TECHNOLOGY ONE UK LIMITED

COMPANY NUMBER 05234413

technologyone

Transforming business, making life simple

Financial Statements as at 30 September 2020
Together with the Strategic Report, the Directors' Report
and the Auditors' Report

TECHNOLOGY ONE UK LIMITED
30 SEPTEMBER 2020

Directors
Mr Edward Chung
Mr Gareth Barlow Pye (resigned 1 October 2019)
Mr Paul Jobbins (appointed 1 October 2019)

Registered Office
Fourth Floor
Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

Bankers
HSBC
Thames Valley Corporate Banking Centre
Apex Plaza
Reading
RG1 1AX

Solicitors
Boyes Turner
Fourth Floor
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Berkshire
SL6 1LY

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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 September 2020.

Business review

The profit before tax for the year amounted to £3,012,000 (2019: £80,000). The directors do not recommend the payment of any dividends (2019: Nil).

At 30 September 2020 the Company had net assets of £513,000 (2019: net liabilities £2,344,000) and had net current liabilities of £130,000 (2019: £2,888,000).

Key performance indicators

The Company's management consider the key performance indicator for the Company to be growth of SaaS revenue. This is monitored on a regular basis, with the Company achieving a 18% increase in the current year. The Directors regard SaaS revenue as a superior revenue stream as it is recurring, contracted and predictable.

Another key non-financial performance indicator for the Company is customer retention. The Directors recognise that customer retention is essential as a SaaS company in order to maintain a strong revenue and cash pipeline over the medium to long term.

Principle risks and uncertainties

COVID-19
Having considered the possible impact of the COVID-19 pandemic, the Board has taken into account the nature of the Company's activities which consist of marketing, sales, implementation and support of fully integrated enterprise business software solutions. The Directors have determined that based on recent trading the pandemic is not expected to have a significant impact on the Company's business.

The Directors will continue to monitor the situation constantly and take any necessary actions to minimise any possible impacts of COVID-19. The Technology One Group is in a strong financial position to navigate the economic impact of the current situation and will continue to provide financial support over the liabilities of the Company. As a consequence, the Company does not envisage a material change in its ability to operate as a going concern within at least 12 months from the date of approval of the financial statements.

Brexit
The potential impacts of Brexit have been considered by Technology One UK Limited. It is noted that Technology One UK does not trade with the EU and is therefore minimally impacted by the changes implemented post-Brexit in relation to supply chains and the flow of goods and services. A right-to-work assessment has also been performed on the UK workforce and no material impacts have been noted.

Credit and cash flow risks
The Company's policies are aimed at minimising credit risk. The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

The financial statements were approved by the Board of Directors on 25 June 2021 and were signed on its behalf by:

Edward Chung (Jun 25, 2021 14:15 GMT+10)

Edward Chung

Paul Jobbins (Jun 25, 2021 12:55 GMT+10)

Paul Jobbins

Brisbane, Australia
Dated: 25 June 2021

DIRECTORS' REPORT

The board of directors of Technology One UK Limited has pleasure in submitting their report and audited financial statements in respect of the twelve-month period ended 30 September 2020.

Results and dividends

Refer to the Business review in the Strategic Report for review on results and dividends.

Principal activity

The principal activity of Technology One UK Limited is the marketing, sales, implementation and support of fully integrated enterprise business software solutions.

Dividends

The directors have not declared any dividends during the year ended 30 September 2020 (2019: nil).
The directors do not recommend a final dividend (2019: nil).

Directors

Gareth Pye resigned as director of the company on 1 October 2019. The directors who served the Company during the year, and up to the date of this report, were Mr Edward Chung and Mr Paul Jobbins (appointed 1 October 2019).

The directors who were members of the board at the time of approving the director's report are listed above. The directors confirm that:

- to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Events after the reporting date

Subsequent to year end, there was a settlement of a debtor which had been provided for as a provision for credit loss. Therefore, there is a positive adjustment to revenue in the FY21 year of £669,000.

Corporate governance

The Company benefits from the corporate governance arrangements established by its parent company Technology One Limited, an entity listed on the Australian Securities Exchange (ASX), full details of which can be found in Technology One Limited's own Annual Report, together with more detailed corporate governance disclosures.

The board has overall responsibility for the Company's system of internal control and for reviewing the effectiveness of these systems. It is responsible for ensuring the Company meets its obligations to its shareholders and meets from time to time to facilitate this.

Future developments

The directors intend to continue to grow the business of the Company in line with Technology One Limited's stated ambition for the UK business.

Going concern

The directors have prepared the financial statements on the going concern basis as they believe that the Company can continue to meet its liabilities as and when they fall due. The company has the continuing financial support of its parent company, Technology One Limited until at least September 2022.

DIRECTORS' REPORT (CONTINUED)

Going concern (continued)

The directors have made detailed enquiries, including confirmation of the strong liquidity position announced by Technology One Limited and review of the latest financial results released on 25th of May 2021. After making these detailed enquiries, the directors are confident that Technology One Limited has sufficient resources to enable it to provide financial support.

The rapidly evolving situation regarding the coronavirus pandemic has created uncertainty. In particular, the uncertainty regarding the continued adverse effect on economic and market conditions indicates that uncertainty exists, however the management do not believe there to be a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

The company operates within the software service industry as part of the Technology One group. The directors believe support will continue to be forthcoming from the parent company until at least September 2022, confirmed by a parent support letter, and so the financial statements have been prepared on a going concern basis.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors was approved by the members at the Annual General Meeting.

The financial statements were approved by the Board of Directors on 25 June 2021 and were signed on its behalf by:

Edward Chung (Jun 2[illegible], 2021 14:19 GMT+10)

Edward Chung

Paul Jobbins (Jun 25, 2021 [illegible] GMT+10)

Paul Jobbins

Brisbane, Australia
Dated: 25 June 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report, and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice; 'UK GAAP'), including Financial Reporting Standard 101: 'Reduced Disclosure Framework' ("FRS 101").

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF TECHNOLOGY ONE UK LIMITED

Opinion

We have audited the financial statements of Technology One UK Limited for the year ended 30 September 2020 which comprise of the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Change in Equity and related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF TECHNOLOGY ONE UK LIMITED (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst + Young LLP

Neil Warnock (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date: 25 June 2021

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Notes	2020	2019
		£'000	£'000
Revenue from contracts with customers	3	**10,344**	9,480
Cost of sales		**(579)**	(628)
Gross Profit		**9,765**	8,852
Administration expense		**(6,529)**	(8,499)
Other expenses		**(224)**	(273)
Profit before income tax	4	**3,012**	80
Income tax expense	6	**(150)**	-
Profit for the year	**16**	**2,862**	80

All amounts relate to continuing operations.

The accompanying notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

There is no other comprehensive income or expense during the year ended 30 September 2020 and 30 September 2019 other than the profit attributable to the members of the company of £2,862,000 (2019: £80,000).

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

	Notes	2020	2019
ASSETS		**£'000**	**£'000**
Non-current assets			
Property, plant and equipment	9	**143**	235
Right-of-use assets	14	**165**	-
Trade and other receivables	7	**63**	78
Contract acquisition costs	10	**303**	231
Total non-current assets		**674**	**544**
Current assets			
Cash and cash equivalents		**1,578**	2,529
Trade and other receivables	7	**1,844**	2,109
Contract assets	8	**223**	163
Contract acquisition costs	10	**140**	98
Total current assets		**3,785**	**4,899**
LIABILITIES			
Current liabilities			
Trade and other payables	11	**1,035**	1,435
Prepaid subscription revenue	12	**2,610**	3,382
Lease liability	14	**120**	-
Current tax liabilities	6	**122**	-
Deferred tax liability	6	**28**	-
Due to holding company	13	**-**	2,970
Total current liabilities		**3,915**	**7,787**
Net current liabilities		**130**	**2,888**
Total assets less current liabilities		**544**	**(2,344)**
Non-current liabilities			
Lease liability	14	**31**	-
Total non-current liabilities		**31**	**-**
Net assets (liabilities)		**513**	**(2,344)**
EQUITY (DEFICIT)			
Contributed equity		**-**	**-**
Retained earnings (Accumulated losses)	16	**513**	(2,344)
Total equity (deficit)		**513**	**(2,344)**

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 June 2021 by;

Edward Chung (Jun 2[illegible] 2021 14:19 GMT+10)

Edward Chung

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Contributed equity	Retained earnings (Accumulated losses)	Total equity (deficit)
	£'000	£'000	£'000
At 1 October 2018	-	(2,424)	(2,424)
Profit for the period	-	80	80
Other comprehensive income	-	-	-
Total comprehensive profit for the year	-	80	80
At 30 September 2019	-	(2,344)	(2,344)
At 1 October 2019 as previously reported	-	(2,344)	(2,344)
Effect of adoption new accounting standard (Note 1)	-	(5)	(5)
At 1 October 2019 (adjusted)	-	(2,349)	(2,349)
Profit for the period	-	2,862	2,862
Other comprehensive income	-	-	-
Total comprehensive profit for the year	-	2,862	2,862
At 30 September 2020	-	513	513

Contributed equity

Contributed equity is the total par value of called up and fully paid shares.

Retained earnings (Accumulated losses)

Includes all current period profits and losses.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. New and amended standards

(a) Issued and effective

IFRS 16 Leases – Impact of adoption

IFRS 16 Leases replaces IAS 17 Leases and is effective for the Company for the current financial year beginning 1 October 2019. The Company has adopted IFRS 16 under the modified retrospective approach and therefore comparatives of the 2020 reporting period have not been restated. Accordingly, there is an adjustment to opening retained earnings at 1 October 2019.

The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The standard removes the classification of leases as either operating or finance leases for the lessee and effectively treats all leases as finance leases.

Under the new standard a lease liability has been recognised, representing the Company's obligation to make lease payments and a corresponding right of use asset has been recognised, representing the lessee's right to use the underlying leased asset.

The lease liability has been measured as the present value of future lease payments discounted at the lessees incremental borrowing rate as at 1 October 2019. The weighted average incremental borrowing rate applied was 2.5%. The right of use asset has been measured at an amount equal to the lease liability on transition, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

The profile of the lease related expense has changed from being a rent expense to being made up of a depreciation expense on the right-of-use asset and an interest expense on the lease liability.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous applying IAS 37 as an alternative to performing an impairment review – there were no onerous contracts as at 1 October 2019
- accounting for leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases
- making use of the recognition exemption for leases for which the underlying asset is of low value
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- the Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease. The types of leases relevant to the Company are property leases.

1. New and amended standards (continued)

(a) Issued and effective (continued)

(ii) Measurement of lease liabilities

The below is a reconciliation between the operating lease commitment disclosed in the Company financial statements for the year ended 30 September 2019 to the opening lease liability balance recognised at 1 October 2019.

	1 October 2019
	£'000
Operating lease commitment at 30 September 2019 as disclosed in the Company's financial statements	**285**
Discounted using the weighted average incremental borrowing rate at 1 October 2019	268
Lease Liabilities recognised as at 1 October 2019	**268**
Of which are:	
Current lease liabilities	117
Non-current lease liabilities	151
	268

(iii) Measurement of right-of-use assets

On transition the associated right-of-use assets were measured at an amount equal to the lease liability on transition, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

(iv) Adjustments recognised in the statement of financial position at 1 October 2019

The change in accounting policy affected the following balance sheet items as at 1 October 2019:

Statement of financial position increase/(decrease)	30 September 2019 IAS 17 reported (£'000s)	Opening balance adjustment (£'000s)	1 October 2019 IFRS 16 restated (£'000s)
Assets			
Right-of-use asset	-	285	285
Prepayments	-	(32)	(32)
Deferred tax (net)	-	(5)	(5)
Liabilities			
Lease liability- current	-	117	117
Lease liability- non current	-	151	151
Trade and other payables	1,435	(15)	1,420
Equity			
Equity	(2,344)	(5)	(2,349)

1. New and amended standards (continued)

(a) Issued and effective (continued)

(v) New Company accounting policy - IFRS 16 Leases

The accounting policy for leases has been set out below in section (g).

Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments also became effective for the Company from 1 October 2019. The interpretation clarifies how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. This has not had a material impact on the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies

a) Basis of preparation
The financial statements of Technology One UK Limited ("the Company") were authorised for issue in accordance with a resolution of the Directors' on 25 June 2021. The Statement of Financial Position was signed on the board's behalf by Mr Edward Chung. The Company is a private company, limited by shares -incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the historical cost convention and applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated. The principal accounting policies adopted by the Company are set out further in this note.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share based Payment*, because the share based payment arrangement concerns the instruments of another group entity;
b) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
c) the requirements of paragraphs 91 to 99 of IFRS 13 Fair *Value Measurement*;
d) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
   i. paragraph 79(a)(iv) of IAS 1;
   ii. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
   iii. paragraph 118(e) of IAS 38 *Intangible Assets*;
e) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;
f) the requirements of IAS 7 *Statement of Cash Flows*;
g) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
h) the requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures*;
i) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*.

The directors have prepared the financial statements on a going concern basis. At 30 September 2020, the Company had net assets of £513,000 (2019: net liabilities of £2,344,000) and a net current liability position of £130,000 (2019: £2,888,000). The ultimate parent company has issued a letter of support to the Company stating that it will continue to provide funding, as necessary and at least until September 2022, in order for the Company to meet all of its operational and capital requirements as they fall due. Please see further details in Note 17. The directors therefore consider that the going concern basis of accounting remains appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Revenue recognition

The Company has the following key revenue categories:

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

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

Revenue categories

1. SaaS Fees

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

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

Unsatisfied performance obligations in respect of SaaS Fees received or receivable are recognised as prepaid subscription revenue in the statement of financial position. Refer to note 12 for details of prepaid subscription revenue.

Costs incurred in obtaining the customer contract are expensed, unless they are incremental to obtaining the contract and the Company expects to recover those costs. Costs that meet the criteria for capitalisation will be amortised over the life of the contract that they relate to. The Company has identified certain commission costs as meeting the criteria of directly related contract costs. These costs are capitalised in the month in which they are incurred and amortised over an average contract term of 5 years. The movement in the year and the closing balance of this asset is disclosed within note 10 as 'contract acquisition costs'. This balance is presented as 'contract acquisition costs' in the statement of financial position. The current year amortisation of contract acquisition assets is recognised within the Administration Expense line on the Income Statement.

2. Annual licence fees

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

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

Unsatisfied performance obligations in respect of Annual Licence fees are disclosed as prepaid subscription revenue in the statement of financial position. Refer to note 12 for details of prepaid subscription revenue.

3. Consulting Services

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

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

4. Initial licence fees

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

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

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

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

2.SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) ***Revenue recognition (continued)***

Associated contract balances
Under IFRS 15, the timing of revenue recognition, customer invoicing and cash collections results in the recognition of trade receivables, contract asset and prepaid subscription revenue (contract liability) on the Company's statement of financial position. At 30 September 2020, the statement of financial position shows a current liability balance of £0.1m (30 September 2019: £2.9m). As prepaid subscription revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised in future periods, and not a future cash outflow, this balance does not impact the Company's ability to meet its short-term obligations as and when they fall due.

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

	Life	Method
Office furniture and equipment	3-11 years	Straight line
Make good asset	5 years	Straight line

d) Financial assets and liabilities
Financial instruments recognised in the statement of financial position include; cash and cash equivalents, trade receivables, contract assets and trade payables.

(i) Classification
The Company classifies its financial assets and financial liabilities into the following measurement categories;
- those to be measured at amortised cost (using the effective interest method) and;
- those to be measured at fair value with changes through the profit or loss (FVPL).

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

(ii) Measurement
Amortised cost
Under this method the financial instrument is measured at the amount recognized at initial recognition minus principal repayments. Further adjustments to the carrying value of the financial instrument will arise if there is a modification to the contractual cash flows creating a gain/loss in the measurement or if there is no longer a reasonable expectation of recovery of a financial asset resulting in a write off.

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

(iii) Impairment
The Company recognises impairment losses on its financial assets using an expected credit losses (ECL) model in line with IFRS 9. The ECL model essentially aims to calculate the assets credit risk. It involves consideration of scenarios that would lead to default, calculating the shortfall between what is contractually due and what would be received under each scenario and then multiplying the shortfall/loss by the probability of the default situation occurring.

The Company has elected to apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. The Company has also made use of the practical expedient available for calculating expected losses for short term receivables. This practical expedient involves using a "provision matrix" to calculate the loss allowance. This matrix is based on historical default rates over the expected life of the trade receivables and it is adjusted for forward-looking estimates.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Receivables

Trade receivables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method, less expected loss provision. Trade receivables are generally due for settlement within 14 to 30 days.

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

f) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

g) Leased assets

IFRS 16 supersedes IAS 117 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

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

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

<u>Lease liability</u>

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Cash and cash equivalents
Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

i) 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 entity. Payables to related parties are carried at the principal amount.

j) Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

k) Value added tax
Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except where the amount of VAT incurred is not recoverable from the applicable taxing authority. In these circumstances, the VAT 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 VAT included. The net amount of VAT recoverable from, or payable to, the taxing authority is included as a current asset or liability in the Statement of Financial Position.

l) Foreign currency
Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into Sterling at the average rate for the month in which the transaction occurs. Exchange gains and losses are recognised in the Statement of Comprehensive Income.

m) Pensions and other post-employment benefits
Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

n) Critical accounting estimates and judgements
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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

ii. *Tangible fixed assets and depreciation*
The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment and note 2 (c) for the useful economic lives for each class of assets.

iii. *Deferred tax assets*
Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future. Significant judgement and estimates are required in evaluating the ability to recover a deferred tax asset. Consideration is given to projected future taxable income, tax-planning strategies and the results of recent operations.

3. SALES REVENUE

Sales revenue, which is stated net of value added tax, is attributable to one continuing activity, the sale of, and provision of support for, software.

	2020	2019
	£'000	£'000
Revenue from contracts with customers		
SaaS fees*	3,310	2,795
Annual licence fees*	258	326
Consulting services*	2,768	2,745
Initial licence fees**	13	22
Marketing support fees from Technology One Limited	3,995	3,592
Total revenue from contracts with customers	10,344	9,480

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

4. PROFIT BEFORE INCOME TAX

This is stated after charging:

	2020	2019
	£'000	£'000
Auditors' remuneration - audit services	13	16
Depreciation of owned fixed assets	117	113
Building operating lease rentals	6	128
	136	257

Auditors' remuneration is in respect of the audit of the financial statements provided to the company.

5. SALARIES AND WAGES

i) Director's remuneration

The directors of the Company are also directors of the parent company and fellow subsidiaries. The directors received total remuneration for the year of £1,348,314 (2019: £885,203), all of which was paid by the parent company. The directors do not believe that it is practical to apportion this amount between their services as directors of the Company and their services as directors of the parent company's and fellow subsidiary companies.

The directors of the Company, as employees of the Technology One Limited group, are subject to the following option arrangements provided by Technology One Limited.

The group provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares. The cost of share based payment transactions with employees are measured by reference to fair value of the equity instruments at the date at which they are granted. The cost of share-based payments is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period). No expense is recognised for awards that do not ultimately vest.

5. SALARIES AND WAGES (CONTINUED)

ii) Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	**4,789**	5,130
Social security costs	**589**	604
Other post-retirement benefit costs	**164**	133
	5,542	**5,867**

The number of employees during the year was made up as follows:

	2020	2019
	No.	No.
Sales	**14**	14
Consulting	**21**	31
Research and development	**18**	15
Administration	**2**	3
	55	63

6. INCOME TAX EXPENSE

	2020	2019
	£'000	£'000
(a)Tax expense on profit from ordinary activities:	**150**	-

The tax expense is made up as follows:

	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax - current year	**122**	-
UK corporation tax - prior year	-	-
Total current tax expense	**122**	-
Deferred tax:		
Amount expensed in the year	**28**	-
Tax expense on profit on ordinary activities (note 6(b))	**150**	-

6. INCOME TAX EXPENSE (CONTINUED)

b) Factors affecting current tax charge:

The tax assessed on the profit from ordinary activities for the period differs from the standard rate of small corporation tax in the UK of 19% for year ended 30 September 2020 (2019: 19%). The differences are reconciled below:

	2020	2019
	£'000	£'000
Profit from ordinary activities before tax	3,012	80
Profit from ordinary activities multiplied by the applicable standard rate	572	15
Expenses not deductible	-	(16)
Utilisation of tax losses	(465)	-
Other	43	1
Tax expense on profit from ordinary activities	150	-

c) Deferred tax

The deferred tax included in the Statement of Financial Position is as follows:

	2020	2019
	£'000	£'000
Deferred tax asset	-	28
Deferred tax liability	(28)	(28)
Net deferred tax liability	(28)	-
Accelerated capital allowances	(28)	-
Other timing differences	-	-
At the end of period	(28)	-
Movement in the period		
At start of period	-	-
Deferred tax charged in the Statement of Comprehensive income for the period	(28)	-
At the end of period	(28)	-

d) Tax rate changes

The UK corporation tax rate decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). Deferred taxes at the Statement of Financial Position date have been measured using the enacted tax rates and reflected in these financial statements. As part of Finance Act 2021, from 24 May 2021, the corporate tax rate increased to 25%. This increase in tax rate would not materially impact the deferred tax balances.

7. TRADE AND OTHER RECEIVABLES

	2020	2019
	£'000	£'000
Trade debtors - gross	2,189	2,287
Provision for expected credit loss	(750)	(229)
Trade debtors - net	1,439	2,058
Prepayments	36	51
Amounts due from related parties	369	-
Current trade and other receivables	1,844	2,109
Non-current		
Prepayments	63	78
Non-current trade and other receivables	63	78

Movements in the expected credit loss allowance:

	2020	2019
	£'000	£'000
Opening balance - 1 October	(229)	(169)
Increase in expected credit loss allowance recognised in profit and loss during the year	(750)	(229)
Unused amounts reversed	229	169
Closing balance - 30 September	(750)	(229)

The Company's normal trade credit term ranges from 15 to 45 days (2019: 15 to 45 days). Other credit terms are assessed and approved on a case-by-case basis.

The Company has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

There are debtors to the value of £776,000 (2019: £315,000) included in Trade Debtors that are considered past due.

Amounts due from related parties do not bear interest and are repayable on demand.

8. CONTRACT ASSETS

	2020	2019
	£'000	£'000
Contract assets	224	164
Provision for expected credit loss	(1)	(1)
	223	163

Provision for expected credit loss

Movements in the provision are as follows:

	2020	2019
	£'000	£'000
Opening balance - 1 October	(1)	-
Increase in expected credit loss allowance recognised in profit and loss during the year	(1)	(1)
Unused amounts reversed	1	-
Closing balance - 30 September	(1)	(1)

9. PROPERTY, PLANT AND EQUIPMENT

	Office furniture & equipment	Make good asset	Total
2020	**£'000**	**£'000**	**£'000**
Cost			
At 1 October	560	34	594
Additions	32	-	32
Disposals	(2)	-	(2)
At 30 September	**590**	**34**	**624**
Accumulated depreciation			
At 1 October	(339)	(20)	(359)
Other Adjustment	-	(5)	(5)
Depreciation charge	(116)	(1)	(117)
At 30 September	**(455)**	**(26)**	**(481)**
Net book value	**135**	**8**	**143**

	Office furniture & equipment	Make good asset	Total
2019	**£'000**	**£'000**	**£'000**
Cost			
At 1 October	537	34	571
Additions	35	-	35
Disposals	(12)	-	(12)
At 30 September	**560**	**34**	**594**
Accumulated depreciation			
At 1 October	(241)	(11)	(252)
Depreciation charge	(104)	(9)	(113)
Disposals	6	-	6
At 30 September	**(339)**	**(20)**	**(359)**
Net book value	**221**	**14**	**235**

10. CONTRACT ACQUISITION ASSETS

	Contract acquisition costs	Total
	£'000	£'000
2020		
At 1 October	329	329
Additions	222	222
Amortisation	(108)	(108)
At 30 September	**443**	**443**
2019		
At 1 October	219	219
Additions	184	184
Amortisation	(74)	(74)
At 30 September	**329**	**329**

Contract acquisition costs as at 30 September 2020 is made up of £140,000 (2019: £98,000) held in current assets and £303,000 (2019: £231,000) held in non-current assets in the statement of financial position. The current year portion of the balance will be amortised over the next 12 months.

11. TRADE AND OTHER PAYABLES

	2020	2019
	£'000	£'000
Trade creditors	**22**	380
Other creditors - employee bonus	**152**	146
Accruals	**334**	323
Other taxes and social security costs	**527**	586
	1,035	**1,435**

Trade creditors are non-interest bearing and are normally settled on 40 days terms. Other creditors are non-interest bearing.

12. PREPAID SUBSCRIPTION REVENUE

	2020	2020
	£'000	£'000
Carrying amount at 1 October	3,382	3,989
Carrying amount at 30 September	2,610	3,382
Revenue recognised from the opening balance	**3,382**	**3,989**

Prepaid subscription revenue represents payments received or receivable in advance from customers for SaaS Fees and Annual Licence Fees which will be recognised as revenue in future periods, generally over the next 12 months. These amounts are a contract liability under IFRS 15. These amounts are enforceable, generally non-refundable when paid in accordance with the contract and do not result in a future cash outflow. The operating costs to deliver the services are not significant.

13. AMOUNTS DUE TO RELATED PARTIES

	2020	2019
	£'000	£'000
Amounts due to related parties	-	2,970
	-	**2,970**

The amounts due to related parties are unsecured, interest free and repayable on demand.

14. LEASES

Right-of-use assets

	Property	Total
	£'000	**£'000**
Year ended 30 September 2020		
Opening net book amount	285	285
Depreciation charge	(120)	(120)
Closing net book amount	**165**	**165**
At 30 September 2020		
Cost	285	285
Accumulated depreciation	(120)	(120)
Net book amount	**165**	**165**

Lease liability

	Property	Total
	£'000	**£'000**
1 October 2019		
Opening liability	268	268
Payments	(122)	(122)
Interest expense	5	5
Closing liability	**151**	**151**
Current	120	120
Non-Current	31	31
Closing Liability	**151**	**151**

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

	2020	2019
	£'000	£'000
Amortisation on right-of-use assets	120	-
Interest expense on lease liabilities	5	-
Expense related to short-term leases	8	-
Total amount recognised in profit or loss	**133**	**-**

Cashflow from leases

	2020	2019
	£'000	£'000
Total cash outflow as a lessee	130	134
	130	**134**

15. SHARE CAPITAL

	2020	2019
	£	**£**
Authorised, allotted, called up and fully paid		
2 (2019: 2) ordinary shares of £1 each	**2**	2

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS/(DEFICIT)

	2020	2019
	£'000	**£'000**
Opening shareholders' deficit	**(2,344)**	(2,424)
Restatement adjustment IFRS 16	**(5)**	-
Profit for the year	**2,862**	80
Closing shareholders funds/(deficit)	**513**	(2,344)

17. SUPPORT OF CONTROLLING ENTITY

The operations of Technology One UK Limited rely on the continued product and financial support of Technology One Limited, the parent entity of Technology One UK Limited. The directors of Technology One Limited have resolved to provide financial and product support until September 2022 should this cause Technology One UK Limited not to be able to continue as a going concern and meet its debts as and when they fall due.

The directors have made detailed enquiries, including confirmation of the strong liquidity position announced by Technology One Limited and review of the latest financial results released on 25th May 2021. After making these detailed enquiries, the directors are confident that Technology One Limited has sufficient resources to enable it to provide financial support.

18. RELATED PARTIES

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with directors are disclosed in note 5. The Company has taken advantage of the exemptions provided by FRS 101 regarding disclosure of transactions entered into between two or more members of the Technology One group. Copies of these group accounts are available from www.TechnologyOneCorp.com.

The Company is a wholly owned subsidiary of Technology One Limited, a company domiciled in Australia and listed on the Australian Securities Exchange, the consolidated financial statements of which are publicly available.

19. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up and of which the Company is a member is Technology One Limited, a company registered in Australia, which owns 100% of the issued share capital. Copies of these group accounts are available from www.TechnologyOneCorp.com.

20. EVENTS AFTER THE REPORTING DATE

Subsequent to year end, there was a settlement of a debtor which had been provided for as a provision for credit loss. Therefore, there is a positive adjustment to revenue in FY21 of £669,000.