,560)
Profit for the half-year				**17,921**

Half-year 2018

	Software $'000	Consulting $'000	Corporate $'000	Total Restated $'000
Revenue				
External revenue	93,455	29,810	319	**123,584**
Intersegment revenue	43	(39)	(4)	-
Net royalty	(24,993)	(3,152)	28,145	-
Total revenue	68,505	26,619	28,460	**123,584**
Expenses				
Total external expenses	**(62,824)**	**(27,104)**	**(23,022)**	**(112,950)**
Profit/(Loss) before tax	**5,681**	**(485)**	**5,438**	**10,634**
Income tax expense				(2,446)
Profit for the half-year				**8,188**

3. Revenue

	2019 $'000	2018 Restated $'000
Revenue from contracts with customers		
SaaS Fees*	37,504	26,430
On Premise Initial Licence Fees**	11,026	15,687
On Premise Annual Licence Fees*	50,799	51,071
Consulting services*	29,195	29,807
Total revenue from contracts with customers	**128,524**	**122,995**
Other income		
Foreign exchange gains / (losses)	5	(21)
Interest received	440	340
Other	318	270
Total other income	763	589
Total revenue	129,287	123,584

** Recognised over time / as services rendered*
***Recognised at a point in time*

4. Fair Value

At 31 March 2019 the Company did not hold any assets or liabilities at fair value through the profit and loss except as noted below:

a. Contingent consideration of $8.5m (2018: $11.8m) relating to the business combination of JRA as set out in the 2018 annual report is classified as Level 3. The decrease in contingent consideration is due to the finalisation of the DMS earn out arrangement, which was paid in October 2018. Other movements are not significant and relate only to interest accretion. The inputs and valuation techniques are consistent with those in the 2018 annual report and as such, the amounts payable under the respective acquisition agreements have been discounted to present value. The discount rate used in determining the fair value of the liability is the only key unobservable input. Contingent consideration is included in the trade and other payables line in the statement of financial position.

   Management is currently finalising the earn-out with the vendors of JRA. Currently, it remains unclear as to the amount which will be settled. As a result, the Company has retained the full earn-out liability of $8.5m which reflects its best estimate at 31 March 2019.

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

5. Intangibles

In previous financial years, all research and development costs were expensed as incurred due to the relatively short time period between reaching technical feasibility and release of product to the market.

On transition to a SaaS company, which results in providing access to our products via a SaaS platform over a prolonged term, the technical feasibility of our products can be established at an earlier phase through pre-defined project roadmaps. Costs that are directly associated with the development of this software (largely CiAnywhere products) are recognised as an intangible asset where the following criteria are met:

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

These costs include personnel and other directly attributable costs incurred in the development of software. Capitalised software development costs are recognised as an intangible asset and amortised over their estimated useful lives, which is considered to be from three to seven years. Capitalised software development costs are amortised from when the products to which they relate become available for use. Research costs are expensed as incurred and are largely made up of employee labour which is included in employee costs in the statement of comprehensive income. Development costs previously recognised as expenses are not recognised as assets in a subsequent period.

Impairment considerations in respect of software development expenditure are consistent with those applied to finite intangible assets, as disclosed in the previous financial year and corresponding interim financial period. Expenditure capitalised as software development in the half-year was $14.0m and is included in intangible assets and will commence amortisation once available for use.

6. Events occurring after the reporting period

On 21 May, the directors of Technology One Limited declared an interim dividend on ordinary shares of 3.15 cents per share in respect of the 2019 financial year. The total amount of the dividend is $9.99m and is 75% franked.

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

In accordance with a resolution of the directors of Technology One Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes set out on pages 7 to 18 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2019 and of its performance for the half-year ended on that date.

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

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

On behalf of the board

Adrian Di Marco
Executive Chairman

Brisbane
21 May 2019

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

As lead auditor for the review of Technology One Limited for the half-year ended 31 March 2019, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Ernst & Young

Alison de Groot
Partner
21 May 2019

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Independent Auditor's Review Report to the Members of Technology One Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Technology One Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 March 2019, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance for the half-year ended on that date; and

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

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 31 March 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Alison de Groot
Partner
Brisbane
21 May 2019