

## ASX RELEASE

3 May 2017

### Chronology of Events for BCC LGS Project in Response to Further Shareholder Queries.

TechnologyOne is providing this chronology of the events that pertain to the Brisbane City Council (BCC) LGS project in response to queries from shareholders to keep them informed about this project.

TechnologyOne Executive Chairman, Mr Adrian Di Marco said "As the chronology provided shows, the BCC LGS Project was not in trouble when the Lord Mayor made his statement on 25 January 2017. The Lord Mayor had been given incorrect information. Since then progress has stopped on this project. Until the Lord Mayor's statement there was no contractual dispute and all parties were working and progressing to the agreed contracted 'go live date' of January 2018".

TechnologyOne remains confident of its legal and commercial position and will vigorously pursue its legal rights.

TechnologyOne is the dominant software supplier to Local Government in Australia, with an unblemished track record and proven software solutions in over 300 councils.

### Chronology of Events Leading to the Escalation of the Dispute

- BCC awards TechnologyOne a contract for the LGS project, dated 30 June 2015, for a contract value of approximately \$50m over 10 years. The original contracted 'go live date' is 30 March 2017.
- BCC selects TechnologyOne's new generation product because of the substantial benefits it would provide BCC. This new generation product is based on our existing product, but is built to support the digital economy using mobile devices and the cloud, which would support BCC initiatives into the future.
- As part of the contract it is agreed that BCC will be the development partner of TechnologyOne but as the project progresses it becomes clear to TechnologyOne that BCC is struggling with being a development partner:
  - BCC treats the project like a custom software build project and not a standard off-the-shelf product.
  - BCC's project team do not understand their own business processes which leads to confusion within the project.
  - Many decisions are not being made or are not made in a timely manner by BCC.

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- BCC requests substantially more software functionality in TechnologyOne's new generation product than was originally contracted. This additional software functionality is provided by TechnologyOne at no additional cost to BCC.
- At the request of BCC the parties agree a variation on 7 September 2016 in which:
  - BCC undertakes during this time to document their own business processes so that they understand them before the Configuration Stage of the project.
  - TechnologyOne will complete the build of the new standard off-the-shelf product before the Configuration Stage commences, as BCC is not comfortable in the role of development partner.
  - It is agreed and documented that this change in strategy alters the original contracted 'go live date' to January 2018, on a 'no fault basis' with both parties agreeing to bear their own respective additional costs.
- There are some minor delays experienced on the project because:
  - BCC business processes are not understood by the BCC project team.
  - BCC decision making is not in a timely manner with prolonged review cycles. There are five or more layers documented for the approval of decisions.
  - BCC requests increase in scope for the Configuration Stage - there are substantially more business process patterns requested than contracted.
- Both parties remain committed to the contracted go-live date of January 2018 and discuss the strategy to achieve this.
- TechnologyOne executives are briefed by BCC that the opposition Councillors have heard rumours about a purported project delay from the original contracted go-live date of 30 March 2017, which causes significant concern for BCC. There are no contract delays, as the 'go live date' of January 2018 has been approved in writing by BCC for reasons outlined above.
- On 29 November 2016 BCC initiates an independent review of the LGS project by external parties. The independent reviewers do not seek any input from TechnologyOne.
- On 9 January 2017 TechnologyOne officially notifies BCC that there is an increase in the scope of TechnologyOne's contracted work because of additional business processes requested by BCC that are not provided for in the contract. TechnologyOne submits a variation for this increase of approximately \$3.6m. TechnologyOne's intent is to work with BCC to ensure the January 2018 'go live date' is not impacted. It is BCC's choice if it proceeds or not with the variation, and TechnologyOne awaits BCC's decision.
- TechnologyOne senior executives are briefed by members of the BCC LGS independent review committee on the morning of the Lord Mayor's announcement on 25 January 2017. The independent review committee is not negative about TechnologyOne's role in the project to date, but is critical of BCC. This meeting is documented at the time by TechnologyOne executives.
- Later that same day on 25 January 2017, the Lord Mayor holds a press conference indicating TechnologyOne is responsible for both substantial cost and time over runs (\$60m) and giving TechnologyOne until July 2017 to deliver the software and for BCC to 'reform the project'. TechnologyOne disputes these claims and is not aware of any change to the contracted 'go live date' of January 2018, and contrary to the Lord Mayor's statement is still working to this date, and awaiting advice from BCC if it wishes to proceed with the \$3.6m variation.

TechnologyOne's intent up to this point is to work with BCC to ensure the January 2018 'go live' date

is not impacted. TechnologyOne issues statements to the ASX on 25 and 30 January 2017 to correct other inaccuracies in the Lord Mayor's statement as follows:

- TechnologyOne states that, contrary to the Lord Mayor's statement, the software build has been completed, tested, demonstrated to the BCC in October and again in December 2016 for the next stage of the project, which is to configure the software to meet BCC's specific business processes. TechnologyOne notes that BCC staff at the demonstration responded positively to the new software. The extensive demonstrations to BCC staff are over 3 days and are all audio recorded on the basis that they share this recording with TechnologyOne. Subsequently, BCC is not prepared to release these audio recordings to TechnologyOne.
  - The press release by BCC also refers to a cost overrun of potentially \$60m. These additional costs are not costs being charged by TechnologyOne, and TechnologyOne is not aware of the basis for these additional costs given the contracted 'go live date' of January 2018 has not changed.
  - Until the Lord Mayor's press conference TechnologyOne and BCC had been working to a January 2018 go live date as contracted. There was no dispute and both parties were working to achieve this date.
- On 30 January 2017, TechnologyOne's Executive Chairman, Adrian Di Marco notes that: "We have had challenging and contentious projects in the past, but because there are dispute resolution and mediation processes built into all contracts that can be initiated by a client if necessary, including the ability to issue a breach notice, this has allowed for the orderly and professional resolution of disputes, without going public, which is normally in both parties's interest. To date BCC has not initiated any of these contractual mechanisms and TechnologyOne was not aware of a dispute until the detrimental media statement made by BCC."
  - TechnologyOne also notes there appears to be confusion and misunderstanding within BCC on the history and status of this project.
  - BCC states it wishes to continue working with TechnologyOne in order to deliver the LGS project. Based on this statement, and acting in good faith, TechnologyOne continues to work on the successful completion of the project.
  - On 3 February 2017 TechnologyOne reluctantly issues a Notice of Delay because BCC has not addressed the variation for \$3.6m issued on 9 January 2017, even after two extensions in time have been granted by TechnologyOne. As such the scope of the project remains unclear, TechnologyOne cannot proceed with the configuration of the software; BCC is preventing TechnologyOne from performing under the contract.
  - In this Notice of Delay, TechnologyOne notifies BCC that it cannot continue to frustrate our ability to complete the project. For bureaucratic reasons BCC is not engaging with TechnologyOne during the time critical Configuration Stage by not providing the business input TechnologyOne requires to configure their new business processes in our software. TechnologyOne makes it clear that BCC's bureaucratic approach will delay the project needlessly and contribute significantly to a blow-out in costs and time.
  - On numerous occasions BCC also insists that TechnologyOne does not commence the critical Configuration Stage.

- On 10 February BCC responds, issuing its first Notice to Remedy for milestones that have purportedly not been met by TechnologyOne. TechnologyOne disputes this Notice to Remedy because:
  - The milestones have been delivered.
  - BCC is adopting a bureaucratic approach allowing minor items, that are not affecting the project, to delay the project. A commercially sensible approach would be to continue with the project whilst the dispute over these minor items are resolved.
  - Significant increase in contracted scope, which TechnologyOne is still waiting for BCC to discuss, and agree on. The lack of clarity on scope impacts our ability to deliver.
- On 6 March 2017, two executives of BCC who were directly responsible for the LGS project separate from BCC. In TechnologyOne's view, BCC staff are now not prepared to make decisions because of this, which hinders any further progress on the LGS project.
- In TechnologyOne's view it is clear BCC has adopted a 'contractual strategy' to not reasonably accept completed milestones, and to not be commercially reasonable. They have also changed previously agreed milestone acceptance criteria to stop accepting milestones.
- BCC also continues to refuse to participate in subsequent stages of the project for no valid reason, which places the project significantly behind schedule. Because of this TechnologyOne issues a Notice of Breach against BCC dated 13 April 2017.
- On 18 April 2017, TechnologyOne's Executive Chairman writes to the Lord Mayor personally about the significant lack of progress since the Lord Mayor's announcement, and offers to meet personally, in an attempt to resolve the matter. The following issues are raised in this letter:
  - That "BCC has 'spun its wheels' and focused on 'crossing minor items off' rather than progressing the project". "These minor items do not impact the ability of the project to move forward, and do not expose BCC to any adverse action. For unknown reasons, BCC has purposefully not allowed the project to proceed. A commercial approach would have allowed the project to continue in parallel while these minor items were addressed so the project could have remained on track to achieve the January 2018 'go live' date. If this had occurred, the project would now be nearing the completion of the Verification and Configuration of Variation stages, with Key User Training about to start. None of this has been allowed to progress because of BCC's bureaucratic and uncommercial approach."
  - That TechnologyOne is concerned that BCC resources have been diverted from doing real and productive work on the LGS project to work on these minor items that do not advance the project.
  - Unless there are significant changes, the Lord Mayor's stated date of July 2017 for the reformation of this project will not be achieved.
- The Lord Mayor refuses the meeting request to resolve the matters.
- TechnologyOne has on two occasions put proposals to BCC on 6 March 2017 and 21 April 2017. This would have allowed the teams to continue to progress the project to a successful, timely and cost effective solution, while addressing the minor items in the background, and would not have jeopardised either BCC's or TechnologyOne's commercial position. To date this remains unresolved.
- The Lord Mayor continues to refuse to release the report of the independent review committee stating that it is because it will not be in the interests of the rate payers of Brisbane, while negotiating with TechnologyOne.

- BCC issues a second Notice to Remedy on 27 April 2017, following TechnologyOne issuing a Notice of Breach on 13 April 2017.. Any delays are a direct result of BCC's approach, discussed above, which has needlessly stopped the project from progressing until minor items were addressed. TechnologyOne notes that these minor items have been delivered according to its contractual obligations but BCC is focussing on minutia to frustrate the contract.
- On 28 April 2017 TechnologyOne releases a statement to the ASX that no significant progress has been made since the Lord Mayor's announcement on 25 January 2017 because BCC is continuing to frustrate the contract.
- On Friday 28 April 2017 TechnologyOne reconfirms:
  - That previous guidance for continuing strong growth over the full year remains unchanged even in light of continuing challenges with the BCC LGS project.
  - TechnologyOne remains confident of its legal and commercial position and will vigorously pursue its legal rights.
  - TechnologyOne reconfirms its commitment to finding a way forward, and delivering a successful outcome to BCC.
- Contract dispute escalates:
  - On 2 May 2017 TechnologyOne responds to and disputes BCC's second notice to remedy sent on 27 April 2017.
  - BCC issues a Notice to Show Cause on 2 May 2017 which TechnologyOne has disputed.

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#### About TechnologyOne

TechnologyOne (ASX:TNE) is Australia's largest enterprise software company and one of Australia's top 200 ASX-listed companies, with offices across six countries. We create solutions that transform business and make life simple for our customers. We do this by providing powerful, deeply integrated enterprise software that is incredibly easy to use. Over 1,000 leading corporations, government departments and statutory authorities are powered by our software.

We participate in only eight key markets: government, local government, financial services, education, health and community services, asset intensive industries, project intensive industries and corporates. For these markets, we develop, market, sell, implement, support and run our preconfigured solutions, which reduce time, cost and risk for our customers.

For 30 years, we have been providing our customers enterprise software that evolves and adapts to new and emerging technologies, allowing them to focus on the business and not technology. Today, our software is available on the TechnologyOne Cloud and across smart mobile devices.

For further information, please visit: [TechnologyOneCorp.com](http://TechnologyOneCorp.com)