



# ANNUAL REPORT 2020



ELMO Software Limited  
ACN 102 455 087





**ELMO** IS A LEADING  
INTEGRATED  
CLOUD HR, PAYROLL  
AND ROSTERING /  
TIME & ATTENDANCE  
SOLUTION IN  
AUSTRALIA,  
NEW ZEALAND  
AND THE  
UNITED KINGDOM



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## AGM DETAILS

ELMO Software Limited (ELMO) advises that it will hold its 2020 Annual General Meeting on Thursday, 8 October 2020 at 2.00pm (Sydney time) at the ELMO office, Level 27, 580 George Street, Sydney.



# CHAIRMAN'S AND CEO'S MESSAGE

Dear Shareholder,

We are pleased to report that FY20 was another successful year for ELMO Software Limited ("ELMO").

We continued to deliver on our growth strategy, and again achieved record results.

COVID-19 created unprecedented and unforeseen challenges this year, but ELMO was able to successfully transition to remote working and deliver an uninterrupted service to our customers. This is because at ELMO, we live in the cloud. Our platform is cloud-based, developed and maintained remotely, and ELMO utilises cloud-based business tools that can be accessed remotely. The shift to remote-based working for our customers saw increased reliance on the platform, emphasising the mission-critical nature of a cloud-based HR management and payroll solution when managing a remote workforce.

ELMO develops, sells and implements Software-as-a-Service (SaaS) solutions that enable organisations to efficiently manage and automate the stages of human capital management (HCM) processes and functions in an employee's life cycle from "hire to retire", including pay.

Our market leading convergent platform solution now consists of 15 modules. We provide a unified, intuitive, user-friendly, single dashboard solution for recruitment, onboarding, performance management, learning and development, pre-built courses, succession planning, remuneration, HR surveys, employee administration (HR core), rostering / time & attendance and payroll.

In FY20 we delivered strong financial results, achieving record annualised recurring revenue (ARR) of \$55.1 million, up 19.7% on FY19. Over 97% of our revenue is subscription-based, which is recurring in nature.

Sustained sales momentum has grown our customer base by 25.4% to 1,682 customers with an estimated lifetime value of \$602 million.

Customer retention remains consistently high at 90.2% and the module penetration per customer has steadily grown to 2.7. Our net customer retention in dollar terms was 102.0% in FY20, highlighting the successful cross-selling of our enlarged suite of solutions into our sticky customer base.

Other FY20 highlights include:

- Achieved statutory revenue of \$50.1 million
- Record annual cash receipts of \$57.5 million
- High gross profit margin of 85.3%
- Added 337 new customers

We have grown our company from 277 ELMOians in FY19 to 384 in FY20. In line with ELMO's growth strategy, we have continued to invest significantly in our technology and development capabilities, sales & marketing, and client services. In June, ELMO reached an exciting milestone, being admitted to the S&P/ASX300 Index. The index inclusion is an important step in ELMO's evolution as a listed company.

In August last year, we announced our partnership with the University of Technology, Sydney (UTS) to develop an artificial intelligence (AI) driven Predictive Analytics module. This partnership enables ELMO to leverage the world-class data

science faculty at UTS and their deep expertise in AI to create new Predictive Analytics solutions for ELMO customers.

In December, we invested in Hero Brands, a software development house. This investment expands our research & development capacity and provides access to high calibre software engineers.

Our organic growth and strategic investments have been supplemented with selective and strategic acquisitions to broaden our offering with complementary technology and/or a high quality customer base, all of which enhance our cross-sell potential. We have completed seven successful acquisitions that enhance the ELMO value proposition since 2016.

In February, we acquired Vocam, a leader in HR and video e-learning content. With offices in both Australia and the UK, Vocam provides a strategic entry into the UK market, expanding our total addressable market from \$2.4 billion to \$9.2 billion.

To support our growth strategy, we have strengthened our cash resources through two oversubscribed capital raises. Last September we raised \$70 million through an equity placement and in May we raised an additional \$72.8 million of equity. We thank our loyal shareholders and we welcome the new investors to ELMO. We closed the FY20 financial year with a bank balance of \$139.9 million. These reserves will enable us to accelerate organic growth initiatives and fund selective acquisition opportunities.

FY21 promises to be an exciting year for ELMO as we build on our prior investments and momentum. We will continue to target further organic and inorganic investments to deliver long-term, sustainable growth. The shift in the competitor landscape post-COVID-19 is creating increased mergers & acquisitions (M&A) opportunities for complementary, adjacent technology, customer lists that provide cross-sell opportunities or companies with UK operations.

We will continue to drive the value proposition of our market leading convergent offering over single point solution vendors as we take full advantage of our larger addressable market. We also expect the structural tailwinds of the adoption of cloud-based software to continue to support our growth. We have a long-term view and are confident these investments will generate strong, long-term returns for shareholders.

Our guidance for FY21 assumes strong ARR growth to \$65-70 million, revenue growth to \$57-61 million and EBITDA expected to be (\$4-7) million.

We would like to thank ELMO's board and committed management team for continuing to successfully execute our accelerated growth strategy and all our ELMOians for their tremendous contributions through these challenging times.

We would also like to thank our customers for their continued support, and all our shareholders for their loyalty. We look forward to sharing our successes and exciting future with you.

Yours sincerely,



Barry Lewin  
Chairman



Danny Lessem  
Co-founder and CEO



**ELMO'S** FOCUS IS TO ENHANCE OUR POSITION AS A LEADING PROVIDER OF CLOUD HUMAN RESOURCES (HR), PAYROLL AND ROSTERING / TIME & ATTENDANCE SOFTWARE IN AUSTRALIA AND NEW ZEALAND, AND TO LAUNCH AND EXPAND A SIMILAR HIGH-QUALITY BUSINESS IN THE UK.

Annualised Recurring Revenue (ARR)

**\$55.1m**

19.7% growth from FY19

Total statutory revenue

**\$50.1m**

25.0% growth from FY19

# ELMO GEOGRAPHICAL MARKET SIZE ...

ELMO's Total Addressable Market (TAM) has expanded to \$9.2bn with the inclusion of UK opportunities

## ANZ TOTAL ADDRESSABLE MARKET<sup>1,2</sup>



**Market penetration**  
~7% organisations with average of 2.7 out of 15 modules

## UK TOTAL ADDRESSABLE MARKET<sup>1,2</sup>



**Market penetration**  
<1% organisations

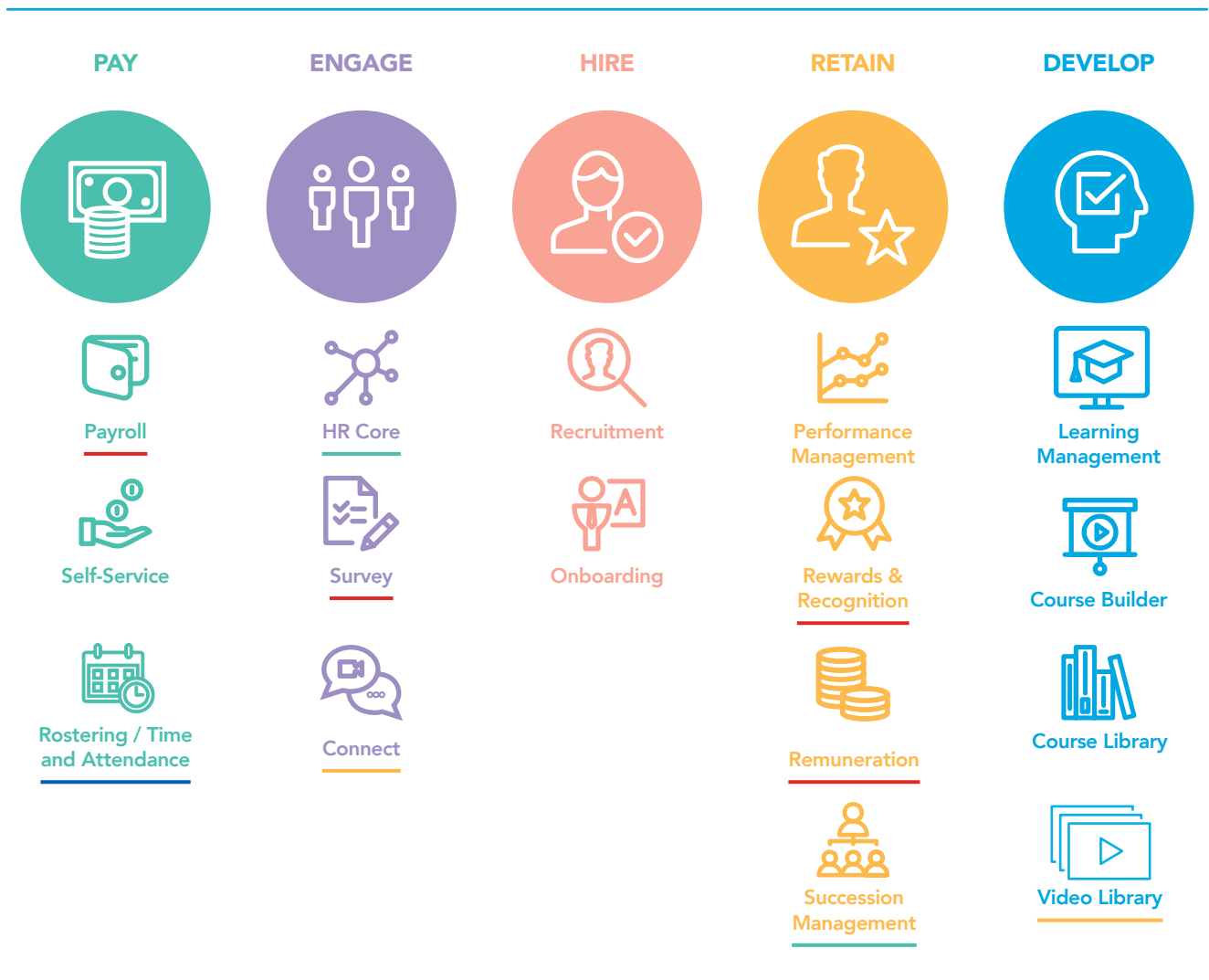
**ELMO's acquisition of Vocam provides strategic insight into the UK market**

1 Frost & Sullivan independent market report 2019/2020

2 Assumes full penetration of ELMO modules across all organisations with 50+ employees

# EXPANSION OF OUR PRODUCT SUITE ...

We have built a leading integrated cloud HR, payroll, rostering /time & attendance solution



Modules added during:

FY17

FY18

FY19

FY20

Enhanced competitive advantage from a broader suite

Increased potential of sales to new customers

Additional cross-sell opportunity from enlarged customer base

# THE **E** NUMBERS ...

Continuing to deliver on growth strategy, annualised recurring revenue up 19.7% from FY19

## REVENUE

**\$55.1m**

Annualised recurring revenue (ARR)

▲ 19.7% growth from FY19

**\$50.1m**

FY20 statutory revenue

▲ 25.0% growth from FY19

**\$32.7k**

Average ARR per customer

▼ Down \$1.5k from 30 June 2019

## OPERATIONAL

**85.3%**

Gross profit margin

▼ High gross profit margin, down 1.3% from FY19

**90.2%**

Customer retention rate

▼ Net customer dollar retention 102.0%

**\$602m**

Lifetime value (LTV) of customer base at 30 June 2020

▼ Down \$19m from 30 June 2019

## CUSTOMER

**1,682**

Customer base

▲ 25.4% growth from 30 June 2019

**2.7**

Average modules per customer

▲ Up from 2.4 at 30 June 2019

**<2% ARR**

Contribution of largest customer

**<7% ARR**

Contribution from top 10 customers

Low customer concentration

## FY20 Achievements

### TECHNOLOGY ENHANCEMENTS



New module release ELMO Connect

### CAPITAL RAISE



\$143m raised to fund growth initiatives (\$70m in Sep-19 and \$72.8m in May-20)

### INVESTMENTS



Acquisition of Vocam  
UTS Partnership  
Hero Brands

### WORKFORCE



384 employees<sup>1</sup>

### AWARDS



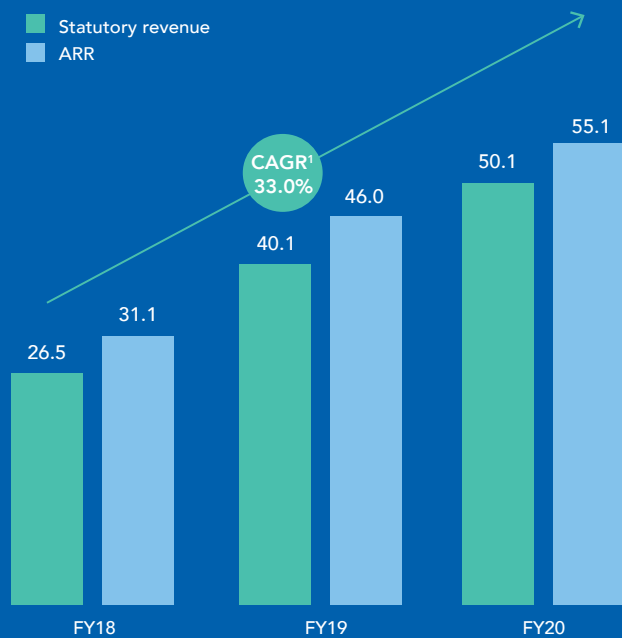
Admitted to the ASX 300  
Deloitte Tech Fast 50 Australia  
Deloitte APAC Technology Fast 500

1. As at 30 June 2020

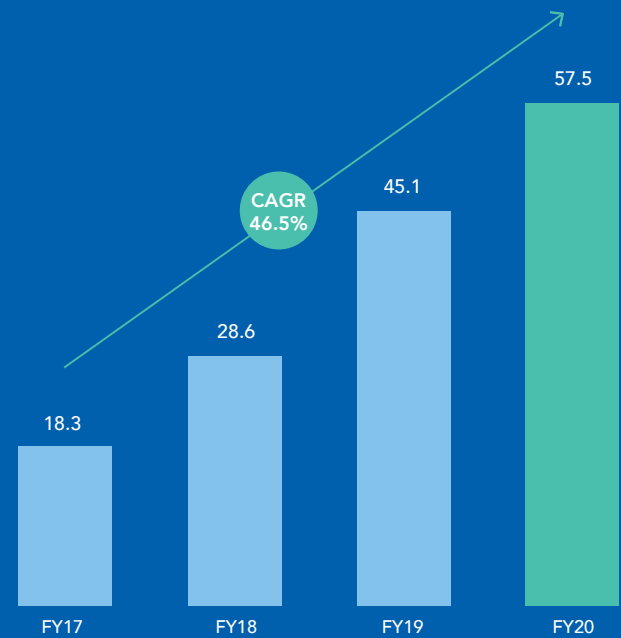


# STRONG GROWTH DESPITE COVID-19...

## Statutory revenue and ARR (\$m)

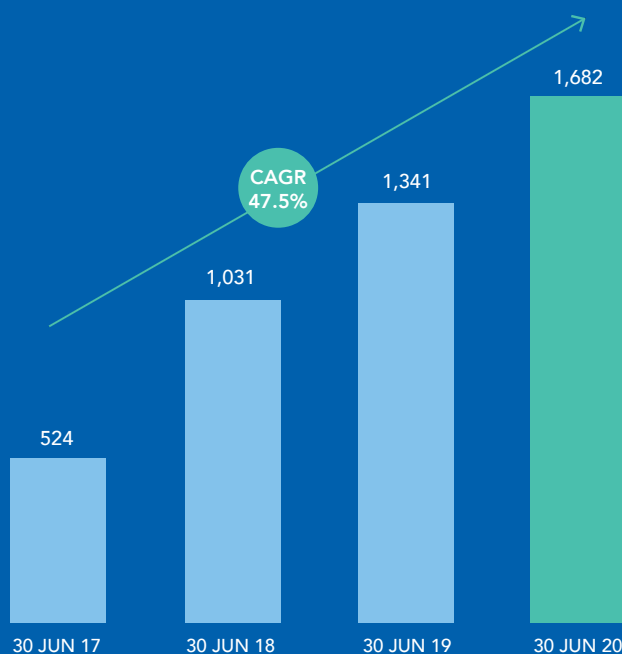


## Annual customer receipts (\$m)

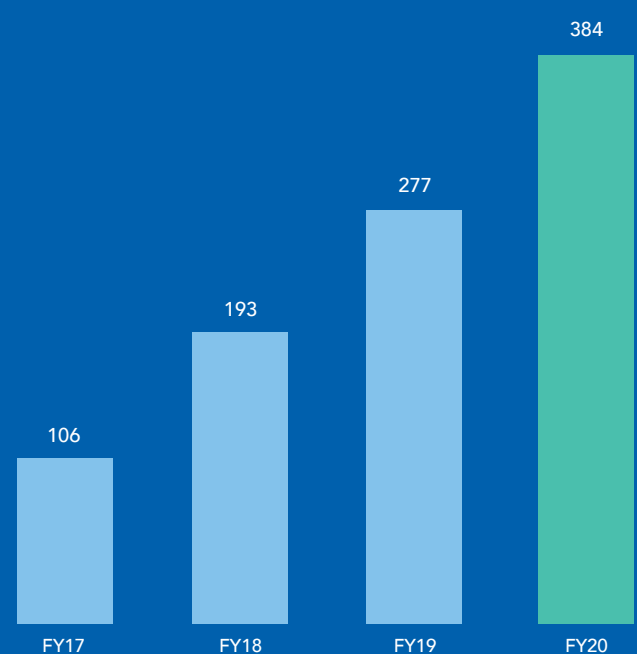


Subscription revenue <sup>2</sup> %		
93.6%	95.4%	97.6%

## Customer numbers



## Employees



1. ARR CAGR between FY18 to FY20  
2. Subscription revenue as a % of total statutory revenue

# ELMO AT A GLANCE ...

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**LOCAL KNOWLEDGE AND SUPPORT HAS BEEN A KEY PART OF ELMO'S ONGOING SUCCESS**

## Snapshot<sup>1</sup>



**384 employees**



**Offices In Australia, New Zealand and the UK**



**Customer base of 1,682 organisations**



**Scalable cloud-based platform**



**Total addressable market \$9.2bn**

## ELMO AT A GLANCE

ELMO's industry agnostic customer base – consisting of more than 1,600+ organisations spread over multiple, varied industries – benefits from our convergent solution that now consists of 15 modules. Local knowledge and support has been a key part of ELMO's ongoing success and today, over 384 employees in offices across Australia, New Zealand and the UK work tirelessly to ensure customer expectations are met and exceeded.

ELMO primarily targets lower mid-market (50-200 employees) and mid-market (200-2,000) organisations, who stand to benefit by automating their HR, payroll and rostering / time & attendance operations with ELMO's constantly evolving suite of 15 integrated modules. Customers can also gain access to a library of over 400 eLearning courses covering a broad range of compliance, soft skills and technical skills – all of which are updated and curated by the local team.

1. as at 30 June 2020.

# BUSINESS MODEL

## Broadening the market opportunity

ELMO's cloud HR, payroll and rostering / time & attendance software solutions and business model have been primarily built to address the HCM requirements of organisations ranging from 50-2,000 employees. During FY20, ELMO's modular product offering increased to 15, with the deployment of ELMO Connect, a communications module allowing businesses to instant message and initiate Zoom conference calls from within our single, integrated cloud-based platform. The acquisition of Vocam, which has customers and operations in the UK, has widened the total addressable market (TAM) to \$9.2 billion.













Currently, most SaaS HCM providers that offer a unified solution target large enterprises and government organisations. The solutions offered by these providers can be costly to implement, require significant time investment and involve complex integration processes, making such solutions unsuited to addressing the HCM requirements of mid-market and lower mid-market organisations. Consequently, mid-market and lower mid-market organisations have limited HR solution options and many existing solution providers only address a single point of the various HR functions.

Additionally, the landscape in this market is characterised by legacy providers. ELMO believes a large underserved market has emerged, which is growing as organisations increasingly recognise the strategic importance of HR & payroll and the need to adopt an efficient and scalable cloud solution. ELMO can offer these organisations more flexible and cost-effective HR, payroll and rostering / time & attendance solutions that can be delivered on shorter sales cycles, with simpler implementation processes than those currently offered by providers who are typically focused on larger enterprises. ELMO is well placed to take advantage of the opportunity by having the widest convergent cloud-based platform in the region.

## Multi-jurisdictional and industry agnostic

ELMO's cloud based solution is designed to be scalable, multi-jurisdictional and industry agnostic. ELMO currently provides solutions to customers based primarily in Australia, New Zealand and the UK, however the platform can be translated into nearly any language and is multi-jurisdiction compatible. ELMO is industry agnostic in the deployment of its HR, payroll and rostering / time & attendance solutions.

## ELMO HR & PAYROLL SOFTWARE SOLUTIONS ARE INDUSTRY AGNOSTIC

 <p><b>Construction and mining</b></p>	 <p><b>Hospitality</b></p>	 <p><b>Professional services</b></p>	 <p><b>Education</b></p>
 <p><b>Industrials</b></p>	 <p><b>Finance</b></p>	 <p><b>Information technology telecommunications and media</b></p>	 <p><b>Retail</b></p>
 <p><b>Government</b></p>	 <p><b>Logistics</b></p>	 <p><b>Healthcare and Pharmaceuticals</b></p>	 <p><b>Not for profit</b></p>



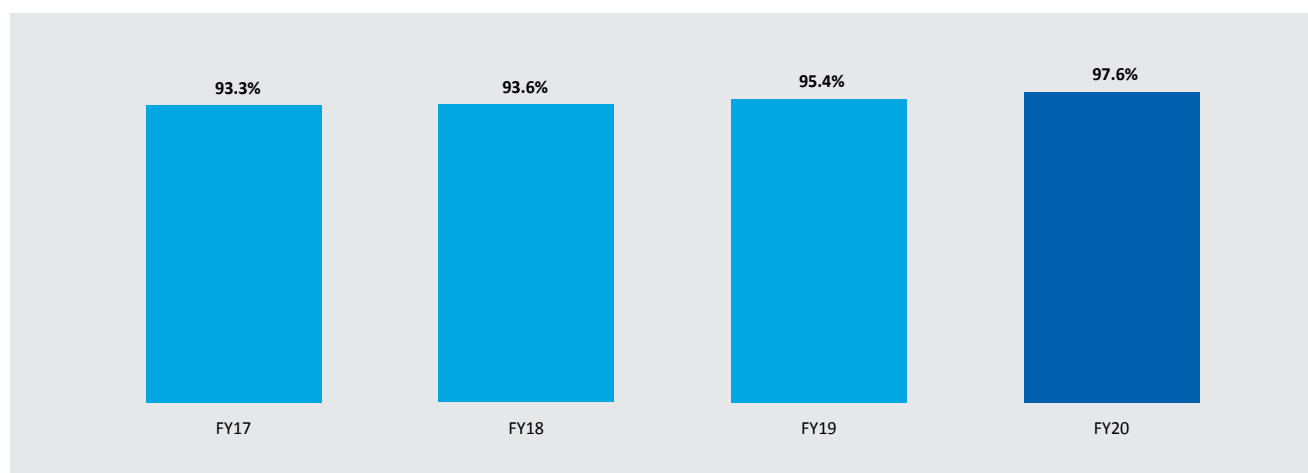
## Revenue generation

ELMO generated over 97% of its FY20 statutory revenue from subscriptions for its HR & Payroll solutions. Typically, customers initially 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 12 months of the contract. The amount of the annual fee is dependent on the number of modules subscribed to by the customer and the number of users on the platform.

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

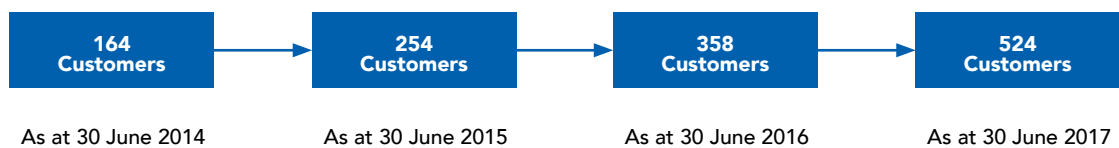
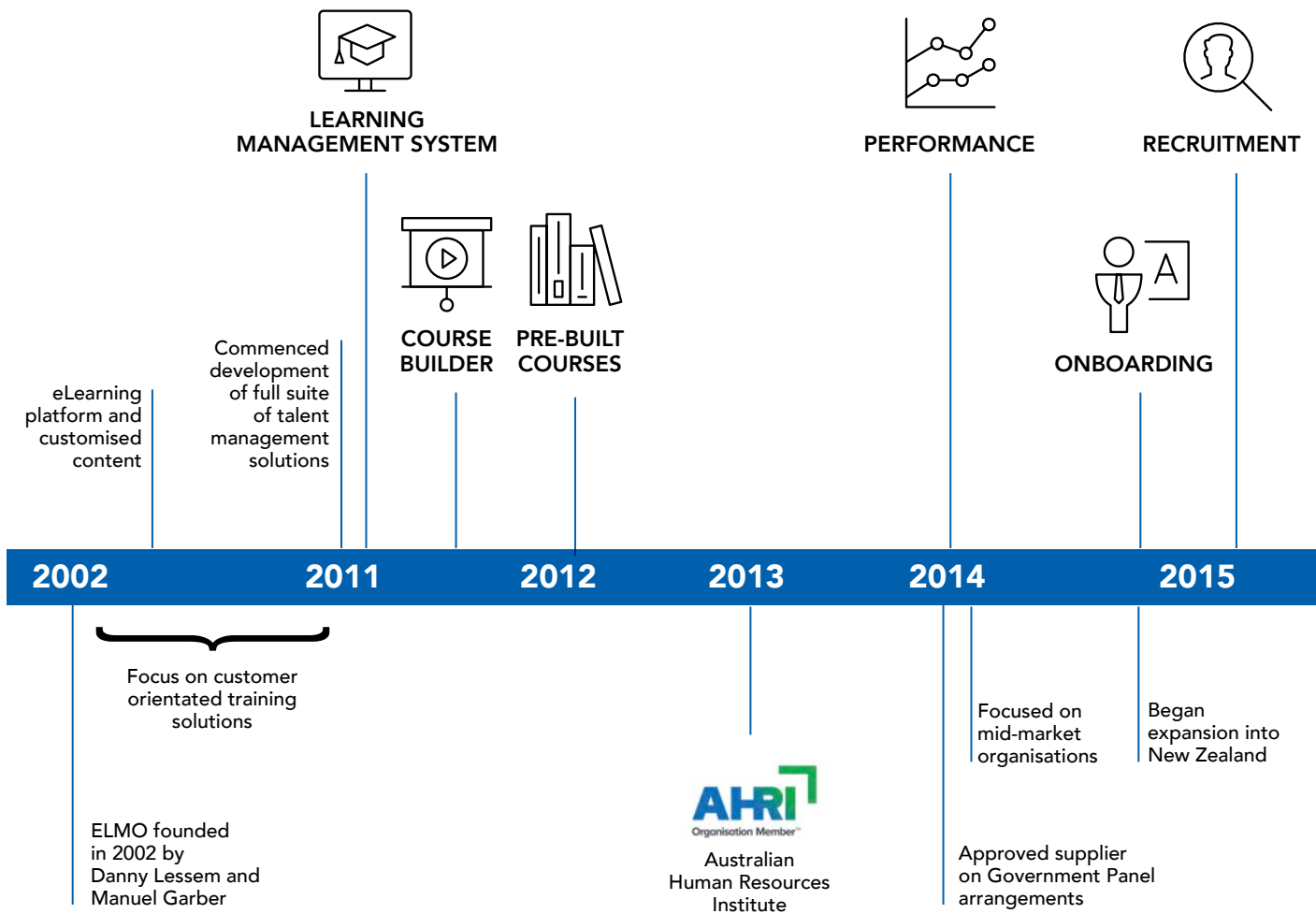
Customer	% of FY20 statutory revenue	Revenue model	Revenue recognition policy	Description
<b>Subscription revenue</b>	~97%	SaaS subscription fee	ELMO's subscription revenue is recognised evenly on a monthly basis. The balance of the revenue received in advance is categorised as a liability (referred to as deferred income).	<p>ELMO typically receives an annual fee, payable in advance over the term of the contract.</p> <p>The fee amount varies depending on the number of modules subscribed for and the number of users on the platform.</p> <p>Customers are invoiced on an annual basis throughout the term of the contract.</p>
<b>Professional services fees</b>	~3%	Consultation or integration fees	ELMO's professional service fees are recognised as revenue once delivery of the required services is completed	<p>ELMO receives a professional service fee associated with providing any additional implementation, configuration and integration services as well as other services.</p> <p>Fees are typically invoiced during the first year of the contract</p> <p>Amount of fee varies depending on the level of service provided and complexity of the process.</p>

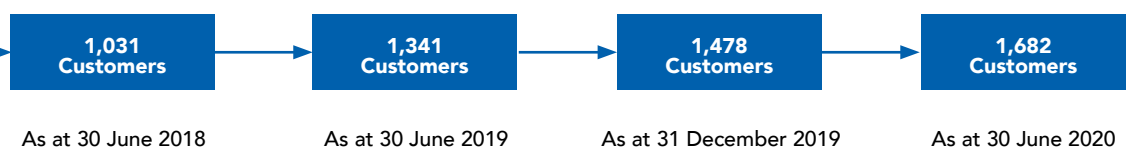
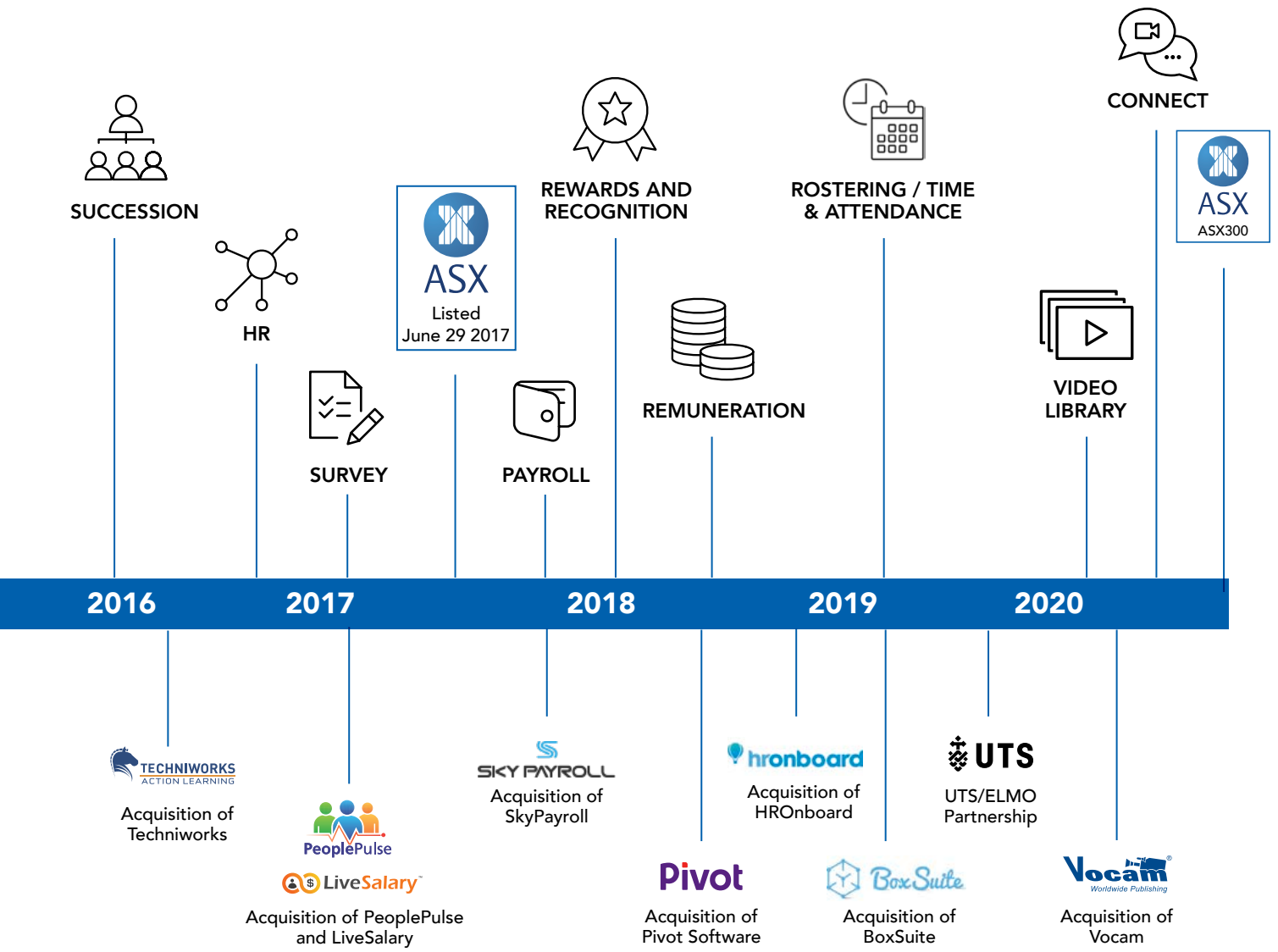
## ELMO's Subscription Revenue as a percentage of Total Statutory Revenue



# COMPANY HISTORY

## LEADING UNIFIED CLOUD HR, PAYROLL, ROSTERING / TIME & ATTENDANCE SOLUTION





# ONE VENDOR ONE DASHBOARD ONE USER-EXPERIENCE

ELMO's convergent solution provides customers with an all-in-one platform to manage people, process and pay





# THE ELMO SOLUTION...

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## PAY

Offer self-service functionality to managers and employees and provide real-time access to payroll and personal data from anywhere, anytime, on any device.



## ENGAGE

Carry out core HR functions, including the ability to process and approve leave, timesheets and retrieve pay slips, and ensure HR initiatives are optimised with employee surveys.



## HIRE

Set new hires up for success from the start by streamlining talent identification, recruitment and onboarding processes.



## RETAIN

Improve retention by capturing performance feedback to identify star performers, manage career development plans and align compensation accordingly.



## DEVELOP

Keep skills compliant and up-to-date with personalised learner plans, access to pre-built courses and the ability to customise learning content.

# THE ELMO SOLUTION...



## PAY

*Easily manage essential people-management functions relating to pay, leave and rostering / time & attendance, while empowering employees to update personal records in their own time.*

### Ensure accurate and compliant workforce management

Effective workforce management, which ensures employees are in the right place at the right time and then paid accordingly, remains a key challenge for employers. ELMO's Pay suite helps employers optimise shift coverage, control costs and minimise risks associated with overwork/fatigue and incorrect Award/EA interpretation. They can also maintain and keep track of payroll data for all employees, ensuring they are paid accurately while meeting single touch payroll (STP; AU), payday filing (NZ), and other legislative obligations.

ELMO's Pay suite also offers self-service functionality. Managers gain access to historical data, ensuring more informed decision-making, while employees can swap shifts, make leave requests, check leave balance, and review payslips. The end result is more efficient workforce management and less administrative burden on HR teams.



### Payroll

**Enhanced compliance** – Ensure all legislative obligations are met with ELMO Payroll. A single touch payroll (STP) & SuperStream solution, compliant in AU, and payday filing & KiwiSaver compliant in NZ.

**Flexible pay cycles** – Manage employees across one or multiple payroll cycles, with flexibility to run standard or ad-hoc payroll at any time.

**Reporting and analysis** – Extract, analyse and accurately reconcile payroll, easily compare variance reports to identify anomalies and ensure accuracy from one pay cycle to the next.



### Self-Service

**Leave management** – Create leave requisition and authorisation workflows.

**Organisation charts** – Provide an overview of an organisation's structure and reporting relationships.

**Employee self-service** – Empower employees to access and update personal information, request leave and access pay slips and pay summaries from any device, anywhere and at any time.

**Manager self-service** – Empower managers to access employee information, approve leave requests and view team analytics from any device, anywhere and at any time.



### Rostering / Time & Attendance

**Roster staff** – Utilise the intuitive calendar to schedule weekly, fortnightly or monthly staff rosters. Account for staff availability, leave requests or special events to ensure optimal staff coverage.

**Time tracking** – Benefit from an automatic and stress-free time tracking solution with real-time reporting. Gather data to help control staffing costs and ensure employees are paid correctly.

**Compliance risk management** – Use ELMO's powerful Business Rules Engine and Award Library to ensure all compliance obligations relating to Modern Awards or Enterprise Bargaining Agreements are met.



## ENGAGE

*Save time, money and resources by automating HR administrative tasks, and gain greater insights into HR effectiveness and the employee experience with ELMO's Engage suite.*

### Transform the management and engagement of your workforce

From chasing up leave forms, to managing staff absences and extracting information from disparate software systems, organisations can lose valuable time and productivity when burdened with heavy administrative tasks to support the HR function. HR Core provides a central location for all employee data, while employee self-service and manager self-service functionality empowers staff to find, update and use information anywhere, anytime.

Just as critically, employees who are motivated and feel their voices are heard can result in higher engagement levels. ELMO Survey allows leaders to create, manage and analyse workforce surveys, with access to benchmark data for more context. By embedding surveys across the employee lifecycle, HR can assess employee sentiment, identify strengths, weaknesses, risks and opportunities, and address them early. It's crucial that teams can communicate and maintain team engagement and collaboration whether it's in the workplace or while working remotely. ELMO Connect resolves these issues by offering instant messaging functionality and integration with Zoom video conferencing. This delivers rapid benefits to an organisation's workforce without needing to invest in complex and time-consuming integrations themselves.



#### HR Core

**Leave management** – Create leave requisition and authorisation workflows.

**Organisation charts** – View an organisation's structure including roles, reporting relationships and profile details with tiered access.

**Employee self-service** – Empower employees to access and update personal information, request leave and access pay slips and pay summaries from any device, anywhere and at any time.

**Manager self-service** – Empower managers to access employee information, approve leave requests and view team analytics from any device, anywhere and at any time.



#### HR Survey

**Integrated or stand-alone solution** – Collect feedback across all ELMO modules directly or from external sources.

**Benchmark survey templates** – Access a library of best practice templates including onboarding, engagement, pulse, NPS, etc. Benchmark results against other organisations.

**Powerful insights** – Obtain powerful and meaningful insights from collected data by using ELMO Survey reporting.



#### Connect

**Instantly communicate with colleagues** – Utilise the chat functionality to strengthen collaboration between multiple users or one-on-one.

**Initiate and manage Zoom meetings** – Easily initiate Zoom meetings from ELMO and effectively manage Zoom video conferencing.

**Benefit from rapid implementation** – Leverage the ELMO database without the need to procure and integrate with third-party applications.

## THE ELMO SOLUTION...

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### HIRE

*From attracting top talent, to getting them up to productive speed quicker, creating a personalised candidate experience has never been easier thanks to ELMO's Hire suite.*

#### Win the war for top talent

Reducing the time to hire and increasing the time to productivity are key metrics used to assess the effectiveness of talent acquisition strategies – yet these are difficult to achieve without the right tools. ELMO's Hire suite transforms end-to-end recruitment and onboarding processes by streamlining workflows, automating tasks and empowering managers and employees.

ELMO Recruitment ensures the right first impression is made by creating a memorable candidate experience – an experience that is seamless, quick and intuitive. Employers benefit from one centralised system that integrates with job boards and allows users to create talent pools. The positive experience continues with ELMO Onboarding. Personalise the onboarding experience for each candidate, digitise and submit documents, and link new hires to training opportunities.



#### Recruitment

**Job requisition** – Select the required job position, add specific requirements, alert recruitment managers, 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, social media, preset posting rules, and track costs.

**Branded careers webpage** – Embed a careers page within a corporate website, customise branding, incorporate company media, and post jobs automatically.



#### Onboarding

**Personalised onboarding webpage** – Present company information and videos, create guidelines for the onboarding process, provide an onboarding task list, and give team member introductions.

**Workflows and approvals** – Configure onboarding processes and select stakeholders, prerequisites, time delays, and conditions.

**Electronic forms** – Create configurable forms, utilise the document upload facility, and benefit from integrations with the Australian Taxation Office and other third parties.





## RETAIN

*Save time, money and resources by automating HR administrative tasks, and gain greater insights into HR effectiveness and the employee experience with ELMO's Engage suite.*

### Become a talent magnet

Any list of employee "must-haves" will include fundamentals like a clear career trajectory, regular performance feedback, the right level of remuneration, and appropriate rewards & recognition. Thanks to technology, it's now possible to ensure employees are presented with best practice approaches to all these areas, and a whole lot more.

ELMO's Retain suite enables managers to check in regularly with employees about their performance, build personalised development plans, and to reward and recognise employees for key achievements and milestones. Employers can also identify successors for mission-critical roles and provide career paths for high potential employees. Just as critically, HR and managers are given greater oversight and control of remuneration processes and budgets – all while accessing centralised data to coordinate retention efforts.



#### Performance Management

**Tailored performance appraisals** – Configurable to any organisation's requirements, including goal setting capabilities, competency models, development plans, and 360 reviews.

**Manager team view** – Access direct and indirect reports to view the status of appraisals, utilise the search facility or collaborate using the export and print functions.

**Configurable reports** – Generate reports at the click of a button, enabling users to choose appraisals for comparison, use graphs for visual display, access appraisal status updates, export to Excel and/or PDF, and automate report emails.



#### Rewards & Recognition

**Employee recognition** – Recognise peers and high performers with recommendations, configurable badges and points. Integrates with ELMO Performance.

**Configurable trophies** – Acknowledge employee milestones, significant achievements or celebrations with automated assignment of trophies.

**Awards** – Set-up workflows to allow employee nominations and voting for internal awards.



#### Remuneration

**Streamline remuneration processes** – Easily manage the end-to-end remuneration allocation and approvals process.

**Managers empowered** – Make more informed decisions about the allocation of salary increases, bonuses & equity awards.

**Link salary planning with ELMO suite** – Combine performance data with remuneration strategies to align employee performance and remuneration.



#### Succession Management

**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.

# THE ELMO SOLUTION...



## DEVELOP

*Keeping employee skills relevant and compliant has never been more critical. ELMO's Develop product suite can help create a culture that embraces continuous learning.*

### Create the workforce of the future

Tracking and managing the end-to-end training needs of an organisation is only possible with technology. ELMO Learning Management smooths the process with one easy-to-use system. This helps HR stay on top of course completion rates, ensures compliance, accelerates employee performance, and supports organisational goals by facilitating blended learning – helping employers coordinate both eLearning and instructor-led training.

Today's workforce also expects engaging learning content. eLearning has become the primary way of delivering workplace education, due to the ability to learn from anywhere at any time. ELMO Course Library provides access to over 400 eLearning regularly updated courses covering everything from soft skills to compliance-related issues. ELMO Course Builder simplifies the creation of bespoke online learning, from course development to publication – all without the need for coding experience. ELMO Video Library offers an extensive library of SCORM-compliant, customisable, video-rich pre-built eLearning courses, and gives users flexibility to tailor supporting content using the powerful functionality of the ELMO Course Builder. When used with ELMO Learning Management, employers can identify problem areas with trainee testing and stay on top of compliance requirements with a verifiable audit trail.



#### Learning Management

**Learner's view** – Generate personalised learning plans, including eLearning courses and instructor-led training (ILT), and create policy acknowledgements and assessments. Integrates with ELMO Survey for learning feedback.

**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, use the search facility, and export and print reports.

**Configurable reports** – Generate reports at the click of a button, enabling users to choose courses for comparison, view graphs for visual display of course completion rates, export to Excel and/or PDF, and automate report emails.



#### Course Builder

**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, true/false, drag and drop), insert images/voice-over, randomise questions, and set pass mark.

**Preview, review and publish** – Build courses with real-time editing, send courses to reviewers for feedback, and publish to ELMO Learning or a SCORM compliant LMS.



#### Course Library

**An ever-expanding library** – Provide access to ELMO's Course Library, which offers over 400 courses with a wide range of content, including compliance, soft skills and productivity training.

**Customised course content** – Copy and tailor content to a specific organisation's needs with easy authoring tools built with "what you see is what you get" editing.

**Deep integration with ELMO Learning** – Quickly and easily publish courses with detailed response tracking for in-depth reporting.



#### Video Library

**Pre-built and customisable video courses** – Choose from an extensive library of live-action video courses, or pick from hundreds of individual live-action video chapters and associated quizzes to suit your organisation.

**Comprehensive learner evaluation and analysis** – Evaluate learners' understanding of courses and assess and analyse results for individuals and/or groups. Get detailed learner reports showing training history and current progress.

**Thorough documentation and audit trail** – Training can also be automatically assigned or regularly scheduled using ELMO Learning Management. Keep track of training completion rates with a verifiable audit trail.

# RESPONSE TO THE COVID-19 PANDEMIC

Throughout the COVID-19 pandemic ELMO has remained focused on protecting the wellbeing of our employees, customers and the community.

ELMO adopted appropriate flexible working arrangements for its staff, as well as a range of extra wellbeing initiatives.

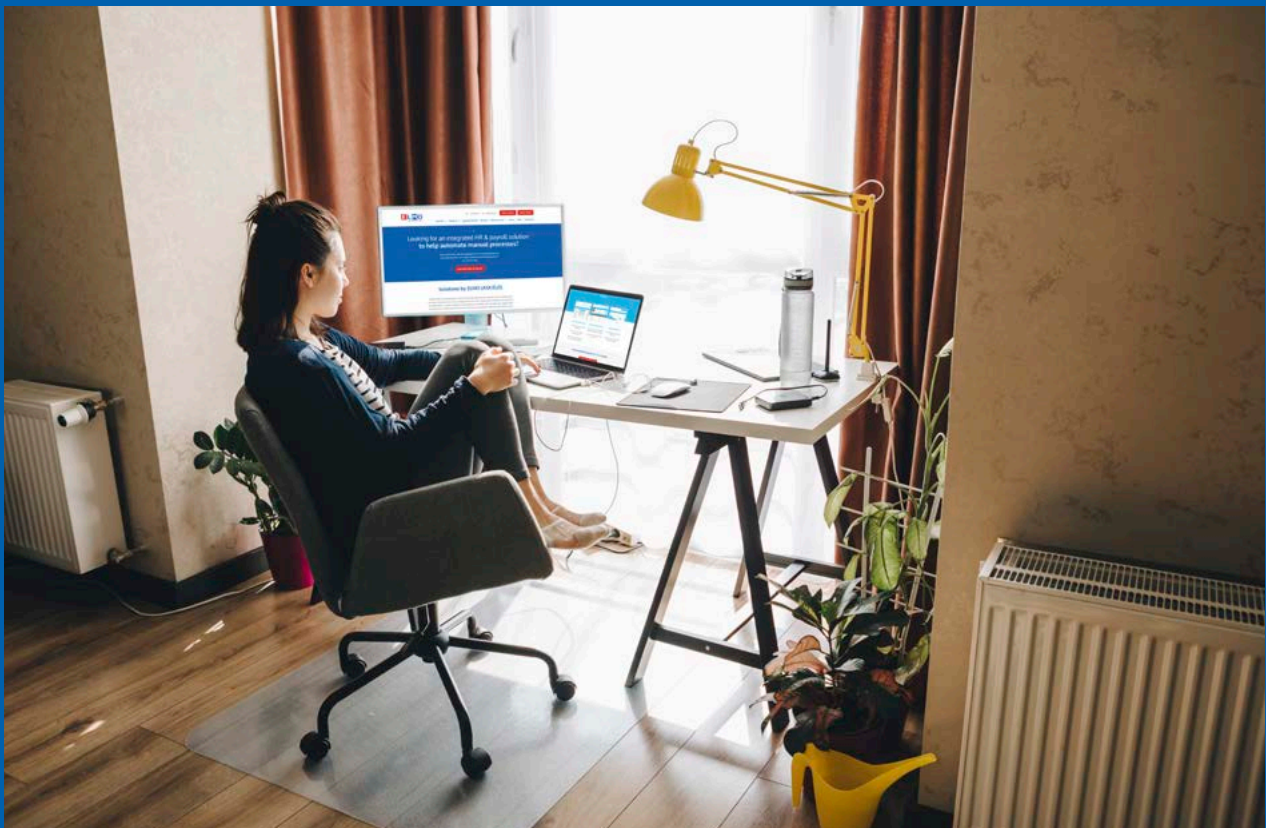
ELMO recognised that customers may require additional support, information and resources during this period. To aid customers with their needs, ELMO implemented several initiatives to help businesses manage their people during this crisis, including:

- Launched the ELMO Connect module to customers for free for six months to help them manage communication with their people during COVID-19
- Expanded ELMO video and online content so employees can continue to train and develop, regardless of remote working circumstances
- Created a COVID-19 resources hub with useful tips for businesses managing a remote workforce and dealing with the stress arising from the health crisis

- Moved face-to-face events to webinars ensuring attendees still have access to industry-leading insights and information while working remotely
- Planned weekly webinars to stay engaged with the HR & payroll community on matters that are of pivotal importance in today's environment





ELMO is a cloud-based platform, and the business tools ELMO uses are also cloud-based and accessible remotely. Hence, throughout the entire period, ELMO was able to maintain its high levels of service to customers, uninterrupted.

As the effects of COVID-19 subside, we anticipate an acceleration in the adoption of cloud-based technology. Cloud-based platforms reduce the risk to business operations and enable effective remote-based working. As one of the leading providers of cloud-based HR software in ANZ, ELMO will be well placed to benefit from this acceleration in technology transformation.

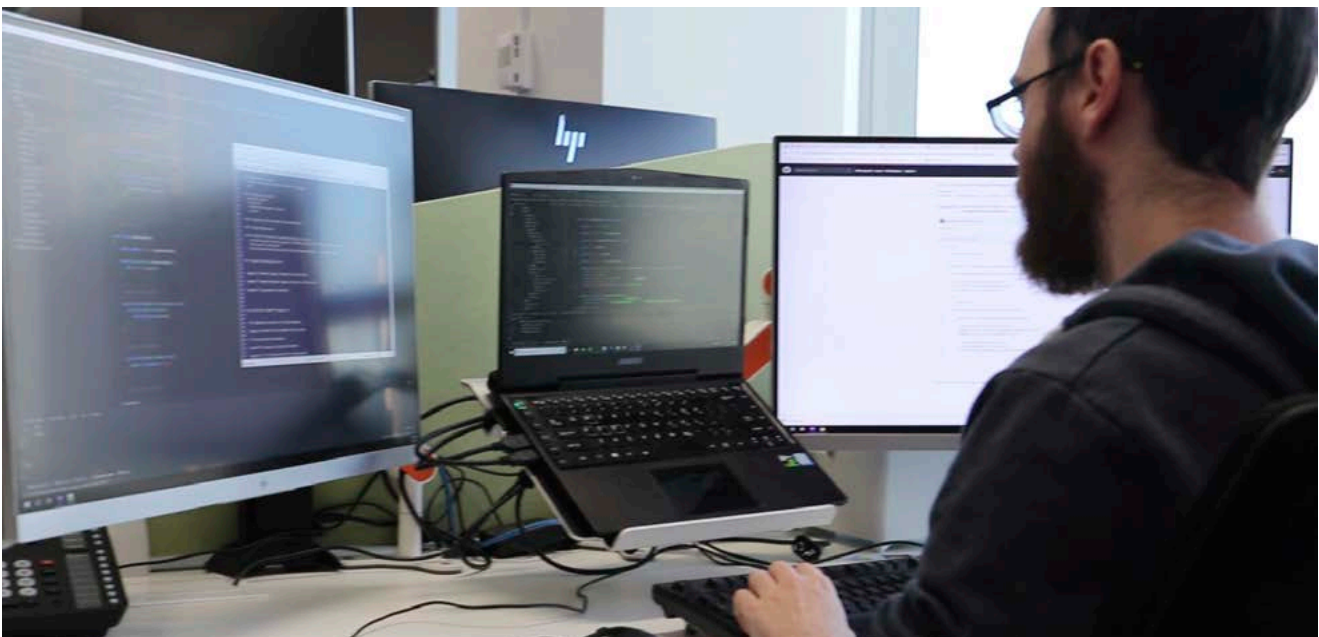


# STRONG ORGANIC GROWTH STRATEGY

## Accelerated with selective acquisitions

Organic strategy			Inorganic strategy
			
<b>New customers in existing markets</b>	<b>Greater usage from existing customers</b>	<b>Expand and enhance product line</b>	<b>Growth through acquisitions</b>
<p>Investment in sales and marketing to drive additional customers wins across ANZ.</p> <p>Strong growth and continued penetration of the lower mid-market (50 to 200 employees)</p>	<p>Increased cross-sell opportunity from ELMO's broadened suite of 15 modules.</p> <p>Continued strong revenue growth from existing customer base.</p> <p>38% of gross incremental ARR in FY20 came from existing customers.</p>	<p>Increased R&amp;D investment to:</p> <ul style="list-style-type: none"> <li>• develop new modules</li> <li>• enhance functionality and interoperability of existing modules.</li> </ul> <p>R&amp;D investment ensures ELMO maintains competitive advantage to ensure long term sustainable growth.</p>	<p>Disciplined approach, with strong track record of M&amp;A execution (7 acquisitions since 2016).</p> <p>Scaled M&amp;A team to complete and successfully integrate acquisitions to deliver synergy benefits.</p> <p>Active pipeline of strategic investments that provide:</p> <ul style="list-style-type: none"> <li>• complementary technology</li> <li>• customer lists that have module cross-sell opportunity</li> <li>• UK operational footprint to leverage</li> </ul>

Well placed to capitalise on anticipated tailwinds in the adoption of cloud-based software





# STRATEGIC INVESTMENTS, INITIATIVES AND ACQUISITIONS

## Broadening ELMO's capabilities, product suite and increasing market share

### Strategic investments

#### UTS Artificial Intelligence Partnership

ELMO joined forces with Australia's leading technology university, University of Technology, Sydney (UTS) on an innovative AI product development project. The project will deliver predictive analytic tools that leverage artificial intelligence for ELMO's customers across Australia and New Zealand.

The unique partnership provides ELMO with access to UTS' state-of-the-art Data Arena to explore and examine ELMO's huge and anonymised data sets. UTS' Data Arena features a 360-degree screen, 6 projectors and 3D modelling capability. This facility was part of the university's \$1bn upgrade and is the only such facility in Australia.

Working with anonymised, aggregated data that is drawn from the local market means the algorithms that drive the analytics relating to employee behaviour will be more relevant to Australian and New Zealand organisations.

Through predictive analytic tools that leverage workforce data, ELMO customers will gain better insights into their people and ascertain probable employee behaviour. These insights could then be used to refine strategies around recruitment, workforce planning, professional development, succession management, benefits and remuneration

#### Hero Brands Joint Venture

ELMO boosted its research & development capability through an investment in software development house, Hero Brands Pty Limited. ELMO invested \$1.18 million as a capital injection for 50% equity ownership as well as a conditional payment based on meeting performance criteria.

The expansion of ELMO's development capabilities and capacity will assist in our long term growth strategy.

### Strategic initiatives

#### Release of a new module, ELMO Connect

With the global COVID-19 pandemic forcing many organisations to implement alternative working arrangements, maintaining team communication, engagement and collaboration became a significant challenge for many organisations. ELMO Connect was developed to help resolve these issues by offering instant messaging functionality and integration with Zoom video conferencing within the ELMO platform itself. This delivers rapid benefits to an organisation's workforce without having to leave the ELMO platform.

To support businesses during this period, ELMO made Connect available to its customers for free for six months.

### Strategic acquisitions

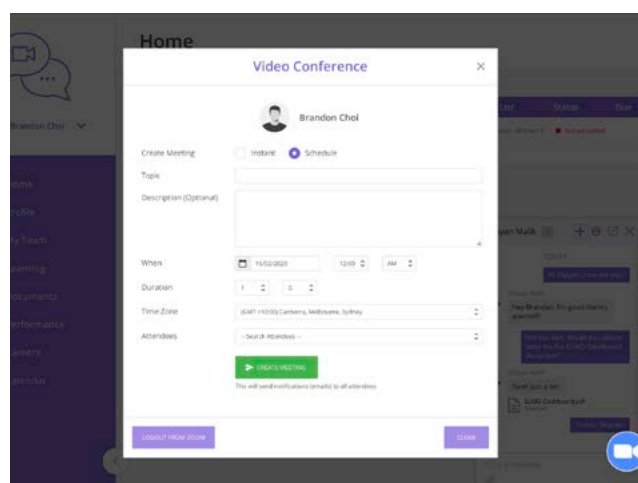
#### Vocam – Video content library

Vocam is a leader in HR and safety video e-learning content with offices in Australia and the United Kingdom. It has a library of more than 150 online videos available for companies based in Australia, New Zealand and the United Kingdom.

The acquisition gives ELMO access to cutting-edge video production and post-production facilities, enabling ELMO to expand and update video content to meet changing customer and industry needs.

- Vocam achieved \$1.5m in revenue with more than 95% being subscription based in the 12 months to 31 December 2019
- High quality customer base of more than 150 organisations across Australia, New Zealand and the United Kingdom

Vocam has provided ELMO with new customers and operations in both Australia and the UK, giving us strategic insight into this new market.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE



## INTEGRITY

We are committed to be open, respectful and accountable to each other.

## INNOVATION

We approach challenges with agility, flexibility and inspiration to explore and trial better ways of working.

## COLLABORATION

We have fun and work shoulder to shoulder with each other to achieve our common goals.

## RESULTS

We are determined and measured, we achieve and meet our commitments; no excuses.



## ELMO's Core Values

ELMO's culture is characterised by effective collaboration between and within stakeholder groups to produce outcomes that inspire and promote results. We recognise the critical nature of ELMOonian wellbeing in producing high quality outcomes for our customers, shareholders and the community. At all times, the highest levels of integrity and respect drive our decision-making and interactions.

## The ELMOonian Employee Value Proposition (EVP)

ELMO is committed to working with each division to ensure that we introduce initiatives that focus on supporting and growing our people, who we affectionately call "ELMOonians". We do so while continuing to attract the right calibre of people to join the team. As part of the EVP, we focus on activities that engage, inspire and ignite our ELMOonians to sustain them as human beings. In addition to compensation and benefits, we also provide:

- Challenging and meaningful work
- Opportunity for personal achievement
- An amazing and engaging organisational culture
- Career development

In the 12 months to 30 June, we grew our workforce by 107, to 384 ELMOonians, supported by key offices in Sydney, Melbourne, Perth, Brisbane, Auckland and Christchurch.

## Diversity and Inclusion

ELMOonians can do their best work when they're valued as individuals in a diverse and inclusive environment. The Board has formally approved a Diversity Policy to further pursue a team (including the Board) made up of individuals with diverse skills, values, backgrounds and experience. The Board is responsible for establishing and monitoring ELMO's overall diversity strategy and policy.

ELMO seeks to create a work environment where people are free to achieve their best, without encountering prejudice regarding their gender, ethnicity or cultural background, age, impairment, religious beliefs or sexuality.

ELMO acknowledges the need for its employees to combine and balance their career and family obligations and recognises the importance of caring for family members. To the extent practicable, ELMO adopts flexible work practices to assist employees in meeting their domestic responsibilities.

ELMO is committed to gender diversity initiatives, including options for job share working arrangements and working from home arrangements. At 30 June, 39 per cent of ELMO's overall workforce was female. ELMO's board consists of 50 per cent female directors.

## ELMOonian Wellbeing and Engagement

The health and wellbeing of our ELMOonians is critical to our success as an organisation.

Over the course of the year, we increased the frequency of our employee engagement surveys, particularly around COVID-19, so we could ensure that feedback around the impacts of the pandemic was heard and acted upon. We also created an ELMO virtual community calendar with online activities to support our employees when working remotely.

We are constantly listening to develop a broad range of engagement, community and wellbeing initiatives. Some of these include:

- Yoga
- Toastmasters
- End of month and quarterly milestones
- Flexible working arrangements
- Healthy food initiatives
- Early Birds Podcast (COVID-19 initiative)
- Daily 10000 Steps Challenge (COVID-19 initiative)
- Daily 20000 Steps Challenge (COVID-19 initiative)
- ELMO Run Club (COVID-19 initiative)
- Stressfit – mindfulness initiative (COVID-19 initiative)
- Yoga and Meditation (COVID-19 initiative via Zoom)
- Quarantini (Friday evening drinks during COVID-19)
- Mindful Meditation
- Hackathons
- Morning teas and shared lunches
- Job sharing
- Gratitude practice including badges, employee and CEO awards.
- Financial Wellness Initiative – YOUTax – Presentation and support with tax returns for ELMOonians
- ELMO Cycle Club (COVID-19 initiative)
- ELMO Movie Club (COVID-19 initiative via Zoom)
- Toastmasters (COVID-19 initiative via Zoom)
- ELMO Parents (COVID-19 initiative via Slack, supporting parents who are juggling work and parenting during isolation)

## Professional Development

Organisation-wide learning and development starts at the top. We are committed to the sustained growth of our business through the development of our senior leadership and management teams, and to all teams in our organisation.

ELMO's learning and development function identifies and develops emerging leaders, builds individual and team skills and knowledge, and plans for succession activities. We work with our management team to coach, counsel, mentor and model design thinking, continuous improvement, accountability, responsibility and clear communication. This ensures our ELMOonians are supported and empowered to grow in their roles and prepare for future roles.

To support individual and team development, ELMO invests in various development opportunities, including:

- AHRI National Convention and State Conferences
- National and State HR Summits
- HR & L&D Tech Fest
- HR Leaders' Summit
- Reimagine HR
- Third Sector Live
- Women in Leadership
- Toastmasters
- Sydney University Centre for Continuing Education short courses
- AHRI short courses

### ELMO in the Community

ELMO is committed to an active role in our communities. We recognise the beneficial impacts that accrue to both our ELMOians and the community when we work together on shared initiatives. This year, ELMO supported:

- Youth Off The Streets
- Movember
- Dry July
- Steptember
- United Against Domestic Violence
- Cancer Council's Biggest Morning Tea
- Make-A-Wish Foundation
- RUOK Day morning tea

### Data Privacy and Security

Security controls are in place to protect the confidentiality, integrity and availability of ELMO's platform/system and customer information.

ELMO complies with ISO27001:2013. This standard covers the requirements for privacy information management and ELMO's Data Privacy Protection Policy is maintained on the website [https://cdn.elmosoftware.com.au/wp-content/uploads/2018/04/ELMO\\_DataPrivacyProtectionPolicy.pdf](https://cdn.elmosoftware.com.au/wp-content/uploads/2018/04/ELMO_DataPrivacyProtectionPolicy.pdf)

ELMO has a fully published and implemented Information Security Management System (ISMS).

In addition, ELMO has a Security Awareness Training Program that covers all aspects of data security and privacy.

### Environment

ELMO actively seeks to reduce its carbon emissions. As ELMO continues to grow, the company prioritises office locations with high NABERS ratings.

ELMO has commenced the process of identifying viable suppliers that can provide energy from entirely renewable sources.

On site, ELMO's Green Team, an ELMOian-led committee, ensures environmental education and awareness and also provides various environmental initiatives.

### Corporate Governance

ELMO values high levels of corporate governance. 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 <https://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance>.

**COVID-19 presented unique challenges for our employees, customers and the community. Our ELMOians quickly adapted to the new remote working environment, certainly aided by virtue that ELMO is a business that lives in the cloud. As part of our overall wellbeing program, we implemented specific initiatives to support our workforce from remote locations, such as care packages and moving our wellbeing activities like daily meditation and yoga into a virtual setting. ELMOians responded to the new workplace changes with typical agility and flexibility inherent in our culture. Importantly, throughout the entire period, ELMO was able to continue its high levels of service to customers, uninterrupted.**

**– Monica Watt  
Chief Human Resources Officer**







# BOARD OF DIRECTORS



## Danny Lessem

**CHIEF EXECUTIVE OFFICER, EXECUTIVE DIRECTOR AND CO-FOUNDER OF ELMO**

### Founded ELMO in 2002

Danny is responsible for leading the development and execution of the Group'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 Group's operations and has been critical to the success of ELMO, including the strategy underpinning the development of the Group's full suite of talent management software solutions.



## Barry Lewin

**CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR**

### Joined ELMO in 2018

Barry is the founder and Managing Director of Melbourne-based corporate advisory firm SLM Corporate Pty Limited, where he advises public and private companies on mergers, acquisitions, transaction structuring, debt and equity issues, business sales and all aspects of corporate governance.

Prior to establishing SLM Corporate in 1999, Barry spent 12 years as an in-house counsel to a number of ASX-listed companies.

Barry is a Member of the Nomination and Remuneration Committee and a Member of the Audit and Risk Committee.



## Kate Hill

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

### Joined ELMO in 2018

Kate has over 20 years' experience as a former audit partner with Deloitte Touche Tohmatsu, advising privately owned and small cap ASX listed clients. She has worked extensively in regulated environments including assisting with Initial Public Offerings, capital raising and general compliance, as well as operating in an audit environment.

Kate is Chair of the Audit and Risk Committee and a Member of the Nomination and Remuneration Committee.



## Leah Graeve

**INDEPENDENT NON-EXECUTIVE DIRECTOR**

### Joined ELMO in 2019

Leah is currently Global Lead Strategic Sourcing & Procurement at Afterpay Ltd and is also a Board Member of Rare Cancers Australia (not-for-profit). Leah has over 16 years experience as a successful commercial and contracts negotiator in a range of organisations and industries. She has held roles as Head of Procurement, IT & Digital at Qantas Airways, Senior Manager at Jetstar Airways, Legal Counsel at Engonet, IT Commercial Manager at BHP Limited and was a former Policy Advisor to the Animal Law Institute, a not-for-profit community legal centre.

Leah is a member of the Audit and Risk Committee and a Chair of the Nomination and Remuneration Committee.

# ELMO Software Limited

ABN 13 102 455 087

## Financial Report 30 June 2020

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### General information

The financial statements cover ELMO Software Limited as a consolidated entity consisting of ELMO Software Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is ELMO Software Limited's functional and presentation currency.

ELMO Software Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 12	Level 27
680 George Street	580 George Street
Sydney NSW 2000	Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 6 August 2020. The directors have the power to amend and reissue the financial statements.

# 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 'Group', 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

## 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:

Barry Lewin  
Danny Lessem  
Kate Hill  
Leah Graeve

## Dividends

No dividend was paid during the financial year ended 30 June 2020 (2019: \$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 human resources and payroll solutions.

ELMO's human resources (HR) and payroll management software solutions enable organisations to manage the lifecycle of an employee from hire to retire on a single integrated platform. The Group develops, sells and implements a range of modular software applications to efficiently manage HR and payroll related processes including recruitment, onboarding, performance management, learning and development, video e-learning content, rewards and recognition, remuneration, succession planning, payroll, onboarding, workplace rostering, time and attendance.

ELMO also provides HR Core, a software module which organisations use for people management and employee self-service, and HR Survey for internal staff and external customer surveys. 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.

In April 2020 ELMO launched ELMO Connect a communications module. ELMO Connect enables customers to instant message and initiate conference calls all from the ELMO integrated HR & Payroll platform.

### Significant changes to the business

#### Capital Raisings

During the year ELMO successfully completed the following capital raisings:

- On 18 September 2019, a \$55m institutional placement;
- On 17 October 2019, a \$15m share purchase plan;
- On 12 May 2020, a \$70m institutional placement; and
- On 4 June 2020, a \$2.8m share purchase plan.

The proceeds from the placement and share purchase plan are being invested across sales and marketing, research and development and client services functions within ELMO to take advantage of the large market opportunity and expansion in its addressable market.

Additionally, the funds are being used to execute strategic acquisition opportunities to either expand the product offering or to acquire customer lists that provide module cross-sell opportunities. Acquisition opportunities are being targeted both in the Australian and New Zealand region (ANZ) and the United Kingdom (UK).

### Investment in jointly controlled entity – Hero Brands

On 13 December 2019, ELMO invested in Hero Brands Pty Limited, a software development house headquartered in Melbourne with offshore operations in Eastern Europe.

The investment provides ELMO with increased research and development capacity and capability. The investment consisted of a \$1.18m injection of capital in exchange for 50% equity ownership. An additional contingent payment of \$0.5m is payable based on meeting set performance criteria.

### Acquisition of Vocam

On 27 February 2020 the Group completed the purchase 100% of the shares in Vocam group entities (Vocam) for a total consideration of \$3.5m to be funded by \$2.5m cash and \$1m issued shares, which is subject to a 12 month voluntary escrow, plus a cash balance repaid of \$0.3m.

Vocam is a leader in HR and safety video e-learning content with offices in Australia and the United Kingdom. The acquisition also gives ELMO access to cutting edge video production and post-production facilities in Melbourne and the Philippines. This will enable ELMO to expand and update video content according to changing customer and industry requirements.

### Review of operations during the year

Certain financial information in the review of operations section below referencing Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) has been derived from the audited financial statements. The Annual Recurring Revenue (ARR) is non-IFRS financial information and as such has not been audited in accordance with Australian Accounting Standards.

For the full year ended 30 June 2020, ELMO reported revenue of \$50.1m (FY19: \$40.1m). ELMO's loss before income tax, finance costs, depreciation and amortisation (excluding the amortisation of capitalised sales commissions) was \$4.2m (FY19: loss of \$2.5m). ELMO reported a statutory net loss after tax of \$18.6m (FY19: loss \$13.2m).

ARR, which reflects the revenue run rate at a point in time and is considered a key leading metric for prospective revenue, increased to \$55.1m at 30 June 2020 (30 June 2019: \$46.0m). Growth in ARR was driven by a combination of new contracts from both new and existing customers and the contribution from the acquisition of Vocam.

Total cash receipts from customers through FY20 totalled \$57.5m reflecting a 27.6% increase compared to FY19 (FY19: 45.1m).

The impacts of COVID-19 on the revenue, EBITDA and financial position are outlined below.

### Revenue

Despite the challenging operating environment stemming from COVID-19, ELMO has been able to deliver overall revenue growth of 25.0% in FY20 when compared to FY19. This growth highlights the resilience of the ELMO platform.

The growth in revenue during the period was driven by:

- Strong subscription revenues of 97.6% of total revenue;
- Expansion of ELMO's customer base to 1,682 organisations compared to 1,341 at 30 June 2019 (25.4% increase);
- Increased investment into ELMO's sales and marketing team; and
- Increased investment and traction in new and existing modules, resulting in increased cross-sell and upsell opportunities amongst ELMO's customer base.

The impact of COVID-19 on the FY20 revenues is reflected through:

- A deferral in the procurement decisions by customers which has had an impact in the rate of securing new customers and cross selling to existing customers; and
- A decrease in customer retention to 90.2% (FY19: 92.1%). The decrease was driven by customer hardship.

As a result of COVID-19 the organic growth revenue growth rate (excluding acquisitions) declined to 24.7% in FY20 (FY19: 27.2%).

## DIRECTORS' REPORT

### EBITDA

For FY20, ELMO reported operating expenses, excluding depreciation and amortisation, of \$48.9m (FY19: \$37.2m). The key driver for the increase in operating expenses was ELMO's continued investment in resources to underpin future growth.

There was increased investment into:

- ELMO's sales and marketing function which reported expenses of \$22.6m (FY19: \$17.8m), reflecting a 27.0% increase compared to FY19 due to increased headcount during the year;
- Increased investment and capacity in client services (excluding the amortisation of capitalised sales commissions) up to \$7.3m (FY19: \$5.4m). The increased investment was focussed on supporting the increase in activity covering implementation, integration and training;
- Increased investment in research and development, primarily the development of new modules and enhancement of existing modules. Research and development spend totalled \$23.6m through FY20 (FY19: \$11.5m). The total spend in FY20 was split between operating expenses of \$6.1m and capitalised expenses of \$17.5m (FY19: \$3.2m, \$8.3m); and
- An increase in general and administrative expenses to \$18.1m (FY19: \$15.3m) driven by an increase in employment and operating costs due to strengthening of ELMO's infrastructure to scale operations.

The impact of COVID-19 on the FY20 EBITDA is reflected in:

- Receipt of government stimulus payments totalling \$2.0m which is expected to conclude during FY21
- An increase in the impairment loss on trade receivables to \$2.1m (FY19: \$0.9m) as a result of impacts on ELMO's customer base and an increase in provisioning for expected future losses; and
- A decrease in travel, accommodation and events expense in the period April to June 2020 due to travel restrictions offset by an increase in costs associated with Group wide remote working.

### Financial position

As at 30 June 2020, ELMO has no debt and a net cash balance of \$139.9m (FY19: \$27.7m). The primary reason for the increase in the cash balance through FY20 was from the capital raisings in September 2019 and May 2020.

Due to the increased investment in research and development and increase in goodwill through acquisition, intangible assets have increased to \$73.0m (2019: \$58.9m).

The impact of COVID-19 on the financial position at 30 June 2020 is reflected in:

- An increase in the provision for the impairment of receivables to \$2.5m (FY19: \$1.5m); and
- The re-phasing of payments for customers that are significantly impacted by COVID-19.

The Directors believe the Group 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 currently has a market penetration of circa 7% out of a total market of 23,813 organisations<sup>1</sup>, across Australia and New Zealand. ELMO plans to accelerate its market penetration in the region by increasing investment into its sales and marketing capabilities and initiatives to drive new customer wins.
- **Expanding and enhancing product offering**  
ELMO recently acquired and integrated video e-learning content and developed a communications module. There is continuous development and deployment planned for new and enhanced features across both the newly acquired and existing modules with additional modules to be launched within the next few years.

ELMO continues to commit to investment in research and development with the total spend in FY20 reflecting 47.1% (FY19: 28.8%) of statutory revenue. Key development plans include the continued enhancement of the user experience and user interface, continued integration of acquisitions and further development of the interoperability of the module suite.

1. Frost & Sullivan independent market report 2019/2020

- **Growth through acquisitions**

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

ELMO's acquisition strategy expanded in FY20 from ANZ to include targeting opportunities in the UK to build and leverage an operational footprint.

## Matters subsequent to the end of the financial year

### Novel Coronavirus (COVID-19)

The Novel Coronavirus ('COVID-19') was declared a pandemic in March 2020 by the World Health Organisation ('WHO'). Subsequent to the end of the 30 June 2020 financial year, there continues to be considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries have caused disruption to businesses and economic activity. The Group considers this to be a non-adjusting post balance date event.

COVID-19 has not substantially impacted the operations of the Group and its core operations. There has been some deferral in the procurement decisions by customers which has had an impact in the rate of securing new customers and cross selling to existing customers and some rephrasing of payments by customers. At present, the Group continues to operate effectively with business as usual.

The Group has no external debt and as at 30 June 2020 had \$139.9m of cash available to the Group. Management believe this is sufficient cash to absorb the effects of COVID-19 even if the related restrictions remain in force for an extended period of time.

The directors do not consider that the impact is likely to compromise the ability of the Group to continue operating for the foreseeable future. However, considerations on the economic impact resulting from COVID-19 have been included in the financial results for the year ended 30 June 2020 through the allowance for expected credit losses over receivables.

Other than in relation to COVID-19, no other matter or circumstance has arisen since 30 June 2020 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:	<b>Barry Lewin</b>
Title:	Chairman and Independent Non-executive Director
Qualifications:	Bachelor of Commerce (B.Com) and Bachelor of Laws (LLB) from University of Cape Town, MBA, Swinburne University of Technology, Melbourne.
Experience and expertise:	Barry is the founder and Managing Director of Melbourne-based corporate advisory firm SLM Corporate Pty Limited, where he advises public and private companies on mergers, acquisitions, transaction structuring, debt and equity issues, business sales and all aspects of corporate governance. Prior to establishing SLM Corporate in 1999, Barry spent 12 years as an in-house counsel to a number of ASX-listed companies.
Other current directorships:	Non-Executive Chairman of Praemium Limited (ASX:PPS), Non-Executive Chairman of Quickfee Ltd (ASX: QFE).
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination and Remuneration Committee and Member of the Audit and Risk Committee
Interests in shares:	15,000 fully paid ordinary shares
Interests in options:	None
Contractual rights to shares:	None



## DIRECTORS' REPORT

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Name:	<b>Danny Lessem</b>
Title:	Chief Executive Officer, Executive Director and Co-Founder of ELMO
Qualifications:	Bachelor of Laws (LL.B) and Bachelor of Arts and Law from the University of Witwatersrand, South Africa
Experience and expertise:	Danny is responsible for leading the development and execution of the Group'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 Group's operations and has been critical to the success of ELMO, including the strategy underpinning the development of the Group's full suite of talent management software solutions.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	10,823,149 fully paid ordinary shares
Interests in options:	None
Contractual rights to shares:	None

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Name:	<b>Kate Hill</b>
Title:	Independent Non-Executive Director, Chair of the Audit and Risk Committee
Qualifications:	Bachelor of Science – Honours, Mathematics and Statistics from the University of Bristol, England, a member of the Institute of Chartered Accountants in Australia and New Zealand, and a graduate of the Australian Institute of Company Directors.
Experience and expertise:	Kate has over 20 years' experience as a former audit partner with Deloitte Touche Tohmatsu, advising privately owned and small cap ASX listed clients. She has worked extensively in regulated environments including assisting with Initial Public Offerings, capital raising and general compliance, as well as operating in an audit environment.
Other current directorships:	Non-Executive Director of Countplus Limited (ASX: CUP), Chair of their Audit and Risk Committee and a member of the Acquisitions Committee. Non-Executive Chair of Seeing Machines Limited (AIM: SEE), a member of the Audit, Finance and Risk Committee and a member of the People and Culture Committee.
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee
Interests in shares:	8,955 (includes 3,955 restricted shares acquired under the NED equity plan)
Interests in options:	None
Contractual rights to shares:	1,470 share rights under the NED equity plan

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Name:	<b>Leah Graeve</b>
Title:	Independent Non-Executive Director, Chair of the Nomination and Remuneration Committee
Qualifications:	Bachelor of Arts and Law from Monash University and a graduate of the Australian Institute of Company Directors
Experience and expertise:	Leah is currently Global Lead Strategic Sourcing & Procurement at Afterpay Ltd and is also a Board Member of Rare Cancers Australia (not-for-profit). Leah has over 16 years experience as a successful commercial and contracts negotiator in a range of organisations and industries. She has held roles as Head of Procurement, IT & Digital at Qantas Airways, Senior Manager at Jetstar Airways, Legal Counsel at Engonet, IT Commercial Manager at BHP Limited and was a former Policy Advisor to the Animal Law Institute, a not-for-profit community legal centre.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Nomination and Remuneration Committee and member of the Audit and Risk Committee
Interests in shares:	None
Interests in options:	None
Contractual rights to shares:	None

### Chief Financial Officer

James Haslam has held the roles of Chief Financial Officer and Joint Company Secretary since 4 February 2019. James is a Chartered Accountant and fellow of the Institute of Chartered Accountants in England and Wales (ICAEW). James has over 19 years in accounting and finance including 15 years professional services for KPMG and Deloitte, following which he founded and operated Financial Agility Consulting, specialising in financial analysis, due diligence, accounting, mergers and acquisitions, and capital markets advice, primarily, in recent years, based in the technology sector.

### 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.

### Meetings of directors

The number of directors' meetings (including meetings of the committees of directors) and number of meetings attended by each of the Directors of the Group during the year ended 30 June 2020 were:

	Board meeting		Audit and Risk Committee		Nomination and Remuneration Committee	
	A	B	A	B	A	B
Barry Lewin	14	14	–	–	5	5
Danny Lessem	14	14	4	4	–	–
Kate Hill	14	14	4	4	5	5
Leah Graeve	14	14	4	4	5	5

A – Number of meetings attended during the time the Director held the office during the year.

B – Number of meetings held when the Director was eligible to attend during the year.

## DIRECTORS' REPORT

### Directors' interests

The relevant interest of each director and officer as KMP in the shares, options and rights over such instruments issued by the Group, at the date of this report is as follows:

Directors	Fully paid ordinary shares	Share options	Performance rights	Share rights
	Number	Number	Number	Number
Danny Lessem	10,823,149	–	–	–
Barry Lewin	15,000	–	–	–
Kate Hill	8,955*	–	–	1,470
Leah Graeve	–	–	–	–
<i>Officer</i>				
James Haslam	8,500	24,614	15,567	–

\* Includes 3,955 restricted shares under the NED equity plan.

### Shares under option (see note 38 for further detail)

Issuing entity	LTI Plan	Number of shares/ rights under option	Class of shares	Exercise price of rights/options	Expiry date of options
<b>Share options</b>					
ELMO Software Limited	SEEP	284,689	Ordinary shares	\$2.51	17 October 2027
ELMO Software Limited	SEEP	31,373	Ordinary shares	\$2.51	7 December 2027
ELMO Software Limited	SEEP	209,709	Ordinary shares	\$5.50	29 October 2028
ELMO Software Limited	SEEP	24,614	Ordinary shares	\$5.50	27 March 2029
ELMO Software Limited	HPEP	72,465	Ordinary shares	\$2.51	17 October 2027
ELMO Software Limited	HPEP	6,735	Ordinary shares	\$2.51	11 December 2027
ELMO Software Limited	HPEP	22,260	Ordinary shares	\$5.08	9 March 2028
ELMO Software Limited	HPEP	326,834	Ordinary shares	\$5.50	5 November 2028
ELMO Software Limited	HPEP	7,885	Ordinary shares	\$5.50	25 February 2029
<b>Performance rights</b>					
ELMO Software Limited	SEEP	72,504	Ordinary shares	\$6.74	
ELMO Software Limited	HPEP	174,691*	Ordinary shares	\$7.16*	

\* The exact number of performance rights awarded under HPEP and the related share price will be fixed in August 2020. Upon vesting, the rights immediately convert to shares so no expiry date applies.

### Indemnity and insurance of officers

The Group has indemnified the directors and executives of the Group 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 Group paid a premium in respect of a contract to insure the directors and executives of the Group 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 Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

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

### Proceedings on behalf of the Group

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

### 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 31 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 31 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 Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

### Officers of the Group who are former partners of Deloitte Touche Tohmatsu

No officer of the Group was an audit partner of Deloitte Touche Tohmatsu, being the auditors during the financial year, at a time when the audit firm undertook an audit of the Group.

### Rounding of amounts

The Group 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 on page 48.

### Auditor

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

# DIRECTORS' REPORT

## 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.

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

- Remuneration governance
- Key management personnel
- Human resource strategy and remuneration policy
- Remuneration payments and link between performance and reward
- Remuneration of key management personnel
- Key terms of employment contracts
- Long-term incentive plan
- Key management personnel equity holdings

## Remuneration governance

The Nomination and Remuneration Committee is responsible for reviewing the remuneration arrangements for its Directors and Executives and making recommendations to the Board. The Nomination and Remuneration Committee has two key functions:

- The purpose of the nomination function is to review and make recommendations to the Board with respect to identifying nominees for directorships and key executive appointments; considering the composition of the Board, ensuring that effective induction and education procedures exist for new Board appointees, key executives and senior management; ensuring that appropriate procedures exist to assess and review the performance of the Chairman, Non-executive Directors and senior executives. The responsibility for the Group's remuneration policy rests with the full Board notwithstanding the establishment of the Committee.
- The purpose of the remuneration function is to provide advice, recommendations and assistance to the Board in relation to the Group's remuneration policies and remuneration packages of senior executives, Executive Directors and Non-executive Directors.

Further information regarding the Committee's responsibilities is set out in the Nomination and Remuneration Committee Charter available at <http://investors.elmosoftware.com.au/Investors/?page=Corporate-Governance>.

## Key management personnel

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

## Changes in Executive KMP

As a representation of the operations within ELMO at an executive level there have been changes to the definition of executive roles and as a result the classification of Executive KMP has been reconsidered for the purposes of disclosure in the FY20 Remuneration Report.

Danny Lessem and James Haslam as CEO and CFO respectively, under the supervision of the Board of Directors, have overall authority and responsibility for decisions regarding future acquisitions and strategic direction of the Group. The KMP are supported by the Executive team who have responsibility for executing decisions taken by the KMP.

These changes to the Executive KMP took effect on 1 July 2019 and it is considered that these roles have authority and direct responsibility for planning, directing and controlling the activities of the consolidated entity.

Accordingly, for the year ended 30 June 2020 and since the end of the financial year KMP are as follows:

### Executive KMP

Danny Lessem	Chief Executive Officer
James Haslam	Chief Financial Officer and Joint Company Secretary

### Human resource strategy and remuneration policy

The framework encourages executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to be based on 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

### Remuneration payments and link between performance and reward

ELMO's remuneration strategy is designed to assist ELMO to achieve its corporate objectives through appropriate fixed and performance-based remuneration as detailed below:

#### Executive KMP remuneration

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

The Executive KMP remuneration and reward framework for the current year included:

- cash salary
- superannuation
- short-term incentive
- long-term incentive including share options and performance rights (LTI) although the CEO does not participate in the LTI due to his status as a founder and significant shareholder.

The combination of these comprises the Executive KMP's total remuneration as detailed under 'Key terms of employment contracts'.

Fixed remuneration, consisting of base salary, fees and superannuation is 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.

#### 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 objectives and key results (OKRs).

Participation in the STI Plan is determined at the discretion of the Board. OKR's to Executive KMP will generally relate to conditions that are within the control of the employee, for example group revenue and profit targets, strategic measures or other such conditions, including both quantitative and qualitative as ELMO may decide as relevant to the specific executive role. Subject to the discretion of the Board, the STI Plan has been structured based on the overall remuneration structure adopted by ELMO such that 60% of an employee's total package consists of fixed pay and 40% as performance pay, with the performance pay component divided such that 60% is based on short term performance and 40% of long term performance (excluding the CEO where only the STI element will apply for the performance pay). The quantum of any reward is 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 Plan)

ELMO has both a Senior Executive Equity Plan (SEEP) and a High Performer Equity Plan (HPEP) as part of its LTI Plan for the year ended 30 June 2020. During the year Executive KMP (except the CEO) received awards granted in accordance with the SEEP only. ELMO will regularly assess the appropriateness of its incentive plans and may amend or replace, suspend or cease using the SEEP if considered appropriate by the Board.

## DIRECTORS' REPORT

### The Senior Executive Equity Plan (SEEP)

Equity incentives under the SEEP were granted to employees (or such other person that the Board determines is eligible to participate) in respect of FY19 and FY20; with offers made at the discretion of the Board. Grants under the SEEP are made annually and are made to the Executive KMP (except the CEO) as the Board may determine from time to time. Any grants are made subject to the ASX Listing Rules, to the extent applicable. The terms of the incentives granted under this plan were determined by the Board at grant.

### FY18 and FY19: Share options

The SEEP is intended to align the interests of the senior executives with Shareholders. Awards under the SEEP prior to FY20 were structured as an option to receive shares at a future date subject to the recipient paying the exercise price (SEEP Option) with the performance period commencing on 1 July of the year of grant and concluding on 30 June three years later.

### FY20: Performance rights

From FY20 onward, to ensure alignment and retention of key executives as the Group matures, awards under the SEEP are issued as performance rights rather than share options. If the performance rights vest they will be automatically converted to shares; one share will be received for each performance right vested and no cash alternative.

The following table details the fixed, variable, short and long term incentives in relation to executive remuneration and the link to the Group's performance.

Component	Performance measures	Strategic objective/Performance link
Fixed remuneration	<p>The position description of each Executive KMP includes a set of individual performance measures which are reviewed and evaluated each financial year.</p> <p>Remuneration is set competitively in order to:</p> <ul style="list-style-type: none"> <li>Recruit: Attract the best talent to ELMO to ensure sustainable growth</li> <li>Retain: Ensure talent is not poached by larger technology organisations or direct competitors</li> </ul>	<p>Each Executive KMP's individual performance measures is specifically designed to ensure alignment with the Group's strategic plans for the year.</p> <p>Fixed remuneration is based on:</p> <ul style="list-style-type: none"> <li>Role and responsibility</li> <li>Capability and competencies</li> <li>Comparable market remunerations</li> </ul>

### Performance-based remuneration (STIs and LTIs)

ELMO's performance pay consists of short and long-term incentives which are designed to:

- Motivate: to achieve financial and non-financial corporate objectives
- Reward: create performance culture that recognises and rewards outstanding performance
- Retain: through the Senior Executive Equity Plan (SEEP) and the subsequent tenure required for options and rights to vest

Short-term incentive plan (STI) being cash award	<p>The personal OKRs of each Executive KMP relate to conditions that are within the control of the employee including quantitative and qualitative targets, strategic initiatives and such other conditions as the Group requires.</p> <p>STIs are cash-based payments</p> <ul style="list-style-type: none"> <li>Quantum of STI = % of performance relative to an individual's OKRs.</li> </ul>	<p>Ensures each Executive KMP is held accountable for the outcomes that are under his control. These outcomes are designed to support the overall Group objectives.</p> <p>STIs motivate individuals, create a high-performance culture and increase employee engagement.</p>
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Component	Performance measures	Strategic objective/Performance link										
Long-term incentive plan (LTI) under the (SEEP)	<p><i>Share options</i></p> <p>Participants must be employed on vesting date for the options to vest. Performance will be tested at the end of each vesting period (years 1, 2, and 3) to determine the extent to which the Group has satisfied the Total Shareholder Return (TSR) performance condition.</p> <p>Vesting against this target will apply if the following is met:</p> <ul style="list-style-type: none"> <li>• 100% of the Options will vest if the Group ranks at or above the 75th percentile;</li> <li>• Straight-line vesting will occur if the Group ranks between the 50th percentile and the 75th percentile;</li> <li>• 65% of the Options will vest if the Group ranks at the 50th percentile;</li> <li>• 0% of the Options will vest if the Group ranks below the 50th percentile.</li> </ul> <p>Performance will be tested relative to a peer group comprising the constituent companies of the S&amp;P/ASX 300 excluding mining and energy companies.</p>	Ensures a direct link between the performance of the Executive KMP and their departments with the creation of shareholder value.										
Long-term incentive plan (LTI) under the (SEEP)	<p><i>Performance Rights</i></p> <p>The performance rights will vest in three tranches over a three-year period from the grant date in the following proportions:</p> <ul style="list-style-type: none"> <li>• Year 1 – 20%</li> <li>• Year 2 – 30%</li> <li>• Year 3 – 50%</li> </ul> <p>Performance will be tested as to 50% against relative TSR (RTSR Hurdle), 50% material achievement of Group guidance and continued employment. The TSR of each Group will be measured from the start of the performance period to the end of the performance period with the following vesting proportions applying:</p> <table border="1"> <thead> <tr> <th>Group's RTSR percentile rank against comparator group</th> <th>Vesting percentage</th> </tr> </thead> <tbody> <tr> <td>Less than 50th</td> <td>Nil</td> </tr> <tr> <td>At 50th</td> <td>65%</td> </tr> <tr> <td>Between 50th to 75th</td> <td>66-99% on a straight-line basis</td> </tr> <tr> <td>At or above 75th</td> <td>100%</td> </tr> </tbody> </table>	Group's RTSR percentile rank against comparator group	Vesting percentage	Less than 50th	Nil	At 50th	65%	Between 50th to 75th	66-99% on a straight-line basis	At or above 75th	100%	
Group's RTSR percentile rank against comparator group	Vesting percentage											
Less than 50th	Nil											
At 50th	65%											
Between 50th to 75th	66-99% on a straight-line basis											
At or above 75th	100%											

For FY20 the STI's were based on quantitative and qualitative performance measures for each Executive KMP with individual performance reviews conducted at the end of the year.

ELMO is committed to continually evolving the OKR's for Executives KMP's ensuring meaningful shareholder value aligned targets on which to be assessed.

## DIRECTORS' REPORT

In considering the Group's performance and benefits for shareholder wealth, the Nomination and Remuneration Committee have regard to the following indices in respect of the current financial year and the previous three financial years since IPO.

	FY20	FY19	FY18	FY17
ARR (\$'m)	55.1	46.0	31.1	19.1
Revenue (\$'m)	50.1	40.1	26.5	16.6
Revenue growth (%)	25.0	51.3	60.0	36.0
Closing share price (\$)	7.16	7.29	5.50	2.50

No dividends have been paid in the financial years disclosed above.

### 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 of the Non-Executive Directors as remuneration for their services as a Director, guided by remuneration benchmarking. 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 Group in general meeting.

This amount has been fixed by the Group 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 remuneration for special exertions and additional services performed by a Non-Executive Director in addition to their agreed roles. Any additional fees will be approved by the Board when determined to be appropriate.

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

The Non-Executive Directors do not receive performance-related compensation, and there are no contractual redundancy or retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

There is however a Non-Executive Director (NED) equity plan in place under which a Non-Executive Director may choose to sacrifice some or all of their salary in share rights (non-performance). The share rights vest on the first business day of the financial quarter beginning after each grant date. Upon vesting, restricted shares will be allocated subject to the restriction period being the earlier of 15 years or upon cessation as a Non-Executive Director.

Chair and independent Non-Executive Director, Barry Lewin's annual directors' fee was \$150,000.

Kate Hill's annual fee was \$100,000 per annum for her role as a Non-Executive director, Chair of the Audit and Risk Committee and a member of the Nomination and Remuneration Committee. In accordance with the rules of the NED equity plan Kate salary sacrifices 25% of her salary to be transferred into the equity plan from which the share rights are purchased and valued appropriately using the 10 day VWAP at the point of issue of share rights.

Leah Graeve's annual fee was \$100,000 per annum (inclusive of superannuation) for her role as a Non-Executive director, Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

## Remuneration of key management personnel

The following tables below detail remuneration of key management personnel based on the policies previously discussed for the years ended 30 June 2020 and 30 June 2019.

### Year ended 30 June 2020

	Cash salary and fees \$	Fees sacrificed under NED equity plan \$	STI <sup>(ii)</sup> \$	LTI <sup>(iii)</sup> \$	Super- annuation \$	Annual leave \$	Long service leave \$	Total \$
<b>Non-executive Directors:</b>								
Barry Lewin (Chairman)	150,000	–	–	–	–	–	–	150,000
Kate Hill <sup>(i)</sup>	73,303	26,697	–	–	–	–	–	100,000
Leah Graeve	90,500	–	–	–	9,500	–	–	100,000
<b>Executive KMP:</b>								
Danny Lessem	690,000	–	465,000	–	25,000	22,369	14,384	1,216,753
James Haslam	371,000	–	158,400	60,860	25,000	24,189	–	639,449
	1,374,803	26,697	623,400	60,860	59,500	46,558	14,384	2,206,202

#### Notes in relation to Non-Executive Directors' and Executive KMP remuneration table

- (i) During the current and previous year Kate Hill salary sacrificed 25% of her annual salary under the rules of the NED equity plan detailed previously and received during the financial year as \$25,218 in restricted shares and \$7,350 in share rights, of which \$12,121 related to salary sacrifice in FY19 and \$20,447 related to FY20.
- (ii) The STI bonus is for performance during the retrospective financial year using the performance criteria set out on page 40 after performance reviews were completed and approved by the Nomination and Remuneration Committee. Short-term incentives were approved by the Board post year-end but accrued in the financial statements for the year ended 30 June 2020 and were therefore disclosed.
- (iii) The respective values of awards granted under the long-term incentive plan (LTI) are calculated as follows:
- For share options issued prior to FY20, using a Monte Carlo simulation approach subject to the relative total shareholder returns performance conditions, and allocated to each reporting period evenly over the period from grant date to vesting date.
  - For performance rights issued in FY20, using the 10 day volume weighted average price (VWAP) at the grant date.

### Key terms of employment contracts for the year ended 30 June 2020

Name:	Danny Lessem
Title:	Executive Director and Chief Executive Officer
Details:	Base salary for the year ending 30 June 2020 of \$715,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee with a 6 month termination notice by either party. Danny was eligible for a short-term incentive benefit. He does not participate in the LTI.
Name:	James Haslam
Title:	Chief Financial Officer
Details:	Base salary for the year ending 30 June 2020 of \$396,000 including superannuation, to be reviewed annually by the Nomination and Remuneration Committee with a 6 month termination notice by either party. James was eligible for both short-term and long-term incentive benefit.

# DIRECTORS' REPORT

## Year ended 30 June 2019

	Cash salary and fees \$	STI <sup>(ii)</sup> \$	Annual leave \$	Long service leave \$	Super- annuation \$	Share Options <sup>(iii)</sup> \$	Total \$
<b>Non-executive Directors:</b>							
James McKerlie (Chairman) <sup>(i)</sup>	190,558	–	–	–	–	–	190,558
Barry Lewin (Chairman) <sup>(i)</sup>	109,231	–	–	–	–	–	109,231
Kate Hill	100,000	–	–	–	–	–	100,000
Leah Graeve <sup>(i)</sup>	5,000	–	–	–	–	–	5,000
<b>Executive Directors:</b>							
Danny Lessem	609,148	411,667	56,056	–	24,695	–	1,101,566
Trevor Lonstein <sup>(i)</sup>	202,269	–	26,857	–	15,577	3,120	247,823
<b>Other Key Management Personnel:</b>							
James Haslam <sup>(i)</sup>	130,141	60,000	10,606	–	9,705	28,266	238,718
Gordon Starkey	367,808	158,400	38,720	20,023	21,086	73,700	679,737
Xin Sun	328,500	144,000	16,999	15,137	25,038	67,000	596,674
Monica Watt	217,967	100,000	6,565	–	27,266	43,210	395,007
Darryl Garber	267,637	120,000	20,931	–	21,594	50,856	481,017
	2,528,259	994,067	176,734	35,160	144,961	266,152	4,145,333

### Notes in relation to Directors' and Executive officers' remuneration table

(i) The following changes to key management personnel occurred during the financial year:

- On 10 October 2018, Barry Lewin was appointed as Non-Executive Director;
- On 19 September 2018 Jim McKerlie resigned as Non-Executive Director;
- On 12 June 2019 Leah Graeve was appointed as Non-Executive Director;
- On 4 February 2019 James Haslam was appointed; and
- On 4 February 2019 Trevor Lonstein resigned as Executive Director.

From and since those dates the individuals ceased and commenced as non-executive directors and key management personnel. The remuneration for each has thereby been disclosed as appropriate until/from these dates.

(ii) The STI bonus is for performance during the retrospective financial year using the performance criteria set out on page 40 after performance reviews were completed and approved by the Nomination and Remuneration Committee. Short-term incentives were approved by the Board post year-end but accrued in the financial statements for the year ended 30 June 2019 and were therefore disclosed.

(iii) The value of the share options granted to key management personnel as part of their remuneration under the long-term incentive plan (LTI) is calculated at the grant date using a Monte Carlo simulation approach subject to the relative total shareholder returns performance conditions, and is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised as an expense in each reporting period.

## Long-term incentive plan

### Rights and options over equity instruments granted as compensation

Under the LTI plan there were no additional share options granted to KMP during the reporting period; however performance rights were awarded.

Details on performance rights and options over ordinary shares in the Group that were granted as compensation to KMP during the reporting period and details on options that vested during the reporting period are as follows:

Options	No of options granted during FY20	No of options held at 30 June 2020	Grant date	Fair value per option at grant date (weighted average)	Exercise price per option	Expiry date	No of options vested or exercised during FY20
James Haslam	–	24,614	27 March 2019	\$1.56	\$5.50	31 August 2025	–

Performance rights	No of performance rights granted during FY20	No of rights held as at 30 June 2020	Vesting condition	Grant date	Fair value at grant date
James Haslam	15,567	15,567	TSR and Achievement of guidance	19 Sep 2019	\$6.74

NED share rights	No of share rights granted during FY20	Share rights Grant date	Fair value at grant date	Vested and converted	No of share rights held as at 30 June 2020
Kate Hill	1,955	20 Sep 2019	\$6.20	(1,955)	–
	981	16 Oct 2019	\$6.63	(981)	–
	1,019	3 Jan 2020	\$6.47	(1,019)	–
	1,470	2 Apr 2020	\$5.00	–	1,470

### Details of equity incentives affecting current and future remuneration

In addition to a continuing employment service condition, vesting is conditional on the Group achieving certain performance hurdles. Details of the performance criteria are including in the long-term incentives discussion on page 41.

For performance rights granted in the current year, the earliest vesting and exercisable date are:

- Year 1 – 20%
- Year 2 – 30%
- Year 3 – 50%

The value of the performance rights is calculated at the 10 day VWAP as at grant date.

The NED share rights vest on the first business day of the next financial quarter which will be the first available date post the trading black-out window.

# DIRECTORS' REPORT

## Key management personnel equity holdings

### Year ended 30 June 2020

	Balance as at	Purchased/	Shares	Balance as at 30 June 2020	
	1 July 2019	sold during	acquired	Ordinary	Restricted
	Number	the year <sup>(i)</sup>	under NED	Shares	Shares
	Number	Number	equity plan	Number	Number
<b>Non-Executive Directors</b>					
Barry Lewin	10,000	5,000	–	15,000	–
Kate Hill	–	5,000	3,955	5,000	3,955
Leah Graeve	–	–	–	–	–
<b>Executive KMP</b>					
Danny Lessem	11,989,816	(1,166,667)	–	10,823,149	–
James Haslam	5,000	3,500	–	8,500	–

(i) On 18 September 2019 Danny Lessem sold 1,166,667 ordinary shares at a share price of \$6.00 per share.

### Year ended 30 June 2019

	Balance as at	Purchased/	Balance as at
	1 July 2018	other	30 June
	Number	changes	2019
	Number	during the	Number
		year	
		Number	
<b>Non-Executive Directors</b>			
Barry Lewin <sup>(i)</sup>	–	10,000	10,000
Jim McKerlie <sup>(ii)</sup>	50,000	(50,000)	–
Kate Hill	–	–	–
Leah Graeve	–	–	–
<b>Executive Directors</b>			
Danny Lessem	11,989,816	–	11,989,816
Trevor Lonstein <sup>(iii)</sup>	420,695	–	420,695
<b>Other Key Management Personnel</b>			
James Haslam <sup>(iv)</sup>	–	5,000	5,000
Gordon Starkey	510,945	(90,250)	420,695
Xin Sun	425,695	–	425,695
Monica Watt	1,250	–	1,250
Darryl Garber	460,945	(40,250)	420,695

(i) Barry Lewin was appointed as a Non-Executive Director on 10 October 2018.

(ii) Jim McKerlie resigned as Non-Executive Director on 19 September 2018. At the date of resignation Jim McKerlie held 50,000 shares.

(iii) Trevor Lonstein resigned as a director on 4 February 2019.

(iv) James Haslam was appointed on 4 February 2019.

**This concludes the remuneration report (audited).**



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



**Barry Lewin**

Chairman



**Danny Lessem**

Director

6 August 2020  
Sydney

# AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

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6 August 2020

The Board of Directors  
Elmo Software Limited  
Level 27, 580 George Street  
SYDNEY, NSW 2000

Dear Board Members

**Elmo Software Limited**

In accordance with section 307C of the *Corporations Act 2001*, 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 report of Elmo Software Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Joshua Tanchel  
Partner  
Chartered Accountants

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
Revenue from contracts with customers	4	50,051	40,053
Cost of sales		(7,980)	(5,388)
Gross profit		42,071	34,665
Other income	5	2,006	35
Sales and marketing expenses		(22,589)	(17,786)
Research and development expenses		(6,102)	(3,247)
General and administrative expenses		(18,100)	(15,332)
Depreciation and amortisation expense		(15,041)	(9,437)
Impairment loss on trade receivables		(2,109)	(894)
Net gain on derecognition of financial assets measured at cost	17	17	98
Finance income	7	770	857
Finance costs	8	(1,006)	(764)
Share of loss from joint venture	16	(182)	–
<b>Loss before income tax expense from continuing operations</b>		<b>(20,265)</b>	<b>(11,805)</b>
Income tax benefit/(expense)	9	1,649	(1,375)
<b>Loss after income tax expense for the year</b>		<b>(18,616)</b>	<b>(13,180)</b>
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive loss for the year attributable to the owners of ELMO Software Limited</b>		<b>(18,616)</b>	<b>(13,180)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share</b>			
From continuing operations			
Basic earnings	37	(25.42)	(20.85)
Diluted earnings	37	(25.42)	(20.85)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	139,887	27,698
Trade and other receivables	11	10,386	9,540
Other current assets	13	1,636	533
Income tax refundable	12	81	–
Finance lease receivable	18	206	186
Total current assets		152,196	37,957
<b>Non-current assets</b>			
Investment in jointly controlled entity	16	1,498	–
Property, plant and equipment	14	4,589	4,249
Intangible assets and capitalised costs	15	72,961	58,860
Right-of-use assets	17	14,991	8,173
Finance lease receivable	18	83	289
Total non-current assets		94,122	71,571
<b>Total assets</b>		<b>246,318</b>	<b>109,528</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	10,842	7,286
Deferred and contingent consideration	21	6,208	3,953
Lease liabilities	19	2,741	2,632
Employee benefits	22	3,273	1,939
Current tax liabilities	12	–	71
Contract liabilities	23	26,098	19,910
Total current liabilities		49,162	35,791
<b>Non-current liabilities</b>			
Deferred and contingent consideration	21	500	5,500
Lease liabilities	19	16,006	9,309
Employee benefits	25	436	172
Deferred tax	24	450	2,977
Contract liabilities	23	516	382
Total non-current liabilities		17,908	18,340
<b>Total liabilities</b>		<b>67,070</b>	<b>54,131</b>
<b>Net assets</b>		<b>179,248</b>	<b>55,397</b>
<b>Equity</b>			
Share capital	27	214,156	72,733
Reserves	27	1,880	836
Accumulated losses	28	(36,788)	(18,172)
Equity attributable to the owners of ELMO Software Limited		179,248	55,397
<b>Total equity</b>		<b>179,248</b>	<b>55,397</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

Consolidated	Issued capital \$'000	Foreign currency reserves \$'000	Share option reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	72,340	(47)	205	(4,286)	68,212
AASB 15 adjustment (net of tax): note 2	–	–	–	(736)	(736)
AASB 16 adjustment (net of tax): note 2	–	–	–	30	30
Restated total at the beginning of the financial year	72,340	(47)	205	(4,992)	67,506
Loss after income tax benefit for the year	–	–	–	(13,180)	(13,180)
Other comprehensive income for the year, net of tax	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(13,180)	(13,180)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares under business combinations – deferred consideration from prior year acquisitions (net of costs)	393	–	–	–	393
<i>Reserves:</i>					
Translation movement during the year	–	52	–	–	52
Equity settled share-based payment	–	–	626	–	626
Balance at 30 June 2019	72,733	5	831	(18,172)	55,397

Consolidated	Issued capital \$'000	Foreign currency reserves \$'000	Share option reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	72,733	5	831	(18,172)	55,397
Loss after income tax benefit for the year	–	–	–	(18,616)	(18,616)
Other comprehensive income for the year, net of tax	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(18,616)	(18,616)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued under institutional placement	125,000	–	–	–	125,000
Shares issued under share purchase plan	17,801	–	–	–	17,801
Exercise of unlisted options	669	–	–	–	669
Less: share placement costs (net of tax)	(3,047)	–	–	–	(3,047)
Issue of shares under business combinations (net of costs)	1,000	–	–	–	1,000
<i>Reserves:</i>					
Translation movement during the year	–	94	–	–	94
Equity settled share-based payment	–	–	1,086	–	1,086
Exercise of unlisted options	–	–	(136)	–	(136)
Balance at 30 June 2020	214,156	99	1,781	(36,788)	179,248

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2020

	Note	Consolidated	
		2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		57,498	45,060
Payments to suppliers and employees (inclusive of GST)		(52,851)	(40,226)
		4,647	4,834
Other income received		1,736	–
Income taxes refunded/(paid)		35	(196)
Net cash generated from operating activities	36	6,418	4,638
<b>Cash flows from investing activities</b>			
Interest received		746	833
Payment for investment in jointly controlled entity		(1,180)	–
Payment of deferred consideration from acquisitions in the prior period		(3,770)	(5,331)
Payments for property, plant and equipment		(1,785)	(1,001)
Payments for intangibles		(21,423)	(9,433)
Payments for transaction costs of acquisitions		(349)	(494)
Payment for acquisitions of businesses and subsidiaries, net of cash acquired		(2,255)	(7,891)
Receipt for lease incentives		–	2,874
Net cash used in investing activities		(30,016)	(20,443)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		142,801	–
Proceeds from exercise of share options		511	–
Share issue transaction costs (net of tax)		(4,356)	(51)
Repayment of lease liabilities		(3,259)	(2,441)
Net cash generated from/(used in) financing activities		135,697	(2,492)
Net increase/(decrease) in cash and cash equivalents		112,099	(18,297)
Cash and cash equivalents at the beginning of the financial year		27,698	45,995
Effect of exchange differences on cash balances		90	–
Cash and cash equivalents at the end of the financial year	10	139,887	27,698

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

# NOTES TO THE FINANCIAL STATEMENTS

## 30 June 2020

### 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 33.

#### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of ELMO Software Limited ('Group', 'Company' or 'parent entity') as at 30 June 2020 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

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.

#### Transactions eliminated upon consolidation

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.

#### Business combinations

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

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, except if related to the issue of equity securities.

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.



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 1. Significant accounting policies (continued)

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. Any goodwill that arises is tested annually for impairment. 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.

### Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprises an interest in a jointly controlled investment. A jointly controlled investment is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than the rights to its assets and obligations for its liabilities.

The interest in the jointly controlled investment is accounted for using the equity accounting method. The interest is initially recognised at cost; subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and OCI of the equity-accounted investment until the date on which joint control ceases.

### 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 currency differences are generally recognised in profit or loss and presented within finance costs.

### 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 from contracts with customers

The Group has two primary revenue streams:

- Software solution services; and
- Professional services

#### (i) Identification of distinct elements and separate performance obligations

##### *Software solution services*

In the case where the customer contract includes a license and additional integration services provided including implementation and training ('software solution services') the assessment has been performed as to whether a separate performance obligation exists for each element. These additional services provided with the licence are not distinct or separately identifiable and therefore the contract includes only one performance obligation under AASB 15.

### Professional services

These services can be provided at any point during the life of the licence contract and are therefore classified as a separate performance obligation.

### (ii) Revenue recognition

The Group recognises revenue from the following major sources as below:

Revenue Stream	Performance Obligation	Timing of Recognition
'Software solution services' – software licences, implementation and integration services.	Access to software	Over the life of the contract as the customer simultaneously receives and consumes the benefits of accessing the software.
Professional services – one-off services including but not limited to training workshops and onsite consultations.	As defined in the contract but typically at completion of the service	Recognised over time, but because time delivered is minimal, point in time recognition has been applied.

### Other income

#### Other income

Other income 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:

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

Government grants are recognised in the profit or loss over the periods in which the Group recognises related expenses. Where government grants relate to costs which have been capitalised as non-current assets these are recognised as a reduction to the related non-current asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Finance income and finance costs

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- Foreign currency gain or loss on financial assets or financial liabilities;
- Gain on the remeasurement to fair value of any pre-existing interest in an acquired entity as part of a business combination; and
- Fair value loss on contingent consideration classified as a financial liability through a business combination.

Interest income 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. Interest income includes interest for the lease receivable in relation to the sub-lease held.

Interest expense includes interest in relation to lease liabilities and is calculated based on the default interest rate implicit in the lease contract.

### Cost of sales

Cost of sales includes wages, salaries, capitalised commission amortisation 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 1. Significant accounting policies (continued)

### Income tax

Income tax comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

### Tax consolidation

Elmo Software Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group where it is probable that taxable income will be generated.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable for the previous years. The amount of current tax payable or receivable is the best estimate of the tax expected to be paid or received. It is measured using tax rates enacted or substantively enacted at the reporting date.

### Deferred tax

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, unused tax credits and unused tax losses to the extent 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.

### 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 and short term deposits with an original maturity of three months or less.

### 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.

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

### Property, plant and equipment

#### (i) Recognition and measurement

Property, 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.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items of property, plant and equipment.

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.

#### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only if it probable that the future economic benefits associated with the expenditure will flow to the Group.

#### (iii) Depreciation

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 and is recognised in profit or loss.

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.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Leasehold improvements	3-8 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.

### Intangible assets

#### (i) Recognition and measurement

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.

#### **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.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 1. Significant accounting policies (continued)

### *Capitalised sales commission costs*

Commission costs are those amounts paid to business development employees as remuneration for securing new contracts based on a discretionary fixed percentage of revenue.

### *Customer lists*

Upon acquisition of a new business, customer lists which are acquired including active revenue contracts are amortised over management's best estimate of their useful life.

### *Trademark*

The trademark is treated as having an indefinite useful life because it is expected to contribute to net cash flows indefinitely and thus the trademark is not amortised until its useful life is determined to be finite. It will be tested for impairment annually and whenever there is an indication that it may be impaired.

### (ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits of the specific asset to which it relates. All other expenditure including any expenditure for internally generated goodwill or brands is recognised in the profit or loss as incurred.

### (iii) Amortisation

Amortisation is calculated to write off the cost of the intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill and trademarks are not amortised.

The estimated useful lives for current and comparative periods are as follows:

Software development costs	3 years
Capitalised sales commission costs	1–3 years
Customer lists	7–10 years

### Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash of other assets or cash generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or a group of CGUs that are expected to benefit from the synergies of the consolidation.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of the asset or CGU is the higher of the asset's fair value less costs to sell and value in use.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

An impairment in respect of goodwill is not reversed. For other assets, an impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

With respect to trade receivables an 'expected credit loss' ('ECL') model will be used 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. Impairment of trade receivables which would previously have been included in other expenses is now stated as 'impairment loss on trade receivables'. Any impairment losses on other financial assets are presented under 'finance costs' and not presented separately in the statement of profit or loss and other comprehensive income.

### Contract liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. The Group recognises a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the amount invoiced exceeds the revenue recognised to date then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in construction contracts with customers as the period between the recognition of revenue and the receipt of payment is always expected to be less than one year.

## 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.

## Employee benefits

### Short-term employee benefits

Short-term benefits are expensed as the relative service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, to the share-based payment reserve, over the vesting period of the awards. The fair value of the share options and performance rights has been determined as detailed in note 38.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

### Other long-term employee benefits

The Group's obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the high quality corporate bonds at the statement of financial position date, the maturity of which approximates to the terms of the Group's obligations.

## Leases

### Definition of a new lease

The determination of whether a contract contains a lease is on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has applied this definition to all lease contracts currently held.

### Lessee accounting

For all contracts determined to constitute a lease, right-of-use assets and lease liabilities are recognised in the consolidated statement of financial position, initially measured at the present value of future lease payments. When measuring these lease liabilities, the Group discounted lease payments using the interest rate implicit in the lease contract.

Right-of-use assets are tested for impairment in accordance with AASB 136 Impairment of assets. Lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities. Depreciation is expensed on right-of-use assets and interest on lease liabilities, both recognised in the consolidated statement of profit or loss.

For presentation purposes, the total amount of cash paid in relation to leases is separated into a principal portion (presented within financial activities) and interest on lease liabilities, both recognised in the consolidated statement of profit or loss.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis. This expense is presented within other expenses in the consolidated statement of profit or loss.

### Lessor accounting

The Group assesses the classification of the sub-lease commenced during the financial year with reference to the right-of-use asset, not the underlying asset. Upon commencement of the sub-lease the right-of-use asset held by the Group as the intermediate lessor is derecognised, recognising a lease receivable being the present value of sub-lease payments to be received with any gain or loss being recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## 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.

### Share 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.

### 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.

In the case that the Group is in a loss position for the period no effect will be applied in relation to dilutive factors.

### Rounding of amounts

The Group 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.

### Standards issued but not yet effective

From the new standards effective for annual periods beginning on or after 1 July 2019 and the standards and interpretations issued but not yet effective, the Group has assessed that there will be no significant impact on the financial statements.

## 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.



### Revenue recognition

Judgement is required as to whether revenue is recognised over time or at a point in time.

### 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.

There is significant judgement involved including determining the fair value of consideration and critically valuing the intangible assets for each business combination. Several factors are taken into consideration in valuing intangibles including replacement cost for software and revenue growth assumptions and discount rates underlying the valuation of customer lists and software.

### 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.

### Impairment of goodwill

The consolidated entity assesses impairment of goodwill and other indefinite life intangible assets annually by performing a fair value less costs of disposal calculation, which incorporate a number of key estimates and assumptions. In determining the Elmo CGU's fair value significant judgement is used in considering the appropriate comparable companies, and consequently the appropriate revenue multiple to determine Elmo's fair value.

### Credit risk

During the current challenging economic environment, credit risk is assessed to be a critical accounting judgement regarding estimations and assumptions over the expected credit loss allowance.

### Recovery of deferred tax assets

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

## Note 3. 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 primary statements and notes to the financial statements.

### Geographical information

	Revenue from external customers		Geographical non-current assets	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Australia	45,512	37,124	78,599	58,024
New Zealand	4,333	2,929	13,853	13,258
United Kingdom	206	–	89	–
	50,051	40,053	92,541	71,282

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; specifically for the current year excludes the investment in jointly controlled entity and finance lease receivable of \$1,581,000 (2019: finance lease receivable of \$289,000).

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 4. Revenue from contracts with customers

### Timing of revenue recognition

	Consolidated	
	2020 \$'000	2019 \$'000
Products and services transferred at a point in time	1,181	1,839
Products and services transferred over time	48,870	38,214
Total revenue	50,051	40,053

## Note 5. Other income

	Consolidated	
	2020 \$'000	2019 \$'000
Government grants	2,005	–
Other income	1	35
	2,006	35

## Note 6. Expenses

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Employment expenses</i>		
Sales and marketing	17,646	13,076
Research and development	5,263	3,132
General and administrative	9,866	7,187
	32,775	23,395
<i>Included in general and administrative expenses</i>		
Consultancy and subcontractor expenses	1,587	1,189

## Note 7. Finance income

	Consolidated	
	2020 \$'000	2019 \$'000
Interest on lease receivable	23	24
Other interest income	747	833
	770	857

## Note 8. Finance costs

	Consolidated	
	2020 \$'000	2019 \$'000
Interest on lease liability	950	751
Foreign exchange loss	56	13
	1,006	764

## Note 9. Income tax expense

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Income tax expense</i>		
Current tax expense	50	(358)
Deferred tax – origination and reversal of temporary differences	1,909	(1,017)
Adjustment recognised for prior periods – current tax	(201)	
Adjustment recognised for prior periods – deferred tax	(109)	–
Aggregate income tax benefit/(expense)	1,649	(1,375)
Income tax expense is attributable to:		
Loss from continuing operations	1,649	(1,375)
Aggregate income tax benefit/(expense)	1,649	(1,375)
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 24)	1,800	(1,017)
Deferred tax – origination and reversal of temporary differences	1,800	(1,017)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(20,265)	(11,805)
Loss before income tax expense	(20,265)	(11,805)
Tax at the statutory tax rate of 30%	6,080	3,541
Tax effect amounts which are not deductible in calculating taxable income:		
Effect of expenses that are not deductible in determining taxable profit	(657)	(209)
Non-deductible R&D costs (R&D tax offset not booked)	(578)	(3,623)
Tax losses not recognised	(2,886)	(451)
Adjustment for prior income year	(201)	–
Benefit of tax losses not previously recognised	–	9
Other	–	56
	1,758	(677)
Adjustment to opening deferred tax asset	(109)	(698)
Income tax benefit/(expense)	1,649	(1,375)

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 10. Cash and cash equivalents

	Consolidated	
	2020 \$'000	2019 \$'000
Cash at bank	136,850	25,640
Term deposits (over 90 days maturity)	3,037	2,058
Cash and cash equivalents	139,887	27,698

## Note 11. Trade and other receivables

	Consolidated	
	2020 \$'000	2019 \$'000
Trade receivables	12,888	11,015
Loss allowance	(2,502)	(1,475)
	10,386	9,540

The consolidated entity has recognised an expense of \$2.1m in profit or loss in respect of impairment of receivables for the year ended 30 June 2020, (2019: \$0.9m).

Information about the Group's exposure to credit and market risks, including expected credit losses for trade receivables is included in note 26.

## Note 12. Current tax

### Current tax liabilities: income tax refundable/(payable)

	Consolidated	
	2020 \$'000	2019 \$'000
Income tax refundable/(payable)	81	(71)

## Note 13. Other current assets

	Consolidated	
	2020 \$'000	2019 \$'000
Prepayments	531	473
Other debtors	1,105	60
	1,636	533

## Note 14. Property, plant and equipment

	Consolidated	
	2020 \$'000	2019 \$'000
Plant and equipment – at cost	859	608
Accumulated depreciation	(455)	(342)
	404	266
Computer equipment – at cost	2,776	1,288
Accumulated depreciation	(1,841)	(830)
	935	458
Leasehold improvements – at cost	4,993	4,311
Accumulated depreciation	(1,743)	(786)
	3,250	3,525
	4,589	4,249

### 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 2018	222	314	5,253	5,789
Additions	165	421	415	1,001
Additions through business combinations	–	1	–	1
Disposals	–	(76)	(1,355)	(1,431)
Transfers	(48)	48	–	–
Depreciation expense	(73)	(254)	(786)	(1,113)
Effects of movements in exchange rates	–	4	(2)	2
Balance at 30 June 2019	266	458	3,525	4,249
Additions	265	858	662	1,785
Additions through business combinations	–	13	–	13
Disposals	(8)	–	–	(8)
Depreciation expense	(119)	(396)	(942)	(1,457)
Effects of movements in exchange rates	–	2	5	7
Balance at 30 June 2020	404	935	3,250	4,589

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 15. Intangibles assets and capitalised costs

	Consolidated	
	2020 \$'000	2019 \$'000
Software development costs	42,724	24,712
Accumulated amortisation	(20,513)	(11,099)
	22,211	13,613
Capitalised sales commission costs	6,673	3,490
Accumulated amortisation	(3,131)	(2,089)
	3,542	1,401
Customer lists (acquired through business combinations)	9,829	8,816
Accumulated amortisation	(2,825)	(1,600)
	7,004	7,216
Goodwill (acquired through business combinations)	39,625	36,051
Trademarks (acquired through business combinations)	579	579
	72,961	58,860

### 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	Trademarks \$'000	Total \$'000
Balance at 1 July 2018	6,973	750	6,470	21,380	242	35,815
Additions	8,283	1,148	–	2	–	9,433
Additions through business combinations (note 21)	2,759	–	1,821	14,669	337	19,586
Amortisation expense	(4,466)	(501)	(1,075)	–	–	(6,042)
Effects of movements in exchange rates	64	4	–	–	–	68
Balance at 30 June 2019	13,613	1,401	7,216	36,051	579	58,860
Additions	17,459	3,182	–	–	–	20,641
Additions through business combinations (note 21)	525	–	1,013	3,541	–	5,079
Amortisation expense	(9,428)	(1,043)	(1,225)	–	–	(11,696)
Effects of movements in exchange rates	42	2	–	33	–	77
Balance at 30 June 2020	22,211	3,542	7,004	39,625	579	72,961

Goodwill arose during the current financial year through the acquisition of Vocam (2019: HROnboard and Boxsuite); refer to Note 21 for further details.

The Group considers the relationship between its market capitalisation and its book value, among other factors specific to the cash generating unit (CGU), when reviewing for indicators of impairment. At 30 June 2020, the market capitalisation of the Group was significantly greater than the Group's equity book value, indicating no potential impairment of goodwill or impairment of the assets of the CGU.

The recoverable amount of the cash generating unit has been based on the fair value less cost of disposal method using a comparable resource transaction multiple multiplied by the resources attributable to this cash generating unit. The valuation is measured using inputs that are based on observable market data. Therefore, they are considered to be level 1 within the fair value hierarchy as per AASB 13 *Fair Value Measurement*.

#### Note 16. Investment in jointly controlled entity

	Consolidated	
	2020 \$'000	2019 \$'000
Balance as at 13 December 2019 on acquisition	1,680	–
Group's share of losses for the year ended 30 June 2020	(182)	–
Carrying amount as at 30 June 2020	1,498	–

On 13 December 2019, ELMO acquired joint control in Hero Brands Pty Ltd with a 50% ownership interest.

Hero Brands expands ELMO's research and development capacity and capability. ELMO's initial investment consists of a \$1.18m capital injection plus deferred contingent consideration of \$0.5m.

The following table summarises the financial information of Hero Brands Pty Ltd as included in its own financial statements:

	2020 \$'000
Current assets	1,052
Non-current assets	–
Current liabilities	(324)
Non-current liabilities	–
Net assets	728
Revenue	1,951
Losses (100%)	(364)
Losses (50%)	(182)
<i>Reconciliation of net assets</i>	
Opening net assets as at acquisition	1,092
Loss for the period	(364)
Closing net assets	728
50% ownership interest	364
Goodwill	1,134
Carrying amount of jointly controlled entity	1,498



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 17. Right-of-use assets

The Group holds leases for several properties with lease terms ranging from 3 to 5 years.

*Right-of-use assets: property*

	Consolidated \$'000
As at 1 July 2018: cost recognised upon transition to AASB 16	11,492
Less: accumulated depreciation recognised upon transition to AASB 16	(1,156)
Net carrying amount as at 1 July 2018	10,336
Additions	627
Derecognition of right-of-use asset <sup>(i)</sup>	(505)
Depreciation	(2,285)
Net carrying amount as at 30 June 2019	8,173
Additions <sup>(iii)</sup>	9,538
Derecognition of right-of-use asset <sup>(ii)</sup>	(151)
Depreciation	(2,569)
Net carrying amount as at 30 June 2020	14,991

	2020 \$'000	2019 \$'000
<i>Amounts recognised in profit or loss in relation to leases</i>		
Interest expense	950	751
Expense relating to low value assets	57	19
Expense relating to variable lease payments not included in the measurement of the lease liability	561	449
<i>Cash flow from leases</i>		
Total cash outflow as a lessee	3,469	3,917
Income from sub-leasing of right-of-use asset	210	152

(i) In the prior financial year, a sub-lease was entered into derecognising the right-of-use asset in relation to the head lease and recognising a financial lease receivable (note 18) with a resulting gain to the profit or loss of \$98,332.

(ii) In the current financial year, the existing lease in Melbourne was replaced by a new lease resulting in a gain of \$16,687.

(iii) Included in additions is the effect of the extension of the Sydney lease from 5 years to 8 years with a resulting uplift to the right of use asset of \$6.9m and corresponding amount to lease liability.

## Note 18. Finance lease receivable

	Consolidated	
	2020 \$'000	2019 \$'000
Current finance lease receivable (recoverable within 12 months)	206	186
Non-current finance lease receivable (recoverable after 12 months)	83	289

**Note 19. Lease liabilities**

	Consolidated	
	2020 \$'000	2019 \$'000
Amounts due for settlement in less than 12 months (current)	2,741	2,632
Amounts due for settlement in more than 12 months (non-current)	16,006	9,309
	Consolidated	
	2020 \$'000	2019 \$'000
<i>Maturity analysis</i>		
Not later than 1 year	2,741	2,632
Later than 1 year but not later than 5 years	11,879	9,309
Later than 5 years	4,127	–
	18,747	11,941

The lease liabilities are interest bearing at an average rate of 6% based on the interest rates implicit in the lease contract. There are options to extend included in several of the lease contracts held. As at 30 June 2020 any options which are not expected to be exercised based on current business operations have not been included in the lease calculations. There are no other future cash flows anticipated in relation to leases held which have not been disclosed in the financial statements.

**Note 20. Trade and other payables**

	Consolidated	
	2020 \$'000	2019 \$'000
Trade payables and accruals	7,579	4,506
Other payables	3,263	2,780
	10,842	7,286

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 21. Business combinations and acquisitions of business assets

During the year the Group acquired interests in Vocam entities (including Vocam Pty Ltd and Safety Business Learning Ltd), (2019: HROnboard and BoxSuite). Key information on the acquisitions is summarised in the table below:

	Acquired in the year ended 30 June 2020		Acquired in the year ended 30 June 2019
	Provisional accounting		
	Vocam \$'000	HROnboard \$'000	BoxSuite \$'000
Net tangible assets	13	1	–
Cash	287	332	13
Customer list	1,013	1,806	15
Software	525	1,580	1,179
Trademark	–	337	–
Other assets	–	498	9
Contract liability	(1,209)	(1,303)	–
Deferred tax liability	(304)	(1,117)	(358)
Loans repaid to previous shareholders	–	(948)	–
Other liabilities	(79)	(426)	(4)
Net identifiable assets acquired	246	760	854
Goodwill on acquisition	3,541	14,123	546
Fair value of the total consideration transferred (Purchase price of \$3.5m plus cash acquired)	3,787	14,883	1,400

## Deferred consideration paid

Acquired entity	Consideration settled in shares \$'000	Consideration settled in cash \$'000
<i>Settled in FY20</i>		
Sky Payroll	–	400
BoxSuite	–	435
HROnboard	–	2,935
<i>Settled in FY19</i>		
QMC	–	4,000
Sky Payroll	–	400
Pivot Software	393	931

As at 30 June 2020, consideration has been settled in final in relation to Sky Payroll.

## FY20 Acquisitions

### Vocam

On 27 February 2020 the Group completed the purchase of 100% of the shares in Vocam group entities (Vocam) for a total consideration of \$3.5m to be funded by \$2.5m cash and \$1m shares of the parent company, which is subject to a 12 month voluntary escrow plus a cash balance repaid of \$0.3m.

Vocam is a leader in HR and safety video e-learning content with offices in Australia and the United Kingdom. The acquisition also gives ELMO access to cutting edge video production and post-production facilities in Melbourne and the Philippines. This will enable ELMO to expand and update video content according to changing customer and industry requirements.

## FY19 Acquisitions

### HROnboard

On 31 January 2019 the Group completed the purchase of HROnboard Pty Limited ('HROnboard'), one of Australia's leading providers of cloud-based employee onboarding software for an estimated total consideration of \$10.0m with an initial amount of \$7.0m paid on completion and a deferred cash payment of \$3.0m. The vendor is eligible for an additional conditional cash payment (estimated to be \$5.5m) which will be subject to achieving a range of certain high growth performance targets.

Total consideration payable is subject to adjustments relating to cash, debt and working capital.

The onboarding process is an essential function of the employee's lifecycle within an organisation and the acquisition of HROnboard strategically strengthens ELMO's position as a leading provider of SaaS onboarding solutions in the Australian market.

Goodwill has arisen through this acquisition from synergies, the opportunities for cross-selling and ability to provide a broader product suite to offer to the market.

### BoxSuite

On 31 January 2019 the Group completed the purchase of Get BoxSuite Pty Limited ('BoxSuite'), a SaaS, cloud-based specialist in workplace rostering and time and attendance for casual and shift-based employees, for a total consideration of \$1.4m with an initial amount of \$1.0m paid on completion and \$0.4m deferred based on agreed milestones.

BoxSuite's rostering module enables organisations to schedule shifts and monitor staff costs while its time and attendance modules enable organisations to efficiently record and manage employee hours, calculate appropriate remuneration rates, and seamlessly integrate with external payroll platforms.

The acquisition of BoxSuite is firmly in line with ELMO's growth strategy to supplement the Group's strong organic growth with complementary technology to offer customers an integrated product suite of HR and payroll solutions.

Results for each acquisition included in the consolidated statement of comprehensive income for the current and prior reporting period since the appropriate acquisition date for each transaction as stated above are as follows:

	Revenue \$'000	Profit/(Loss) before tax \$'000
<b>Year ended 30 June 2020</b>		
Vocam	687	137
<b>Year ended 30 June 2019</b>		
HROnboard	1,372	(476)
BoxSuite	5	(565)

If the acquisition date for all acquisitions that occurred during the year had been as of the beginning of the annual reporting period, the results for ELMO Software Limited, being the combined entity including a full year of results for Vocam (2019: HROnboard and BoxSuite) would have been:

	2020 \$'000	2019 \$'000
Revenue	51,500	42,600
Loss before tax	(20,200)	(11,400)

The Group incurred costs of \$0.3m (2019: \$0.55m) in relation to all acquisitions made during the year. These costs have been included in business acquisition expenses.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 22. Employee benefits: current liabilities

	Consolidated	
	2020 \$'000	2019 \$'000
Employee benefits	3,273	1,939

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 23. Contract liabilities

	Consolidated	
	2020 \$'000	2019 \$'000
Contract liabilities		
Current	26,098	19,910
Non-current	516	382

## Note 24. Deferred tax: non-current liabilities

Year ended 30 June 2020	As at 1 July 2019 \$'000	Recognised in profit or loss \$'000	Recognised in equity \$'000	Acquired in business combinations (Note 21) \$'000	As at 30 June 2020 \$'000
Provision for doubtful debts	216	374	–	–	590
Prepayments	(1)	1	–	–	–
Property, plant and equipment	8	318	–	–	326
Intangibles	(2,402)	1,349	–	–	(1,053)
Right-of-use assets	(3,464)	(1,018)	–	–	(4,482)
Government grant	–	(299)	–	–	(299)
Blackhole expenses	733	(518)	1,307	–	1,522
<i>Acquired on business combination:</i>					
Customer list	(2,271)	(133)	–	304	(2,100)
Capitalised software development costs	(693)	2,329	–	–	1,636
Trademarks	(174)	–	–	–	(174)
Superannuation payables	184	74	–	–	258
Accruals	604	170	–	–	774
Provision for employee benefits	548	564	–	–	1,112
Contract liabilities	152	(132)	–	–	20
Lease liabilities	3,583	2,023	–	–	5,606
Deferred tax timing differences not booked	–	(4,186)	–	–	(4,186)
Deferred tax assets/(deferred tax liabilities)	(2,977)	916	1,307	304	(450)

Year ended 30 June 2019	As at 1 July 2018 \$'000	Prior year adjustments (Note 2) \$'000	Recognised in profit or loss (Note 9) \$'000	Acquired in business combinations (Note 21) \$'000	As at 30 June 2019 \$'000
Provision for doubtful debts	172	–	44	–	216
Prepayments	(2)	–	1	–	(1)
Property, plant and equipment	(1)	–	9	–	8
Intangibles	(1,514)	–	(888)	–	(2,402)
Right-of-use assets	–	(3,101)	(363)	–	(3,464)
Blackhole expenses	13	–	(6)	–	7
IPO costs	554	–	(185)	–	369
Transaction costs on share issue	476	–	(119)	–	357
<i>Acquired on business combination:</i>					
Customer list	(1,941)	–	216	(546)	(2,271)
Capitalised software development costs	59	–	76	(828)	(693)
Trademarks	(73)	–	–	(101)	(174)
Superannuation payables	84	–	100	–	184
Accruals	189	–	415	–	604
Provision for employee benefits	342	–	206	–	548
Contract liabilities	–	316	(164)	–	152
Lease liabilities	–	3,101	482	–	3,583
R&D tax incentive	841	–	(841)	–	–
Deferred tax assets/(deferred tax liabilities)	(801)	316	(1,017)	(1,475)	(2,977)

The Group has decided not to book \$4.2m of deferred tax temporary differences in excess of deferred tax liabilities in this financial year until there is reasonable certainty that sufficient future taxable income will be available. The Group will continue to monitor this assessment in FY21 as the Group continues to scale and grow.

The Group has also decided not to book the deferred tax impact from tax losses and carry forward R&D tax concessions of \$5.3m (2019: \$2.4m), until there is reasonable certainty that sufficient taxable income will be generated. The Group will continue to monitor this assessment in FY21 as the Group continues to scale and grow.

## Note 25. Employee benefits: non-current liabilities

	Consolidated	
	2020 \$'000	2019 \$'000
Employee benefits	436	172



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 26. Financial risk management

The Group has exposure to the following risks arising from financial assets and liabilities:

- Credit risk
- Liquidity risk
- Market risk

### Risk management framework

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Audit and Risk Committee, which includes responsibility for developing and monitoring the Group's risk management policies. The Committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The role of the Audit and Risk Committee for the Group is to:

- Provide oversight of the integrity of internal financial reporting and the external financial statements;
- Review the effectiveness of the internal financial controls;
- Review the independence, objectivity and performance of the external auditors; and
- Provide guidance on risk management.

The Group maintains a comprehensive risk exposure matrix which is regularly reviewed, monitored and updated. As part of the risk management strategy the Group constantly evaluates risk and risk acceptance.

### Accounting classifications and fair values

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2020	Carrying amount: Fair value through P&L \$'000	Fair value: Level 3 \$'000
Contingent consideration	5,602	3

The fair value of the contingent consideration is measured at the cashflow expected in accordance with the share purchase acquisition.

## 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; related to trade receivables and lease receivables for the Group.

The average credit period on sales of products and services is 30 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtors current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry and an assessment of both current and forecast conditions.

New customers are typically invoiced in advance of their contract commencing with annual renewals also being due for payment in advance of the renewal anniversary. Receivables held are monitored on an ongoing basis to minimise the Group's exposure. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables (see note 11) and lease receivables (note 18).

In the light of the COVID-19 pandemic and the potential risk for increased credit losses, the allowance for expected credit losses was reviewed analysing the trade debtors balance by industry. The Group holds receivables from a broad range of industries but with a negligible portion of industries expected to have been significantly affected by COVID-19.

Expected credit loss rates and allowances for expected credit losses are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Neither past due nor impaired	–	–	6,361	4,192	–	–
0 to 3 months overdue	5%	14%	3,655	5,392	198	731
3 to 6 months overdue	80%	52%	2,872	1,431	2,304	744
Total			12,888	11,015	2,502	1,475

## 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 the current conditions impacted by COVID-19, without incurring unacceptable losses or risking damage to the consolidated entity's reputation. This risk is managed through constant monitoring of cash resources and future obligations.

The following are the remaining contractual maturities of financial liabilities at the reporting date:

Maturity profile	Trade and other payables \$'000	Deferred and contingent consideration \$'000	Lease liabilities \$'000
Within 1 year	10,842	6,208	2,741
1-2 years	–	–	2,626
2-5 years	–	500	9,253
Over 5 years	–	–	4,127

The Group currently does not hold debt and following 2 capital raisings in the current financial year has a cash balance of \$139.9m including \$3.0m bank guarantees at 30 June 2020. This strengthens the Group's financial liquidity in the current market and will allow the Group to not only weather the current crisis but continue to invest in the business. In the event that further resources are required the Group has the potential to raise additional funds through a capital raising and/or acquire debt.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 26. Financial risk management (continued)

### Interest rate risk

As the Group does not currently hold debt, the only significant liabilities which are subject to interest rate risk are lease liabilities held. The interest charged on these liabilities is implicit in the lease and is fixed for all leases currently held and committed.

### Market risk: Currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investment in foreign subsidiaries.

ELMO's financial statements are presented in Australian Dollars with only a small proportion of sales denominated in overseas currencies as denoted under note 4 *Revenue from contracts with customers* and these transactions are conducted at spot rates as necessary in normal operations.

The Group's assets and liabilities at balance date denominated in foreign currencies is:

	New Zealand Dollar \$'000	Singapore Dollar \$'000	British Pound Sterling £'000
<b>Assets</b>			
Current	3,814	287	159
Non-current	5,715	–	49
<b>Liabilities</b>			
Current	(3,437)	–	(156)
Non-current	(4,097)	(798)	(20)

Based on historical volatility of the above currencies and quantum of net assets as detailed, movements in foreign exchange rates are not expected to have a significant impact on the Group's financial performance.

## Note 27. Equity – share capital and reserves

Ordinary shares issued and fully paid	Shares	\$'000
<b>At 1 July 2018</b>	<b>63,160,086</b>	<b>72,340</b>
Shares issued under business combinations – deferred consideration from acquisition in the prior period	72,373	393
<b>At 30 June 2019</b>	<b>63,232,459</b>	<b>72,733</b>
<b>At 1 July 2019</b>	<b>63,232,459</b>	<b>72,733</b>
Issue of shares – Institutional Placement	19,166,667	125,000
Issue of Shares – Share Purchase Plan	2,931,012	17,801
Issue of shares – Business Combination (note 21)	141,443	1,000
Exercise of unlisted options (note 38)	187,533	669
Less transaction costs	–	(3,047)
<b>At 30 June 2020</b>	<b>85,659,114</b>	<b>214,156</b>

## Shares issued during the year

Date	Number of shares	Share price
<i>Institutional Placements</i>		
18 September 2019	9,166,667	\$6.00
12 May 2020	10,000,000	\$7.00
<i>Share Purchase Plan</i>		
17 October 2019	2,500,614	\$6.00
4 June 2020	430,398	\$6.50

## 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. For the current and prior periods, no dividends have been paid or proposed.

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 capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

## Nature and purpose of reserves

### Reserves

	Consolidated	
	2020 \$'000	2019 \$'000
Foreign exchange translation reserve	99	5
Share-based payment reserve	1,781	831
	1,880	836

### (i) Foreign exchange translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### (ii) Share-based payment reserve

The share options reserve comprises the value of the share-based payment arrangements recognised in equity.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 28. Equity – accumulated losses

	Consolidated	
	2020 \$'000	2019 \$'000
Accumulated losses at the beginning of the financial year	(18,172)	(4,286)
AASB 15 Revenue from contracts with customers, adjustment, net of tax	–	(736)
AASB 16 Leases, adjustment, net of tax	–	30
Loss after income tax benefit for the year	(18,616)	(13,180)
Accumulated losses at the end of the financial year	(36,788)	(18,172)

## Note 29. Equity – dividends

There were no dividends paid or proposed for the year ended 30 June 2020 (2019: \$nil).

## Note 30. Key management personnel disclosures

### Compensation

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

	Consolidated	
	2020 \$'000	2019 \$'000
Short-term employee benefits	2,059	3,734
Post-employment benefits	60	145
Share-based payment (including NED equity plan)	87	266
	2,206	4,145

Further details of the compensation made to directors and other key management personnel are included in the remuneration report within the Directors' report.

## Note 31. 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 Group, its network firms and unrelated firms:

	Consolidated	
	2020 \$	2019 \$
<i>Audit services – Deloitte Touche Tohmatsu</i>		
Audit of the financial statements	255,000	239,000
<i>Other services – Deloitte Touche Tohmatsu</i>	80,000	110,000
	335,000	349,000
During the financial year the following fees are payable for services provided by Mann & Associates PAC as auditors and accountants for ELMO Talent Management Software Pte Limited:		
<i>Audit services – unrelated firms</i>		
Audit of the financial statements for ELMO Talent Management Software Pte Limited	7,083	5,435
<i>Other services – unrelated firms</i>		
Accountancy fees for ELMO Talent Management Software Pte Limited	5,300	7,191
	12,383	12,626

## Note 32. Related party transactions

### Parent entity

ELMO Software Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 34.

### Key management personnel

Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the directors' report.

### Loans to/from related parties

In the current year \$463,000 were repaid to the former shareholders of Vocam.

In the year ended 30 June 2019, a loan payable of \$24,564 with one of its shareholders was written off to the profit or loss and \$948,000 of loans were repaid to the former shareholders of HROnboard.

### Other related party transactions

During the year amounts of \$1,358,634 were paid to the Group's jointly controlled entity, Hero Brands Pty Ltd in relation to development costs and an amount of \$278,689 was payable as at 30 June 2020.

### Terms and conditions

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

## Note 33. Parent entity information

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

### Statement of profit or loss and other comprehensive income

	Parent	
	2020 \$'000	2019 \$'000
Loss after income tax benefit	(18,442)	(11,946)
Total comprehensive loss	(18,422)	(11,946)

### Statement of financial position

	Parent	
	2020 \$'000	2019 \$'000
Total current assets	143,731	33,634
Total assets	239,459	103,676
Total current liabilities	(37,177)	(27,208)
Total liabilities	(57,230)	(44,887)
Equity		
Issued capital	214,156	72,733
Reserves	1,736	822
Accumulated losses	(33,663)	(14,766)
Total equity	182,229	58,789



# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 33. Parent entity information (continued)

### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

### Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

### 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.

## Note 34. 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	
		2020 %	2019 %
ELMO Accredited Pty Limited	Australia	100%	100%
ELMO Talent Management Software Pty Limited	Australia	100%	100%
International Colleges Pty Limited	Australia	100%	100%
Studywell College Pty Limited	Australia	100%	100%
Techni Works Pty Limited	Australia	100%	100%
Techniworks Action Learning Pty Limited	Australia	100%	100%
Quinntessential Marketing Consulting Pty Limited	Australia	100%	100%
ELMO Talent Management Software Pte Limited	Singapore	100%	100%
ELMO Software Limited	New Zealand	100%	100%
ELMO New Zealand Holdings Limited	New Zealand	100%	100%
Pivot Remesys Group Holdings Limited	New Zealand	100%	100%
Pivot Remesys IP Limited	New Zealand	100%	100%
Pivot Remesys Limited	New Zealand	100%	100%
Pivot Remesys Pty Limited	Australia	100%	100%
HROnboard Pty Limited	Australia	100%	100%
Get BoxSuite Pty Limited	Australia	100%	100%
Vocam Pty Limited	Australia	100%	–
Rose Class Unit Trust	Australia	100%	–
Safety Business Learning Limited	United Kingdom	100%	–

## Note 35. Events after the reporting period

### Novel Coronavirus (COVID-19)

The Novel Coronavirus ('COVID-19') was declared a pandemic in March 2020 by the World Health Organisation ('WHO'). Subsequent to the end of the 30 June 2020 financial year, there continues to be considerable economic impacts in Australia and globally arising from the outbreak of COVID-19 and Government action to reduce the spread of the virus. The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries have caused disruption to businesses and economic activity. The Group considers this to be a non-adjusting post balance date event.

COVID-19 has not substantially impacted the operations of the Group and its core operations. There has been some deferral in the procurement decisions by customers which has had an impact in the rate of securing new customers and cross selling to existing customers and some rephasing of payments by customers. At present, the Group continues to operate effectively with business as usual.

The Group has no external debt and as at 30 June 2020 had \$139.9m of cash available to the Group. Management believe this is sufficient cash to absorb the effects of COVID-19 even if the related restrictions remain in force for an extended period of time.

The directors do not consider that the impact is likely to compromise the ability of the Group to continue operating for the foreseeable future. However, considerations on the economic impact resulting from COVID-19 have been included in the financial results for the year ended 30 June 2020 through the allowance for expected credit losses over receivables.

Other than in relation to COVID-19, no other matter or circumstance has arisen since 30 June 2020 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 36. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2020 \$'000	2019 \$'000
Loss after income tax benefit for the year	(18,616)	(13,180)
Adjustments for:		
Amortisation and depreciation	15,671	9,437
Bad debt expense	2,109	894
Transaction costs	349	545
Interest received	(746)	–
Share-based payment	1,109	626
Lease finance cost	954	–
Lease finance income	(23)	–
Other	(4)	(543)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(3,290)	(4,029)
Increase in other assets	(13)	620
Decrease in lease incentive	–	1,290
Decrease in income tax refundable	40	(196)
Increase in deferred tax liabilities	(1,682)	853
Increase in trade and other payables	3,260	3,324
Increase in employee benefits	1,545	685
Increase in contract liabilities	4,930	4,779
Increase in capitalised R&D software	825	–
Increase in lease payables	–	366
Net cash from operating activities	6,418	5,471

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 37. Earnings per share

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Earnings per share for profit from continuing operations</i>		
Loss after income tax	(18,616)	(13,180)
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(25.42)	(20.85)
Diluted earnings per share	(25.42)	(20.85)

The calculation of EPS has been based on the following loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

There are no adjustments in relation to the effects of all dilutive potential ordinary shares due to the current loss-making position of the Group for the current financial year.

	Consolidated	
	2020 Number	2019 Number
Weighted average number of ordinary shares used in calculating earnings per share	73,225,709	63,210,660

## Note 38. Share-based payment arrangement

### Description of share-based payment arrangement

As at 30 June 2020 the Group had the following share-based payment arrangements in place.

#### Long-term incentive plan (LTI)

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

#### Share options (equity-settled)

For the financial years up to and including FY19 equity incentives under the SEEP or the HPEP were granted to employees (or such other person that the Board determines is eligible to participate) in the form of share options. The options are structured to receive shares at a future date subject to the recipient paying the exercise price.

#### Performance rights (equity settled)

From FY20 onward, to ensure alignment and retention of key executives as the Group matures, awards under the SEEP or the HPEP are issued as performance rights rather than share options. If the performance rights vest they will be automatically converted to shares and one share will be received for each performance right vested and no cash alternative.

#### 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.

### The High Performer Equity Plan (HPEP)

The Plan is designed to link to performance, encourage retention, reward tenure and provide High Performers with participation in the Group.

Awards under the Plan will be structured as an option to receive shares on a certain date in the future subject to the participant paying the exercise price. The Plan rules will provide the Board the flexibility to award restricted shares, performance rights and options, and to cash settle any Award. Grants will be made to the High Performers and such other executives as the Board may determine.

### Share options (equity-settled)

Grant date/employees entitled	No of options granted and outstanding as at 30 June 2019	Exercised	Cancelled	No of options outstanding as at 30 June 2020	Vested
<i>Options granted to key management personnel under SEEP</i>					
17 October 2017	398,712	(114,023)	–	284,689	284,689
7 December 2017	31,373	–	–	31,373	31,373
29 October 2018	223,247	(13,538)	–	209,709	98,087
27 March 2019	24,614	–	–	24,614	–
Total SEEP options	677,946	(127,561)	–	550,385	414,149
<i>Options granted to key management personnel under HPEP</i>					
17 October 2017	202,902	(57,972)	(72,465)	72,465	72,465
11 December 2017	8,735	(2,000)	–	6,735	6,735
9 March 2018	22,260	–	–	22,260	22,260
12 June 2018	8,820	–	(8,820)	–	–
5 November 2018	455,354	–	(128,520)	326,834	326,834
25 February 2019	7,885	–	–	7,885	–
Total HPEP options	705,956	(59,972)	(209,805)	436,179	428,294
<b>Total options</b>	<b>1,383,902</b>	<b>(187,533)</b>	<b>(209,805)</b>	<b>986,564</b>	<b>842,443</b>

There were no share options granted under the SEEP and HPEP during the current financial year. There is a vesting condition relevant to all share options under the SEEP and HPEP that the participant must be employed at the vesting date.

The fair value of the employee share options under the SEEP has been measured using the Monte Carlo simulation approach subject to the total shareholder returns (TSR) performance criteria.

The fair value of the employee share options under the HPEP has been measured using the Binomial option pricing model. Non-market performance conditions attached to the arrangements were not taken into account in measuring fair value in accordance with accounting standards.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

## Note 38. Share-based payment arrangement (continued)

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

For the year ended 30 June 2019	Share options plans				
	SEEP			HPEP	
	Tranche 1	Tranche 2	Tranche 3	5 Nov 2018	25 Feb 2019
Fair value at grant date	\$1.18	\$1.50	\$1.76	\$1.64	\$1.64
Share price at grant date	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50
Exercise price	\$5.50	\$5.50	\$5.50	\$5.50	\$5.50
Expected volatility (weighted-average)	37%	37%	37%	37%	37%
Expected life	2.7 years	3.7 years	4.7 years	3.5 years	3.5 years
Expected dividends	0%	0%	0%	0%	0%
Risk-free interest rate	2.05%	2.14%	2.25%	2.11%	2.11%

Volatility is a measure of price variation of a financial instrument over the life of the award. Since ELMO is newly listed on the ASX, there is no sufficient market data to measure the historical volatility and there are no publicly traded options over the Group's ordinary shares. Therefore, this valuation has based the expected volatility on average annualised historical volatility of constituents in S&P/ASX 300 Software & Services Industry Index over the three-year period to the valuation date.

ELMO's current policy is not to distribute dividends but rather reinvest in the growth of the Group hence zero dividend yield is used in this valuation report.

### Performance rights (equity-settled)

Upon exercise of performance rights each participant is entitled to one ordinary share for each performance right vested with no cash alternative, therefore the performance rights are deemed to be equity-settled.

### SEEP

On 19 September 72,504 performance rights were granted under the SEEP with the number of performance rights fixed at this date. The performance rights were valued at grant date using the 10-day VWAP date and will vest in three tranches over a three-year period from the grant date in the following proportions:

- Year 1 – 20%
- Year 2 – 30%
- Year 3 – 50%

Performance will be tested 50% against relative TSR (RTSR Hurdle), 50% material achievement of Group guidance and continued employment.

### HPEP

Based on performance criteria and pro-rated for number of days employed during the year the exact number of performance rights granted will be fixed in August 2020 valued at this date based on the 10-day VWAP. As at 30 June 2020 with a fair value based on the year-end share price of \$7.16, achievement of performance criteria and probability of continued employment the number of performance rights is 174,691.

The performance rights under the HPEP will vest in August 2021 with the condition that the participant must be employed at the vesting date and immediately convert into shares at this date.

An expense of \$687,000 in relation to the performance rights granted and \$438,000 in relation to share options (2019: \$626,000 for share options only) has been recognised in the statement of profit or loss with a corresponding increase to the share-based payment reserve in the year ended 30 June 2020.

# DIRECTORS' DECLARATION

1. In the opinion of the directors of ELMO Software Limited (the 'Company'):
  - a) The consolidated financial statements and notes that are set out on pages 29 to 84 and the Remuneration Report on pages 38 to 46 in the Directors' Report, are 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 2020 and its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*: and
  - b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2020.
3. The directors draw attention to Note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



**Barry Lewin**

Chairman



**Danny Lessem**

Director

6 August 2020  
Sydney

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2020

**Deloitte.**

Deloitte Touche Tohmatsu  
ABN 74 490 121 060  
Grosvenor Place  
225 George Street  
Sydney, NSW, 2000  
Australia

Phone: +61 2 9322 7000  
www.deloitte.com.au

## 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 2020, 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 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting 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.





### 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 Matters	How the scope of our audit responded to the Key Audit Matter
<p><b>Revenue Recognition – rendering of services (\$50.1m)</b></p> <p>Refer to the description of accounting principles and Note 4.</p> <p>For the year ended 30 June 2020, \$50.1 million was recognised by the Group from rendering of services.</p> <p>A significant level of judgment is required in ensuring the relevant revenue recognition criteria is met as per the relevant accounting standard. In the current financial year revenue has been recognised automatically for new contracts and manually for legacy contracts. This judgment and the manual nature of the legacy contracts could affect the timing and quantum of revenue recognised in each period.</p> <p>As the Group continues to expand, and its software offering evolves, there is a considerable risk associated with recognising its services revenue.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of all the revenue streams and the appropriateness of the Group’s principles in determining that the revenue recognised is in accordance with the criteria outlined in the relevant accounting standards;</li> <li>• Assessing the key controls in relation to the recognition of and measurement of revenue and in conjunction with our IT specialist, testing the automated controls over the deferred revenue recognition;</li> <li>• Reconciling the deferred revenue schedule to the trial balance as at 30 June 2020 and testing journal entries to identify unusual items;</li> <li>• Testing on a sample basis, revenue transactions by agreeing the revenue recognised during the year to the signed customer contract and the related invoice;</li> <li>• Obtaining a listing of all invoices raised during the year and verified the completeness of the deferred revenue listing;</li> <li>• Recalculating the expected revenue including the amount of deferred revenue to be recognised during the year and compared to the figures in the revenue and deferred revenue schedule; and</li> <li>• Testing on a sample basis, the completeness of credit notes issued post year end.</li> </ul> <p>We also assessed the appropriateness of the disclosures in Note 4 to the financial statements.</p>

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2020



## **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 Company 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.

## Deloitte.

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.

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.

# INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2020

**Deloitte.**

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 11 to 20 of the Directors' Report for the year ended 30 June 2020

In our opinion, the Remuneration Report of Elmo Software Limited, for the year ended 30 June 2020, 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  
Sydney, 6 August 2020

# SHAREHOLDER INFORMATION

as at 10 August 2020

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

- In accordance with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations, the 2020 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 35 Recommendations during the 2020 financial year.

## 2. Substantial shareholders

The number of securities held by substantial shareholders and their associates (as disclosed to the ASX) are set out below:

Name	Number	%*	Date lodged
Immersion Capital Master Fund Ltd	12,108,910	16.72	26/09/2019
JLAB Investments (No. 2) Pty Limited	13,655,865	16.02	19/05/2020
Lessem Trading Pty Ltd	10,823,149	12.70	19/05/2020
Bessie Garber and Manuel Garber as trustees of the Garber Family Trust	9,656,482	11.33	19/05/2020

\*% of issued capital as at the date the notice was lodged

## 3. Number of security holders and securities on issue

ELMO Software Limited has issued the following securities: 85,659,114 fully paid ordinary shares held by 7,355 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 (quoted)		
	Holders	Shares	%
1 – 1,000	5,063	2,007,462	2.34%
1,001 – 5,000	1,864	4,255,745	4.97%
5,001 – 10,000	273	1,937,850	2.26%
10,001 – 100,000	132	2,499,014	2.92%
100,001 and over	23	74,959,043	87.51%
<b>Total</b>	<b>4,117</b>	<b>63,090,816</b>	<b>100</b>

## 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 \$6.04, on 10 August 2020.

# SHAREHOLDER INFORMATION

as at 10 August 2020

## 7. Twenty largest shareholders of quoted and unquoted equity securities

Fully paid ordinary shares

Rank	Name	10 Aug 2020	%IC
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,134,960	20.00
2	JLAB INVESTMENTS (NO. 2) PTY LTD	13,655,865	15.94
3	LESSEM TRADING PTY LTD	10,823,149	12.64
4	MR MANUEL GARBER & MRS BESSIE GARBER	9,656,482	11.27
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,622,233	6.56
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,992,117	5.83
7	CITICORP NOMINEES PTY LIMITED	4,025,223	4.70
8	NATIONAL NOMINEES LIMITED	3,588,362	4.19
9	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,743,063	2.03
10	BNP PARIBAS NOMINEES PTY LTD	445,654	0.52
11	MR XIN SUN	430,695	0.50
12	GORDON STARKEY	420,695	0.49
13	MR DARRYL JUSTIN GARBER	399,695	0.47
14	CS FOURTH NOMINEES PTY LIMITED	299,461	0.35
15	NEWECONOMY COM AU NOMINEES PTY LIMITED	286,286	0.33
16	BNP PARIBAS NOMS(NZ) LTD	272,031	0.32
17	TRUEBELL CAPITAL PTY LTD	248,281	0.29
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	204,493	0.24
19	BNP PARIBAS NOMINEES PTY LTD	180,914	0.21
20	MR TREVOR RAE LONSTEIN	162,696	0.19
	<b>Total</b>	<b>74,592,355</b>	<b>87.08</b>
	<b>Balance of register</b>	<b>11,066,759</b>	<b>12.92</b>
	<b>Grand total</b>	<b>85,659,114</b>	<b>100.00</b>

## 8. Name of the Company Secretaries: James Haslam and 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: Level 27, 580 George Street, Sydney NSW 2000

### 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. There are nil restricted securities or securities subject to voluntary escrow that are on issue.

### 13. Unquoted securities

Details of the unquoted securities on issue are as follows:

#### a) ASX restricted securities

Nil

#### b) Options

Category	Options (unquoted)		
	Holders	Options	%
1 – 1,000	–	–	–
1,001 – 5,000	16	48,425	4.91
5,001 – 10,000	32	225,663	22.87
10,001 – 100,000	16	712,476	72.22
100,001 and over	–	–	–
<b>Total</b>	<b>64</b>	<b>986,564</b>	<b>100%</b>

#### c) Performance Rights

Category	Performance Rights (unquoted)		
	Holders	Performance Rights	%
1 – 1,000	–	–	–
1,001 – 5,000	9	31,083	42.87
5,001 – 10,000	6	41,421	57.13
10,001 – 100,000	–	–	–
100,001 and over	–	–	–
<b>Total</b>		<b>72,504</b>	<b>100%</b>

### 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 2020 Annual Report.

### 15. On market buy-back

There is no current on market buy-back.

### 16. Details of investments

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

### 17. 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

### 18. During the reporting period, a total of 5,425 securities were purchased on-market under the Non-executive Directors' Equity Plan at an average price per security of \$6.02. Further details can be found in the Remuneration Report.



# GLOSSARY

Term	Meaning
ARR	Annualised recurring revenue - June 2020 subscription revenue annualised
AASB	Australian Accounting Standards Board
ASX	Australian Securities Exchange
<b>Australian Accounting Standards</b>	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group interpretations
<b>Australian Accounting Standards Board</b>	The AASB is an Australian Government agency under the Australian Securities and Investments Commission Act 2001
<b>Board</b>	The board of directors of the Company
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
<b>Company</b>	ELMO Software Limited
<b>Corporations Act</b>	Corporations Act 2001
<b>Customer retention in dollar terms</b>	Customer retention in dollar terms measures the ratio of like for like revenue growth of customers who transacted in the current and the preceding year
<b>Customer retention rate</b>	Customer retention is calculated by dividing the number of customers in the current period who were active customers at the end of the prior period by the number of customers at the end of the prior period
<b>Directors</b>	The directors of the Company from time to time
EBITDA	Earnings before interest, income tax, depreciation and amortisation
ELMO	ELMO Software Limited
FY	Financial year ending
IPO	Initial Public Offering
KMP	Directors and key management personnel
<b>Lifetime value (LTV)</b>	LTV is calculated by multiplying the average ARR per customer over the past 12 months by gross profit margin (%) divided by ARR churn
<b>Net customer dollar retention</b>	Customer dollar retention is calculated by dividing the incremental ARR in FY20 by the existing ARR spend in FY19 of the same customer cohort net of any churn over the corresponding period.
<b>Recurring revenue</b>	Recurring revenue is the portion of a company's revenue that is highly likely to continue in the future
SaaS	Software-as-a-Service
<b>Share</b>	A fully paid ordinary share in the Company
TAM	Total Addressable Market

# CORPORATE DIRECTORY

## Directors

Barry Lewin  
 Danny Lessem  
 Kate Hill  
 Leah Graeve

## Company secretaries

Anna Sandham  
 James Haslam

## Registered office

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

## Principal place of business

Level 27  
 580 George Street  
 Sydney NSW 2000  
 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

Mills Oakley  
 Level 7  
 151 Clarence Street  
 Sydney NSW 2000

## Stock exchange listing

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

## Website

[www.ELMOsoftware.com.au](http://www.ELMOsoftware.com.au)

## Corporate governance statement

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

## Key dates

Closing date for the receipt of Director nominations:	19 August 2020
2020 Annual General Meeting:	8 October 2020



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