



## PROSPECTUS

### PayGroup Limited

ACN 620 435 038

For an initial public offering of 11,000,000 Shares  
at an issue price of \$0.50 per share to raise  
a minimum of \$5,500,000

Over-subscriptions of up to a further 6,000,000  
Shares at an issue price of \$0.50 per share to  
raise a maximum of \$8,500,000



LODGE  
CORPORATE

LEAD MANAGER

#### IMPORTANT INFORMATION:

This is an important document and it should be read in its entirety. If after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, solicitor or other professional advisor for assistance.

The Shares offered by this Prospectus should be considered speculative.

# Important Notices

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in PayGroup Limited ACN 620 435 038 (**Company**).

## Lodgement and Listing

This Prospectus is dated 11 April 2018 (**Prospectus Date**) and a copy was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. The Company will apply to ASX Limited (**ASX**) within seven days after the Prospectus Date for admission of the Company to the official list of ASX and quotation of its Shares on ASX. None of ASIC, ASX or their officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

## Exposure Period

The Corporations Act prohibits the Company from processing Applications in the seven day period after the date of Prospectus Lodgement (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

## Note to Applicants

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in Shares. Some of the key risk factors that you should consider before investing in the Company are set out in Section 7. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the assumptions underlying the financial information and the risk factors that could affect the Company's business, financial condition and results of operations. Past returns/financial performance of the Group is no guarantee of or indicative of future performance. No person named in this Prospectus, nor any other person guarantees the performance of the Company or the repayment of capital or any return on investment made pursuant to this Prospectus. To the extent of any discrepancy between this Prospectus and any other document, website, social media site or forum, the content in this Prospectus prevails.

## ASX Bookbuild Facility

The Company may elect to use the ASX Bookbuild Facility and make a certain percentage of the Shares available under the Offer available via the ASX Bookbuild Facility during the Offer Period. If the

Company does proceed to use the ASX Bookbuild Facility, it will announce this (together with all relevant parameter information and other details as required by the ASX Settlement Operating Rules and the Corporations Act) on its website (at [www.paygroupoffer.com.au](http://www.paygroupoffer.com.au)). That announcement will also be issued via the ASX announcements platform. The announcement will include details of the ASX ticker under which eligible investors will be able to participate in the Company's bookbuild using the ASX Bookbuild Facility.

## No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia or New Zealand. The distribution of this Prospectus outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus outside Australia or New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus has been prepared for publication in Australia, and New Zealand and may not be released or distributed in any other country where its distribution would be illegal or breach any local laws or regulations.

## United States

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares and Existing Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws. The Offer is not being extended to any investor outside Australia, other than to institutional investors as part of the Offer. This Prospectus does not constitute an offer or invitation to potential investors to whom it would not be lawful to make such an offer or invitation.

## Important notice to Hong Kong investors

The Shares may not be offered or sold by means of any document other than (i) in circumstances that do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong), or (iii) in other circumstances that do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong).

No advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in

Hong Kong or elsewhere), that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong), other than with respect to shares that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

## Important Notice to Singapore Investors

Any offer or sale, or invitation for subscription or purchase, of the Shares to investors in Singapore is made in reliance on the exemptions under sections 274 and 275 of the Securities and Futures Act, chapter 289 of Singapore (the "SFA"). It is not made in or accompanied by a prospectus that is registered with the Monetary Authority of Singapore.

Any offer or sale, or invitation for subscription or purchase, of the Shares shall not be sold to any person, unless the offer resulting in such subsequent sale is made (a) in compliance with Subdivisions (2) and (3) of the SFA, Part XIII Offers of Investments, Division 1 – Shares and Debentures; (b) in reliance of section 276(2) or any other exemption under any provision of Subdivision 4 of Division 1 of Part XIII of the SFA; or (c) where at least six months have elapsed from the date the securities were acquired under the initial offer or sale, or invitation for subscription or purchase, of the Shares.

For the avoidance of doubt, this document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the SFA in accordance with the conditions set out in section 276 of the SFA, (ii) to an accredited investor pursuant to section 275 (1) of the SFA in accordance with the conditions set out in section 276 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

## Important notice to New Zealand Investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and regulations made under the Corporations Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This Offer and the contents of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under the Corporations Act set out how the offer must be made. There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand



investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products. Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this Offer.

If you need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian financial products is not the same as for New Zealand financial products. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser. The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars. If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.

#### Financial information presentation

Section 5 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 5. All financial amounts contained in this Prospectus are expressed in Australian dollars and rounded to the nearest \$0.1 million unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

#### Forward looking statements

Various statements in this Prospectus may be in the nature of forward looking statements, including statements of current intentions, statements of opinion and predictions as to future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements are subject to various inherent risks and uncertainties (many of which are outside the Company's control) that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. As a result, forward looking statements should be read in conjunction with risk factors as set out in Section 7 and other information in this Prospectus.

#### Suitability of investment/general risk factors

This Prospectus provides information to help you decide whether to invest in the Company. Before deciding to invest in the Company, you should read this entire Prospectus, and in particular the technical information and the risk factors that could affect the future operations and activities of the Company. The Offer contained in this Prospectus does not take into account your investment objectives, financial situation and particular individual needs. Please read the Application Form carefully. Professional advice should be sought before deciding to invest in any securities the subject of this Prospectus.

#### Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, or any other person in connection with the Offer. You should rely only on information in this Prospectus. It is expected that the Shares will be quoted on ASX initially on a deferred settlement basis. The Company, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

#### Obtaining a copy of this Prospectus

A paper copy of the Prospectus is available free of charge to any person in Australia by calling the Company Offer Information Line on 1300 648 159 (within Australia) or +61 3 9415 4186 (outside Australia) from 8.30am until 5.00pm AEST Monday to Friday during the Offer Period. This Prospectus is also available to Australian resident investors in electronic form at the Offer website, [www.paygrouppoffer.com.au](http://www.paygrouppoffer.com.au). The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from Australia. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Applications for Shares may only be made on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded in its entirety from [www.paygrouppoffer.com.au](http://www.paygrouppoffer.com.au). By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

#### Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus are explained in Section 9. Unless otherwise stated or implied, references to times in this Prospectus are to AEST.

#### Privacy

By completing an Application Form, you are providing personal information to the Company, and the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Company's public register. The information must continue to be included in the Company's public register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed. The Company, and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers as disclosed in the Company's Privacy Policy or as otherwise authorised under the *Privacy Act 1988 (Cth)*.

You may request access to your personal information held by or on behalf of the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry or the Company. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

#### Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses this Prospectus or that assets shown in them are owned by the Company.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in graphs, charts and tables is based on information available as at the Prospectus Date.

#### If you have any Questions

If after reading this Prospectus, you do not fully understand it or the rights attaching to the Shares offered by it, you should consult an accountant, solicitor or other professional advisor for assistance. The Company is unable to advise you on the suitability or otherwise of an investment in the Company.

**This document is important and should be read in its entirety.**

# Contents

Corporate Directory .....	3
Key Offer Information .....	4
Message from the Chairman .....	5
<b>01.</b> Investment Overview .....	6
<b>02.</b> Industry Overview .....	19
<b>03.</b> The Group's Overview .....	25
<b>04.</b> Board, Management & Corporate Governance .....	36
<b>05.</b> Financial Information .....	47
<b>06.</b> Investigating Accountant's Report .....	77
<b>07.</b> Key Risks .....	85
<b>08.</b> Additional Information .....	92
<b>09.</b> Glossary .....	102



# Corporate Directory

## Directors

Ian Basser – Non-Executive Chairman  
David Fagan – Non-Executive Director  
Mark Samlal – Managing Director  
Franck Neron-Bancel – Executive Director

## Company's Registered Office

24-26 Second Avenue  
Box Hill North Victoria 3129 Australia

**PayGroup's Global Headquarters**  
**#14-00, 1 Phillip Street, Singapore 048692**

[www.paygrouplimited.com](http://www.paygrouplimited.com)

## Lead Manager

**Lodge Corporate Pty Ltd**

Level 6, 90 Collins Street  
Melbourne Victoria 3000 Australia

## Company Secretary

**Oliver Carton**  
**c/o Lennox Group Pty Ltd**

Suite 211,  
19 Milton Parade  
Malvern Victoria 3144 Australia

## Australian Legal Adviser

**K&L Gates**

Level 25  
525 Collins Street  
Melbourne Victoria 3000 Australia

## Share Registry

**Computershare Investor Services Pty Limited**

Yarra Falls  
452 Johnston Street  
Abbotsford Victoria 3067 Australia

## Auditor

**Grant Thornton**

Collins Square Level 16 Tower 1  
727 Collins Street  
Melbourne VIC 3008

## Investigating Accountant

**Grant Thornton Corporate Finance Pty Ltd**

Collins Square Level 16 Tower 1  
727 Collins Street  
Melbourne VIC 3008

# Key Offer Information

## The Offer

PayGroup Limited ACN 620 435 038 (ASX code: PYG) is seeking to raise between A\$5.5 million and \$8.5 million by the issue of between 11 and 17 million Shares at an Offer Price of \$0.50 cents per Share. Following the completion of the Offer:

Category	Based on a capital raise of between A\$5.5m and 8.5m
Offer Price per Share	\$0.50
Total Value of Share offered under this Prospectus	\$5,500,000-\$8,500,000
Total Existing Shares on issue <sup>1</sup> (pursuant to the Share Swap Agreement (see Section 8.9) and including Shares issued under the Employee Share Plan)	34,671,466
Total New Shares offered under this Prospectus	11,000,000-17,000,000
Total number of Shares issued under the Employee Share Plan detailed in Section 4.5	2,417,450
Total number of Shares on completion of the Offer	45,671,466-51,671,466
Gross proceeds from the Offer	\$5,500,000-\$8,500,000
Indicative market capitalisation at the Offer Price	\$22,835,733-\$25,835,733
Enterprise Value	\$19,934,733-\$19,514,733
Enterprise Value to FY18 Pro Forma forecast EBITA ratio (EV/EBITDA)	6.98 X – 7.03 X
Offer Price to FY18 Pro Forma consolidated NPAT ratio	8.75 X – 9.90 X
Estimated FY18 Pro Forma dividend yield on Offer Price (annualised based on dividend payout policy <sup>2</sup> )	6.6% – 5.8%

- All Existing Shares on issue prior to the Offer will be subject to any such restriction or escrow arrangements determined by the ASX in accordance with the ASX Listing Rules. Over and above any such restriction or escrow arrangements determined by the ASX, all existing Shareholders have agreed to enter into voluntary escrow agreements under which the Founding Shareholders Shares and the Shares issued under the Employee Share Plan will be subject to a two year escrow period from the Listing Date and all the other existing Shareholders have agreed to escrow 50% of their pre-IPO shareholding for 6 months. For further information about the escrow arrangements, please see Section 8.5 of this Prospectus. The percentage of Shares in the total share capital of the Company available at Listing for investors to freely trade in the public market (i.e. "free float") is expected to be at least 20% on completion of the Offer.
- Estimated DPS and Dividend Yield based on dividend payout policy (amount not less than 50% of NPAT), and commence paying dividends following reporting of financial results for 6 months ended 31 March 2018. Please note there is no guarantee of the payment of any dividends (see Section 8.7). It is anticipated that dividends will not carry any franking credits – see Section 8.7.

### Indicative Key Dates

Prospectus lodged with ASIC	Wednesday, 11 April 2018
Opening Date	Thursday, 19 April 2018
Closing Date	Thursday, 10 May 2018
Expected date for allocation of Shares	Friday, 18 May 2018
Holding Statements sent to Shareholders	Wednesday, 23 May 2018
Anticipated ASX Listing Date	Monday, 28 May 2018

These dates are indicative only and may change. The Company reserves the right to amend any and all of the above dates without notice to you including (subject to the ASX Listing Rules and the Corporations Act), to close the Offer early, to extend the Offer, to accept late Applications, either generally or in particular cases, or to withdraw the Offer before settlement. If the Offer is withdrawn before the issue of the Shares, then all Application Monies will be refunded in full (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

ASIC may extend the exposure period to 14 days. The Indicative Key Dates above assumes a 7 day exposure period. If the exposure period is extended by ASIC, the Opening Date of the Offer will correspondingly change.

# Message from the Chairman

Dear Investor,

On behalf of the Directors, I have great pleasure in presenting this Prospectus and offering to you the opportunity to become a shareholder in PayGroup Limited ACN 620 435 038 (**the Company**). The Company, headquartered in Melbourne Australia was recently incorporated as the holding company for the Pay Asia Pte Limited (**PayAsia**) group of companies (collectively the PayGroup or Group). PayAsia was established in 2006 and is headquartered in Singapore.

PayGroup is a trusted provider of multi-country Payroll and Human Resource Outsourcing solutions (**BPO**), and Cloud (**Software-as-a-Service or SaaS**) based Human Capital Management (**HCM**) software operating in the Asia Pacific region for multinational companies.

Asia Pacific is one of the most complex markets for multinational companies to operate in. PayGroup aims to simplify this complexity by providing our clients with a consolidated view of their workforce whether they choose Business Process Outsourcing (BPO) or Cloud solutions and to reduce their operational and compliance risk by bringing regulatory expertise and world-class service in all the countries where it operates.

Our BPO solution for clients covers the outsourcing of payroll, other employee benefits, banking, treasury and statutory lodgement services and is complemented by HROnline our proprietary Cloud based HCM software.

The Group has over a decade of delivering successful outcomes for clients (with over 90% client retention rate) and is led by a globally experienced and recognised management team. The Group generates recurring service fee revenues through both its BPO Payroll Services and HCM software product suite and the average BPO client contract period is 3 years.

The proposed ASX Listing will allow PayGroup to target accelerated business growth through increased sales and marketing activities, establishing operations in additional countries and accelerating client adoption of its BPO and Cloud HCM solutions. Through the Offer the Company will also focus on unifying the Group's operating platforms, thereby improving operating efficiencies and the Group's capacity to service clients.

An investment in Shares in the Company is subject to a range of material risks which may impact on the value of shares in the Company - including the potential loss of clients/lack of conversion of new clients; disruption to the Group's HCM software solutions for clients (due for example to internet disruption, hacking or viruses), failure or delays by the Group in a disaster recovery scenario (affecting the Group's reputation and the data held for clients) and privacy breaches (caused by hacking or unauthorised release of confidential client data maintained by the Group). A summary of the main risk factors associated with an investment in Shares the Company is highlighted in Section 7.

This Prospectus offers for subscription Shares in the Company at \$0.50 per Share to raise between \$5.5 and \$8.5 million. Lodge Corporate has been appointed as Lead Manager to this initial public offering (**IPO**). The closing date for application and payment is 5.00pm AEST on Thursday, 10 May 2018, or later as determined by the Directors.

Above all, we're excited about the future. We are committed to helping our clients expand and streamline their business locally, regionally and globally.

On behalf of the Directors, I recommend this Offer to you and look forward to your support and participation as a shareholder.



**Mr Ian Basser**

Non-Executive Chairman  
PayGroup Limited





# 01.

## INVESTMENT OVERVIEW



# 01. Investment Overview

1.1 Introduction		
<p><b>Who is PayGroup?</b></p>	<p>The Company was recently incorporated as the holding company for PayAsia (collectively <b>PayGroup</b> or <b>Group</b>).</p> <p>The Group is a provider of BPO solutions and Cloud (Software-as-a-Service or SaaS) based Human Capital Management (<b>HCM</b>) software, operating in the Asia Pacific region for multinational companies, and today services over 400 client entities with more than 31,000 client employees across 18 countries.</p> <p>PayAsia is headquartered in Singapore, and as at 31 December 2017, the Group had 111 employees located across 8 countries.</p> <p>Clients are typically medium to large multinational companies with employees in multiple countries in the Asia Pacific region.</p> <p>The Group operates as a trusted partner to perform the outsourced payroll process for the client employees including banking, treasury, lodgement of statutory submissions including taxation, superannuation, pension, provident funds, and other social benefits.</p> <p>Beyond its BPO Payroll Services, the Group's SaaS HCM software product suite supports clients in managing aspects of their employees life cycle, plus regional and mobile-enabled workflows for critical processes (such as employee and manager self-service, leave management and expense management).</p> <p>The Group will be leveraging the flexibility of its Cloud deployment capabilities to further implement its SaaS HCM suite in additional countries within and outside of the Asia Pacific region.</p>	<p>Sections 3 and 8.9</p>
<p><b>What market or industry does the Company/ the Group operate in?</b></p>	<p>The Group operates within the Asia Pacific region providing:</p> <ul style="list-style-type: none"> <li>• <b>“BPO Market”</b> services which covers the provision of “Payroll Services” to businesses ranging in size from micro (&lt;10 client employees) to large (&gt;10,000 client employees). BPO Payroll Services are fully or partially outsourced for single or multi-country.</li> <li>• <b>“HCM Software Market”</b> services including software solutions for human resources (HR) administration functions, including expense management, electronic pay slips, leave management, workflow and employee updates. These can be deployed in the “Cloud” to businesses of all sizes.</li> </ul>	<p>Section 2</p>

# 01. Investment Overview

Topic	Details	Where to find more information
<b>Market size</b>	<p><b>Asia Pacific Market – BPO</b>            In 2016, the BPO market grew significantly in the Emerging Asia Pacific region at 10.3%<sup>1</sup> growth in constant currency. The growth in Emerging Asia Pacific region outperformed the overall growth in IT services by 2.6%<sup>2</sup>. These figures indicate to us that Emerging Asia Pacific countries have potential for growth.</p> <p><b>Asia Pacific Market – HCM Software</b>            In 2016, the HCM market grew in USD in the Mature Asia and Emerging Asia Pacific at 14.3% and 9.5% respectively.<sup>3</sup> The growth in Emerging Asia Pacific region outperformed the overall growth in the software market and all achieved higher growth than the ERP market.</p>	Sections 2.2 and 2.3
<b>Why is the Offer being conducted?</b>	<p>It is envisaged that the proposed Offer will allow PayGroup to target accelerated business growth through increased sales and marketing activities by adding sales and marketing resources in Melbourne, Sydney, Singapore, Hong Kong and other key selling markets. The Group also intends to establish its Sales Enablement division which will manage strategic global relationships with US and European HCM and BPO leaders who do not have a footprint in the Asia Pacific region.</p> <p>Through the Offer the Company will also focus on the Group’s technology platforms, including further development of functionality and refreshing the customer experience through user interface improvements. This will result in improving operating efficiencies and the Group’s capacity to service clients.</p>	Sections 3.11 and 8.10
<b>1.2 Key Features of the Company’s/the Group’s business model</b>		
<b>How does the Group generate its revenue?</b>	<p>The Group generates repetitive revenues through both its BPO and HCM Cloud products.</p> <p>Revenue is primarily derived from our BPO Payroll Services and HCM software applications to clients.</p> <p>The basis of the BPO Payroll Services revenue is derived from the number of employees of each client entity, subject to a minimum fee per client. The use of per employee per month (<b>PEPM</b>) as the basis of calculation is applied to the employee number and in instances where the employee count is below a set number of employees as agreed by the Group and the client entity, a minimum fee is levied.</p> <p>For our HCM software applications or modules, revenue is generated from the number of employees of each client entity on a monthly basis (i.e. PEPM).</p>	Section 3.5.1

1 Gartner, Market Share: IT Services, 2016, 19 April 2017.

2 Gartner, Market Share: IT Services, 2016, 19 April 2017.

3 Gartner, Market Share: All Software Markets, Worldwide, 2016, 14 April 2017.

The Gartner Report(s) described herein, (the “Gartner Report(s)”) represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the Prospectus Date) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

## 01. Investment Overview

Topic	Details	Where to find more information						
<b>What are the key business segments?</b>	<p><b>BPO Payroll Services</b> The Group is a provider of local and multi-country payroll and HR BPO services, with clients located across 18 countries in Asia-Pacific. Historically our BPO Payroll Services have contributed the majority of revenue for the Group.</p> <p><b>Cloud HCM Software products</b> The Group offers Cloud HCM software solutions through a set of software modules.</p>	Section 3.3.2						
<b>What is the Group's geographical and client footprint?</b>	<p>As at 31 December 2017, the Group had 111 employees spanning across 8 different countries.</p> <p>The Group's solutions are delivered to approximately 410 client entities (managing over 31,000 client employees)<sup>4</sup>.</p> <table border="1"> <thead> <tr> <th>Client Entities</th> <th>Client Employees</th> <th>Countries</th> </tr> </thead> <tbody> <tr> <td>410</td> <td>31,358</td> <td>18</td> </tr> </tbody> </table>	Client Entities	Client Employees	Countries	410	31,358	18	Section 3.1
Client Entities	Client Employees	Countries						
410	31,358	18						
<b>What are the Group's key growth strategies?</b>	<p>The Group's strategies for growth is to target:</p> <ul style="list-style-type: none"> <li>Accelerated revenue growth by leveraging clients and adding services, countries and additional HCM modules.</li> <li>Increase sales and marketing activities by the addition of resources in Australia, Singapore, Hong Kong and other key selling markets.</li> <li>New client acquisition by recruitment of salespeople in key markets.</li> <li>Increase adoption of its Cloud solutions and improve operational efficiencies as a result of the planned investment.</li> <li>Becoming a leader in the multi-country BPO market by targeting and partnering with North American and European BPO providers who have a need for the Group's services to address the fast-growing demand of their clients in the Asia Pacific region.</li> <li>Implementation of treasury functions to facilitate faster processing and reduced transaction/foreign exchange fees for our clients as well as rolling out in the near term a Payroll Debit Card for our clients.</li> </ul> <p>The anticipated revenue and cost benefits from these activities are anticipated only to occur from FY19 onwards.</p>	Section 3.7						
<b>The Group's prior capital raisings</b>	<p>The Company (under its former name "PeoplesHR Limited") had previously attempted to raise funding and issued a disclosure document dated 14 November 2017 – which disclosure document was subsequently withdrawn by the Company. The Company also issued a disclosure document dated 23 February 2018, which was later withdrawn. Since the withdrawal of that subsequent disclosure document, the Company has been funded by key shareholders. BPO and HCM services and solutions still remains a core focus as outlined in this Prospectus.</p>	Sections 3 and 8.1						

4 As at 30 June 2017.

# 01. Investment Overview

Topic	Details	Where to find more information
<b>1.3 Key Strengths</b>		
<b>Specialist multi-country service provider</b>	<p>The Company (as the ultimate holding company of the Group) focuses on delivering BPO and Cloud HCM services and solutions on a multi-country basis for multinational companies regardless of their employee size.</p> <p>The Group, while being able to service clients on a single country basis, is differentiated by its experienced management team and over a decade to act as a trusted partner for clients in managing their employees across multiple, complex jurisdictions. For example, our BPO division is able to support clients in paying their employees across 18 countries and approximately 485 cities in India.</p> <p>This multi-country service approach has been a core driver in client growth to date, and is anticipated to support PayGroup in adding new clients as well as referral alliances with North American and European HCM providers. These strategic partners are typically strong in servicing clients in their own region, and need to partner with other BPO and Cloud providers in international regions where they are not currently represented in the Asia Pacific region.</p>	Sections 3.4 and 3.7
<b>Recurring revenues</b>	<p>The Group generates recurring service fee revenues through both its BPO Payroll Services and HCM software product suite.</p> <p>The Group's attractive financial and cashflow profile is supported by recurring revenue, strong customer retention rates and multi-year customer contracts.</p> <p>The average BPO client contract period is 3 years, and generally there is a high client retention rate but the BPO client contracts are subject to customary early termination events.</p> <p>Additionally, as at the Prospectus Date, over 90% of the forecasted revenue for the Pro Forma FY18 period is contracted.</p>	Sections 3.5 and 5
<b>Strong board and management</b>	<p>The Group has a strong board and management team with the combined skills and expertise operating in the Asia Pacific Region to execute on the current and future growth strategies. This includes;</p> <ul style="list-style-type: none"> <li>• A board with over 60 years combined operational experience across the global HCM industry; and</li> <li>• A management team that benefits from a wealth of global expertise within BPO Payroll Services, HR Outsourcing and HCM software.</li> </ul>	Sections 4.1 and 4.2
<b>Diverse client base</b>	<p>The Group's clients are multinational companies of all sizes. The Group services clients across 18 countries.</p>	Sections 3.2 and 5



## 01. Investment Overview

Topic	Details	Where to find more information
<b>Multiple activities aimed to drive earnings growth</b>	<p>PayGroup believes it is well positioned to achieve growth through the addition of new countries and services to existing clients and through new client acquisitions.</p> <p>The Company anticipates the following growth opportunities to drive earnings from FY19 onwards:</p> <ul style="list-style-type: none"> <li>• growing existing client revenue through product offerings;</li> <li>• existing client service expansion;</li> <li>• partner and alliance expansion;</li> <li>• cost efficiencies by converting third party technology to our Cloud based Platform modules; and</li> <li>• additional potential revenue sources e.g. income from treasury functions including interest on payroll funds and in the near term the potential of a corporate payroll debit card for clients.</li> </ul>	Section 3.7
<b>Integrated HCM Cloud Platform</b>	As a Cloud provider, the Group uses a multi-tenant model that allows provisioning of multiple clients on a single set of infrastructure while maintaining reliability, performance and security. This single platform has been developed in a modern architectural environment.	Sections 3.3.4 and 3.11
<b>1.4 Key risks</b>		
<b>Speculative nature of investment</b>	The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.	Section 7.1
<b>Failure to retain existing clients and attract new clients</b>	The Company's success depends on the Group's ability to continue to retain its current client base, organically grow the service requirements of those existing clients and attract new clients. This could be impacted by a number of factors including the level of contract renewal for existing clients and the Group's ability to persuade potential new clients to change their current business processes and take up the Group's new product offerings/modules. Failure to retain existing clients or attract new clients would materially impact the Group's ability to generate revenue which will have an adverse effect on the Group's operating and financial performance.	Section 7.2(a)
<b>Loss and theft of data/failure to implement secure data controls</b>	The Group's business operations involve the storage of its clients' confidential, personal and sensitive information (including for example information relating to the client's employees and financial information). The Group's business could be materially disrupted by privacy breaches which may impact the security of a client's information/data. This could occur for example through theft, unauthorised access (e.g. hacking), unauthorised disclosure of confidential client information or loss of information (system problems). While the Group undertakes measures to prevent and detect the occurrence of such privacy breaches, there is a risk that such measures may not be adequate. Any breach may result in a significant disruption to the Group's business as well as the business of its clients and could expose the Company and Group to reputational damage and monetary penalties.	Section 7.2(d)

# 01. Investment Overview

Topic	Details	Where to find more information
<b>Reliance on key software</b>	<p>The Group's business model heavily depends on its ability to maintain the functionality of its in-licensed third party software (software) (including rectifying any errors or performance issues) and adaption of its software to its client's needs/preferences, industry standards and any regulatory requirements. Failure to maintain the software effectively and in a timely manner may result in a loss of clients or inability to attract new clients which may have a material adverse effect on the Group's sales revenue and reputation.</p>	Section 7.2(f)
<b>Competition</b>	<p>The industry in which the Group operates is highly competitive and includes companies with significantly greater financial, technical/software, human, research and marketing resources than the Group. New software is regularly developed by competitors. As a consequence, the Group's current software and in-licensed products may become obsolete or uncompetitive, resulting in loss of clients, adverse effects on revenue, margins and profitability</p>	Section 7.2(h)
<b>Disruption of business operations</b>	<p>The Group and its clients are exposed to a large range of operational risks relating to both current and future operations. Such operational risks include fraud/dishonesty by its employees or service providers, occupational health &amp; safety (as the Group has a significant number of employees particularly in Singapore and India), software failure, information systems failure, external services failure, industrial action or disputes and natural disasters. With respect to software and information systems failure, the Group has a primary server and a back-up server in two different locations within Singapore. While the Group endeavours to take appropriate action to mitigate these operational risks (e.g. back-up server), the Group cannot remove all possible risks of disruption to its business operations, and it cannot control the risks its clients are exposed to.</p> <p>The Group has not insured against the disruption of business operations. A disruption in the Group's operations or those of its clients may have an adverse impact on the Group and Company's growth prospects, operating results and financial performance.</p>	Section 7.2(c)
<b>Reliance on key personnel</b>	<p>The Group currently employs or engages as consultants, a number of key members of its management and team. The loss of any of these people's services could materially and adversely affect the Group and may impede the achievements of its research, product, service development and commercialisation objectives.</p> <p>The successful development of the Group will require the services of additional employees. There can be no assurance that the Group will be able to attract appropriate additional employees and this may adversely affect the Group's prospects for success.</p>	Section 7.2(g)
<b>Regulatory risks</b>	<p>The Group and its services, products/proposed products, proposed services are subject to various laws and regulations (particularly in Singapore) including but not limited to accounting standards, tax laws, data privacy acts. Changes in these laws and regulations (including interpretation and enforcement) could adversely affect the Group's financial performance.</p> <p>Failure of the Group to remain compliant with these various regulatory requirements, could adversely affect the Group's financial performance.</p>	Section 7.2(i)

## 01. Investment Overview

Topic	Details	Where to find more information																														
<b>1.5 Key financial information</b>																																
<b>What is PayGroup Pro Forma historical and forecast financial performance?</b>	<p>A selected summary of PayGroups' Pro Forma historical and forecast financial information is set out below.</p> <p>You should read this information in conjunction with Section 5 for full details on PayGroup Pro Forma historical and forecast financial information, statutory forecast information (which will differ significantly from the Pro Forma forecast financial information) and the assumptions underlying this information, as well as the key risks set out in Section 7.</p> <p><b>Pro Forma financials (\$000, March year end)</b></p> <table border="1"> <thead> <tr> <th rowspan="2">Highlights (A\$000)</th> <th colspan="3">Pro Forma Historical Results</th> <th>Pro Forma Forecast Results</th> </tr> <tr> <th>(March FY end)</th> <th>FY15</th> <th>FY16</th> <th>FY17</th> <th>FY18</th> </tr> </thead> <tbody> <tr> <td>Operating Revenue</td> <td>5,268</td> <td>5,434</td> <td>5,943</td> <td>7,317</td> </tr> <tr> <td>Operating Expenses</td> <td>(4,979)</td> <td>(4,630)</td> <td>(5,258)</td> <td>(4,540)</td> </tr> <tr> <td>EBITDA</td> <td>289</td> <td>804</td> <td>657</td> <td>2,778</td> </tr> <tr> <td>NPAT</td> <td>115</td> <td>478</td> <td>477</td> <td>2,610</td> </tr> </tbody> </table>	Highlights (A\$000)	Pro Forma Historical Results			Pro Forma Forecast Results	(March FY end)	FY15	FY16	FY17	FY18	Operating Revenue	5,268	5,434	5,943	7,317	Operating Expenses	(4,979)	(4,630)	(5,258)	(4,540)	EBITDA	289	804	657	2,778	NPAT	115	478	477	2,610	Sections 5 and 7
Highlights (A\$000)	Pro Forma Historical Results			Pro Forma Forecast Results																												
	(March FY end)	FY15	FY16	FY17	FY18																											
Operating Revenue	5,268	5,434	5,943	7,317																												
Operating Expenses	(4,979)	(4,630)	(5,258)	(4,540)																												
EBITDA	289	804	657	2,778																												
NPAT	115	478	477	2,610																												
<b>What is the Company's dividend policy?</b>	<p>Subject to the Group making a profit over the relevant period, it is anticipated that the Company will commence paying dividends following the reporting of the financial results for the six months ended 31 March 2018, and then ongoing subject to the Board's discretion for the medium term on a half-yearly basis of an aggregate amount not less than 50% per annum of the reported net profit after tax.</p> <p>No assurances can be given by any person, including the Directors about the payment of any dividend and the level of franking on any dividends which are paid (in particular it is anticipated that most of the revenue of PayGroup will not be subject to tax in Australia and therefore will not attract Australian franking credits).</p>	Sections 5 and 8.7																														
<b>Where can I find financial information in relation to the Company?</b>	See Financials in Section 5 and the Investigating Accountant's Report in Section 6.	Sections 5 and 6																														

# 01. Investment Overview

Topic	Details	Where to find more information
<b>1.6 Directors &amp; Management</b>		
<b>Who are the directors of the Company?</b>	<p><b>Ian Basser – Non-Executive Chairman</b>            Ian has over 28 years experience in senior executive roles within the global HCM industry including his role as a Managing Director of the Chandler Macleod Group.</p> <p><b>David Fagan – Non-Executive Director</b>            David is currently a Non-Executive Director of Medibank Private Limited (ASX:MPL) and was previously the Chief Executive Partner of Clayton Utz.</p> <p><b>Mark Samlal – Managing Director</b>            Mark was previously Chief Executive Officer of a Singapore Stock Exchange listed VicPlas and General Manager and Executive Director of Automatic Data Processing (<b>ADP</b>) based in Australia (NASDAQ: ADP, Market Cap: US\$49.4B).</p> <p><b>Franck Neron-Bancel – Executive Director and Chief Strategy Officer</b>            Franck has over 21 years’ experience in senior leadership roles based in the US with ADP.</p>	Section 4.1
<b>Who are the key management of the Group?</b>	<p>Justin Owen – Chief Financial Officer</p> <p>Sachin Goklaney – Chief Commercial Officer</p> <p>Chris Brunton – Chief Product &amp; Technology Officer</p> <p>Lawrence Pushpam – Chief Sales Officer</p> <p>Dawn Lim – Director of Client Operations</p>	Section 4.2
<b>What are the interests of the Directors or related parties in the Company?</b>	As at the Prospectus Date, and after the completion of the Offer, the interests of the Directors of the Company (both direct and indirect) in the Company’s securities are outlined in section 4.3.	Section 4.3



## 01. Investment Overview

Topic	Details	Where to find more information																																								
<b>1.7 Significant interests of key people and related party transactions</b>																																										
<b>Who are the key existing Shareholders and what are their interests in the Company on completion of the Offer?</b>	<table border="1"> <thead> <tr> <th>Shareholder</th> <th>Share-holding immediately prior to the Offer (shares)</th> <th>Share-holding immediately prior to the Offer (%)</th> <th>Share-holding post IPO at Minimum Subscription (Shares)</th> <th>Share-holding post IPO at Minimum Subscription (%)</th> </tr> </thead> <tbody> <tr> <td>Michele Samantha Samlal</td> <td>22,080,706</td> <td>63.7%</td> <td>22,080,706</td> <td>48.3%</td> </tr> <tr> <td>Lawrence Pushpam</td> <td>7,051,953</td> <td>20.3%</td> <td>7,051,953</td> <td>15.4%</td> </tr> <tr> <td>Simon and Sally Forrester Australia Superannuation Fund</td> <td>2,427,722</td> <td>7.0%</td> <td>2,427,722</td> <td>5.3%</td> </tr> <tr> <td>Nancy Chandler Koglmeier</td> <td>693,635</td> <td>2.0%</td> <td>693,635</td> <td>1.5%</td> </tr> <tr> <td>Employees (Shares issued under the Employee Share Plan)</td> <td>2,417,450</td> <td>7.0%</td> <td>2,417,450</td> <td>5.3%</td> </tr> <tr> <td>Investors in the Offer</td> <td>Nil</td> <td>Nil</td> <td>11,000,000</td> <td>24.1%</td> </tr> <tr> <td><b>Total</b></td> <td><b>34,671,466</b></td> <td><b>100%</b></td> <td><b>45,671,466</b></td> <td><b>100%</b></td> </tr> </tbody> </table>	Shareholder	Share-holding immediately prior to the Offer (shares)	Share-holding immediately prior to the Offer (%)	Share-holding post IPO at Minimum Subscription (Shares)	Share-holding post IPO at Minimum Subscription (%)	Michele Samantha Samlal	22,080,706	63.7%	22,080,706	48.3%	Lawrence Pushpam	7,051,953	20.3%	7,051,953	15.4%	Simon and Sally Forrester Australia Superannuation Fund	2,427,722	7.0%	2,427,722	5.3%	Nancy Chandler Koglmeier	693,635	2.0%	693,635	1.5%	Employees (Shares issued under the Employee Share Plan)	2,417,450	7.0%	2,417,450	5.3%	Investors in the Offer	Nil	Nil	11,000,000	24.1%	<b>Total</b>	<b>34,671,466</b>	<b>100%</b>	<b>45,671,466</b>	<b>100%</b>	Section 8
Shareholder	Share-holding immediately prior to the Offer (shares)	Share-holding immediately prior to the Offer (%)	Share-holding post IPO at Minimum Subscription (Shares)	Share-holding post IPO at Minimum Subscription (%)																																						
Michele Samantha Samlal	22,080,706	63.7%	22,080,706	48.3%																																						
Lawrence Pushpam	7,051,953	20.3%	7,051,953	15.4%																																						
Simon and Sally Forrester Australia Superannuation Fund	2,427,722	7.0%	2,427,722	5.3%																																						
Nancy Chandler Koglmeier	693,635	2.0%	693,635	1.5%																																						
Employees (Shares issued under the Employee Share Plan)	2,417,450	7.0%	2,417,450	5.3%																																						
Investors in the Offer	Nil	Nil	11,000,000	24.1%																																						
<b>Total</b>	<b>34,671,466</b>	<b>100%</b>	<b>45,671,466</b>	<b>100%</b>																																						
<b>Are there any significant related party transactions?</b>	Other than the Directors interests outlined in Section 4.3 of this Prospectus, there are related party transactions specified in Section 4.6 (being transactions which relate to Michele Samantha Samlal and the divestment of PayAsia India).	Sections 4.3 and 4.6																																								
<b>1.8 Overview of the Offer</b>																																										
<b>What is the Offer?</b>	<p>The Offer is an initial public offer of between 11,000,000 and 17,000,000 Shares at an Offer Price of \$0.50 per Share to raise between \$5,500,000 and \$8,500,000.</p> <p>If the Minimum Subscription amount of \$5,500,000 is not raised within 3 months from the Prospectus Date, all Application Monies will be refunded in full (without interest).</p> <p>All Shares issued under this Prospectus will be fully paid and will rank equally in all respects with the Shares already on issue.</p>	See the Key Offer Information Section on page 3 of this Prospectus																																								

## 01. Investment Overview

Topic	Details	Where to find more information																																																																																										
Use of Funds	<p>The intended use of funds from this Offer is summarised in the table below:</p> <table border="1" data-bbox="368 557 1201 1686"> <thead> <tr> <th></th> <th>Minimum Subscription Amount</th> <th>Percentage of Funds (%)</th> <th>Maximum Subscription Amount</th> <th>Percentage of Funds (%)</th> </tr> </thead> <tbody> <tr> <td colspan="5"><b>Cash Reserves</b></td> </tr> <tr> <td><b>As of Prospectus Date:</b></td> <td><b>95,352</b></td> <td><b>1.70%</b></td> <td><b>95,352</b></td> <td><b>1.11%</b></td> </tr> <tr> <td><b>Proceeds from the Offer:</b></td> <td><b>5,500,000</b></td> <td><b>98.30%</b></td> <td><b>8,500,000</b></td> <td><b>98.89%</b></td> </tr> <tr> <td>Total Funds Available</td> <td>5,595,352</td> <td>100.00%</td> <td>8,595,352</td> <td>100.00%</td> </tr> <tr> <td colspan="5"><b>Use of Funds:</b></td> </tr> <tr> <td colspan="5"><b>Cost of the Offer</b></td> </tr> <tr> <td>Legal Fees</td> <td>350,000</td> <td>6.26%</td> <td>350,000</td> <td>4.07%</td> </tr> <tr> <td>Accounting Fees</td> <td>170,000</td> <td>3.04%</td> <td>170,000</td> <td>1.98%</td> </tr> <tr> <td>Brokerage Fees</td> <td>330,000</td> <td>5.90%</td> <td>510,000</td> <td>5.93%</td> </tr> <tr> <td>Management Fees</td> <td>120,240</td> <td>2.15%</td> <td>120,240</td> <td>1.40%</td> </tr> <tr> <td>ASX Listing and Prospectus Fees</td> <td>110,000</td> <td>1.97%</td> <td>110,000</td> <td>1.28%</td> </tr> <tr> <td>Other Listing Costs</td> <td>223,402</td> <td>3.99%</td> <td>223,402</td> <td>2.60%</td> </tr> <tr> <td><b>Other Listing Costs</b></td> <td></td> <td></td> <td></td> <td><b>0.00%</b></td> </tr> <tr> <td>Expenditure on technology and infrastructure associated with the Company's Cloud platform and migration of partner technology**</td> <td>1,494,654</td> <td>26.71%</td> <td>1,494,654</td> <td>17.39%</td> </tr> <tr> <td>Expenditure on sales and marketing activities including; partner program for Cloud and BPO partnerships; expansion of sales force for Cloud**</td> <td>1,284,000</td> <td>22.95%</td> <td>2,440,000</td> <td>28.39%</td> </tr> <tr> <td>Working capital</td> <td>1,513,056</td> <td>27.04%</td> <td>3,177,056</td> <td>36.96%</td> </tr> <tr> <td><b>Total</b></td> <td><b>5,595,352</b></td> <td><b>100.00%</b></td> <td><b>8,595,352</b></td> <td><b>100.00%</b></td> </tr> </tbody> </table> <p>* This anticipated Expenditure Program may vary from the actual expenditure.</p> <p>** These items of expenditure may be required to be paid in Singaporean dollars (SGD). For the purposes of this Prospectus, they have been calculated based on the exchange rate in Section 5. Where there is movement in the exchange rate from this assumed rate, the movement will either increase or decrease in unallocated cash reserves. The Company does not intend to implement hedging or derivative cover in respect of these payment obligations as it predominantly receives its revenue in foreign currency.</p>		Minimum Subscription Amount	Percentage of Funds (%)	Maximum Subscription Amount	Percentage of Funds (%)	<b>Cash Reserves</b>					<b>As of Prospectus Date:</b>	<b>95,352</b>	<b>1.70%</b>	<b>95,352</b>	<b>1.11%</b>	<b>Proceeds from the Offer:</b>	<b>5,500,000</b>	<b>98.30%</b>	<b>8,500,000</b>	<b>98.89%</b>	Total Funds Available	5,595,352	100.00%	8,595,352	100.00%	<b>Use of Funds:</b>					<b>Cost of the Offer</b>					Legal Fees	350,000	6.26%	350,000	4.07%	Accounting Fees	170,000	3.04%	170,000	1.98%	Brokerage Fees	330,000	5.90%	510,000	5.93%	Management Fees	120,240	2.15%	120,240	1.40%	ASX Listing and Prospectus Fees	110,000	1.97%	110,000	1.28%	Other Listing Costs	223,402	3.99%	223,402	2.60%	<b>Other Listing Costs</b>				<b>0.00%</b>	Expenditure on technology and infrastructure associated with the Company's Cloud platform and migration of partner technology**	1,494,654	26.71%	1,494,654	17.39%	Expenditure on sales and marketing activities including; partner program for Cloud and BPO partnerships; expansion of sales force for Cloud**	1,284,000	22.95%	2,440,000	28.39%	Working capital	1,513,056	27.04%	3,177,056	36.96%	<b>Total</b>	<b>5,595,352</b>	<b>100.00%</b>	<b>8,595,352</b>	<b>100.00%</b>	Section 3.11
	Minimum Subscription Amount	Percentage of Funds (%)	Maximum Subscription Amount	Percentage of Funds (%)																																																																																								
<b>Cash Reserves</b>																																																																																												
<b>As of Prospectus Date:</b>	<b>95,352</b>	<b>1.70%</b>	<b>95,352</b>	<b>1.11%</b>																																																																																								
<b>Proceeds from the Offer:</b>	<b>5,500,000</b>	<b>98.30%</b>	<b>8,500,000</b>	<b>98.89%</b>																																																																																								
Total Funds Available	5,595,352	100.00%	8,595,352	100.00%																																																																																								
<b>Use of Funds:</b>																																																																																												
<b>Cost of the Offer</b>																																																																																												
Legal Fees	350,000	6.26%	350,000	4.07%																																																																																								
Accounting Fees	170,000	3.04%	170,000	1.98%																																																																																								
Brokerage Fees	330,000	5.90%	510,000	5.93%																																																																																								
Management Fees	120,240	2.15%	120,240	1.40%																																																																																								
ASX Listing and Prospectus Fees	110,000	1.97%	110,000	1.28%																																																																																								
Other Listing Costs	223,402	3.99%	223,402	2.60%																																																																																								
<b>Other Listing Costs</b>				<b>0.00%</b>																																																																																								
Expenditure on technology and infrastructure associated with the Company's Cloud platform and migration of partner technology**	1,494,654	26.71%	1,494,654	17.39%																																																																																								
Expenditure on sales and marketing activities including; partner program for Cloud and BPO partnerships; expansion of sales force for Cloud**	1,284,000	22.95%	2,440,000	28.39%																																																																																								
Working capital	1,513,056	27.04%	3,177,056	36.96%																																																																																								
<b>Total</b>	<b>5,595,352</b>	<b>100.00%</b>	<b>8,595,352</b>	<b>100.00%</b>																																																																																								
Expenditure Program	Based on the capital raising and the forecasted revenue in respect of the FY18 forecast (see Section 5 of this Prospectus), the Company intends to undertake a program of work described in its Expenditure Program commencing from the date of Listing as outlined in the use of funds table above.	Sections 3.11 and 5																																																																																										

## 01. Investment Overview

Topic	Details	Where to find more information
<b>Working capital</b>	On completion of the capital raising under this Prospectus, the Company will have sufficient working capital to carry out its stated objectives (as detailed in this Prospectus). Based on the notional pro-forma balance sheet on successful completion of the capital raising under this Prospectus and after allowing for administration costs, the Company will have in excess of \$1.5 million in working capital.	Section 5
<b>ASX Listing application</b>	<p>Not later than 7 days after the Prospectus Date, application will be made to the ASX for the Company to be admitted to the Official List of the ASX and for the Official Quotation of the Shares. The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the value or merits of the Company or of the Shares offered under this Prospectus.</p> <p>Official Quotation, if granted, will commence as soon as practicable after the issue of transaction holding statements to successful Applicants. If permission for quotation of the Shares is not granted within 3 months after the Prospectus Date, all Application Monies will be refunded without interest.</p>	-
<b>How do I apply for Shares?</b>	<p>By completing and submitting a valid Application Form accompanying this Prospectus. All Application Monies will be held on trust in a separate bank account which has been opened only for this purpose until the Shares are issued and allotted under the Offer or the Application Monies are returned to the unsuccessful Applicants. Applications must be for at least 4,000 Shares at an aggregate subscription price of \$2,000.00 or a greater number in multiples of 1,000 Shares at an aggregate subscription price of \$500.00. The Offer Price of \$0.50 per Share is payable in full on Application.</p> <p>Cheques must be in Australian currency and made payable to <b>“PayGroup Limited – Shares/Share Subscription Account”</b> and crossed <b>“Not Negotiable”</b>.</p> <p>Applications can also be made online through ASX Bookbuild Facility. By instructing your broker or the Lead Manager, to submit a bid via the ASX Bookbuild Facility using the ASX code PYG prior the close of the ASX Bookbuild Facility.</p>	-
<b>Opening and closing of the Offer</b>	Applications may be lodged at any time after the Opening Date until 5.00 pm (AEST) on the Closing Date.	See the Key Offer Information Section on page 3 of this Prospectus

## 01. Investment Overview

Topic	Details	Where to find more information
<b>Allocation policy</b>	<p>The Company reserves the right to authorise the issue of a lesser number of Shares than those for which Application has been made or to reject any Application. Where no issue or allocation is made or the number of Shares issued is less than the number applied for, surplus Application Monies will be refunded without interest.</p> <p>If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The Company's decision as to whether to treat an Application as valid, and how to construe, amend or complete it, will be final. The Company's decision on the number of Shares to be allocated to an Applicant will also be final.</p>	-
<b>Are there any additional costs payable by you?</b>	No brokerage, commission, stamp duty or any other costs are payable by you on acquisition of the Shares under the Offer.	-
<b>What are the tax implications of investing in the Shares?</b>	The tax treatment and consequences of the Offer will vary depending on your particular circumstances. The Company accepts no liability or responsibility in relation to any taxation consequences connected to the Offer. Therefore regarding the appropriate tax treatment that applies to the Offer, it is the responsibility of any Applicant who makes an Application to satisfy themselves by consulting their own professional tax advisors prior to investing in the Company.	Section 8.7
<b>Where can I find more information about this Prospectus or the Offer?</b>	Further information can be obtained by reading this Prospectus in its entirety. For advice on the Offer you should speak to your stockbroker, accountant or other professional adviser. If you require assistance or additional copies of this Prospectus please contact the Company on +61 3 8692 7248 (within Australia) or +65 6327 6828 (Singapore).	-





# 02.

## INDUSTRY OVERVIEW

## 02. Industry Overview

### 2.1 Introduction

The Group is a provider of Cloud (**Software-as-a-Service** or **SaaS**) based Human Capital Management (**HCM**) software products/modules and Business Process Outsourcing (**BPO**) solutions, operating in the Asia Pacific region, primarily for multinational companies. The Group operates in the following markets:

- **“BPO Market”** which covers the provision of “Payroll Services” to businesses ranging in size from micro (<10 client employees) to large (>10,000 client employees). Payroll Services are fully or partially outsourced for single or multi-country. Gartner has estimated the market size in Asia Pacific for BPO at \$20.177B USD<sup>5</sup>.
- **“HCM Software Market”** includes human resources (**HR**) administration functions, expense management, electronic pay slips, leave management, workflow and employee updates. These can be deployed in the “Cloud” to businesses of all sizes.

Figure 1: The Group’s illustration of market offerings

Market Division	Examples of market providers
<b>BPO Market</b>	Automatic Data Processing Ceridian Paychex Ascender Excelity
<b>HCM Software Market</b>	ADP Ultimate Software Ascender Workday Oracle SAP Ramco Excelity

### 2.2 BPO Payroll Services

#### 2.2.1 Overview

Business process outsourcing (**BPO**) payroll services consist of administrative services and support provided by external parties for payroll and related processes. This can be for some or all the payroll service, i.e. partially or fully outsourced.

#### 2.2.2 Fully Outsourced BPO Payroll Services

The service provider is responsible for all payroll functions whilst meeting payroll specific performance standards. This includes; providing the Cloud, staff and payroll experience, lodgement and banking services, while giving the clients’ HR managers and all other employees access to data and analytics through online technology.

<sup>5</sup> Gartner, Market Share: IT Services, 2016, 19 April 2017.

*The Gartner Report(s) described herein, (the “Gartner Report(s)”) represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.*

## 02. Industry Overview

The service provider will perform most if not all of the client's payroll functions, thus eradicating for the client the need for internal payroll staff. The client may want the service provider to only manage the existing Cloud environment or modify it for consistency and efficiency.

### 2.2.3 Partially Outsourced BPO Payroll Services

The service provider only provides part of the client's payroll function, whilst meeting payroll-specific standards tailored to those chosen outsourced functions.

The client entity is responsible for all remaining payroll functions in-house and how it integrates with the outsourced components from the external provider. During this process, the client's internal payroll function may be standardised with the service provider to streamline operations.

Partially outsourced services are generally used when the client wants to hold administration responsibility of payroll internally for confidentiality reasons, or when some aspects of payroll are required by legislation.

Both fully and partially outsourced payroll service agreements are usually structured using a menu-based approach, with a combination of per-transaction, per-activity and flat-rate pricing options.

### 2.2.4 BPO Asia Pacific Market Size

The BPO market has shown growth in the Emerging Asia Pacific region. The Gartner Report which sampled a number of companies indicated that in 2016 from the group sampled, the BPO market grew significantly in the Emerging Asia Pacific region at 10.3%<sup>6</sup> growth in constant currency. The growth in the use of BPO in the Emerging Asia Pacific region outperformed the overall growth in IT services by 2.6%<sup>7</sup>. These figures indicate to us that Emerging Asia Pacific countries have the most potential for significant growth.

**Figure 2: 2016 market share data for IT services – BPO**

Region	BPO Market Share in Constant Currency	BPO Growth in Constant Currency	IT Services Growth in Constant currency
Mature Asia/Pacific	12.8%	0.8%	0.9%
Emerging Asia Pacific	9.0%	10.3%	7.7%

Table created by PayGroup Limited based on Gartner Research, Source: Gartner, "Market Share IT Services, 2016" 19 April 2017.

The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the Prospectus Date) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

### 2.2.5 Development of BPO Payroll Services

The payroll and benefits BPO market has significant growth potential in the Emerging Asia Pacific with an estimated CAGR of approximately 11%<sup>8</sup> from 2017 through 2022. However, the BPO market is mature across North America, Europe and Mature Asia.

Today BPO Payroll Service providers cannot rely solely on traditional BPO Payroll Services to generate solid growth. To overcome this, service providers are transforming their operations through cost optimisation and consolidation.

The graph below highlights the spending growth for HCM BPO Payroll Services within the key markets the Group operates.

<sup>6</sup> Gartner, Market Share: IT Services, 2016, 19 April 2017.

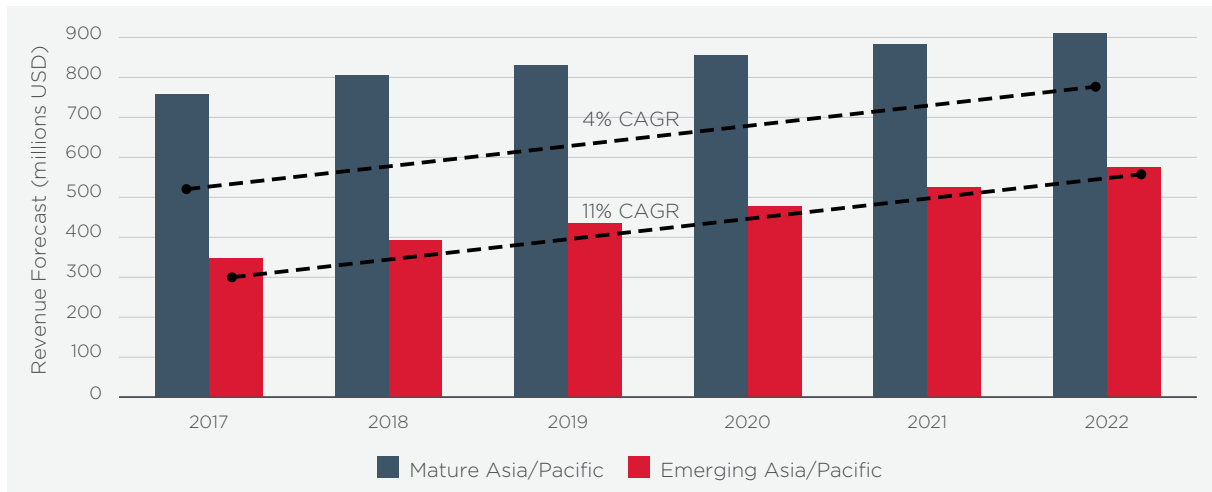
<sup>7</sup> Gartner, Market Share: IT Services, 2016, 19 April 2017.

<sup>8</sup> Gartner, "Forecast: IT Services, Worldwide, 2016-2022, 1Q18 Update" 3 April 2018.

*The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.*

## 02. Industry Overview

**Figure 3: Forecast revenue growth for HCM BPO Payroll Services within Mature and Emerging Asia Pacific**



Graph created by PayGroup Limited based on Gartner Research, Source: Gartner, "Forecast: IT Services, Worldwide, 2016-2022, 1Q18 Update" 3 April 2018.

The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the Prospectus Date) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

Before the introduction of payroll automation technology, BPO service providers would optimise costs by moving service centres to countries with lower labour costs. However, payroll automation technology also allows the provider to increase their client base without increasing their head count. Consolidation causes providers to expand or focus their coverage. This is typically achieved through a merger or acquisition, however can also transpire from strategic alliances.

### 2.3 HCM Software Market

#### 2.3.1 Overview - HCM software

HCM software products or applications for clients are capable of supporting a range of capabilities for clients:

**Administrative HR** includes organisational and employee data, transactional employee and manager self-service, benefits and payroll administration. It may also include occupational health and safety, grievance tracking, travel expense management, or other areas.

**Talent management applications** are composed of recruiting, onboarding, performance management, compensation planning, career and succession planning, learning and development, and workforce planning.

**Workforce management** includes absence management, time and attendance management, task management, budgeting and forecasting, and scheduling.

**HR service delivery** includes direct access to policy and procedure guidance for employees and managers; it may also include case management, knowledge base and digital document management.

(Source : Gartner<sup>9</sup>)

<sup>9</sup> Gartner, Market Guide for HCM Suite Applications, 10 August 2017.

Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

## 02. Industry Overview

HCM solutions are provided via “Cloud” (internet) software applications (described in Section 2.3.1.1 below).

### 2.3.1.1 Cloud software applications

The term Cloud computing is a method of describing delivery of a software application via Software-as-a-Service (**SaaS**). Cloud software in its most basic configuration is the ability to store and access data/programs over the Internet instead of your computer’s hard drive located at the business premises.

Cloud delivery has gained increasing acceptance in recent years as clients no longer need to worry about hosting facilities, infrastructure and disaster recovery. There is no requirement to run applications or programs on a physical computer at the business premises from downloaded software.

### 2.3.1.2 On-Premise software

On-Premise software is a type of software delivery model that is installed in and operated from a client’s in-house server and related computing infrastructure.

It utilises a client/organisation’s own computing resources at the client’s business premises, where the software is licensed or purchased from an independent software vendor.

## 2.3.2 Asia Pacific Market

The Company’s product HROnline is HCM Software.

The Gartner Report which sampled a number of companies indicated that in 2016 from the group sampled, the HCM market grew in USD in the Mature Asia and Emerging Asia Pacific at 14.3% and 9.5% respectively.<sup>10</sup>

The growth in the Emerging Asia Pacific region outperformed the overall growth in the software market and all achieved higher growth than the Enterprise Resource Planning (ERP) market in Asia Pacific. HCM is a component of ERP.

**Figure 4: 2016 Market share data for HCM Software Services within Mature and Emerging Asia Pacific**

Region	HCM Market Share	HCM Growth	ERP Growth	All Software Growth
Mature Asia/Pacific	3.3%	14.3%	8.5%	6.3%
Emerging Asia Pacific	1.5%	9.5%	5.1%	4.7%

Table created by PayGroup Limited based on Gartner Research, Source: Gartner, Market Share: All Software Markets, Worldwide, 2016, 14 April 2017.

The Gartner Report(s) described herein, (the “Gartner Report(s)”) represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the Prospectus Date) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

### 2.3.3 Development of HCM Software On-Premise and Cloud

On-Premise solutions are declining with many providers now offering a Cloud solution enabling clients/organisations to reduce their I.T. spend and simplify management. However, providers offering both On-Premise and Cloud have a potential market advantage in emerging countries where Cloud deployment may have technical issues (for example internet access or reliability of internet access/speed).

The revenue mix between Cloud and On-Premise over the next few years is anticipated to continue to swing towards Cloud, and in 2021 it is forecast to be the main contributor to the market (see Figure 5).<sup>11</sup>

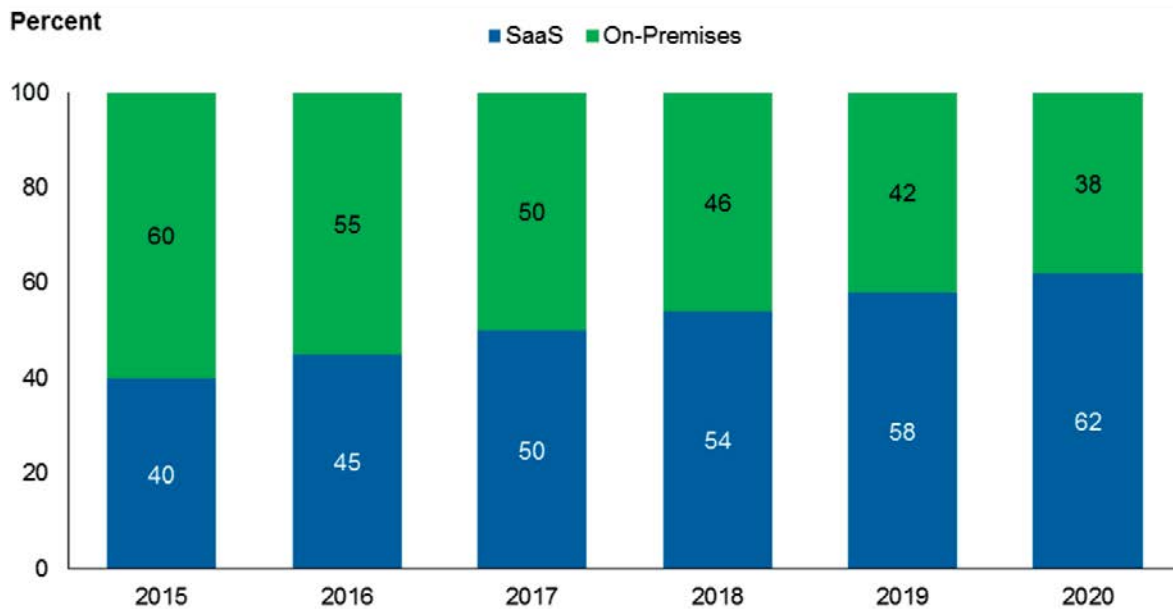
**The Groups’ HCM Solution (HROnline) is a SaaS/Cloud product and the Group envisages that its revenue for this offering will grow.**

<sup>10</sup> Gartner, Market Share: All Software Markets, Worldwide, 2016, 14 April 2017.

<sup>11</sup> Gartner, Market Snapshot: “Human Capital Management Software, Worldwide, 2017”: John Kostoulas, Chris Pang, 15 May 2017. The Gartner Report(s) described herein, (the “Gartner Report(s)”) represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. (“Gartner”), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Prospectus) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

## 02. Industry Overview

Figure 5: HCM Applications Forecast Revenue Mix, SaaS Versus On-Premise, 2015-2020



© 2017 Gartner, Inc.

Source: Gartner, "Market Snapshot: Human Capital Management Software, Worldwide, 2017", John Kostoulas, Chris Pang, 15 May 2017. Gartner Figure 1.

The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, Inc. ("Gartner"), and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the Prospectus Date) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

### 2.3.4 HCM Software Market Growth Drivers

We anticipate that the following trends may sustain and grow the HCM software market adoption:

- Increases in user licenses and expansion of existing offerings, resulting in new software licenses. This results in implementation revenue along with recurring software license revenue;
- Existing maintenance agreement renewals for perpetual licenses; and
- Innovation of technology and HR practices that requires new software.

HCM BPO Payroll Service providers are expected to take advantage of this growth opportunity by providing their own-branded HCM software in conjunction with BPO Payroll Services. The Group through its HROnline SaaS/Cloud offering envisages taking advantage of this growth.





# 03.

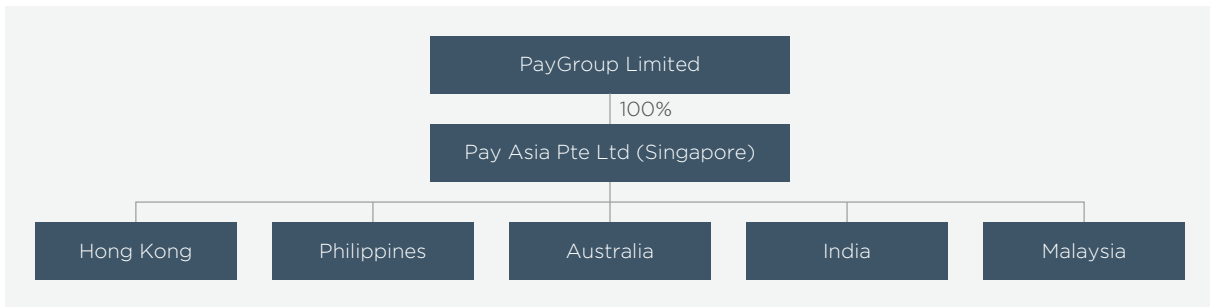
## THE GROUP'S OVERVIEW

# 03. The Group's Overview

## 3.1 Introduction

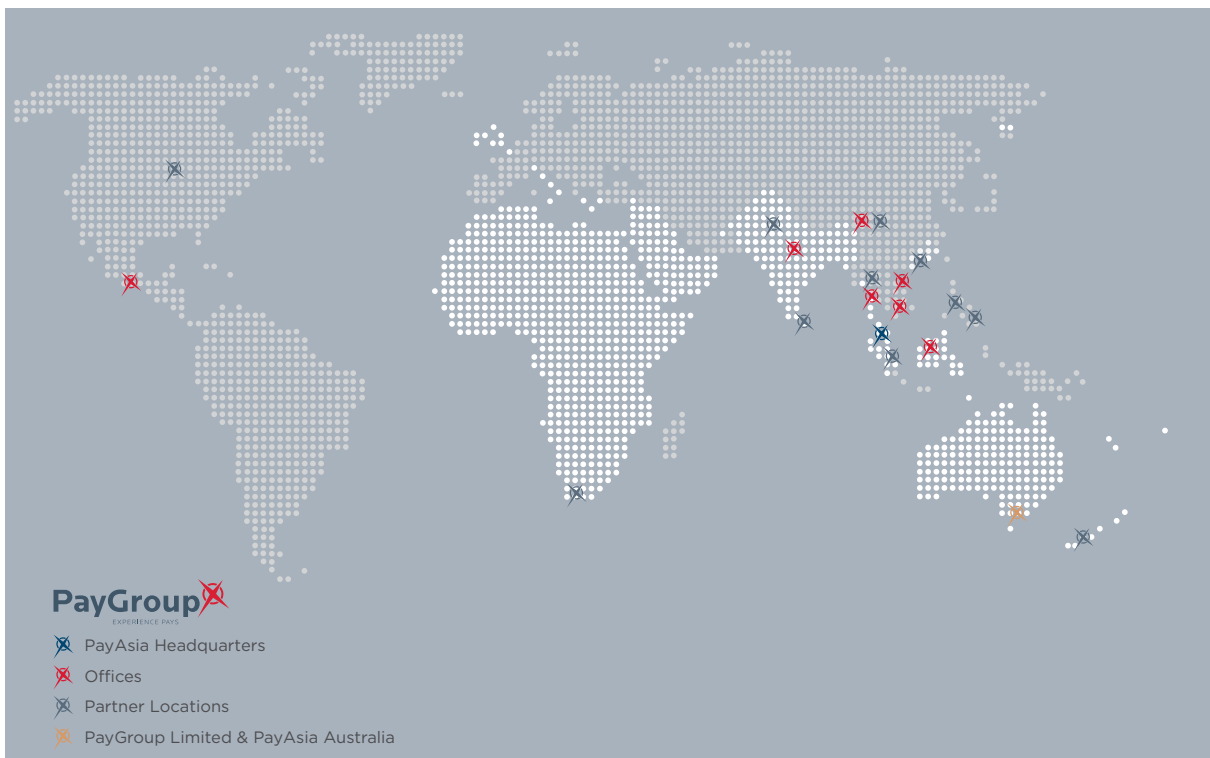
PayGroup is a trusted provider of multi-country Payroll Outsourcing (**BPO**) solutions and Cloud (**Software-as-a-Service or SaaS**) based Human Capital Management (**HCM**) software.

Figure 6: Group Company Overview<sup>12</sup>



The Company is headquartered in Melbourne, Australia and PayAsia's head office is situated in Singapore. As at 31 December 2017, the Group had 111 employees spanning across 8 different countries. The solutions are delivered to approximately 410 client entities (managing over 31,000 client employees).<sup>13</sup>

Figure 7: Our Locations



### Client presence

Number of Client Entities	Number of Client Employees	Number of Countries
410	31,358	18

<sup>12</sup> All subsidiaries are 100% beneficially owned by the Company upon Listing.

<sup>13</sup> As at 30 June 2017.

## 03. The Group's Overview

PayGroup believes it is well placed for growth due to the accelerated globalisation of multinational companies which are faced with growing compliance and increasing government scrutiny. Country compliance is critical to ensure governments receive their share of tax for people working within their countries for limited periods.

The Group envisages that it will generate revenue through both recurring revenue and services in the financial period to 31 March 2018 of \$7.57 million Pro Forma revenue, \$2.78 million EBITDA and \$2.61 million NPAT.

### 3.2 Group's History

#### 3.2.1 PayGroup Limited

The Company as part of the Group's listing plans was recently incorporated as the proposed Australian holding company for the Singaporean entity, Pay Asia Pte Ltd (pursuant to the Share Swap Agreement - see in Section 8.9 of this Prospectus).

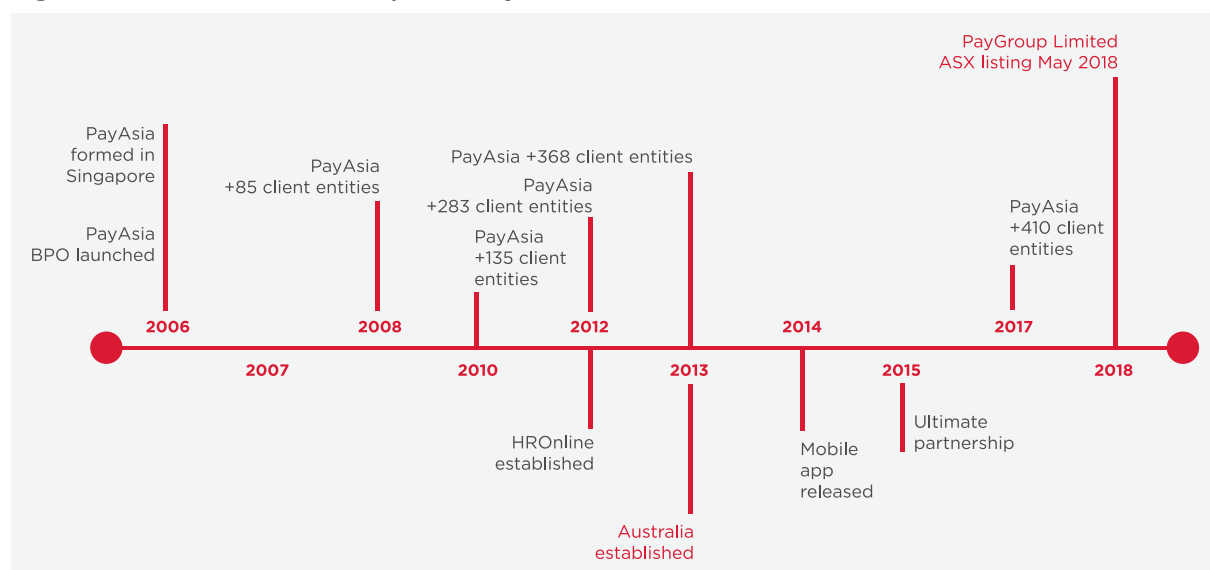
The Company (under its former name "PeoplesHR Limited") had previously attempted to raise funding and issued a disclosure document dated 14 November 2017 - which disclosure document was subsequently withdrawn by the Company. The Company also issued a disclosure document on 23 February 2018 which was also withdrawn based on strong institutional demand to increase the capital raise amount to a maximum of \$8,500,000 (previously \$7,500,000 as outlined in the prospectus dated 23 February 2018) and to enable the preparation of the Company's half-year audit reviewed accounts to 30 September 2017 (now contained in Section 5). Since the withdrawal of the disclosure document dated 23 February 2018, the Company has been funded by key shareholders. BPO and HCM services and solutions still remains a core focus as outlined in this Prospectus. For further information see Section 8.1 of this Prospectus.

#### 3.2.2 PayAsia History

PayAsia was formed in 2006 to service the gap in the Asia Pacific market, initially focusing on serving small to medium sized enterprises. PayAsia's philosophy then and now is simple - to help our clients grow through process and technology driven regional solutions, so they can focus on their core business interests.

Today PayAsia is a trusted provider of BPO Payroll Services and Cloud based Software-as-a-Service (SaaS) HCM services operating in the Asia Pacific Region for multinational companies in 18 countries.

**Figure 8: Overview of the Group's history**



## 03. The Group's Overview

### 3.3 Group's Business Overview

The Group is a provider of BPO and Cloud based SaaS Solutions. Our software and service offerings can easily be configured to meet the requirements of any business, be it a multinational or a start-up, including local and multi-country payroll administration services. We streamline our clients' payroll processing, HR administration, Banking, Treasury and Statutory Lodgement (including Superannuation, Pensions and Social Benefits) to improve service delivery and to provide consistency and accuracy to the payroll process.

#### 3.3.1 Complementary HCM and BPO services suite

The Group's Cloud HCM product suite complements the delivery of its BPO solutions to our clients. Businesses of all sizes can use the Group to pay, manage, retain and terminate employees which are aspects of the employee lifecycle.

#### 3.3.2 BPO Payroll Services

Historically our BPO Payroll Services have contributed the majority of revenue for the Group, but this is anticipated to change with greater take up by clients of our HCM modules/solutions.

When a client first joins our BPO Payroll Service offering, we undertake an extensive business process review to streamline the clients' payroll processing, workflow and treasury functions, removing delays and providing consistency and accuracy to the payroll process. Post implementation, we then transact for the client its payroll process, disburse employee payroll and lodge all statutory submissions (including taxation, pension & provident funds and other social benefits).

Our transactions and reporting to the client are then delivered through the Cloud using our portal application called HROnline which has been purpose built for our BPO business. The HROnline portal can be accessed in English and simplified Chinese and has a mobile version for both iOS and Android devices.

Payroll processing is conducted on a combination of the Group's proprietary and partner technology.

Exceptional service is key to our value proposition and HCM BPO operations are governed by accreditations with ISO9001 and ISO/IEC27001.



### 03. The Group's Overview

Figure 9: Overview of our BPO Model

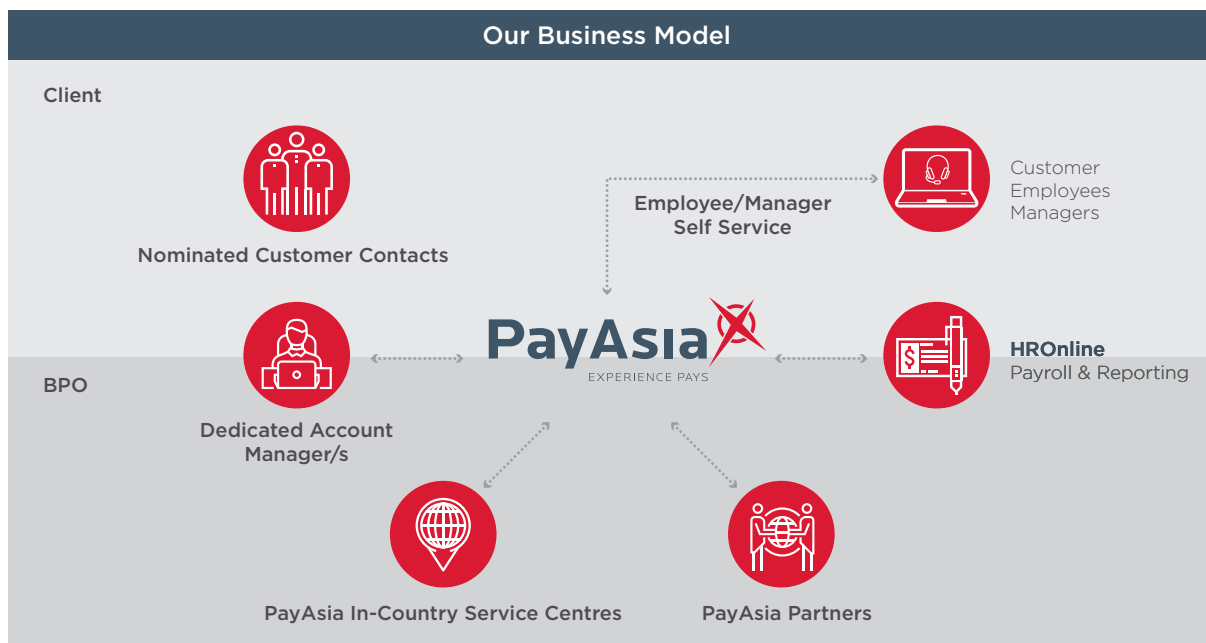





Figure 10: Overview of Service Offering

 <p><b>HR/Payroll Outsourcing Services</b></p>	 <p><b>HROnline Cloud based Workflow Solutions</b></p>	 <p><b>Other Services</b></p>
<p><b>Regional coverage for Asia Pacific</b></p> <ul style="list-style-type: none"> <li>• Managed Service offered</li> <li>• Range of modularised service options to allow customers to choose most appropriate service</li> <li>• Service range scales to clients with 1-10,000+ employees</li> <li>• Regional lodgement of in-country statutory reports for pension funds, social insurance, taxes etc.</li> <li>• Regional statutory compliances updates</li> <li>• Regional consolidation of monthly payroll reports</li> </ul>	<p><b>Leave Solution</b></p> <ul style="list-style-type: none"> <li>• Paperless &amp; workflow enabled leave solution</li> <li>• Online employee application &amp; manager approval</li> <li>• Leave rules &amp; balances automatically catered for</li> </ul> <p><b>Expense Solution</b></p> <ul style="list-style-type: none"> <li>• Workflow enabled expense claim solution</li> <li>• Online employee application &amp; manager approval</li> <li>• Multi-currency &amp; configurable for each expense item</li> <li>• Integrates with payroll services</li> </ul> <p><b>Medical Outpatient Administration</b></p> <ul style="list-style-type: none"> <li>• Online medical claims</li> <li>• E-TMS/E-OT/Timesheet</li> <li>• Online Time Management System</li> </ul>	<ul style="list-style-type: none"> <li>• Remote hosting</li> <li>• Regional solution</li> <li>• ESS/MSS options available</li> <li>• Incorporates basic HR communication tools e.g. Employee Handbook</li> <li>• Ancillary HR administration services</li> </ul> <p><b>HR Lifecycle</b></p> <ul style="list-style-type: none"> <li>• Full spectrum of HR administration from on-boarding to off-boarding</li> <li>• Employee Helpdesk Support</li> </ul> <p><b>Treasury Services</b></p> <ul style="list-style-type: none"> <li>• Client Payroll Foreign Exchange and Payments</li> </ul>

## 03. The Group's Overview

### 3.3.3 Technology

Cloud delivery has gained increasing acceptance in recent years as companies no longer need to be concerned with having their own hosting facilities, infrastructure and disaster recovery.

Our BPO Payroll Services are provided using our proprietary Cloud based portal, HROnline, where clients are able to obtain details of daily payroll activities including expenses, leave, timesheets, workflow & electronic payslips. The portal uses a multi-tenant architecture and is written in Java and uses Microsoft SQL Server.

Payroll processing is conducted on a combination of the Group's and partner technology.

Our BPO Payroll Services use mobile applications developed for both iOS and Android Technology and are hosted in a third party data centre in Singapore.

### 3.3.4 Cloud HCM

The Group will continue to offer Cloud HCM Modules through a comprehensive suite of modules using HROnline, its proprietary technology. HROnline has the capability to interconnect with other strategic technologies using a proprietary Application Programming Interface (API). The Group will continue to focus on interconnection with other strategic HCM products to further enhance the product offering.

HROnline unites all aspects of a client's strategic and core HR, payroll and benefits online gaining the organisation complete visibility into their global workforce. The solution is deployed in the Cloud and delivered via a SaaS model to global organisations.

### 3.3.5 Treasury Functions

The Group intends to use a portion of the funds raised under this Offer to expand and improve its treasury functions for clients.

As part of the Company's BPO Payroll Services, the Group is trusted to handle clients' payroll funds management inclusive of clients' banking token management.

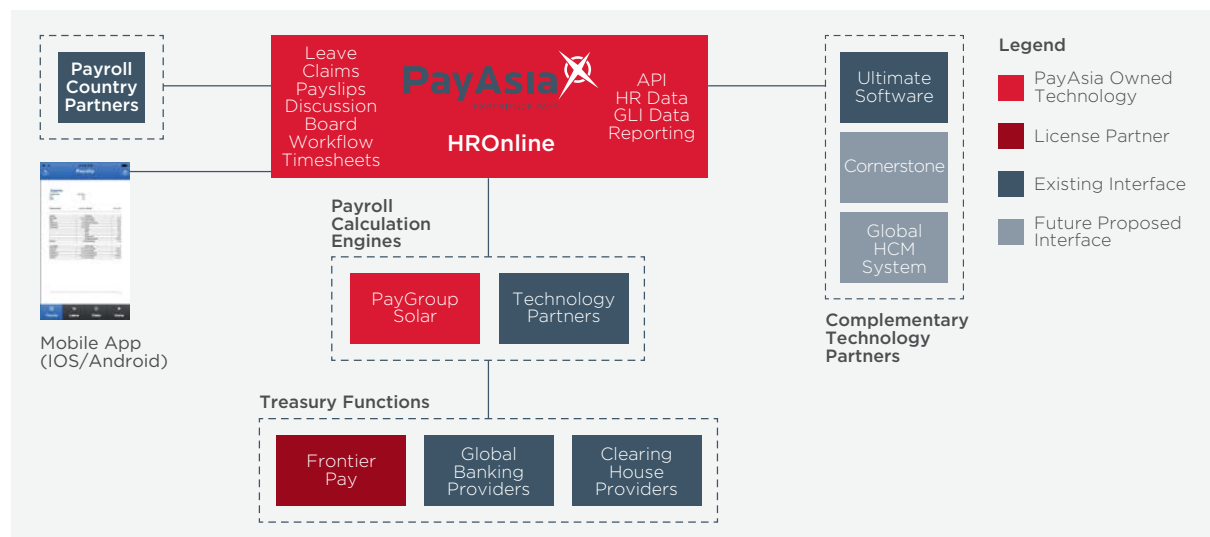
Managing these payments across multiple geographies can be expensive and time consuming for clients, in particular due to the foreign exchange process. To facilitate faster processing and reduced transaction/foreign exchange fees, in December 2017 the Group signed an operational agreement with FrontierPay Ltd an international payment gateway to enable the Group to utilise third party foreign exchange services. The Group envisages that this will enable the Group to provide a more efficient and cost-effective service to its clients and create productivity improvements in its BPO operations. In addition, the Group considers that such a service could potentially provide the Company with an additional revenue source.

PayGroup aims to deliver in the near term a payroll debit card to our clients and their employees for the management of workplace salary and travel/expense claims. The corporate prepaid solution can be in the form of a virtual or physical MasterCard proposed to be issued by a local bank.



## 03. The Group's Overview

Figure 11: Overview of PayGroup Product Technology

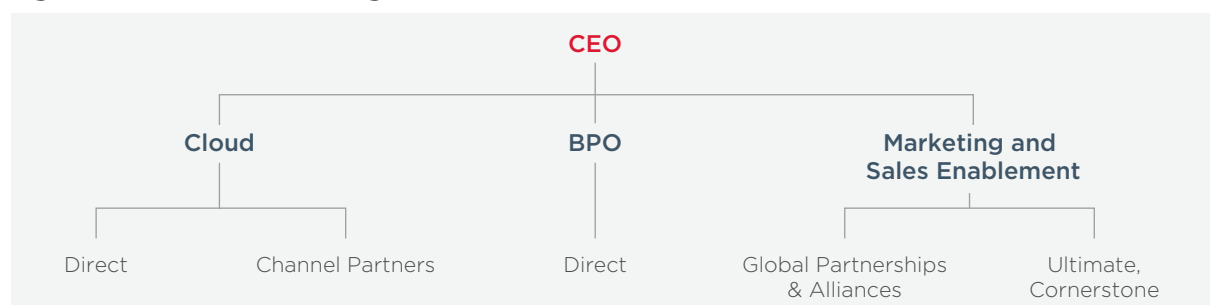


### 3.4 The Group's Sales and Marketing

Our sales structure is split into three business units namely: Cloud software, BPO and Global Marketing and Sales Enablement.

- **BPO** sales are handled by a separate focused sales team. This is due to the depth and complexity of BPO Payroll Services and solutions.
- **Cloud software** is sold through our direct sales team and with the use of funds we envisage that we will be in a position to add channel partners and/or form strategic relationships. Channel partners and/or strategic relationships will be used to complement the sales team due to the number of jurisdictions which can be addressed with the HCM product.
- **Global Marketing and Sales Enablement** is in charge of lead generation for both BPO and Cloud sales combined via traditional and digital marketing and strategic client management programs. We envisage adding alliances and/or forming strategic relationships with European and North American BPO and suitable technology providers where those providers want to offer to their clients a seamless solution and their geographic capabilities and service footprint does not extend to the Asia Pacific region.

Figure 12: Sales and Marketing Structure



A direct BPO sales team is in place in Singapore and Malaysia that targets new clients and a portion of funds raised are anticipated to be used to increase the direct sales team in Australia, Singapore, Hong Kong and Malaysia where multinational clients are globally/regionally headquartered and strategic regional decisions are made. The direct sales force is also responsible for account management and upsell to the Group's existing client base for more services and geographies.

In addition, it is envisaged that strategic relationships will be established for cloud sales via reputable technology integrators. This will allow the Company to generate additional revenue with a lower cost of sales.

## 03. The Group's Overview

### 3.4.1 Global Marketing and Sales Enablement

Several global technology HCM based businesses have established alliances with the Group including, Cornerstone on Demand and Ultimate Software.

Our Executive Director and Chief Strategy Officer, Franck Neron-Bancel will be globally responsible for establishing further strategic relationships. The Group will target potential strategic relationships in North America and Europe who have limited capability in the Asia-Pacific region.

A portion of the funds raised under the Offer is envisaged to be used to integrate our offerings with new strategic relationships.

A range of marketing activities will be used to assist the sales process including direct and digital marketing, search engine optimisation, case studies, webinars, market seminars, industry associations membership and trade show exhibitions to raise awareness.

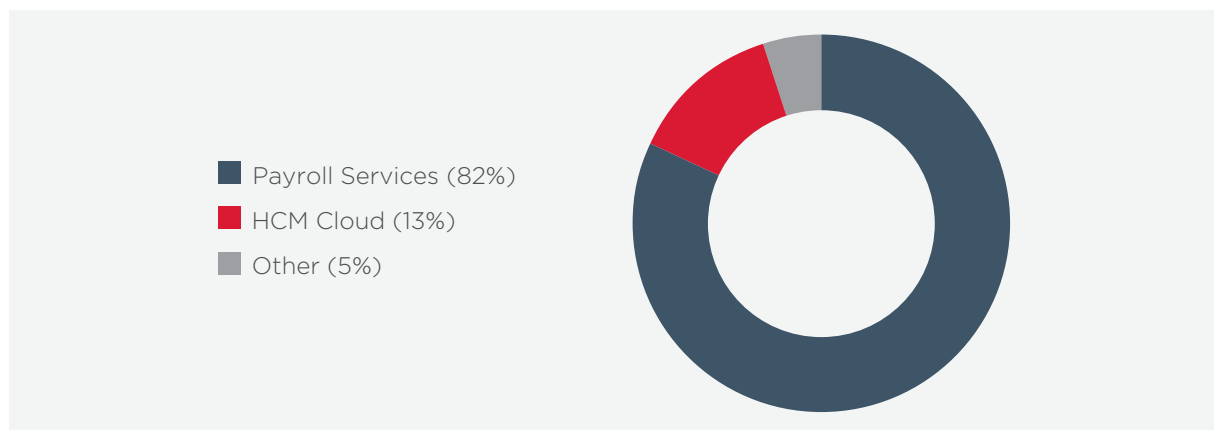
The Group intends to deploy further client management strategies and further up-sell opportunities with the objective to generate referrals, and cross selling opportunities between our SaaS and BPO clientele for new modules, services and follow our clients into new geographies.

## 3.5 Revenue model

Our revenue model can be broadly segmented into recurring revenue and services based revenue.

The key drivers of our business are growth in revenue and long term retention of our clients once our solutions are sold. Our revenue grew by 9% over the FY17 period (versus previous corresponding period), and is expected to grow at a higher rate in the Forecast Period.

**Figure 13: Revenue Segmentation (Pro Forma FY17 Revenue Split)**



We recognise revenues in accordance with Accounting Standards AASB18. Our recurring revenues are based on the initial term (fixed) contracts subject to customary early termination events, typically beginning in the month that the client entity goes Live. Our services revenues are recognised over the implementation period, which is from the contract execution date until the Live date. All contracts go through an implementation phase, and the basis of calculating this service revenue is similar to that applied to the recurring revenue calculation.

### 3.5.1 Recurring Revenues

Recurring revenues are prominent within the Group as the majority of contracts have three year initial term (subject to customary early termination events), with automated 12 month renewals following the expiry of those initial terms. These recurring revenues are recognised once the client has gone Live after an establishment setup period.

The calculation of these recurring revenues is based upon the size of the employee headcount for whom the service is rendered. The standard calculation is to apply a per employee per month (**PEPM**) fee which forms the basis of the calculation. A minimum fee is signed as part of the contract with the clients to cover instances where the employee headcount for a client is low, and this works to protect the revenue generated by the Group.

## 03. The Group's Overview

Within the Group, the PEPM is calculated on each type of service rendered (eg. a separate fee for each module), or it can be grouped as one fee for all services depending on the size of the employee headcount. The recognition of revenue derived is done on a monthly basis, at time of the invoice being generated and provided to each client. The key drivers for each monthly invoice are the types of services rendered and the employee headcount, and these when combined derive the value of revenue which is recognised in the Statement of Income.

The selling price (both PEPM and the minimum fee) for the elements, either separately or on a bundled basis, is determined on the basis of the initial term of the contracts, without taking into consideration potential price increases or potential changes in the number of employees of the client entity in the future due to the uncertainties surrounding these potential occurrences.

### 3.5.2 Services Revenues – consulting services

As the Group receives services revenue from each contract the implementation fees received are deemed to be semi recurring in nature. Services fee revenues primarily include revenues from fees charged for implementation consulting services in connection with the implementation of our solutions and, to a much lesser extent, fees for other services, including the provision of payroll-related reports. The basis of calculation of the services revenue can be dependent upon the PEPM model based on employee count, or a fixed fee based on the time required to implement.

## 3.6 Competition

Our products compete primarily on the basis of service, delivered functionality, price, performance and technology. The Group's strengths include:

- Multi-country BPO Payroll Services through a client access portal HROnline;
- HCM suite covering aspects of the employee lifecycle; and
- Cloud deployed solutions including mobile applications, removing the need for clients to manage infrastructure and scalability.

**Table 1: Major Competitors**

Market	Competitors
<b>BPO Payroll Services</b>	Automatic Data Processing Inc. (ADP) Northgate Arinso (NGA) Ascender
<b>Cloud HCM</b>	Automatic Data Processing Inc. (ADP) Northgate Arinso (NGA) Oracle Workday Ramco

## 03. The Group's Overview

### 3.7 Growth Strategies

The Group's objective is to achieve continued growth by:

- expanding its services to existing clients and through new client acquisitions; and
- increasing its global reach by targeting new and existing clients which are headquartered outside the Asia Pacific region which have a need for BPO and HCM services within the Asia Pacific region.

The Board believes that the Group is uniquely positioned to offer our clients a choice/combination of BPO and Cloud solutions in a repetitive revenue model should the clients location or growth require it.

Specific opportunities include:

- **Cost efficiencies:** Capitalise on converting existing third party technology (which are currently in-licensed to PayAsia). This has the potential to improve margins by reducing license fees currently paid to third party technology providers, improve client service efficiencies and provide greater data analytics for our BPO clients.
- **Growing existing client revenue through product offerings:** Our scalable Cloud platform provides opportunity to service clients globally from our existing operations without having to invest in significant operations in new countries. The Group can extend the provision of BPO Payroll Services to more countries without further third party technology reliance. Additionally, the Company envisages that it will be able to deliver Strategic HR service offerings via the Cloud to its BPO clients globally.
- **Partners and alliances expansion:** The Group intends to target and partner with North American and European providers who have to address the fast-growing demand of their clients for Cloud multi-country payroll services and do not have the capability to serve them in their clients' geographies. The Group currently has a mutual referral agreement with Ultimate Software (<http://www.ultimatesoftware.com>) and Cornerstone OnDemand (<https://www.cornerstoneondemand.com>).
- **Additional potential revenue sources:** The Group has an opportunity to implement treasury functions including earning interest on payroll funds which are deposited into the Group's account for periods of time. Currently no interest is earned on these funds. However the Group has signed an agreement with a payment provider to assist clients in reducing processing timeframes, transaction fees and competitive foreign exchange rates.
- **Rollout of a Corporate Payroll Debit Card:** PayGroup aims to deliver in the near term a payroll debit card to our clients and their employees for the management of workplace salary and travel/expense claims. The corporate prepaid solution can be in the form of a virtual or physical MasterCard issued by the local bank.

### 3.8 Research & Development Activities

The Group will continue to incur research and development expenses, consisting primarily of software development personnel costs, in the normal course of our business. Such research and development expenses are for enhancements to our existing products and for the development of new products.

The Group spent \$83k, \$274k and \$250k during the FY15, FY16 and FY17 periods respectively, on research and development activities, gross of capitalised software.

Research and development spending is anticipated to continue and will be approximately 4.3% of total revenues in the Pro Forma forecast period (FY18).

### 3.9 Intellectual Proprietary Strategy

The Group's success is dependent, in part, on its ability to protect its proprietary technology. The Group relies on a combination of copyright, trademark and trade secret laws, as well as confidentiality agreements and licensing arrangements, to establish and protect its proprietary rights. The Group does not have any patents or patent applications pending.

## 03. The Group's Overview

### 3.10 Data protection/cyber security processes

In order to protect the Group from data and cyber security threats, the Group adopts a number of processes and activities including:

- (a) **External accreditations:** The business is accredited to ISO/IEC 27001:2013 and ISO 9001:2008 in the Singapore and Bangalore locations.
- (b) **Antivirus Protection:** All infrastructure is protected by appropriate Antivirus Protection Software.
- (c) **External Penetration Testing:** Third party penetration testing is conducted periodically.

### 3.11 Overview of the Group's funding program and anticipated expenditure

Based on the capital raising under this Prospectus the Company anticipates the following Expenditure Program.

**Table 2: Funding and Anticipated Expenditure**

	Minimum Subscription Amount	Percentage of Funds (%)	Maximum Subscription Amount	Percentage of Funds (%)
<b>Cash Reserves As of Prospectus Date:</b>	<b>95,352</b>	<b>1.70%</b>	<b>95,352</b>	<b>1.11%</b>
<b>Proceeds from the Offer:</b>	<b>5,500,000</b>	<b>98.30%</b>	<b>8,500,000</b>	<b>98.89%</b>
Total Funds Available	5,595,352	100.00%	8,595,352	100.00%
<b>Use of Funds:</b>				
<b>Cost of the Offer</b>				
Legal Fees	350,000	6.26%	350,000	4.07%
Accounting Fees	170,000	3.04%	170,000	1.98%
Brokerage Fees	330,000	5.90%	510,000	5.93%
Management Fees	120,240	2.15%	120,240	1.40%
ASX Listing and Prospectus Fees	110,000	1.97%	110,000	1.28%
Other Listing Costs	223,402	3.99%	223,402	2.60%
Expenditure on technology and infrastructure associated with the Company's Cloud platform and migration of partner technology**	1,494,654	26.71%	1,494,654	17.39%
Expenditure on sales and marketing activities including; partner program for Cloud and BPO partnerships; expansion of sales force for Cloud**	1,284,000	22.95%	2,440,000	28.39%
Working capital	1,513,056	27.04%	3,177,056	36.96%
<b>Total</b>	<b>5,595,352</b>	<b>100.00%</b>	<b>8,595,352</b>	<b>100.00%</b>

\* This anticipated Expenditure Program may vary from the actual expenditure.

\*\* These items of expenditure may be required to be paid in Singaporean dollars (SGD). For the purposes of this Prospectus, these items of expenditure have been calculated on the exchange rate in Section 5. Where there is movement in the exchange rate from this assumed rate, the movement will either increase or decrease unallocated cash reserves. The Company does not intend to implement hedging or derivative cover in respect of these payment obligations as it predominantly receives its revenue in foreign currency.



# 04.

## BOARD, MANAGEMENT & CORPORATE GOVERNANCE





# 04. Board, Management & Corporate Governance



## 4.1 Board of Directors

The Board comprises an independent Non-Executive Chairman, a Non-Executive Director and two Executive Directors.

The Directors bring to the Board relevant experience and skills, including global industry and business knowledge, financial management and corporate governance experience.

Director and position	Experience
 <p><b>Ian Basser</b> <i>Non-Executive Chairman (independent)</i></p>	<p>Ian was appointed to the Board in November 2017 as an independent Non-Executive Director and Chairman. Ian has over 28 years' experience in starting, running and building service companies around the world including Australia, Hong Kong, China, Singapore, USA, UK and Europe. He was Chief Executive Officer and Managing Director of Chandler Macleod Group Limited until August 2012. Prior to joining Chandler Macleod, he spent four years establishing and developing the Mettle Group as a strategic leadership and culture consultancy.</p> <p>Prior to Mettle Group, Ian was a main board director and Group Managing Director of Harvey Nash running operations in the UK, Europe and Asia and is based in Melbourne Australia. Prior to Harvey Nash, he was on the global management team of Michael Page International building operations in Australia, Asia and North America.</p> <p>Ian is a director of Sherpa Systems Pty Ltd ACN 132 182 417, which is currently under external administration and subject to DOCA. For further information please see section 4.8 of this Prospectus.</p> <p>Ian Basser is an independent Director as in the Board's view he is free from any business or other relationship that could materially interfere with or reasonably be perceived to materially interfere with the independent exercise of his judgement.</p>
 <p><b>Mark Samlal</b> <i>Managing Director</i></p>	<p>Mark co-founded PayAsia in 2006 where he was Non-Executive Chairman until being appointed to the role of Executive Chairman and Managing Director of PayAsia in July 2015. In July 2017, he was appointed to the Board and to the role of Managing Director of the Group. Mark has over 22 years' experience in leadership roles in Asia Pacific including being a Director and General Manager of ADP in Asia Australia (1999-2003).</p> <p>His previous senior roles included Chief Executive Officer VicPlas Ltd a Singapore Stock Exchange listed company in (2008-2014) and Executive Director of Omni Industries in Singapore (2006-2008). Mark is affiliated with the major shareholder and is based in Singapore.</p>

## 04. Board, Management & Corporate Governance

Director and position	Experience
 <p><b>David Fagan</b> <i>Non-Executive Director (independent)</i></p>	<p>David was appointed to the Board in November 2017 as a Non-Executive Director. He will Chair the Audit and Risk Committee. David has over 38 years' experience in law practice including 30 years with Clayton Utz culminating in the role of Board Member and National Chief Executive Partner (2001-2010).</p> <p>Current Non-Executive Director roles include ASX listed Medibank Private Limited (since 2014) including Chair of the Board Risk Management Committee, UBS Grocon Real Estate Investment Management (since March 2014), and Hilco Oz &amp; Hilco Merchant Australia (since 2014). David holds both a Bachelor and Master of Laws from University of Melbourne and is based in Melbourne, Australia.</p> <p>David Fagan is an independent Director as in the Board's view he is free from any business or other relationship that could materially interfere with or reasonably be perceived to materially interfere with the independent exercise of his judgement.</p>
 <p><b>Franck Neron-Bancel</b> <i>Executive Director</i></p>	<p>Franck joined PayAsia in May 2017 as an Executive Director and was appointed to the Board in July 2017 as Executive Director and Chief Strategy Officer. Franck has over 21 years' industry experience in global HCM and payroll services with global leader Automatic Data Processing, Inc. (NASDAQ: ADP, Market Cap: US49.4 billion).</p> <p>Franck's tenure at ADP culminated in the role of Senior Vice President Strategic Account Management (2013-2017), with reporting to the ADP Global Enterprise Solutions President.</p> <p>Franck holds a Bachelor's Degree (General Management, Finance &amp; Marketing) from KEDGE Business School and is based in New York, United States of America.</p>

### 4.2 Key Management

The Group benefits from the wealth of global expertise by its management team. The senior management team have been working with the Group for more than 30 years, and with recent appointments to support the current and anticipated growth of the business.

Name and position	Background
<p><b>Mark Samlal</b> <i>Managing Director</i></p>	<p>See Section 4.1 of this Prospectus.</p>
<p><b>Franck Neron-Bancel</b> <i>Executive Director and Chief Strategy Officer</i></p>	<p>See Section 4.1 of this Prospectus.</p>

# 04. Board, Management & Corporate Governance

Name and position	Background
 <p><b>Justin Owen</b> Chief Financial Officer (CFO)</p>	<p>Justin was appointed to the role of CFO of the Group in July 2017 and is responsible for the Company’s ASX reporting and financial reporting activities. Justin has over 30 years’ experience in senior finance roles including CFO positions with a number of ASX listed companies.</p> <p>Based in Melbourne, Justin holds a Bachelor of Business Accounting from Monash University and is a Member of the Institute of Chartered Accountants.</p>
 <p><b>Sachin Goklaney</b> Chief Commercial Officer (CCO)</p>	<p>Sachin has been with PayAsia since 2015 in the role of Chief Finance Officer, and was appointed to the role of CCO of the Group in July 2017. Sachin has over 20 years in senior finance and operations roles in Singapore and Australia. He previously held senior roles with Deloitte (Aust), HLB Mann Judd (Aust), Magellan Consultancy (Sing) and Singapore Offshore Services (Sing).</p> <p>Based in Singapore, Sachin is a Chartered Accountant (ACA) and holds a Bachelor of Commerce (UNSW).</p>
 <p><b>Chris Brunton</b> Chief Product &amp; Technology Officer (CTO)</p>	<p>Chris has been advising PayAsia since December 2015, and was appointed to the role of CTO of the Group in July 2017. Chris has over 20 years’ industry experience in the HCM and Payroll BPO industry, including 13 years as CIO with ADP Asia Pacific.</p> <p>Based in Melbourne, Chris holds both a Bachelor and Master of IT (Swinburne) and is responsible for group product and technology.</p>

## 04. Board, Management & Corporate Governance

Name and position	Background
 <p><b>Dawn Lim</b> <i>Director of Client Operations</i></p>	<p>Dawn Lim is the Director of Clients Operations with 12 years' experience in Payroll and HR BPO. Dawn is responsible for the overall operational deliveries of PayAsia's International Delivery Centres, including meeting clients' service levels, process improvements, compliances and legislative updates. Dawn has a strategic vision for the business to create cross-functional efficiencies to achieve positive impact on overall operational performances for the organization. Dawn is based in Singapore.</p>
 <p><b>Lawrence Pushpam</b> <i>Chief Sales Officer</i></p>	<p>Lawrence is a co-founder and has been the Director of Business Development since inception.</p> <p>Lawrence was appointed to the role of Chief Sales Officer for the Group in July 2017.</p> <p>Lawrence has over 16 years' industry experience in the HCM shared services and payroll BPO domains, including 5 years with Convergys Corporation. He has been largely responsible for the growth of the Group and leads the Business Development Team based in Singapore.</p>
 <p><b>Len Austria</b> <i>Product Director</i></p>	<p>Len joined PayAsia In April 2014 as Product Director and was appointed to the same role for the Group in July 2017. In this capacity she is responsible for ensuring the Cloud and Apps supports the overall strategy and goals of the Company.</p> <p>Prior to joining PayAsia Len held roles covering Product, Consulting and Business Development with Gurango Software Corporation for over 10 years. Prior to that she was part of the development team at Microsoft Business Solutions for 4 years doing requirements business analysis for the MS GP HR Portal.</p> <p>Len holds a Bachelor of Science from De La Salle University (Manila) and is based in Manila, Philippines.</p>

## 04. Board, Management & Corporate Governance

### 4.3 Directors' shareholding qualifications, remuneration and interests

Except as disclosed in this Prospectus, no Director or proposed Director of the Company has any interest, nor has had any interest for registration, or has received or is entitled to receive any sum for services rendered by either him to induce him to become or qualify him as a Director, or otherwise in connection with the promotion or formation of the Company or in the property proposed to be acquired by the Company in connection with its promotion or formation.

#### (a) Shareholding qualifications & remuneration

The Directors are not required under the Constitution of the Company to hold any Shares in order to qualify as Directors.

The Constitution provides the Directors are entitled to remuneration for their services as Directors as determined by the Company in general meeting. A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for any disbursements or any other out of pocket expenses incurred as a result of the directorship or any special duties.

As at the Prospectus Date, the Non-Executive Director remuneration pool set by the Board is A\$275,000.

#### (b) Directors' interests in securities

Set out below are details of the interests of the Directors in the Shares and other securities of the Company immediately prior to lodgement of the Prospectus with the ASIC for registration. Interests include those held directly and indirectly.

Name	Position	Annual Remuneration	Shares Held Directly and Indirectly	Shares Issued under Employee Share Plan	Tenure
Ian Basser	Non-Executive Chairman	100,000*	0	501,302***	Appointed to the Board of the Company in November 2017
David Fagan	Non-Executive Director	85,000	0	222,964***	Appointed to the Board of the Company in November 2017
Mark Samlal	Managing Director	315,000	0**	0	Appointed to the Board of the Company in July 2017
Franck Neron-Bancel	Executive Director	A\$70,000 plus USD\$238,000****	0	616,964***	Appointed to the Board of the Company in July 2017

\* Ian Basser's remuneration of \$100,000 for the first year of his appointment as a Non-Executive Chairman of the Company comprises of \$100,000 in Shares issued under the Employee Share Plan at the Offer Price of \$0.50 per Share (equivalent to 200,000 Shares). Mr Basser's remuneration after the first year will be \$100,000 per annum (subject to standard review by the Company's Remuneration Committee).

\*\* Michele Samantha Samlal is a related party of Mark Samlal. Michele Samantha Samlal holds 22,080,706 Shares in the Company (approximately 48.3% of the total Share capital of the Company on a post listing basis) pursuant to the Share Swap Agreement.

\*\*\* The Shares detailed as held by Messers Basser, Fagan and Neron-Bancel and have been allotted under the Company's Employee Share Plan at an issue price of \$0.50 (equal to the Offer Price) and the Company provided an interest free limited recourse loan for the purchase price of these Shares, repayable on the expiry of 5 years. Additionally, please see Section 4.5 of this Prospectus for further detail.

\*\*\*\* Mr Franck Neron Bancel is entitled to A\$70,000 as an Executive Director of the Company. In addition to this, Franck will receive a total of USD238,000 as an Executive Director and consultant of PayAsia for the period 1 January 2018 to 31 December 2018, and USD204,000 from 1 January 2019 to 31 December 2019. This period can be extended by the parties. Please see Section 4.4 of this Prospectus for further detail.

## 04. Board, Management & Corporate Governance

### 4.4 Executive Director arrangements

#### (a) Mark Samlal – Managing Director

Pay Asia Pte Ltd has entered into an employment contract with Mark Samlal to govern his employment as Managing Director. Mark Samlal will, upon completion of the Offer, be entitled to receive fixed annual remuneration of \$315,000 exclusive of compulsory contributions (currently 17% of base salary) under Singapore regulatory requirements for contributions to the Central Provident Fund.

Mark is entitled to participate in the Company's Employee Share Plan (terms are outlined in Section 4.5 of this Prospectus). However, as at the Prospectus Date, Mark has not been issued any shares pursuant to the Company's Employee Share Plan.

Mark Samlal's employment contract may be terminated by either party giving 6 months written notice or payment in lieu of notice by Pay Asia Pte Ltd. Mark's employment contract may be terminated immediately and without payment for notice or payment in lieu of notice in the event of serious misconduct or other specified circumstances.

Mark has agreed to a non-compete restraint upon termination of his employment being that he will not (directly or indirectly or alone or in association with any other person or entity), be employed by or engaged by, either in Singapore or overseas, any person or entity who/which operates a business which is or may be in competition with PayAsia or the business of PayAsia or which provides the same or similar services as that of PayAsia. The period of the non-compete restraint cannot exceed a maximum of 12 months from the date of termination of employment (depending on the circumstances of termination). The enforceability of the restraint clause is subject to usual legal requirements.

Other than accrued entitlements (for example annual leave, sick leave, compassionate leave entitlements), Mark's rights in respect of any equity incentive participation and the provision of 6 months' notice or payment in lieu of notice, no other termination payments would be due to Mark on termination of his employment.

#### (b) Franck Neron-Bancel – Executive Director

The Company has entered into a contract with Mr Franck Neron-Bancel under which he will be paid an annual base remuneration of A\$70,000 as a Executive Director of the Company (**PayGroup Executive Arrangement**). In addition to this, Franck will receive a total of USD238,000 as an Executive Director and consultant of PayAsia for the period 1 January 2018 to 31 December 2018, and USD204,000 from 1 January 2019 to 31 December 2019. (**PayAsia Executive Arrangement**).

Franck is entitled to participate in the Company's Employee Share Plan (terms are outlined in Section 4.5 of this Prospectus). As at the Prospectus Date, Franck has been issued 616,964 Shares at an issue price of \$0.50 pursuant to the Company's Employee Share Plan.

Under Franck's PayGroup Executive Arrangement, Franck's appointment as an Executive Director of the Company will be governed by and subject to the ASX Listing Rules (including ASX rotation requirements/re-election of directors).

Under Franck's PayAsia Executive Arrangement, Franck's appointment as an Executive Director of PayAsia can be renewed by the parties for further 12 month periods. Franck's PayAsia Executive Arrangement may be terminated upon either party giving 180 days written notice. The earliest date for the parties to send a termination notice, and therefore, start the notification period shall be 1 January 2019.



## 04. Board, Management & Corporate Governance

### 4.5 Employee Share Plan

The Company has adopted an employee share plan (**Plan**) to foster an ownership culture within the Company and to motivate senior management and Directors to achieve performance targets of the Company. Selected senior management of the Company and the Directors are eligible to participate in the Plan at the absolute discretion of the Board.

Shares allotted and issued under the Plan must rank equally in all respects with other Shares from the date of allotment and issue, subject to satisfaction of any applicable disposal restrictions.

The aggregate number of Shares which may be issued pursuant to the Plan, (when aggregated with all Shares issued under all other employee incentive plans), shall not at any time exceed 7.5% of the total number of issued Shares. The Company may offer with an invitation to participate in the Plan, a limited recourse loan to assist in funding the issue price in respect of the relevant Shares. The loan may be interest free, with a maximum repayment term of up to 5 years and trading in the relevant Shares would be restricted until the loan is repaid.

The Shares issued may be subject to vesting conditions. In the event the relevant employee/director ceases to be engaged by the Company, the loan must be repaid or the Shares returned to the Company for cancellation as repayment of the loan.

The issue price of Shares issued and to be issued under the Plan is to be determined from time to time by the Board, subject to any variation under rules of the Plan, to reflect the then market value of the relevant Shares as at the time of allotment.

As at the Prospectus Date, a total of 2,417,450 Shares are on issue under the Plan.

### 4.6 Related party transactions

Other than the Directors interests outlined in Section 4.3 of this Prospectus:

#### (a) Lease

Michele Samantha Samlal (related party of Mark Samlal and a substantial Shareholder of the Company) owns 50% of the premises leased by the Company for its registered office. The annual lease amount is \$48,000.

#### (b) Divestment of PayAsia India

PayAsia has entered into a share purchase agreement (**SPA**) with EmployeeGroup Pte Ltd (which is owned by the Founding Shareholders). The SPA provides that the PayAsia Indian operations (which is the Indian contingent labour hire business where PayAsia provides local staff in India for companies to conduct business processing functions), will be transferred for nominal consideration to EmployeeGroup Pte Ltd. The underlying business risk and liabilities of PayAsia India will become the responsibility of the Founding Shareholders.

The SPA took effect on 1 April 2017. The financial information in Section 5 of this Prospectus reflects the divestment of the Indian operations with the financial impact of the Indian operations being eliminated from all historical financial information.

The SPA has been entered into as the current Indian operations are not strategically aligned to PayGroup's direction for the Group being predominately the provision of HCM Cloud software solutions and BPO service solutions. The impact of the Indian operations has been eliminated from the Group's FY2018 forecast and from all other business information (including employee and client details) in this Prospectus.

Under the SPA, no material warranties, indemnities or restraints are given by any of the parties, however EmployeeGroup Pte Ltd has entered into a 3 year exclusive BPO service contract with PayGroup for PayGroup to continue to provide payroll services on the same terms as available to any new PayGroup client.

## 04. Board, Management & Corporate Governance

### 4.7 Legal or disciplinary action

No Director (or company that the Director was a director of at the relevant time) has, in the 10 year period ending on the Prospectus Date, had any legal or disciplinary action against the Director that is relevant to the Director's role in the Company and a potential investor's decision to apply for Shares.

### 4.8 Insolvent companies

Ian Bassler is a director of Sherpa Systems Pty Ltd ACN 132 182 417 (Sherpa), which is currently under external administration and subject to DOCA. In 2016, the shareholders of Sherpa concluded that, due to continued poor financial performance of the business, there was limited opportunity for future financial viability and withdrew their financial support. Despite their efforts to replace this financial support, the directors were unable to find alternative sources of funding or find a suitable buyer for the business, and appointed an administrator. The DOCA was formed on the usual terms to recognise the priority claims by the administrator, secured creditors, ATO and outstanding employee entitlements (which were all paid to 100% of their claim), with the unsecured creditors to be paid out of residual funds.

No Director (other than Ian Bassler as described above) has been an officer of a company that entered into a form of external administration because of insolvency while the Director was an officer of the company or within 12 months of the Director ceasing to be an officer of the company.

### 4.9 Corporate Governance

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and monitoring of the business and affairs of the Company on behalf of its Shareholders.

The Company is cognisant of the Corporate Governance Principles and Recommendations (3rd edition) as published by ASX Corporate Governance Council and acknowledges that the 8 principles set out therein are fundamental to good corporate governance.

The Board believes that the structure of the Company, its management and business practices provide a basis of governance which meets the essential corporate governance principles articulated by ASX in that publication.

One of the key objectives of the Board is to ensure timely, transparent and accurate communication with all members and compliance with all regulatory requirements. To this effect the Board has established a number of committees.

The Board has formally adopted a Corporate Governance Policy for the Company. Under this Corporate Governance Policy, the Board has established:

- (i) An Audit and Risk Committee whose primary function is to provide additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements.
- (ii) A Nomination and Remuneration Committee:
  - (i) to review the composition of the Board to ensure that the Board has an appropriate mix of expertise and experience and to assess and review the performance of the Directors of the Company; and
  - (ii) to review and report to the Board on matters concerning executives' and Directors' remuneration.

The Company's Corporate Governance Policy can be found on the Company's website at [www.paygrouplimited.com](http://www.paygrouplimited.com)

## 04. Board, Management & Corporate Governance

While the ASX Corporate Governance Principles and Recommendations are not compulsory, the Company will and in accordance with Listing 4.10, advise the market whether it meets the ASX Corporate Governance Principles and Recommendations and if not, state why not. Please find below a high level summary of the Company's current departures from the ASX Corporate Governance Principles and Recommendations:

Departure from ASX Corporate Governance Principles and Recommendations	Reason for departure
<p><b>Corporate Governance Principle 1.6</b>                      - A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>As at the Prospectus Date, the Board has not adopted a formal process for periodically evaluating the performance of the Board, its committee and individual directors.</p> <p>However, once Listed, the Board will consider (taking into account the Company's financial and human resources) whether a formal process of evaluation should be adopted.</p>
<p><b>Corporate Governance Principle 1.7</b>                      - A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>As at the Prospectus Date, the Board has not adopted a formal process whereby it periodically evaluates the performance of the Managing Director. However, once Listed, the Board will consider a process to evaluate the performance of the Managing Director.</p> <p>Senior executives are current evaluated by the Managing Director on a structured annual basis.</p>
<p><b>Corporate Governance Principle 2.6</b>                      - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>As at the Prospectus Date, the Company has not adopted a formal induction program for new Directors. The Board will consider adopting a formal induction process once Listed.</p>
<p><b>Corporate Governance Principle 4.2</b>                      - The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Company is aware of all financial reporting requirements and the ASX recommendation outlined in Corporate Governance Principle 4.2. The Board intends to implement this process once Listed.</p>

## 04. Board, Management & Corporate Governance

Departure from ASX Corporate Governance Principles and Recommendations	Reason for departure
<p><b>Corporate Governance Principle 7.2</b>            – The board or a committee of the board should:</p> <p>(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>As at the Prospectus Date, the Company is yet to formally implement a risk management framework.</p> <p>As the Company grows, it is anticipated that a formal risk management framework will be adopted. The Audit and Risk Committee will be expected to report against the risk management framework.</p>
<p><b>Corporate Governance Principle 7.3</b>            – A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company does not have an internal audit function.</p> <p>The Audit and Risk Committee will review the Company’s risk management framework and risks generally, and as the Company grows internal control of risk will be part of the risk management process.</p>
<p><b>Corporate Governance Principle 8.2</b>            – A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Once Listed, the specific details of the Company’s policies and practices regarding remuneration will be outlined within the Directors’ Report of the Company’s annual statutory accounts.</p>



# 05.

---

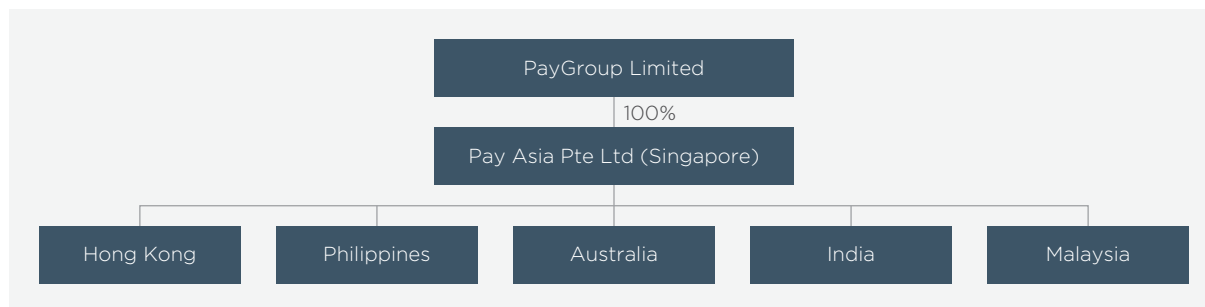
## FINANCIAL INFORMATION

# 05. Financial Information

## 5.1 Introduction/background

PayGroup Limited was incorporated on 13 July 2017 with the sole purpose of being the Australian holding company for the capital raising contemplated under this Prospectus and as a consequence the Listing of Pay Asia Pte Ltd.

### (a) PayGroup on Listing



## 5.2 Financial information

Financial information for PayGroup contained in this Section 5 is set out below and is summarised as follows:

### (a) Historical Financial Information

- Pro forma historical Statements of Profit or Loss and Other Comprehensive Income for PayGroup (this is an aggregation of Pay Asia Pte Limited and PayGroup Limited) for the years ended 31 March 2015 (FY15), 31 March 2016 (FY16), 31 March 2017 (FY17) and half year ended 30 September 2017 (HY18) (**Pro forma Historical Income Statements**);
- Pro forma historical Statement of Cash Flows before financing, taxation and dividends of PayGroup for FY15, FY16, FY17 and HY18 (**Pro forma Historical Cash Flows**);
- Pro forma historical Consolidated Statement of Financial Position as at 30 September 2017 for PayGroup (**Pro forma Historical Balance Sheet**),

Together **Pro forma Historical Financial Information**.

### (b) Forecast Financial Information

- Pro forma forecast Statement of Profit or Loss and Other Comprehensive Income for PayGroup for the year ending 31 March 2018 (FY18) (**Pro forma Forecast Income Statement**);
- Pro forma forecast Statement of Cash Flows before financing, taxation and dividends of PayGroup for FY18 (**Pro forma Forecast Cash Flows**);
- Statutory forecast Statement of Profit or Loss and Other Comprehensive Income for PayGroup for the year ending FY18 (**Statutory Forecast Income Statement**);
- Statutory forecast Statement of Cash Flows before financing, taxation and dividends of PayGroup for FY18 (**Statutory Forecast Cash Flows**),

Together **Forecast Financial Information**.

The Pro forma Historical Financial Information and Forecast Financial Information are together the **Financial Information**.

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information, by Grant Thornton Corporate Finance Pty Ltd whose Investigating Accountant's Report on the Financial Information is contained in Section 6.

## 05. Financial Information

Also summarised in this Section are:

**Table 1: Overview of other Financial Information for PayGroup**

Section	Heading
5.3	Basis of preparation of the Financial Information
5.4	Divestment/Excluded Entities
5.5	Pro forma Historical, Pro Forma Forecast and Statutory Forecast Statements of Profit or Loss and Other Comprehensive Income
5.6	Pro forma Historical and Pro Forma Statutory Forecast Statements of Cash Flows
5.7	Pro forma Historical Statement of Financial Position as at 30 September 2017
5.8	Management discussion and analysis (MD&A) of the Pro forma Historical Financial Information
5.9	Dividend policy for PayGroup
5.10	Significant accounting policies for PayGroup
5.11	Critical accounting estimates and judgements for PayGroup
5.12	Financial risk management framework for PayGroup

The information in this Section 5 should be read in conjunction with the risk factors set out in Section 7 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest thousand dollars.

Tables in this Section 5 have not been amended to correct immaterial summation differences that may arise from this rounding convention.

### 5.3 Basis of preparation of the Financial Information

#### 5.3.1 Overview

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flows and financial position of PayGroup, together with the forecast financial performance and cash flows. The Directors are responsible for the preparation and presentation of the Financial Information.

Subject to Section 5.3.2 which sets out the basis of extraction of the Historical Financial Information, the Financial Information has been prepared and presented in accordance with the recognition and measurement principles of the Australian Accounting Standards, which are consistent with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board. There is no difference between IFRS and AIFRS. Following the listing PayGroup Limited will follow AIFRS. The Financial Information is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

PayGroup's key accounting policies relevant to the Financial Information are set out in the Appendix of this Section 5. In preparing the Historical Financial Information and the Statutory Forecast Income Statement, the accounting policies of PayGroup have been applied consistently throughout the periods presented.

PayGroup operates and reports under one reportable segment in accordance with Australian Accounting Standard AASB 8 Operating Segments.



## 05. Financial Information

### 5.3.2 Historical Financial Information based on Consolidated Accounts

The Historical Financial Information has been extracted from the Audited Financial Statements of PayAsia covering FY15, FY16 and FY17 (**Consolidated Accounts**), which were audited by Grant Thornton and YFK Public Accounting Corporation Chartered Accountants of Singapore. These audits were conducted in accordance with the Singapore Standards on Auditing. The Historical Financial Information for HY18 was prepared by PayAsia on a consolidated basis but completely exclude any accounts or balances relating to the Indian subsidiary Pay Asia Management Private Limited.

This consolidated HY18 report (excluding the Indian subsidiary as noted above) has been subject to an audit review by Grant Thornton Singapore. The audit review was conducted in accordance with Singapore Standards on Review Engagements – 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity (SSRE 2410).

Grant Thornton Australia have provided their Investigating Accountant's Report covering the Consolidated Accounts as described above.

These Consolidated Accounts reflect the income and expenses, cash flows, and the assets and liabilities of all entities comprising PayGroup on a consolidated basis for each of these periods. For HY18 these exclude the Indian subsidiary Pay Asia Management Private Limited as described above.

Refer to Section 5.1 for information on PayGroup structure.

### 5.3.3 Preparation of the Pro forma Historical Financial Information

The Pro forma Historical Financial Information has been prepared for the purpose of this Prospectus and has been derived from the Historical Financial Information to illustrate the net income, assets, liabilities and cash flows of PayGroup adjusted for certain significant transactions and pro forma adjustments.

The pro forma adjustments are described in Section 5.5 (reconciliation between the Statutory Historical Income Statements and the Pro forma Historical Income Statements) and Section 5.6 (reconciliation between the Statutory Historical Cash Flows and the Pro forma Historical Cash Flows).

In the case of Pro forma disclosures, these have been accounted for on the basis of 100% control for the respective financial years by PayGroup Limited of PayAsia.

The Pro forma Historical Balance Sheet is based on the Statutory Historical Balance Sheet and adjusted to include the acquisition of PayAsia Pte Ltd via a share swap transaction. In addition, the Pro forma Historical Balance Sheet includes certain other pro forma adjustments to reflect:

- the impact of the Offer, including Offer costs offset against equity; and
- the operating and capital structures that will be in place following the Listing as if they had occurred or were in place as at 31 March 2017. The Pro forma Historical Balance Sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of the Company's view on its future financial position. Investors should note that past results are not a guarantee of future performance.

### 5.3.4 Preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared by the Company based on an assessment of present economic and operating conditions and on a number of assumptions, including the general assumptions and the Directors' best estimate specific assumptions set out in Section 5.8.

The Directors have prepared the Forecast Financial Information with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned to not place undue reliance on the Forecast Financial Information. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on the Company's actual financial performance or financial position.

## 05. Financial Information

Investors are advised to review the assumptions set out in Sections 5.8.5 and 5.8.6 in conjunction with the sensitivity analysis set out in Section 5.8.8, the risk factors set out in Section 7 and other information set out in this Prospectus.

The Forecast Income Statement and the Forecast Cash Flows of PayGroup for FY18 have been presented on both a Pro forma and a Statutory consolidated basis. The Pro forma Forecast Income Statement and the Pro forma Forecast Cash Flows of PayGroup for FY18 are based on the Statutory Forecast Income Statement and the Statutory Forecast Cash Flows, adjusted for the consolidation of PayAsia.

For Proforma forecast purposes the costs of the Offer and other items which are not expected to occur in the future are excluded. Section 5.5 provides a reconciliation between the Statutory Forecast Income Statement and the Pro forma Forecast Income Statement of PayGroup for FY18, and Section 5.6 provides a reconciliation between the Statutory Forecast Cash Flows and the Pro forma Forecast Cash Flows for FY18.

The basis of preparation and presentation of the Statutory Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Pro forma Historical Financial Information.

The Directors have no current intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

### 5.3.5 Acquisition accounting

Effective on the successful capital raise and ASX Listing, PayGroup will acquire 100% of the shares in PayAsia Pte Ltd via a share swap transaction. Under Australian Accounting Standards AASB 3 Business Combinations the nature of this transaction is not recorded as a business combination and therefore fair value accounting of the PayAsia acquisition is not required with all assets and liabilities being recorded at their book value.

### 5.3.6 Explanation of non-IFRS and other financial measures

PayGroup uses certain measures to manage and report on its business that are neither recognised under AAS, nor under IFRS. These measures are collectively referred to as non IFRS financial measures. These **non IFRS financial measures** do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although PayGroup believes these non IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non IFRS financial measures included in the Prospectus.

In the disclosures in this Prospectus, PayGroup uses the following non IFRS financial measures:

- **Capital expenditure:** includes investment in property and equipment including leasehold improvements, as well as software and licence assets;
- **EBITDA:** earnings before interest, tax, depreciation and amortisation;
- **EBIT:** earnings before interest and tax;
- **NPBT:** net profit before tax;
- **NPAT:** net profit after tax attributable to shareholders; and
- **Working Capital/Cashflow:** third party receivables and payables.

## 05. Financial Information

### 5.3.7 Exchange rates

The financial information has been prepared using multiple exchange rates. The base reporting currency for PayGroup is AUD. The main reporting currency for PayAsia is Singapore Dollars (SGD). All numbers shown in this Section are in AUD, unless otherwise stated.

**Table 2: Exchange Rates**

SGD	Notes	Spot Rate <sup>1</sup>	Yearly Average Rates
FY14		1.166	-
FY15	2	1.045	1.106
FY16	3	1.033	1.039
FY17	4	1.060	1.047
FY18	5	1.040	1.060
HY18	6	1.070	1.065

#### Notes

- 1 Spot Exchange rate at 31 March 2014/2015/2016/2017 and 30 September 2017 (HY18). FY18 Spot Rate is assumed as recent average.
- 2 Exchange rates used for FY15 based on average exchange rate between AUD and SGD from 1 April 2014 to 31 March 2015.
- 3 Exchange rates used for FY16 based on average exchange rate between AUD and SGD from 1 April 2015 to 31 March 2016.
- 4 Exchange rates used for FY17 based on average exchange rate between AUD and SGD from 1 April 2016 to 31 March 2017.
- 5 Exchange rates used for FY18 based on average exchange rate between AUD and SGD from 1 April 2017 to the assumed rate at 31 March 2018. Refer to Note 1.
- 6 Exchange rates used for HY18 based on average exchange rate between AUD and SGD from 1 April 2017 to 30 September 2017.

## 5.4 Divestment entities

As part of the Listing structure, certain restructuring of PayAsia is to be implemented as follows:

- Indian contingent labour hire business of PayAsia is to be divested and assumed by the Founding Shareholders (see Section 4.6 of the Prospectus).

The divested entity is not strategically aligned to PayGroup's BPO and HCM business operations. The impact of the divested entity has been removed from both the Pro forma Historical Financial Information and the Pro forma Forecast Information in this Prospectus.

Further detail of the divestment is provided below.

### (a) Divestment of Pay Asia Management Pvt Ltd (India)

Pay Asia has undertaken the divestment of Pay Asia Management Pvt Ltd (**PayAsia India**) as the underlying operations of PayAsia India (contingent labour hire operations) is not consistent with the strategic direction of PayGroup being predominately BPO Payroll Service solutions and HCM Cloud software solutions.

Completion of the divestment of PayAsia India to the Founding Shareholders will occur prior to Listing on the following terms:

- Sale of shares in PayAsia India to a new stand alone entity owned by the Founding Shareholders of PayAsia;
- Nominal consideration payable but effectively with the underlying business risk and liabilities of PayAsia India becoming the responsibility of the Founding Shareholders; and
- Transfer of staff, underlying contracts and existing outsource contracts relating to the Indian BPO division to PayGroup.

As mentioned above, the impact of the divestment is reflected within the pro forma adjustments in this section.

## 05. Financial Information

### 5.5 Pro Forma Historical, Pro Forma Forecast and Statutory Forecast Statements of Profit or Loss and Other Comprehensive Income

Set out below is a summary of PayGroup's pro forma historical Statements of Profit or Loss and Other Comprehensive Income for FY15, FY16, FY17 and HY18, the Pro Forma Forecast Statement of Profit or Loss and Other Comprehensive Income for FY18 and the Statutory Forecast Statements of Profit or Loss and Other Comprehensive Income for FY18.

**Table 3: PayGroup Pro Forma Historical and Forecast and Statutory Forecast Statements of Profit or Loss and Other Comprehensive Income**

\$000	Historical				Forecast	
	FY2015 Pro Forma	FY2016 Pro Forma	FY2017 Pro Forma	HY2018 Pro Forma	FY2018 Pro Forma	FY2018 Statutory
<b>REVENUE</b>						
Service fees – payroll services	5,211	5,236	5,710	2,934	6,581	-
HR outsourcing	-	-	-	360	360	-
Other income	57	198	233	21	377	-
<b>Total Revenue</b>	<b>5,268</b>	<b>5,434</b>	<b>5,943</b>	<b>3,315</b>	<b>7,317</b>	<b>-</b>
<b>OPERATING EXPENSES</b>						
Subcontractors – partner expenses	(818)	(871)	(816)	(308)	(817)	-
Employee benefits expense – HR outsourcing	-	-	-	(360)	(360)	-
Employee benefits expense	(2,991)	(2,773)	(2,905)	(1,337)	(2,493)	-
Other operating expenses	(1,171)	(985)	(1,565)	(330)	(869)	(791)
<b>Total Operating Expenses</b>	<b>(4,979)</b>	<b>(4,630)</b>	<b>(5,286)</b>	<b>(2,335)</b>	<b>(4,540)</b>	<b>(791)</b>
<b>EBITDA</b>	<b>289</b>	<b>804</b>	<b>657</b>	<b>980</b>	<b>2,778</b>	<b>(791)</b>
Depreciation and amortisation	(64)	(266)	(150)	(55)	(95)	-
<b>EBIT</b>	<b>224</b>	<b>537</b>	<b>508</b>	<b>925</b>	<b>2,682</b>	<b>(791)</b>
Net finance costs	(2)	(1)	8	-	-	-
<b>Net profit before tax</b>	<b>223</b>	<b>536</b>	<b>516</b>	<b>925</b>	<b>2,682</b>	<b>(791)</b>
Income tax expense	(108)	(58)	(40)	-	(73)	-
<b>Net profit after tax</b>	<b>115</b>	<b>478</b>	<b>477</b>	<b>925</b>	<b>2,610</b>	<b>(791)</b>
<b>Total comprehensive income for the period</b>	<b>115</b>	<b>478</b>	<b>477</b>	<b>925</b>	<b>2,610</b>	<b>(791)</b>

## 05. Financial Information

### Notes

- All the amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.
- The pro forma historical financial information is extracted from the historical financial results of PayAsia with adjustments applied to reflect PayGroup's capital structure that will be in place on Listing (including the capital raising under this Prospectus, the costs of the IPO Offer and the costs of running PayGroup Limited as an ASX listed entity).
- The Statutory FY18 forecast financial information includes the following adjustments:
  - All costs related to the IPO;
  - As the IPO / ASX listing will be post 31 March 2018 no operational results relating to PayAsia are included within the statutory results.
- The Pro Forma Historical and Forecast Financial Information general and administrative costs include PayGroup's estimate of the incremental costs that it will incur as a listed public company for both FY17 and FY18. As the company will be listing post 31 March 2018 there are no costs incurred as a listed company in the FY18 Statutory Forecast Financial Information.
- The anticipated listed public company costs are not included in FY15 and FY16 as PayGroup was not in contemplation in these periods due to the scale of the business at that time, but those anticipated listed public company costs are reflected in the proforma financial statements for FY17 and in the pro-forma financial forecast for FY18.

### Pro forma financial and operating metrics of PayGroup

Set out below are the key financial and operating metrics which relate to the key drivers of the business, being number of client entities and client employee headcount.

**Table 4: Financial and Operating metrics of PayGroup**

(A\$, March year end)	Notes	Pro Forma Historical Results				Pro Forma Forecast Result
		FY15	FY16	FY17	HY18 (see note 6)	FY18
<b>Financial metrics:</b>						
BPO Payroll & HCM Cloud Revenue growth	2	N/A	3%	9%	N/A	15%
Existing clients						81%
New clients						19%
<b>Recurring revenue</b>						97%
<b>EBITDA growth</b>		N/A	178%	-18%	N/A	323%
<b>EBIT growth</b>		N/A	139%	-5%	N/A	428%
<b>NPAT growth</b>		N/A	317%	0%	N/A	448%
<b>Operational metrics:</b>						
<b>Employee head count (at year end)</b>	1 and 3	88	106	121	120	111
<b>No. of client entities</b>	1 and 4	336	347	388	398	410
<b>No. of client employees</b>	1 and 5	26,213	28,027	29,802	30,070	31,358

### Notes

- Figures as at 30/9/2017.
- Combined recurring revenue for PayGroup for Pro forma FY18 revenue.
- The FY18 headcount includes the operational efficiency savings as well as the resource reduction due to the discontinued operations.
- 22% growth in number of client entities from FY15.
- 20% growth in number of client employees from FY15.
- Growth rates for HY18 have not been presented as FY18 Pro forma forecast accurately reflects annual result.

## 05. Financial Information

### Pro forma adjustments to statutory historical NPAT

The adjustments made to the statutory historical Statements of Profit or Loss and Other Comprehensive Income in order to present the pro forma historical Statements of Profit or Loss and Other Comprehensive Income are summarised below.

**Table 5: Pro forma adjustments to extracted statutory equivalent historical and forecast NPAT**

\$000	Notes	Historical			Forecast	
		FY2015	FY2016	FY2017	HY2018	FY2018
<b>Extracted Statutory NPAT</b>	<b>1</b>	<b>36</b>	<b>315</b>	<b>213</b>	<b>(106)</b>	<b>(791)</b>
Divestiture of operations	2	79	163	675	59	-
Part year NPAT adjustment	3	NA	NA	NA	NA	-
Once off and non-recurring costs	3	NA	NA	252	768	-
Listed company operating costs	4	NA	NA	(663)	NA	-
IPO transaction costs	5	NA	NA	NA	204	-
<b>Pro Forma NPAT</b>		<b>115</b>	<b>478</b>	<b>477</b>	<b>925</b>	<b>(791)</b>

#### Notes

- Extracted statutory NPAT** - The statutory NPAT has been extracted from the statutory and audit reviewed half year interim financial statements for Pay Asia.
- Divestiture of PayAsia India's contingent labour hire business** - The PayAsia India contingent labour hire business is to be purchased by an entity owned by the Founding Shareholders as the current Indian contingent labour hire business model is predominately contract staffing/labour hire and is not strategically aligned to PayGroup's HCM Cloud and BPO operations. The HY18 half year interim financial statements already exclude the impact of Pay Asia India.
- Once off and non-recurring costs** - PayAsia's once off and non-recurring costs:
  - FY17 including but not limited to: rationalisation of resources and infrastructure, costs incurred in the attempted acquisition of a technology platform (including legal fees), operational costs to upgrade technology and costs to enhance ISO Certification as referred to in Section 3.11 of this Prospectus; and
  - FY18 including but not limited to: rationalisation of resources and infrastructure and efficiencies in other operational expenses. The Pro-forma and Statutory financial information is included for a full year for FY18.
- Listed company operating costs** - Expenses associated with recurring operations of the ASX listed company. Listed company operating costs have been excluded from FY15 and FY16. Therefore in considering a "like for like" - FY15 and FY16 does not include public company listed costs but FY17 does include such public company listed costs.
- IPO Transaction costs** - These amounts represent the expenses associated with Listing the Company on the ASX.

### Extracted Statutory Financial Information

PayAsia operates on financial year ending 31 March with its statutory results for 2017 reflecting this position. PayAsia changed its year end in 2016 from December 2015 to March 2016. Therefore, the statutory results for 2016 is for the 15 month period ending 31 March 2016, with the prior period being 12 months ended 31 December 2014.

The financial information for the 12 months ended 31 March 2016 and 2015 represents the extracted statutory financial information updated to reflect the 12 month financial periods using management financial information for the purpose of making adjustments. A reconciliation of the statutory results as lodged with the local regulators for the periods 12 months ended 31 December 2014 and 15 months ended 31 March 2016 to the extracted statutory results has been included below.

## 05. Financial Information

**Table 6: Results as per statutory financial statements reconciled to the extracted statutory results**

	12 Months ending 31 Dec 14				15 Months ending 31 Mar 16		
				12 Months ending 31 Mar 15			
				Extracted statutory results	Extracted statutory results		
SGD '000	12 mths 31-Dec-14	3 mths 31-Mar-14	9 mths 31-Dec-14	12 mths 31-Mar-15	3 mths 31-Mar-15	12 mths 31-Mar-16	15 mths 31-Mar-16
<b>Revenue</b>							
Service fees – payroll services	5,937	1,484	4,453	5,899	1,446	5,784	7,230
HR outsourcing	4,764	1,191	3,573	7,216	3,642	14,569	18,211
Other income	43	8	35	63	28	112	140
<b>Total Revenue</b>	<b>10,744</b>	<b>2,683</b>	<b>8,061</b>	<b>13,177</b>	<b>5,116</b>	<b>20,465</b>	<b>25,581</b>
<b>Expenses</b>							
Subcontractors – Partner expenses	-1,038	(360)	(678)	(904)	(226)	(905)	(1,132)
Employee benefits expense – HR outsourcing	(4,764)	(1,191)	(3,573)	(7,216)	(3,642)	(14,569)	(18,211)
Employee benefits expense	(3,478)	(869)	(2,608)	(3,350)	(742)	(2,969)	(3,711)
Sales and marketing	-	-	-	-	-	-	-
Other operating expenses	(1,282)	(241)	(1,042)	(1,349)	(308)	(1,231)	(1,538)
<b>Total expenses</b>	<b>(10,562)</b>	<b>(2,661)</b>	<b>(7,901)</b>	<b>(12,819)</b>	<b>(4,918)</b>	<b>(19,674)</b>	<b>(24,592)</b>
<b>EBITDA</b>	<b>182</b>	<b>22</b>	<b>160</b>	<b>358</b>	<b>198</b>	<b>791</b>	<b>989</b>
Depreciation and amortisation	(121)	(30)	(91)	(165)	(74)	(296)	(370)
<b>EBIT</b>	<b>61</b>	<b>(8)</b>	<b>69</b>	<b>193</b>	<b>124</b>	<b>495</b>	<b>619</b>
Net finance costs	-	-	-	(93)	(3)	(12)	(15)
<b>Net profit before tax</b>	<b>61</b>	<b>(8)</b>	<b>69</b>	<b>190</b>	<b>121</b>	<b>483</b>	<b>604</b>
Income tax expense	(156)	(39)	(117)	(151)	(34)	(156)	(190)
<b>Net profit after tax</b>	<b>(95)</b>	<b>(47)</b>	<b>(48)</b>	<b>39</b>	<b>87</b>	<b>327</b>	<b>415</b>
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>(95)</b>	<b>(47)</b>	<b>(48)</b>	<b>39</b>	<b>87</b>	<b>327</b>	<b>415</b>

Results for the 12 Months 31 March 2015 represent the Extracted Statutory Results for the year ended 31 March 2015.

Results for the 12 Months 31 March 2016 represent the Extracted Statutory Results for the year ended 31 March 2016.



## 05. Financial Information

### Reconciliation of Extracted Statutory NPAT

	Pay Asia		Aggregated
	SGD '000	AUD '000	AUD '000
2015 NPAT	39	36	36
2016 NPAT	327	315	315

### 5.6 Pro Forma Historical and Pro Forma Statutory Forecast Statements of Cash Flows

Set out below is a summary of PayGroup's:

- Pro forma historical Statements of Cash Flows for FY15, FY16, FY17 and HY18
- Pro forma forecast Statement of Cash Flows for FY18
- Statutory forecast Statement of Cash Flows for FY18

**Table 7: Pro Forma Historical and Forecast Statements of Cash Flows**

\$000	Notes	Historical				Forecast	
		FY2015 Pro Forma	FY2016 Pro Forma	FY2017 Pro Forma	HY2018 Pro Forma	FY2018 Pro Forma	FY2018 Statutory
<b>EBITDA</b>	1	<b>289</b>	<b>804</b>	<b>657</b>	<b>980</b>	<b>2,778</b>	<b>(791)</b>
Change in net working capital		(278)	(270)	(355)	397	(1,150)	-
Non-cash movements in EBITDA							
<b>Net cash flow from operating activities before investing activities, financing activities and tax</b>		<b>11</b>	<b>534</b>	<b>302</b>	<b>1,377</b>	<b>1,628</b>	<b>(791)</b>
Purchase of plant and equipment	2	(102)	(15)	(49)	(3)	(126)	-
Acquisition of intangibles	3	(83)	(274)	(250)	(236)	(329)	-
Purchase of treasury shares	4	-	(140)	-	-	-	-
Equity settled expenses	5	-	-	-	-	157	-
<b>Net cash flows before financing and tax</b>		<b>(174)</b>	<b>105</b>	<b>3</b>	<b>1,138</b>	<b>1,330</b>	<b>(791)</b>

#### Notes

- All the amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.
  - The pro forma cash flow information has been constructed using the indirect method (i.e. reconciling EBITDA to operating cash flows).
- 1 The EBITDA within the pro forma historical cash flows is extracted from the financial results of PayAsia. Pro forma adjustments are applied to reflect PayGroup's capital and operating structure that will be in place following the completion of the offer. The Forecast Pro Forma EBITDA is based upon a full 12 month period result for PayAsia.
  - 2 Purchase of plant and equipment includes capitalised expenditure for computer equipment, plant & equipment and leasehold improvements.
  - 3 Acquisition of intangibles includes capitalised development costs which includes the capitalised portion of wages and salaries of software developers and costs associated with third party software developers.
  - 4 In the period prior to FY 2015, PayAsia provided shares to a key management personnel. These shares were re-acquired by the company in FY16.
  - 5 In the FY18 year, Franck Neron-Bancel, PayGroup's Chief Strategy Officer, has agreed to settle his consulting fees and out of pocket expenses for the period May to November via equity.

## 05. Financial Information

### Pro forma adjustments to statutory historical Statements of Cash Flows

The adjustments made to the historical statutory Statements of Cash Flows in order to present the pro forma Historical Statements of Cash Flows are summarised below.

**Table 8: Pro forma adjustments to statutory historical cash flows before financing activities and tax**

\$'000	Notes	Historical			
		FY2015 Pro Forma	FY2016 Pro Forma	FY2017 Pro Forma	HY2018 Pro Forma
<b>Statutory net cashflows before financing and tax</b>		<b>(140)</b>	<b>62</b>	<b>(219)</b>	<b>1,410</b>
Divestiture of operations	1	(34)	(47)	766	NA
Once off and non-recurring costs	2	-	90	119	59
Listed company operating costs	3	-	-	(663)	(331)
<b>Pro forma net cash flows before, financing and tax</b>		<b>(174)</b>	<b>105</b>	<b>3</b>	<b>1,138</b>

#### Notes

- Divestiture of PayAsia India's contingent labour hire business** – The PayAsia India contingent labour hire business is to be purchased by an entity owned by the Founding Shareholders as the current Indian contingent labour hire business model is predominately contract staffing/labour hire and is not strategically aligned to PayGroup's HCM Cloud and BPO operations. The half year interim financial statements have been prepared excluding the impact of PayAsia India. Therefore no adjustment is required for HY2018.
- Normalised recoveries** – Corporate office of Pay Asia Singapore has provided strategic and operational support to the divested businesses. The normalised recovery represents the revenue that would otherwise be earned from the divested entity had it not been eliminated on consolidation.
- Listed company operating costs** – Expenses associated with recurring operations of the ASX listed company are reflected in the FY17, HY 18 and the FY18 Forecast. Listed company operating costs have been excluded from FY15 and FY16.

## 5.7 Pro Forma Historical Statement of Financial Position as at 30 September 2017

### 5.7.1 PayAsia Pro forma Consolidated Historical Statement of Financial Position as at 30 September 2017

Set out in the table below are the adjustments that have been made to the statutory historical Statements of Financial Position of PayAsia as at 30 September 2017 as well as the Pro forma Statement of Financial Position for the Company to present the Pro forma Consolidated Historical Statement of Financial Position of the Company immediately following the capital raise and costs associated with Listing on the ASX.

## 05. Financial Information

**Table 9: Statement of Financial Position of PayGroup**

as at 30 September 2017 AUD\$000	PayGroup Ltd <sup>1</sup>	Payasia Pro Forma <sup>2</sup>	Offer		PayGroup Ltd		
			5,500,000 <sup>3</sup>	8,500,000 <sup>3</sup>	5,500,000 <sup>4</sup>	8,500,000 <sup>4</sup>	
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and cash equivalents	-	200	4,496	7,316	4,696	7,516	
Trade and other receivables	-	1,695	(299)	(299)	1,396	1,396	
Prepayments	95	-	(95)	(95)	-	-	
Other current assets	-	1,475	-	-	1,475	1,475	
<b>Total Current Assets</b>	<b>95</b>	<b>3,370</b>	<b>4,102</b>	<b>6,922</b>	<b>7,567</b>	<b>10,387</b>	
<b>Non-Current Assets</b>							
Trade and other receivables	-	-	-	-	-	-	
Plant and equipment	-	74	-	-	74	74	
Deferred tax assets	-	-	-	-	-	-	
Intangible assets	-	954	-	-	954	954	
<b>Total Non-Current Assets</b>	<b>-</b>	<b>1,028</b>	<b>-</b>	<b>-</b>	<b>1,028</b>	<b>1,028</b>	
<b>Total Assets</b>	<b>95</b>	<b>4,398</b>	<b>4,102</b>	<b>6,922</b>	<b>8,595</b>	<b>11,415</b>	
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Trade and other payables	299	2,116	(299)	(299)	2,116	2,116	
Borrowings	-	601	-	-	601	601	
<b>Total Current Liabilities</b>	<b>299</b>	<b>2,717</b>	<b>(299)</b>	<b>(299)</b>	<b>2,717</b>	<b>2,717</b>	
<b>Non-Current Liabilities</b>							
Trade and other payables	-	-	-	-	-	-	
Borrowings	-	36	-	-	36	36	
Deferred tax liability	-	119	-	-	119	119	
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>155</b>	<b>-</b>	<b>-</b>	<b>155</b>	<b>155</b>	
<b>Total Liabilities</b>	<b>299</b>	<b>2,872</b>	<b>(299)</b>	<b>(299)</b>	<b>2,872</b>	<b>2,872</b>	
<b>Net Assets</b>	<b>(204)</b>	<b>1,526</b>	<b>4,401</b>	<b>7,221</b>	<b>5,723</b>	<b>8,543</b>	
<b>EQUITY</b>							
Issued capital	-	47	4,988	7,808	5,035	7,855	
Reserves	-	2	-	-	2	2	
Accumulated profits	(204)	1,477	(587)	(587)	686	686	
<b>Total Equity</b>	<b>(204)</b>	<b>1,526</b>	<b>4,401</b>	<b>7,221</b>	<b>5,723</b>	<b>8,543</b>	

<sup>1</sup> **PayGroup Limited:** - The Company was unaudited as it is a newly formed company incorporated on 13 July 2017 for the purpose of being the holding entity for the PayGroup consolidated group following the capital raise and Listing on the ASX. The company has incurred expenditure up to 30 September 2017 in relation to its listing on the ASX and capital raise. These expenses have been paid for by PayAsia. Costs related to listing have been expensed as incurred and capitalised as a prepaid capital raise costs where the cost relates to the capital raise.

<sup>2</sup> **PayAsia Proforma:** - PayAsia Proforma represents the audit reviewed historical Statement of Financial Position for PayAsia as at 30 September 2017 less the financial impact of PayAsia India which is being divested.

<sup>3</sup> **Offer:** - The Offer is expected to raise between \$5,500,000 and \$8,500,000 before payment of Offer costs, which are expected to total approximately \$1.303m and \$1.483m respectively (pre-tax). Of these costs \$512k and \$692k respectively have been recorded directly against share capital representing the cost directly attributable to raising the funds. These amounts have not been tax effected as the Directors are uncertain as to the ability of the local Australian tax group to generate sufficient.

## 05. Financial Information

Australian sourced taxable income to offset future these costs. Should this position change the Directors can and will immediately recognise a deferred tax asset in relation to these expenses.

Some Offer costs have already been incurred as at 30 September 2017 and have been treated in accordance with the basis set out in Note 1 above.

The balance of the Offer costs of approximately \$791k for both amounts will be expensed in FY18 as they relate to costs attributable to Listing the Company on the ASX. As per above, these costs have not been tax effected and have been recorded within accumulated profits for disclosure purposes.

It is assumed the Offer costs in relation to the capital raise are deductible to the Company for tax purposes over five years, resulting in a potential deferred tax asset of \$335k and \$368k respectively; however as noted this deferred tax asset has not been recognised.

#### 4 Consolidation:

##### PayAsia

Effective on the successful capital raise and ASX Listing, the Company will acquire 100% of the shares in PayAsia Pte Ltd via a share swap transaction. Under Australian Accounting Standards AASB 3 Business Combinations the nature of this transaction is not recorded as a business combination and therefore fair value accounting of the PayAsia acquisition is not required with all assets and liabilities being recorded at their book value. Underlying compliance with the AAS remains a requirement for PayGroup which will be subject to external audit requirements on a half year (audit review) and annual (audit) basis.

##### PayGroup Limited Consolidated Group

This represents the pro forma Consolidated Statement of Financial Position of PayGroup Limited following the funds raised under this Offer.

### 5.7.2 Indebtedness

The table below sets out the details of the indebtedness of PayGroup and capitalisation as at 30 September 2017 before completion and immediately after completion of the Offer.

**Table 10: Indebtedness**

\$'000	Notes	31 December 2017			
		30 September 2017	Company pre completion of offer - 31 December 2017	Company post completion of offer Minimum Raise	Company post completion of offer Maximum Raise
<b>Current Borrowings - Bank Loan</b>					
<i>DBS Bank - Singapore (Current)</i>		137	232	232	232
- Bank Overdraft	1	0	61	61	61
- Term Loan	2	137	124	124	124
<i>Standard Chartered Bank - Singapore</i>	3	500	500	500	500
Total Debt		637	917	917	917
Cash		200	95	4,376	7,256
Net Indebtedness		437	822	(3,459)	(6,339)
Net debt/FY17 Proforma EBITDA		0.67x	1.25x	NA	NA
Net debt/FY18 Proforma EBITDA		NA	0.30x	NA	NA

#### Notes

- This is a term loan held by PayAsia from DBS Limited in Singapore and was taken in December 2016. The terms of this loan are:
  - 2 years tenure with an option for early repayment;
  - 6.75% interest per annum; and
  - Monthly repayment of interest and principal.
- This is a short term working capital facility held by PayAsia from Standard Chartered Bank in Singapore and was taken in July 2017. The terms of this facility are:
  - Revolving loan for periods of 1, 2, 3 or 6 months;
  - Interest rate at 2.5% plus Cost of Funds; and
  - Interest and principal payable on maturity of each revolving loan.
- This is a short term working capital facility held by Pay Asia Pte Ltd from Standard Chartered Bank in Singapore. The facility was taken in July 2017 and is based on the following terms:
  - Revolving loan for periods of 1, 2, 3 or 6 months;
  - Interest rate of 2.5% plus Cost of Funds; and
  - Interest and Principal payable on maturity of each revolving loan period.

## 05. Financial Information

### 5.8 Management discussion and analysis (MD&A) of the Pro forma Historical Financial Information

This Section discusses the general factors which affected PayGroup's operating and relative financial performance in FY15, FY16 and FY17 and which the Company expects may continue to affect it in future.

The MD&A of these general factors is intended to provide a brief summary only and does not detail all factors that have affected PayGroup's historical operating and financial performance, or everything that could have an impact on its operating and financial performance in the future.

Unless otherwise stated, all metrics and financial information presented in this Section 5.8, and the related commentary is on a pro forma basis only.

The information in this section should also be read in conjunction with the risk factors set out in Section 7 and other information contained in this Prospectus.

#### Revenue

PayGroup derives revenue through the provision of:

- Service fees – BPO Payroll Services;
- HCM Cloud Services;
- HR Outsourcing; and
- Other.

**HCM BPO Payroll Services** – Revenue impacted by employee headcount processed and the fee is a per employee per month (PEPM) calculation, subject to a minimum fee. Contracts are signed for a 3 year period with automated renewals and have 13 payments per annum. This also includes **HCM Cloud Services** revenue.

**HR Outsourcing** – Revenue impacted by the salary and all statutory contracted costs for the number of employees of customers who are employed on the payroll of the Company on behalf of the customer. These are equally reflected in the HR Outsourcing – Employee Benefits Expenses. Both the Revenue and Expense items offset each other.

**Other** – the main business drivers are:

- Recurring Government grants; and
- Treasury income including interest.

#### Cost of Revenue and Operating Expenses

Key operating expenses of PayGroup are set out below:

**Subcontractor Costs** – the key drivers are expenses related to the use of BPO, technology and implementation partners in countries where PayGroup does not have a presence.

**Employee Benefits Expenses (HCM)** – includes all employee related expenses for the employee delivered BPO Payroll Services and HCM Cloud Services (non HR Outsourcing related).

**Other Operating Expenses** – includes all expenses related to infrastructure, administration, travel and office rentals.

#### Depreciation and Amortisation

Depreciation and amortisation are non cash items that predominantly relate to:

- Depreciation of fixed assets, largely comprising computers, office equipment and office renovations.
- Amortisation of intangible assets, comprising intellectual property, software development and perpetual licenses of software.

## 05. Financial Information

### Tax

PayGroup operates and, where there is a profit, pays tax in the following jurisdictions:

- Singapore
- Australia
- Malaysia
- India
- Philippines

The jurisdictions where PayGroup makes a profit are Singapore and Australia.

### Foreign Exchange

The Financial Information is presented in Australian Dollars. PayGroup operates in 2 main currencies:

- Singapore Dollar (SGD)
- Australian Dollar (AUD)

Net Assets upon consolidation are translated at the exchange rate applicable at each balance date. Earnings for FY15, FY16 and FY17 have been translated at the average exchange rate applicable for each period.

Foreign exchange fluctuations are dependent on general macroeconomic conditions in the economies where PayGroup operates, amongst other things. PayGroup actively manages foreign exchange exposures and where possible takes advantage of natural foreign currency hedges.

### 5.8.1 Year on year MD&A FY15 to FY16

Pro forma comparing FY15 to FY16

**Table 11: Selected financial performance**

\$'000	Historical		Change (%)
	FY2015 Pro Forma	FY2016 Pro Forma	
<b>Total Revenue</b>	<b>5,268</b>	<b>5,434</b>	<b>3.2%</b>
<b>Adjusted Total Revenue</b>	<b>5,268</b>	<b>5,434</b>	<b>3.2%</b>
<b>Total Operating Expenses</b>	<b>(4,979)</b>	<b>(4,630)</b>	<b>-7.0%</b>
<b>Adjusted Operating Expenses</b>	<b>(4,979)</b>	<b>(4,630)</b>	<b>-7.0%</b>
<b>EBITDA – Base</b>	<b>289</b>	<b>804</b>	<b>178.2%</b>
EBITDA – Base %	5.5%	14.8%	
<b>EBITDA – Adjusted</b>	<b>289</b>	<b>804</b>	<b>178.2%</b>
EBITDA – Adjusted	5.5%	14.8%	
<b>NPAT</b>	<b>115</b>	<b>478</b>	<b>317.3%</b>
NPAT – Base %	2.2%	8.8%	

#### Notes

- 1 All the amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.
- 2 The pro forma historical financial information is extracted from the historical financial results of PayAsia to reflect PayGroup's capital structure that will be in place following completion of the Offer.

## 05. Financial Information

### Revenue

- Total Revenue grew from \$5.27m to \$5.43m between FY15 and FY16 (3.2% growth). This growth is directly in line with the growth in client employees of 7%.
- The steady growth rate is reflective of the following:
  - › Leveraging of existing client base and focus on upsell opportunities for Cloud HCM services to assure a quality result for our existing clients hence less new customers were implemented. This is evidenced in the steady growth in client employees of 7% and a small growth in new client entities of 3%.

### Expenses

- Expenses reduced by 7% from 2015 to 2016, mainly through the reduction of internal implementation team due to the partner program, which allowed the HCM business to grow its Cloud revenue using a consistent cost base.
- This included the relocation of the operational and implementation heads to PayGroup's main operational centre, being Bangalore.

### NPAT

- PayGroup grew from a small NPAT of \$115k in 2015 to a NPAT of \$478k in 2016. This growth is due to the following:
  - › Reduction in employee benefits expenses (217k) and other operating expenses of (185k) as a direct result of the reduction and relocation of the implementation and operational teams.
  - › Small increase in revenue of 3% (as described above) and an increase in expenses of 7% (as described above).

### Cash Flows (refer to Table 7)

- Working capital in FY2016 decreased slightly by \$8k as the total debtor days remained stable.
- The increase in intangibles is a result of the development costs of PayAsia being capitalised. This is in line with the increased efforts to enhance the technology platforms.
- PayAsia purchased back the shares from the exiting Managing Director in July 2015 for \$140k. These were classified as treasury shares which have been cancelled in FY2018 year.
- Overall, there was an improvement in overall cashflow before financing and tax of 279k.



## 05. Financial Information

### 5.8.2 Year on year MD&A FY16 to FY17

Pro forma comparing FY16 to FY17

**Table 12: Selected financial performance**

\$000	Historical		
	FY2016 Pro Forma	FY2017 Pro Forma	Change (%)
<b>Total Revenue</b>	<b>5,434</b>	<b>5,943</b>	<b>9.4%</b>
<b>Adjusted Total Revenue</b>	<b>5,434</b>	<b>5,943</b>	<b>9.4%</b>
<b>Total Operating Expenses</b>	<b>(4,630)</b>	<b>(5,286)</b>	<b>14.2%</b>
<b>Adjusted Operating Expenses</b>	<b>(4,630)</b>	<b>(5,286)</b>	<b>14.2%</b>
<b>EBITDA – Base</b>	<b>804</b>	<b>657</b>	<b>-18.2%</b>
EBITDA – Base %	14.8%	11.1%	
<b>EBITDA – Adjusted</b>	<b>804</b>	<b>657</b>	<b>-18.2%</b>
EBITDA – Adjusted	14.8%	11.1%	
<b>NPAT</b>	<b>478</b>	<b>477</b>	<b>-0.3%</b>
NPAT – Base %	8.8%	8.0%	

#### Revenue

- Revenue grew by 9.4% from 2016. This largely is in line with the following:
  - Growth in employee headcount by 6% across BPO and Cloud.
  - Growth in the number of client entities (18%), providing more client entities with small headcount which generate greater minimum fee clients.

#### Expenses

- Expenses grew by 14.2% from 2016. This is attributable to:
  - › \$131k growth (5% from 2016) in employee benefits expenses which is directly related to the inclusion of IPO costs for running a listed company as explained in Note 5 under Table 3. Overall PayGroup reduced its resourcing expenses (by \$144k) by deploying resources in its other key operational locations being India and Malaysia. The IPO running costs added were \$275k.
  - › \$580k growth (59%) in other operating expenses. This includes the following:
    - Inclusion of costs for running a listed company on the ASX of \$388k.
    - Additional consultancy expenses in bringing on a Global Account Manager.
    - Further expenses including the expansion of the Malaysian office (this allowed the Company to expand its operational delivery capability at a lower cost than expanding in Singapore).
    - Expenses in relation to the Company's ISO9001 and ISO/IEC27001 accreditation, where additional technologies were implemented to improve the internal efficiencies of meeting these standards.

## 05. Financial Information

### NPAT

- NPAT Remained steady due to the following:
  - › Revenue growth by 9.4% as described above.
  - › Countered by an increasing expenses base by 14.2%, dominated by the inclusion of listed company running costs as described.
  - › Reduction in depreciation by \$116k, primarily due to the fully depreciated office refurbishment costs in Singapore at the end of FY2016.

### Cash Flow (refer to Table 7)

- Working capital in FY2017 increased by \$85k as a result of a movement in funding for trade debtors.
- Increase in plant and equipment purchases and a small increase in intangibles led to the overall cash flow being neutral for the FY2017 financial year.

### 5.8.3 Year on year MD&A Historical FY17 to Forecast FY18

This Section includes the Directors' best estimate assumptions specific to the Forecast Period being FY18. The assumptions adopted in preparing the Forecast Financial Information are detailed in Section 5.8.5 and 5.8.6.

Unless otherwise stated, all metrics and financial information presented in this Section 5.8, and the related commentary is on a pro forma basis only.

The information in this section should also be read in conjunction with the risk factors set out in Section 7 and other information contained in this Prospectus.

Pro forma comparing FY17 Historical to FY18 Forecast

**Table 13: Selected financial performance**

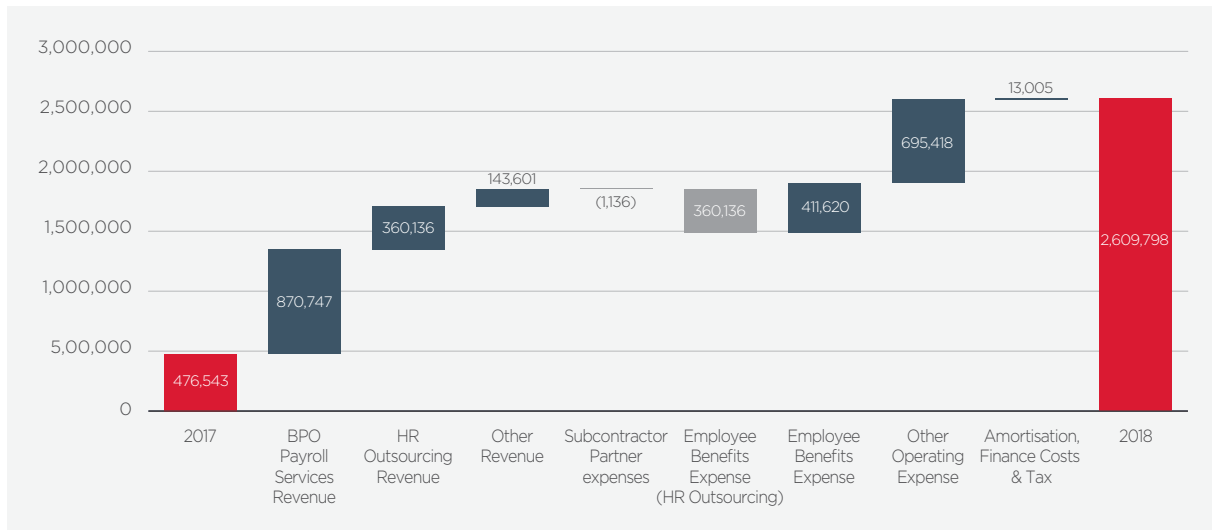
\$000	Historical	Forecast	Change (%)
	Pro Forma FY2017	Pro Forma FY2018	
<b>Total Revenue</b>	<b>5,943</b>	<b>7,317</b>	<b>23.1%</b>
HR outsourcing	-	360	
<b>Adjusted Total Revenue</b>	<b>5,943</b>	<b>6,957</b>	<b>17.1%</b>
<b>Total Operating Expenses</b>	<b>(5,286)</b>	<b>(4,540)</b>	<b>-14.1%</b>
Employee benefits expense - HR outsourcing	-	(360)	
<b>Adjusted Operating Expenses</b>	<b>(5,286)</b>	<b>(4,180)</b>	<b>-20.9%</b>
<b>EBITDA - Base</b>	<b>657</b>	<b>2,778</b>	<b>322.5%</b>
EBITDA - Base %	11.1%	38.0%	
<b>EBITDA - Adjusted</b>	<b>657</b>	<b>2,778</b>	<b>322.5%</b>
EBITDA - Adjusted	11.1%	39.9%	
<b>NPAT</b>	<b>477</b>	<b>2,610</b>	<b>447.7%</b>
NPAT - Base %	8.0%	35.7%	

#### Notes

- 1 All the amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.
- 2 The pro forma historical financial information is extracted from the historical financial results of PayAsia to reflect PayGroup's capital structure that will be in place following completion of the Offer.
- 3 The pro forma forecast information has been prepared using as a base the historical financial performance of PayAsia updated based on the assumptions outlined within section 5.8.5 and 5.8.6.

## 05. Financial Information

### 5.8.4 NPAT Bridge Historical FY17 to Forecast FY18



#### Revenue

- Revenue is projected to grow by \$1.37m (23%) from 2017. \$360k is attributable to HR Outsourcing, which is equal to the increase in employee benefits expenses – HR Outsourcing. See commentary on expenses below.
- The BPO, HCM On Premise and HCM Cloud revenue growth is \$871k (15% over FY17). This is in line with the growth in employee headcount of 15% and implementation fee.

#### Expenses

- Expenses are expected to reduce by 14% from 2017.
- Subcontract Partner expenses are expected to remain steady.
- Employee Benefit expenses are expected to reduce by \$411k (14% from 2017) as a result of roles in Singapore being moved to our lower cost centres in India and Malaysia for delivery of BPO and Cloud Services.
- Other Operating Expenses to reduce by 44% due to:
  - › Cost efficiency programs employed by the Company which include greater utilisation of lower cost operational delivery centres and implementation services. As a result of PayGroup strategy to serve its customers from its delivery centres in India, Malaysia, and Philippines, the Singapore operations company office rental costs has be reduced.
  - › Reduction in professional fees of \$343k from FY2017 to FY2018 as the requirement operational consultants is no longer required.
  - › One off expenditures incurred in FY2017 which relate to:
    - The enhancement and upgrade of hosting, IT Management, Customer Relationship Management (CRM) and Sales Tools which was spent in FY2017.
    - The enhancement of the ISO certification for the PayAsia Group. This is considered cost of normal business operations and is included in FY2017.
- Cost efficiencies also include the strategic decisions regarding the divestiture of the PayAsia India contract staffing business.

## 05. Financial Information

### NPAT

- Increased by \$2.1m due to the following:
  - › BPO revenue growth of \$871k as described above.
  - › Other income growth of \$144k, being additional grant income from the government.
  - › Reduction in employee benefits expense of \$411k.
  - › Reduction in other operating expenses of \$695k explained above.

### Cash Flow (refer to Table 7)

- Working capital increased by \$795k to \$1.15m due to the increase in trade debtors. This is due to business growth and with the Company assuming debtor days of 100. This is in line with existing debtor days within the Company which include some outstanding debt over 12 months, which has now been collected.
- The increase in intangibles is the increased development activity to enhance the technology platforms, and this is a direct result of the hiring of additional resources.
- An increase of \$77k in plant and equipment is due to capital expenditure on office equipment as part of the Singapore and India office relocations, together with IT equipment for new resources.

### 5.8.5 General assumptions

The following general assumptions are relevant to the Forecast Financial Information:

- there are no material changes in the competitive and operating environment in which PayGroup operates;
- there are no significant deviations from current market expectations of economic and market conditions under which PayGroup operates;
- there are no material changes in government legislation, tax legislation, regulatory requirements or government policy that will have a material impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of PayGroup;
- there are no changes in applicable AAS, IFRS, other mandatory professional reporting requirements or the Corporations Act which could have a material impact on PayGroup's reported financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- there are no material employee relations disputes or other disturbances, contingent liabilities or legal claims that arise or that are settled to the detriment of PayGroup;
- there are no material changes in key personnel, including key management personnel. It is also assumed that PayGroup will maintain its ability to recruit and retain the personnel required to support future growth;
- there are no material acquisitions, disposals, restructurings or investments other than as contemplated by this Prospectus;
- there are no material changes to PayGroup's corporate and funding structure;
- there are no significant disruptions to the continuity of operations of PayGroup or other material changes in the business;
- there are no material amendments to any material contract, agreement or arrangement relating to PayGroup's business or intellectual property;
- none of the risks listed in Section 7 has a material adverse impact on the operations of PayGroup; and
- the Offer proceeds are received in accordance with the timetable set out in the Indicative Key Dates section of this Prospectus.

## 05. Financial Information

### 5.8.6 Specific assumptions

The Forecast Financial Information is based on various specific assumptions, of which the key assumptions are set out below. The assumptions below are a summary only and do not represent all factors that will affect PayGroup's forecast financial performance. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

Specific assumptions are:

#### Revenue and Expense

- Exchange rates used are as per table 2 in Section 5.3.7.
- Timing of new business growth is expected to be consistent with prior year experience.
- New business growth is largely underpinned by contracts either signed up or in final negotiation stages with customers.
- Contracted revenue is earned and cash received as per the underlying contracts, with allowance made for bad and doubtful debts in line with current and the Director's expectation on future economic conditions and commercial business practice.
- As at the Prospectus Date, over 90% of forecast revenue for the pro forma FY18 period is contracted.
- The divestment of PayAsia India has been done prior to the IPO.
- Incremental operating costs totaling \$663k have been assumed by PayGroup's management to be reflective of an estimate of additional costs required to operate as a publicly listed company. Management's estimate is based on benchmarking similar sized companies.
- One off IPO costs of \$791k have been included in the Statutory Forecast Income Statement for FY18 (with the remaining costs directly applicable to the Offer offset against equity).
- Direct and indirect employee costs are forecast to reflect planned headcount to support the overall growth of the business, and are based on current remuneration contracts and rates (and other agreements made with the employee base such as bonus incentive schemes and commissions). Additionally, productivity improvements have been accounted for based on the client employee headcount projected, which has been a strategic focus of PayGroup.
- There is no further once off expenditure required to maintain or update operational technology to maintain ISO 9001 and ISO/IEC 27001.

#### Depreciation, amortisation and capital expenditure

- Depreciation and amortisation is based on the current depreciation rates and estimated useful lives applied to property, plant and equipment and intangible assets, adjusted for planned capital expenditure (including acquisitions) and disposals.

#### Working capital

- Working capital has been forecast by PayGroup to be consistent with historical investment days, with accounts receivable collection terms and accounts payable payment terms consistent with the experience of the Company over the 6 months to 31 March 2017.

#### Intangible asset expenditure

- Expenditure on intangible assets has been forecast by PayGroup to be consistent with current year operations, capitalised where there is ongoing benefit to PayGroup.

## 05. Financial Information

### Singapore Government Grant Program

- The Singapore Government provides eligible businesses with certain financial incentives called grants. Spring Singapore, through the Capability Development Grant scheme, has incentives available through 8 streams, of which PayAsia has been successful in the initial stream and based upon the eligibility criteria, PayAsia is eligible to apply for the other streams. Forecast grant revenue has been taken up in the pro forma and statutory forecast based upon management's assessment and review of the grant terms and conditions.

**Table 14: Pro Forma and Statutory Forecast Statement of Profit or Loss and Other Comprehensive Income**

	Forecast	Forecast
\$000	Pro Forma FY2018	Statutory FY2018
<b>REVENUE</b>		
Service fees – payroll services	6,581	-
HR outsourcing	360	-
Other income	377	-
<b>Total Revenue</b>	<b>7,317</b>	<b>-</b>
<b>OPERATING EXPENSES</b>		
Subcontractors – partner expenses	(817)	-
Employee benefits expense – HR outsourcing	(360)	-
Employee benefits expense	(2,493)	-
Other operating expenses	(869)	(791)
<b>Total Operating Expenses</b>	<b>(4,540)</b>	<b>(791)</b>
<b>EBITDA</b>	<b>2,778</b>	<b>(791)</b>
Depreciation and amortisation	(95)	-
<b>EBIT</b>	<b>2,682</b>	<b>(791)</b>
Net finance costs	-	-
<b>Net profit before tax</b>	<b>2,682</b>	<b>(791)</b>
Income tax expense	(73)	-
<b>Net profit after tax</b>	<b>2,610</b>	<b>(791)</b>
<b>Total comprehensive income for the period</b>	<b>2,610</b>	<b>(791)</b>

### 5.8.7 Seasonality

- PayGroup does not experience any seasonality in the delivery of all of its services apart from an additional one month revenue in Q4 (January to March) due to annual tax processing.

## 05. Financial Information

### 5.8.8 Sensitivity analysis

The Forecast Financial Information included in this Section 5 is based on a number of estimates and assumptions as described in Sections 5.8.5 and 5.8.6. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of PayGroup, the Directors and management of PayGroup. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions on the forecasts, set out below is a summary of the sensitivity of the pro forma NPAT to changes in a number of key assumptions.

The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Sensitivity analysis is conducted independently of potentially interrelated effects resultant from a variance in the assumption. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis, each sensitivity factor is presented in terms of its impact on the forecast FY18 pro forma EBITDA and NPAT and is set out below in Table 15. The sensitivity of these factors has been considered in isolation; however, there may be a degree of correlation between the movement in one or more of these sensitivities which will have an impact that is greater than what is shown below.

**Table 15: Sensitivity Analysis**

Assumptions	Notes	Increase/ (Decrease)	FY18	FY18	FY18	FY18
			Proforma	Proforma	Proforma	Proforma
			EBITDA Impact (\$)	EBITDA Impact (%)	NPAT Impact (\$)	NPAT Impact (%)
Revenue	1	1%	70/(70)	3%/(3%)	70/(70)	3%/(3%)
Revenue	2	3%	209/(209)	8%/(8%)	209/(209)	8%/(8%)
Expenses	3	1%	25/(25)	1%/(1%)	25/(25)	1%/(1%)
Expenses	4	3%	75/(75)	3%/(3%)	75/(75)	3%/(3%)
Expenses	5	5%	125/(125)	4%/(4%)	125/(125)	5%/(5%)
Exchange Rate	6	1%	25/(25)	1%/(1%)	24/(24)	1%/(1%)
Exchange Rate	7	3%	78/(78)	3%/(3%)	75/(75)	3%/(3%)
Exchange Rate	8	5%	132/(132)	5%/(5%)	127/(127)	5%/(5%)

#### Notes

- 1 Sensitivity is based on a 1% variance in Proforma Gross Revenue.
- 2 Sensitivity is based on a 3% variance in Proforma Gross Revenue.
- 3 Sensitivity is based on a 1% variance in Proforma Employee Benefits Expenses.
- 4 Sensitivity is based on a 3% variance in Proforma Employee Benefits Expenses.
- 5 Sensitivity is based on a 5% variance in Proforma Employee Benefits Expenses.
- 6 Sensitivity is based on a 1% variance in Exchange Rate movement for SGD/AUD.
- 7 Sensitivity is based on a 3% variance in Exchange Rate movement for SGD/AUD.
- 8 Sensitivity is based on a 5% variance in Exchange Rate movement for SGD/AUD.



## 05. Financial Information

### 5.9 Dividend policy for the Company

Depending on available profits and the financial position of the Company, it is the current intention of the Company to pay dividends.

The Directors intend to pay out a minimum of 50% of the Company's NPAT attributable to shareholders of PayGroup Limited as a dividend.

It is the current intention of the Board to pay interim dividends in respect of half years ending in September and final dividends in respect of full years ending in March each year. It is anticipated that interim dividends will be paid in December and final dividends will be paid in June following the relevant financial period end. It is not expected that all future dividends will be franked given the export nature of income and taxes payable based on PayAsia being headquartered in Singapore.

The payment of a dividend by the Company is at the discretion of the Board and will be a function of a number of factors, including the general business environment, the operating results, cash flows, the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Board may consider relevant.

No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking on any dividends which are paid (in particular it is anticipated that most of the revenue of PayGroup will not be subject to tax in Australia and therefore will not attract Australian franking credits).

### 5.10 Significant accounting policies for PayGroup

Set out in the Appendix to this Section 5 is a summary of the significant accounting policies adopted in preparing the Financial Information contained in this Section 5.

### 5.11 Critical accounting estimates and judgement for PayGroup

Preparing financial statements in accordance with AAS requires management to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

Judgements made by management in the application of AAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Refer to the significant accounting policies outlined in the Appendix to this Section 5.

### 5.12 Financial risk management framework for PayGroup

PayGroup's activities expose it to a number of financial risks including foreign exchange, interest rate risk, liquidity risk and credit risk.

The Company manages financial risk through Board approved policies and procedures. These detail the responsibility of the Directors and senior management with regard to the management of financial risk. Financial risk is managed centrally by the PayGroup's finance team via a risk management framework.

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

## 05. Financial Information

### Appendix to Section 5 of the Prospectus

#### Significant accounting policies

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

#### Basis of preparation

The Directors have determined that the accounting policies adopted are appropriate to meet the needs of the Shareholders of PayGroup. The financial information has been prepared on a going concern basis.

The financial information has been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1031 'Materiality', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures, as appropriate for for-profit oriented entities.

#### Historical cost convention

The financial information has been prepared under the historical cost convention.

#### Critical accounting estimates

The preparation of the financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying PayGroup's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information. Such assumptions are disclosed in Section 5.8.5 and 5.8.6.

#### Revenue recognition

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

#### Revenue - Gross vs net

PayGroup assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of PayGroup's activities are met as follows:

- Revenue from BPO Payroll Services rendered is recognised when services are billed which generally coincides with delivery and acceptance by customers.
- Revenue from HR Outsourcing are the amounts received or receivable for the services of candidates, including the salary and salary-related employment costs of those employees.

#### Interest

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

#### Other revenue

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

## 05. Financial Information

### Income tax

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

### Current and non-current classification

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

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

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

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

### 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 de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

Intangible assets include the Group's aggregate amount spent on the acquisition of computer software and development costs. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and impairment losses. They are amortised in the profit or loss on a straight-line basis over their estimated useful lives of 10 years, from the date on which they are available for use.

Intangible assets with indefinite useful lives are not amortised and are measured at cost less impairment losses.

The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected term over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives have not resulted in material changes to the Group's amortisation charge.

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.

## 05. Financial Information

### Property, plant and equipment

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

Plant & equipment & intangibles are depreciated and amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. Changes in the expected level of use and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation and amortisation charges could be revised. Any changes in the economic useful lives or residual values could impact the depreciation charges and consequently affect PayGroup's results.

The estimated useful lives are as follows:

	PayGroup
Renovation	3 years
Furniture & fittings	3 years
Office equipment	3 - 10 years
Computers	3 years

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to PayGroup. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Borrowings

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

### Trade and other payables

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

### Employee benefits

#### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

## 05. Financial Information

### **Other long-term employee benefits**

The present value of the post-employment pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid.

### **Issued capital**

Ordinary shares are classified as equity.

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

### **Goods and Services Tax (GST) and other similar taxes**

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

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

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

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

### **Critical accounting judgements, estimates and assumptions**

The preparation of the financial information requires management to make judgements, estimates, and assumptions that affect the reported amounts in the financial information. 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 within the next financial year are discussed below.

### **Estimation of useful lives of assets**

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

## 05. Financial Information

### **Income tax**

The Group is subject to income tax in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on its current understanding of the tax law. Where the final outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### **Employee benefits provision**

The liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### **Impairment of non-financial assets other than goodwill and other indefinite life intangibles**

The Group 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 Group 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.



# 06.

## INVESTIGATING ACCOUNTANT'S REPORT



# 06. Investigating Accountant's Report



Due Diligence Committee and the Board of Directors  
PayGroup Limited  
24-26 Second Avenue  
Box Hill North Victoria 3129  
Australia

11 April 2018

Dear Directors,

## **INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE**

### **INTRODUCTION**

Grant Thornton Corporate Finance Pty Limited ("Grant Thornton Corporate Finance") has been engaged by PayGroup Limited ("PayGroup" or the "Company") to prepare this report for inclusion in the prospectus (the "Prospectus") to be dated on or about 11 April 2018 (the "Prospectus") to be issued by the Company, in respect of the initial public offering of fully paid ordinary shares in the Company ("the Offer") and admission to the Australian Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds an appropriate Australian Financial Services Licence (AFS Licence Number 247140) under the Corporations Act 2001 for the issue of this report. This report is an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Capitalised terms used in this report have the same meaning as defined in the glossary of the Prospectus.

### **SCOPE**

#### **Statutory Historical Financial Information**

Grant Thornton Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 31 March 2015, 31 March 2016, 31 March 2017 and half year ended 30 September 2017 as described in tables 3 and 6 within section 5.5 of the Prospectus;
- Statutory historical consolidated statement of financial position as at 30 September 2017; and

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of Australian Financial Services Licensees).

Collins Square  
Level 16 Tower 1  
727 Collins Street  
Melbourne VIC 3008

Correspondence to:  
GPO Box 4736  
Melbourne VIC 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.granthornton.com.au](http://www.granthornton.com.au)

## 06. Investigating Accountant's Report



- Statutory historical consolidated cash flows before financing, taxation and dividends for the financial years ended 31 March 2015, 31 March 2016, 31 March 2017 and half year ended 30 September 2017 as described in tables 7 and 8 within section 5.6 of the Prospectus;

as set out in Tables 5 and 8 of the Prospectus (together, the Statutory Historical Financial Information).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

The Statutory Historical Financial Information has been extracted from the audited consolidated financial reports of Pay Asia Pte Ltd ("Pay Asia") and their controlled entities covering the financial years ended 31 March 2015, 31 March 2016 and 31 March 2017. The audits were undertaken by Grant Thornton Pte Ltd and YFK Public Accounting Corporation Chartered Accountants of Singapore (for Pay Asia). The audit opinions issued to the Directors of PayAsia were unmodified for the years ended 31 March 2015, 31 March 2016 and 31 March 2017, and as such stating that the consolidated financial statements give a true and fair view of the financial performance, financial position and cash flow in accordance with the local Accounting Standards. The half year ended 30 September 2017 included an adverse opinion because Pay Asia India was not included and did not include comparatives.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

### **Pro forma Historical Financial Information**

Grant Thornton Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Pro forma historical consolidated statements of profit or loss and other comprehensive income for the financial years ended 31 March 2015, 31 March 2016, 31 March 2017 and half year ended 30 September 2017;
- Pro forma historical consolidated cash flows before financing, taxation and dividends for the financial years ended 31 March 2015, 31 March 2016, 31 March 2017 and half year ended 30 September 2017; and
- Pro forma historical consolidated statement of financial position as at 30 September 2017.

as set out in the tables in sections 5.5, 5.6 and 5.7 respectively of the Prospectus (together, the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Statutory Historical Financial Information, after adjusting for the effects of pro forma adjustments described in Tables 5, 7 and 8 of Section 5 of the Prospectus respectively (the Pro forma Adjustments).

## 06. Investigating Accountant's Report



The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Historical Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at the date of the Statutory Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, or cash flows.

### Forecast Financial Information

Grant Thornton Corporate Finance Pty Limited has been engaged by the Directors to review the:

- Statutory forecast consolidated statement of profit or loss and other comprehensive income and the Statutory forecast consolidated cash flow of the Company for the financial year ending 31 March 2018 as set out in the Tables 3 and 7 in Section 5 of the Prospectus (the Statutory Forecast Financial Information). The Directors' best estimate assumptions underlying the Statutory Forecast Financial Information are described in Section 5.8.5 and 5.8.6 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies; and
- Pro forma forecast consolidated statement of profit or loss and other comprehensive income and the Pro forma forecast consolidated cash flow of the Company for the financial year ending 31 March 2018 as set out Tables 3 and 7 in Section 5 of the Prospectus (the Pro forma Forecast Financial Information). The Pro forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the Pro forma Adjustments described in Tables 5 and 8 of Section 5 of the Prospectus. An audit/review has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast Financial Information is the Company's adopted accounting policies and the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecast Financial Information and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred prior to 1 April 2017. Due to its nature the Pro forma Forecast Financial Information does not represent the Company's actual prospective financial performance and/ or cash flows for the financial year ending 31 March 2018.

(together, the Forecast Financial Information).

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial year ending 31 March 2018. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

## 06. Investigating Accountant's Report



The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in Section 7 of the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 7 and Table 15 Section 5 of the Prospectus.

The sensitivity analysis set out in Table 15 Section 5 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### **DIRECTORS' RESPONSIBILITY**

The Directors are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of the Pro forma Adjustments made to the Statutory Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the Pro forma Adjustments made to the Statutory Forecast Financial Information and included in the Pro forma Forecast Financial Information; and,
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Historical Financial Information, the Pro forma Historical Financial Information and the Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

### **OUR RESPONSIBILITY**

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information, the Pro forma Historical Financial Information, the Statutory Forecast Financial Information and the Pro Forma Forecast Financial Information, based on the procedures performed and the evidence we have obtained.

## 06. Investigating Accountant's Report



We have conducted our engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information. A review 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 reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

### **Statutory Historical Financial Information**

- a review of the extraction of the Statutory Historical Financial Information from the audited consolidated financial report of Pay Asia and their controlled entities covering the financial years ended 31 March 2015, 31 March 2016, 31 March 2017 and half year ended 30 September 2017;
- analytical procedures on the Statutory Historical Financial Information;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Statutory Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors; and
- enquiry of the Directors, management and others in relation to the Statutory Historical Financial Information.

### **Pro forma Historical Financial Information**

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of Statutory Historical Financial Information from the audited financial report for each of the periods mentioned above;
- consideration of the appropriateness of the Pro forma Adjustments described in Tables 5, 7 and 8 of Section 5 of the Prospectus;
- enquiry of the Directors, management, personnel and advisors of the Company;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies for consistency of application.

## 06. Investigating Accountant's Report



### Forecast Financial Information

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast Financial Information in preparing the Pro forma Forecast Financial Information.

### CONCLUSIONS

#### Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 5.3.2 of the Prospectus.

#### Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 5.3.3 of the Prospectus.

#### Statutory Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Statutory Forecast Financial Information do not provide reasonable grounds for the Statutory Forecast Financial Information;
- ii. in all material respects, the Statutory Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 5.3.4 of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards; and
- iii. the Statutory Forecast Financial Information itself is unreasonable.

## 06. Investigating Accountant's Report



### Pro forma Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast Financial Information do not provide reasonable grounds for the Pro forma Forecast Financial Information;
- ii. in all material respects, the Pro forma Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 5.3.4 of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast Financial Information and the Pro forma Adjustments as if those adjustments had occurred prior to 1 April 2017; and
- iii. the Pro forma Forecast Financial Information itself is unreasonable.

### Restrictions on Use

Without modifying our conclusions, we draw attention to Section 5.3 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

### Consent

Grant Thornton Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

### Disclosure of Interest

Grant Thornton Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Grant Thornton Audit Pty Ltd is the auditor of the Company.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

Peter Thornely  
Partner and Authorised Representative





# 07.

---

## KEY RISKS

## 07. Key Risks

This Section identifies some, but not all, of the major risks associated with an investment in the Company. You should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for Shares.

### 7.1 Speculative nature of investment

You should be aware that subscribing for Shares involves various risks. The Shares to be issued pursuant to the Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. An investment in Shares of the Company should therefore be considered very speculative.

### 7.2 Business risks associated with the Company

#### (a) Failure to retain existing clients and attract new clients

The Group's success depends on its ability to continue to retain its current client base, organically grow the service requirements of those existing clients and attract new clients. This could be impacted by a number of factors including but not limited to:

- the level of contract renewal for existing clients including failure to increase adoption and usage of the Group's product offering;
- the possibility of clients exercising or PayGroup triggering any early termination rights under an existing BPO service contract or other service contract;
- the Group's ability to persuade potential clients to change their current business processes and take up the Group's product offering;
- the Group's ability to meet clients' demands for new products in a timely manner;
- cost-effectiveness and pricing of the Group's product offering;
- the availability of competing products in the market (including new market entrants);
- software/product capabilities and performance;
- the ability to anticipate and quickly respond to changing technology, opportunities, regulatory requirements, industry standards or client requirements in the industry (i.e. first mover advantage); and
- the Group's reputation.

The Group cannot guarantee that it will continue to increase its revenue from existing or new clients. Failure to retain existing clients or attract new clients will materially impact the Group's ability to generate revenue which will have an adverse effect on the Group's operating and financial performance.

#### (b) Disruption/failure of the software/Cloud HCM modules

A disruption in the functionality or operation of the Group's HCM software modules or generally any software failure, information systems failure, external services (network) failure – would have serious consequences in the ability of the Group to deliver its HCM and potentially BPO systems. This could occur through software problems, hacking, unauthorised use or the introduction of a virus into the software system. A number of criminal organisations have used viruses to interrupt business operations in software based modules. Any disruption could also significantly impact on clients (for example in delivery of payroll functions or in cross contamination). While the Group undertakes measures to prevent and detect the occurrence of such attempts to compromise the Group's HCM software modules, there is a risk that such measures may not be adequate.

## 07. Key Risks

### **(c) Disruption of business operations**

The Group and its clients are exposed to a large range of operational risks relating to both current and future operations. Such operational risks include fraud/dishonesty by its employees or service providers, occupational health & safety (as the Group has a significant number of employees particularly in Singapore and India), industrial action or disputes and natural disasters. With respect to software failure and information systems failure, the Group's BPO division has a primary server and a back-up server in two different locations within Singapore. While the Group endeavours to take appropriate action to mitigate these operational risks (e.g. back up server) the Group cannot remove all possible risks of disruption to its business operations, and it cannot control the risks its clients are exposed to. The Group has not insured against the disruption of business operations. A disruption in the Group's operations or those of its clients may have an adverse impact on the Group's growth prospects, operating results and financial performance.

### **(d) Loss and theft of data/failure to implement secure data controls**

The Group's business operations involve the storage of its clients' confidential, personal and sensitive information (including for example information relating to the client's employees, payroll and other financial information). The Group's business could be materially disrupted by privacy/data breaches which may impact the security of a client's information/data. This could occur through theft, unauthorised access (e.g. hacking), unauthorised disclosure of confidential client information (including exploitation of data) or loss of information (e.g. system problems). While the Group undertakes measures to prevent and detect the occurrence of such security breaches, there is a risk that such measures may not be adequate. Any security breach may result in significant disruption to the Group's business or the operations of its clients including rendering such operations unavailable for a period of time until the data is restored. A security breach could also have an adverse impact on the Group's growth prospects, operating results, reputation and financial performance.

### **(e) Failure or delays in a disaster recovery scenario**

The ability to implement disaster recovery is a key risk mitigator for any business which stores data or operates software programs (particularly where large amounts of data is stored in the "Cloud"). The Group's operations in its Cloud based HCM modules or software solutions or generally in respect of its BPO Payroll Services results in the Group storing significant and confidential data for its clients. There is no guarantee that in a disaster scenario the Group will be able to recover that data and continue the provision of the Group's services/software modules in a timely manner. Where there is a failure or delay in a disaster recover scenario to recover data and continue provision of services to the Group's clients, the Group's reputation may be adversely affected and the Group may be exposed to damages claims from clients.

### **(f) Reliance on key software/software development**

The Group's business model heavily depends on its ability to maintain the functionality of its software (including rectifying any errors or performance issues) and adapt its software to its client's needs/preferences, industry standards and any changes in regulatory requirements. Failure to maintain or continue development of its software effectively and in a timely manner may result in a loss of clients or inability to attract new clients which may have a material adverse effect on the Group's sales revenue and reputation. There is also a significant risk of the development and introduction of new competitive software by third parties which may result in the Group losing clients or not attracting new clients. Further the Group's in-licensed software is subject to third party contracts capable of termination on reasonable notice. While the Group constantly monitors new software modules and competitive suppliers - there is a risk that the third party licenses for some or all of its in-licensed software may be terminated. For further risk considerations on in-licensed software see section 7.3(a) below.

## 07. Key Risks

### **(g) Reliance on key personnel**

The Group currently employs a number of key management personnel, and the Group's future depends on retaining and attracting suitably qualified personnel. The Group has included in its employment with key personnel provisions aimed at providing incentives and assisting in the recruitment and retention of such personnel. It has also, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Group. Despite these measures, however, there is no guarantee that the Group will be able to attract and retain suitably qualified personnel, and a failure to do so could materially and adversely affect the business, operating results and financial prospects.

### **(h) Competition**

The human resources and talent management industry is highly competitive and includes companies with significantly greater financial, technical/software, human, research and marketing resources than the Group. There is a risk that existing or new competitors could increase their market share through new enhanced product offerings, strategic alliances, discounted pricing or strategic marketing campaigns. As a consequence, the Group's current products may become obsolete or uncompetitive, resulting in loss of clients, adverse effects on revenue, margins and profitability.

### **(i) Regulatory risk**

The Group and its operations/services are subject to various laws and regulations (particularly in Singapore) including but not limited to employment, accounting standards and tax laws in a number of jurisdictions. Changes in these laws and regulations (including interpretation and enforcement) in any of these jurisdictions could adversely affect the Group's financial performance. Laws and regulations are specific to each geographic location. Additionally, if the Group fails to remain compliant with these various regulatory requirements, there is a risk that the Group's financial performance could be adversely affected.

### **(j) Currency risk**

Revenue and expenditures in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. The Group's operations cover a wide range of countries and foreign currencies. Accordingly, payment will be made in those countries' currencies, and may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar. The Group has no plans at this stage to hedge its foreign currency payments.

### **(k) Reputational risk**

The Group's failure to protect its reputation could have a material adverse effect on the Group including its brand and profitability. The Group's brand could be jeopardised if it fails to maintain quality services or if the Group, or the third parties with whom it does business, fail to comply with regulations or accepted business practices (including ethical, social, product, labour and environmental standards, or related political considerations). If damage were to occur to the reputation of the Group or its third party contractors, the demand for the Group's products/and services may be reduced. This will likely have an adverse effect on revenue margins, profitability and the Group's operations.

### **(l) Pricing risk**

A key component of the Group's business model is its ability to generate revenue. While the Group continuously monitors its pricing offered to clients, there is a risk that the Group's product pricing could become uncompetitive which may result in a decrease in product uptake and a loss of clients. Additionally, upon the expiry of a contract term, there is a risk that the Group may need to provide certain discounts to its service fees to retain clients for an additional term. If so, this would result in a reduction in the revenue received by the Group which could have a material adverse effect on the Group's financial performance.

## 07. Key Risks

### **(m) Redundancy risk**

There is a risk that the Group could experience system failures and electrical outages from time to time, which could disrupt the Group's operations and its ability to provide services. The Group's servers and routers are currently hosted in a single location which poses site redundancy risk. Such an occurrence could have an adverse impact on the Group's operating results, reputation and financial performance. Daily backups of the environment are made and in the BPO division offsite backups are conducted monthly to minimise this risk.

### **(n) Failure to effectively manage growth**

The Group anticipates continued growth in operations. Failure to adequately manage growth and its resulting resources and working capital requirements could place a strain on the current human, financial and operational resources (including infrastructure). This could have a material adverse effect on the Group's ability to retain certain clients/attract potential new clients.

### **(o) Recognition of revenue risks**

The Group recognises revenues in accordance with Accounting Standards AASB 118. In particular, the Group's recurring revenues are based on the initial term (fixed) contracts (subject to customary early termination events), typically beginning in the month that the client entity goes Live. The Group's services revenue is recognised over the implementation period, which is from the contract execution date until the Live date. Some revenues realised in any given reporting period could relate to agreements entered into during a previous reporting period. If the Group were to experience a decrease in demand for its products or a reduction in its existing client base, there is a risk that such occurrences may not be accurately reflected in the revenue results for that period. However, such occurrences are likely to negatively affect the Group's financial results for a subsequent financial reporting period.

### **(p) Contractual and counterparty risks**

As a party to many contracts, the Group will have various contractual rights in the event of non-compliance by a contracting party. However, no assurance can be given that all contracts will be fully performed by all contracting parties and that the Group will be successful in securing compliance with the terms of each contract by the counterparties to its contracts.

Likewise the Group has entered into a number of client contracts with clients which have time critical obligations upon the Group. A breach or failure to satisfy the Group's obligations under such client contracts would expose the Group to litigation and damage claims from those counterparties. The Group is not currently involved in any material contractual disputes or litigation, arbitration or government prosecution matters. There is a risk that the Group may in the future have disputes with its clients, service providers or other third parties (including payment disputes) and this may have an adverse impact on the Group's growth prospects, operating results and financial performance.

## **7.3 The Group's intellectual property/software rights**

### **(a) In-License and any infringement of third party IP**

The Group has in-licensed software from a number of suppliers. The Group uses and also on-licenses some of those software programs to its clients. The Group's in-licensed software agreements are typically for a limited initial period and thereafter capable of termination by either party. If a major in-licensed software agreement was terminated and the Company was not able to source alternative compatible software, it could materially adversely impact on the Group's ability to conduct business.

Likewise if a third party accuses the Group of infringing its IP rights or if a third party commences litigation against the Group for the infringement of patent or other IP rights, the Group may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Group incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time.

## 07. Key Risks

In addition, parties making claims against the Group may be able to obtain injunctive or other equitable relief that could prevent the Group from further developing discoveries or commercialising its products and service offering. In the event of a successful claim of infringement against the Group, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in its product and service introductions and loss of substantial resources while it attempts to develop alternative products and services. Defence of any lawsuit or failure to obtain any of these licenses could prevent the Group or its partners from commercialising available products and services and could cause it to incur substantial expenditure.

### 7.4 General risks

Most of the general risks discussed below are outside the control of the Group and the Directors and cannot be mitigated.

#### (a) Market for Shares

Prior to the Offer there has been no public market for the Shares. No assurance can be given that an active market will develop in the Shares or that the Shares will trade at or above the Offer Price after the Shares have been listed on the Official List and after Official Quotation.

#### (b) Stock Market Volatility

The price of Shares may rise or fall depending upon a range of factors beyond the Company's control and which are unrelated to the Group's operational performance. Investors who decide to sell their Shares after the Company's Listing may not receive the entire amount of their original investment. The price of Shares listed on ASX may also be affected by a range of factors including the Group's financial performance and by changes in the business environment.

The Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX.

There are a number of national and international market factors that may affect the Share price including movements on international stock markets, economic conditions and general economic outlook, interest rates and exchange rates, inflation rates, commodity supply and demand, government taxation and royalties, legislation, monetary and other policy changes and general investors' perceptions. Neither the Company nor its Directors have control over these factors.

#### (c) General economic conditions

The general economic climate may affect the performance of the Group. These factors include the general level of international and domestic economic activity, inflation and interest rates. These factors are beyond the control of the Group and their impact cannot be predicted.

#### (d) Changes in laws and government policy

Changes in laws and government policies including changes to the Group's industry, both domestically and internationally, may adversely affect the financial performance or the current and proposed operations of the Group and the attractiveness of an investment in the Company. Privacy is one example where the laws, regulations and government policies have been subject to change.

#### (e) Taxation

There are tax implications arising from buying and selling Shares, the receipt of dividends (both franked and unfranked) (if any) from the Company and participation in any on-market Share buy-back. You should seek your own independent taxation advice before applying for Shares. As most of the Group's activities and revenue is outside Australia, dividends are likely to be "unfranked" (see Section 5.9 for more information).



## 07. Key Risks

### **(f) Insurance risks**

Although the Company maintains insurance, no assurance can be given that adequate insurance will continue to be available to the Company in the future on commercially acceptable terms.

### **(g) Government actions and other events**

The impact of actions by domestic and international governments may affect the Group's activities, including in relation to its infrastructure, compliance with environmental regulations, export, taxation and royalties.

Events may occur within or outside Australia that could impact on the world economy, the market for the Group's product and service offerings, the Company's operations and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural disasters. The Company has only a limited ability to insure against some of these risks.

### **(h) Unforeseen expenses**

The proposed expenditure on the Group's projects may be adversely affected by any unforeseen expenses which arise in the future and which have not been considered in this Prospectus.

## 7.5 No Independent Valuation

No independent valuation has been undertaken of the Company for the purposes of the Listing. Directors do not believe that an independent valuation would be meaningful given the likely qualifications and limitations in such valuations in a capital raising context and the difficulties and high cost of determining the likely commercial success of the Company, its technologies and products.

## 7.6 Prospective Information

There can be no guarantee that the assumptions on which the financial forecasts and development strategies of the Board, or those upon which the Company bases its decisions to proceed, will ultimately prove to be valid or accurate. The forecasts and development strategies depend on various factors many of which are outside the control of the Company.

Changes in interest rates, exchange rates, government budgetary measures, relevant taxation and other legal regimes and government policies may adversely affect the Group.

The Directors expect that the proceeds of the public capital raising and borrowings will provide sufficient capital resources to enable the Company to achieve its current business objectives. The Directors can give no assurance, however, that such objectives can be met without future financing or, if future financing is necessary, that it can be obtained on favourable terms.

## 7.7 Concluding Comment

The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by the Company/Group or by you as an investor in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares. Investment in the Company must be regarded as highly speculative and neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantees that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the Shares, including those offered by this Prospectus, will be achieved.





**08.**

---

**ADDITIONAL  
INFORMATION**

## 08. Additional Information

### 8.1 Company Information

PayGroup Limited (ACN 620 435 038) was incorporated on 13 July 2017 under the Corporations Act as a public company limited by shares. The Company will be taxed as a public company and its statutory accounts will be made up to 31 March annually. In April 2018, the Company entered into the Share Swap Agreement to acquire the total issued share capital of Pay Asia Pte Limited which is to complete on the Company raising at least \$5.5 million and obtaining conditional approval from the ASX for admission to the ASX Official List.

The Company (under its former name “PeoplesHR Limited”) had attempted to raise funding and issued a disclosure document dated 14 November 2017 – which disclosure document was subsequently withdrawn. Since the withdrawal of that disclosure document the proposed acquisition of hSenid Business Solutions (Private) Limited (Company Registration Number NPVS43483, a company incorporated in Sri Lanka) (**hSenid**) has not been completed and as a result the name “PeoplesHR” could not be used.

The Group’s software applications and modules are predominately owned by or in-licensed to the Group and were not impacted by the termination of the hSenid acquisition agreement (disclosed in the Company’s disclosure document dated 14 November 2017).

The Company also issued a disclosure document on 23 February 2018 which was also withdrawn based on strong institutional demand to increase the capital raise amount to a maximum of \$8,500,000 (previously \$7,500,000 as outlined in the prospectus dated 23 February 2018) and to enable the preparation of the Company’s half-year audit reviewed accounts to 30 September 2017 (now contained in Section 5).

BPO and HCM solutions and services remains the Group’s core focus and Investors should consider this history (and this entire Prospectus) in determining whether to subscribe for any Shares in the Company.

### 8.2 Share capital structure

Following the completion of the Offer the shareholding structure\* in the Company will be as follows:

Shareholder	Based on Minimum Subscription being raised		Based on Maximum Subscription being raised	
	Shares	%	Shares	%
Existing Shares on issue prior to the Offer (pursuant to the Share Swap Agreement and Shares issued under the Employee Share Plan)	34,671,466	75.91%	34,671,466	67.09%
New Shares offered under this Prospectus	11,000,000	24.09%	17,000,000	32.90%
<b>Total number of Shares on issue on completion of the Offer</b>	<b>45,671,466</b>	<b>100.00%</b>	<b>51,671,466</b>	<b>100%</b>

\* Under the Share Swap Agreement, the existing shareholders of PayAsia swap their shares for Shares in the Company.

### 8.3 Company’s Constitution

The Shares offered under this Prospectus are fully paid ordinary shares in the capital of the Company. A summary of the more significant rights attaching to the Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company members.

- **Ranking** – The Shares will be ordinary shares and will rank equally in all respects with the ordinary shares in the Company on issue prior to the Prospectus Date.
- **Reports and notices** – Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the Constitution of the Company and the Corporations Act.

## 08. Additional Information

- **General meetings** – Subject to any preferential or special rights attaching to any Shares that may be issued by the Company in the future, members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Corporations Act and the Constitution of the Company.
- **Voting** – At a general meeting of the Company every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held.
- **Reduction of capital** – Subject to the Corporations Act and Listing Rules, the Company may resolve to reduce its share capital by any lawful manner as the Directors or shareholders may approve.
- **Dividends** – Subject to the Corporations Act, the Directors may resolve to pay any dividend it determines to be appropriate and fix the time for payment. The Company will not pay interest on unpaid dividends.
- **Winding up** – Members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the Shares held by them respectively.
- **Transfer of Shares** – Shares in the Company may be transferred in any form authorised by the Corporations Act or approved by the Directors and in the manner prescribed by the Constitution of the Company, the Corporations Act, the Listing Rules or the ASX Settlement and Operating Rules. The Directors may subject to the Listing Rules and the ASX Settlement and Operating Rules, request an ASX approved clearing and settlement facility to apply a holding lock to prevent any transfer of Shares. The Directors may refuse to register a paper based transfer of a share in particular circumstances.
- **Issue of further Shares** – The Directors control the allotment, issue, grant of options in respect of and disposal of Shares. Subject to restrictions on the allotment of Shares and grant of options to Directors or their associates and the Corporations Act, the Directors may allot, grant options or otherwise dispose of Shares on such terms and conditions as they see fit.
- **Takeover approval provisions** – Any proportional takeover scheme must be approved by those members holding Shares included in the class of shares in respect of which the offer to acquire those Shares was first made. The registration of the transfer of any Shares following the acceptance of an offer made under a scheme is prohibited until that scheme is approved by the relevant members.
- **Application of Listing Rules** – On admission to the Official List of the ASX then, despite anything in the Constitution of the Company, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require a Constitution to contain a provision or not to contain a provision, the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of that inconsistency.

## 08. Additional Information

### 8.4 CHESS

The Company will apply to be admitted to participate in CHESS, in accordance with the ASX Listing Rules and the ASX Settlement and Operating Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of Shares.

The Company will not issue certificates to Shareholders. Shareholders who elect to hold Shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allotted to the Shareholder under this Prospectus. For Shareholders who elect to hold the Shares on the CHESS sub-register, the Company will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide Shareholders with a holding statement that confirms the number of Shares (as the case may be) held.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial holding statements to all Shareholders, a holding statement will also be provided to each Shareholder at the end of any subsequent month during which the balance of that Shareholder's holding of Shares changes.

### 8.5 Restricted Securities and Escrow Arrangements

#### (a) Mandatory escrow

ASX may, as a condition of granting the Company's application for Official Quotation of its Shares, classify certain of its Existing Shares as restricted securities. Any such classification will restrict the transfer of effective ownership or control of any restricted securities without the written consent of the ASX and for such period as the ASX may determine. The terms of any such restriction or escrow arrangements will be determined by the ASX in accordance with the ASX Listing Rules. Details of any such restriction or escrow arrangements will be disclosed prior to commencement of Official Quotation of the Company's Shares.

#### (b) Voluntary escrow

If the ASX does not impose mandatory escrow pursuant to the ASX Listing Rules (as detailed above), the following existing Shareholders have agreed to enter into a voluntary escrow arrangement with the Company (**Escrowed Shareholders**):

Escrowed Shareholder	Number of Shares to be escrowed	Share-holding post IPO (%) at Minimum Subscription	Voluntary escrow period
Michele Samantha Samlal - Founding Shareholder	22,080,706	48.30%	24 months from the Listing Date
Lawrence Pushpam - Founding Shareholder	7,051,953	15.40%	24 months from the Listing Date
Employees (ESP)	2,417,450	5.30%	24 months from the Listing Date
Simon & Sally Forrester Australia Superannuation Fund	1,213,861	5.30%	6 months from the Listing Date
Nancy Chandler Koglmeier	346,818	1.50%	6 months from the Listing Date

## 08. Additional Information

Under the voluntary escrow arrangement, each Escrowed Shareholder will be restricted from dealing with their Shares for a period of up to 24 months from the date of the Company's Listing on the ASX (**Voluntary Escrow Shares**).

These escrow arrangements will prevent the Escrowed Shareholders from:

- (**disposal**) disposing of, or agree or offer to dispose of, the Voluntary Escrow Shares or any legal, beneficial or economic interest in them;
- (**security interest**) creating, or agreeing or offer to create, any security interest or other encumbrance in the Voluntary Escrow Shares or any legal, beneficial or economic interest in the Voluntary Escrow Shares; or
- (**control**) doing, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of the Voluntary Escrow Shares or any legal, beneficial or economic interest in the Voluntary Escrow Shares.

There are limited circumstances in which the Voluntary Escrow Shares may be released from escrow, namely:

- (**takeover bid**) to allow the Escrowed Shareholders to accept a takeover bid made under Chapter 6 of the Corporations Act;
- (**scheme**) to allow the transfer or cancellation of the Voluntary Escrow Shares as part of a scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act; or
- (**court order**) if required by applicable law (including an order of a court of competent jurisdiction).

### 8.6 ASX and ASIC waivers

Where no ASX mandatory escrow is imposed (see Section 8.5(a)), the Company intends to apply to ASIC for relief modifying Section 609 of the Corporations Act so that the Company will not have a relevant interest in Shares merely because it requires the holder of those Shares to enter into a voluntary escrow agreement.

### 8.7 Taxation and dividends

There is no guarantee of the payment of any dividends or like distributions to Shareholders by the Company and the ability to pay any dividends will be dependent on the Group generating sufficient revenue and profits to support the payment of dividends. Past returns/financial performance of the Group is no guarantee of future performance.

Dividends received by Australian tax resident Shareholders will be assessable income for Australian tax purposes. Generally, both the amount of the cash dividend received and an amount equal to the franking credits attached to a franked dividend must be included in assessable income. Generally, an Australia resident Shareholder would then be entitled to a franking offset against income tax on this assessable dividend income.

As outlined in this Prospectus, the Group's business activities are predominantly conducted outside Australia. The Company anticipates the revenue from those business activities will not be taxed in Australia. **Accordingly it is anticipated that any dividends declared by the Company will not be franked or carry franking credits.** However, for completeness the Company notes the following:

- generally, franking credits attached to franked dividends must be grossed-up and included in assessable income. This offset is then available to be applied against tax payable;
- securities (including Shares) must be held 'at risk' for a period of 45 days, in order for any investor to be able to claim an offset for franking credits;

## 08. Additional Information

- the tax treatment in respect of the dividends from Shares will vary depending on the nature of the investor. The tax treatment for the different types of investors is detailed below:
  - › **Individual Investors:** An individual receiving a dividend that is unfranked will include the amount of the dividend in the individual's assessable income, with tax being paid at the individual's marginal rate of tax.
  - › **Company Investors:** A company investor receiving an unfranked dividend will pay tax on this dividend (net of any allowable deductions) at the corporate tax rate which is currently 30% (unless the company qualifies for the lower small business company tax rate, which is currently 27.5%).

Should any dividend be franked, the shareholder company will be entitled to offset the franking credit against its tax liability for the year. To the extent that the franking credit exceeds the shareholder company's tax liability, the excess can be converted into a carry forward loss and offset against future taxable profits (subject to the loss testing rules for companies).

Further, the franked dividend may give rise to a franking credit in the shareholder company's franking account.

- › **Complying Superannuation Funds:** Complying Superannuation Funds (which includes SMSFs) will be assessed on unfranked dividends and pay tax at a rate of 15%.

As indicated it is anticipated that dividends will be unfranked, accordingly the Shareholders will not receive any tax offset (for example in respect of "franking").

### 8.8 Index to Material Contracts

The following contracts are considered by the Directors to be material for the purposes of this Prospectus or may be relevant to a potential investor and have been divided into the following categories:

- (a) Section 8.9 – Share Swap Agreement between the Company and all of the shareholders of Pay Asia Pte Limited.
- (b) Section 8.10 – material contracts relating to other operational agreements with the Company.

### 8.9 Share Swap Agreement

In April 2018, the Company entered into a Share Swap Agreement (**Share Swap Agreement**) to purchase the total issued share capital of PayAsia. In consideration for the total issued share capital of PayAsia, the existing shareholders of PayAsia will receive Shares in the Company (i.e. a share swap). As a result, PayAsia will become a wholly owned subsidiary of the Company. Limited warranties and representations have been given by the existing shareholders of PayAsia – reflecting the exchange of shares as part of the internal restructure for the purposes of the capital raising under this Prospectus.

This share swap transaction as contemplated by the Share Swap Agreement is conditional on the Company raising a minimum of \$5.5 million and obtaining conditional approval from the ASX for admission to the ASX Official List (**Conditions Precedent**).

If the Conditions Precedent are not satisfied the Share Swap Agreement will terminate and cease to have any operation or effect.

### 8.10 Operational agreements

#### (a) Lead Manager Agreement

PayGroup has entered into a Lead Manager Agreement with Lodge Corporate Pty Ltd ABN 50 125 323 168 (**Lead Manager Agreement**).

The Lead Manager has agreed to exclusively manage the Offer on the terms and conditions set out in the Lead Manager Agreement.

The Lead Manager Agreement provides for payment of a management fee of 2% of the gross proceeds of the Offer (plus GST) and a selling fee of 4% of the gross proceeds of the Offer (plus GST). Certain other reasonable "out of pocket" expenses (such as legal fees, travel and accommodation expenses) are also payable.



## 08. Additional Information

The Company provides warranties to the Lead Manager in relation to its power to enter into and comply with the Lead Manager Agreement and to make the Offer. The Company also provides a number of customary indemnities Lead Manager and each of the directors and employees (including an indemnity against losses suffered from a breach of the Lead Manager Agreement or defect in the Prospectus caused by the Company providing information which is incomplete, inaccurate or misleading).

The Lead Manager Agreement sets out a series of termination events. If one or more of the events listed in the Lead Manager Agreement occur, the Lead Manager may in certain circumstances by written notice to the Company terminate the Lead Manager Agreement. Those events include, but are not limited to, the following:

- **(All Ordinaries Index):** The S&P/ASX 200 Index, All Ordinaries Index or Small All Ordinaries Index falls, at any time on any three successive trading days, to a level which is more than 10% below the level of the S&P/ASX 200 Index, All Ordinaries Index or Small All Ordinaries Index at the close of business on the Business Day prior to signing the Lead Manager Agreement;
- **(Change in Law):** There is a new law or policy is announced, introduced or adopted subsequent to the date of the Lead Manager Agreement which does or is likely to prohibit or restrict or have a materially adverse effect upon the Offer;
- **(Supplementary Prospectus):** ASIC or the ASX determines that a supplementary or replacement prospectus must be lodged with ASIC in accordance with the Corporations Act and the Company does not do so in the form, with the content and within the time reasonably required;
- **(Hostilities):** An outbreak of hostilities not presently existing or an escalation of hostilities (whether or not war has been declared) involving any one or more of specified countries including (but not limited to) Australia, New Zealand, the United Kingdom, the United States of America, the People's Republic of China (including Hong Kong) and the hostilities are likely to have a materially adverse effect on the Offer;
- **(ASIC Stop Order):** ASIC holds or gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act or makes an order under sections 739(1), 739(3) or 739(4) of the Corporations Act; and
- **(Criminal Offence):** Any director or member of the senior management of the Company is charged with a criminal offence relating to a financial or corporate matter.

### **(b) Agreements: Employees and Consultants**

The Company has entered into agreements with employees and consultants. Each of these agreements contains a confidentiality clause. The terms of those agreements with regards to confidentiality are standard in that they impose restrictions on the disclosure of confidential information and restrictions on the use of confidential information, except for the purposes for which it has been disclosed. The agreements are subject to the usual exclusions in relation to information that was in the public domain when disclosed, that comes into the public domain after disclosure, other than as a result of the recipient's breach of the agreement or was in the recipient's possession when disclosed. Some agreements contain other exclusions relating to disclosure required by law to the extent required to be so disclosed.

### **(c) Directors' deeds of indemnity, insurance and access**

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. The key features of this deed may be summarised as follows:

- (i) to the extent permitted by law, the Company:
  - indemnifies each of the Directors against any liability (excluding liability for legal costs) incurred by the Director as an officer or former officer of the Company;
  - indemnifies the Director against any reasonable legal costs incurred as a result of the Director defending an action for any liability incurred by the Director as an officer or former officer of the Company;
  - releases the Director from any present, future or contingent claims that arise directly or indirectly from the Director's position acts or omissions as an officer or former officer of the Company;



## 08. Additional Information

- (ii) the Company must, where possible, maintain appropriate insurance cover in favour of the Director during the term of the Director's appointment for at least a period of seven years after the Director ceases to be an officer of the Company on terms that are reasonably prudent to the Company;
- (iii) the Director, during his or her appointment and for a period of ten years after the Director ceases to be an officer of the Company, may inspect any books and records of the Company in certain circumstances and for particular purposes; and
- (iv) the Director is entitled to retain any board documents, including minutes of board meetings or committees. These documents will become the property of the Director at the time they are supplied to the Director. Notes of board meetings or other communications made by the Director will remain the property of the Director.

### 8.11 Interests and Consents of Experts

Except as disclosed in this Prospectus:

- (a) No expert, or firm in which any expert is a partner, has any interest that existed when a copy of the Prospectus was lodged with the ASIC for registration, nor had any such interest within 2 years before lodgement of the Prospectus for registration, in the promotion of the Company or has received or is entitled to receive any sum for services rendered by the expert or the firm in connection with the promotion or formation of the Company, or in any property proposed to be acquired by the Company in connection with the promotion or formation.
- (b) No amounts have been paid or agreed to be paid to any expert, or any firm in which any expert is a partner, for services rendered in connection with the promotion or formation of the Company.

In accordance with the terms of their engagement Grant Thornton Corporate Finance Pty Ltd (**Grant Thornton**) has prepared its Investigating Accountant's Report which forms part of this Prospectus. In aggregate, Grant Thornton Corporate Finance Pty Ltd (as auditors for the Company) will be paid \$170,000 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

In accordance with the terms of their engagement, K&L Gates as Australian Legal Advisors for the Company will be paid \$350,000 (plus GST) for services provided in connection with this Offer and may receive further payments in accordance with its normal time based charges.

In accordance with the terms of their engagement, Lodge Corporate Pty Ltd as the Lead Manager will be paid aggregate fees of 6% of the offer (plus GST). For commission and management fees in connection with this offer.

#### (c) Grant Thornton – Investigating Accountant

Grant Thornton has given and not withdrawn its written consent to being named as Investigating Accountant for the Company in the Prospectus in the form and context in which it is named and the issue of the Prospectus with its Investigating Accountant's Report dated 11 April 2018 in the form and context in which it is included and to all references to that report in the Prospectus in the form and context in which those references are included.

Grant Thornton has only participated in the preparation of the Prospectus to the extent of preparing its Investigating Accountant's Report. Grant Thornton was not involved in the preparation of any other part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Except as provided above, Grant Thornton does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

## 08. Additional Information

### **(d) Grant Thornton – Auditor**

Grant Thornton has given and not withdrawn its written consent to being named as Auditor for the Company in the Prospectus in the form and context in which it is named.

Grant Thornton was not involved in the preparation of any part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Grant Thornton does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for any statement in or omissions from this Prospectus.

### **(e) K&L Gates – Legal Adviser**

K&L Gates has given and not withdrawn its written consent to be named herein as Australian Legal Advisers to the Company in the form and context in which it is so named. K&L Gates does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

### **(f) Computershare Investor Services Pty Limited – Share Registry**

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus

### **(g) Lodge Corporate Pty Ltd – Lead Manager**

Lodge Corporate Pty Ltd has given, and at the time of lodgement of this Prospectus, has not withdrawn its consent to be named as Lead Manager to the offer of securities under this Prospectus, in the form and context in which it is named.

Lodge Corporate Pty Ltd was not involved in the preparation of any part of this Prospectus and did not authorise or cause the issue of this Prospectus. Lodge Corporate Pty Ltd makes no express or implied representation or warranty in relation to the Company, this Prospectus or the offer and does not make any statement in this Prospectus, nor is any statement in it based on any statement made by Lodge Corporate Pty Ltd. To the maximum extent permitted by law, Lodge Corporate Pty Ltd expressly disclaims and takes no responsibility for any material in, or omission from, this Prospectus other than the reference to its name.

## **8.12 Costs of the Offer**

If the Offer proceeds, the total estimated costs of the Offer, including legal fees incurred, registration fees, fees for other advisors, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately between \$1.304m and \$1.484m depending on the minimum and maximum raise (plus GST).

## **8.13 Legal Proceedings**

There is no litigation of a material nature or threatened which may significantly affect the Company or its activities.

## **8.14 Governing Law**

This Prospectus and the contracts that arise from the acceptance of Applications are governed by the law applicable in Victoria and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

## 08. Additional Information

### 8.15 Directors Responsibility Statement

The Directors of the Company state that for the purposes of section 731 of the Corporations Act, they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by section 716(2) of the Corporations Act and have not withdrawn that consent before lodgement of this Prospectus with ASIC.

Each Director consents to the lodgement of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisers of the kind with whom Applicants may reasonably be expected to consult; and
- information is known to Applicants or their professional advisers by virtue of any legislation or laws of any State or Territory of Australia or the Commonwealth of Australia.

### 8.16 Authorisation

This Prospectus is issued by the authority of the Board of the Company.

Dated: 11 April 2018

A handwritten signature in black ink, appearing to read 'Ian Basser', with a large circular flourish underneath.

**Mr Ian Basser**  
Non-Executive Chairman  
PayGroup Limited



# 09.

## GLOSSARY

## 09. Glossary

Term/Abbreviation	Explanation
A\$ or AUD\$	Australian dollars
AEST	AEST means Australian Eastern Standard Time
A-IFRS	Australian equivalents to International Financial Reporting Standards
Applicant	A person who submits an Application
Application	An application made to subscribe for Shares offered under this Prospectus
Application Form	The form accompanying or attached to this Prospectus by which an Applicant may apply for Shares
Application Monies	The amount accompanying an Application Form submitted by an Applicant
API	Application Programming Interface
ASIC	The Australian Securities and Investments Commission
ASX	Australian Securities Exchange or ASX Limited (ABN 98 008 624 691) as the context requires
ASX Bookbuild Facility	ASX Bookbuild Facility means the automated on-market bookbuild facility operated by the ASX to enable a trading participant acting on behalf of an entity to offer and allocate financial products and to enable trading participants to enter bids for those financial products (including where financial products are offered, bid for and allocated by way of the purchase and immediate exercise of rights to subscribe for those financial products).
ASX Listing Rules	The official listing rules of ASX
ASX Settlement Operating Rules	The operating rules of ASX Settlement Pty Limited (ABN 49 008 504 532)
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
Board	The board of directors of the Company
BPaaS	Business Process as a Service
BPO	Business Process Outsourcing
BPO Payroll Services	Consists of administrative services and support provided by external parties for payroll and related processes
Broker(s)	Any one or all ASX participating organisation(s) agreed by the Issuer and Lodge
CAGR	Compound annual growth rate
CGT	Capital gains tax

## 09. Glossary

Term/Abbreviation	Explanation
<b>CHESS</b>	Clearing House Electronic Subregister System operated in accordance with the Corporations Act
<b>Closing Date</b>	The date at which the Offer closes as outlined in the Key Offer Information section of this Prospectus
<b>Cloud</b>	Cloud software in its most basic configuration is the ability to store and access data/programs over the Internet instead of your computer's hard drive located at the business premises
<b>Company</b>	PayGroup Limited (ACN 620 435 038)
<b>Constitution</b>	The constitution of the Company
<b>Corporations Act</b>	Corporations Act 2001 (Cth)
<b>Director(s)</b>	The director or directors of the Company
<b>Dividend Yield</b>	Dividend yield calculated on an annualised basis at the Offer price
<b>DPS</b>	Dividend per Share
<b>EBIT</b>	Earnings before interest and tax
<b>EBITA</b>	Earnings before interest, tax and amortisation
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>Emerging Asia/Pacific</b>	India, Indonesia, Malaysia
<b>ERP</b>	Enterprise Resource Planning
<b>Escrow Shareholders</b>	Has the meaning given in Section 8.5 of this Prospectus
<b>Existing Shares</b>	Shares held by the existing Shareholders as at the Prospectus Date and immediately prior to the allotment of Shares under the Offer
<b>Expenditure Program</b>	The anticipated expenditures to be incurred by the Company and funded by the capital raising under this Prospectus as detailed in Section 3 of this Prospectus
<b>Exposure Period</b>	The period specified in section 723(3) of the Corporations Act, being a minimum period of 7 days (or 14 days if extended by ASIC) after the lodgement of the Prospectus with the ASIC during which the Company may not accept Applications
<b>Forecast Period</b>	Financial year ending 31 March 2018
<b>Founding Shareholders</b>	Has the same meaning given in Section 8.5 of this Prospectus being Michele Samantha Samlal and Lawrence Pushpam
<b>FY</b>	Financial year beginning 1 April and ended or ending 31 March
<b>Group or PayGroup</b>	PayGroup Limited and PayAsia

## 09. Glossary

Term/Abbreviation	Explanation
<b>GST</b>	Goods and services or similar tax imposed in Australia
<b>HCM</b>	Human Capital Management
<b>HR</b>	Human Resources
<b>HROnline</b>	The Group's HCM SaaS/Cloud Product Offering
<b>IAR</b>	Investigating Accountant's Report
<b>IFRS</b>	International Financial Reporting Standards
<b>Investigating Accountant's Report</b>	The report in Section 6 of this Prospectus
<b>IP</b>	Intellectual property, or intellectual property rights, as the context requires
<b>Lead Manager</b>	Lodge Corporate Pty Ltd (ABN 50125323168)
<b>Listing Date</b>	The date Listing occurs
<b>Listing or Listed</b>	The admission of the Shares to quotation on the ASX in accordance with ASX Listing Rules
<b>Live</b>	When the solution is signed off by the client and ready for use
<b>Mature Asia/Pacific</b>	Australia, Japan, New Zealand, Singapore, South Korea
<b>Maximum Subscription</b>	The maximum subscription of \$8.5 million by the issue of 17 million Shares at an issue price of 50 cents per Share
<b>Minimum Subscription</b>	The minimum subscription of \$5.5 million by the issue of 11 million Shares at an issue price of 50 cents per Share
<b>New Shares</b>	Shares to be issued by the Company pursuant to this Prospectus
<b>NPAT</b>	Net profit after tax
<b>Offer</b>	The offer of between 11 and 17 million ordinary Shares under this Prospectus
<b>Offer Period</b>	The period from the Opening Date and ending of the Closing Date
<b>Offer Price</b>	\$0.50 per Share
<b>Official List</b>	The official list of entities that the ASX has admitted and not removed from Listing
<b>Official Quotation</b>	Official quotation of the Shares on the Official List
<b>On-Premise (s)</b>	Software that is installed and run on computers on the premises (in the building) of the client
<b>Opening Date</b>	The date on which the Offer opens as outlined in the Key Offer Information section of this Prospectus



## 09. Glossary

Term/Abbreviation	Explanation
<b>PayAsia</b>	Pay Asia Pte Limited (incorporated in Singapore) and its wholly owned subsidiaries Pay Asia Ltd (Hong Kong), PayMY Outsourcing Sdn Bhd (Malaysia), PayAsia HR Services Limited Inc (Philippines), Pay Asia Australia Pty Ltd (Australia) excluding PayAsia Management Pvt Ltd (India)
<b>PE</b>	Price to earnings
<b>Pro Forma Forecast Cash Flows</b>	Has the meaning given in Section 5 of this Prospectus
<b>Pro Forma Forecast Result</b>	Has the meaning given in Section 5 of this Prospectus
<b>Pro Forma Historical Balance Sheet</b>	Has the meaning given in Section 5 of this Prospectus
<b>Pro Forma Historical Cash Flows</b>	Has the meaning given in Section 5 of this Prospectus
<b>Pro Forma Historical Financial Information</b>	Has the meaning given in Section 5 of this Prospectus
<b>Pro Forma Historical Results</b>	Has the meaning given in Section 5 of this Prospectus
<b>Prospectus</b>	This document dated 11 April 2018 (including the electronic form of this document), and any replacement or supplementary prospectus in relation to this document
<b>Prospectus Date</b>	The date of this Prospectus, being 11 April 2018
<b>Recurring Revenue</b>	Refers to the BPO Payroll Services and HCM Cloud revenue of the Group which is calculated as per employee per month over the lifetime of the contract.
<b>SGD\$</b>	Singapore dollars
<b>SaaS</b>	Software-as-a-Service
<b>Semi Recurring Revenue</b>	Refers to the BPO Payroll Services and HCM Cloud revenue of the Group which is received at the start of every contract and is based upon the contracted number of employees
<b>Share</b>	A fully paid ordinary share in the capital of the Company
<b>Share Registry</b>	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
<b>Share Swap Agreement</b>	The share swap agreement dated April 2018 between the Company and the shareholders of Pay Asia Pte Limited (as described in Section 8.8(a))
<b>Shareholder</b>	Shareholder means a person who holds Shares
<b>TFN</b>	Tax File Number
<b>United States</b>	United States of America



## How to complete this Application Form

### **A** Number of Shares applied for

Enter the number of Shares you wish to apply for. The Application must be for a minimum of 4,000 Shares (\$2,000.00). Applications for greater than 4,000 Shares must be in multiples of 1,000 Shares (\$500.00).

### **B** Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of \$0.50.

### **C** Applicant Name(s)

Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

### **D** Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

### **E** Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

### **F** CHES

PayGroup Limited will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on issue, you will be sponsored by PayGroup Limited and allocated a Securityholder Reference Number (SRN).

### **G** Payment

Make your cheque, bank draft or money order payable in Australian dollars to 'PayGroup Limited' - Shares / Share Subscription Account' and cross it 'Not Negotiable'. Cheques must be drawn from an Australian bank. Cash will not be accepted.

The total payment amount must agree with the amount shown in Step B.

Complete the cheque details in the boxes provided.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as dishonoured cheques may not be represented and may result in your Application being rejected. Paperclip (do not staple) your cheque to the Application Form. Receipts will not be forwarded.

Funds cannot be directly debited from your bank account.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in PayGroup Limited is upon and subject to the terms of the Prospectus and the Constitution of PayGroup Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

### Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5.00pm (AEST) on Thursday, 10 May 2018. You should allow sufficient time for this to occur. Return the Application Form with cheque, bank draft or money order attached to:

**Computershare Investor Services Pty Limited**

**GPO Box 52**

**MELBOURNE VIC 3001**

Neither CIS nor PayGroup Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means.

### Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

### Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to PayGroup Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



## How to complete this Application Form

### **A** Number of Shares applied for

Enter the number of Shares you wish to apply for. The Application must be for a minimum of 4,000 Shares (\$2,000.00). Applications for greater than 4,000 Shares must be in multiples of 1,000 Shares (\$500.00).

### **B** Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of \$0.50.

### **C** Applicant Name(s)

Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

### **D** Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

### **E** Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

### **F** CHES

PayGroup Limited will apply to the ASX to participate in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on issue, you will be sponsored by PayGroup Limited and allocated a Securityholder Reference Number (SRN).

### **G** Payment

Make your cheque, bank draft or money order payable in Australian dollars to 'PayGroup Limited' - Shares / Share Subscription Account' and cross it 'Not Negotiable'. Cheques must be drawn from an Australian bank. Cash will not be accepted.

The total payment amount must agree with the amount shown in Step B.

Complete the cheque details in the boxes provided.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as dishonoured cheques may not be represented and may result in your Application being rejected. Paperclip (do not staple) your cheque to the Application Form. Receipts will not be forwarded.

Funds cannot be directly debited from your bank account.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in PayGroup Limited is upon and subject to the terms of the Prospectus and the Constitution of PayGroup Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

### Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (CIS) by no later than 5.00pm (AEST) on Thursday, 10 May 2018. You should allow sufficient time for this to occur. Return the Application Form with cheque, bank draft or money order attached to:

**Computershare Investor Services Pty Limited**

**GPO Box 52**

**MELBOURNE VIC 3001**

Neither CIS nor PayGroup Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means.

### Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for the securities issuer (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.

### Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to PayGroup Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



TEAMWORK

INTEGRITY

**OUR PEOPLE,  
OUR VALUES**

ENCOURAGE

PARTNERSHIP

RESPECT



**400+**  
CLIENT ENTITIES



**31,000+**  
CLIENT EMPLOYEES



**18**  
COUNTRIES



**8**  
OUR PRESENCE