

**ELMO Software Limited**  
**Appendix 4D**  
**For the half-year year ended 31 December 2018**

**Company details**

Name of entity:	ELMO Software Limited
ABN:	13 102 455 087
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

---

**Results for announcement to the market**

			<b>\$'000</b>
Revenues from ordinary activities	up	62% to	17,657
Loss from ordinary activities after tax attributable to the owners of ELMO Software Limited	up	1,165% to	7,221
Loss for the half-year attributable to the owners of ELMO Software Limited	up	1,165% to	7,221

*Dividends*

No dividend was paid or proposed during the half-year ended 31 December 2018 (2017: \$nil).

Refer to the Operating and Financial Review included within the Directors' Report for further commentary on the half-year's results, financial position and likely developments in future years.

**Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>37.09</u>	<u>5.51</u>

The net tangible asset per ordinary security is calculated based on 63,166,564 ordinary shares on issue at 31 December 2018 and 54,171,584 shares that were in existence at 31 December 2017.

**Control gained over entities**

Not applicable.

**Loss of control over entities**

Not applicable.

**ELMO Software Limited**  
**Appendix 4D**  
**For the half-year year ended 31 December 2018**

Other information requiring disclosure to comply with ASX listing rule 4.2A.3 is contained in, and should be read in conjunction with the Financial Statements, the notes to the Financial Statements and the Directors' Report for the half-year ended 31 December 2018 attached to this report.

This report is based on the Consolidated Financial Statements and Notes of ELMO Software Limited which have been reviewed by Deloitte Touche Tohmatsu.

**Signed**



---

Barry Lewin  
Chairman



---

Danny Lessem  
Director

28 February 2019  
Sydney

# **ELMO Software Limited**

**ABN 13 102 455 087**

**Interim financial statements for the half-year ended  
31 December 2018**

**ELMO Software Limited**  
**Directors' report**  
**For the half-year ended 31 December 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of ELMO Software Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

**Directors**

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

Barry Lewin (appointed on 10 October 2018)  
Danny Isaac Lessem  
Catherine Jane Hill  
James McKerlie (resigned on 19 September 2018)  
Trevor Rael Lonstein (resigned on 4 February 2019)

**Dividends**

No dividend was paid during the half-year ended 31 December 2018 (2017: \$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 and payroll management software solutions enable organisations to manage the lifecycle of an employee from hire to retire on a single integrated platform. The Company develops, sells and implements a range of modular software applications to efficiently manage human resource (HR) and payroll related processes including recruitment, onboarding, performance management, learning and development, rewards and recognition, remuneration, succession planning and payroll.

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.

*Significant changes to the business*

There were no significant changes to the business during the half year ended 31 December 2018.

*Review of operations during the year*

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

For the half-year ended 31 December 2018 (1H19), ELMO reported statutory revenue of \$17.7m (Half-year ended 31 December 2017 (1H18): \$10.9m). ELMO's statutory loss before income tax, finance expenses, depreciation and amortisation was \$3.2m (1H18: profit of \$0.8m) and its statutory net loss after tax was \$7.2m (1H18: loss of \$0.6m).

**Pro forma financial performance**

For 1H19 ELMO's pro forma revenue was \$18.1m (1H18: \$11.1m) and pro forma loss before income tax, finance expenses, depreciation and amortisation for 1H19 was \$2.5m (1H18: profit of \$1.5m).

Pro forma financial information reflects ELMO's statutory financial statements adjusted for the impacts of acquisitions and the expenses associated with the acquisitions.

**ELMO Software Limited**  
**Directors' report**  
**For the half-year ended 31 December 2018**

**Pro forma revenue**

The growth in pro forma revenue during the period was driven by:

- Strong recurring revenues of 96.2% and high customer retention rates of 93.6%;
- Expansion of ELMO's customer base to 1,129 organisations compared to 859 at 31 December 2017;
- The contribution from acquisitions completed during FY18;
- Increased investment into ELMO's sales and marketing team;
- Increased investment and traction in new and existing modules, resulting in increased cross-sell and upsell opportunities amongst ELMO's customer base; and
- Enhanced brand awareness and reputation of ELMO and its product offering.

A reconciliation between revenue based on the statutory accounts and pro forma revenue is provided below.

<b>Reconciliation of revenue</b>	<b>Half-year ended 31 December 2018 \$000's</b>	<b>Half-year ended 31 December 2017 \$000's</b>
Revenue based on statutory accounts	17,657	10,917
<i>Add net effects of:</i>		
Other income	91	58
Acquisition of QMC and Pivot Remesys	362	142
<b>Pro forma revenue</b>	<b>18,110</b>	<b>11,117</b>

**Pro forma EBITDA**

For 1H19, ELMO reported pro forma operating expenses, excluding depreciation and amortisation of \$18.0m (1H18: \$8.7m). The key driver for the increase in operating expenses was ELMO's continued investment in future growth. There was increased investment into:

- ELMO's sales and marketing function which reported pro forma expenses of \$8.0m, reflecting a 85.0% increase compared to pro forma 1H18;
- Increased investment in research and development, primarily the development of new modules and enhancement of existing modules; and
- An increase in pro forma general and administrative expenses to \$8.6m (1H18: \$4.2m) driven by an increase in employment and operating costs due to strengthening of ELMO's infrastructure to scale operations.

A reconciliation between EBITDA based on the statutory accounts and pro forma EBITDA is provided below.

<b>Reconciliation of EBITDA</b>	<b>Half-year ended 31 December 2018 \$000's</b>	<b>Half-year ended 31 December 2017 \$000's</b>
EBITDA based on statutory accounts	(3,241)	785
<i>Add net effects of:</i>		
Acquisition of QMC and Pivot Remesys	362	142
Acquisition related costs	367	531
<b>Pro forma EBITDA</b>	<b>(2,512)</b>	<b>1,458</b>

**Financial position**

As at 31 December 2018, ELMO has no debt and a net cash balance of \$38.9m. ELMO's cash receipts for the half-year ended 31 December 2018 amounted to \$20.3m. The consolidated entity's strong cash position is due to ELMO's SaaS-based revenue model whereby customers typically enter into three year contracts and pay annual license fees in advance.

The consolidated entity's working capital, being current assets less current liabilities was a positive position of \$23.8m as at 31 December 2018 (30 June 2018: \$31.6m).

**ELMO Software Limited**  
**Directors' report**  
**For the half-year ended 31 December 2018**

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

**Business growth strategy and likely developments**

- **Greater usage from existing customers**  
ELMO aims to increase usage of its solutions amongst the existing customer base by encouraging customers to subscribe to additional modules. ELMO plans to support this via further investment into sales and marketing and broadening its human resources software offering.
- **Increasing market penetration in Australia and New Zealand**  
ELMO plans to accelerate its market penetration across Australia and New Zealand by increasing investment into its sales and marketing capabilities and initiatives to drive new customer wins.
- **Expand product offering**  
ELMO launched its succession, HR administration (HR Core) and rewards and recognition modules to expand its solutions offering. Additional modules are expected to be released within the next two to three years.
- **Acquisitions**  
ELMO believes that there is an opportunity to gain additional market share and/or acquire complementary technology through targeted acquisitions of other HR management software companies.

**Matters subsequent to the end of the financial year**

On 31 January 2019 ELMO completed an agreement to acquire 100% of the share capital of HRonboard Pty Limited, one of Australia's leading providers of cloud-based employee onboarding software for a maximum potential consideration of \$12m.

On 31 January 2019 ELMO completed an agreement to acquire 100% of the share capital of Get BoxSuite Pty Limited, a SaaS cloud based specialist in workplace rostering and time & attendance for casual and shift-based employees for a maximum potential consideration of \$1.4m.

No other matter or circumstance has arisen since 31 December 2018 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.

**Rounding off amounts**

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

**Auditor's independence declaration**

A copy of the auditor's independence declaration is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors.

On behalf of the directors



---

Barry Lewin  
Chairman



---

Danny Lessem  
Director

28 February 2019  
Sydney

28 February 2019

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

Dear Board Members

## **Elmo Software Limited**

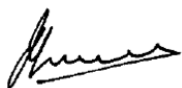
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Elmo Software Limited.

As lead audit partner for the review of the financial statements of Elmo Software Limited for the financial year half-year ended 31 December 2018, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel  
Partner  
Chartered Accountants

**ELMO Software Limited**  
**Contents**  
**For the half-year ended 31 December 2018**

**Contents**

	Page number
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	18
Independent auditor's report to the members of ELMO Software Limited	19

**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 half-year. The financial statements are presented in Australian dollars, which is ELMO Software Limited's functional and presentation currency.

ELMO Software Limited is a company limited by shares.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2019. The directors have the power to amend and reissue the financial statements.



**ELMO Software Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
		<b>\$'000</b>	<b>\$'000</b>
Revenue	4	17,657	10,917
Cost of sales		<u>(2,631)</u>	<u>(924)</u>
Gross profit		15,026	9,993
Interest income		463	144
Other income	5	91	58
Sales and marketing expenses		(7,974)	(4,310)
Research and development expenses		(1,433)	(250)
General and administrative expenses		(8,951)	(4,706)
Amortisation expenses		(2,499)	(1,604)
Depreciation expenses		<u>(694)</u>	<u>(83)</u>
<b>Loss before income tax expense/benefit</b>		<b>(5,971)</b>	<b>(758)</b>
Income tax (expense)/benefit		<u>(1,250)</u>	<u>187</u>
<b>Loss after income tax expense/benefit for the half-year attributable to the owners of ELMO Software Limited</b>		<b><u>(7,221)</u></b>	<b><u>(571)</u></b>
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive loss for the half-year attributable to the owners of ELMO Software Limited</b>		<b><u>(7,221)</u></b>	<b><u>(571)</u></b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings	12	(11.43)	(1.05)
Diluted earnings	12	(11.43)	(1.05)

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

**ELMO Software Limited**  
**Statement of financial position**  
**As at 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December</b>	<b>30 June</b>
		<b>2018</b>	<b>2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		38,947	45,995
Trade and other receivables		6,102	6,460
Income tax refundable		-	7
Other current assets		884	1,099
Lease incentive receivable		2,873	4,164
<b>Total current assets</b>		<b>48,806</b>	<b>57,725</b>
<b>Non-current assets</b>			
Property, plant and equipment		4,446	5,789
Intangible assets and capitalised costs	6	37,370	35,815
<b>Total non-current assets</b>		<b>41,816</b>	<b>41,604</b>
<b>Total assets</b>		<b>90,622</b>	<b>99,329</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		4,127	4,636
Income tax payable		71	-
Lease payables and incentives		703	925
Deferred and contingent consideration		3,490	5,735
Employee benefits		1,601	1,010
Contract liabilities		15,028	13,782
<b>Total current liabilities</b>		<b>25,020</b>	<b>26,088</b>
<b>Non-current liabilities</b>			
Contract liabilities		506	-
Deferred and contingent consideration		-	400
Deferred tax		1,685	801
Employee benefits		154	128
Lease payables and incentives		2,459	3,700
<b>Total non-current liabilities</b>		<b>4,804</b>	<b>5,029</b>
<b>Total liabilities</b>		<b>29,824</b>	<b>31,117</b>
<b>Net assets</b>		<b>60,798</b>	<b>68,212</b>
<b>Equity</b>			
Share capital	7	72,568	72,340
Reserves	7	473	158
Accumulated losses	8	(12,243)	(4,286)
Equity attributable to the owners of ELMO Software Limited		60,798	68,212
<b>Total equity</b>		<b>60,798</b>	<b>68,212</b>

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

**ELMO Software Limited**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2018**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserves \$'000</b>	<b>Share option reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2017	25,110	(47)	-	(1,298)	23,765
Loss after income tax benefit for the year	-	-	-	(571)	(571)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(571)	(571)
<i>Reserves:</i>					
Translation movement during the year	-	17	-	-	17
Equity settled share-based payment	-	-	74	-	74
Balance at 31 December 2017	<u>25,110</u>	<u>(30)</u>	<u>74</u>	<u>(1,869)</u>	<u>23,285</u>
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Foreign currency translation reserves \$'000</b>	<b>Share option reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2018	72,340	(47)	205	(4,286)	68,212
AASB adjustment, net of tax (note 3)	-	-	-	(736)	(736)
Balance at 1 July 2018	<u>72,340</u>	<u>(47)</u>	<u>205</u>	<u>(5,022)</u>	<u>67,476</u>
Loss after income tax expense for the year	-	-	-	(7,221)	(7,221)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(7,221)	(7,221)
<i>Transactions with owners in their capacity as owners:</i>					
Issue of shares under business combinations – deferred consideration from acquisition in the prior period	228	-	-	-	228
<i>Reserves:</i>					
Translation movement during the year	-	95	-	-	95
Equity settled share-based payment	-	-	220	-	220
Balance at 31 December 2018	<u>72,568</u>	<u>48</u>	<u>425</u>	<u>(12,243)</u>	<u>60,798</u>

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

**ELMO Software Limited**  
**Statement of cash flows**  
**For the half-year ended 31 December 2018**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
<b>Note</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	20,270	10,843
Payments to suppliers and employees (inclusive of GST)	(21,994)	(11,555)
	(1,724)	(712)
Income taxes refunded/(paid)	28	(28)
Net cash used in operating activities	(1,696)	(740)
<b>Cash flows from investing activities</b>		
Interest received	463	144
Receipt of lease incentive	1,291	-
Payment for purchase of shares of acquired entities, net of cash acquired	-	(535)
Payment for purchase of business assets, net of cash acquired	-	(8,051)
Payment of transaction costs for acquisitions	(213)	(303)
Payment of deferred consideration from acquisitions in the prior period	(2,466)	-
Payments for property, plant and equipment	(450)	(90)
Payments for intangibles	(3,977)	(1,700)
Net cash used in investing activities	(5,352)	(10,535)
Net decrease in cash and cash equivalents	(7,048)	(11,275)
Cash and cash equivalents at the beginning of the half-year	45,995	26,601
Cash and cash equivalents at the end of the half- year	<u>38,947</u>	<u>15,326</u>

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

**Note 1. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting', as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The financial statements have been prepared on the basis of historical cost with cost based on the fair values of consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise instructed.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Directors' report and financial statements for the year ended 30 June 2018.

The principal accounting policies adopted are consistent with those of the consolidated financial statements as at and for the year ended 30 June 2018, unless otherwise stated.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

This is the first set of the Group's half-year financial statements in which AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments have been applied. Changes to accounting policies are described in note 3.

**Intangible assets**

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

*Goodwill*

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

*Software development costs - Research and development*

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

Software development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits, which for software the expected useful life is 3 years.

*Capitalised sales commission costs*

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

*Customer lists*

Acquired customer lists are amortised over management's best estimate of their useful life over 7 years on a straight-line basis.

*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 would not be 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.

**Note 1. Significant accounting policies (continued)**

**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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

*Share-based payment reserve*

The share-based payment reserve represents the value of unvested shares and unissued shares as part of the share-based payment scheme. As the shares vest they will be transferred to share capital.

*Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to ELMO. ELMO controls an entity when it 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 over the entity.

ELMO measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously held equity interest in the acquiree and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that ELMO incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent considerations are recognised in profit or loss.

**Rounding off amounts**

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

**Note 2. Critical accounting judgements, estimates and assumptions**

**Business combinations**

The fair value of intangible assets acquired in a business combination and the obligation to settle business combination earn out obligation requires a degree of estimation and judgement. The fair value of the customer list intangible was assessed using an excess earnings valuation methodology. The useful life has been estimated based on the expected attrition rate of the contracts being 7 years.

**Trademark**

The fair value of the trade mark intangible was assessed using a relief from royalty approach.

**Note 3. Changes to significant accounting policies**

**AASB 15 Revenue from Contracts with Customers**

The Group has adopted AASB 15, *Revenue from Contracts with Customers*, from 1 July 2018. The Group has applied AASB 15 using the modified approach, with any cumulative effect being recognised in opening retained earnings.

AASB 15 establishes a framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. AASB introduces a 5-step approach to revenue recognition. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer.

*Accounting treatment under AASB 15*

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 there the customer contract includes a license and additional 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.

Under the Group's previous revenue recognition policy, revenue from the sale of software licences when sold in conjunction with integration services (which includes but is not limited to installation, implementation and initial training) were generally treated as separate performance obligations with the associated revenue recognised on satisfaction of each separate performance obligation.

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. No impact of the transition to AASB 15 Revenue has been identified to the accounting policy for standalone professional services.

*(ii) Revenue recognition under AASB 15*

The Group now recognises revenue from the following major sources under AASB 15 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	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.

*(iii) Impact of transition to AASB 15*

An assessment has been performed and determined that during the year ended 30 June 2018, revenue of \$1,052,000 was recognised (under AASB 118) for the additional services provided to customers as part of a software solution services contract. Under AASB 15, these services are not considered to be a separately identifiable performance obligation.

Accordingly, this revenue cannot be recognised separately but instead should be recognised over the period for which services are being delivered. Consistent with the transition arrangements no adjustment has been made to the FY17 comparative revenue balance but an adjustment has been made to the opening balances to the balance sheet to reduce retained earnings by \$736,400 (net of tax), with a corresponding increase to contract liabilities (deferred income). The amounts that have been deferred will be recognised again over the remaining life of the contracts, typically over the next two to three years.

There are no other significant adjustments required in relation to the adoption of AASB 15 for the current financial year.

**AASB 9 Financial Instruments**

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. As a result of the adoption of AASB 9, where relevant the Group has adopted amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of the profit or loss or other comprehensive income.

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. There were no significant amendments required upon the adoption of AASB 9 for the Group or amendments to be disclosed.



**Note 4. Operating segments**

*Identification of reportable operating segments*

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

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

*Geographical information*

	Revenue from external customers		Geographical non-current assets	
	31 December 2018	31 December 2017	31 December 2018	30 June 2018
	\$'000	\$'000	\$'000	\$'000
Australia	16,266	10,571	31,818	35,593
New Zealand	1,280	171	9,998	6,011
Singapore	111	175	-	-
	<u>17,657</u>	<u>10,917</u>	<u>41,816</u>	<u>41,604</u>

The majority of the Group's revenue is generated from sales contracts with Australian, Singapore and New Zealand companies. The geographic split of this revenue across all companies is: a) Australia (88.26%, 2017: 91.17%); b) New Zealand (9.70%, 2017: 6.73%); c) Singapore (0.53%, 2017: 1.60%); d) other (1.51%, 2017: 0.50%).

**Note 5. Other income**

	Consolidated	
	31 December 2018	31 December 2017
	\$'000	\$'000
<i>Other income</i>		
Rent received from temporary sub-leasing of office	69	58
Other income	22	-
	<u>91</u>	<u>58</u>

**ELMO Software Limited**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2018**

**Note 6. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2018</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Software development costs	17,176	13,606
Less: Accumulated amortisation	<u>(8,406)</u>	<u>(6,633)</u>
	<u>8,770</u>	<u>6,973</u>
Capitalised sales commission costs	2,830	2,338
Less: Accumulated amortisation	<u>(1,822)</u>	<u>(1,588)</u>
	<u>1,008</u>	<u>750</u>
Customer list (acquired through business combinations)	6,995	6,995
Less: Accumulated amortisation	<u>(1,025)</u>	<u>(525)</u>
	<u>5,970</u>	<u>6,470</u>
Goodwill (acquired through business combinations)	21,380	21,380
Trademark (acquired through business combinations)	242	242
	<u><u>37,370</u></u>	<u><u>35,815</u></u>

*Reconciliations*

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

	Software development costs \$'000	Capitalised Commission costs \$'000	Customer list \$'000	Goodwill \$'000	Trademarks \$'000	Total \$'000
<b>Consolidated</b>						
Balance at 1 July 2017	2,772	762	366	2,071	-	5,971
Additions	4,200	645	-	-	-	4,845
Additions through business combinations	3,113	-	6,585	19,309	242	29,249
Amortisation expense	<u>(3,112)</u>	<u>(657)</u>	<u>(481)</u>	<u>-</u>	<u>-</u>	<u>(4,250)</u>
Balance at 30 June 2018	6,973	750	6,470	21,380	242	35,815
Additions	3,489	488	-	-	-	3,977
Amortisation expense	(1,765)	(234)	(500)	-	-	(2,499)
Foreign exchange translation effect	<u>73</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77</u>
Balance at 31 December 2018	<u><u>8,770</u></u>	<u><u>1,008</u></u>	<u><u>5,970</u></u>	<u><u>21,380</u></u>	<u><u>242</u></u>	<u><u>37,370</u></u>

An impairment loss, if any, is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is determined on a Fair Value Less Cost to Sell and as at 31 December 2018 there are no indicators to suggest that an impairment would occur.

**Note 7. Equity - share capital and reserves**

<b>Ordinary shares issued and fully paid</b>	<b>Shares</b>	<b>\$'000</b>
<b>At 1 July 2017</b>	<b>54,171,584</b>	<b>25,110</b>
Shares issued under business combinations	465,827	2,150
Shares issued under Institutional Placement	8,333,334	45,000
Shares issued under Share Purchase Plan	189,341	1,022
Less: Capitalised share placement costs (net of tax)	-	(942)
<b>At 30 June 2018</b>	<b><u>63,160,086</u></b>	<b><u>72,340</u></b>
<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	41,101	228
<b>At 31 December 2018</b>	<b><u>63,201,187</u></b>	<b><u>72,568</u></b>

*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.

**Nature and purpose of reserves**

*Reserves*

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign exchange translation reserve	48	(47)
Share options reserve	425	205
	<b><u>473</u></b>	<b><u>158</u></b>

**Note 8. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>30 June 2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Accumulated losses at the beginning of the half-year	(4,286)	(1,869)
AASB adjustment, net of tax (note 3)	(736)	-
Adjusted accumulated losses at the beginning of the half-year	<u>(5,022)</u>	<u>(1,869)</u>
Loss after income tax expense/benefit for the half-year	<u>(7,221)</u>	<u>(2,417)</u>
Accumulated losses at the end of the half-year	<b><u>(12,243)</u></b>	<b><u>(4,286)</u></b>

**Note 9. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous half-year.

**Note 10. Contingent liabilities**

The Group has no contingent liabilities.

**Note 11. Key management personnel**

Remuneration arrangements for key management personnel are detailed in the annual report as at 30 June 2018 with the structure of the short-term incentive plan (STI Plan) and long-term incentive program (LTI Program) having been outlined in the Remuneration Report as at that date.

In addition for key management personnel during the half-year ended 31 December 2018, \$469,962 was accrued for the STI Plan.

An expense has been recorded for the share options granted of \$220,461 in relation to key management personnel with a corresponding increase in the share-based payment reserve during the half-year ended 31 December 2018.

**Note 12. Earnings per share**

	<b>Consolidated</b>	
	<b>31 December 2018</b>	<b>31 December 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax attributable to the owners	(7,221)	(571)
	<b>Cents</b>	<b>Cents</b>
Basic earnings (cents per share)	(11.43)	(1.05)
Diluted earnings (cents per share)	(11.43)	(1.05)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	63,166,564	54,171,584
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	63,166,564	54,171,584

**Note 13. Events after the reporting period**

On 31 January 2019, ELMO completed the sale agreement to acquire 100% of the share capital of HROnboard Pty Limited, one of Australia's leading providers of cloud-based employee onboarding software for a maximum consideration of \$12m.

On 31 January 2019 ELMO completed the sale agreement to acquire 100% of the share capital of Get BoxSuite Pty Limited, a SaaS cloud based specialist in workplace rostering and time & attendance for casual and shift-based employees for a maximum consideration of \$1.4m.

**ELMO Software Limited**  
**Directors' declaration**  
**For the half-year ended 31 December 2018**

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of directors made pursuant to s303(5) of the *Corporations Act 2001*.

On behalf of the Directors



---

Barry Lewin  
Chairman



---

Danny Lessem  
Director

28 February 2019  
Sydney

## **Independent Auditor's Review Report to the Members of ELMO Software Limited**

### *Report on the Half-Year Financial Report*

We have reviewed the accompanying half-year financial report of ELMO Software Limited, which comprises the condensed statement of financial position as at 31 December 2018, and the condensed statement of profit and loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ELMO Software Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Auditor's Independence Declaration*

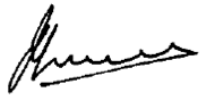
In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of ELMO Software Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ELMO Software Limited is not in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU



Joshua Tanchel  
Partner  
Chartered Accountants  
Sydney, 28 February 2019