

**ELMO Software Limited**  
**Appendix 4D**  
**For the half-year ended 31 December 2020**

**Company details**

Name of entity:	ELMO Software Limited
ABN:	13 102 455 087
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

**Results for announcement to the market**

				<b>\$'000</b>
Revenues from ordinary activities	up	29%	to	30,581
Loss from ordinary activities after tax attributable to the owners of ELMO Software Limited	up	46%	to	(12,427)
Loss for the half-year attributable to the owners of ELMO Software Limited	up	46%	to	(12,427)

**Dividends**

No dividend was paid or proposed during the half-year ended 31 December 2020 (2019: \$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>9.32</u>	<u>71.17</u>

The net tangible asset per ordinary security is calculated based on 89,223,315 ordinary shares on issue at 31 December 2020 and 74,930,726 shares that were in existence at 31 December 2019. Following the adoption of AASB 16 Leases, net tangible assets includes the right-of-use assets and lease liabilities in the above calculation.

**Control gained over entity**

Entity	Centurion Management Systems Limited	
Date control gained	7 October 2020	
		<b>\$'000</b>
Contribution of such entity's loss from ordinary activities before income tax during the period		(329)
Entities	Signifo Ltd Webexpenses Inc Webexpenses Pty Ltd	
Date control gained	16 December 2020	
		<b>\$'000</b>
Contribution of such entities loss from ordinary activities before income tax during the period		(50)

**Loss of control over entities**

Not applicable.


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 2020 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

16 February 2021  
Sydney

# **ELMO Software Limited**

**ABN 13 102 455 087**

**Interim financial statements for the half-year ended  
31 December 2020**

**ELMO Software Limited**  
**Directors' Report**  
**For the half-year ended 31 December 2020**

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 2020.

**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  
Danny Isaac Lessem  
Catherine Jane Hill  
Leah Graeve

**Dividends**

No dividend was paid during the half-year ended 31 December 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, expense management and payroll solutions.

ELMO's cloud-based 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), expense management and payroll related processes including recruitment, onboarding, performance management, learning and development, rewards and recognition, remuneration, succession planning, payroll, onboarding, workplace rostering, time and attendance and expense management.

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**

*Acquisitions*

*Breathe*

On 7 October 2020, ELMO completed the purchase of Centurion Management Systems Limited (trading as Breathe) for a purchase consideration of GBP £18.0m (cash and scrip) and an estimated earnout consideration payable in 12 months time of GBP £4.0m.

The acquisition of Breathe provides entry into a new market segment being the small business market. The transaction also presents significant new revenue opportunities for ELMO. Breathe will be launched into the Australian market in 2H21, leveraging ELMO's infrastructure and expertise. ELMO will be adding additional modules/revenue streams to the UK offering during 2H21.

*Webexpenses*

On 16 December 2020, ELMO completed the purchase of Webexpenses entities (including Signifo Ltd (UK), Webexpenses Inc. (US) and Webexpenses Pty Ltd (AU) for a purchase consideration of GBP £20.0m (cash and scrip) and an estimated earnout consideration payable in March 2022 of GBP £13.0m.

The transaction adds to ELMO's revenue, customer base and market opportunity opening up a significant two-way cross-sell opportunity for ELMO. The expense management solution will be sold to new and existing ELMO customers in Australia and New Zealand (ANZ). Additionally, ELMO's existing product suite will be sold to Webexpense's customers.

### ***Review of operations during the half 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 reviewed financial statements. The Annual Recurring Revenue (ARR) and EBITDA are non-IFRS financial information and as such have not been reviewed in accordance with Australian Auditing Standards.

For the half-year ended 31 December 2020, ELMO reported revenue of \$30.6m (1H20: \$23.6m). ELMO's loss before income tax, finance costs, depreciation and amortisation was \$0.8m (1H20: loss of \$2.6m). ELMO reported a statutory net loss after tax of \$12.4m (1H20: loss \$8.5m).

Annual recurring revenue (ARR), which reflects the revenue run-rate at a point in time and is considered a key leading metric for prospective revenue, increased to \$74.2m at 31 December 2020 (31 December 2019: \$52.0m). Growth in the ARR was primarily driven by a combination of:

- New customers to ELMO;
- The cross-sell of existing modules to existing ELMO customers; and
- Contribution from the acquisitions of Breathe and Webexpenses.

Total cash receipts from customers through 1H21 totalled \$34.4m reflecting a 25.5% increase compared to 1H20 of \$27.4m.

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 29.3% in 1H21 when compared to 1H20. This growth highlights the resilience of the ELMO platform.

The growth in revenue during the period was driven by:

- Strong subscription revenues of 97.4% of total revenue;
- Expansion of ELMO's mid-market customer base to 2,892 organisations as at 31 December 2020 compared to 1,478 at 31 December 2019 (95.7% increase) reflecting both securing new customers and customers acquired through the Webexpenses transaction in December 2020;
- The acquisition of Breathe in October 2020;
- Increased investment into ELMO's sales and marketing team; and
- Increased investment and traction in new and existing modules, resulting in increased cross-sell opportunities amongst ELMO's customer base.

The impact of COVID-19 on the 1H21 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;
- A decrease in customer retention to 90.0% (1H20: 92.9%). The decrease was driven by customer hardship.

The consolidated organic revenue growth rate (excluding acquisitions) declined to 18.9% in 1H21 (1H20: 26.0%) which included the impact of COVID-19.

## **EBITDA**

For 1H21, ELMO reported operating expenses (including cost of sales and excluding depreciation and amortisation) of \$32.9m (1H20: \$26.2m). 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 an increase in expenses to \$13.4m (1H20: \$11.2m) due to an increase in headcount during the period;
- Increased investment in research and development, primarily the development of new modules, the enhancement of existing modules and the integration of acquired technology. Research and development spend totalled \$14.2m through 1H21 (1H20: \$10.6m). The total spend in 1HY21 was split between operating expenses of \$5.2m and capitalised expenses of \$9.0m (1H20: \$2.9m, \$7.7m); and
- An increase in general and administrative expenses to \$10.9m (1H20: \$8.5m) driven by an increase in impairment loss on trade receivables mainly due to some customers affected by the COVID-19 pandemic as well as employment and operating costs due to strengthening of ELMO's infrastructure to scale operations.

The impact of COVID-19 on the 1H21 EBITDA is reflected in:

- Receipt of government stimulus payments totalling \$1.7m which concluded in September 2020.
- An increase in the impairment loss on trade receivables to \$1.2m (1H20: \$0.6m) as a result of impacts on ELMO's customer base and an increase in provisioning for expected future credit losses; and
- A decrease in travel, accommodation and events expense during 1H21 due to travel restrictions offset by an increase in costs associated with Group wide remote working.

## **Financial position**

As at 31 December 2020, ELMO had a net cash balance of \$71.3m (31 December 2019: \$78.1m). Subsequent to 31 December 2020 the Group secured a credit approved term sheet with the Commonwealth Bank of Australia ('CBA') for a three-year \$34.5 million debt facility with an interest rate of 2.6% which will be used to support the Group's growth initiatives.

Due to the increased investment in research and development and increase in goodwill through acquisition, intangible assets have increased to \$178.7m (31 December 2019: \$62.9m).

The impact of COVID-19 on the financial position at 31 December 2020 is reflected in:

- An increase in the provision for the impairment of receivables to \$1.2m (1H20: \$0.6m); 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 human resources software offering.

- **Increasing mid-market market penetration in Australia, New Zealand and the United Kingdom**

ELMO currently has a market penetration of less than 4% of a total market of over 75,000 organisations, across Australia, New Zealand and the United Kingdom. ELMO plans to accelerate its market penetration across Australia, New Zealand and the United Kingdom by increasing investment into its sales and marketing capabilities and initiatives to drive new customer wins.

- **Expansion into the small business market in Australia and increased penetration into the United Kingdom**

ELMO will be launching the Breathe platform into the Australian market during 2H21. ELMO will be adding additional modules/revenue streams to the UK offering during 2H21. The small business segment, which is incremental to the Group following the acquisition of Breathe, has an estimated total addressable market of \$2.2 billion.

- **Expand product offering**

ELMO continues to commit to investment in research and development with the total spend in 1H21 reflecting 46.5% (1H20: 44.9%) of statutory revenue. Key development plans include the continuous enhancement of the user experience and user interface, continued integration of previous acquisitions and further development of the interoperability of the module suite.

- **Acquisitions and investments**

ELMO believes that there is an opportunity to gain additional market share and/or acquire complementary technology through targeted acquisitions.

**Novel Coronavirus (COVID-19)**

Consistent with disclosures in the financial statements for the year ended 30 June 2020 COVID-19 has not substantially impacted the operations of the Group and its core operations. With further expansion in the UK market, a market that has been generally reported to be more significantly impacted by COVID-19, additional consideration has been given to the effect on ELMO's UK based operations. However, given the nature of the acquisitions of Breathe and Webexpenses with the increase in remote working HR software is increasingly becoming a key element in the ability of businesses to successfully manage employees on a remote basis.

Areas where the group has been impacted by COVID-19 include:

- Some deferral in the procurement decisions by customers across the Group which has had an impact on the rate of securing new customers and cross selling to existing customers;
- Some rephasing of payments by customers; and
- An increase in customer hardship which is reflected in the temporary increase in the rate of lost customers and an increase in payment defaults reflected in a higher bad debt expense.

Overall at present, the Group continues to operate effectively, but the Group will continue to monitor any ongoing effects of COVID-19 during the financial year.

At 31 December 2020 the Group had \$71.3m of cash available. 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 half-year ended 31 December 2020 through an increase in the allowance for expected credit losses over receivables.

**ELMO Software Limited**  
**Directors' Report**  
**For the half-year ended 31 December 2020**

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

On 16 February 2021 the Group secured a credit approved term sheet with the Commonwealth Bank of Australia ('CBA') for a three-year \$34.5 million debt facility with an interest rate of 2.6% which will be used to support the Group's growth initiatives.

Other than disclosed above, there is no other matter or circumstance has arisen since 31 December 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.

**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

16 February 2021  
Sydney



Danny Lessem  
Director



16 February 2021

The Board of Directors  
ELMO Software Limited  
Level 27/580 George St  
Sydney NSW 2000

Dear Board Members

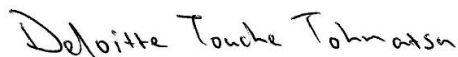
## ELMO Software Limited

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.

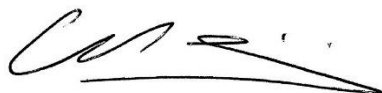
As lead audit partner for the review of the financial statements of ELMO Software Limited for the financial half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Carlo Pasqualini  
Partner  
Chartered Accountants

**ELMO Software Limited**  
**Contents**  
**For the half-year ended 31 December 2020**

**Contents**

	Page number
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	24
Independent auditor's report to the members of ELMO Software Limited	25

**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 16 February 2021. 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 2020**

		<b>Consolidated</b>	
		<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	3	30,581	23,646
Cost of sales		<u>(4,450)</u>	<u>(3,652)</u>
Gross profit		26,131	19,994
Other income		1,787	17
Sales and marketing expenses		(13,360)	(11,242)
Research and development expenses		(5,183)	(2,865)
General and administrative expenses		(9,652)	(7,954)
Depreciation and amortisation expense		(10,650)	(6,877)
Impairment loss on trade receivables		(1,237)	(564)
Finance income		418	386
Finance costs		(574)	(358)
Share of loss from joint venture		<u>(246)</u>	<u>-</u>
<b>Loss before income tax benefit</b>		<b>(12,566)</b>	<b>(9,463)</b>
Income tax benefit		<u>139</u>	<u>959</u>
<b>Loss after income tax benefit for the half-year attributable to the owners of ELMO Software Limited</b>		<b><u>(12,427)</u></b>	<b><u>(8,504)</u></b>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		(529)	95
<b>Total comprehensive loss for the half-year attributable to the owners of ELMO Software Limited</b>		<b><u>(12,956)</u></b>	<b><u>(8,409)</u></b>
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings	13	(14.41)	(12.30)
Diluted earnings	13	(14.41)	(12.30)

*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 2020**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31 December</b>	<b>30 June</b>
		<b>2020</b>	<b>2020</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		71,344	139,887
Trade and other receivables		8,844	10,386
Other current assets		2,383	1,636
Income tax refundable		223	81
Finance lease receivable		187	206
<b>Total current assets</b>		<b>82,981</b>	<b>152,196</b>
<b>Non-current assets</b>			
Investment in jointly controlled entity	6	1,252	1,498
Property, plant and equipment		7,117	4,589
Intangible assets	5	178,682	72,961
Right-of-use assets		20,715	14,991
Finance lease receivable		-	83
<b>Total non-current assets</b>		<b>207,766</b>	<b>94,122</b>
<b>Total assets</b>		<b>290,747</b>	<b>246,318</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		12,720	10,842
Deferred and contingent consideration		8,681	6,208
Lease liabilities		4,552	2,741
Employee benefits		3,296	3,273
Contract liabilities		25,069	26,098
<b>Total current liabilities</b>		<b>54,318</b>	<b>49,162</b>
<b>Non-current liabilities</b>			
Deferred and contingent consideration		23,683	500
Lease liabilities		21,586	16,006
Employee benefits		640	436
Deferred tax		2,470	450
Contract liabilities		1,049	516
<b>Total non-current liabilities</b>		<b>49,428</b>	<b>17,908</b>
<b>Total liabilities</b>		<b>103,746</b>	<b>67,070</b>
<b>Net assets</b>		<b>187,001</b>	<b>179,248</b>
<b>Equity</b>			
Share capital	9	235,695	214,156
Reserves	9	521	1,880
Accumulated losses	10	(49,215)	(36,788)
Equity attributable to the owners of ELMO Software Limited		<b>187,001</b>	<b>179,248</b>
<b>Total equity</b>		<b>187,001</b>	<b>179,248</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 2020**

<b>Consolidated</b>	<b>Issued Capital \$'000</b>	<b>Foreign currency translation reserves \$'000</b>	<b>Share based payment reserves \$'000</b>	<b>Accumulated Losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2019	72,733	5	831	(18,172)	55,397
Loss after income tax benefit for the half-year	-	-	-	(8,504)	(8,504)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(8,504)	(8,504)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued under institutional placement	55,000	-	-	-	55,000
Shares issued under share purchase plan	15,004	-	-	-	15,004
Exercise of unlisted options	103	-	-	-	103
Less: share placement costs (net of tax)	(1,496)	-	-	-	(1,496)
<i>Reserves:</i>					
Translation movement during the half-year	-	174	-	-	174
Equity settled share-based payment	-	-	559	-	559
Balance at 31 December 2019	<u>141,344</u>	<u>179</u>	<u>1,390</u>	<u>(26,676)</u>	<u>116,237</u>
<b>Consolidated</b>	<b>Issued Capital \$'000</b>	<b>Foreign currency translation reserves \$'000</b>	<b>Share based payment reserves \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2020	214,156	99	1,781	(36,788)	179,248
Loss after income tax benefit for the half-year	-	-	-	(12,427)	(12,427)
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive loss for the half-year	-	-	-	(12,427)	(12,427)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued under business combinations	21,223	-	-	-	21,223
Vesting of performance rights and options	316	-	-	-	316
<i>Reserves:</i>					
Translation movement during the half-year	-	(529)	-	-	(529)
Equity settled share-based payment	-	-	1,170	-	1,170
Shares purchased by trust	-	-	(2,000)	-	(2,000)
Balance at 31 December 2020	<u>235,695</u>	<u>(430)</u>	<u>951</u>	<u>(49,215)</u>	<u>187,001</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 2020**

Note	Consolidated	
	31 December 2020 \$'000	31 December 2019 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	34,384	27,392
Payments to suppliers and employees (inclusive of GST)	(35,343)	(28,962)
	(959)	(1,570)
Other income received	3,888	-
Income taxes refunded/(paid)	65	(89)
Net cash from/(used) in operating activities	2,994	(1,659)
<b>Cash flows from investing activities</b>		
Interest received	430	373
Receipt of lease incentive	1,078	-
Payment of transaction costs for acquisitions	(1,686)	(298)
Payment for investment in jointly controlled entity	-	(1,180)
Payment of deferred consideration from acquisitions in the prior period	(5,339)	(3,335)
Payment for acquisition of businesses, net of cash acquired	(44,660)	-
Payments for property, plant and equipment	(1,981)	(1,137)
Payments for intangibles	(14,812)	(8,932)
Net cash used in investing activities	(66,970)	(14,509)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	-	70,004
Proceeds from exercise of share options	10	41
Share issue transaction costs	(243)	(2,204)
Shares purchased by trust	(2,000)	-
Repayment of lease liabilities	(2,374)	(1,232)
Net cash generated (used in)/from financing activities	(4,607)	66,609
Net increase in cash and cash equivalents	(68,583)	50,441
Cash and cash equivalents at the beginning of the half-year	139,887	27,698
Effect of exchange differences on cash balances	40	-
<b>Cash and cash equivalents at the end of the half-year</b>	<b>71,344</b>	<b>78,139</b>

*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 2020 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 2020.

The principal accounting policies adopted are consistent with those of the consolidated financial statements as at and for the year ended 30 June 2020, 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.

**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.

**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 invested 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.

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

**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 now 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	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.

**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.

Capitalised implementation costs

Implementation costs are those costs incurred in the implementation of software and are recognised over the life of the contract.



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

*(i) Recognition and measurement (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	3-5 years
Capitalised implementation costs	1-3 years
Capitalised sales commission costs	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 assets 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 or 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.

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

**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.

**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**

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.

**Note 3. Revenue from contracts with customers**

**Timing of revenue recognition**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Products and services transferred over time	29,789	23,015
Products and services transferred at a point in time	792	631
	<u>30,581</u>	<u>23,646</u>

**Note 4. Operating segments**

*Identification of reportable operating segments*

The Group operates in two segments, 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. These segments are managed and reported separately because the operating markets in which the product is sold are fundamentally different.

The two segments have been determined following the expansion into a different market with the acquisition of Breathe and are defined as:

- Small business solution: Less than 50 customers
- Mid-market solution: 50-2000 customers

	<b>Small business solution \$'000</b>	<b>Mid- market solution \$'000</b>
Revenues from external customers	1,740	28,841
Segment profit/(loss) before tax	(435)	(11,992)
Segment total assets	43,928	246,819
Segment total liabilities	(2,800)	(100,946)

In the previous financial statements for the year ended 30 June 2020 there was only one operating segment and the prior year segment disclosure corresponded to the primary statements and notes.

*Geographical information*

	<b>Revenue from external customers</b>		<b>Geographical non-current assets</b>	
	<b>31 December 2020 \$'000</b>	<b>31 December 2019 \$'000</b>	<b>31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>
Australia	25,311	21,569	90,687	78,599
New Zealand	2,631	2,028	13,767	13,853
United Kingdom	2,619	-	101,730	-
Others	20	49	330	89
	<u>30,581</u>	<u>23,646</u>	<u>206,514</u>	<u>92,541</u>

All the non-current assets are allocated to reportable segments with the exception of investments in jointly controlled entities of \$1.3m (30 June 2020: \$1.5m).

**ELMO Software Limited**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 5. Intangibles**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Software development costs	56,596	42,724
Less: Accumulated amortisation	(27,550)	(20,513)
	<u>29,046</u>	<u>22,211</u>
Capitalised implementation costs	2,945	-
Less: Accumulated amortisation	(378)	-
	<u>2,567</u>	<u>-</u>
Capitalised sales commission costs	8,890	6,673
Less: Accumulated amortisation	(4,093)	(3,131)
	<u>4,797</u>	<u>3,542</u>
Customer list (acquired through business combinations)	13,833	9,829
Less: Accumulated amortisation	(3,567)	(2,825)
	<u>10,266</u>	<u>7,004</u>
Goodwill (acquired through business combinations)	128,804	39,625
Trademark (acquired through business combinations)	3,202	579
	<u>178,682</u>	<u>72,961</u>

**ELMO Software Limited**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 5. Intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	Software development costs <b>\$'000</b>	Capitalised implementation costs	Capitalised commission costs <b>\$'000</b>	Customer list <b>\$'000</b>	Goodwill <b>\$'000</b>	Trademarks <b>\$'000</b>	Total <b>\$'000</b>
Balance at 1 July 2019	13,613	-	1,401	7,216	36,051	579	58,860
Additions	17,459	-	3,182	-	-	-	20,641
Additions through business combinations	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
Additions	9,026	2,945	2,215	-	-	-	14,186
Additions through business combinations	4,906	-	-	4,074	90,053	2,669	101,702
Revaluation of business combinations	-	-	-	-	(243)	-	(243)
Amortisation expense	(7,100)	(378)	(962)	(742)	-	-	(9,182)
Effects of movements in exchange rates	3	-	2	(70)	(631)	(46)	(742)
Balance at 31 December 2020	29,046	2,567	4,797	10,266	128,804	3,202	178,682

An impairment loss, if any, is recognised for the amount by which the carrying amount exceeds its recoverable amount. As at 31 December 2020 there are no indicators to suggest that an impairment would occur.

**ELMO Software Limited**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 6. Investment in jointly controlled entity**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	1,498	1,680
Group's share of losses	(246)	(182)
	<u>1,252</u>	<u>1,498</u>

The following table summarises the financial information of Hero Brands Pty Ltd:

	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets	1,272	1,052
Non-current assets	-	-
Current liabilities	(303)	(324)
Non-current liabilities	-	-
Net Assets	<u>969</u>	<u>728</u>
Revenue	1,850	1,951
(Loss)/Profit (100%)	(123)	12
(Loss)/Profit (50%)	(61)	6
Elimination of unrealised profits	(185)	(188)
Group share of losses	(246)	(182)
<i>Reconciliation of net assets</i>		
Opening net assets as at 1 July 2020/acquisition	1,092	1,080
(Loss)/profit for the period	(123)	12
Closing net assets	969	1,092
50% ownership interest	485	546
Elimination of unrealised profit	(373)	(188)
Goodwill	1,140	1,140
Carrying amount of jointly controlled entity	<u>1,252</u>	<u>1,498</u>

**Note 7. Business combinations and acquisitions of business assets**

During the half-year the Group acquired interests in Breathe and Webexpenses entities. Given the proximity of the Webexpenses acquisition to the half-year end the excess of consideration over net assets has been accounted for as Goodwill. Key information on the acquisitions is summarised in the table below:

	<b>Acquired in the half-year ended 31 December 2020</b>	
	<b>Provisional accounting</b>	
	<b>Breathe</b>	<b>Webexpenses</b>
	<b>\$'000</b>	<b>\$'000</b>
Net tangible assets	92	593
Cash	1,523	1,996
Customer list	4,074	-
Software	4,906	-
Trademark	2,669	-
Other assets	640	3,789
Contract liability	(704)	(1,105)
Deferred tax liability	(2,175)	-
Other liabilities	(883)	(3,954)
Net identifiable assets acquired	10,142	1,319
Goodwill on acquisition	31,475	58,578
Fair value of the total consideration transferred)	41,617	59,897

**Acquisition in the year ended 30 June 2020**

The purchase price allocation for the acquisition of Vocam in February 2020 included in the year ended 30 June 2020 has now been finalised with a resulting adjustment decreasing deferred revenue and goodwill by \$243,000.

**Deferred consideration paid**

<b>Acquired entity</b>	<b>Consideration settled in cash</b>
	<b>\$'000</b>
<i>Settled in 1H21</i>	
BoxSuite	105
HROnboard	5,603

As at 31 December 2020, consideration has been settled in final in relation to BoxSuite and for HROnboard with a resulting gain to the profit or loss of \$384,000.

**1H 21 Acquisitions**

**Breathe**

On 7 October 2020, ELMO completed the purchase of Centurion Management Systems Limited (trading as Breathe) for purchase consideration of GBP £18.0m in cash and scrip and an estimated earnout consideration payable in 12 months time of GBP £4.0m.

The acquisition of Breathe provides entry into a new market segment being the small business market. The transaction also presents significant new revenue opportunities for ELMO. Breathe will be launched into the Australian market in 2H21, leveraging ELMO's infrastructure and expertise. ELMO will be adding additional modules/revenue streams to the UK offering during 2H21.

**Webexpenses**

On 16 December 2020, ELMO completed the purchase of Webexpenses entities (including Signifo Ltd (UK), Webexpenses Inc. (US) and Webexpenses Pty Ltd (AU)) for a purchase consideration of GBP £20.0m in cash and scrip and an estimated earnout consideration payable in March 2022 of GBP £13.0m.

The transaction adds to ELMO's revenue, customer base and market opportunity opening up a significant two-way cross-sell opportunity for ELMO. The expense management solution will be sold to new and existing ELMO customers in Australia and New Zealand (ANZ). Additionally, ELMO's existing product suite will be sold to Webexpense's customers.

**ELMO Software Limited**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 7. Business combinations and acquisitions of business assets (continued)**

*Fair value consideration comprises of:*

	<b>AUD \$m</b>
Cash	50.0
Scrip	21.2
Contingent consideration	30.3
	<u>101.5</u>

*Cash for acquisitions net of cash acquired:*

	<b>AUD \$m</b>
Total cash consideration	50.0
Less completion payment	(1.8)
Less cash acquired	(3.5)
Net cash for acquisitions	<u>44.7</u>

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:

	<b>Revenue</b>	<b>Loss before tax</b>
<b>Half-year ended 31 December 2020</b>	<b>\$'000</b>	<b>\$'000</b>
Breathe	1,740	(329)
Webexpenses	730	(50)

If the acquisition date for all acquisitions that occurred during the year had been as of the beginning of the half-year reporting period, the results for ELMO Software Limited, being the combined entity including a full half-year of results for Breathe and Webexpenses would have been:

	<b>2020 \$'000</b>
Revenue	35,000
Loss before tax	(12,600)

The Group incurred costs of \$1.9m in relation to all acquisitions made during the half-year. These costs have been included in business acquisition expenses in the profit or loss.

**Note 8. Fair value measurement**

The Group does not enter into or trade financial instruments, including derivative financial instruments and financial liabilities and consequently 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.

<b>31 December 2020</b>	<b>Carrying amount: Fair value through P&amp;L \$'000</b>	<b>Fair value: Level 3 \$'000</b>
Contingent consideration	30,816	3

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



**ELMO Software Limited**  
**Notes to the financial statements**  
**For the half-year ended 31 December 2020**

**Note 9. Equity - share capital and reserves**

<b>Ordinary shares issued and fully paid</b>	<b>Shares</b>	<b>\$'000</b>
<b>At 1 July 2020</b>	<b>85,659,114</b>	<b>214,156</b>
Issue of shares – Breathe Business Combination	699,765	3,669
Issue of shares – Webexpenses Business Combination	2,805,650	17,554
Vesting of Performance Rights and options	58,786	316
<b>At 31 December 2020</b>	<b>89,223,315</b>	<b>235,695</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 31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>
Foreign exchange translation reserve	(430)	99
Share based payment reserve	951	1,781
	<b>521</b>	<b>1,880</b>

**Note 10. Equity - accumulated losses**

	<b>Consolidated 31 December 2020 \$'000</b>	<b>30 June 2020 \$'000</b>
Accumulated losses at the beginning of the half-year	(36,788)	(26,676)
Loss after income tax benefit for the half-year	(12,427)	(10,112)
Accumulated losses at the end of the half-year	<b>(49,215)</b>	<b>(36,788)</b>

**Note 11. Contingent liabilities**

The Group has no contingent liabilities, except for acquisition related contingent consideration liabilities (note 8).

**Note 12. Key management personnel**

Remuneration arrangements for key management personnel are detailed in the annual report as at 30 June 2020 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 2020, \$357,998 was accrued for the STI Plan (2019: \$491,700).

An expense has been recorded in relation to share-based payments of \$47,984 in relation to key management personnel with a corresponding increase in the share-based payment reserve during the half-year ended 31 December 2020 (2019: \$178,715).

**Note 13. Earnings per share**

	<b>Consolidated</b>	
	<b>31 December 2020</b>	<b>31 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax attributable to the owners	(12,427)	(8,504)
	<b>Cents</b>	<b>Cents</b>
Basic earnings (cents per share)	(14.41)	(12.30)
Diluted earnings (cents per share)	(14.41)	(12.30)
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	86,265,360	69,135,641
Adjustments for calculation of diluted earnings per share:	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	86,265,360	69,135,641

**Note 14. Events after the reporting period**

On 16 February 2021 the Group secured a credit approved term sheet with the Commonwealth Bank of Australia ('CBA') for a three-year \$34.5 million debt facility with an interest rate of 2.6% which will be used to support the Group's growth initiatives.

Other than disclosed above, there is no other matter or circumstance which has arisen since 31 December 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.

**ELMO Software Limited**  
**Directors' declaration**  
**For the half-year ended 31 December 2020**

The directors declare that:

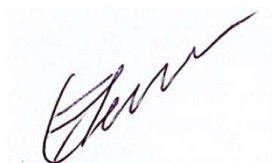
- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including 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

16 February 2021  
Sydney

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

We have reviewed the half-year financial report of ELMO Software Limited (the "Company") which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Company is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2020 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*.

### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual 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 review report.

### *Directors' Responsibilities 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 controls 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 Responsibilities for the Review of the Half-year Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Company's financial position as at 31 December 2020 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*.

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.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Carlo Pasqualini  
Partner  
Chartered Accountants  
Sydney, 16 February 2021