

A close-up, high-angle portrait of a man's face, focusing on his eyes and nose. He has light-colored eyes and a slight smile. The lighting is soft, highlighting the texture of his skin.

Get Connected

Technology One Limited
Annual Report 2004



TECHNOLOGY ONE
BUSINESS SOFTWARE SOLUTIONS

The Power Of One

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NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Technology One Limited will be held on Friday 5 November 2004 commencing at 10.30am at the Stamford Plaza Hotel, corner Edward and Margaret Streets, Brisbane.

The business to be presented is set out in the separate Notice of Meeting issued with a Proxy Form to shareholders with this Report.

OUR PEOPLE

Front Cover Edward Hozynka, *Product Specialist* **3** (L-R) Sam Lamari, *Corporate Pre-Sales Consultant*; Helen Beard, *Senior Analyst*; Martin Fry, *Senior Programmer*; Allan Krause, *Senior Analyst*; Allie Morgan, *Application Support Consultant*; Ratnadeep Nagarkar, *Analyst Programmer* **5** Roger Phare, *Operating Officer – North West Region* **6** Adrian Di Marco, *Executive Chairman* **7** (L-R) *Board of Directors* - Ron McLean; Syd Larwill; John Mactaggart; Kevin Blinco **9** Ron McLean, *Chief Executive Officer of Operations* **11** (L-R) Peter Blyth, *Support Manager*; Paramesh Rajagopalan, *Senior Analyst*; Scott Ramsay, *Technical Architect*; Teresa Murphy, *Product Business Manager*; Anne Smith, *R&D Manager*; Tom Prouse, *Programmer* **13** Richley Down, *Operating Officer – International Region* **15** (L-R) Timothy Wan, *Analyst Programmer*; Lee Grice, *System Architect*; John Fisher, *Product Business Manager*; Lyndel Smith, *Human Resources Consultant*; Natalie Ford, *Secretary* **17** (L-R) Steven Meissner, *Internal Systems Project Officer*; Peter Beahan, *Principal Architect*; Michelle Reid, *Executive Secretary*; Cliff Combes, *Pre-Sales Consultant*; Sara Collings, *Technical Consultant*; Julian Biddle, *Principal Architect* **19** David Orchard, *Chief Financial Officer and Company Secretary*

Technology One is one of Australia's largest and most successful publicly listed software companies.

Our focus is the design, development, implementation and after sales support of intelligent enterprise software solutions. We deliver totally integrated, powerful solutions developed to meet the needs of our clients by connecting them seamlessly with their employees, suppliers and customers.

Based on state of the art technology, our solutions are backed up by an aggressive research and development program to ensure they continue to meet our clients' needs now and in the future.

Our solutions include:

- Financial Management and Accounting (Finance One)
- Retail (Retail One)
- Wholesale and Distribution (Sales One)
- Human Resource Management (People One)
- Higher Education and Universities (Student One)
- Local Government (Proclaim One)
- Custom Software Development (Project Services)

Get Connected – One Experience

The highlight for the 2004 financial year was the migration of our Finance One product to the Connected Intelligence (CI) platform, our next generation software platform.

The Connected Intelligence (CI) series seamlessly connects users, suppliers, customers, managers and disparate systems. It is more than just a technical framework – it is a business framework designed to support a new generation of enterprise applications that can be deployed through all parts of an organisation. CI empowers users and streamlines operations, providing real time information to managers to make decisions.

The key benefit of the CI series is that it combines the best of the web, such as hyperlinks and an intuitive and familiar user interface, with the power of the desktop. It allows users to access sophisticated data, reports, timesheets, and tasks lists from their own workplace.

CI has shifted the paradigm from providing just complex information to power users, to empowering

all users. CI will alert and advise users as to where they should be directing their attention resulting in a more efficient working environment. It is a new generation of enterprise applications that provides easier deployment, better security and superior connectivity, together with a lower total cost of ownership.

Technology One is one of only a few organisations globally to quickly embrace this new paradigm in the development of its enterprise applications. Taking early advantage of this major shift in enterprise computing technology will position Technology One strongly as a leading application supplier and provide a platform for our continued expansion strategy.

The Technology One Difference – The Power of One

The Technology One Difference is that we do not just sell products, services or technology, but that we deliver complete working enterprise solutions to our Clients, taking total responsibility for the success of each and every Client's investment in our solutions.

Developed by Technology One, our award winning applications are world best solutions that have achieved outstanding success in the marketplace.

Our solutions are based on leading edge, state of the art technology and are backed up by an aggressive Research and Development (R&D) program to ensure they continue to meet our Clients' requirements now and in the future.

Our solutions are implemented directly by us, or in conjunction with partner companies that have made a substantial commitment to our product.

When a Client invests in a Technology One solution they have a direct relationship with us, the software developer, and our team of highly dedicated and experienced consultants who have a deep knowledge of our solutions and direct access to our R&D team.

The Technology One Difference guarantees that our Clients will realise significant benefits from their investment in our solutions both now and into the future. Their new system will be delivered 'on time' and 'to budget', working correctly the first time.

FINANCIAL HIGHLIGHTS SUMMARY

Net Profit After Tax of \$9.48 million, up 35%

Revenue of \$50.55 million, up 7 %

R&D Expenditure (fully expensed) of \$9.55 million, representing 19% of Revenue

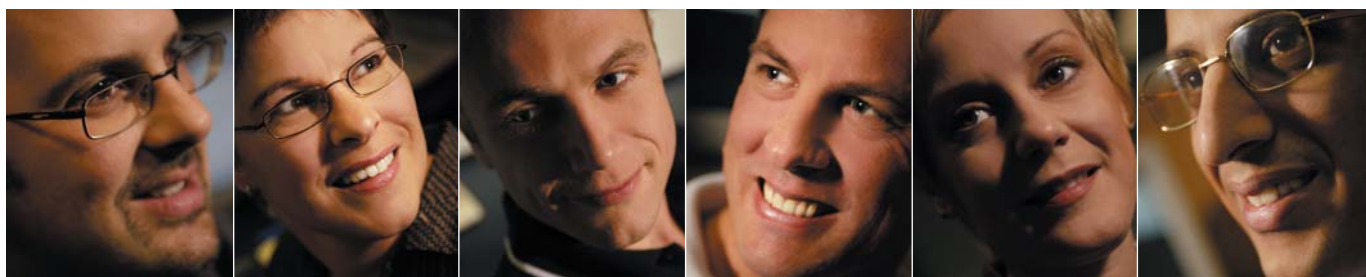
Dividend per Share of 2.85 cents, up 14%

Net Operating Cash Flow of \$12.36 million, up 29%

EBITDAR* of \$23.22 million, up 14%

Earnings per Share of 3.17 cents, up 38%

*Earnings before interest, tax, depreciation, amortisation and R&D



FINANCIAL SUMMARY

Summary - Actual 2003 v Actual 2004 Detail	Actual 2003 \$(000)	Actual 2004 \$(000)	Variance \$(000)	Increase %
Revenue (1)	47,443	50,554	3,111	7
Expenses (2)	27,153	27,333	(180)	(1)
EBITDAR (3)	20,290	23,221	2,931	(14)
R&D (4)	9,306	9,547	(241)	(3)
EBITDA (5)	10,984	13,674	2,690	24
Depreciation and Amortisation	889	906	(17)	(2)
Amortisation of Intangibles	669	667	2	0
Foreign Exchange Gain/Loss	210	2	208	99
EBIT (6)	9,216	12,099	2,883	31
Net Interest Income	905	1,011	106	12
NPBT (7)	10,121	13,110	2,989	30
NPAT (8) Pre Amortisation	7,699	10,146	2,447	32
NPAT (8) Reported	7,030	9,479	2,449	35
Earnings Per Share - Reported (Cents)	2.30	3.17	0.88	38
Dividend Per Share (Cents)	2.50	2.85	0.35	14
Adjusted Return on Shareholders' Equity	39%	52%		
Cash and Cash Equivalents	17,287	22,853	5,566	32
Net Operating Cash Flow	9,559	12,356	2,797	29
Debt/Equity	3%	3%		
EBITDA (5) Margin	23%	27%		
NPBT (7) Margin	21%	25%		
R&D (4) as Percentage of Revenue	19%	19%		

1. Excl Interest

2. Excl R&D, Depreciation, FOREX
and Amortisation

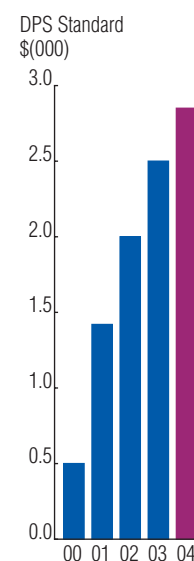
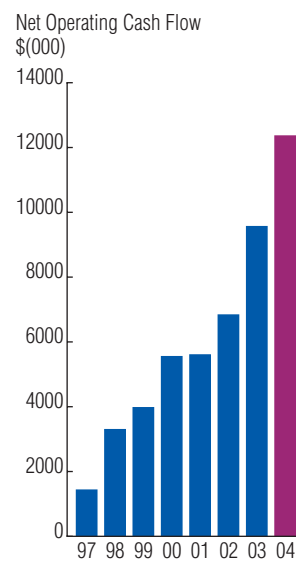
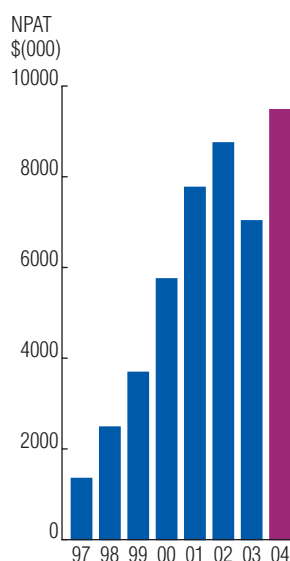
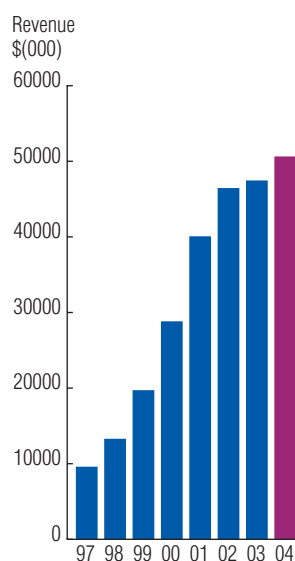
3. Earnings Before Interest, Tax,
Depreciation, Amortisation
and R&D

4. Research and Development

5. Earnings Before Interest, Tax,
Depreciation and Amortisation

6. Earnings Before Interest and Tax

7. Net Profit Before Tax
8. Net Profit After Tax



Significant Achievements for the 2004 Financial Year

CORPORATE

- Licence Fee Revenue up 30% on previous year.
- Increased Profit Before Tax of \$13.11 million, up 30%.
- Signed 70 new clients across all vertical markets.
- Introduction of Biz One, our financial solution targeted to the small to medium enterprise market.
- Creation of Product Marketing group to focus on competitive marketing of products in specific vertical markets.
- Opening of new office in Wellington, New Zealand, to assist in continual growth and to increase profile in New Zealand.
- New Research and Development centre opened in Western Australia.
- Completed research into several potential overseas markets, including the United Kingdom, Republic of China and South Africa.
- Continued to further develop partnerships with several software organisations including Chameleon, Matman, ADI and Business Objects to strengthen our offering in specific vertical markets.
- Launched Integrate One, a new service that formalises the process of delivering integration and client specific enhancements around our core product range.

FINANCE ONE ENTERPRISE SUITE

(FINANCE ONE, RETAIL ONE, SALES ONE, PEOPLE ONE)

- Strong financial performance, recording 22% increase in Revenue.
- Completed development of Finance One Connected Intelligence (CI).
- Developed integration between Finance One and EMS Solution's WASP Asset Maintenance product.
- Commenced development of our new product, Work One, to deliver an integrated project management and job costing system for infrastructure intensive organisations and organisations requiring sophisticated project management and billing.
- People One continued to gain acceptance in the market, with more than 50 organisations now having invested in the solution. Continued to generate strong interest in the market for one deeply integrated solution to both human resources/payroll and financial management.
- Completed largest implementation of Retail One to date for the Good Guys nationally, and continued to invest significant R&D to position Retail One as a unique product in the mid-tier retail market.

PROCLAIM ONE

- Release of Proclaim One 9.03 - with superior functionality and general enhancements. Widely taken up by customers in the six months since its release, with 25% of the customer base now using it, well in advance of expectations.
- Introduction of new Customer Request Management system specifically tailored to the needs of Local Government.

- Acceptance of eBusiness module, eProclaim, was accelerated and now taken up by over 50% of the client base in Australia and New Zealand.

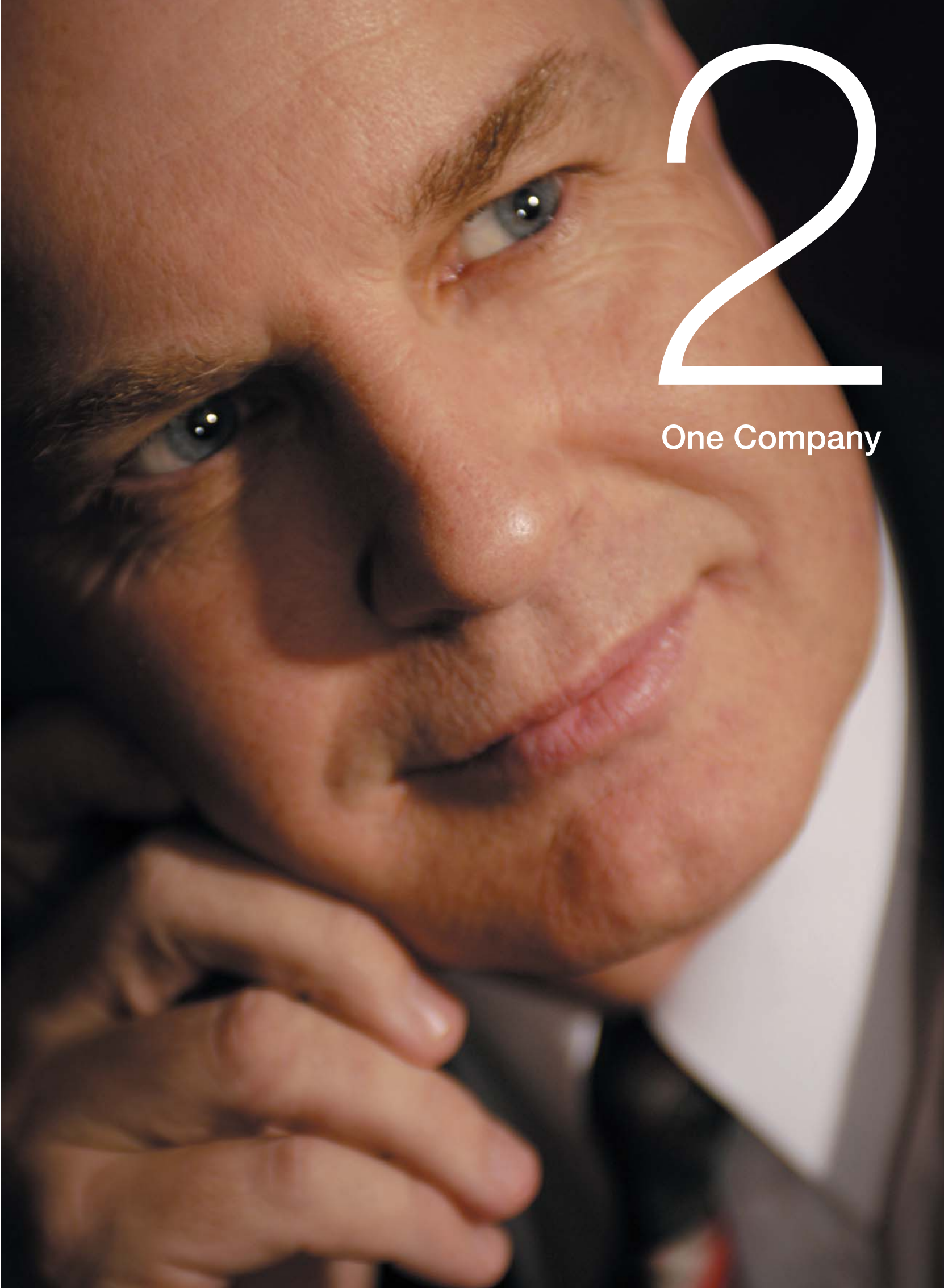
- Significant new business written, increasing number of Proclaim One users by over 20%, maintaining our year-on-year record of penetration into the Local Government market.

STUDENT ONE

- Development of a new Agents Module which has been sold into the existing client base, generating new Revenue.
- Completed implementation of Student One for Insearch, a provider of a range of pathway programs for undergraduate and postgraduate degrees at the University of Technology, Sydney (UTS).

PROJECT SERVICES

- Implementation of a number of large scale fixed time, fixed price projects, including:
 - NSW Police Courts Notices Project – a solution that enables the electronic distribution of information related to warrants, apprehended violence orders and subpoenas to NSW Police Officers.
 - Custom developed the ACT Revenues Office Tax Administration System and the Australian National Training Authority Grants Administration Management System utilising Finance One as the core financial management engine.
 - Publishing Broadcasting Limited - large scale, mission critical system utilising .NET architecture.



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One Company

Letter to Shareholders



Adrian Di Marco, *Executive Chairman*

INTRODUCTION

On behalf of the Board and management of Technology One, I am pleased to announce a year of record profit. Demand for our products and services has increased, as shown by the addition of 70 new clients.

FINANCIAL SUMMARY

Our Profit Before Tax of \$13.11 million is an increase of 30% over the previous year and exceeds market expectations. Particularly pleasing has been the increase in Licence Fee Revenue, up 30% on the previous year. This is a strong result given the current market conditions in the IT industry, and the company's continuing substantial investment program this financial year.

In particular, we invested in our ongoing Research and Development (R&D) program, spending \$9.55 million on R&D. This is a significant investment representing 19% of our Revenue, and we have continued our conservative approach of fully expensing all R&D as incurred, rather than the more aggressive approach more commonly adopted in Australia of capitalising R&D.

Our Operating Cash Flow increased 29% to \$12.36 million.

SIGNIFICANT ACHIEVEMENTS

There have been many significant achievements once again this year. These are covered in detail in the

CONTINUED R&D PROGRAM

The company continued to enhance its existing products, with new releases of all our products as follows:

- Retail One, Finance One, People One Release 10.3 and Release 11.0
- Student One Release 2.4, Release 2.5 and Release 2.6
- Proclaim One Release 9.3
- Application Development Framework Release 6.2

We introduced substantial new functionality into our products, discussed in more detail in the Review of Operations.

An exciting advent was the start of development on our newest product, Work One, which will allow us to offer an advanced project and works management solution to our customers.

RELEASE OF FINANCE ONE CI

The company also accelerated the development of our next generation of software products, the Connected Intelligence (CI) series. The first of these new products, called Finance One CI has now been completed, and is available to early adopter sites with planned general distribution early 2005.

Our CI series of products have been specifically designed to raise the bar in the

“Our CI products will allow organisations to move to a more devolved and empowered business model that seamlessly connects clients, suppliers, staff, managers and disparate systems.”

Review of Operations section.

Three in particular I wish to highlight are:

- Continued R&D Program
- Release of Finance One CI
- Continued Organisational Changes

enterprise applications market, to give us a product leadership position over our competitors. Our CI products will allow organisations to move to a more devolved and empowered business model that seamlessly connects clients, suppliers, staff, managers and disparate systems.



We will progressively undertake the development and release of other CI products over the next few years as follows:

People One CI – available mid/late 2005

Retail One CI – available mid/late 2005

Proclaim One CI – available late 2005

Student One CI – available 2006

As part of our CI development there are other forces that are driving our product direction and strategy, and these will be incorporated as part of our CI development, as follows:

- Deep Integration – we believe the market is moving away from “Best of Breed” applications towards solutions from one vendor that are deeply integrated.
- Product Breadth – as organisations move away from “Best of Breed” they will seek suppliers that can provide very broad application solutions. This has been the driving force behind the release of our People One, Retail One, Sales One and Proclaim One applications to meet the needs of each of their vertical markets, and more recently our Work One solution. Other “add on” systems will be planned to further extend the breadth of our solutions, and increase our positioning for the future.
- “Out of the Box, Ready To Go” – organisations are looking for solutions that can be implemented faster and for less upfront investment. By shipping pre-configured solutions, such as Biz One, we can achieve this.
- Information At Your Fingertips – organisations are looking for integrated and powerful data analysis tools, so that information can be provided easily and quickly to managers. Technology One is undertaking R&D to provide data mining capability that will be integrated and pervasive throughout all our applications, called “Drag and Analyse”.

CONTINUED ORGANISATIONAL CHANGES

Technology One operates in a highly competitive and rapidly changing industry. Coupled with this, we have been growing very quickly over a number of years with compound Net Profit After Tax growth of 33% over the last 12 years. Key to our success has been our ability to continue to adapt and evolve as an organisation.

In late 2003, the company commenced planning for an enhanced organisational structure to better allow us to execute against our strategy. This was formally announced in July 2004 with the introduction of a new and expanded Executive Team to manage our business into four major operating areas:

- North West Region – encompassing Queensland, Tasmania, South Australia, Northern Territory and Western Australia
- Central Region – encompassing New South Wales, Victoria and the Australian Capital Territory
- International Region – encompassing New Zealand, Malaysia and other proposed international territories
- Project Services Group – custom software development throughout Australia

An executive has been assigned to each of these regions.

This enhanced organisational structure will allow us to achieve greater synergies across a number of states or international territories, and to develop a regional approach to resourcing, sales, training and marketing. It will allow the states or international territories in each region to work together more effectively and to better support each other. As part of this new structure we expect to see regionally-based expertise established, as distinct to local expertise. For example, sales and consulting teams will be structured across regions for certain verticals such as Local Government, Retail and Payroll/Human Resources. We also expect to see Sales, Account Management and Marketing strategies developed on a regional basis.

In the end these changes will allow our executives to spend more time and effort to ensure the execution of our strategy is done to an exceptionally high standard.

As I have said in the recent past, Technology One’s future is no longer dictated by our multinational competitors – our future lies in our own hands and our ability to execute growth strategies. The changes to our executive will allow us to minimise execution risks.

NEW MARKETS

Given the progress we have made in our existing international operations, it was considered an appropriate time to investigate other potential countries for Technology One to expand into. A number of possibilities are being explored in the 2004 year including:

- South Africa
- United Kingdom
- Republic of China

We are in the process of developing our plans for continued international expansion, and will make more detail announcements in the near future once they are finalised.

OUTLOOK FOR 2005

In 2005 there will be a number of significant factors that we will need to carefully manage, as follows:

- Establishment of our new and expanded Executive Team and improved Organisational Structure.
- Establishment of the first of our Connected Intelligence (CI) products, Finance One CI, in the market.
- Continued strong investment in R&D, committing approximately 19% of Revenue for the development of the remaining CI products for Retail One, People One, Proclaim One and Student One.
- Potential further geographic expansion.

Given the strong profit growth in the 2004 year, and therefore the high base we are now working from this year, coupled with the factors outlined above, we expect 2005 to be a more challenging year for Technology One.

LONG TERM GROWTH INITIATIVES

Looking past the 2005 financial year, future growth over the next five years will come from a number of areas:

- Continuing improvement in the IT industry, caused by the natural sales cycle and an increased demand for software products.
- Fear, uncertainty and doubt over the viability of a number of our competitors as they are acquired and their R&D direction becomes less clear.

reason we have increased our Dividend this year once again by 14% to 2.85 cents fully franked. Based on the share price as at 30 June 2004 of 56 cents, this represents a fully franked dividend of 5.1%.

AFTERWORD

Once again I would like to thank the management and staff of Technology One for their passion and commitment. It is a pleasure to lead such a talented team of people.

With our exceptional people, our clear and focused strategy, our unique business model (the Power of One), our devolved organisational structure and our emerging product leadership position through the CI series, I am confident about Technology One's future prosperity.



Adrian Di Marco
Executive Chairman

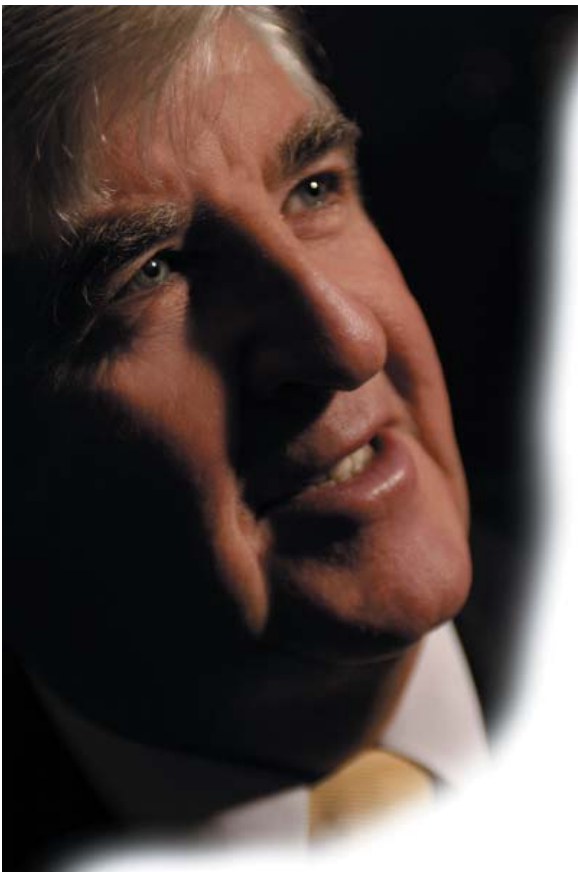
“Key to our success has been our ability to continue to adapt and evolve as an organisation.”

- Improved sales success rate as our CI series gains acceptance in the market.
- Increased traction for our newer products such as People One, Retail One and Student One.
- Speculative initiatives such as Biz One which will potentially open up the small to medium enterprise market.
- New verticals through partnership.
- Continued overseas expansion.

DIVIDEND INCREASED SUBSTANTIALLY

The Board remains committed to the careful management of our capital base to ensure that capital, where appropriate, is returned to our shareholders, while still allowing us to grow our business. It is for this

Review of Operations



Ron McLean, *Chief Executive Officer of Operations*

Although new buyers have remained cautious there has been a trend towards greater spending by organisations in information technology. This trend has resulted in a record number of new clients, record revenues and record profits for Technology One.

The competitive nature of Technology One's business remains as it has been for the past few years, however the restructure of each of our service delivery and product divisions, which was highlighted and implemented in the 2003 financial year, has worked well. Each of the regions and product divisions are now focused on providing quality solutions and exceptional services to existing and new customers. This emphasis on divisional accountability and ownership has contributed to the excellent result this year.

NEW CLIENTS

A record number of new clients purchased Technology One's software solutions in the past 12 months, with 70 clients signed from a wide range of industry sectors.

CORPORATE

- Adelaide Convention Centre
- Advanced Data Integration Pty Ltd
- Australian National Training Authority
- Catholic Education Wagga Wagga
- Catholic Education Wollongong
- Crown Formwork Pty Ltd
- Drinx Pty Ltd
- Equity Trustees
- Fincorp Finance
- Flinders Ports Pty Ltd
- Global TV
- ICA Presents Pty Ltd
- Institute of Chartered Accountants Australia
- JJ Richards E-Waste
- Le Cornu Furniture and Carpet Centre Pty Ltd
- Little Company of Mary Healthcare Limited
- Magellan Petroleum
- Melbourne Water Corporation
- Milura Pty Ltd
- OAMPS
- OFM Investments
- Outsource Australia
- Port Kembla Coal Terminal
- Portland Coast Water
- PrixCar
- QLD Competition Authority

- Secure Parking
- Softlink International Ltd
- Timberland Furniture
- Urban Maintenance System
- Walter and Eliza Hall Institute of Medical Research
- Westralia Airports Corporation

INTERNATIONAL

- Align Distribution Sdn Bhd (MAL)
- Aviation Security (NZ)
- Electricity Ashburton Limited (NZ)
- Hastings District Council (NZ)
- Hutt City Council (NZ)
- Institute of Chartered Accountants NZ
- Jacques Martin (NZ)
- KUB Telekomunikasi Sdn Bhd (MAL)
- Marlborough Lines Limited (NZ)
- Porirua City Council (NZ)
- Quanterm Logistics Sdn Bhd (MAL)
- Scenic Circle Hotels Limited (NZ)
- South Taranaki District Council (NZ)
- Tertiary Education Commission (NZ)
- The Todd Corporation (NZ)
- WCT Construction Sdn Bhd (MAL)

LOCAL GOVERNMENT (AUSTRALIA)

- Adelaide City Council
- Baw Baw Shire Council
- Burdekin Shire Council
- Campbelltown City Council
- City of Sydney
- Ku-ring-gai Council
- Launceston City Council
- Local Government Association (QLD)
- Warwick Shire Council

STATE/FEDERAL GOVERNMENT

- ACT Revenue Office
- Australian Broadcasting Authority
- Australian Maritime Safety Authority
- Department of Senate
- National Native Title Tribunal
- QLD Rural Adjustment Authority

PROJECT SERVICES

- Australian National Training Authority
- NSW Department of Lands
- QLD Department of Primary Industries
- QLD Department of Public Works
- QLD Department of Tourism, Fair Trading and Wine Industry Development
- Siemens Thiess Communications
- Victoria Legal Aid

SALES AND MARKETING

The continued focus by the sales and marketing team in each of the service delivery centres has contributed significantly to the company's strong sales result. The sales growth demonstrated both the individual achievements of each of the regions combined with continued focus of the marketing division. The marketing division, including telemarketing, marketing communications and public relations, is involved in important back office activities essential to support the sales regions.

The introduction of the Product Marketing group during the year has added a new dimension to the company's marketing activities.

Technology One's major competitors are large multinationals whose greatest strength has not been the quality of their software solutions, but the magnitude and depth of their marketing.

The Product Marketing group will have the task of profiling each of our major products and maximising our promotion of these products in the market by highlighting their strengths and advantages. The Group will focus on marketing the strength of our total integrated solution to our key vertical markets, such as our combined ratings and

Technology One was also contracted by an existing client, the Department of Industry, Tourism and Resources, to develop a solution for the National Measurement Institute, a new body that will combine a number of existing government entities. This contract highlights the strength and support for our software solutions.

NORTH WEST REGION (QLD, NT, WA, SA AND TAS)

The North West Region signed a number of significant deals in key vertical markets, including:

- Le Cornu Furniture and Carpet Centre Pty Ltd – a large South Australian retailer purchased our integrated Finance One and Retail One solution.
- Launceston City Council in Tasmania, an existing Proclaim One site, chose to replace their existing Oracle Financials system with Finance One.
- Westralia Airports Corporation, a significant win in Western Australia.

Queensland was the pilot state for the launch of our new Biz One product, a pre-configured solution tailored to small to medium enterprises. The launch of this product generated sales to four new clients, Softlink International, Queensland Competition Authority (integrated with People One), Crown Formwork Pty Ltd and Drinx Pty Ltd.

“Focus on marketing the strength of our total integrated solution to our key vertical markets, such as our combined ratings and property, financial management, project and asset management, and human resources and payroll solution to the local government market.”

property, financial management, project and asset management, and human resources and payroll solution to the local government market.

ACHIEVEMENTS AND HIGHLIGHTS

CENTRAL REGION (NSW, ACT AND VIC)

The Central Region closed a number of significant deals in the past year, including:

- The Institute of Chartered Accountants Australia selected Finance One as their financial management solution, a significant win given this is the body for Chartered Accountants in Australia, and was closed against aggressive tendering from two of the world's largest software companies.
- Timberland Furniture chose both Finance One and Retail One products, a large deal which will help our expansion in this vertical market.
- The Australian Maritime Safety Authority selected our totally integrated Finance One and People One solution.
- The Little Company of Mary Health Care chose Finance One fully integrated with iSoft's patient management solution, our first partnership with iSoft in the healthcare market.

A satellite Research and Development centre was also opened in Perth, with the team moving to larger premises to support this growth. The South Australian team also moved to a larger office to support growth in staff numbers and provide appropriate consulting and presentation facilities.

INTERNATIONAL REGION (NZ AND MAL)

Growth in New Zealand remains strong, with 12 new clients selecting our products and services in the 2004 financial year. This brings the total number of clients in New Zealand to 42, and an increase in staff numbers to 12 to maintain business growth and continue to provide exceptional service to existing clients.

A new office in Wellington was opened to support our continued growth in the country and to provide focus on central government and corporate accounts.

In Malaysia, Technology One is beginning to increase its visibility. Business remained steady with the signing of four new clients – Align Distribution Sdn Bhd, KUB Telekomunikasi Sdn Bhd, Quanterm Logistics Sdn Bhd and WCT Construction.



PROJECT SERVICES

During the year, the Project Services team implemented a number of large scale, fixed price fixed time custom software development projects, maintaining an impressive track record of on time, on budget projects.

The division continued to specialise in both .NET and J2EE application development, helping it to win significant new business. In addition to ground up developments, ongoing software support and development was provided for existing applications on long term outsourcing contracts.

A new service that formalises the process of delivering integration and client specific enhancements around our core product range was also introduced, titled Integrate One.

The Project Services division was also awarded Gold Partner status with Microsoft in recognition of outstanding projects.

Looking forward, the division expects continued growth in Queensland, New South Wales and Victoria through existing outsourcing contracts and success in new medium-large software development projects.

PRODUCT DEVELOPMENT

Research and Development (R&D) has been the cornerstone of Technology One's success against our multinational competitors. This commitment of continued improvement and R&D to deliver products that meet market requirements has been an important differentiator in our ability to continue to win business.

The highlight for the 2004 financial year was the migration of Finance One to the Connected Intelligence (CI) platform, our next generation software platform.

During the year, we invested \$9.55 million, representing 19% of Revenue into R&D to bring CI to the market.

FINANCE ONE – ACCOUNTING AND FINANCIAL MANAGEMENT SOLUTION
Our R&D team was strongly focused on the delivery of the CI version of the product in the 2004 year. This product is now available to beta sites, and will be available for general distribution early in the 2005 calendar year.

Finance One CI will give users all the information they need to perform their job from one easy-to-use and familiar workplace, giving them real-time information, access to data and reports relevant to their job. The software will allow users to access sophisticated financial data, reports, timesheets, and task lists from an intuitive and familiar interface.

It uses roles-based content, so each user can set up their workplace based on the requirements of their role, and see only the data they need to complete that role. Task alerts for novice or occasional users, such as "work to approve", "cash to apply", "timesheets to approve", "salaries to review" etc, will be available via the workplace or by email, with direct hyperlinks for users to access their task.

In the 2004 financial year, a large number of our clients also moved over to our current release.

Developments included:

- Integration between Finance One and the WASP Asset Maintenance product from EMS Solutions Pty Ltd.
- Web enablement of our internal support centre product, Support One, to enable customers to log and track their support calls via the internet.
- Commencement of Work One, a project work management and asset maintenance solution, designed to meet the needs of infrastructure intensive organisations and organisations requiring sophisticated project management and billing.

A new Product Business Manager was appointed during the year, and a satellite development arm was established in Perth, Western Australia.

PEOPLE ONE – HUMAN RESOURCES AND PAYROLL SOLUTION

People One has continued to mature as a strong and robust human resources (HR) and payroll solution, with 15 new clients choosing this solution fully integrated with our core financial solution in the 2004 year. We now have more than 50 clients using our HR and payroll solution integrated with our other products.

In 2004, we introduced Release 10.3 and 11.0 of People One, which included several new features:

- Multiple concurrent position details for employees.
- Project costing extensions including the ability to nominate project specific rates and resources with full integration to timesheet entry.

The R&D team has completed major development of People One CI, which will be available to clients mid/late 2005. These developments included significant new functionality:

- Skill and competency functionality to allow achieved and target information to be recorded, providing the building blocks for all of the HR Modules.
- Development of the Training Module, providing full course and attendance management.
- Award interpretation extensions.
- Development of the Forms Module to design, capture and workflow entry forms to collate information throughout an organisation.

RETAIL ONE – RETAIL MANAGEMENT SOLUTION

Several important milestones were reached with the Retail One product during the year, including the completion of two major Releases: 10.3 and 11.0.

Release 10.3 of Retail One included the following new functionality:

- A new Commissions Module with multiple commission structures and links to product sales.
- A new Repairs and Trade In's Module linked to Point of Sale (POS).
- Enhancements to purchasing and sales order processing for tracking and allocating pre-numbered serialised products.
- Additional volume based selling price breaks for sales order entry.

Review of Operations continued

To correspond with the CI development for Finance One, Retail One migrated the existing Purchasing Module and the required Inventory functionality to the CI environment. This included significant enhancements and improvements to the Purchasing Module user interface.

Release 12.0 of Retail One CI will be available mid/late 2005, and will include:

- The full migration of all the Retail One modules to the new CI infrastructure.
- The redesign and redevelopment of the Purchasing Module under CI to simplify the user interface and enhance the eBusiness capability.
- New functionality to enhance support of apparel merchandise including support for ratio packs and planned product distribution modeling.
- Open to Buy (OTB) planning and Online Analytical Processing (OLAP) based sales analysis.

Future plans for Retail One include enhancements to support manufacturing, fully integrated customer loyalty and the integration of contracts management with purchasing. POS One will also be positioned to provide cash receipting capabilities for the Finance One, Proclaim One and Student One products.

PROCLAIM ONE – LOCAL GOVERNMENT SOLUTION

Developments in the 2003 financial year to address the requirements of the New Zealand marketplace led to four new local authorities in New Zealand choosing Proclaim One in the 2004 financial year, bringing our total number of local authorities in this region to eight. Further tailoring of the product to continue to meet the needs of this market was a key focus in the 2004 financial year.

Proclaim One delivered Release 9.3 in December 2003, and also developed new functionality for minor releases, including significant development of the Customer Request Management (CRM) features within our core applications. This development was designed to meet the specific CRM needs of local government which differ significantly from commercial organisations, and introduces a new look to Proclaim One, which will provide the stepping stone to CI development next financial year.

The eProclaim Module is now being used by a number of clients to deliver land and property information to ratepayers over the internet, and to provide sophisticated automatic generation and delivery of property certificates to solicitors for conveyancing purposes. The latter application saves Councils considerable time and provides a much faster turnaround to their clients.

Development in the 2004 financial year has positioned the Proclaim One product for the move to the CI series. CI design has already begun, and this development will result in a single product set that will address all the regulatory, financial and payroll needs for the local government market. Proclaim One CI is scheduled for release by late 2005.

STUDENT ONE – STUDENT MANAGEMENT SOLUTION

Student One shipped three major releases during the year, and undertook detailed requirements analysis and design work for Release 3.0 to address the Australian Higher Education Reforms.

The R&D team delivered significant enhancements to the product, including:

- Functionality for commercial education providers.
- Integration with People One, and additional integration with Finance One to provide a fully integrated solution for the higher education market.
- Development of an Agents Module to meet requirements of Insearch, which has since been sold into the existing client base.

In the 2005 financial year, further development will be undertaken to address requirements of the Nelson Reforms and subsequent legislative changes. This will include a new module to allow higher education institutions to interact with the Government's new Higher Education Information Management System (HEIMS), and enhancements to support the introduction of the Commonwealth Higher Education Student Support Number (CHESSN).

Student One will begin investigating migration to the CI series in 2005.

APPLICATION DEVELOPMENT FRAMEWORK (ADF)

The ADF is a central R&D team, tasked with developing the core framework for all of our software. In the 2004 financial year, the ADF completed the Connected Intelligence (CI) framework using Microsoft .NET technology. This framework forms the technical foundation for all of our CI series products.

The CI framework delivers substantial benefits to customers, combining the best of the web, such as hyperlinks and an intuitive familiar interface, with the power of the desktop. It is even more functional and powerful than a conventional Windows program, yet has a clean and simple user interface (similar to those found on websites).

Development to this framework has enabled support for internet-based deployment, delivering a solution that can be used at the office, from home or out of town, reducing the cost of system administration and support.

Other key features include:

- Takes the application to the end user, giving the user access to sophisticated data, reports, timesheets, and tasks lists from their own personalised workplace.
- Alerts and advises users where they should be directing their attention, resulting in a more efficient working environment.
- Our products' key business processes can be exposed as XML Web Services, enabling customers to easily integrate their other systems and with Technology One products and services.
- Ability to be deployed on either a multi-tier or two-tier architecture, providing low cost implementation for small sites whilst providing the power to scale and support large and geographically dispersed organisations.



Ron McLean

Chief Executive Officer of Operations

A close-up, high-angle portrait of a man with a mustache and light-colored eyes, smiling broadly. The image is dominated by his face, with a large, white, stylized number '3' overlaid on the right side, partially covering his eye and forehead. The background is dark, making the subject stand out.

3

One Integrated Strategy

Our Integrated Strategy – The Power of One

The software industry has, over its history, polarised into software companies that are either predominantly product developers or service providers. Product developers develop software products and, in most cases, use Service Providers to implement and support their products under a licencing arrangement.

Technology One has built its business successfully by being both equally and strongly a product developer and a service provider. Our strategy is about being both a world-class developer of software products and a world-class service company. This has allowed us to build long term, very deep relationships with our customers and ensures our customers remain committed and satisfied with our products. It also allows us to ensure our products continue to meet the needs of both our customers and prospective customers.

Technology One's unique strategy provides our clients with a "one stop total solution", because we develop, market, sell, implement and support our own software solutions. This also provides a more resilient business, as we derive revenues from both product licence fees and fees for services. Unlike traditional product developers that must sell more new licences every year, we have a substantial annual revenue stream that comes from existing clients. As a result, in slow growth periods we continue to grow our company profitably by focusing on the services side of our business.

The other advantages are that as the product developer we own the Intellectual Property (IP) in our software solutions, providing the security to grow our business with confidence. We control the R&D spent to ensure our products meet our clients' expectations and are reliable. We also have total control over the geographies in which we sell our products and the price and margins we earn.

As the service provider we have complete control over the implementation and support of our products, ensuring client satisfaction. Through this direct relationship we also provide our clients with additional services and products, generating further revenues. Technology One firmly

excellence in both software and services, we have adopted an innovative, simple and highly effective organisational structure containing two operating divisions:

- Software Engineering - The passion, commitment and culture to develop world class software, with the objective "Great Software Every Day and Every Way".
- Service Delivery - The passion, commitment and culture to deliver world class services, with the objective "Exceptional Customer Service".

To support the long term sustainability of this model we recently moved to a decentralised and locally managed model, with the appointment of state and country managers, to provide greater efficiencies and autonomy locally. This new structure is allowing us to "Act Locally, and Think Globally".

To achieve greater synergies across each of these states and countries, we have also introduced four regions (North West, Central, International and Project Services) to allow us to develop a regional approach to resourcing, sales, training and marketing.

SOFTWARE ENGINEERING

Technology One has developed powerful new generation and highly integrated software systems that can cater for the needs of many different industries and organisations.

This division has developed a culture that encourages the development and delivery of innovative world class software solutions using world best practice. This has led to many core strategic initiatives, including the establishment of our common methodologies and an Application Development Framework (ADF) achieving significant cost savings and synergies across all of our software teams.

Technology One is well positioned because of the Intellectual Property we have in all of our solutions. We are one of only a relatively small number

“Our success is based on having this totally integrated, consistent and focused strategy that is well understood and shared by all our people.”

believes that future growth opportunities will be easier to secure for companies that have a direct relationship with their clients.

Our success is based on having this totally integrated, consistent and focused strategy that is well understood and shared by all our people, providing us with significant synergies across our organisation. This translates into increased client satisfaction and continuing profitable growth, guaranteeing a resilient and strong business.

AN ORGANISATIONAL STRUCTURE TO DELIVER EXCELLENCE IN PRODUCTS AND SERVICES

Technology One's success is based on strong management principles applied to our core expertise of software R&D and product commercialisation. To ensure that we continue to deliver

of companies globally that own a financial management and accounting system, which provides us with the platform and the opportunity to build very rich, fully integrated, enterprise-wide solutions to address the total requirements of specific vertical markets.

Our accounting and financial management solution, coupled with our Application Development Framework (ADF), forms the key technology platform for the vertical market solutions we are developing and progressively releasing.

ACCOUNTING AND FINANCIAL MANAGEMENT SOLUTION

Our accounting and financial management system delivers enterprise-wide control and integration of financial information essential to strategic decision making and improving the bottom line. Through its



unique financial architecture, rich functionality, powerful online enquiries and versatile reporting ability, this solution provides the ability to interpret accounting and financial information more efficiently than ever before.

In the highly competitive field of accounting and financial management and systems, we have achieved outstanding success to become one of the leading providers for medium to large organisations, both in Australia and overseas, including the Institute of Chartered Accountants Australia, Department of Prime Minister and Cabinet, Port of Brisbane Corporation, Westralia Airports Corporation and Melbourne Water Corporation.

HUMAN RESOURCES AND PAYROLL SOLUTION

Technology One delivers a human resources and payroll solution for effective employee lifecycle management. The solution provides deep integration and reporting, from full human resources functionality to sophisticated payroll management and employee self service. It is fully integrated with our accounting and financial management and vertical market solutions, delivering a complete package to meet all of an organisation's business software needs.

LOCAL GOVERNMENT SOLUTION

Technology One provides local government organisations with a flexible software solution, from property and regulatory systems through to human resource management and financial accounting, with internet functionality to help streamline their operations. The solution helps Councils deliver exceptional customer service to their constituents.

RETAIL MANAGEMENT SOLUTION

Technology One provides a total retail solution from point of sale to profit and loss. The system provides a high performance point of sale system integrated with head office merchandise management, supply chain management, customer management and financial accounting.

WHOLESALE AND DISTRIBUTION MANAGEMENT SOLUTION

Technology One provides wholesalers and distributors with a solution that manages sales order processing, through to inventory control, replenishment, purchasing and financial accounting to provide the wholesaler with complete control over their business operation.

TERTIARY EDUCATION SOLUTION

Technology One provides a totally integrated solution for tertiary education institutions including student administration, core financials, and human resources and payroll. The solution empowers all stakeholders within the organisation by providing a consistent and online, real time view of their information for use in making business decisions.

APPLICATION DEVELOPMENT FRAMEWORK (ADF)

Technology One continues to invest substantial resources to establish and refine a sophisticated framework, the Application Development Framework (ADF), to develop large scale applications from the ground up, quickly and easily. The ADF provides an architecture, framework and application development environment to achieve a consistent look and feel across all the company's software

development. It is this framework that delivers many of our software's advanced features. Put simply, all Technology One's solutions are managed within a single infrastructure.

OUR CONNECTED INTELLIGENCE SERIES

Our Connected Intelligence (CI) series is designed to substantially raise the bar in the enterprise applications market, by combining for the first time the advantages of client server and the internet to create a new generation of applications. This will support the move by organisations to a more devolved and empowered business model that seamlessly connects customers, suppliers, staff, managers and back office staff, as well as connecting disparate systems operating across multiple IT platforms and across multiple organisations.

These applications are easily deployed via the internet and intranet and have a rich powerful user interface that is very simple and easy to use without requiring any training or experience, designed to be utilised from the power user to the occasional novice user. Our CI series will go far beyond the current boundaries of traditional client server and HTML based internet applications.

Finance One CI is the first of our CI systems and it will ship in volume in early 2005. We will progressively release Retail One CI, People One CI, Proclaim One CI and Student One CI over the following few years, as the market becomes more aware of the benefits of our new technology. This approach will allow us to minimise our risks, as well as match our R&D expenditure in line with the emerging market opportunities.

NEW VERTICAL MARKET SOLUTIONS

We plan to continue our aggressive R&D program into the future to create more products to open new vertical markets for the company. This strategy also leverages the rich and proven infrastructure the company has already created in our Application Development Framework (ADF) and our sophisticated accounting and financial management platform.

Our newest product under development is Work One, an advanced project and works management solution.

PARTNERSHIPS

Technology One also utilises partnerships to broaden our product line into new and exciting vertical markets, without necessitating the development by us of any new products. We already have highly successful partnerships in the areas such as business intelligence, reporting, asset management, health and aged care, and we are currently looking for partners to enable us to provide total solutions in a number of other markets.

PROJECT SERVICES

Technology One's core competency is the development of world class application software. The company leverages this core competency, plus our rich intellectual property contained in our methodologies and Application Development Framework (ADF), to undertake large scale application development to meet specific clients' requirements. This allows us to deliver world class, functionally rich custom applications "on time" and "to budget". Once the project is complete, we provide support and continuing development services to ensure the system continues to meet our clients' needs. This provides an ongoing revenue stream once a project is completed.

Our Integrated Strategy

– The Power of One continued

Technology One has undertaken many large custom application development projects in Australia for government and corporate organisations, and has a proven track record. Clients include New South Wales Police, Land Victoria, Queensland Department of Natural Resources and Mines, and Publishing Broadcasting Limited.

COMMON METHODOLOGIES AND SYSTEMS

Underpinning all of Technology One's activities are a well understood and documented set of highly sophisticated methodologies (ie standards, procedures and business systems) that are strictly adhered to by all our software development teams. These methodologies ensure that the company's processes are well defined and understood by our people, so that we can deliver consistent software products and services on time, to budget and to a high standard of excellence.

Our methodologies include:

- Advanced project management (PPMM - Pro-active Project Management Methodology).
- Advanced software development (QSDM - Quality System Development Methodology).
- Advanced software implementation (AIM - Application Implementation Methodology).
- Advanced client support (ASM - Application Support Methodology).

SERVICE DELIVERY

With responsibility for all the company's client services, this division strives to deliver excellence in services by embracing world best practices, and adopting a service/client centric culture that encourages our employees to meet and exceed client expectations. All of our clients are given access to multi-level support, including Support Centre, Account Management and Consulting.

SUPPORT CENTRE

Our Support Centre is available to clients via email, fax or phone and has the expertise to deliver a rapid response to most support issues. For more complex inquiries the Centre also has direct access to our R&D teams so issues can be identified and resolved quickly.

ACCOUNT MANAGEMENT

Our Account Managers work with our clients to gain an intimate understanding of their organisation and their future strategic business direction. This means our Account Managers can help clients maximise the use of our products, including introducing new products that can improve their business processes.

CONSULTING

An in-depth knowledge of our software, combined with understanding the pressures and needs of our clients' operations, ensures Technology One's Consultants provide the highest levels of service when and where they are needed. Our solutions are implemented directly by us or in conjunction with partner companies who have made a substantial commitment to our product. This means our clients can be assured that our Consultants are able to help them fully harness the power of our software so they achieve maximum value for their investment now and in the future.

OUR PEOPLE

Technology One's success is underpinned by the wealth of talent we employ. As such we recognise that our people are our most important and valuable asset. It is their skills, commitment and hard work that has enabled us to meet the challenges that rapid growth brings.

Technology One's management team continue to profitably grow the company. Our development staff deliver a high level of software innovation and quality. Our services staff constantly provide a high level of commitment to the delivery of excellence in client service.

A priority for us is the continuing recruitment and retention of highly motivated people, in order to continue our rapid growth. We attract quality people by offering a culture of creativity, with a corporate commitment to world best practices and high financial rewards. The management of Technology One work hard to create an environment that is friendly and supportive. We actively encourage open and honest dialogue between managers and staff. As a result, Technology One has, and continues to experience, a lower than industry average employee turnover.

At Technology One we believe there must be a strong alignment between the interests of staff and shareholders.

HUMAN RIGHTS AND EQUAL OPPORTUNITY

Technology One strives to maintain a healthy, safe and productive work environment that is free from discrimination or harassment based on race, religion, sex, sexual orientation, age, disability, or other factors that are unrelated to Technology One's legitimate business interests.

Technology One's commitment to workforce diversity includes a policy against discrimination and a commitment to integrating people with disabilities into the workplace and also ensuring that they have the necessary access to facilities and technology needed to perform their jobs.

HEALTH AND SAFETY

Technology One is always concerned about maintaining safe and healthy working conditions for our staff. All employee's injured in the workplace are eligible for workers compensation benefits and our focus on safety also extends to the contractors who work on our premises.

To ensure both the safety of our employees and the protection of our assets, Technology One's staff actively participate in training for safe evacuation and conduct in the event of fire, natural disasters or other emergencies.

OUR CLIENTS

Technology One is a client focused company. Our operations are specifically structured to ensure the requirements of clients are satisfied. We view our relationship with our clients as a long term partnership that continues beyond the selling of a software licence.

Our clients are typically corporate, government departments and statutory authorities. Our long term relationship with them provides us with the opportunity to provide ongoing services and products. As such, they are a substantial source of ongoing revenues to our business.



Our clients are medium to large organisations, and come from a broad cross section of industries including:

- Corporate
- Local government
- State government
- Federal government
- Financial institutions and credit unions
- Higher education and universities
- Not for profit
- Retail
- Hospitality
- Communications and technology
- Utilities
- Leisure
- Construction
- Distributors
- Transportation
- Manufacturing.

As Technology One's revenues are generated from such a broad cross section, we are not over exposed to any particular market sector or specific client groups.

- Work Placement Program, offering opportunities to university students in computer science and software engineering degrees to gain practical experience in the development of world-class software.

Technology One is committed to giving back to the community in which it operates. Causes of particular interest to Technology One and its staff are national organisations that support children, who represent our future, and organisations that are dedicated to the assistance of people in need. Key charities include:

- World Vision and Plan Australia (sponsorship of seven disadvantaged children around the world)
- Epilepsy Queensland
- The Salvation Army
- Juvenile Diabetes Research Foundation, and
- Starlight Children's Foundation.

ENVIRONMENTAL POLICY

Technology One is committed to the management of its business operations in an environmentally responsible manner. The company strives to achieve results consistent with environmental leadership and is vigilant in protecting the environment.

As a developer and supporter of computer software, Technology One does not produce harmful waste or by-products in the course

“We view our relationship with our clients as a long term partnership that continues beyond the selling of a software licence.”

OUR COMMUNITY COMMITMENT

Technology One believes that it has a responsibility to give back to the community that supports its staff and their families.

This means having a strong set of values that underpin the company's everyday activities – our attitudes to our clients, our attitudes to our staff, our transparency, our high ethical standards, as well as our community work.

It is this belief that underlines our Community Works initiative – providing much needed sponsorship, donations and support to community-based and educational organisations, and encouraging our staff to become actively involved in activities that contribute to the community.

We are committed to sharing our success and knowledge to help nurture our industry's future IT talent. We are currently involved in a number of programs, including:

- Major sponsor of Education Queensland's 2004 Technology One Building Youth Technology Excellence (BYTE) Awards.

of conducting our business. This includes a commitment to the promotion and use of collaborative software to provide a paperless alternative to information sharing.

Energy efficiency is also an important element in our workplace and we ensure that all our equipment is recognised for energy efficiency by the EPA's Energy Star program.

We have also implemented a company-wide recycling policy that includes items such as paper, cardboard, toner cartridges, CDs, CD cases and computer parts.

The Tech One Way

Technology One has a strong and distinct culture. The Tech One Way describes our culture and our values.

Technology One is creating products and delivering services that make our Clients work faster and smarter. Our business software solutions provide our Clients with real strategic advantage.

Our success comes from our shared values, our entrepreneurial spirit and our innovation. We call this the Tech One Way. The way in which each of us embrace these ideals is of critical importance.

OUR CLIENTS

We must never forget that our Clients are the reason we exist.

- The Client always comes first. We always demonstrate this in all that we do and say.
- The Client defines a job well done. The Clients' perception is all that matters.
- Our Clients are not just organisations, they are people. We treat our Clients as real people.
- We listen and respond to our Clients quickly, to ensure their expectations are met, and surpassed.
- We work closely with our Clients' staff and respect their opinions.
- We work with our Clients in partnership and share their vision for their organisations. We work with them to deliver real business benefits.
- We give our Clients great value for money and great service.
- Passion - we are passionate about our vision, about what we do and how we do it, and we communicate and demonstrate this passion to our Clients.

OUR PEOPLE

Technology One is more than a company, it is us. It is our behaviour, our values, our innovation.

- We communicate with each other clearly, openly and honestly. This is the least we can do.
- We recognise, respect and reward each person as they strive to reach their full potential.
- We ensure each person's career objectives are understood and are met.
- No politics. No barriers. Trust your colleagues.
- We all work together as part of a cohesive team. We help and support our colleagues.
- Together we can do anything.
- Share ideas. Provide constructive ideas, not criticism.
- Follow through – do not assume others will do what they say. Assume nothing!
- We work hard, but at the same time, we remember to enjoy each other's company and have fun.
- Passion - we are passionate about what we do and how we do it, and we communicate and demonstrate this passion to our colleagues.
- Attempt the impossible!

QUALITY

Our Clients rely on us to provide mission critical software. Our commitment is to deliver "excellence in software and services".

- We deliver to our Clients quality in both software and services, through the consistent application of world best practice and the continual improvement of such practices.
- We understand that quality is not just about process and paperwork, it is what we give our Clients.
- Close enough is never good enough. If it is worth doing, we do it 100%.
- We never compromise the quality because of the budget.
- Our software must continually operate reliably and exceed our Clients' expectations.
- Our software must be easy to use, intuitive and a pleasure to work with.
- Perseverance – we recognise that to deliver excellence, we must strive, work hard, and never give in.

INNOVATION AND SPEED

We are in a dynamic marketplace and we must continually innovate, work quickly, decisively and with determination to remain competitive.

- We innovate to provide solutions and services that will make our Clients' successful.
- If competitors are doing things a certain way, let us learn from them, but there is always a better way.
- We do our own thinking. We do not allow others to do it for us. Answers come from our own ingenuity.
- Invent different and better ways of working. We strive and are passionate to find a better way.
- The better way is always the simpler way.
- Look past the traditional way. Look for the logical solution.
- Think outside the square. Radical ideas can create great innovative solutions.
- We are flexible and adaptable. We believe that change is good. We embrace change.
- Anticipate – do not be reactive, be proactive.
- Just do it!

OUR STAKEHOLDERS

Our stakeholders have trusted us with their money to run and grow our business.

- We must be consistently profitable, and grow our business, so that we can meet our financial obligations to our stakeholders: our staff, our creditors, our community and our shareholders.
- We act in the best interest of our stakeholders. We act responsibly and carefully to protect their investment.
- We adhere to accounting standards, and the principals of best practice, full disclosure, and full transparency. We adhere to the laws of each region we operate in.
- We are active and responsible members of our community, respecting the environment and providing financial assistance through donations and community activities.



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Financial Statements

Technology One and Controlled Entities
for the year ended 30 June 2004

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Directors' Report

The Board of Directors of Technology One Limited "Technology One" (ABN 84 010 487 180) has pleasure in submitting its report in respect of the financial year ended 30 June 2004.

DIRECTORS

The names and details of the directors in office during or since the end of the financial year are:

Names	Qualifications, experience and special responsibilities
A Di Marco <i>(Executive Chairman)</i>	Mr Di Marco founded Technology One 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 Technology One, as well as the strategic direction of the company.
R McLean <i>(Chief Executive Officer of Operations)</i> <i>(Resigned as CEO of Operations on 15 July 2004)</i>	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, however will remain a non-executive director.
J Mactaggart <i>(Chairman of Executive Remuneration Committee)</i>	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 companies. Mr Mactaggart through JL Mactaggart Holdings Pty Ltd is a founding shareholder of Technology One. He has been a Fellow of the Australian Institute of Company Directors since 1991.
S Larwill <i>(Chairman of Audit Committee)</i>	Mr Larwill was a partner in the accountancy firms, Larwill and Larwill, Irish Young and Outhwaite, Deloitte Haskins and Sells and was a Founding Director of Hart Larwill Pty Ltd. He has been a director and company secretary for a number of other companies. Mr Larwill has been involved as a director of Technology One since 1992. He was formerly a Fellow of the Institute of Chartered Accountants and an Associate of the Institute of Chartered Secretaries and Administrators for over 30 years.
K Blinco <i>(Appointed 1 April 2004)</i>	Mr Blinco is a past Chairman and current Director of accounting firm Moore Stephens HL (formerly Hart Larwill Pty Ltd). His expertise is broadly respected and acknowledged throughout the business community. As a reflection of this he is the Director and/or Secretary of numerous organisations and the external financial controller of several large family owned businesses. He is a Fellow of the Institute of Chartered Accountants and Fellow of the Taxation Institute of Australia.

Unless indicated otherwise, all directors held their position as a director throughout the entire financial year and up to the date of this report.

DIRECTORS' INTERESTS

Relevant interests of the directors in the shares of the company, as at the date of this report are:

	Ordinary Shares
A Di Marco (Masterbah Pty Ltd)	78,372,500
R McLean (RONMAC Investments Pty Ltd)	—
J Mactaggart (JL Mactaggart Holdings Pty Ltd)	83,902,500
S Larwill	200,000
K Blinco	220,000

Refer to Note 23 for further information concerning directors' interests.

DIRECTORS' MEETINGS

The number of meetings of the Board of Directors and of Board committees during the year were:

Board or Committee	Number of Meetings
Full board	11
Audit	4
Executive remuneration	1
Nomination	3

The attendances of directors at meetings of the Board and its committees were:

	Full Board	Audit	Executive Remuneration	Nomination
A Di Marco	11	4	1	3
R McLean	11	— [—]	— [—]	— [—]
J Mactaggart	11	4	1	3
S Larwill	11	4	1	3
K Blinco	1 [1]	1 [1]	— [—]	— [—]

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.

As at the date of this report, the company had an Audit Committee of the Board of Directors, which met 4 times during the year. The details of the functions and memberships of the other committees of the Board are presented in the Corporate Governance Statement.

PRINCIPAL ACTIVITIES

The principal activity of the company during the financial year was the serviced delivery of software which includes the design, development, implementation and support of integrated software solutions to meet the specific requirements of vertical or horizontal markets including:

Financial Management and Accounting (Finance One);

Local Government (Proclaim One);

Higher Education and Universities (Student One);

Retail (Retail One);

Wholesale and Distribution (Sales One); and

Payroll and Human Resources (People One).

Technology One Limited also provides large scale “purpose built” application development services to meet the specific requirements of corporate and government organisations.

RESULTS

The consolidated profit of the consolidated entity for the financial year was \$9,479,373 after income tax.

DIVIDENDS

The following dividends of the company have been paid, declared or recommended since the end of the preceding financial year:

	On ordinary shares \$000
Final dividend (franked to 100%) for 2003 as recommended in last year's report	4,477
Interim fully franked dividend for 2004 paid 25 March 2004	3,734
Final fully franked dividend for 2004 as recommended by the directors	4,779

REVIEW OF OPERATIONS

A review of operations of the consolidated entity is included in the Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the company throughout the year.

SIGNIFICANT EVENTS AFTER YEAR END

The company will pay a fully franked final dividend on 24 September 2004 of \$4,779,296.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The directors believe, on reasonable grounds, that to include in this report particular information regarding likely developments in the operations of the company and the expected results of those operations in subsequent financial years would be likely to result in unreasonable prejudice to the company. Accordingly, this information has not been included in this report.

SHARES AND OPTIONS

Details of shares and options held by directors are set out in Note 23 of the financial statements and form part of this report. Details of options issued to employees are set out in Note 17 of the financial statements and form part of this report.

DIRECTORS' AND OFFICERS' REMUNERATION

Remuneration of directors and senior executives of the company is established by the Executive Remuneration Committee. Remuneration is determined as part of an annual performance review, having regard to market factors, a performance evaluation process and independent remuneration advice. For executive directors and officers, remuneration packages generally comprise salary, a performance based bonus and superannuation. Executives are also provided with longer-term incentives through the employee share ownership and option schemes, which act to align the executives' actions with the interests of the shareholders.

Details of remuneration provided to directors and the two most highly remunerated officers are as follows:

	Base Salary \$	Directors' Fee \$	Bonus \$	Superannuation \$	Retirement benefits \$	Long Term Emoluments Options Granted* \$	Total \$
Specified Directors							
<i>A Di Marco (Executive)</i>							
2004	328,655	27,124	229,473	44,244	—	—	629,496
2003	313,076	26,322	181,634	24,428	—	—	545,460
<i>R McLean (Executive until 15 July 2004)</i>							
2004	311,077	27,124	219,912	45,642	245,694**	124,667***	974,116
2003	254,306	26,322	174,066	22,885	—	95,333	572,912
<i>J Mactaggart (Non-executive)</i>							
2004	—	27,124	—	—	—	—	27,124
2003	—	26,322	—	—	—	—	26,322
<i>S Larwill (Non-executive)</i>							
2004	—	27,124	—	—	—	—	27,124
2003	—	26,322	—	—	—	—	26,322
<i>K Blinco (Non-executive)</i>							
2004	—	6,862	—	—	—	—	6,862
2003	—	—	—	—	—	—	—
Total Remuneration: Specified Directors							
2004	639,732	115,358	449,385	89,886	245,694	124,667	1,664,722
2003	567,382	105,288	355,700	47,313	—	95,333	1,171,016

Directors' Report CONTINUED

	Base Salary \$	Directors' Fee \$	Bonus \$	Superannuation \$	Retirement benefits \$	Long Term Emoluments Options Granted* \$	Total \$
Specified Executives							
M Clahsen							
2004	44,651	—	16,520	7,572	—	****	68,743
2003	246,648	—	114,601	8,497	—	****	369,746
D Orchard							
2004	94,845	—	—	8,536	—	—	103,381
2003	88,572	—	—	7,971	—	—	96,543
Total Remuneration: Specified Executives							
2004	139,496	—	16,520	16,108	—	—	172,124
2003	335,220	—	114,601	16,468	—	—	466,289

* Options granted as part of remuneration are estimates only. The estimates are based on the degree of probability of future performance hurdles being met, combined with the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

** This amount was paid in R McLean's capacity as an executive of the company, and not due to his capacity as a director.

*** This amount is subject to shareholder approval at the AGM on 5 November 2004.

**** M Clahsen's Long Term Emoluments Options Granted have been valued at nil due to his resignation.

INDEMNIFICATION OF OFFICERS

Insurance and indemnity arrangements established in the previous year concerning officers of the company were renewed or continued during 2004.

An indemnity agreement has been entered into between Technology One 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 \$10,000,000 for any one claim.

Technology One 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.

ROUNDING OF AMOUNTS

The company is a company of the kind specified in Australian Securities and Investment Commission Class Order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

This report has been made in accordance with a resolution of directors.



A Di Marco
Executive Chairman

Brisbane
27 August 2004

Corporate Governance Statement

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

The Directors have 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, an Executive Remuneration Committee, and a Nominations Committee.

The format of the Corporate Governance Statement has changed in comparison with the previous year due to the introduction of the Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations". 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.

Technology One Limited's corporate governance practices were in place throughout the year ended 30 June 2004. 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 year.

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:

Adrian Di Marco	<i>Executive Chairman (and Managing Director) - major shareholder</i>
Ronald McLean	<i>Chief Executive Officer of Operations (Non-executive Director from 15 July 2004)</i>
Sydney John Alfred Larwill	<i>Non-executive Director - independent</i>
John Dugald Mactaggart	<i>Non-executive Director - major shareholder</i>
Kevin Phillip Blinco	<i>Non-executive Director – independent (appointed 1 April 2004)</i>

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

The Board should comprise at least 3 members, but no more than 10. The current Board membership is 5. The Board may increase the number of directors where it is felt that additional expertise in specific areas is required.

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.

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.

Audit Committee

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

Sydney Larwill (*Chairman*)

Adrian Di Marco

John Mactaggart

Kevin Blinco

The role of the committee is to:

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.

The committee reviews 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:

John Mactaggart (*Chairman*)

Adrian Di Marco

Sydney Larwill

The terms of reference of the committee are:

To advise the Board with regard to the company's broad policy for executive remuneration.

To determine, on behalf of the Board, the individual remuneration packages for each Executive Director.

To give the Executive Directors 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.

ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the company.

SHAREHOLDERS' ROLE

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 Stock Exchange under the company's continuous disclosure obligations.

NON COMPLIANCE WITH ASX CORPORATE GOVERNANCE GUIDELINES

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

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

The company has complied with the majority of recommendations. 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)

As a smaller market capitalisation company it is important that Technology One has a Board of an appropriate size. The Board believes that five directors is appropriate for the company at its current size, and that all existing directors have the necessary skills and industry knowledge. To add additional independent directors at this stage would increase the Board's size beyond what is currently regarded as appropriate and would unnecessarily increase costs. As the company continues to grow, the number of directors will be increased and the Board has committed that additional directors will be independent directors.

Independent Chairman (refer ASX Corporate Guidelines – Recommendation 2.2)

The Board is of the opinion it should maximise the vision, skills and 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 of the company. There is no empirical evidence to support the preference of an Independent Chairman.

Separation of Chairman and CEO Roles (refer ASX Corporate Guidelines – Recommendation 2.3)

Up until 30 June 2004, the company had in place a Chief Executive Officer of Operations, who was responsible for the day-to-day running of the company, while still reporting to the company's Executive Chairman (and Managing Director). The Board believes this provides the necessary balance required.

Structure of Audit Committee (refer ASX Corporate Guidelines – Recommendation 4.3)

The Technology One Audit Committee meets the following stated requirements:

- Consists of an Independent Chairman, who is not the Chairman of the Board.

- At least three members.

Technology One complies with the transitional arrangements for the Audit Committee Structure, and is considering addressing the following matters by the required date of 1 July 2005:

- Majority of Independent Directors.

- Only Non-executive Directors.

Structure of the Remuneration Committee (refer ASX Corporate Guidelines – Recommendation 9.2)

The Technology One Remuneration Committee meets the following stated requirements:

- Not chaired by the Chairman of the Board.

- At least three members.

- Majority of Non-executive Directors.

The majority of the committee are not independent directors and the chairman is not an independent director. This is as a result of the size of the Board, which is deemed appropriate for a company of Technology One's size. As the company grows and extends the Board to include additional independent directors, this matter will be addressed.

Statement of Financial Performance

for the year ended 30 June 2004

	Note	Consolidated		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Sales revenue	2	50,465	47,003	45,469	43,157
Other revenue	2	1,086	1,345	2,412	2,369
Total operating revenue		51,551	48,348	47,881	45,526
Sales and marketing expense		(4,915)	(6,239)	(7,268)	(9,334)
Occupancy expense		(1,048)	(1,148)	(923)	(935)
Administration expense		(8,122)	(8,463)	(7,629)	(6,987)
Product distribution and servicing expense		(13,395)	(11,339)	(12,137)	(10,715)
Other expense		(1,352)	(1,647)	(645)	(692)
Borrowing cost		(76)	(65)	(76)	(57)
Deemed borrowing costs on deferred consideration payable		—	(20)	—	(20)
Profit from operating activities before research and development expense		22,643	19,427	19,203	16,786
Research and development expense		(9,547)	(9,306)	(8,597)	(8,501)
Profit from operating activities before income tax expense		13,096	10,121	10,606	8,285
Proceeds from sale of listed securities		2,914	—	2,914	—
Cost of listed securities sold		(2,900)	—	(2,900)	—
Profit from ordinary activities before income tax expense	3	13,110	10,121	10,620	8,285
Income tax expense attributable to ordinary activities	3	(3,631)	(3,091)	(2,898)	(2,222)
NET PROFIT		9,479	7,030	7,722	6,063
Adjustment arising from adoption of revised accounting standard:					
AASB 1028 'Employee Benefits'		—	(70)	—	(59)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTED TO MEMBERS OF TECHNOLOGY ONE LIMITED		9,479	6,960	7,722	6,960
Basic Earnings Per Share (cents per share)	21	3.17	2.30		
Diluted Earnings Per Share (cents per share)	21	3.16	2.28		

The accompanying notes form an integral part of this Statement of Financial Performance.

Statement of Retained Profits

for the year ended 30 June 2004

	Note	Consolidated		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Retained profits at the beginning of the year		6,566	7,066	5,071	6,527
Adjustments arising from adoption of revised accounting standard:					
AASB 1028 'Employee Benefits'		—	(70)	—	(59)
AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'		—	3,181	—	3,181
Dividends provided for or paid	4	(8,211)	(6,164)	(8,211)	(6,164)
Transfer to dividend reserve	18	(4,779)	(4,477)	(4,779)	(4,477)
Transfer from dividend reserve	18	4,477	—	4,477	—
Net profit		9,479	7,030	7,722	6,063
Retained profits at the end of the year		7,532	6,566	4,280	5,071

Statement of Financial Position

as at 30 June 2004

	Note	Consolidated		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
CURRENT ASSETS					
Cash assets	5	22,853	17,287	19,771	14,278
Receivables	6	9,696	8,901	8,446	7,781
Other financial assets – listed securities		1,000	2,900	1,000	2,900
Other assets	7	2,510	3,431	1,912	2,820
Total Current Assets		36,059	32,519	31,129	27,779
NON-CURRENT ASSETS					
Property, plant and equipment	8	2,208	2,313	2,122	2,194
Intangible assets	9	9,709	10,376	245	316
Other financial assets	10	—	—	12,173	12,173
Deferred tax assets	11	1,365	1,146	1,325	1,101
Total Non-Current Assets		13,282	13,835	15,865	15,784
TOTAL ASSETS		49,341	46,354	46,994	43,563
CURRENT LIABILITIES					
Payables	12	3,701	2,943	6,034	2,729
Provisions	13	2,557	2,699	2,343	2,485
Tax liabilities		1,151	650	271	—
Unearned revenue		2,900	2,191	2,681	2,137
Interest bearing liabilities	14	412	432	412	432
Total Current Liabilities		10,721	8,915	11,741	7,783
NON-CURRENT LIABILITIES					
Provisions	15	346	192	346	192
Interest bearing liabilities	14	542	657	542	657
Deferred tax liabilities		651	778	536	614
Other liabilities	16	125	166	125	166
Total Non-Current Liabilities		1,664	1,793	1,549	1,629
TOTAL LIABILITIES		12,385	10,708	13,290	9,412
NET ASSETS					
EQUITY					
Contributed equity	17	24,645	24,603	24,645	24,603
Reserves	18	4,779	4,477	4,779	4,477
Retained profits		7,532	6,566	4,280	5,071
TOTAL EQUITY		36,956	35,646	33,704	34,151

The accompanying notes form an integral part of this Statement of Financial Position.

Statement of Cash Flows

for the year ended 30 June 2004

	Note	Consolidated		Parent	
		2004 \$000	2003 \$000	2004 \$000	2003 \$000
Cash flows from operating activities					
Receipts from customers		50,896	49,806	46,011	46,040
Payments to suppliers and employees		(36,043)	(36,502)	(31,713)	(32,979)
Interest received		1,036	896	907	831
Income tax paid		(3,475)	(4,574)	(2,905)	(4,454)
Other revenue		72	37	84	36
Interest and other costs of finance paid		(76)	(65)	(76)	(57)
GST paid		(54)	(39)	(51)	(39)
Net operating cash flows	5 (b)	12,356	9,559	12,257	9,378
Cash flows from investing activities					
Payment for purchase of controlled entity	5 (c)	—	(1,206)	—	(1,206)
Payments for plant and equipment		(538)	(273)	(512)	(267)
Payments for intellectual property		—	(115)	—	(115)
Purchase of financial assets – listed securities		(1,000)	(2,900)	(1,000)	(2,900)
Proceeds from sale of financial assets – listed securities		2,914	—	2,914	—
Proceeds from sale of plant and equipment		3	66	3	11
Net investing cash flows		1,379	(4,428)	1,405	(4,477)
Cash flows from financing activities					
Proceeds from conversion of options		42	21	42	21
Payments for share buy-back		—	(4,945)	—	(4,945)
Dividends paid		(8,211)	(6,164)	(8,211)	(6,164)
Net financing cash flows		(8,169)	(11,088)	(8,169)	(11,088)
Net increase/(decrease) in cash held		5,566	(5,957)	5,493	(6,187)
Cash at the beginning of the financial year		17,287	23,244	14,278	20,465
Cash at the end of the financial year	5 (a)	22,853	17,287	19,771	14,278

The accompanying notes form an integral part of this Statement of Cash Flows.

Notes to the Financial Statements

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared as a general purpose financial report which complies with the requirements of the Corporations Act 2001, Australian Accounting Standards, other authoritative pronouncements of the AASB and Urgent Issues Group Consensus Views.

The statements are prepared on an accruals basis from the records of the company. They are based on historic costs and do not take into account changing money values.

Revenue Recognition

Software Licence Fee Revenue

Revenue from licence fees due to software sales is recognised on the passing of control of the licensed software under an agreement between the company and the customer.

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.

Annual Support Fee Revenue for Licensed Software

Annual support revenue for licensed software comprises fees for ongoing upgrades, minor software patches, and helpline support. Annual support revenue is recognised at the commencement of the provision of the service on the basis that the related development costs have been expensed as incurred, and that there are no significant ongoing obligations except for patches and helpline support. Estimated costs for ongoing helpline support and minor software patches are recognised at the commencement of the term of support services.

Unearned Services Revenue

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

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.

Earned and Unbilled Revenue

Amounts recorded as Earned and Unbilled Revenue represent revenues recorded on Software Licence fees and Annual Support 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.

Grant Income

Revenue in the form of grant income is recognised when earned and receivable.

Principles of Consolidation

The consolidated financial statements include the financial statements of the parent entity, Technology One Limited, and its controlled entities, referred to collectively throughout these financial statements as the "Consolidated Entity".

All inter-entity balances and transactions have been eliminated. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Financial statements of foreign controlled entities are prepared in accordance with overseas accounting principles and are, for consolidation purposes, adjusted to comply with group policy and generally accepted accounting principles in Australia.

Research and Development Costs

Research and development costs are fully expensed in the year they are incurred.

Property, Plant and Equipment

Property, plant and equipment are included at cost. Assets are depreciated over their useful economic lives as follows:

	Life	Method
Office furniture and equipment	3-11 years	Straight line
Computer software	3-4 years	Straight line
Motor vehicles	7 years	Diminishing value

Foreign Currency Transactions

Foreign currency items are translated to Australian currency on the following bases:

- transactions are converted at exchange rates approximating those in effect at the date of each transaction;
- amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date;
- exchange differences relating to monetary items are included in the Statement of Financial Performance, as exchange gains or losses, in the period when the exchange rates change; and
- the financial statements of all foreign operations are translated using the temporal method as they are considered to be integrated operations.

Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

Goodwill on Acquisition

On acquisition of a controlled entity, the difference between the purchase consideration plus incidental expenses and the fair value of identifiable net assets acquired is initially brought to account as goodwill or discount on acquisition. Where the purchase consideration is subject to an earnout calculation, an estimate is made of the consideration payable. This estimate is re-evaluated periodically with any required adjustment made to the goodwill or discount on acquisition. Where settlement of all or any part of the cash consideration given in the acquisition of a controlled entity is deferred, the fair value of the purchase consideration is determined by discounting the cash amounts payable in the future at 5.8% to present values.

In establishing the fair value of the identifiable net assets acquired, a liability for restructuring cost is only recognised at the date of acquisition where there is a demonstrable commitment and a detailed plan. The liability is only recognised where there is little or no discretion to avoid payments to other parties in settlement of costs of the restructuring and a reliable estimate of the amount of the liability as at the date of acquisition can be made.

Purchased goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise, up to twenty years. The unamortised balance of goodwill is reviewed at each balance date and charged to profit from ordinary activities to the extent that applicable future benefits are no longer probable. Any re-measurement of goodwill is amortised on a prospective basis over the remaining period during which benefits are expected to arise.

Goodwill relating to the acquisition of Proclaim Software Pty Ltd is amortised over twenty years.

Income Tax

The financial statements apply the principles of tax-effect accounting. The income tax expense in the Statement of Financial Performance represents the tax on the pre-tax accounting profit adjusted for income and expenses never to be assessed or allowed for taxation purposes. The provision for deferred income tax liability and the future income tax benefit include the tax effect of differences between income and expense items recognised in different accounting periods for book and tax purposes, calculated at the tax rates expected to apply when the differences reverse.

Provision for Employee Entitlements

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave and long service leave. No provision is made for non-vesting sick leave.

All on-costs, including payroll tax, workers' compensation premiums and fringe benefits tax are included in the determination of provisions. Annual leave and the current portion of the long service leave provision are measured at their nominal amounts.

The non-current portion of long service leave is measured at the present value of estimated future cash flows, discounted by 5.8% the interest rate applicable to 10 year Commonwealth Government bonds.

Employee superannuation funds exist to provide benefits for the employees and their dependants on retirement, death or disability. The contributions made to these funds by the company are expensed in the year to which they relate.

NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

Recoverable Amounts of Non-Current Assets

All non-current assets are reviewed at least annually to determine whether their carrying amounts require write down to recoverable amount, which is the net amount expected to be recovered through the cash inflows and outflows arising from the continued use and ultimate disposal of these assets. Recoverable amount is determined using discounted net cash flows discounted at 5.8% to present values.

Leased Assets

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating

Operating leases under which the lessor effectively retains substantially all the risks and benefits of ownership of the leased items are classified as operating leases. Operating lease payments are included in the determination of the operating profit in equal instalments over the lease term.

Financing

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are amortised over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

Option Schemes

Certain employees are entitled to participate in option schemes. No remuneration expense is recognised in respect of the option schemes described in Note 17.

Intangible Assets

Purchase cost of the intangible asset known as People One, has been capitalised and is being amortised over a period of 5 years. The unamortised balance is reviewed each balance date and charged to profit and loss to the extent that future benefits are no longer probable.

Purchase cost of the intangible asset known as Retail One has been capitalised and is being amortised over a period of 10 years. The unamortised balance is reviewed each balance date and charged to profit and loss to the extent that future benefits are no longer probable.

Cash Assets

Cash includes cash on hand and in banks and deposits at call within a 24 hour period.

Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Financial Instruments included in Equity

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Financial Instruments included in Liabilities

Interest is recognised as an expense on an effective yield basis.

Financial Instruments included in Assets

Trade debtors are initially recorded at the amount of contracted sales proceeds.

Provision for doubtful debts is recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date.

Bank deposits are carried at cost. Interest revenue is recognised on an effective yield basis.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Share Buy-Back

The price paid for the repurchase of contributed equity is taken as a direct charge to equity. The price paid is measured at the fair value of consideration given. Any costs associated with the buy-back are taken as a direct charge to equity.

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000

NOTE 2. OPERATING PROFIT

Operating profit is after crediting the following revenues:

Sales revenue

Software sales	22,639	20,500	20,725	19,010
Implementation and consulting services	13,438	14,078	11,666	12,727
Annual support	14,388	12,425	13,078	11,420
Total sales revenue	50,465	47,003	45,469	43,157

Other revenue

Interest received – from unrelated parties	1,011	905	909	828
Interest received – from related parties	—	—	—	53
Royalty received – from related parties	—	—	1,415	1,216
Research and development grants	—	354	—	221
Proceeds from sale of fixed assets	3	66	3	11
Other	72	20	85	40
Total other revenue	1,086	1,345	2,412	2,369
Total revenue	51,551	48,348	47,881	45,526

Operating profit is after charging the following expenses:

Depreciation of:

- Office furniture and equipment	306	408	269	357
- Computer software	111	107	109	85
- Motor vehicles	—	12	—	—
	417	527	378	442

Notes to the Financial Statements CONTINUED

NOTE 2. OPERATING PROFIT continued

Amortisation of:

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
- Leased office furniture and equipment	343	229	343	229
- Leased computer software	146	133	146	133
- Intellectual property	71	73	71	73
- Goodwill	596	596	—	—
	<u>1,156</u>	<u>1,031</u>	<u>560</u>	<u>435</u>

Other operating expense items:

Directors' fees	119	110	116	107
Provision for annual leave	(195)	271	(192)	331
Provision for long service leave	204	241	204	260
Provision for doubtful debts	239	24	153	24
Foreign exchange loss	2	210	—	—
Rental expenses on operating leases	1,194	1,259	1,060	1,063
Loss/(gain) on sale of fixed assets	63	(10)	46	(4)
Royalty paid – to related parties	—	—	3,395	4,006
Marketing support fee – to related parties	—	—	190	198

NOTE 3. INCOME TAX

(a) The difference between income tax expense provided in the financial statements and the prima facie income tax expense on operating profit is reconciled as follows:

Profit from ordinary activities	<u>13,110</u>	<u>10,121</u>	<u>10,620</u>	<u>8,285</u>
Prima facie tax thereon at 30% (2003: 30%)	3,933	3,036	3,186	2,486
Tax effect of permanent and other differences:				
Research and development tax concession	(180)	(172)	(165)	(157)
Non-deductible amortisation	179	179	—	—
Other non-deductible expenses	129	153	45	1
Under/(over)provision of tax prior year	(430)	(105)	(168)	(108)
Total income tax attributable to profit from ordinary activities	<u>3,631</u>	<u>3,091</u>	<u>2,898</u>	<u>2,222</u>

NOTE 4. EQUITY

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Total equity at the beginning of the financial year	35,646	36,644	34,151	36,105
Net profit	9,479	7,030	7,722	6,063
Transactions with owners as owners:				
Contributed equity	42	21	42	21
Dividends (a)	(8,211)	(6,164)	(8,211)	(6,164)
Share buy-back	—	(4,945)	—	(4,945)
Adjustment to contributed equity due to changes in contingent purchase price of subsidiary acquired	—	(51)	—	(51)
Adjustments arising from adoption of revised accounting standards:				
AASB 1028 'Employee Benefits'	—	(70)	—	(59)
AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	—	3,181	—	3,181
Aggregate of amounts transferred to reserves	(4,779)	(4,477)	(4,779)	(4,477)
Dividend reserve	4,779	4,477	4,779	4,477
Total equity at the reporting date	36,956	35,646	33,704	34,151

(a) Dividends Paid or Proposed

Interim dividend paid fully franked	3,734	2,983	3,734	2,983
Final fully franked dividend 30 June 2003	4,477	3,181	4,477	3,181
	8,211	6,164	8,211	6,164
Franking account balance	5,124	4,598	3,178	3,114

NOTE 5. CASH ASSETS

(a) Cash is defined to include the following:

Cash at bank	5,669	4,919	3,471	2,648
Money market accounts at call	17,184	12,368	16,300	11,630
	22,853	17,287	19,771	14,278

Notes to the Financial Statements CONTINUED

NOTE 5. CASH ASSETS *continued*

(b) Reconciliation of net operating cash flows to net profit

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Net profit	9,479	7,030	7,722	6,063
Adjustments for non-cash expense items				
Depreciation and amortisation	1,573	1,558	938	877
Profit/(loss) on sale of assets	46	(10)	28	(4)
Transfers to provisions:				
Employee entitlements	11	512	12	586
Doubtful debts	244	24	153	24
Movement in provision for:				
Income tax payable	500	(1,313)	295	(1,881)
Deferred income tax	(126)	92	(78)	(71)
Changes in assets and liabilities				
(Increase)/decrease in assets:				
Trade debtors	(902)	1,538	(679)	1,299
Sundry debtors	(136)	38	(138)	34
Prepayments	(110)	(32)	(111)	(32)
Earned and unbilled revenue	956	(683)	886	(297)
Other	(145)	(166)	(116)	(203)
(Decrease)/increase in liabilities:				
Trade creditors	(19)	(389)	(90)	(386)
Accruals	778	158	695	109
Provisions	—	33	—	35
Other	(502)	(247)	2,196	1,829
Unearned revenue	709	1,416	544	1,396
Net operating cash flows	12,356	9,559	12,257	9,378

(c) Controlled Entities Acquired

There were no controlled entities acquired during the 2004 financial year.

(d) Non-cash financing and investing activities

Finance Lease Transactions

During the financial year the consolidated entity acquired plant and equipment with an aggregate fair value of \$335,661 (2003:\$664,336), by means of finance lease.

NOTE 6. RECEIVABLES

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Trade debtors	9,869	8,967	8,561	7,882
Provision for doubtful debts	(386)	(143)	(296)	(143)
Sundry debtors	213	77	181	42
	<u>9,696</u>	<u>8,901</u>	<u>8,446</u>	<u>7,781</u>

NOTE 7. OTHER ASSETS (CURRENT)

Earned and unbilled revenue	2,110	3,066	1,446	2,332
Prepayments	295	185	295	184
Prepaid income tax	—	—	—	24
Other	105	180	171	280
	<u>2,510</u>	<u>3,431</u>	<u>1,912</u>	<u>2,820</u>

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

Office Furniture and Equipment:

Cost

Opening balance	3,864	3,857	3,585	3,574
Additions	359	90	333	89
Disposals	(902)	(83)	(799)	(78)
Closing balance	<u>3,321</u>	<u>3,864</u>	<u>3,119</u>	<u>3,585</u>

Accumulated depreciation

Opening balance	2,681	2,345	2,519	2,230
Depreciation for the year	306	408	269	357
Disposals	(840)	(72)	(757)	(68)
Closing balance	<u>2,147</u>	<u>2,681</u>	<u>2,031</u>	<u>2,519</u>
Net book value	<u>1,174</u>	<u>1,183</u>	<u>1,088</u>	<u>1,066</u>

Leased Office Furniture and Equipment:

Cost

Opening balance	945	507	945	507
Additions	315	438	315	438
Disposals	(9)	—	(9)	—
Closing balance	<u>1,251</u>	<u>945</u>	<u>1,251</u>	<u>945</u>

Accumulated amortisation

Opening balance	315	86	315	86
Amortisation for the year	343	229	343	229
Disposals	(6)	—	(6)	—
Closing balance	<u>652</u>	<u>315</u>	<u>652</u>	<u>315</u>
Net book value	<u>599</u>	<u>630</u>	<u>599</u>	<u>630</u>

Notes to the Financial Statements CONTINUED

NOTE 8. PROPERTY, PLANT AND EQUIPMENT continued

Computer Software:

Cost

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Opening balance	567	383	474	290
Additions	171	184	171	184
Closing balance	738	567	645	474

Accumulated depreciation

Opening balance	424	317	333	248
Depreciation for the year	111	107	109	85
Closing balance	535	424	442	333
Net book value	203	143	203	141

Leased Computer Software:

Cost

Opening balance	555	332	555	332
Additions	21	223	21	223
Closing balance	576	555	576	555

Accumulated amortisation

Opening balance	198	65	198	65
Amortisation for the year	146	133	146	133
Closing balance	344	198	344	198
Net book value	232	357	232	357

Motor Vehicles:

Cost

Opening balance	—	71	—	—
Disposals	—	(71)	—	—
Closing balance	—	—	—	—

Accumulated depreciation

Opening balance	—	16	—	—
Depreciation for the year	—	12	—	—
Disposals	—	(28)	—	—
Closing balance	—	—	—	—
Net book value	—	—	—	—

Total property, plant & equipment, at cost	5,886	5,931	5,591	5,559
Total property, plant & equipment, net	2,208	2,313	2,122	2,194

NOTE 9. INTANGIBLE ASSETS

Intellectual property:

Cost

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Opening balance	480	480	480	480
Additions	—	—	—	—
Closing balance	480	480	480	480

Accumulated amortisation

Opening balance	164	91	164	91
Amortisation for the year	71	73	71	73
Closing balance	235	164	235	164
Net book value	245	316	245	316

Goodwill:

Cost

Opening balance	11,694	11,766	—	—
Reductions (a)	—	(72)	—	—
Closing balance	11,694	11,694	—	—

Accumulated amortisation

Opening balance	1,634	1,038	—	—
Amortisation for the year	596	596	—	—
Closing balance	2,230	1,634	—	—
Net book value	9,464	10,060	—	—
Total intangible assets, at cost	12,174	12,174	480	480
Total intangible assets, net	9,709	10,376	245	316

(a) Contingent purchase price and fair value adjustment relating to the acquisition of controlled entity.

NOTE 10. OTHER FINANCIAL ASSETS (NON-CURRENT)

Shares not quoted on prescribed stock exchanges:

Shares in controlled entities – at cost	—	—	12,173	12,173
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NOTE 11. DEFERRED TAX ASSETS (NON-CURRENT)

Future income tax benefit attributable to timing differences

1,365	1,146	1,325	1,101
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NOTE 12. PAYABLES

Trade creditors	845	864	695	784
Accruals	1,915	1,398	1,754	1,203
Directors' fees	55	53	55	53
Sundry creditors	886	628	603	461
Amounts owing to controlled entities	—	—	2,927	228
3,701	2,943	6,034	2,729	

Notes to the Financial Statements CONTINUED

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
NOTE 13. PROVISIONS (CURRENT)				
Annual leave	1,899	2,092	1,697	1,890
Long service leave	658	607	646	595
	<u>2,557</u>	<u>2,699</u>	<u>2,343</u>	<u>2,485</u>
NOTE 14. INTEREST BEARING LIABILITIES				
Current				
Lease liability	412	432	412	432
Non-Current				
Lease liability	542	657	542	657
NOTE 15. PROVISIONS (NON-CURRENT)				
Long service leave	346	192	346	192
NOTE 16. OTHER LIABILITIES (NON-CURRENT)				
Lease incentive	125	166	125	166
NOTE 17. CONTRIBUTED EQUITY				
Ordinary shares	24,645	24,603	24,645	24,603

Movements in contributed equity for the year:

	Number of Ordinary Shares			
	Consolidated		Parent	
	2004 '000	2003 '000	2004 '000	2003 '000
Opening number of shares	298,496	318,076	298,496	318,076
Issued during the year	—	318	—	318
Pending issue	—	(324)	—	(324)
Share buy-back	—	(19,679)	—	(19,679)
Options converted to ordinary shares	210	105	210	105
Closing number of shares	<u>298,706</u>	<u>298,496</u>	<u>298,706</u>	<u>298,496</u>

Employee options over ordinary shares in Technology One Limited (a):

2004

Number of options					
Issue date	31-Oct-02	24-Sep-02	12-Sep-02	1-Jul-02	28-Jul-99
On Issue at beginning of the year	375,000	3,250,000	1,155,000	2,800,000	210,000
Issued during the year	—	—	—	—	—
Exercised during the year	—	—	—	—	(210,000)
Cancelled during the year	—	(150,000)	—	(2,400,000)	—
Outstanding at date of Directors' report	375,000	3,100,000	1,155,000	400,000	—
Number of recipients	3	41	4	2	1
Exercise price	\$0.39	\$0.45	\$0.45	\$0.00	\$0.20
Exercise period (commencement)	Oct 2004 to Oct 2007	Jan 2003 to Nov 2006	Apr 2003 to May 2007	Jun 2004 to Jun 2007	Dec 2002 to Dec 2003
Expiration date	Oct 2006 to Oct 2009	Jan 2005 to Nov 2008	Apr 2005 to May 2009	Jun 2006 to Jun 2009	Dec 2003 to Dec 2005
Fair value of option at issue date (d)	\$0.12	\$0.11	\$0.13	\$0.55	\$0.63

2003

Issue date	Number of options							
	31-Oct-02	24-Sep-02 (c)	12-Sep-02 (c)	1-Jul-02 (b)	30-Nov-01 (c)	12-Jun-01 (c)	12-Apr-01 (c)	28-Jul-99
On Issue at beginning of the year	—	—	—	—	75,000	2,975,000	1,830,000	315,000
Issued during the year	375,000	3,250,000	1,155,000	2,800,000	—	—	—	—
Exercised during the year	—	—	—	—	—	—	—	(105,000)
Cancelled during the year	—	—	—	—	(75,000)	(2,975,000)	(1,830,000)	—
Outstanding at date of Directors' report	375,000	3,250,000	1,155,000	2,800,000	—	—	—	210,000
Number of recipients	3	41	4	2	1	41	11	1
Exercise price	\$0.39	\$0.45	\$0.45	\$0.00	\$0.89	\$0.87	\$0.86	\$0.20
Exercise period (commencement)	Oct 2004 to Oct 2007	Jan 2003 to Nov 2006	Apr 2003 to May 2007	Jun 2004 to Jun 2007	Nov 2003 to Nov 2006	June 2003 to Jan 2005	April 2002 to April 2006	Dec 2002 to Dec 2003
Expiration date	Oct 2006 to Oct 2009	Jan 2005 to Nov 2008	Apr 2005 to May 2009	Jun 2006 to Jun 2009	Sept 2002	Sept 2002	Sept 2002	Dec 2003 to Dec 2005
Fair value of option at issue date (d)	\$0.12	\$0.11	\$0.13	\$0.55	\$0.30	\$0.27	\$0.25	\$0.63

(a) Each option entitles the holder to purchase one share.

(b) Performance rights were issued with a grant date 1 July 2002 as approved at the AGM 1 November 2002.

(c) These options were cancelled and reissued with a new exercise price.

(d) Fair values of options granted as part of remuneration are estimates only. The estimates are based on the degree of probability of future performance hurdles being met, combined with the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

Notes to the Financial Statements CONTINUED

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
NOTE 18. RESERVES				
Dividend reserve	4,779	4,477	4,779	4,477
Movement in Reserves				
Opening balance	4,477	—	4,477	—
Transfer from retained earnings due to AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'	—	3,181	—	3,181
Transfer to liability account for payment of dividends	(8,211)	(3,181)	(8,211)	(3,181)
Transfer from retained earnings for interim dividend 31 December 2003	3,734	—	3,734	—
Transfer from retained earnings for final dividend 30 June 2004	4,779	4,477	4,779	4,477
Closing balance	4,779	4,477	4,779	4,477

NOTE 19. LEASING COMMITMENTS

Operating Lease Commitments:

Non cancellable operating leases contracted but not capitalised in the accounts

Not later than one year	1,263	1,096	1,146	1,017
Later than one year and not later than five years	1,042	2,835	1,042	2,835
	2,305	3,931	2,188	3,852

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.

Finance Lease Commitments:

Not later than one year	462	493	462	493
Later than one year and not later than five years	576	697	576	697
Total minimum lease payments	1,038	1,190	1,038	1,190
Future finance charges	(84)	(101)	(84)	(101)
Lease liability	954	1,089	954	1,089
Current liability	412	432	412	432
Non-current liability	542	657	542	657
	954	1,089	954	1,089

The finance lease liabilities above are secured by a Registered Mortgage Debenture given by the company in favour of ANZ Banking Group Limited. The Registered Mortgage Debenture is given over all the assets and undertakings of the company.

NOTE 20. REMUNERATION OF AUDITOR

Amounts received, or due and receivable, for the audit and review of the financial reports of the parent entity and any other entity in the consolidated group by:

	Consolidated		Parent	
	2004 \$	2003 \$	2004 \$	2003 \$
Ernst & Young	139,000	127,000	125,000	115,000

Amounts received, or due and receivable for other services in relation to all entities in the consolidated group:

Ernst & Young	72,063	72,292	40,062	34,122
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Other services provided by Ernst & Young in the current and prior financial year included taxation and statutory compliance assistance in Australia, New Zealand and Malaysia.

NOTE 21. EARNINGS PER SHARE

Earnings used for calculating basic and diluted earnings per share (\$000)

	Consolidated	
	2004	2003
Earnings used for calculating basic and diluted earnings per share (\$000)	9,479	7,030
Basic earnings per share (cents per share)	3.17	2.30
Diluted earnings per share (cents per share)	3.16	2.28

Weighted average number of ordinary shares used in the calculation of basic earnings per share

298,600,402	306,114,509
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Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share

299,950,045	309,010,996
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NOTE 22. SEGMENT REPORTING

Primary Segments – Business Units

	Service Delivery	Software Engineering	Unallocated	Consolidated
30 June 2004 \$000				
Segment Revenue				
External sales	35,341	14,026	1,098	50,465
Other revenue	52	11	1,037	1,100
Total Consolidated Revenue	35,393	14,037	2,135	51,565
Segment Result (before tax & R&D)	21,583	6,893	(5,819)	22,657
Research and Development	—	(9,547)	—	(9,547)
Segment Result (before tax)	21,583	(2,654)	(5,819)	13,110
Income Tax Expense				(3,631)
Net Profit				9,479
Total Segment Assets	20,966	2,830	25,574	49,341
Total Segment Liabilities	4,935	3,656	3,794	12,385
Capital Expenditure	290	399	160	849
Depreciation and Amortisation	270	392	911	1,573
Total Non-Cash Expenses	81	(42)	212	251

Notes to the Financial Statements CONTINUED

NOTE 22. SEGMENT REPORTING continued

Primary Segments – Business Units

	Service Delivery	Software Engineering	Unallocated	Consolidated
30 June 2003 \$'000				
Segment Revenue				
External sales	29,888	15,751	1,364	47,003
Other revenue	53	316	976	1,345
Total Consolidated Revenue	29,941	16,067	2340	48,348
Segment Result (before tax and R&D)	16,123	8,239	(4,935)	19,427
Research and Development	—	(9,306)	—	(9,306)
Segment Result (before tax)	16,123	(1,067)	(4,935)	10,121
Income Tax Expense				(3,091)
Net Profit				7,030
Total Segment Assets	20,862	3,940	21,552	46,354
Total Segment Liabilities	3,872	3,706	3,130	10,708
Capital Expenditure	328	437	170	935
Depreciation and Amortisation	270	446	842	1,558
Total Non-Cash Expenses	86	360	352	798

Segments are comprised of:

Service Delivery: The marketing, sale and implementation of core software products; and

Software Engineering: The development of purpose built software to meet the needs of specific customers, plus the continuing research and development and support of core products.

Unallocated items mainly comprise other revenue and corporate expenses.

There were no inter-segment transactions during the current or prior year. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Secondary Segments – Geographical

	Australia \$'000	International \$'000	Total \$'000
2004			
Total Consolidated Revenue	46,787	4,779	51,566
Total Segment Assets	46,867	2,475	49,341
2003			
Total Consolidated Revenue	44,599	3,749	48,348
Total Segment Assets	43,862	2,492	46,354

NOTE 23. DIRECTORS AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

The following persons held the position of specified director or specified executive of Technology One Limited during all of the past financial year, unless otherwise stated:

(i) Specified directors

A Di Marco	<i>Executive Chairman</i>
R McLean	<i>Director and Chief Executive Officer of Operations – Non-executive Director from 15 July 2004</i>
J Mactaggart	<i>Director (non-executive)</i>
S Larwill	<i>Director (non-executive)</i>
K Blinco	<i>Director (non-executive) – appointed 1 April 2004</i>

(ii) Specified executives

D Orchard	<i>Chief Financial Officer and Company Secretary</i>
M Clahsen	<i>Operating Officer – resigned 22 August 2003</i>

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

Remuneration of directors and senior executives of the company is established by the Executive Remuneration Committee. Remuneration is determined as part of an annual performance review, having regard to market factors, a performance evaluation process and independent remuneration advice. For executive directors and officers, remuneration packages generally comprise salary, a performance based bonus and superannuation. Executives are also provided with longer-term incentives through the employee share ownership and option schemes, which act to align the executives' actions with the interests of the shareholders.

(ii) Remuneration of Specified Directors and Specified Executives

Details of remuneration provided to directors and the two most highly remunerated officers are as follows:

	Base Salary \$	Directors' Fee \$	Bonus \$	Superannuation \$	Retirement benefits \$	Long Term Emoluments Options Granted* \$	Total \$
Specified Directors							
<i>A Di Marco (Executive)</i>							
2004	328,655	27,124	229,473	44,244	—	—	629,496
2003	313,076	26,322	181,634	24,428	—	—	545,460
<i>R McLean (Executive until 15 July 2004)</i>							
2004	311,077	27,124	219,912	45,642	245,694**	124,667***	974,116
2003	254,306	26,322	174,066	22,885	—	95,333	572,912
<i>J Mactaggart (Non-executive)</i>							
2004	—	27,124	—	—	—	—	27,124
2003	—	26,322	—	—	—	—	26,322
<i>S Larwill (Non-executive)</i>							
2004	—	27,124	—	—	—	—	27,124
2003	—	26,322	—	—	—	—	26,322
<i>K Blinco (Non-executive)</i>							
2004	—	6,862	—	—	—	—	6,862
2003	—	—	—	—	—	—	—
Total Remuneration: Specified Directors							
2004	639,732	115,358	449,385	89,886	245,694	124,667	1,664,722
2003	567,382	105,288	355,700	47,313	—	95,333	1,171,016

Notes to the Financial Statements CONTINUED

NOTE 23. DIRECTORS AND EXECUTIVE DISCLOSURES continued

	Base Salary \$	Directors' Fee \$	Bonus \$	Superannuation \$	Retirement benefits \$	Long Term Emoluments Options Granted * \$	Total \$
Specified Executives							
M Clahsen							
2004	44,651	—	16,520	7,572	—	****	68,743
2003	246,648	—	114,601	8,497	—	****	369,746
D Orchard							
2004	94,845	—	—	8,536	—	—	103,381
2003	88,572	—	—	7,971	—	—	96,543
Total Remuneration: Specified Executives							
2004	139,496	—	16,520	16,108	—	—	172,124
2003	335,220	—	114,601	16,468	—	—	466,289

*Options granted as part of remuneration are estimates only. The estimates are based on the degree of probability of future performance hurdles being met, combined with the use of the Black Scholes option pricing model. This model takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

**This amount was paid in R McLean's capacity as an executive of the company, and not due to his capacity as a director.

***This amount is subject to shareholder approval at the AGM on 5 November 2004.

**** M Clahsen's Long Term Emoluments Options Granted have been valued at nil due to his resignation.

(c) Remuneration options: Granted and vested during the year

No options were issued during the year.

(d) Option holdings of specified directors and specified executives

	Balance at beginning of year 1 July 2003	Granted as Remuneration	Options Exercised	Net Change Other	Balance at end of year 30 June 2004	Vested at 30 June 2004		
						Total	Not Exercisable	Exercisable
Specified Directors								
R McLean	1,600,000	—	—	(1,200,000)	400,000	400,000	400,000	—
Specified Executives								
M Clahsen	1,200,000	—	—	(1,200,000)	—	—	—	—
Total	2,800,000	—	—	(2,400,000)	400,000	400,000	400,000	—

(e) Shareholdings of Specified Directors and Specified Executives

	Balance 1 July 2003	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2004
Specified Directors					
A Di Marco	78,357,500	—	—	15,000	78,372,500
R McLean	1,400,000	—	—	(1,400,000)	—
J Mactaggart	83,887,500	—	—	15,000	83,902,500
S Larwill	200,000	—	—	—	200,000
K Blinco	—	—	—	220,000	220,000
Specified Executives					
D Orchard	224,351	—	—	—	224,351
M Clahsen*	2,400,000	—	—	(2,400,000)	—
Total	166,469,351	—	—	(3,550,000)	162,919,351

* As M Clahsen resigned on 22 August 2003 Technology One are no longer aware of his shareholdings.

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

(f) Other transactions and balances with specified directors and specified executives

During the year, Crown Formwork Pty Ltd purchased a software licence and implementation services of \$70,000 (2003: nil) from Technology One Limited. John Mactaggart is a director of Crown Formwork Pty Ltd. The sale was on normal business terms and conditions.

NOTE 24. RELATED PARTY DISCLOSURES

(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 in the Wholly-Owned Group

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;

Royalties were received and paid from several wholly-owned controlled entities;

Marketing support fees were charged to a wholly-owned controlled entity; and

Interest was charged on certain intercompany accounts.

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 28.

Notes to the Financial Statements CONTINUED

	Consolidated		Parent	
	2004	2003	2004	2003
NOTE 25. EMPLOYEE ENTITLEMENTS				
The average number of full-time equivalents for the year	280	270	260	250

(a) Employee Entitlements Recognised

	Consolidated		Parent	
	2004 \$000	2003 \$000	2004 \$000	2003 \$000
Aggregate employee entitlement liability (Refer to Notes 13 & 15)	2,903	2,891	2,689	2,677

(b) Employee Option Ownership Schemes

Details of the employee option ownership schemes for the company are as follows:

2004

No options were issued during the year.

2003

During the year, 7,580,000 options were issued to 50 employees. The options in Technology One Limited are not listed. One option entitles the employee to 1 ordinary share in Technology One Limited.

The details of options issued during the year are:

Issue Date	Exercise Price	Number of Options	Fair Value at Issue Date
1 July 2002	\$0.00	2,800,000	\$0.55
12 September 2002	\$0.45	1,155,000	\$0.13
24 September 2002	\$0.45	3,250,000	\$0.11
31 October 2002	\$0.39	375,000	\$0.12

Options have been valued using the Black Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Further details of options issued are contained in Note 17.

	Consolidated	
	2004 \$'000	2003 \$'000

NOTE 26. FOREIGN CURRENCY EXPOSURE

Current assets

Australian dollar equivalent of amounts receivable in foreign currency which are not effectively hedged:

Malaysian	201	223
New Zealand	1,106	862

Current liabilities

Australian dollar equivalent of amounts payable in foreign currency which are not effectively hedged:

Malaysian	25	30
New Zealand	115	37

NOTE 27. FINANCIAL INSTRUMENTS

The consolidated entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk, together with effective interest rates as at balance date.

2004	Floating interest rate (a) \$000	Fixed interest rate maturing in			Non-interest bearing \$000	Total \$000	Average interest rate	
		1 year or less \$000	Over 1 to 5 years \$000	More than 5 years \$000			Floating	Fixed
Financial assets								
Cash	5,669	17,184	—	—	—	22,853	5.25%	5.36%
Listed securities	—	1,000	—	—	—	1,000	5.85%	to 6.52%
Trade debtors	—	—	—	—	9,869	9,869		
Non-trade debtors & loans	—	—	—	—	213	213		
	5,669	18,184	—	—	10,082	33,935		
Financial liabilities								
Trade creditors	—	—	—	—	845	845		
Lease liability	—	412	542	—	—	954		7.87%
	—	412	542	—	845	1,799		

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

(b) The carrying amount of trade debtors, non-trade debtors and loans, and trade creditors approximate their fair value. The fair value of the listed securities at 30 June 2004 was \$1,016,000. The fair value does not consider any capital gains tax which may arise on the sale of these listed securities.

(c) There is a fixed and floating charge over the company's assets. At 30 June 2004, the company has no debt other than finance lease liabilities as disclosed in Note 19.

2003	Floating interest rate (a) \$000	Fixed interest rate maturing in			Non-interest bearing \$000	Total \$000	Average interest rate	
		1 year or less \$000	Over 1 to 5 years \$000	More than 5 years \$000			Floating	Fixed
Financial assets								
Cash	4,919	12,368	—	—	—	17,287	4.25%	4.62%
Listed securities	—	2,900	—	—	—	2,900	6.50%	to 7.00%
Trade debtors	—	—	—	—	8,967	8,967		
Non-trade debtors & loans	—	—	—	—	77	77		
	4,919	15,268	—	—	9,044	29,231		
Financial liabilities								
Trade creditors	—	—	—	—	864	864		
Lease liability	—	432	657	—	—	1,089		6.68%
	—	432	657	—	864	1,953		

NOTE 28. CONTROLLED ENTITIES

The consolidated financial statements at 30 June 2004 include the following controlled entities. The financial years of all controlled entities are the same as that for the parent entity.

Name of controlled entity	Notes	Place of incorporation	% of shares held 2004	% of shares held 2003
Technology One Limited	(a)	Australia	—	—
Technology One Corporation SDN BHD		Malaysia	100	100
Technology One New Zealand Ltd		New Zealand	100	100
Proclaim Software Pty Ltd		Australia	100	100

(a) Technology One Limited, a public company, is domiciled in Brisbane, Australia.

The Registered office is located at:

Ground Floor
67 High Street
Toowong QLD 4066

NOTE 29. CONTINGENT LIABILITIES

Guarantees

At year end the consolidated entity had \$1,024,412 (2003: \$1,006,612) in outstanding performance guarantees. Included in the amounts disclosed above are amounts of \$142,341 (2003: \$162,039) held in a restricted bank account relating to rental guarantees.

NOTE 30. SUBSEQUENT EVENTS

The company will pay a fully franked final dividend on 24 September 2004 of \$4,779,296.

NOTE 31. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Technology One Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The company has allocated internal resources and worked with its auditor to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, Technology One Limited has identified areas of expected impact and has established a dedicated project team to address each of the areas.

As Technology One Limited has a 30 June year-end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when Technology One Limited prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies may change and may have an impact on the financial report of Technology One Limited and its controlled entities. At this stage Technology One Limited has not been able to reliably quantify the impacts on the financial report of the transition to IFRS.

Goodwill

Under the Australian equivalent to IFRS 3 Business Combinations, goodwill will no longer be required to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy that amortises goodwill over its useful life (but not exceeding 20 years). Under the new policy, amortisation expense will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known. Goodwill may also be impacted by certain future decisions in relation to business combinations as discussed below.

Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy that determines the recoverable amount of an asset on the basis of discounted future cash flows. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Research and Development

Under the Australian equivalent to IAS 38 Intangible Assets, development costs are required to be capitalised and amortised over their useful lives where strict criteria are met. The group is currently determining criteria for assessing items of expenditure that may qualify for capitalisation, and assessing whether this would impact the recognition of annual support revenue.

Business Combinations

The group is considering the retrospective exemptions contained within AASB 1, to past business combinations. As a result, the group may determine that there will be no adjustments to past business combinations.

Alternatively, if the group does decide not to adopt the exemptions contained in AASB 1, intangible assets may be identified from previous acquisitions that may have a value attributed which would be drawn from the carrying value of goodwill currently recorded. Should this be determined to be the case, amortisation in a future period may increase as these intangible assets are amortised if they are determined to have a limited life.

The impact of IFRS on the accounting treatment of future acquisitions, if any, cannot be determined at this time.

Translation of Foreign Controlled Entities

AASB 121 requires all foreign subsidiaries to be treated as self-sustaining and translated using the current rate method where their functional currency is not that of the parent entity (ie Australian dollars). This is different to the group's current treatment of foreign subsidiaries which are translated using the temporal method. As a result of the adoption of IFRS, exchange differences on translation will no longer be taken to the profit and loss account. These differences will be deferred to the Statement of Financial Position as equity. The group will adopt exemptions provided by AASB 1 and not re-construct the foreign currency translation reserve.

Share Based Payments

Under AASB 2 Share Based Payments, the group will be required to determine the fair value of options (and other equity-based incentives) issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This applies to all share-based payments issued after 7 November 2002 that have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details and probabilities of vesting of future equity based remuneration plans are unknown.

Income taxes

Under the Australian equivalent to IAS 12 Income Taxes, the group will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The impacts of this approach are currently being determined.

Directors' Declaration

In the opinion of the Directors:

- (a) the financial statements and associated notes comply with the accounting standards and Urgent Issues Group Consensus Views;
- (b) the financial statements and notes give a true and fair view of the financial position as at 30 June 2004 and performance of the company for the year then ended;
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (d) the financial statements and notes are in accordance with the Corporations Act 2001, including Sections 296 and 297.

Made in accordance with a resolution of the directors.

A handwritten signature in blue ink, appearing to read 'Adrian Di Marco', with a stylized flourish at the end.

Adrian Di Marco
Executive Chairman

Brisbane
27 August 2004

Independent Audit Report



1 Eagle Street
Brisbane QLD 4000
PO Box 7878
Waterfront Place
Brisbane QLD 4001

Tel 61 7 3011 3333
Fax 61 7 3011 3100
DX 165 Brisbane

INDEPENDENT AUDIT REPORT TO MEMBERS OF TECHNOLOGY ONE LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Technology One Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Technology One Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Technology One Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Russell Banham

Partner

Brisbane 27 August 2004

Liability limited by the Accountant scheme, approved under the Professional Standards Act 1994 (NSW).

Shareholder Information

SUBSTANTIAL SHAREHOLDERS AS AT 30 AUGUST 2004

Name	Number of Ordinary Shares
JL Mactaggart Holdings Pty Ltd	83,872,500
Masterbah Pty Ltd	78,372,500

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 AUGUST 2004

Size of Holding	Ordinary Shareholders
1 to 1,000	292
1,001 to 5,000	1,763
5,001 to 10,000	1,499
10,001 to 100,000	1,859
100,001 and over	120
Total shareholders	5,533

Number of ordinary Shareholders with a less than marketable parcel 145

VOTING RIGHTS

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

TWENTY LARGEST SHAREHOLDERS AS AT 30 AUGUST 2004

Shareholder Name	Ordinary Shares Number	%
1 JL Mactaggart Holdings Pty Ltd	83,872,500	28.08
2 Masterbah Pty Ltd	78,372,500	26.24
3 Citicorp Nominees Pty Ltd (CFS WSLE Imputation Fund A/C)	9,210,189	3.08
4 Citicorp Nominees Pty Ltd (CFS Imputation Fund A/C)	5,738,743	1.92
5 Citicorp Nominees Pty Ltd (CFS Developing Companies A/C)	5,630,017	1.88
6 JP Morgan Nominees Australia Limited	3,293,641	1.10
7 Sandhurst Trustees Ltd (Aust Ethical Equities A/C)	3,040,361	1.02
8 Queensland Investment Corporation	2,932,834	0.98
9 Citicorp Nominees Pty Ltd	2,071,800	0.69
10 Clahsen Enterprises Pty Ltd	2,000,000	0.67
11 ANZ Nominees Ltd	1,634,488	0.55
12 Sandhurst Trustees Ltd (Aust Ethical Large Co A/C)	1,499,266	0.50
13 Argo Investments Limited	1,350,000	0.45
14 Sandhurst Trustees Ltd (Aust Ethical Balanced A/C)	1,176,720	0.39
15 Lippo Securities Nominees (BVI) Ltd	1,093,940	0.37
16 National Nominees Ltd	929,358	0.31
17 Charles Douglas Sheardown	900,000	0.30
17 Lee Phillip Grice	900,000	0.30
19 Dintan Pty Ltd	859,279	0.29
20 Jon Riethmuller	750,000	0.25

CORPORATE DIRECTORY

Board of Directors

Adrian Di Marco
Ron McLean
John Mactaggart
Syd Larwill
Kevin Blinco

Company Secretary

David Orchard

Australian Business Number

84 010 487 180

Registered Office

Technology One
Technology One R&D Centre
67 High Street
Toowong Queensland 4066 Australia
www.TechnologyOneCorp.com

Branch Offices

Brisbane
Sydney
Melbourne
Canberra
Hobart
Adelaide
Perth
Kuala Lumpur
Auckland
Wellington

Auditor

Ernst & Young
Waterfront Place
1 Eagle Street
Brisbane Queensland 4000
www.ey.com.au

Share Registry

ASX Perpetual
Level 8, 580 George Street
Sydney New South Wales 2000
www.perpetual.com.au

Stock Exchange Listing

Australian Stock Exchange

Lawyer

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

FINANCIAL CALENDAR

Distribute 2004 Annual Report

17 September 2004

Payment Date for 2004 Final Dividend

24 September 2004

Annual General Meeting

5 November 2004

Announcement of Half Year Results for 2005

25 February 2005

Shares Quoted ex-Dividend for 2005 Interim Dividend

7 March 2005

Record Date for 2005 Interim Dividend

11 March 2005

Distribute 2005 Half Year Results Report

24 March 2005

Payment Date for 2005 Interim Dividend

24 March 2005

Announcement of Full Year Results for 2005

26 August 2005

GLOSSARY OF TERMS

\$

Australian dollars

ADF

Application Development Framework

ASX

Australian Stock Exchange

Best of Breed

Application software with specialist core functionality in one area

Board

The Board of Directors of Technology One Limited

Company

Technology One Limited

CI

Connected Intelligence

Corporations Law

Corporations Law of Australia

Directors

Directors of Technology One Limited

ERP

Enterprise Resource Planning

GST

Goods and Services Tax

IT

Information Technology

IT&T

Information Technology and Telecommunications

Options

The option to purchase shares at a future date

Organic growth

Growth initiated through existing resources (not acquisitions)

Methodologies

Technology One's standards, procedures and business systems

POS

Point of Sale

R&D

Research and Development

Release

A particular version of application software

P/E

Price Earnings Ratio

Product Developer

Company that develops application software

Service Provider

Company that provides services associated with application software



TECHNOLOGY ONE

BUSINESS SOFTWARE SOLUTIONS

The Power Of One

www.TechnologyOneCorp.com