



ELMO Software Limited
ACN 102 455 087



ANNUAL REPORT 2017

2017 Highlights

\$19.1m

SaaS revenue run rate

Reflecting 89% of forecast FY18 pro forma SaaS revenue²

\$17.0m

FY17 pro forma revenue

Up 4% on prospectus forecast¹

92.3%

Customer retention rate⁵

\$1.2m

FY17 pro forma EBITDA

Up 42% on prospectus forecast¹

524

Customer base³

Up 11% since 31 December 2016

2.29

Modules per customer

Up from 2.22 since June 30 2016⁴

Over 37,000

Hours

Focused on Research & Development

<2.9%

of FY17 revenue (SaaS)

Contributed by largest customer

<16%

of FY17 revenue (SaaS)

Contributed by top 10 customers

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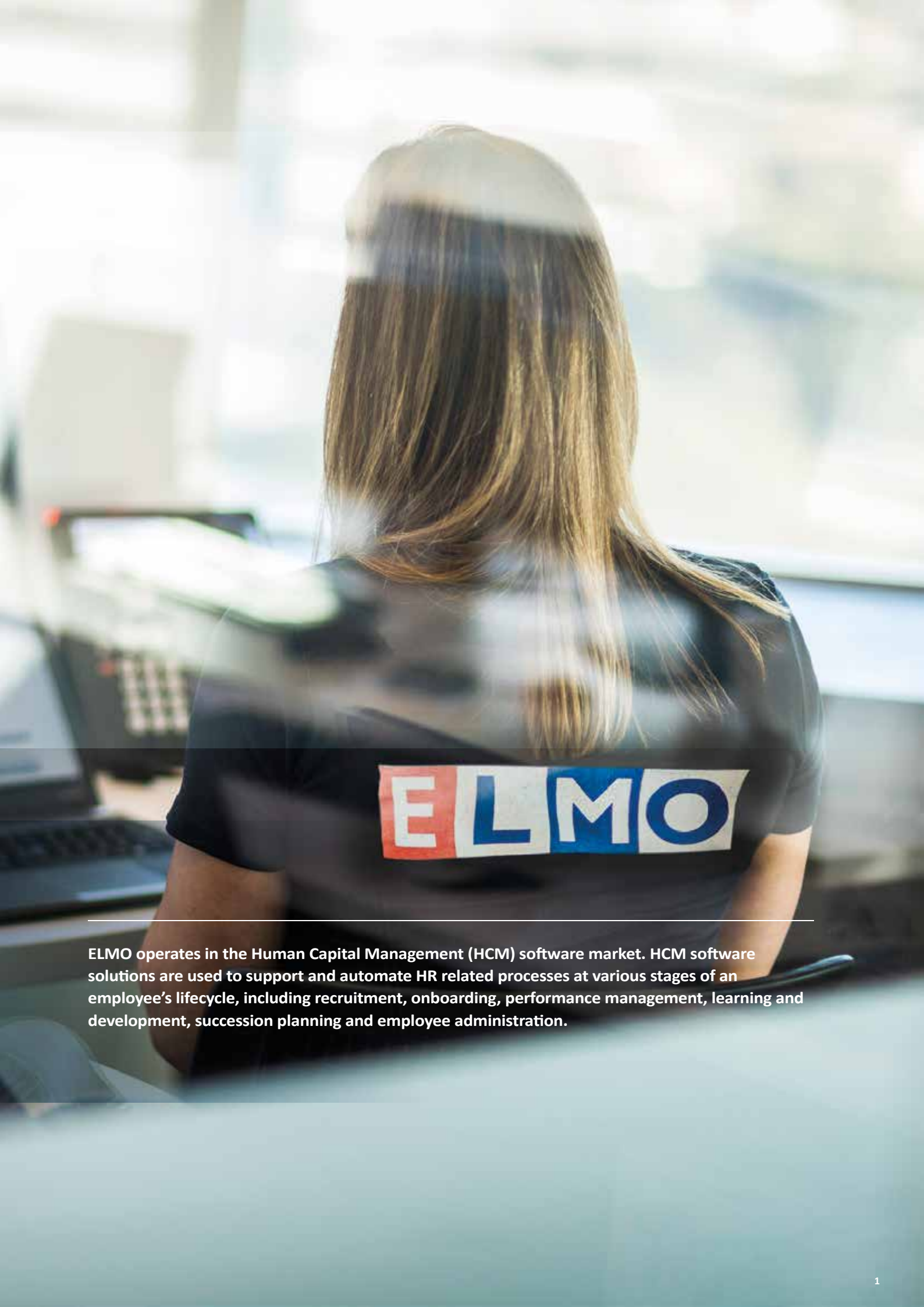
78 Glossary

IBC Corporate directory

AGM Details

ELMO Software Limited (ELMO) advises that it will hold its 2017 Annual General Meeting on Tuesday, 28 November 2017 at 2.30pm (Australian Eastern Daylight Time) at the offices of Norton Rose Fulbright, Level 18, Grosvenor Place, 225 George Street, Sydney.

1. Vs. pro forma FY17 forecast as per IPO Prospectus on a like-for-like basis
2. June 2017 SaaS revenue annualised
3. As at 30 June 2017
4. Excludes Techni Works
5. Customer retention is calculated by dividing the number of customers in the reference period who were customers at the end of the prior period by the number of customers at the end of the prior period



ELMO operates in the Human Capital Management (HCM) software market. HCM software solutions are used to support and automate HR related processes at various stages of an employee's lifecycle, including recruitment, onboarding, performance management, learning and development, succession planning and employee administration.

Financial snapshot

ELMO has achieved a successful FY17 with 31% SaaS revenue growth (excluding Techni Works) from the previous year culminating in the capital raising through the IPO in June 2017. There is strong revenue visibility with long term contracts paid annually in advance, a significant cash position from the IPO, high operating cash flow and a strong ongoing positive working capital position.

Strong revenue visibility

with 93% recurring revenue and typical contract length of 3 years

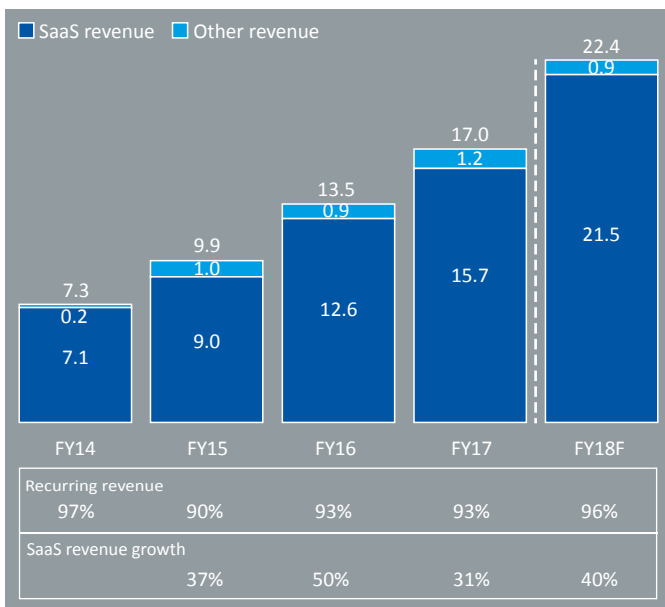
Positive working capital

Customers pay annual license fees in advance – contributing to positive working capital position throughout the year

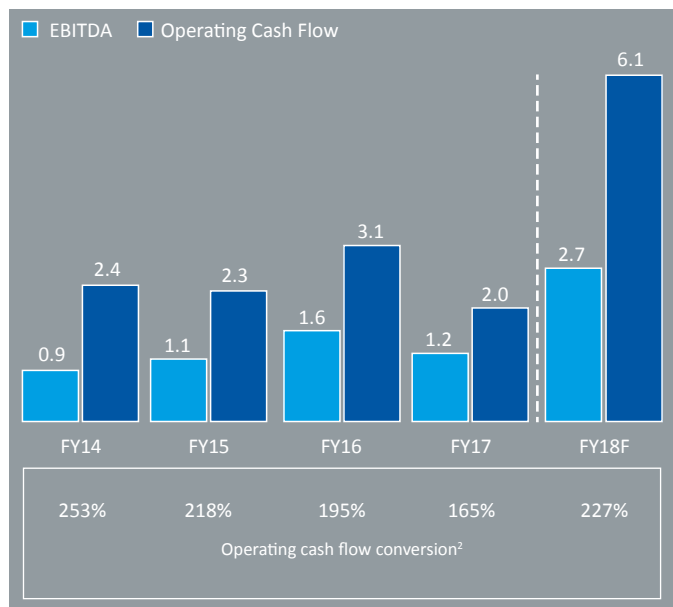
Strong balance sheet and no debt \$26.6m

Strong cash position as at 30 June 2017

PRO FORMA HISTORICAL AND FORECAST REVENUE (\$M)



PRO FORMA EBITDA VS. OPERATING CASH FLOW (\$M)





2017 Scorecard

New product offerings



HR Core &
Succession modules

Technology enhancements



128 product
enhancements

Acquisition



Techni Works

New Zealand



Established New Zealand office
to support operations

Workforce



106 employees

Listed on the ASX
on 27 June 2017

Raised \$25m
in new equity

Chairman's letter

Dear Shareholder,

On behalf of the Directors, it is my pleasure to present to shareholders ELMO's maiden FY17 full year results and Annual Report as a public listed company.

ELMO is a leading provider of Software-as-a-Service (**SaaS**), cloud-based talent management software solutions in Australia and New Zealand. The Company develops, sells and implements talent management software solutions that enable organisations to automate many of the Human Management Capital (HCM) processes and functions to efficiently manage the various stages of an employee's lifecycle from "hire to retire". ELMO currently offers seven different modules covering recruitment, onboarding, performance management, learning and development, pre-built courses, succession planning and employee administration.

FY17 was a transformative year for ELMO. In June 2017 we listed on the ASX and stepped into public company life. Our first result delivered on our prospectus forecasts and in the time leading up to the float, and in the period since we have put in place strong foundations for future growth. The highlights include:

- Successful listing on ASX, raising \$25m of new equity to fund our growth plans
- Reported pro forma EBITDA of \$1.2m, 42% ahead of prospectus forecast
- Grew pro forma SaaS based subscription revenues by 26% year on year, 4% ahead of prospectus forecasts
- Increased our customer base to 524 organisations, up 46% since 30 June 2016
- Launched new product offerings including HR Core and Succession
- Improved the average module purchased per customer to 2.29, up from 2.22 since 30 June 2016

During the financial year ELMO acquired and integrated Techni Works Pty Limited into its business, acquiring 82 new customers, taking ELMO's total customer base to 524 organisations. In addition, ELMO effectively delivered the identified acquisition synergies through operational efficiencies and cross selling into the acquired customer base.

New Zealand continued to make a positive contribution to the Group with the Company's New Zealand customer base increasing 41% since 31 Dec 2016 while revenues increased by 264% compared to the full year 2016.

Outlook

The mid-market continues its trend towards HR automation with the majority of mid-market businesses not yet taking advantage of a single integrated platform solution which gives rise to new customer opportunities for ELMO. The HCM market is fragmented with many single solution vendors with inherent competitive disadvantages as customers trend towards a single integrated platform such as ELMO. This provides the opportunity for your Company to gain further market share through both organic and inorganic growth. In particular, the Company has a multi-pillar growth strategy based on:

- the upsell of further modules to existing customers
- ongoing growth in new customers
- new product development to expand the existing platform
- additional bolt-on acquisitions
- geographic expansion

Each of these pillars has its own execution strategy and the board and management are monitoring closely the value of the opportunity that arises in each area.

We are pleased to reaffirm our FY18 prospectus forecasts. Based on the run rate of recurring SaaS revenue in June 2017 we have already achieved 89% of forecast revenue for FY18.

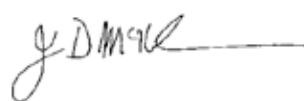
Thanks

ELMO is led by a highly regarded and experienced management team that has a track record of achieving significant revenue growth and delivering on targets. I would like to thank Danny Lessem, Co-Founder and CEO for his talented and dedicated leadership, Trever Lonstein, CFO and executive director; and my fellow Non-Executive board member David Hancock for his expertise, skill and support.

I would also like to thank all of the people at ELMO for their dedicated efforts in delivering these results. I know you are extremely capable and deeply committed to delivering the best outcomes for customers.

On behalf of the Board, I thank you for your support as a shareholder and look forward to sharing the future Company success with you.

Yours sincerely,



Jim Mckerlie
Chairman

“FY17 was a strong and productive year for ELMO. We delivered on our prospectus forecasts and executed on our growth strategies.”



FY17 was a transformative year for ELMO. In June 2017 we listed on the ASX and stepped into public company life. Our first result delivered on our prospectus forecasts and in the time leading up to the float, and in the period since we have put in place strong foundations for future growth.



CEO's message

Dear Shareholder,

In FY17 ELMO continued to make good progress in executing on its growth strategies, listed on the ASX and delivered on market expectations. We are building a larger, stronger and more diversified ELMO and we look forward to another year of significant revenue and profit growth in FY18 as we deliver on prospectus forecasts.

In FY17, ELMO delivered

- \$17.0 million of pro forma revenues with SaaS revenue growth of 31%, excluding Techni Works
- 93% recurring revenue and a 92% customer retention rate
- \$1.2m pro forma EBITDA while increasing investment by 32% to drive further growth
- Successful integration and achievement of the full synergies of the Techni Works acquisition
- Pro forma cash receipts of over 112% of pro forma revenues
- Listed on ASX on 27 June 2017, with an issue price at \$2.00 per share

ELMO was founded in 2002 as an eLearning platform focused on providing employee development content and compliance. Since then, driven by client demand, ELMO has expanded its platform to address the evolving requirements of the Human Capital Management (HCM) industry by offering a broader suite of modular applications to cover a wider range of talent management needs. Research and development is at ELMO's core with continual investment in the development of new HCM modules and the enhancement of its existing platform.

Leading integrated talent management platform

ELMO is a leading provider of integrated talent management software. We now employ 106 people in 4 offices across Australia and New Zealand. ELMO's SaaS cloud based platform provides organisations with a centralised approach to managing an employee's life cycle.

We have invested in and developed a scalable SaaS cloud based platform with multi-tenant architecture and single source code. Our platform technology, software solutions and learning content are developed and maintained in-house by ELMO's Australian based team. Developed over fifteen years, we have over 400 eLearning courses in our content library covering a broad range of topics.

Our primary customer targets are mid-market organisations with between 100 – 1000 employees where we see significant opportunities for increased market share growth.

Large market with clear growth strategies

We have a large addressable market with clear growth strategies to deliver ongoing value for shareholders.

The global talent management total available market is estimated at around US\$6.1bn pa with the Australian and New Zealand market at around US\$258m pa. We see the accelerating penetration of cloud based talent management solutions and their increasing adoption in the mid-market.

ELMO has a broad and diverse customer base with scope for ongoing organic growth. We have 524 active customers across multiple industries and sectors. Our customer base has grown by 47% CAGR since FY14. Our largest customer accounts for less than 2.9% of total revenue. Our top 10 customers account for less than 16% of total revenue. Customer contracts are typically for three years with subscriptions paid annually in advance.

ELMO has clear strategies to deliver ongoing growth and value for shareholders

ELMO has multiple growth drivers

- 1. Greater usage from existing customers** – growing penetration amongst the existing customer base with average modules per customer of 2.29, up from 2.22 as at June 30th 2016
- 2. New customers in existing markets** – 166 new customers were added in FY17 including Techni Works. There is a significant opportunity to further penetrate existing markets and increase overall market share from the current level of 4%
- 3. Expand product line** – Succession and HR Core modules were launched in FY17. Continuous development and deployment of new features with 128 enhancements launched in FY17. Four modules are slated to be released in the next two to three years
- 4. Growth through acquisitions** – Having fully integrated Techni Works we are actively seeking bolt on acquisitions or complimentary technology to augment ELMO's value proposition
- 5. Geographic expansion** – NZ customer base of 31, up 41% since 31 December 2016, 264% increase in revenue from FY16.

Outlook

Given our positive momentum we have a confident outlook for FY18. We affirm our FY18 prospectus forecasts including:

- Pro forma SaaS revenue of \$21.5m (+39% SaaS revenue growth ex Techni Works)
- Pro forma EBITDA of \$2.68m (12% margin versus 5.26% in FY17)
- Profit before Tax of \$319,000 compared to a loss before tax of \$1,725,000 in FY17
- \$25.8m of cash receipts demonstrating our strong cash conversion
- 96% recurring revenue reflecting the quality of our income streams
- 650 customers (compared to 524 at end of FY17) and 2.55 modules per customer (2.29 at end FY17)

The June 2017 revenue run rate represents \$19.1 million of SaaS revenue, reflecting 89% of forecast FY18 pro forma SaaS revenue.

Acknowledgements

In delivering on these growth strategies I must thank all the ELMO staff who have worked so diligently in building this special business. We are proud of ELMO's culture of innovation and delivering exceptional service to our customers. We look forward to making further progress in the year ahead and thank you once again for your support as a shareholder.

Yours sincerely,



Danny Lessem
Co-Founder and CEO

We are building a larger, stronger and more diversified ELMO and we look forward to another year of significant revenue and profit growth in FY18 as we deliver on prospectus forecasts.

\$17.0m

of pro forma revenues

31%

**SaaS revenue growth
ex Techni Works**

524

Customers



Company history

ELMO was founded in 2002 by Danny Lessem, the Company's CEO, and Manuel Garber, a continued Shareholder, for the purpose of providing an eLearning platform with customised content for compliance and training. Since inception, ELMO's solutions have been built and developed using a SaaS, cloud-based infrastructure.

During the initial phase following launch, ELMO began to build an eLearning course library that the Company continues to grow, develop and invest in today with additional eLearning content as part of its Pre-Built Courses module. This module currently provides customers with over 400 different eLearning courses, including compliance and policy, organisational process, systems, professional development and soft skills.

In 2007, ELMO's talent management software solutions received its first Australian Government supplier panel arrangement with the Queensland Government. In 2011, after receiving feedback from customers, ELMO began to expand its platform with the objective of offering a full suite of talent management software solutions to service the changing

requirements of the HR function. This transition began with the launch of the Course Builder and Learning Management System (LMS) modules.

In 2013, ELMO's customer base reached over 130 organisations. During that year, ELMO also began shifting the Company's focus towards addressing the HCM requirements of mid-market organisations, which ELMO viewed as an underserved market that presented attractive market opportunities.

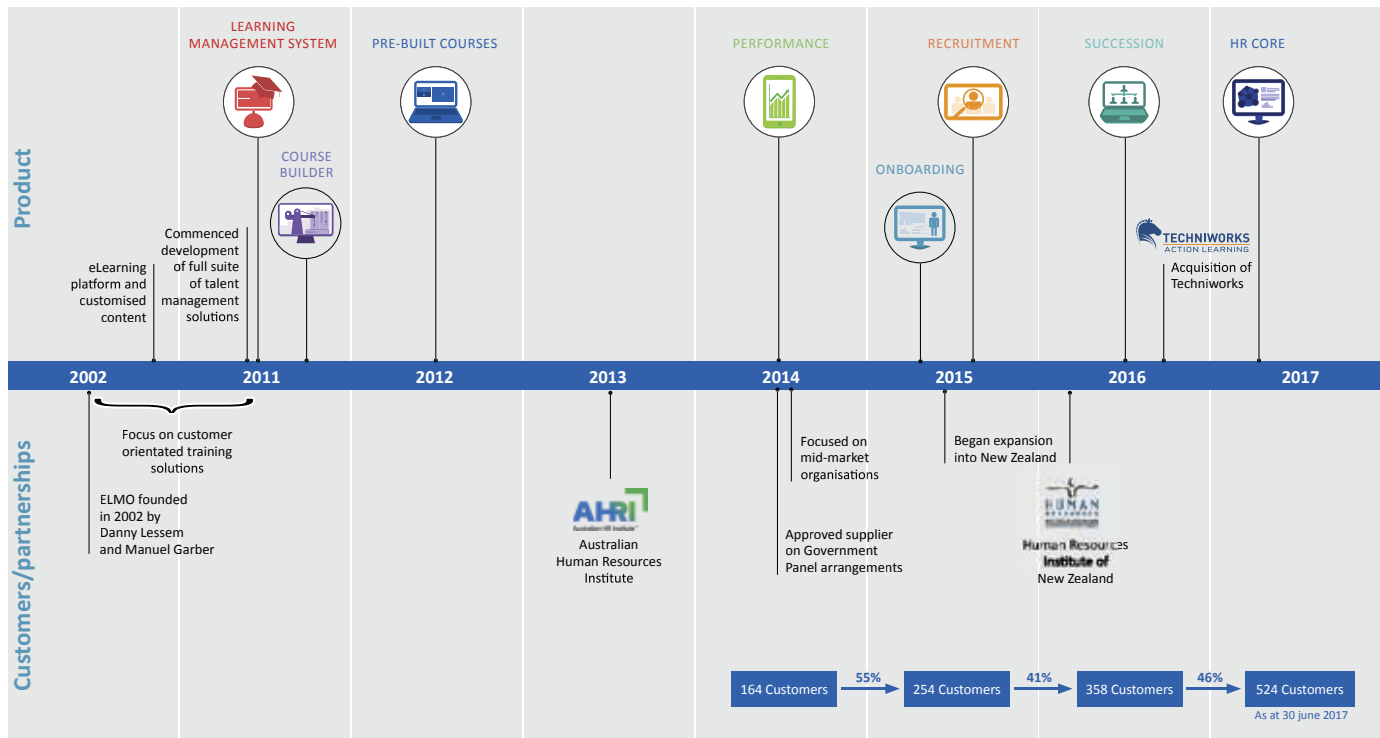
In 2013, ELMO continued to expand its solutions offering with the introduction of its Performance module. In addition, the Company received several government accreditations and introduced the Australian Human Resources Institute (AHRI), the national association representing human resource and people management professionals, as a customer.

In 2015, ELMO expanded into New Zealand and Singapore, and its customer base grew to over 250 organisations, including the Human Resources Institute of New Zealand (HRINZ). Additionally, following ELMO's ongoing commitment to investing in research and development to expand its product suite, the Company launched its Onboarding and Recruitment modules.

In 2016, the Company continued to expand its solutions offering with the launch of its Succession module and had grown its customer base to over 350 organisations. In October 2016, ELMO completed its first acquisition, being Techni Works, an Australian eLearning company specialising in the provision of Australian focused eLearning courses. The acquisition of Techni Works expanded ELMO's course library and added 82 new organisations to the Company's existing customer base, which included tertiary education institutions and government organisations at the Commonwealth, State and Local levels.

In 2017, ELMO formally launched its first HR Administration product with the release of its HR Core module.

Today, ELMO continues to focus on platform expansion with continuous product development and enhancement, and is currently in the process of developing additional HCM modules. As at 30 June 2017, the Company's solutions were being used by 524 organisations. A summary of ELMO's history is provided below.



Today, ELMO continues to focus on platform expansion with continuous product development and enhancement.





Product and solution

ELMO provides a talent management software solutions platform that aims to address and automate key HCM activities and processes. The platform currently offers seven talent management software modules that address various stages of an employee's lifecycle from hire to retire. Customers can purchase modules based on their immediate needs with scope to add additional modules at any point. The figure below provides a summary of the key functionalities of the individual modules. Customers who are subscribed to the Learning module are also provided with the Course Builder module as part of the offering.

Leading integrated talent management platform



Solution offering details

HR CORE	RECRUITMENT	ONBOARDING	PERFORMANCE
 <ul style="list-style-type: none"> – Leave management – Leave requisition and authorisation workflows – Organisation charts – Overview of organisation’s structure and reporting relationships – Employee self-service – Enable employees to access and update personal information, request leave and access payroll slips from any device, anywhere and at any time – Manager self-service – Enables managers to access employee information, approve leave requests and view team analytics from any device, anywhere and at any time 	 <ul style="list-style-type: none"> – Job requisition – Select the required job position, add specific requirements, alert recruitment manager, track and monitor progress, and customise approval workflows – Talent pool – Search existing employees, search the candidate database, match job criteria, and rank candidates – Job posting – Integrate with job boards and social media, preset posting rules, and track costs – Branded careers webpage – Embed customer organisation’s website, customise branding, incorporate company media, and post jobs automatically 	 <ul style="list-style-type: none"> – Personalised onboarding webpage – Present company information and video, guidelines for onboarding process, onboarding task list, and team member introductions – Workflows and approvals – Configure process and select stakeholders, prerequisites, time delays, and conditions – Electronic forms – Configurable forms, document upload facility, and integration with ATO and other 3rd parties 	 <ul style="list-style-type: none"> – Performance appraisals – Configure to customer’s requirements, features goal setting, competency models, development plans and 360 reviews – Manager team view – Access direct and indirect reports, view current status of appraisals, search facility, export and print – Succession planning – Identify high performers, mitigate flight risk, recruit from within, foster strategic succession – Configurable reports – Generate at the click of a button, choose fields for comparison, coloured graphs for visual display, export to Excel and/or PDF, and email reports
SUCCESSION	LEARNING	COURSE BUILDER	PRE-BUILT COURSIIES
 <ul style="list-style-type: none"> – Ensure business continuity – Determine role criticality, identify high performers and mitigate flight risk – Employee career progression – View succession pathways, identify skills gaps and create development plans – Foster strategic succession – Match high potential employees to critical roles and compare candidate suitability by skills, performance, potential and aspirations 	 <ul style="list-style-type: none"> – Learner’s view – Personalised learning plan, eLearning courses, instructor-led training (ILT), policy acknowledgements, assessments and surveys – Course catalogue – Course self-selection, search facility, configurable enrolment rules, access to over 400 pre-built eLearning courses – Manager team view – Access direct and indirect reports, view current status of learning, search facility, export and print – Configurable reports – Generate at the click of a button, choose files for comparison, use coloured graphs for visual display, export to Excel and/or PDF, automate report emails 	 <ul style="list-style-type: none"> – Create courses – Insert images/ movies, edit text, record voice-over, and use interactive features (buttons, rollovers, hotspots, etc.) – Create assessments – Select question type (multi-choice, T/F, drag and drop), insert images/ voice-over, randomise questions, and set pass mark – Create surveys – Select question type (multiple choice or free text), compulsory and anonymous optionality – Preview and publish – Customer branding, update customer in real-time, publish ELMO or SCORM compliant LMS 	 <ul style="list-style-type: none"> – Best practice eLearning content – Compliance sources updates, quality assurance, expert instructional design – Course editor – Accessible via the Internet, no programming skills required, access to ELMO royalty free image library, upload your own multimedia – Course features – Customer branding, multimedia enabled, touch screen optimised, modify content with the ELMO course editor – Assessment features – Automatic marking, multimedia enabled, touch screen optimised, modify Q&As with ELMO course editor

ELMO has forged deep and exclusive relationship with the industry peak bodies in Australia and New Zealand. This enhances the ability to ELMO to access potential customers , increases industry recognition and enables ELMO to work closely with industry stakeholders to enhance current solutions and develop new solutions to meet their evolving needs.



Industry partnerships

ELMO has forged deep and exclusive relationship with the industry peak bodies in Australia and New Zealand. This enhances the ability of ELMO to access potential customers, increases industry recognition and enables ELMO to work closely with industry stakeholders to enhance current solutions and develop new solutions to meet their evolving needs.



ELMO has worked in partnership with AHRI, Australia's peak HR industry association, since 2013. This relationship provides ELMO with unprecedented exposure to AHRI's 20,000+ HR industry members through a series of national networking forums, conferences, the annual HR Awards and the flagship AHRI National Convention and Exhibition. AHRI also provide members with access to ELMO's pre-built content library via their online portal and recently, has launched a HR Certification program designed to advance the HR profession within Australia.



ELMO has worked in partnership with HRINZ, New Zealand's peak HR industry association since 2015. 45% of the New Zealand HR Industry (just over 3000 individuals) are current HRINZ members and through this membership, can access education and information services, conferences and seminars and participate in the annual NZ HR Awards. ELMO's sponsorship of key events, and the provision of the ELMO solution via the HRINZ online portal offers exposure and brand awareness for our growing list of New Zealand clients.



RCSA is the peak association for the Australian and New Zealand recruitment industry with over 3000 corporate and individual members. Members can access education, research and business advisory support. ELMO has been in partnership with the RCSA since 2015, ELMO's sponsorship of key events and the provision of ELMO technology and content via the RCSA online portal offers exposure and brand awareness to potential clients working in the recruitment industry.

ELMO growth strategy

ELMO's growth strategy is based on five key levers:



Greater usage from existing customers

ELMO has a strong customer retention rate of 92.3% and aims to increase usage of its solutions amongst the Company's existing customer base and undertake cross-selling and upselling of additional modules to customers who are not yet subscribed to the full suite of ELMO's modules. Currently, ELMO offers customers seven talent management modules of which, on average, customers are subscribed to 2.29 modules (up from 2.22 as at June 2016). ELMO plans to support this growth strategy by undertaking further investment in its sales and marketing team and broadening its talent management software solutions offering in order to improve the inherent value of the platform to the existing customer base.



New customers in existing markets

There is a significant opportunity to further penetrate existing markets with continuation of strong sales momentum. Additional potential may be capitalised upon through an increasing number of mid market firms adopting cloud-based talent management software. The result of this increased penetration into existing market is that:

- There are 166 new customers, including Techni Works customers, acquired during FY17
- A total customer base, including Techni Works, of 524 as at 30 June 2017.



Expand product line

ELMO adopts a continuous improvement approach to its SaaS, cloud-based offering by continuously investing in research and development with an expenditure of 15% of FY17 revenue to expand its product offering with new additional modules as well as to enhance the functionality of its existing platform. The significant investment in research and development is a key pillar of ELMO's strategy with 24% of staff focused in this area. For FY17 this resulted in over 37,000 man hours spent on R&D and \$2.5m total cash flow costs. As ELMO releases new products and platform enhancements, the Company expands its opportunities to further entrench the existing customer base through cross-sell and upsell initiatives and support new customer acquisition. The SaaS, cloud-based infrastructure of ELMO's platform is highly conducive to these opportunities and allows for new product modules to be easily sold and implemented with both new and existing customers.

The product development process is driven by collating feedback and product enhancement suggestions from a wide range of sources including ELMO's broad customer base and employees. There is continuous development and deployment of new features on existing modules with 128 enhancements in FY17.

ELMO has recently launched a module for HR administration functions (HR Core) to expand its market opportunity and address both categories of the HCM industry. Additional modules in ELMO's development pipeline includes Rewards and Recognition, Time and Attendance, Remuneration and Workforce Planning. ELMO aims to launch four new modules in the next two to three years.





Growth through acquisitions

The HCM industry is a highly fragmented market with many small vendors of HCM solutions. As a result of being in operation since 2002, ELMO has increasingly become familiar with the various providers of HCM solutions across the ANZ market and believes that there is an opportunity to gain additional market share through targeted acquisitions of smaller HR technology companies who provide single HCM point solutions within the industry. Similar to ELMO's recent acquisition of Techni Works, incorporating complementary HR technology businesses into ELMO's business provides opportunity to leverage operational efficiencies through ELMO's existing infrastructure and explore potential upsell and cross-sell opportunities.

Case study: Acquisition of Techni Works

Acquisition summary

In October 2016, ELMO completed the acquisition of Techni Works for a total maximum consideration of \$2.6 million, inclusive of conditional earnout payments.

Techni Works

Techni Works is an Australian-based online learning solutions company specialising in the provision of off-the-shelf and custom-built eLearning courses developed specifically for the Australian work environment. Since being established in 1999, Techni Works had developed an eLearning course content library and grown to a customer base of 83 organisations which operate across all levels of government (Commonwealth, State and Local) and tertiary educational institutions.

Rationale

The strategic rationale underpinning the acquisition of Techni Works included:

- EBITDA margin expansion from synergy cost savings as a result of reduction in operational costs;
- low integration risk and ability to extract significant operational efficiencies from leveraging ELMO's existing infrastructure;
- increasing market share with an enlarged customer base of 82 additional customers. This allows ELMO account managers to leverage existing customer relationships to establish new contracts from upselling and cross-selling of ELMO's full suite of talent management software solutions; and
- expanding ELMO's learning module platform with the addition of Techni Works' 46 eLearning courses.



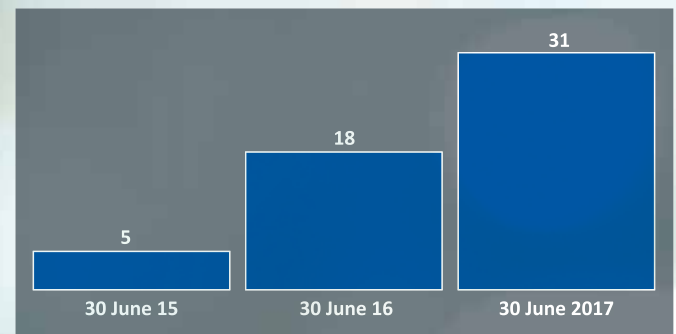
Geographic expansion

ELMO's platform has been built and designed on a globally scalable infrastructure and has a multi-lingual and multi-jurisdictional compatible eLearning course library. Although there is significant opportunity to grow within Australia, ELMO also believes there is currently an attractive market opportunity for HCM solutions in New Zealand. ELMO also aims to eventually build its presence outside of the Australian and New Zealand markets to leverage the Company's technology capability and capital light expansion model.

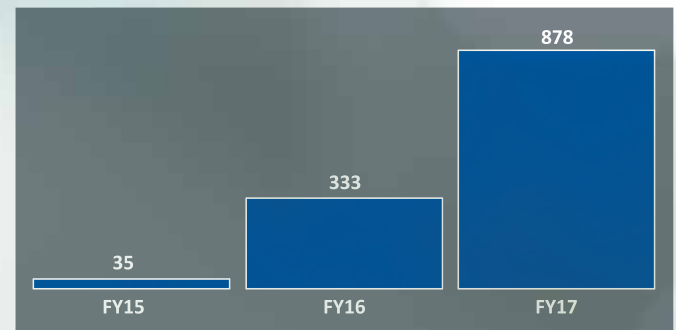
Case study: New Zealand Expansion

ELMO began operations in New Zealand during November 2014 with an initial customer base of five organisations and revenues of approximately \$35,000 in FY15. Since then, ELMO's New Zealand operations have expanded to a customer base of 31 organisations across the government, finance, retail, agricultural, utilities and professional services industries which contributed revenue of approximately \$878,000 during FY17.

NEW ZEALAND CUSTOMER BASE GROWTH



NEW ZEALAND REVENUE GROWTH (\$000's)





Integrated Human Capital Management (HCM) software providing 'hire to retire' software solutions across 7 modules.

Business model

ELMO is one of Australia and New Zealand's leading providers of integrated talent management software solutions

ELMO's SaaS, cloud-based platform provides organisations with a centralised approach to managing an employee's lifecycle from 'hire to retire'



Integrated Human Capital Management (HCM) software providing 'hire to retire' software solutions across 7 modules



Primarily targets mid-market organisations (100 – 1,000 employees)



Scalable SaaS, cloud-based platform, multi tenant infrastructure, single source code



Customer base of 524 organisations and deployed across 13 different industries¹



Platform, technology, software solutions and learning content is developed and maintained in-house by ELMO's Australian based team



Over 400 eLearning course content library covering a broad range of topics which has been developed for over 15 years

1. As at 30 June 2017 includes construction and mining, education, finance, government, healthcare and pharmaceuticals, hospitality, industrials, IT, telecommunications and media, not-for-profit organisations, professional services, property, retail and transport.

Business model

Target mid-market organisations

ELMO's talent management software solutions and business model have been primarily built to address the HCM requirements of mid-market organisations. Currently, many SaaS HCM providers that offer a unified talent management solution target large enterprise and government organisations (over 1,000 employees). The talent management solutions offered by these providers are typically costly to implement, require significant time investment and involve complex integration processes making such solutions unsuited in addressing the HCM requirements of mid-market organisations. As a result, mid-market organisations have limited HCM solution options and many existing solution providers only address a single vertical of the various HR functions. As a result, ELMO believes this has created a large underserved market, which is growing as HR managers in mid-market organisations are increasingly recognising the strategic importance of talent management. ELMO believes mid-market organisations require more flexible and cost effective talent management software solutions that can be delivered on shorter sales cycles, with simpler implementation processes than those currently provided by HCM solution providers who are typically focused on larger enterprises.

Multi-jurisdictional and industry agnostic

ELMO's talent management software solutions have been designed to be scalable on an international basis with its multi-jurisdictional and industry agnostic platform. ELMO currently provides talent management software solutions to customers based principally in Australia, New Zealand and Singapore, however, the platform can be translated into nearly any language and is multi-jurisdiction compatible.

ELMO currently deploys its talent management software solutions across 13 different industries¹:

INDUSTRIES ELMO'S TALENT MANAGEMENT SOFTWARE SOLUTIONS ARE DEPLOYED IN		
✓ Construction and mining	✓ Hospitality	✓ Professional services
✓ Education	✓ Industrials	✓ Property
✓ Finance	✓ Information Technology telecommunications and media	✓ Retail
✓ Government	✓ Logistics	
✓ Healthcare and pharmaceuticals	✓ Not for profit	

Revenue generation

ELMO generated 93% of its FY17 pro forma revenue from subscription-based fees for its talent management software solutions. Typically, customers enter into three year contracts with ELMO for access to its solutions. It is customary for ELMO to be paid annually in advance by the customer, with revenue recognised evenly over the twelve months of the contract. The amount of the annual fee is dependent on the number of modules subscribed for by the customer and the number of users on the platform.

In addition to subscription-based fees, ELMO also generates revenue from charging professional service fees for providing non-standard implementation, configuration, training and integration services as well as other revenue including government grants.

1. As at 30 June 2017 includes construction and mining, education, finance, government, healthcare and pharmaceuticals, hospitality, industrials, IT, telecommunications and media, not-for-profit organisations, professional services, property, retail and transport.

A summary of ELMO’s revenue model is provided below.

ELMO’S REVENUE MODEL

Customer	% of FY17 statutory revenue	Revenue model	Revenue recognition policy	Description
Recurring revenue	~93%	SaaS subscription fee	– ELMO’s recurring revenue is recognised evenly on a monthly basis. The balance of the revenue received in advance is categorised as a liability (known as deferred income).	<ul style="list-style-type: none"> – ELMO typically receives an annual fee, payable in advance over the term of the contract – Amount of fee varies depending on the number of modules subscribed for and the number of users on the platform – Customers are invoiced on an annual basis throughout the term of the contract
Professional services fees	~7%	Consultation or integration fees	– ELMO’s professional service fees are recognised as revenue once delivery of the required services is completed	<ul style="list-style-type: none"> – ELMO receives a professional service fee associated with providing implementation, configuration and integration services as well as other services – Fees are typically invoiced during the first year of the contract – Amount of fee varies depending on the level of service provided and complexity of the process

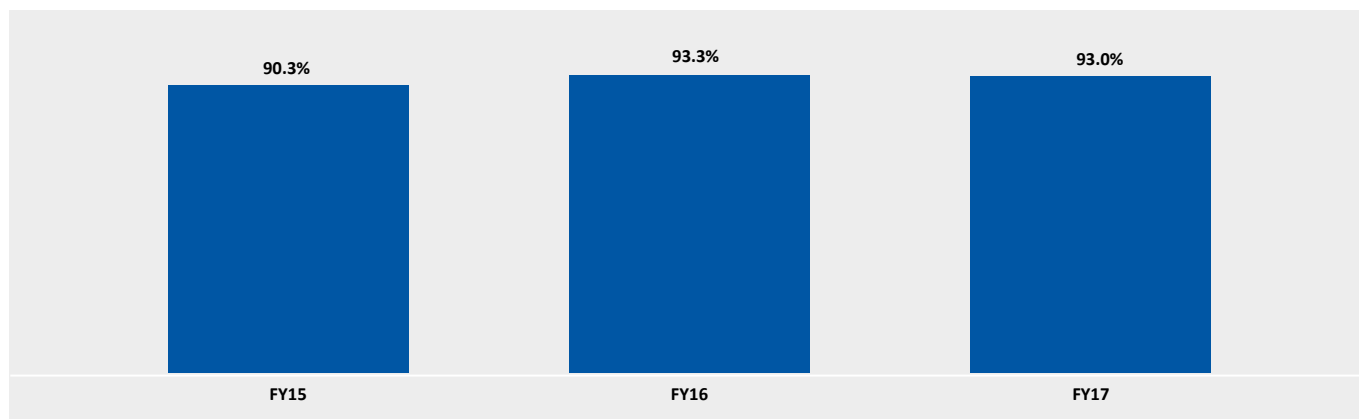
Attractive cash flow profile

ELMO’s attractive financial and cash flow profile is supported by the high recurring revenue, strong customer retention rates and favourable payment terms as a result of the Company’s SaaS-based revenue model with long term contracts paid annually in advance, as explained below:

- **high recurring revenues:** ELMO has a high proportion of revenue that is classified as recurring in nature (recurring revenue) as shown below, which is a result of the subscription based revenue model.

From FY15 to FY17, ELMO has consistently achieved more than 90% in recurring subscription revenue. In FY17, 93.0% of ELMO’s pro forma revenue was recurring in nature reflecting the SaaS business model and the Company’s focus on subscription revenue.

ELMO’S RECURRING REVENUE AS A PERCENTAGE OF TOTAL PRO FORMA REVENUE



Operating and financial review

Financial Performance

A\$ ('000) June year end	Pro Forma Historical		Pro forma forecast	Proforma FY17	
	FY16	FY17	FY17F	vs Pro Forma FY16	vs Forecast FY17
SaaS revenue	12,588	15,735	15,706	25.00%	0.18%
Other Income	901	1,240	652	37.66%	90.23%
Total Revenue	13,489	16,975	16,358	25.84%	3.77%
Cost of Sales	(1,242)	(1,689)	(1,593)	35.98%	6.01%
Gross Profit	12,247	15,286	14,765	24.82%	3.53%
Sales and Marketing	(4,435)	(6,397)	(6,462)	44.23%	-1.01%
Research and Development	(437)	(338)	(435)	-22.66%	-22.31%
General and Administration	(5,808)	(7,328)	(7,007)	26.17%	4.58%
Total Operating Expenses	(10,680)	(14,063)	(13,904)	31.68%	1.14%
EBITDA	1,567	1,223	861	-21.94%	42.07%
EBITDA Margin	11.62%	7.21%	5.26%		

Financial metrics	Pro Forma Historical		Pro forma forecast
	FY16	FY17	FY17F
Pro forma Cash Receipts	15,704	19,039	19,035
Pro Forma Cash Receipts as a % of proforma revenue	116.4%	112.2%	116.4%
SaaS revenue Growth	40.4%	25.0%	24.8%
SaaS revenue Growth (excl Techniworks)	50%	31%	31%
Recurring Revenue	93.0%	92.7%	96.0%
Revenue Run Rate			
Pro forma Gross Margin	91.0%	90.1%	90.0%
S&M as % of revenue	33.0%	37.7%	40.0%
R&D as % of revenue (Total R&D Spend)	16.0%	15.1%	15.0%
G&A as % of revenue	43.0%	43.2%	43.0%

1. June 2017 SaaS revenue annualised.



Review of operations during the year

For the full year ended 30 June 2017, ELMO reported statutory revenue of \$16.6 million (FY2016: \$12.2 million). ELMO's statutory earnings before income tax, finance expenses, depreciation and amortisation (excluding discontinued operations) was \$0.7 million (FY2016: \$1.7 million) and its statutory net loss after tax (including discontinued operations) was \$0.9 million (FY2016: profit \$0.1 million).

These statutory results include significant expenses relating to the ASX IPO listing. In the ASX listing prospectus, ELMO reported financial results and forecasts on a pro forma basis. Pro forma adjustments reflect the impact of the acquisition of Techni Works, the RTO discontinued operations, IPO offer costs, standalone public company costs and other non-recurring items. For the full year ended 30 June 2017, ELMO's pro forma revenue was \$17.0 million (FY2016: \$13.5 million), which is 3.77% ahead of Prospectus forecast of \$16.4 million. ELMO's pro forma earnings before income tax, finance expenses, depreciation and amortisation was \$1.2 million (FY2016: \$1.6 million), which is 42% ahead of Prospectus forecast of \$0.9 million. ELMO's pro forma net loss after tax was \$0.1 million (FY2016: net profit after tax of \$0.2 million).

The growth in revenue during the period was being driven by:

- Expansion of ELMO's customer base to 524 organisations (including Techni Works customers);
- Increased investment into ELMO's sales and marketing team;
- Enhanced brand awareness and reputation of ELMO and its product offering;
- Increased traction in new modules, resulting in more cross-sell and upsell opportunities amongst ELMO's customer base;
- Continued expansion of ELMO's operations in New Zealand; and
- Strong recurring revenues of 93% and high revenue dollar retention rates of 113%.

For the full year ended 30 June 2017, ELMO reported statutory operating expenses (excluding discontinued operations) of \$16.8 million (2016: \$10.8 million) and adjusting for the impact of the acquisition of Techni Works, one-off IPO costs, standalone public company costs and non-recurring items the total pro forma operating expenses were \$14.1 million (FY2016: \$10.7 million). The key driver for the increase in operating expenses was ELMO's continued investment in future growth. There was increased investment into:

- ELMO's sales and marketing, which reported expenses of \$6.4 million (statutory and pro forma), reflecting a 44% increase compared to pro forma FY2016;
- ELMO actively seeks new business through a sophisticated marketing strategy with new lead generation from various marketing activities both digital and non-digital resulting in the following during FY17:
 - 17 email marketing campaigns
 - 26 ELMO sponsored events
 - 15 ELMO hosted events; and
- An increase in general and administrative expenses for the period driven by an increase in employment costs to \$1.9 million (FY2016: \$1.1 million) due to ELMO's decision to strengthen its infrastructure to scale operations by recruiting middle and senior management.

ELMO's revenue growth was driven by new customer acquisition, increasing revenue per existing customer, enhanced brand awareness, traction of new modules and momentum in New Zealand.



Risk management



The Group's operations and financial results are subject to a number of risks. Some of these risks are not directly under ELMO's control. The key risks affecting ELMO, and the steps taken to mitigate these risks are described below.

Failure to retain existing customers and attract new customers

The success of ELMO's business relies on its ability to attract new customers and to retain and increase revenue from existing customers.

ELMO's customers have no obligation to renew their service offering when their contract term ends and ELMO cannot guarantee that all or any of its customers will renew their current service offering after the completion of their contract term. ELMO also cannot guarantee that it will successfully increase revenue from its existing customers through the ability to cross-sell other modules to the same customers.

If customers do not continue to use ELMO's platform and do not increase their usage over time, and if new customers do not choose to use ELMO's platform, the growth in ELMO's revenue may slow, or decline, which will have an adverse impact on ELMO's operating and financial performance.

Ability to attract and retain key personnel

A perceived critical component of the success of the Company is the ongoing retention of key personnel, specifically, founder and CEO, Danny Lessem, and members of the senior management and product research and development teams.

There is a risk ELMO may not be able to attract and retain key personnel or be able to find effective replacements for those key personnel in a timely manner. The loss of such personnel, or any delay in their replacement, could have a significant negative impact on management's ability to operate the business and achieve financial performance targets and strategic growth objectives.

Reliance on ELMO's talent management software solutions and failure to adequately maintain and develop it

ELMO's business model depends on ELMO's ability to continue to ensure that ELMO's customers are satisfied with the functionality of ELMO's talent management software solutions. The market for talent management software solutions is subject to evolving industry standards, changing regulations as well as ever changing customer needs, requirements and preferences. ELMO's success will depend on its ability to adapt and respond effectively to these changes on a timely basis. There is a risk that ELMO may fail to maintain its software platform adequately or that future updates may introduce errors and performance issues causing customer satisfaction to fall. Any of these factors may result in reduced sales and usage of ELMO's solutions, loss of customers, damage to ELMO's reputation and an inability to attract new customers.

Reliance on up-take of SaaS-based talent management software solutions

ELMO's future revenue and growth depends on the increasing adoption of SaaS-based talent management software solutions. It may be difficult for ELMO to persuade potential customers to change their existing legacy on premise, manual paper-based or point solution and adopt SaaS-based talent management solutions like ELMO's. If ELMO's solutions are not accepted and used by more mid-market organisations or if the market for talent management solutions fails to grow as expected, ELMO's platform could be adversely affected and revenue growth may slow, which could negatively impact ELMO's operating and financial performance.

Failure to effectively manage growth

ELMO has experienced a period of considerable growth in both revenue, employee numbers and customer base. Based on ELMO's projections, ELMO expects further growth in the future which could place significant strain on the current management, operational and finance resources as well as the infrastructure supporting ELMO's platform. Failure to appropriately manage growth could result in failure to retain existing customers and a failure to attract new customers which could adversely affect ELMO's operating and financial performance.



Failure to realise benefits from product research and development

Developing software and technology is expensive and often involves an extended period of time to achieve a return on investment. ELMO believes that it must continue to dedicate resources to ELMO’s innovation efforts to develop ELMO’s software and technology product offering and maintain the Company’s competitive position.

ELMO may not however, receive benefits from these investments for several years or may not receive benefits from these investments at all. There is a risk that ELMO may fail to realise benefits from its innovation and product development related costs

Disruption or failure of technology and software systems

ELMO and its customers are dependent on the performance, reliability and availability of ELMO’s platform, data centres and communications systems (including servers, the internet, hosting services and the cloud environment in which ELMO provides its solutions).

Any disruption or failure of ELMO’s technology and software systems could potentially lead to a loss of customers, legal claims by customers, and an inability to attract new customers, any of which could adversely impact ELMO’s operating and financial performance.

Loss or theft of data and failure of data security systems

ELMO’s products involve the storage of customers’ confidential and proprietary information including information regarding their employees. ELMO’s business could be materially impacted by security breaches of customer data either by unauthorised access, theft, destruction, loss of information or misappropriation or release of confidential customer data. There is a risk that any measures taken may not be sufficient to prevent or detect unauthorised access to, or disclosure of, such confidential or proprietary information, and any of these events may cause significant disruption to ELMO’s business and operations. This may also expose ELMO to reputational damage, regulatory scrutiny and fines, any of which could materially impact ELMO’s operating and financial performance.

Success of sales and marketing strategy

ELMO’s future success is partly dependent on the realisation of benefits from investment spent on sales and marketing campaigns and initiatives. Failure to realise intended benefits from sales and marketing investment could negatively impact ELMO’s ability to attract new customers and adversely impact ELMO’s operating and financial performance.

Revenue recognised throughout term of customer contracts

ELMO invoices customers annually in advance and recognises revenue monthly on a pro-rated basis throughout the term of the contract. As a result, most of the revenue realised in any given period relates to agreements entered into during previous periods. Consequently, a shortfall in demand for ELMO’s solutions or losses in the existing customer base may not be reflected in the revenue results of that period but are likely to negatively impact revenue in subsequent periods. Accordingly, the effect of a shortfall in revenue from ELMO’s platform may not be fully reflected in the financial performance until future periods.

Other key risks

The above risks are a summary of some of the key risks, but not an exhaustive list of all of the risks associated with the Company or an investment in the Shares. Investors are recommended to carefully review all risks included in Section 5 of the Prospectus before making an investment decision.

Environment, social and governance

ELMO is focussed in building an organisation that supports its people, fosters innovation, and aims for sustainable growth.

ELMONians

As a growing organisation across Australia and New Zealand, ELMO has offices in Sydney, Melbourne, Perth and Auckland. ELMO values our ELMONians diversity and believes that a range of cultures, beliefs and ethnicities brings a variety of ideas, thoughts, perspectives and experiences that create an innovative and productive work environment.

Corporate Social Responsibility

ELMO is committed to being actively involved in worthy causes within the community where it is located. At ELMO we have established our corporate social responsibility (CSR) policy to support this activity and communicates our commitment, financial assistance, community support and corporate sponsorship in the community. Our CSR aims to support our people in an initiative that they care about, the Australian community, all while contributing to Australian economic development.

This year ELMO Talent supported:

- Randwick Children’s Hospital
- Vinnies CEO Sleepout
- Cancer Councils Biggest Morning Tea
- RSPCA Million Paws Walk
- RUOK Day morning tea.

ELMONian Wellbeing

ELMO cares aims to promote the safety and wellbeing of our ELMONians. We encourage our ELMONians to practice safe work practices and communicate suggestions and improvements to the business. We provide support and opportunities that encourage ELMONians to look after their health and fosters relationship inside and outside of the work environment. We conduct an annual employee engagement and welfare survey, with routine pulse surveys to identify needs, feelings and “mood” of our ELMONians and our workplace. Results of the survey are explored, and small ELMONian work groups are established to guide the business in what initiatives would be welcome and to then champion initiatives launched to the business.

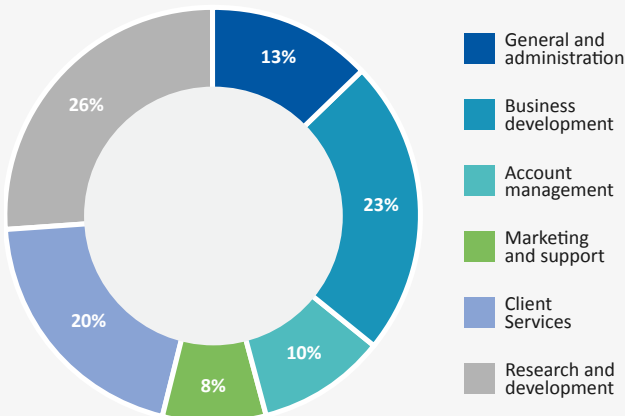
Our Employee Assistance Program (EAP) offers free short-term counselling designed to help ELMONians prevent or resolve personal, family and workplace problems affecting their well-being and job performance.

Toastmasters

ELMO Sydney Toastmasters Club commenced in May 2017. Toastmasters helps to build communication and leadership amongst employees in a collaborative and supportive environment. We encourage ELMONians to listen and answer, to plan and lead, to give feedback and to accept it. Toastmasters empowers ELMONians to become more effective communicators and leaders. We plan to expand the ELMO Toastmasters to other states in the future.

ELMO competed against six other clubs in our first Area contest, and won both heats. What a great start to our Toastmaster journey.

ELMONians by function (% as at 30 June 2017)



Professional Development

ELMO is dedicated to the sustained growth of the business through leadership and management. We work with our management team and determine areas of interest and enhancement to conduct in house training twice a year. To guide, build, motivate and cohere our teams we run conferences unique to each team needs, direction, and objectives.

The individual ELMOnian desire to grow and learn is fostered through professional development that supports their own growth and that of the business.

We explore training and professional development opportunities each year to assist the business and our ELMOnians grow, some of these that we have participated in this year:

- AHRI National Convention and State Conferences
- National and State HR Summits
- HR Tech Summit and HR Tech Fest
- HR Leaders' Summit

- Reimagine HR
- Local Government HR Conference
- Not-for-profit People Conference
- Women in Leadership
- TEDx
- Google Cloud Summit
- Toastmasters
- Sales and product training

Environment

ELMO as it is growing is looking at opportunities to improve our operations and environmental footprint. ELMO when considering the long term sustainable growth of the business looks to move its operations to work environments that has an up to date Building Energy Efficiency Certificate, and NABERS rating. ELMO relocated its Melbourne office this year to a office environment of 3.5 NABERS rating. The intention in the coming year is to consolidate the Sydney Head Office into a central location with a minimum of 3.5 NABERS rating.

Policy Update

ELMO in this past year has taken considerable effort in establishing a Quality Management System, and developed policies that support business activity and enable the business to operate in a safe yet agile manner.

Corporate Governance

ELMO takes a deliberate and focussed approach to corporate governance and our compliance with the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council is described in our Corporate Governance Statement, which is available from our website <http://investors.elmotalent.com.au/Investors/?page=Corporate-Governance>

ELMO is focussed on building an organisation that supports its people, fosters innovation, and aims for sustainable growth.



Board of Directors



James (Jim) McKerie

Chairman and Independent Non-executive Director

Mr Jim McKerie is the Chairman and an independent Non-executive Director of ELMO. He has over 30 years of experience across digital, media, technology, energy and professional services industries.

Jim is currently the Chairman of Manalto Limited, Lithium Consolidated Minerals Exploration Limited and Bambu Digital. Jim previously served as the Chairman of Drillsearch Energy prior to it being acquired by Beach Energy (BPT.ASX), where he currently serves as an independent Non-executive Director. In addition, Jim has held senior roles as Partner in Charge at Deloitte Touche Tohmatsu, Managing Partner at KPMG, Chairman of onthehouse.com.au, Executive Chairman of Bullseye and Chairman of Acer Energy and Ambassador Energy.

Jim holds a Bachelor of Economics and a Diploma in Financial Management from the University of New England. He is a fellow of the Institute of Chartered Accountants, Australian Institute of Company Directors and Institute of Management Consultants.



Danny Lessem

CEO, Executive Director and Co-founder

Mr Danny Lessem is the CEO, Executive Director and co-founder of ELMO. Danny is responsible for leading the development and execution of the Company's long term strategy and delivering on growth objectives for the business. Danny also plays a key part in the day-to-day management of the Company's operations and has been critical to the success of ELMO, including the strategy underpinning the development of the Company's full suite of talent management software solutions.

Danny has extensive experience in the technology industry having led SaaS companies for over 15 years in senior roles, including Compu Technologies where he was the CEO and was responsible for overseeing the transition of the Company's primary business from a digital agency to an eLearning content provider.

Danny holds a Bachelor of Laws (LL.B.) and Bachelors of Arts and Law from the University of Witwatersrand, South Africa.



David Hancock

Independent Non-executive Director

Mr David Hancock is an independent Non-executive Director of ELMO. He has over 25 years experience in financial services and a variety of governance roles.

David is currently Chairman of Freedom Insurance Group Limited (FIG. ASX), Chairman of Finclear Pty Limited, an ASX general and clearing participant, Non-executive Director at Tower Insurance (TWR.ASX) and Non-executive Director and Chairman of the Audit and Risk Committee at Afterpay (AFY.ASX).

David was the Chief Executive Officer at Tower Insurance (TWR.ASX/NZX).

Prior to this, David has been an Executive General Manager at the Commonwealth Bank (CBA.ASX) and was Managing Director and Head of Asia/Australia/Japan Equities for JP Morgan.

David is a member of the Australian Institute of Company Directors (GAICD) and holds a Bachelor of Business from the Queensland University of Technology (QUT).

David lives in Sydney and is married and has two teenage sons.



Trevor Lonstein

CFO and Executive Director

Mr Trevor Lonstein is the CFO and Executive Director of ELMO and joined the Company in 2014. Trevor has over 15 years of experience in accounting and finance.

Trevor is responsible for all aspects of the accounting and finance function, from ensuring efficient, controlled and timely recording and reporting systems, to budgeting, forecasting, and cash flow analysis.

Prior to joining ELMO, Trevor owned and operated Adrite Digital Colour Printing and held senior roles as Senior IT Project Manager at Allens Arthur Robinson, Ships Financial Controller at Orient Cruise Lines – MV Marco Polo and a career of over eight years in auditing with Deloitte Touche Tohmatsu’s member firms in England and Australia.

Trevor holds a Bachelor of Commerce (BCom) in Accounting and Finance from the University of Cape Town in South Africa and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Key Management Team



Gordon Starkey, Samuel Sun, Trevor Lonstein, Danny Lessem, Monica Watt, Darryl Garber

Danny Lessem

CEO, Executive Director and Co-founder (See previous page)

Trevor Lonstein

CFO and Executive Director (See previous page)

Gordon Starkey

Chief Operating Officer

Mr Gordon Starkey is the Chief Operating Officer (COO) of ELMO and joined the Company in 2007. Gordon has extensive experience across enterprise SaaS solutions, including roles with responsibilities across general management, business development, product design, financial management and strategy.

Gordon is responsible for overseeing ELMO's business development, sales and marketing, product and client services. Gordon is essential to driving the strategic direction of the Company and managing partnership alignment with ELMO's customers.

Prior to joining ELMO as an eLearning/LMS Consultant, Gordon served in various teaching, consulting and research roles at Macquarie University.

Gordon holds a Bachelor of Business Administration (Hons) and a Bachelor of Psychology from Macquarie University.

Samuel Sun

Chief Technology Officer

Mr Samuel Sun is the Chief Technology Officer (CTO) of ELMO and joined the Company in 2010. Samuel has over 10 years of experience in software development roles.

As CTO at ELMO, Samuel is responsible for setting the overall direction for the organisation's software and technology, and manages the strategy, architecture, engineering, design, governance and information security functions of ELMO's solutions and platform.

Prior to joining ELMO as a Research and Technical Development Manager, Samuel was a Lead Developer at Scholani Education College and a Software Developer at IBM.

Samuel holds a Masters in Information Technology from the University of NSW and a Bachelor of Telecommunication Engineering from Tongji University, China.

Monica Watt

General Manager Human Resources

Mrs Monica Watt is General Manager Human Resources at ELMO. Monica has over 10 years of experience working across compliance and human resource roles.

Monica is responsible for optimising the business performance through innovation and people engagement and elevating team performance through innovative leadership. Monica has a broad range of experience in leading organisational transformations, driving large scale growth, talent acquisition, leadership development, and succession planning.

Prior to joining ELMO, Monica was previously Senior Compliance Manager at Open Colleges and Instructional Designer for SkillsDMC, Transpacific Industries and TAFE NSW. She is also currently appointed as Officer Commanding of 204 Army Cadet Unit, Timor Barracks, Dundas, and holds the rank of Captain (AAC) in the Australian Army Cadets.

Monica holds a Bachelor of Commerce, Human Resources

from Deakin University, a Graduate Diploma in Management from Australian Institute of Business, Graduate Certificate in Management from Charles Sturt University and is currently working towards an MBA in Human Resources from Charles Sturt University. In addition, Monica also has several TAFE NSW Qualifications, Diplomas and Certificates.

Darryl Garber

Head of Corporate Development and Strategy

Mr Darryl Garber is Head of Corporate Development and Strategy at ELMO and joined the Company in 2011. Darryl has over seven years of experience in sales, marketing, corporate finance and management.

Darryl is responsible for sourcing, evaluating and executing ELMO's growth strategy and initiatives, which involves financing activities, expansion opportunities, mergers and acquisition and go-to-market products.

Darryl holds a Graduate Diploma in Applied Finance from Kaplan University and an MBA (Dean's List) from Bond University.



ELMO Software Limited
Financial report for the year ended 30 June 2017

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Elmo Software Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors

The following persons were directors of Elmo Software Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

James David McKerlie (appointed on 5 June 2017)

Danny Isaac Lessem

David Charles Hancock (appointed on 5 June 2017)

Trevor Rael Lonstein (appointed on 6 March 2017)

Manuel Garber (resigned on 5 June 2017)

Dividends

No dividend was paid during the financial year ended 30 June 2017 (2016: \$nil).

Operating and financial review

Principal activities

ELMO is one of Australia and New Zealand's leading providers of Software-as-a-Service (SaaS), cloud-based talent management software solutions.

ELMO's talent management software solutions enable organisations to manage the lifecycle of an employee from hire to retire on a single integrated platform. The Company develops, sells and implements a range of modular software applications to efficiently manage human resource (HR) related processes including recruitment, onboarding, performance management, learning and development and succession planning. ELMO also provides HR Core, a software module which organisations use for people management and employee self-service. ELMO's solutions assist organisations to better address and adapt to the complexities of the Human Capital Management (HCM) industry while increasing their productivity and reducing costs.

Significant changes to the business

On 7 October 2016, the company acquired 100% of the ordinary shares of Techni Works Pty Ltd for a total consideration of \$2.1 million (see note 15). Techni Works is an Australian-based online learning solutions company specialising in the provision of off-the-shelf and custom-built eLearning courses developed specifically for the Australian work environment. The strategic rationale underpinning the acquisition of Techni Works included:

- EBITDA margin expansion from synergy cost savings;
- Low integration risk;
- Increased market share and enlarged customer base; and
- Expansion of ELMO's eLearning course library.

On 29 June 2017, ELMO commenced trading on the ASX after successfully completing an Initial Public Offer (IPO) of 12.5 million new shares to raise \$25.0 million. Proceeds raised from the IPO will provide funding to support ELMO's growth strategies through increased investment towards new product development and sales and marketing as well as exploring future acquisition opportunities. In addition, ELMO anticipates that the IPO will increase brand value and raise the profile of the company.

During the 2016 financial year, ELMO's management made the decision to discontinue its Registered Training Organisation (RTO) operations following a strategic decision to apply greater focus towards growing the Company's core offering, being the delivery of cloud-based talent management software solutions. ELMO's RTO operations ceased during the second half of the 2017 financial year.

Review of operations during the year

Certain financial information in the review of operations section below referencing Statutory Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") has been derived from the audited financial statements. The pro forma EBITDA, pro forma revenue and pro forma operating expenses are non-IFRS financial information and as such have not been audited in accordance with Australian Accounting Standards.

For the full year ended 30 June 2017, ELMO reported statutory revenue of \$16.6 million (FY2016: \$12.2 million). ELMO's statutory earnings before income tax, finance expenses, depreciation and amortisation (excluding discontinued operations) was \$0.7 million (FY2016: \$1.7 million) and its statutory net loss after tax (including discontinued operations) was \$0.9 million (FY2016: profit \$0.1 million).

These statutory results include significant expenses relating to the ASX IPO listing. In the ASX listing prospectus, ELMO reported financial results and forecasts on a pro forma basis. Pro forma adjustments reflect the impact of the acquisition of Techni Works, the RTO discontinued operations, IPO offer costs, standalone public company costs and other non-recurring items. For the full year ended 30 June 2017, ELMO's pro forma revenue was \$17.0 million (FY2016: \$13.5 million), which is 3.7% ahead of Prospectus forecast of \$16.4 million. ELMO's pro forma earnings before income tax, finance expenses, depreciation and amortisation was \$1.2 million (FY2016: \$1.6 million), which is 42% ahead of Prospectus forecast of \$0.9 million. ELMO's pro forma net loss after tax was \$0.1 million (FY2016: net profit after tax of \$0.2 million).

The growth in revenue during the period was being driven by:

- Expansion of ELMO’s customer base to 524 organisations (including Techni Works customers);
- Increased investment into ELMO’s sales and marketing team;
- Enhanced brand awareness and reputation of ELMO and its product offering;
- Increased traction in new modules, resulting in more cross-sell and upsell opportunities amongst ELMO’s customer base;
- Continued expansion of ELMO’s operations in New Zealand; and
- Strong recurring revenues of 93% and high revenue dollar retention rates of 113%.

For the full year ended 30 June 2017, ELMO reported statutory operating expenses (excluding discontinued operations) of \$16.8 million (2016: \$10.8 million) and adjusting for the impact of the acquisition of Techni Works, one-off IPO costs, standalone public company costs and non-recurring items the total pro forma operating expenses were \$14.1 million (FY2016: \$10.7 million). The key driver for the increase in operating expenses was ELMO’s continued investment in future growth. There was increased investment into:

- ELMO’s sales and marketing, which reported expenses of \$6.4 million (statutory and pro forma), reflecting a 45% increase compared to pro forma FY2016; and
- An increase in general and administrative expenses for the period driven by an increase in employment costs to \$1.9 million (FY2016: \$1.1 million) due to ELMO’s decision to strengthen its infrastructure to scale operations by recruiting middle and senior management.

A reconciliation between statutory EBITDA and pro forma EBITDA is provided below.

Reconciliation of EBITDA	Year Ended 30 June 2017 \$'000	Year Ended 30 June 2016 \$'000
Statutory EBITDA (excluding discontinued operations)	656	1,696
Add/(less) net effects of:		
Acquisition of Techni Works	275	1,234
One-off IPO costs	1,635	–
Additional listed company cost	(1,115)	(1,135)
Other non-recurring items	(229)	(229)
Pro forma EBITDA	1,222	1,566

Financial position

As at 30 June 2017, ELMO has no debt and a net cash balance of \$26.6 million. ELMO’s pro forma cash receipts for the full year ended 30 June 2017 was \$19 million, representing 112.2% of pro forma revenue for the period. The consolidated entity’s strong cash position is due to the following factors:

- *IPO*: The listing of ELMO in June 2017 resulted in an injection of \$25 million cash (less IPO costs).
- *Favourable payment terms resulting in positive cashflow*: ELMO operates its business under a SaaS-based revenue model whereby customers typically enter into three year contracts and pay annual license fees in advance.

The consolidated entity’s working capital, being current assets less current liabilities was a positive position of \$17.3 million (2016: net current liabilities of \$2.8 million).

As a result of the above, the Directors believe the consolidated entity is in a strong and stable position to expand and grow its current operations.

Business growth strategy and likely developments

– Greater usage from existing customers

ELMO aims to increase usage of its solutions amongst the existing customer base by encouraging customers to subscribe to additional modules. ELMO plans to support this via further investment into sales and marketing and broadening its talent management software offering.

– Increasing market penetration in Australia and New Zealand

ELMO plans to accelerate its market penetration across Australia and New Zealand by increasing investment into its sales and marketing capabilities and initiatives to drive new customer wins.

– Expand product offering

ELMO recently launched its succession and HR administration module (HR Core) to expand its solutions offering and aims to launch two new modules within the next two years.

– Acquisitions

ELMO believes that there is an opportunity to gain additional market share and/or acquire complementary technology through targeted acquisitions of other HR management software companies.

– Geographic expansion

ELMO’s platform has been designed and built on a globally scalable infrastructure which offers a multi-lingual and multi-jurisdictional compatible eLearning course library. This provides ELMO with opportunities to potentially expand into other overseas geographic regions.

Directors' report

Matters subsequent to the end of the financial year

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	James (Jim) McKerlie
Title:	Chairman and Independent Non-Executive Director
Qualifications:	Bachelor of Economics (B.Ec) and a Diploma in Financial Management from the University of New England. He is a fellow of the Institute of Chartered Accountants, Australian Institute of Company Directors and Institute of Management Consultants.
Experience and expertise:	Jim has over 30 years of experience across digital, media, technology, energy and professional services industries. Jim has held senior roles as Partner in Charge at Deloitte Touche Tohmatsu, Managing Partner at KPMG, Chairman of onthehouse.com.au, Executive Chairman of Bullseye and Chairman of Acer Energy and Ambassador Energy.
Other current directorships:	Chairman of Manalto Limited, Lithium Consolidated Minerals Exploration Limited and Bambu Digital. Independent Non-Executive Director of Beach Energy
Former directorships (last 3 years):	Chairman of Drillsearch Energy prior to it being acquired by Beach Energy (BPT.ASX)
Special responsibilities:	Chairman of the Nomination and Remuneration Committee and Member of the Audit and Risk Management Committee
Interests in shares:	50,000 fully paid ordinary Shares
Interests in options:	None
Contractual rights to shares:	None

Name:	Danny Lessem
Title:	Executive Director and Chief Executive Officer
Qualifications:	Bachelor of Laws (LL.B) and Bachelor of Arts and Law from the University of Witwatersrand, South Africa
Experience and expertise:	<p>Danny is responsible for leading the development and execution of the Company's long term strategy and delivering on growth objectives for the business. Danny also plays a key part in the day-to-day management of the Company's operations and has been critical to the success of ELMO, including the strategy underpinning the development of the Company's full suite of talent management software solutions.</p> <p>Danny has extensive experience in the technology industry having led SaaS companies for over 15 years in senior roles, including Compu Technologies where he was the CEO and was responsible for overseeing the transition of the Company's primary business from a digital agency to an eLearning content provider.</p>
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Management Committee
Interests in shares:	11,989,816 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

Name:	David Hancock
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Business from the Queensland University of Technology (QUT) and a member of the Australian Institute of Company Directors (GAICD)
Experience and expertise:	David has over 25 years' experience in financial services and a variety of governance roles. David has been an Executive General Manager at the Commonwealth Bank (CBA:ASX) and was Managing Director and Head of Asia/Australia/Japan Equities for JP Morgan.
Other current directorships:	Chairman of Freedom Insurance Group Limited (FIG.ASX), Chairman of Finclear Pty Limited, an ASX general and clearing participant, Non-executive Director at Tower Insurance (TWR.ASX) and Non-Executive Director and Chairman of the Audit and Risk Committee at Afterpay (AFY.ASX).
Former directorships (last 3 years):	Chief Executive Officer at Tower Insurance (TWR.ASX/NZX)
Special responsibilities:	Member of the Nomination and Remuneration Committee and the Chairman of Audit and Risk Management Committee
Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None

Name:	Trevor Lonstein
Title:	Executive Director and Chief Financial Officer
Qualifications:	Bachelor of Commerce (B.Com) in Accounting and Finance from University of Cape Town, South Africa and is a Fellow of the Institute of Chartered Accountants in England and Wales.
Experience and expertise:	Trevor is responsible for all aspects of the accounting and finance function, from ensuring efficient, controlled and timely recording and reporting systems, to budgeting, forecasting, and cash flow analysis. Prior to joining ELMO, Trevor owned and operated Adrite Digital Colour Printing and held senior roles as Senior IT Project Manager at Allens Arthur Robinson, Ships Financial Controller at Orient Cruise Lines – MV Marco Polo and a career of over eight years in auditing with Deloitte Touche Tohmatsu's member firms in England and Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee
Interests in shares:	420,695 ordinary shares
Interests in options:	None
Contractual rights to shares:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

Anna Sandham has held the role of Company Secretary since 1 May 2017. Anna is an experienced company secretary and governance professional with over 20 years' experience in various large and small, public and private, listed and unlisted companies. Anna has previously worked for companies including AMP Financial Services, Westpac Banking Corporation, BT Financial Group and NRMA Limited. Anna holds a Bachelor of Economics (University of Sydney) and a Graduate Diploma of Applied Corporate Governance (Governance Institute of Australia) and is a Chartered Secretary and a Fellow of the Governance Institute of Australia.

Directors' report

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Attended	Held
James McKerlie	1	1
Danny Lessem	2	2
David Hancock	1	1
Trevor Lonstein	1	1
Manuel Garber	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The Nomination and Remuneration Committee and the Audit Committee were formed upon listing and no meetings held prior to the year ended 30 June 2017.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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

- Principles used to determine the nature and amount of remuneration
- Employee incentive arrangements
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage/alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- achieving entity forecasts as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of growth in share price, delivering constant or increasing return on assets, dividends, when deemed appropriate, and as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive Directors remuneration

Each of the Non-executive Directors has entered into appointment letters with ELMO, confirming the terms of their appointment and their roles and responsibilities.

Under the Constitution, the Board decides the total amount paid to each Non-executive Director as remuneration for their services as a Director. However, under the ASX Listing Rules, the total amount of fees paid to all Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by the Company in general meeting.

This amount has been fixed by the Company at \$750,000 per annum (inclusive of superannuation). Any change to that aggregated annual sum needs to be approved by the Shareholders. The aggregate sum does not include any special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board.

Annual aggregate Non-executive Directors' fees currently agreed to be paid by the Company are \$250,000 per annum. Chairman and independent Non-executive Director, Jim McKerlie, will receive \$150,000 (inclusive of superannuation) per annum and independent Non-executive Director, David Hancock, will receive \$100,000 (inclusive of superannuation) per annum.

Directors may also be reimbursed for expenses properly incurred by the Directors in connection with the affairs of the Company including travel and other expenses in attending to the Company's affairs. The Directors' fees do not include a commission on, or a percentage of, profits or income.

If a Director renders or is called on to perform extra services or to make any special exertions in connection with the affairs of the Company, the Directors may arrange for special remuneration to be paid to that Director, either in addition to or in substitution for that Director's remuneration set out above.

There are no contractual redundancy or retirement benefit schemes for Non-executive Directors, other than statutory superannuation contributions.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework for the current year included:

- cash salary and fees
- sales commission and bonus where relevant to specified individuals
- superannuation

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

Fixed remuneration, consisting of base salary, fees and superannuation will be reviewed annually by the Nomination and Remuneration Committee based on individual and business performance, the overall performance of the consolidated entity and comparable market remunerations.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity during the financial year are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Elmo Software Limited:

- James McKerlie – Chairman and Independent Non-Executive Director
- Danny Lessem – Executive Director and Chief Executive Officer
- David Hancock – Independent Non-Executive Director
- Trevor Lonstein – Executive Director and Chief Financial Officer
- Manuel Garber – Executive Director (resigned 5 June 2017)

And the following persons:

- Gordon Starkey – Chief Operating Officer
- Xin Sun – Chief Technology Officer
- Monica Watt – General Manager – Human Resources
- Darryl Garber – Head of Corporate Development and Strategy

Directors' report

The table below provides remuneration for key management personnel for the 12 months ended 30 June 2017. Due to the company listing in June 2017 with no remuneration report required for the year ended 30 June 2016 no comparatives for the year ended 30 June 2016 have been disclosed.

2017	Short-term benefits			Post-employment benefits	Total \$
	Cash salary and fees \$	Sales commission \$	Cash bonus \$	Super-annuation \$	
<i>Non-Executive Directors:</i>					
James McKerlie (Chairman)	12,500	–	–	–	12,500
David Hancock	8,333	–	–	–	8,333
<i>Executive Directors:</i>					
Danny Lessem	500,000	–	–	–	500,000
Manuel Garber	272,500	–	–	–	272,500
Trevor Lonstein	76,923	–	30,000	7,308	114,231
<i>Other Key Management Personnel:</i>					
Trevor Lonstein	139,401	–	–	13,243	152,644
Gordon Starkey	220,899	158,208	45,662	38,151	462,920
Xin Sun	256,833	–	–	24,399	281,232
Monica Watt	150,685	–	–	14,315	165,000
Darryl Garber	74,063	–	–	6,997	81,060
	1,712,137	158,208	75,662	104,413	2,050,420

It should be noted that on 5 June 2017 the Non-Executive Directors, James McKerlie and David Hancock were only appointed as Directors of the Company and Manuel Garber resigned as an Executive Director, and the remuneration has thereby been disclosed as appropriate from/until this date.

Sales commission and bonus for the year ended 30 June 2017 were only recognized in the following cases:

- Gordon Starkey, Chief Operating Officer who has an agreed benefits package including a sales commission of 2% received on new business and a cash bonus based on revenue targets as agreed by the Board.
- Trevor Lonstein, Chief Financial Officer who received the bonus of \$30,000 upon the successful listing of the company. Trevor was appointed as Director on 6 March 2017, before which time he was a member of other key management personnel.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	As at 1 July 2016	Share subdivision ¹	Issued during the year	Post share split ²	Purchased during IPO	As at 30 June 2017
<i>Non-executive Directors</i>						
Jim McKerlie	–	–	–	–	50,000	50,000
David Hancock	–	–	–	–	–	–
<i>Executive Directors</i>						
Danny Lessem	12	285	–	11,989,816	–	11,989,816
Trevor Lonstein	–	–	10	420,695	–	420,695
Manuel Garber	12	285	–	– ³	–	–
<i>Other Key Management Personnel</i>						
Gordon Starkey	–	–	10	420,695	90,250	510,945
Xin Sun	–	–	10	420,695	5,000	425,695
Monica Watt	–	–	–	–	1,250	1,250
Darryl Garber	–	–	10	420,695	40,250	460,945

1. The Company undertook a share subdivision with a ratio of 23.75 for each of its ordinary shares.

2. The Company undertook a share split with a ratio of 42,069.53 for each of its ordinary shares.

3. No further disclosures have been made with regard to Manuel Garber as he resigned as director on 5 June 2017 prior to the IPO taking place.

Option holding

Nil options are held by directors or other members of key management personnel of the consolidated entity, including their personally related parties.

Voting and comments to be made at the company's Annual General Meeting ('AGM')

As the Company only converted to a public company in March and only listed on the ASX on 27 June 2017, no public AGM was held in the previous financial year. The 2017 AGM is expected to be held in November 2017 at which time shareholders will have the opportunity to vote on this remuneration report and provide feedback regarding its remuneration practices.

Issue of shares and options

No shares or options have been issued in the last financial year as a part of share-based compensation.

For the financial years ended 30 June 2017 and 30 June 2016 there was no link between Company performance and KMP remuneration with the exception of those individuals disclosed separately above. However, two of the executive members of the KMP (Danny Lessem the CEO and Trevor Lonstein the CFO) continue to hold a substantial shareholding thereby providing a significant alignment of interests with company performance. Each of these executive KMP have had their executive service agreements, particularly their base pay, amended to reflect their roles in the Group. For the year ended 30 June 2017, the earnings per share were -2.20 cents (2016: 0.21 cents). Shares in the company closed on 30 June 2017 at \$2.50.

Other transactions with key management personnel and their related parties

During the financial year, there were no other transactions with key management personnel and their related parties.

This concludes the section of the remuneration report which has been audited.

Directors' report

Expected changes to remuneration for key management personnel for the year ending 30 June 2018 (unaudited)

Service agreements

Following the listing of ELMO in June 2017 the remuneration and other terms of employment for the following directors are detailed as follows:

Name: Danny Lessem

Title: Executive Director and Chief Executive Officer

Details: Base salary for the year ending 30 June 2018 of \$500,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee with a 6 month termination notice by either party. It has been agreed with the Board that for FY18 Danny has elected with Board approval not to participate in any short term incentive plan or long term incentive program. Following this time the Nomination and Remuneration Committee will approve appropriate incentive arrangements under the new incentive schemes.

Name: Trevor Lonstein

Title: Executive Director and Chief Financial Officer

Details: Base salary for the year ending 30 June 2018 of \$300,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6 month termination notice by either party. Trevor will be eligible for a cash bonus to be determined by the Nomination and Remuneration Committee dependent on financial performance of the company and KPI achievement as agreed by the Board. Trevor is also eligible to participate in the long term incentive programs for the year ending 30 June 2018.

Name: Gordon Starkey

Title: Chief Operating Officer

Details: Base salary for the year ending 30 June 2018 of \$330,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 1 month termination notice by either party. Gordon will be eligible for short term and long term incentive benefits under the schemes listed below as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

Name: Xin Sun

Title: Chief Technology Officer

Details: Base salary for the year ending 30 June 2018 of \$300,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 30 day termination notice by either party. Xin will be eligible for short term and long term incentive benefits under the schemes listed below as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

Name: Monica Watt

Title: General Manager – Human Resources

Details: Base salary for the year ending 30 June 2018 of \$175,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 30 day termination notice by either party. Monica will be eligible for short term and long term incentive benefits under the schemes listed below as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

Name: Darryl Garber

Title: Head of Corporate Development and Strategy

Details: Base salary for the year ending 30 June 2018 of \$200,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 6 month termination notice by either party. Darryl will be eligible for short term and long term incentive benefits under the schemes listed below as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

ELMO has established a short term incentive plan and long term incentive program for the year ending 30 June 2018.

Short term incentive plan (STI Plan)

ELMO has established a short term incentive plan under which employees may be provided with a cash bonus for achievement against key performance metrics.

Participation in the STI Plan will be determined at the discretion of the Board. Key performance metrics will generally relate to conditions that are within the control of the employee, for example divisional profit targets, strategic measures or other such conditions as ELMO may decide. Subject to the discretion of the Board, the STI Plan has been structured based on the overall remuneration structure to be adopted by ELMO such that 60% of an employee's total package will consist of fixed pay and 40% as performance pay, with the performance pay component divided such that 60% will be based on short term performance and 40% of long term performance. The quantum of any reward will be determined by the Board.

Amounts to be paid to employees under the STI Plan will typically be paid after the release of full financial year audited results, and in accordance with the annual review process.

Long-term incentive program (LTI Program)

ELMO has established both a Senior Executive Equity Plan (SEEP) and a High Performer Equity Plan (HPEP) as part of its LTI Program.

Equity incentives under the SEEP or the HPEP may be granted to employees (or such other person that the Board determines is eligible to participate) in respect of FY18 and beyond. Offers will be made at the discretion of the Board. The terms of the incentives granted under these plans will be determined by the Board at grant and may therefore vary over time. ELMO will regularly assess the appropriateness of its incentive plans and may amend or replace, suspend or cease using either or both of the SEEP or HPEP if considered appropriate by the Board.

The Senior Executive Equity Plan (SEEP)

The SEEP is intended to align the interests of the senior executives with Shareholders. Awards under the SEEP will be structured as an option to receive Shares at a future date subject to the recipient paying the exercise price (SEEP Option). The rules of the SEEP will provide the Board with the flexibility to award restricted shares, performance rights and options, and to cash settle any award, at the discretion of the Board.

Grants under the SEEP are expected to be made annually and will be made to the senior executive team and such other executives as the Board may determine from time to time. Any grants will be made subject to the ASX Listing Rules, to the extent applicable.

Shares under option

There are nil unissued ordinary shares of Elmo Software Limited under option at the date of this report.

Shares issued on the exercise of options

There were nil ordinary shares of Elmo Software Limited issued during the year ended 30 June 2017 and up to the date of this report on the exercise of options.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Directors' report

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Deloitte Touche Tohmatsu

James McKerlie, Chairman and Non-Executive Director, is a former partner of Deloitte Touche Tohmatsu but not at a time when the audit firm undertook an audit of the company.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Danny Lessem
Director

30 August 2017
Sydney



Trevor Lonstein
Director

Auditor's independence declaration

Deloitte.

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Australia

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30 August 2017

The Board of Directors
Elmo Software Limited
Westfield Tower One
Level 25, Suite 2502
520 Oxford Street
Bondi Junction NSW 2022

Dear Board Members

Elmo Software Limited

I am pleased to provide the following declaration of independence to the directors of Elmo Software Limited.

As lead audit partner for the audit of the financial statements of Elmo Software Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner
Chartered Accountants

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
Revenue from rendering of services	3	16,564	12,179
Cost of sales		(1,679)	(1,190)
Gross profit		14,885	10,989
Interest income		31	49
Other income	4	125	22
Sales and marketing expenses	5	(6,397)	(4,434)
Research and development expenses		(338)	(437)
General and administrative expenses	5	(10,031)	(5,927)
(Loss)/profit before income tax benefit from continuing operations¹		(1,725)	262
Income tax benefit	6	978	275
(Loss)/profit after income tax benefit from continuing operations		(747)	537
Loss after income tax benefit from discontinued operations	7	(173)	(450)
(Loss)/profit after income tax benefit		(920)	87
Other comprehensive income for the year, net of tax		–	–
Total (comprehensive loss)/comprehensive income for the year attributable to the owners of Elmo Software Limited		(920)	87

		Cents	Cents
Earnings per share			
From continuing operations			
Basic earnings	33	(1.79)	1.34
Diluted earnings	33	(1.79)	1.34
Earnings per share			
From discontinued operations			
Basic earnings	33	(0.41)	(1.13)
Diluted earnings	33	(0.41)	(1.13)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

¹ Includes \$1.635m of IPO related costs as per Note 5 to the Financial Statements.

Statement of financial position

As at 30 June 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	26,601	3,017
Trade and other receivables	9	3,568	2,227
Income tax and R&D refundable	10	503	536
Other current assets	11	372	244
Total current assets		31,044	6,024
Non-current assets			
Deferred tax	18	99	–
Property, plant and equipment	12	506	385
Intangible assets and capitalised costs	13	5,971	2,951
Total non-current assets		6,576	3,336
Total assets		37,620	9,360
Liabilities			
Current liabilities			
Trade and other payables	14	3,014	1,446
Business combination liability	15	1,000	–
Employee benefits	16	654	454
Revenue received in advance	17	9,072	6,966
Total current liabilities		13,740	8,866
Non-current liabilities			
Deferred tax	18	–	408
Employee benefits	19	115	114
Total non-current liabilities		115	522
Total liabilities		13,855	9,388
Net assets/(liabilities)		23,765	(28)
Equity			
Issued capital	21	25,110	350
Accumulated losses	22	(1,298)	(378)
Reserves	24	(47)	–
Equity attributable to the owners of Elmo Software Limited		23,765	(28)
Total equity/(Total deficit)		23,765	(28)

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

Statement of changes in equity

For the year ended 30 June 2017

Consolidated	Issued capital \$'000	Foreign currency translation reserves \$'000	Accumulated losses \$'000	Total deficit \$'000
Balance at 1 July 2015	350	–	(465)	(115)
Profit after income tax benefit for the year	–	–	87	87
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	87	87
Balance at 30 June 2016	350	–	(378)	(28)

Consolidated	Issued capital \$'000	Foreign currency translation reserves \$'000	Retained profits \$'000	Total (deficit)/ equity \$'000
Balance at 1 July 2016	350	–	(378)	(28)
Loss after income tax benefit for the year	–	–	(920)	(920)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive loss for the year	–	–	(1,298)	(948)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares to the public on IPO (net of issue costs)	23,515	–	–	23,515
Issue of employees gift shares	45	–	–	45
Issue of F Class share capital	1,200	–	–	1,200
Reserves	–	(47)	–	(47)
Balance at 30 June 2017	25,110	(47)	(1,298)	23,765

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

Statement of cash flows

For the year ended 30 June 2017

	Note	Consolidated	
		2017 \$'000	2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		18,527	14,693
Payments to suppliers and employees (inclusive of GST)		(15,529)	(12,086)
		2,998	2,607
Interest and other finance costs paid		(21)	(23)
Income taxes refunded		578	705
Net cash from operating activities	32	3,555	3,289
Cash flows from investing activities			
Interest received		31	49
Payments for property, plant and equipment		(308)	(251)
Payments for intangibles		(2,764)	(2,259)
Advances to related party		–	(7)
Payment for purchase of Techni Works Group, net of cash acquired		(1,046)	–
Net cash used in investing activities		(4,087)	(2,468)
Cash flows from financing activities			
Proceeds from issue of shares		26,200	–
Share issue transaction costs		(2,084)	–
Dividends paid	23	–	–
Repayment of related party advances		–	(500)
Net cash from/(used in) financing activities		24,116	(500)
Net increase in cash and cash equivalents		23,584	321
Cash and cash equivalents at the beginning of the financial year		3,017	2,696
Cash and cash equivalents at the end of the financial year	8	26,601	3,017

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

Notes to the financial statements

30 June 2017

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Elmo Software Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Elmo Software Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Elmo Software Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Services revenue is predominantly from recurring revenues associated with the cloud-based Talent Management Software Solutions. The agreements with customers do not include general rights of return and do not provide customers with the right to take possession of the software supporting the services being provided. As such, revenue is recognized in equal monthly amounts over the life of the agreement, usually a 3 year term, when all of the following criteria are achieved:

- There is persuasive evidence of an agreement;
- The service has been provided to the customer;
- Collection of the fees is reasonably assured; and
- The amount of fees to be paid by the customer is fixed or determinable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants, including non-monetary grants at fair value, are only recognised when there is reasonable assurance that:

- a. all conditions attaching to the Government grant will be complied with;
- b. the value of the grant can be determined with reasonable certainty; and
- c. the grant will be received.

Government grants are recognised as revenue during the period, or periods in which the expenses for which the grants are intended to compensate are recognised.

If the Government grant cannot be determined with reasonable certainty, then the grant is recognised as revenue when it is received.

Cost of sales

Cost of sales includes wages, salaries and other expenses of employees who carry out implementation, training and support of software for customers. Cost of sales also includes third party hosting costs.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

The major impact on the income tax expense is the benefit obtained from the Research & Development Tax Incentive that is being received as a tax refund.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Notes to the financial statements

30 June 2017

Note 1. Significant accounting policies (continued)

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank.

Trade and other receivables

Trade receivables are initially recognised at cost being their carrying value which is a reasonable approximation of their fair value. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	3–10 years
Plant and equipment	3–7 years
Computer equipment	2–4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software development costs – Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably.

Software development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the 3 year useful life of the software.

Capitalised sales commission costs

Commission costs paid to employees as a remuneration for securing a new contract are amortised on a straight-line basis over the period of the contract (1–3 years).

Customer list

The acquired customer list is amortised over management's best estimate of its useful life over 7 years on a straight-line basis.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Notes to the financial statements

30 June 2017

Note 1. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of Elmo Software Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

Notes to the financial statements

30 June 2017

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on the fair value less costs to sell calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Capitalisation of Software Development costs

As discussed in Note 1 internally generated Software development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Revenue from rendering of services

Identification of reportable operating segments

The Group operates in one segment, based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessing performance and in determining the allocation of resources.

As a result, the operating segment information is disclosed in the statements and notes to the financial statements.

Geographical information

	Revenue from external customers		Geographical non-current assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Australia	16,396	12,097	6,439	3,330
New Zealand	–	–	32	–
Singapore	168	82	6	6
	16,564	12,179	6,477	3,336

The majority of the Group's revenue is generated from sales contracts with Australian, Singapore and New Zealand companies. The geographic split of this revenue across all companies is: a) Australia (93.3%, 2016: 96.3%); b) New Zealand (5.3%, 2016: 2.7%); c) Singapore (1.0%, 2016: 0.7%); and d) Other (0.4%, 2016: 0.3%).

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 4. Other income

	Consolidated	
	2017 \$'000	2016 \$'000
Government grants	72	–
Rent received from temporary sub-leasing of office	–	3
Other income	53	19
	125	22

Notes to the financial statements

30 June 2017

Note 5. Expenses

	Consolidated	
	2017 \$'000	2016 \$'000
(Loss)/profit before income tax benefit includes the following specific expenses:		
<i>Sales and marketing expenses</i>		
Advertising	1,142	1,453
Sales and marketing related – Wages, commissions and on-cost	4,354	2,138
Seminars and sponsorships	901	843
	6,397	4,434
<i>General and administrative expenses</i>		
Accounting and secretarial expenses	98	49
Amortisation expenses	2,225	1,392
Audit fees	142	36
Bad debt expenses	101	178
Bank charges	28	22
Bookkeeping expenses	19	84
Depreciation expenses	187	91
Directors' fees	835	772
Employment expenses	1,927	1,117
IPO-related costs	1,635	–
Rental expenses	553	428
Subcontractors	108	35
Subscriptions	235	130
Telephone and Internet expenses	205	105
Travelling expenses	734	694
Other expenses	999	794
	10,031	5,927

Note 6. Income tax benefit

	Consolidated	
	2017 \$'000	2016 \$'000
<i>Income tax benefit</i>		
Current tax	422	505
Deferred tax – origination and reversal of temporary differences	630	(37)
Aggregate income tax benefit	1,052	468
Income tax benefit is attributable to:		
Loss from continuing operations	978	275
Loss from discontinued operations	74	193
Aggregate income tax benefit	1,052	468
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets/(increase in deferred tax liabilities) (note 18)	630	(37)
Deferred tax – origination and reversal of temporary differences	630	(37)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
(Loss)/profit before income tax benefit from continuing operations	(1,725)	262
Loss before income tax benefit from discontinued operations	(247)	(643)
Loss before income tax benefit	(1,972)	(381)
Tax at the statutory tax rate of 30%	592	114
Tax effect amounts which are (not deductible)/taxable in calculating taxable income:		
Effect of expenses that are not deductible in determining taxable profit	(1,070)	(643)
Effect of tax concession (Research and Development Tax Incentives)	900	996
	422	467
Adjustment recognised for prior periods	–	38
Income tax benefit	1,052	468

Note 7. Discontinued operations

The Company completed the wind down of its Registered Training Organisation (RTO) division on 13 January 2017. The division has been disclosed as a discontinued operation.

Results of discontinued operations

	Consolidated	
	2017 \$'000	2016 \$'000
Revenue from rendering of services (2017: refund to customers)	(10)	423
Cost of sales	(101)	(354)
(Gross loss)/gross profit	(111)	69
Sales and marketing expenses	(35)	(489)
General and administrative expenses	(101)	(223)
Operating loss from discontinued operation	(247)	(643)
Income tax benefit	74	193
Loss after income tax benefit from discontinued operations	(173)	(450)

The loss after income tax benefit from the discontinued operation of \$173,193 (2016: loss of \$450,024) is attributable entirely to the owners of the Company.

Notes to the financial statements

30 June 2017

Note 8. Current assets – cash and cash equivalents

	Consolidated	
	2017 \$'000	2016 \$'000
Cash at bank	26,601	3,017

Note 9. Current assets – trade and other receivables

	Consolidated	
	2017 \$'000	2016 \$'000
Trade receivables	4,402	3,013
Allowance for doubtful debts	(914)	(851)
	3,488	2,162
Other receivables	80	65
	3,568	2,227

Impairment of receivables

The consolidated entity has recognised a loss of \$101,816 (2016: \$177,797) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2017 \$'000	2016 \$'000
0 to 3 months overdue	515	684
3 to 6 months overdue	399	167
	914	851

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

	Consolidated	
	2017 \$'000	2016 \$'000
Opening balance	851	14
Additional net provisions recognised	63	837
Closing balance	914	851

Note 10. Current assets – income tax and R&D refundable

	Consolidated	
	2017 \$'000	2016 \$'000
Income tax and R&D tax incentive refundable	503	536

The company expects the R&D tax incentive related to the financial year 2017 will be available to the company. Further, the company intends to submit the 2017 R&D tax incentive application and has recorded those amounts in the financial statements for the year ended 30 June 2017 although the company will lodge the R&D tax incentive application to the AusIndustry after 30 June 2017. An estimate of the 2017 R&D credits have been included as it is expected that the company will receive these in line with previous claims made with AusIndustry.

Note 11. Current assets – other

	Consolidated	
	2017 \$'000	2016 \$'000
Prepayments	259	179
Other debtors	113	65
	372	244

Note 12. Non-current assets – property, plant and equipment

	Consolidated	
	2017 \$'000	2016 \$'000
Plant and equipment – at cost	396	253
Less: Accumulated depreciation	(243)	(202)
	153	51
Computer equipment – at cost	606	536
Less: Accumulated depreciation	(436)	(321)
	170	215
Leasehold improvements – at cost	233	138
Less: Accumulated depreciation	(50)	(19)
	183	119
	506	385

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Plant and equipment \$'000	Computer equipment \$'000	Leasehold improvements \$'000	Total \$'000
Balance at 1 July 2015	62	118	45	225
Additions	10	159	82	251
Depreciation expense	(21)	(62)	(8)	(91)
Balance at 30 June 2016	51	215	119	385
Additions	143	70	95	308
Depreciation expense	(41)	(115)	(31)	(187)
Balance at 30 June 2017	153	170	183	506

Notes to the financial statements

30 June 2017

Note 13. Non-current assets – intangibles

	Consolidated	
	2017 \$'000	2016 \$'000
Software development costs	6,293	4,069
Less: Accumulated amortisation	(3,521)	(1,828)
	2,772	2,241
Capitalised sales commission costs	1,692	1,153
Less: Accumulated amortisation	(930)	(443)
	762	710
Customer list (acquired through business combinations)	410	–
Less: Accumulated amortisation	(44)	–
	366	–
Goodwill (acquired through business combinations)	2,071	–
	5,971	2,951

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Software development costs \$'000	Capitalised commission costs \$'000	Customer list \$'000	Goodwill \$'000	Total \$'000
Balance at 1 July 2015	1,677	407	–	–	2,084
Additions	1,663	596	–	–	2,259
Amortisation expense	(1,099)	(293)	–	–	(1,392)
Balance at 30 June 2016	2,241	710	–	–	2,951
Additions	2,225	539	–	–	2,764
Additions through business combinations (note 15)	–	–	410	2,071	2,481
Amortisation expense	(1,694)	(487)	(44)	–	(2,225)
Balance at 30 June 2017	2,772	762	366	2,071	5,971

Goodwill is acquired through the acquisition of Techni Works Pty Limited, please refer to Note 15 for further details.

An impairment loss, if any, is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is determined on a Fair Value Less Cost to Sell and as at 30 June 2017 there are no indicators to suggest that an impairment would occur.

Note 14. Current liabilities – trade and other payables

	Consolidated	
	2017 \$'000	2016 \$'000
Trade payables and accruals	2,390	614
Other payables	599	807
Loans from a related party	25	25
	3,014	1,446

Note 15. Business combinations

On 7 October 2016, Elmo Software Ltd acquired 100% of the ordinary shares of Techni Works Pty Ltd and its controlled subsidiary, Techni Works Action Learning Pty Ltd for the total consideration transferred of \$2,062,360.

Techni Works is an Australian eLearning company specialising in the provision of Australian focused cloud based eLearning courses. The strategic rationale underpinning the acquisition of Techni Works and resulting in goodwill on acquisition included:

- Margin expansion from synergy cost savings as a result of a significant reduction in operational costs;
- Low integration risk and ability to extract significant operational efficiencies from leveraging ELMO's existing infrastructure;
- Increasing market share with an enlarged customer base of 82 additional customer. This allows ELMO account managers to leverage existing Techni Works customer relationships to establish new contracts from upselling and cross-selling of ELMO's full suite of talent management software solutions; and
- Expanding ELMO's learning module platform with the addition of new eLearning courses.

Details of the acquisition are as follows:

	Fair value \$'000
Plant and equipment	22
Customer list intangible	410
Other assets	147
Deferred tax liability	(123)
Deferred revenue	(465)
Net identifiable liabilities acquired	(9)
Goodwill on acquisition	2,071
Acquisition-date fair value of the total consideration transferred	2,062

Of the total consideration, \$1,062,360 was paid in cash and \$1,000,000 is shown as a Business Combination liability within current liabilities.

The business combination liability is based on the directors' best estimate of Techni Works revenues during the contractual earn out period of one year from the acquisition date.

Note 16. Current liabilities – employee benefits

	Consolidated	
	2017 \$'000	2016 \$'000
Employee benefits	654	454

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement.

Note 17. Current liabilities – revenue received in advance

	Consolidated	
	2017 \$'000	2016 \$'000
Revenue received in advance	9,072	6,966

Notes to the financial statements

30 June 2017

Note 18. Non-current assets/liabilities – deferred tax

	As at 1 July 2016	Recognised in profit or loss (Note 6)	Acquired in business combinations (Note 15)	As at 30 June 2017
Share issue expenses	27	(7)	–	20
Provision for doubtful debts	58	77	–	135
Prepayments	9	(9)	–	–
Property, plant and equipment	37	(3)	–	34
Intangibles	(885)	(175)	–	(1,060)
Black hole expenses – IPO costs	–	738	–	738
Customer list	–	–	(123)	(123)
Less: Accumulated depreciation – Customer list	–	13	–	13
Superannuation payables	54	17	–	71
Accruals	122	(82)	–	40
Provision for employee benefits	170	61	–	231
Deferred tax asset/(deferred tax liability)	(408)	630	(123)	99

Note 19. Non-current liabilities – employee benefits

	Consolidated	
	2017 \$'000	2016 \$'000
Employee benefits	115	114

Note 20. Financial risk management

Credit risk

Credit risk is the risk of financial loss to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of the customer outstanding balances less any provision for impairment of those assets, as disclosed in the Consolidated statement of financial position. These predominantly relate to trade receivables (see note 9).

Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by cash or other financial asset. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

Market risk: Currency risk

ELMO's financial statements are presented in Australian Dollars with only a small proportion of sales denominated in overseas currencies as denoted under note 3 Revenue from rendering of services. At the current time therefore the risk due to foreign exchange movements is determined to be immaterial; however this risk will continue to be assessed in future years.

Note 21. Equity – issued capital

	Consolidated		Consolidated	
	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Ordinary shares – fully paid	54,171,584	40	25,110	350

Movements in ordinary share capital

Details	Note	Date	Shares	F class shares	Issue price	\$'000
Opening balance		1 July 2016	40	–	–	350
Shares subdivision	1	20 September 2016	910	–	–	–
F class issued				40	\$30,000	1,200
F class converted to ordinary shares			40	(40)	–	–
Balance pre share split and IPO			990	–		1,550
Share split under IPO	2	5 June 2017	41,648,834	–	–	–
Issue of shares to the public on IPO		22 June 2017	12,500,000	–	\$2.00	25,000
Less: Capitalised IPO costs		22 June 2017	–	–	–	(1,485)
Issue of employees gift shares		22 June 2017	22,750	–	\$2.00	45
Balance		30 June 2017	54,171,584			25,110

Note 1. The Company undertook a 23.75 for 1 share split of its ordinary shares.

Note 2. The existing 990 shares at this time were split on a ratio of 42,069.53.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Notes to the financial statements

30 June 2017

Note 22. Equity – accumulated losses

	Consolidated	
	2017 \$'000	2016 \$'000
Accumulated losses at the beginning of the financial year	(378)	(465)
(Loss)/profit after income tax benefit for the year	(920)	87
Accumulated losses at the end of the financial year	(1,298)	(378)

Note 23. Equity – dividends

There were no dividends paid or proposed for the year ended 30 June 2017 (2016 \$nil).

Note 24. Equity – reserves

	Consolidated	
	2017 \$'000	2016 \$'000
Foreign exchange translation reserve	(47)	–
	(47)	–

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and key management personnel of the consolidated entity is set out below:

	Consolidated	
	2017 \$'000	2016 \$'000
Short-term employee benefits	1,946	1,634
Post-employment benefits	104	–
Long-term benefits	–	50
	2,050	1,684

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2017 \$	2016 \$
<i>Audit services – Deloitte Touche Tohmatsu</i>		
Audit of the financial statements	148,000	–
<i>Other services – Deloitte Touche Tohmatsu</i>		
	325,000	–
	473,000	–
<i>Audit services – UHY Haines Norton</i>		
Audit of the financial statements	75,000	30,000
<i>Other services – UHY Haines Norton</i>		
Assistance in preparation of financial statements, tax return and other consultancy services	96,000	35,000
	171,000	65,000
During the financial year the following fees are payable for services provided by Mann & Associates PAC, the accountants and auditors of the Elmo Talent Management Software Pte Limited:		
<i>Audit services – unrelated firms</i>		
Audit of the financial statements for Elmo Talent Management Software Pte Limited	3,000	6,000
<i>Other services</i>		
Accountancy fees for Elmo Talent Management Software Pte Limited	9,000	14,000
	12,000	20,000

Note 27. Commitments

	Consolidated	
	2017 \$'000	2016 \$'000
<i>Lease commitments – operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	530	220
One to five years	571	31
	1,101	251

Operating lease commitments includes contracted amounts for various retail outlets, warehouses, offices and plant and equipment under non-cancellable operating leases expiring within one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Notes to the financial statements

30 June 2017

Note 28. Related party transactions

Parent entity

Elmo Software Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Loans to/from related parties

There were no loans to or from related parties at the current reporting date. The Company had a loan payable of \$24,564 with one of its shareholders in the 2017 and 2016 financial year.

Other related party transactions

	Transactions during the year ended 30 June		Balance as at 30 June	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Elmo Talent Management Software Pte Limited	45	74	623	578
Techniworks Action Learning Pty Limited	479	–	479	–
Elmo Software Limited	198	–	198	–

During the year an amount of \$134,642 was written off from the receivable due from the Singapore subsidiary, Elmo Talent Management Software Pte Limited. All transactions and outstanding balances are on an arm's length basis and unsecured basis.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017 \$'000	2016 \$'000
(Loss)/profit after income tax benefit	(927)	143
Total comprehensive (loss)/income	(927)	143

Statement of financial position

	Parent	
	2017 \$'000	2016 \$'000
Total current assets	30,317	5,983
Total assets	37,911	9,938
Total current liabilities	13,412	8,865
Total liabilities	13,527	9,387
Equity		
Issued capital	25,110	350
(Accumulated losses)/retained profits	(726)	201
Total equity	24,384	551

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business/Country of incorporation	Ownership interest	
		2017 %	2016 %
Elmo Talent Management Software Pte Limited	Singapore	100.00%	100.00%
Elmoaccredited Pty Limited	Australia	100.00%	100.00%
Elmo Talent Management Software Pty Limited	Australia	100.00%	100.00%
International Colleges Pty Limited	Australia	100.00%	100.00%
Studywell College Pty Limited	Australia	100.00%	100.00%
Techni Works Pty Limited	Australia	100.00%	–
Techniworks Action Learning Pty Limited	Australia	100.00%	–
Elmo Software Limited	New Zealand	100.00%	–

Notes to the financial statements

30 June 2017

Note 31. Events after the reporting period

There is no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 32. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2017 \$'000	2016 \$'000
(Loss)/profit after income tax benefit for the year	(920)	87
Adjustments for:		
Bad debt expense	101	178
Depreciation and amortisation	2,412	1,483
(Foreign exchange gain)/foreign exchange loss	(47)	30
IPO costs	1,635	–
Other costs	(11)	–
Interest received	(31)	(49)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,442)	(67)
(Increase)/decrease in other assets	(128)	102
Increase in intangibles	(424)	–
Decrease in income tax refundable	33	200
(Decrease)/increase in deferred tax liabilities	(507)	37
Increase in trade and other payables	577	252
Increase in employee benefits	201	154
Increase in revenue received in advance	2,106	882
Net cash from operating activities	3,555	3,289

Directors' declaration

30 June 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- 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

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Danny Lessem

Director

30 August 2017

Sydney



Trevor Lonstein

Director

Independent auditor's report to the members of Elmo Software Limited



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Independent Auditor's Report to the Members of Elmo Software Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Elmo Software Limited (the "Company") and its subsidiaries (the "Group"), which comprises the Consolidated Statement of Financial Position as at 30 June 2017, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Standards and the *Corporations Regulation 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Independent auditor's report to the members of Elmo Software Limited



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Revenue Recognition – rendering of services (\$16.6m)</p> <p><i>Refer to the description of accounting principles and Note 3.</i></p> <p>For the year ended 30 June 2017, \$16.6 million was recognised by the Group from rendering of services.</p> <p>As the Group continues to expand, and its software offering evolves, there is a considerable risk associated with recognizing its services revenue.</p> <p>A significant level of judgment is required in complying with applicable accounting standards relevant to revenue recognition. This judgment along with the manual nature of the calculations, could affect the timing and quantum of revenue recognized in each period.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the revenue streams and the appropriateness of the Group's principles in determining that the revenue recognized is in accordance with the criteria outlined in the applicable accounting standards; • Assessing the key controls in relation to the recognition and measurement of revenue; • Testing on a sample basis, revenue transactions by assessing management's calculations against the relevant criteria and tracing to agreements with clients; • Testing journal entries posted to revenue accounts to identify any unusual items; • Testing on a sample basis the completeness of credit notes issued post year end; and • Reconciling the deferred revenue balance as at 30 June 2017 using the invoice amortisation schedule, noting any exceptions. <p>We also assessed the appropriateness of the disclosures in note 3 to the financial statements.</p>

<p>Recoverability of Trade Receivables</p> <p><i>Refer to the description of accounting policies and Note 9.</i></p> <p>As at 30 June 2017 the Group's trade receivables total \$4.4 million.</p> <p>The Group has a customer base of 524 customers, deployed across a wide range of industries, most of which are small and medium sized businesses, which makes the assessment of impairment of trade receivables inherently difficult to track.</p> <p>Significant judgment is exercised by management in determining whether a provision should be recognized.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Assessing the design and effectiveness of the key controls in relation to trade receivables approval process and aging of overdue trade receivable balances; Evaluating management's billing process in relation to automatic renewal/rollover of client subscription contracts and assessing the recoverability of outstanding receivables and whether any of these were cancelled/reversed/credit noted or written off post year end; Testing on a sample basis trade receivables to subsequent cash collections and customer contracts; and Evaluating the adequacy of the provisions recorded against trade receivable balances after factoring subsequent cash received and assessing all outstanding debtor balances over 60 days for recoverability. <p>We also assess the appropriateness of the disclosures in note 9 to the financial statements.</p>
<p>Software development costs – Research & development</p> <p><i>Refer to the description of the accounting policies and Note 13.</i></p> <p>As at 30 June 2017 the Group recognised \$2.8 million relating to software development costs.</p> <p>The Group capitalises internal software development costs if it can demonstrate the technical feasibility of completing the intangible asset, reliably measure the costs attributable to the intangible asset during its development and estimate future economic benefits.</p> <p>Judgment is involved in determining whether the costs are directly attributable to develop the Group's product suite and new software and the appropriateness of the costs to be capitalised.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Assessing whether the technical and commercial feasibility of the product has been achieved; Testing the amortisation charge for the year in accordance with the Group's accounting policy and the applicable accounting standards; Assessing the nature of the services performed by the employees and challenged/considered whether such services were appropriately capitalised as software development costs; Reconciling capitalised hours to internal timesheets and assessed the distinction between the research and development stages; Assessing the reasonableness of the percentage used by the Group for capitalisation of internal software development costs in relation to the Group's accounting policy. <p>We also assess the appropriateness of the disclosures in note 13 to the financial statements.</p>

Independent auditor's report to the members of Elmo Software Limited



<p>Business combinations</p> <p><i>Refer to Note 15.</i></p> <p>The Group on 7 October 2016 acquired 100% of the ordinary shares of Techni Works Pty Ltd and its controlled subsidiary, Techni Works Action Learning Pty Ltd for a total consideration of \$2.1 million.</p> <p>The accounting for a business combination can be complex and involves a number of significant judgments and estimates including:</p> <ul style="list-style-type: none"> • The determination of the fair value of the contingent consideration; and • The identification and measurement of the fair value of the identifiable assets and liabilities acquired including the valuation of customer relationships and goodwill. 	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Understanding the sales and purchase agreement terms and conditions of the acquisition and evaluating management's application in accordance with the relevant accounting standard; • Evaluating the methodology and assumptions utilised to identify and determine the fair value of separately identified intangible assets. This primarily included consideration of the reasonableness of revenue growth assumptions and discount rates underlying the valuation of the separately identifiable customer list intangible; • Assessing the useful economic life of the customer list intangible acquired; and • Confirming the estimation of the contingent consideration was in accordance with the sale and purchase agreement terms and conditions and challenging the key assumptions such as revenue growth rates used in the forecasts; <p>We also assess the appropriateness of the disclosures in note 15 to the financial statements.</p>
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Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and ASX Additional Information, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the annual report (but does not include the financial report and our auditor's report thereon): Company Description, Chairman's message, CEO's overview and other Company information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company Description, Chairman's message, CEO's overview and other Company information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report to the members of Elmo Software Limited

Deloitte.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Elmo Software Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel
Partner, Chartered Accountants
Sydney, 30 August 2017

Shareholder information

As at 11 September 2017

Shareholder Information required by the Australian Securities Exchange Limited (ASX) Listing Rules and not disclosed elsewhere in the Report is set out below.

1. In accordance with the 3rd edition ASX Corporate Governance Council's Principles and Recommendations, the 2017 Corporate Governance Statement, as approved by the Board, is available on the Company's website at: <http://investors.elmotalent.com.au/Investors/?page=Corporate-Governance>. The Corporate Governance Statement sets out the extent to which ELMO Software Limited has followed the ASX Corporate Governance Council's 29 Recommendations during the 2017 financial year.

2. Substantial shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully paid Ordinary Shares

Name	Number	%
JLAB Investments (No. 2) Pty Limited	15,986,422	29.51
Lessem Trading Pty Ltd	11,989,816	22.13
Bessie Garber and Manuel Garber as trustees of the Garber Family Trust	11,989,816	22.13

3. Number of security holders and securities on issue

ELMO Software Limited has issued the following securities: 54,171,584 fully paid ordinary shares held by 536 shareholders.

4. Voting rights

Ordinary shares

In accordance with the ELMO Software Limited Constitution and subject to any rights or restrictions attached to any class of shares, at a meeting of members:

- on a show of hands, each shareholder has 1 vote; and
- on a poll, each fully paid share held by a shareholder has 1 vote.

5. Distribution of security holders

(a) Quoted securities

Category	Fully paid Ordinary shares		
	Holders	Shares	%
1–1,000	105	42,482	0.08
1,001–5,000	199	633,391	1.17
5,001–10,000	96	774,190	1.43
10,001–100,000	117	2,740,171	5.06
100,001 and over	19	49,981,350	92.26
Total	536	54,171,584	100.00

ELMO Software Limited does not have any unquoted securities.

6. Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of ordinary shares is Nil (0) based on ELMO Software Limited's closing share price of \$2.54, on 11 September 2017.

Shareholder information

As at 11 September 2017

7. Twenty largest shareholders of quoted equity securities

Fully paid ordinary shares

Details of the 20 largest shareholders by registered shareholding are:

Name	No. of shares	%
1 JLAB INVESTMENTS (NO.2) PTY LTD	15,986,422	29.51
2 LESSEM TRADING PTY LTD	11,989,816	22.13
3. MANUEL GARBER & BESSIE GARBER	11,989,816	22.13
4 NATIONAL NOMINEES LIMITED	2,670,191	4.93
5 J P MORGAN NOMINEES AUSTRALIA LIMITED	1,800,000	3.32
6 BNP PARIBAS NOMS PTY LTD	1,250,000	2.31
7 ONE MANAGED INVESTMENT FUNDS LIMITED	900,000	1.66
8 GORDON STARKEY	510,945	0.94
9 MR DARRYL JUSTIN GARBER	460,945	0.85
10 XIN SUN	425,695	0.79
11 TREVOR LONSTEIN	420,695	0.78
12 WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	350,000	0.65
13 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	350,000	0.65
14 TRUEBELL CAPITAL PTY LTD	195,000	0.36
15 CITICORP NOMINEES PTY LIMITED	181,984	0.34
16 WILFERS DEVELOPMENTS PTY LTD	160,306	0.30
17 ROBERT LESSEM	125,000	0.23
18 PETCOL NOMINEES PTY LIMITED	109,240	0.20
19 H H RYAN (NOMINEES) PTY LIMITED	105,295	0.19
20 RAPAKI PTY LTD	86,654	0.16
Total	50,068,004	92.42
Total on Register	54,171,584	100.00

8. Name of the Company Secretary: Anna Sandham.

9. The details of the Company's registered office are:

Address: Level 12, 680 George Street, Sydney NSW 2000.

Telephone: 02 8280 7355

The details of the Company's principal administrative office are:

Address: Westfield Tower One, Suite 2502, Level 25, 520 Oxford Street, Bondi Junction NSW 2022

10. The address and telephone number of the office at which a register of securities is kept:

Link Market Services Limited

Address: Level 12, 680 George Street, Sydney NSW 2000

Telephone: 02 8280 7288

11. ELMO Software Limited securities are not quoted on any other stock exchanges other than the ASX.

12. The number and class of restricted securities or securities subject to voluntary escrow that are on issue and the date that the escrow period ends are set out below:

Class of Securities	No. of shares	Escrow period
Fully paid ordinary shares	774,995	24 months from the date of quotation (ie until 29 June 2019)
Fully paid ordinary shares	812,088	To be held in escrow for 12 months from 18 November 2016. In accordance with section 7.7 of the Prospectus dated 6 June 2017, the shares will then be held in voluntary escrow for the duration of time until the end of 24 months from the date of quotation (i.e. until 29 June 2019).
Employee Gift Shares	22,750	22 December 2017

13. Unquoted securities

ELMO Software Limited does not have any unquoted securities.

14. Review of operations and activities

A review of ELMO Software Limited's operations during the period is provided within the Directors' Report of the Annual Report.

15. On market buy-back

There is no current on market buy-back.

16. Statement regarding use of cash and assets.

During the period between 27 June 2017 and 30 June 2017, ELMO Software Limited has used its cash and assets readily convertible to cash that it had at the time of ASX admission in a way consistent with its business objectives set out in the prospectus dated 6 June 2017.

17. Details of investments

N/A – ELMO Software Limited is not an investment company.

18. The following is a summary of any issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act which have not yet been completed.

N/A

19. No securities were purchased on-market during the reporting period.

Glossary

Term	Meaning
AASB	Australian Accounting Standards Board
ASX	Australian Securities Exchange
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group interpretations
Australian Accounting Standards Board	The AASB is an Australian Government agency under the <i>Australian Securities and Investments Commission Act 2001</i>
Board	The board of directors of the Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Company	ELMO Software Limited
Corporations Act	<i>Corporations Act 2001</i>
Customer retention rate	Customer retention is calculated by dividing the number of customers in the reference period who were customers at the end of the prior period by the number of customers at the end of the prior period
Directors	The directors of the Company from time to time
EBITDA	Earnings before interest, income tax, depreciation and amortisation
ELMO	ELMO Software Limited
Free cash flows	EBITDA after the removal of non-cash items in EBITDA such as bad debts and changes in working capital less capitalised software development and commission costs and other capital expenditure
FY[XX]	Financial year ending [xx]
IPO	Initial Public Offering
Prospectus	The prospectus dated x issued as part of the IPO
Recurring revenue	Recurring revenue is the portion of a company's revenue that is highly likely to continue in the future
Revenue dollar retention rate	Percentage of revenue from a selected group of customers that has been retained over a financial year
SaaS	Software-as-a-Service
Share	A fully paid ordinary share in the Company

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Corporate directory

Directors

James McKerlie
Danny Lessem
David Hancock
Trevor Lonstein

Company Secretary

Anna Sandham

Registered office

Level 12
680 George Street
Sydney NSW 2000
Phone: 02 8280 7100

Principal place of business

Suite 2502
Level 25 Westfield Tower One
520 Oxford Street
Bondi Junction NSW 2022
Phone: 02 8305 4600

Share register

Link Market Services Pty Limited

Level 12
680 George Street
Sydney NSW 2000
Phone: 02 8280 7100

Auditor

Deloitte Touche Tohmatsu

Grosvenor Place
225 George Street
Sydney NSW 2000

Solicitors

Norton Rose Fulbright Australia

Level 18
Grosvenor Place
225 George Street
Sydney NSW 2000

Financial Adviser

Blackpeak Capital Pty Ltd

Level 5
55 Harrington Street
The Rocks NSW 2000

Lead Manager and Underwriter

Wilson

Level 32 Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Stock exchange listing

Elmo Software Limited shares are listed on the Australian Securities Exchange (ASX code: ELO)

Website

www.elmotalent.com.au

Corporate Governance Statement

<http://investors.elmotalent.com.au/Investors/?page=Corporate-Governance>

ELMO