Audited FY18 Financial Report for operating entity PayAsia

Melbourne, Australia, 30 June 2018: PayGroup Limited ("PayGroup", "the Group", "the Company"; ASX: PYG), a Multi-Country Payroll and cloud based Software as a Service (SaaS) Human Resource Outsourcing Solutions provider, has today released the audited financial results for its operating entity PayAsia Pte Limited ("PayAsia"), for the period ended 31 March 2018.

On 29 May 2018, in conjunction with it listing on the ASX, PayGroup acquired 100% of PayAsia by way of a Share Swap Agreement as set out in the PayGroup Prospectus lodged with ASX on 25 May 2018 ("Prospectus"). PayGroup became the holding company of PayAsia, which operates the Group's businesses.

As foreshadowed in the announcement on 29 June 2018, the Company is pleased to confirm that PayAsia has delivered in line with the FY2018 proforma revenue forecasts as outlined in the Prospectus, reporting revenue of AUD$7.3m and AUD$2.6m NPAT.

An investor presentation will be released to the market on Tuesday 3 July 2018 providing analysis of the combined group (PayGroup and PayAsia) performance on a normalised basis comparing to the Prospectus. The presentation will also include an update on Q1 (quarter ending June 30) performance.

An investor conference call will also be held on **Wednesday 4th July** at **11.00am AEST (9.00am SGT).**

You can pre-register for the call using the link below. You will be sent a pin for fast-track access to the call and a calendar note with dial in details.

https://services.choruscall.com.au/diamondpass/paygroup-335545-invite.html

-ENDS-

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About PayGroup

Headquartered in Melbourne, Australia, PayGroup Limited (ASX: PYG) was recently incorporated as the holding company for PayAsia (collectively PayGroup or Group). The Group is a provider of BPO solutions and Cloud (Software-as-a-Service or SaaS) based Human Capital Management (HCM) 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. The Group has 111 employees located across 8 countries. Clients are typically medium to large multinational companies with employees in multiple countries in the Asia Pacific region. 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. 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).

paygrouplimited.com

PAY ASIA PTE LTD

SPECIAL PURPOSE FINANCIAL STATEMENTS

31 MARCH 2018

Directors	Mark Stephen Malhotra Samlal Lawrence Pushpam
Registered office	545 Orchard Road #13-04 Far East Shopping Centre Singapore 238882
Company registration number	200614858K
Auditors	Grant Thornton Audit LLP Public and Chartered Accountants of Singapore
Secretary	Yzelman Virginia Juliana Nee Rappa

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The Directors of Pay Asia Pte Ltd (PayAsia) present their Report together with the audited special purpose aggregated financial statements of the Group as defined in Notes 1 to 4 to the significant accounting policies of these aggregated financial statements.

In the opinion of the directors,

(a) These special purpose financial statements of the Group are drawn up so as to give a true and fair view of the aggregated statement of financial position of the Group as at 31 March 2018 and the aggregated financial performance, aggregated changes in equity and aggregated cash flows of the Group for the financial year covered by the special purpose financial statements; and

(b) At the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Director details

The following persons were Directors of PayAsia during or since the end of the financial year:

- Mark Stephen Malhotra Samlal
- Lawrence Pushpam
- Simon Forrester (resigned 7 April 2017)

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

The directors holding office at the end of the financial year who had interests in the shares and debentures of the Company and its related corporations as recorded in the register of directors' shareholdings were as follows:

	Shares held by directors	
Name of director	At 01.04.2017	At 31.03.2018
Lawrence Pushpam	5,124	5,124

	Shares in which the director is deemed to have an interest	
Names of directors	At 01.04.2017	At 31.03.2018
Mark Stephen Malhotra Samlal	16,044	16,044
Simon Forrester (resigned 7 April 2017)	1,764	-

Share options granted

(a) The following persons were granted options in relation to the listing of the Group on the Australian Securities Exchange (ASX) as part of the share swap between Pay Asia Pte Ltd and PayGroup Limited (as described in the Post Balance Sheet Date Event note below):

(b)

Name	Issue Date	Options Issued	Issue Price
Sachin Goklaney	23 Feb 2018	242,964	$0.50
Chris Brunton	23 Feb 2018	242,964	$0.50
Shailendra Dasika	23 Feb 2018	120,520	$0.50
Srinivas Rao	23 Feb 2018	120,520	$0.50
Elana Austria	23 Feb 2018	72,313	$0.50
Dawn Lim	23 Feb 2018	72,313	$0.50
Aiden Liew	23 Feb 2018	72,313	$0.50

(c) Other than the above, no shares were issued by the Company during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

(d) At the end of the financial year, there were no unissued shares of the Company under option other than the above.

Review of operations and financial results

The operating result of the Group was a loss of SGD 741,739, (2017: profit of SGD 305,417).

The principal activities of the Group in the course of the financial year are to provide payroll, human resource and consulting services.

Post balance date event

Since 31 March 2018, the following significant activities have been undertaken by the Company:

- The subsidiary company based in India, Pay Asia Management Private Limited has been sold, effective 31 March 2018. The underlying Indian payroll outsourcing business was not consistent with the overall group strategy for PayAsia and the Directors completed a sale.

- The directors, as at 31 March 2018, were undertaking a project to list the company on the Australian Securities Exchange (ASX) via a share swap transaction with an Australian company, PayGroup Ltd. PayGroup Ltd was formed with the sole purpose of acquiring the shares in the company and listing on the ASX. The project is now completed and Pay Asia Pte Ltd has completed its share swap into PayGroup Ltd. PayGroup Ltd was admitted to the ASX on 29th May 2018.

Apart from the matters noted above, no matter or circumstance has arisen since 31 March 2018 that has significantly affected, or may significantly affect the aggregated entity's operations, the results of those operations, or the aggregated entity's state of affairs in future financial years.

Independent auditor

The independent auditor, Grant Thornton Audit LLP, Public Accountants and Chartered Accountants has expressed their willingness to accept re-appointment.

Mark Stephen Malhotra Samlal
Director

Lawrence Pushpam
Director

Singapore: 30th June 2018

Independent Auditor's report to the Board of Directors of Pay Asia Pte Ltd

Qualified Opinion

We have audited the accompanying aggregated financial statements of Pay Asia Pte Ltd ("the Company"), and certain subsidiaries ("the group"), which comprises the aggregated Statement of Financial Position as at 31 March 2018, the aggregated statement of profit or loss and other comprehensive income, aggregated statement of changes in equity, aggregated statement of cash flows for the year then ended, a description of accounting policies and other selected explanatory notes, collectively referred to as "the aggregated financial statements".

In our opinion, except for the matters described in the Basis for Qualified Opinion, the accompanying aggregated financial statements of the group for the year ended 31 March 2018 are prepared, in all material respects, in accordance with the basis of accounting described in notes 1 to 4 of the significant accounting policies.

Basis for Qualified Opinion

As stated in notes 1 to 4 to the significant accounting policies, these aggregated financial statements have been prepared using a special purpose framework. The comparative aggregated financial statements for the year ended 31 March 2017 have been prepared using a similar basis of accounting and are materially different from the audited consolidated financial statements previously issued. Accordingly, we are not in a position to and do not express an opinion on the comparatives.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to notes 1 to 4 to the aggregated financial statements, which describes the basis of accounting. The aggregated financial statements have been prepared to assist the Group to meet its financial reporting requirements relating to an initial public offering of PayGroup Ltd, the Company's parent entity on listing. As a result, the aggregated financial statements may not be suitable for any other purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the aggregated financial statements in accordance with the basis of accounting described in notes 1 to 4 of the significant accounting policies and for such internal control as management determines is necessary to enable the preparation of financial reports that are free from material misstatement, whether due to fraud or error.

In preparing the aggregated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the group's entities or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Aggregated Financial Statements

Our objectives are to obtain reasonable assurance about whether the aggregated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these aggregated financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the aggregated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group's internal control.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the aggregated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

Grant Thornton Audit LLP

Grant Thornton Audit LLP
Public Accountants and Chartered Accountants

Singapore
30 June 2018

	Note	AGGREGATED 31 March 2018 SGD	 31 March 2017 SGD
Sales Revenue	8	5,680,865	5,488,355
Other income	9	414,626	86,697
		6,095,491	5,575,052
Subcontractors		(1,730,879)	(1,399,602)
Employee benefits expense	10	(2,710,360)	(2,208,889)
Depreciation and amortisation	12, 13	(260,023)	(145,615)
Other operating expenses	11	(2,128,068)	(1,472,628)
Finance costs		(25,836)	(20,780)
		(6,855,166)	(5,247,514)
(Loss) / Profit before taxation		(759,675)	327,538
Taxation expense		(4,774)	(36,481)
(Loss) / Profit after taxation		(764,449)	291,057
Other comprehensive income:			
Items that may be reclassified subsequently to profit / (loss):			
Foreign currency translation		22,710	14,360
Total comprehensive (loss) / income for the year		(741,739)	305,417

The accompanying notes form part of these special purpose financial statements.

	Note	AGGREGATED 31 March 2018 SGD	31 March 2017 SGD
ASSETS			
Current			
Bank balances	16	2,357,625	2,189,922
Trade and other receivables	15	2,487,315	1,625,459
Current assets		**4,844,940**	**3,815,381**
Non-current			
Plant & equipment	12	85,879	72,923
Intangible assets	13	893,315	839,257
Investments	14	-	275,299
Non-current assets		**979,194**	**1,187,479**
Total assets		**5,824,134**	**5,002,860**
LIABILITIES			
Current			
Trade and other payables	18	4,210,731	2,897,083
Borrowings	19	612,500	237,086
Current liabilities		**4,823,231**	**3,134,169**
Non-current			
Borrowings	19	-	126,049
Deferred tax liability		126,500	126,500
Non-current liabilities		**126,500**	**252,549**
Total liabilities		**4,949,731**	**3,386,718**
Net assets		**874,403**	**1,616,142**
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	50,400	50,400
Treasury shares	17	(183,000)	(183,000)
Retained Earnings		961,247	1,725,696
Other reserves	17	20,000	20,000
Foreign currency translation reserves		25,756	3,046
Total equity		**874,403**	**1,616,142**

The accompanying notes form part of these special purpose financial statements.

AGGREGATED	**Share capital**	**Treasury shares**	**Retained earnings**	**Foreign currency translation reserves**	**Other reserves**	**Total equity**
	SGD	**SGD**	**SGD**	**SGD**	**SGD**	**SGD**
Balance at 1 April 2016	**50,400**	**(183,000)**	**1,420,278**	**13,807**	**20,000**	**1,321,485**
Profit for the period	-	-	305,418		-	305,418
Other comprehensive income/(loss)	-	-	-	(10,761)	-	(10,761)
Total comprehensive income/(loss)	-	-	305,418	(10,761)	-	294,657
Balance at 31 March 2017	**50,400**	**(183,000)**	**1,725,696**	**3,046**	**20,000**	**1,616,142**
		-				
Loss for the period	-		(764,449)	-	-	(764,449)
Other comprehensive income/(loss)	-		-	22,710	-	22,710
Total comprehensive income/(loss)	-	-	(764,449)	22,710	-	(741,739)
Balance at 31 March 2018	**50,400**	**(183,000)**	**961,247**	**25,756**	**20,000**	**874,403**

The accompanying notes form part of these special purpose financial statements.

Cash flows from operating activities	Note	AGGREGATED 31 March 2018 SGD	31 March 2017 SGD
(Loss)/profit before taxation		(759,675)	327,538
Adjustments for:			
Interest expense		25,836	20,780
Depreciation and amortisation		260,023	145,615
Provision for doubtful receivables		202,888	-
Gain on sale of subsidiary	13	(345,763)	-
Operating (loss) / profit before working capital changes		(616,691)	493,933
Total changes in working capital, net effects from:			
Trade and other receivables		(1,025,484)	(348,317)
Trade and other payables		1,320,027	29,578
Net cash (used in) / generated from operating activities		**(322,148)**	**175,194**
Cash flow from investing activities			
Purchase of plant and equipment		(50,354)	(52,738)
Increase in intangibles		(275,297)	(262,950)
Net cash used in investing activities		**(325,651)**	**(315,688)**
Cash flows from financing activities			
Proceeds from bank borrowings		500,000	363,135
Repayment of bank borrowings		(250,635)	-
Interest paid		(25,836)	(20,780)
Net cash generated from financing activities		**223,529**	**342,355**
Net (decrease)/increase in cash and cash equivalents		**(424,270)**	**201,861**
Add: Cash and cash equivalents at beginning of the year		459,345	261,591
Effects of exchange rate changes on cash and cash equivalents		17	(4,107)
Cash and cash equivalents as at end of the year		**36,592**	**459,345**

Cash and cash equivalents	31 March 2018 SGD	31 March 2017 SGD
Cash & cash equivalents included in the statement of cash flows comprise the following:		
Bank balances	2,357,625	2,189,922
Less: Clients' monies (restricted balances)	2,321,033	1,730,577
Cash and cash equivalents	**36,592**	**459,345**

The accompanying notes form part of these special purpose financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying special purpose financial statements.

1. **General Information**

The aggregated financial information (Financial Information) is that of the Pay Asia Pte Ltd Aggregated Group which is an aggregation of the following entities:

- Pay Asia Pte Ltd
- Pay Asia Ltd (domiciled in Hong Kong)
- Pay Asia Services Limited Inc (domiciled in Philippines)
- Pay Asia Australia Pty Ltd (domiciled in Australia)

The following subsidiary has been excluded from the aggregation:

- Pay Asia Management Private Limited (domiciled in India)

The Financial Information has been presented to specifically exclude the impact of Pay Asia Management Private Limited for the benefit of potential future stakeholders. The Directors of the Company have listed the Aggregated Group on the Australian Securities Exchange (ASX) via a share swap transaction with an Australian company, PayGroup Limited. The share swap was undertaken with PayGroup Limited, an Australian company established for the sole purpose of acquiring the shares of Pay Asia Pte Ltd and Listing on the ASX. PayGroup Limited was listed on the ASX on 29 May 2018, thereby effecting the share swap. The principles of aggregation are set out in Note 3 below.

The presentation currency and functional currency of the Group is Singapore dollars.

2. **Significant accounting policies**

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

The Group has considered the implications of new or amended Accounting Standards in the current financial year but has determined that their application to the financial information is either not relevant or not material.

These financial statements were authorised for issue on 30th June 2018.

3. **Principles of aggregation**

This Financial Information comprises aggregated financial information and does not constitute consolidated financial information as required by FRS 110 ‘Consolidated Financial Statements’.

The financial report has been prepared in accordance with the significant accounting policies disclosed in Note 7, which the directors have determined are appropriate to meet the needs as disclosed above.

This aggregated financial information incorporates the book values of assets and liabilities of the entities of the Group as noted above as at 31 March 2018 and 31 March 2017 and the results of these entities for the year ended 31 March 2018 and 31 March 2017.

In preparing the aggregated financial information, the following aggregation principles in relation to transactions and balances have been applied:

- All intercompany balances between entities within the Group including any unrealised profits or losses have been eliminated.
- All intercompany dividends and distributions within the Group have been eliminated.
- All intercompany transactions between entities in the Group have been eliminated.

4. **Basis of preparation**

These special purpose financial statements for the year ended 31 March 2018 have been prepared in accordance with the Special Purpose reporting framework.

These special purpose financial statements exclude the requirements of the Singapore Financial Reporting Standards listed below:

- FRS 110 'Consolidated Financial Statements' – This Financial Information comprises aggregated financial information and does not constitute consolidated financial information as required by FRS 110 'Consolidated Financial Statements'.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Singapore Financial Reporting Standards ("FRS") and related Interpretation to FRS ("INT FRS") promulgated by the Standard Council ("ASC") but do not include all the information required to be disclosed by FRS.

The Financial Information has been prepared under the historical cost convention. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

5. **Nature of operations**

The Company is domiciled and incorporated as a limited liability company in Singapore. Its registered office is located at 545 Orchard Road #13-04 Far East Shopping Centre Singapore 238882, whose shares are not publicly traded.

The principal activities of the Company in the course of the financial year are to provide payroll and human resource and staffing services.

6. **Critical accounting judgements and key sources of estimation uncertainty**

(i) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the Group is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements, except from those involving estimates and as follows:

Capitalisation of intangibles

Costs directly attributable to the development of computer software are capitalised as intangible assets when the Group judged that the technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project. Research costs are recognised as an expense when incurred.

Determination of functional currency of the entities in the Group

The Effects of Changes in Foreign Exchange Rates requires the Company and the entities in the Group to determine its functional currency to prepare the financial statements. When determining its functional currency, the Company and the entities in the Group consider the primary economic environment in which it operates, i.e. the one in which it primarily generates and expends cash. The Company and the entities in the Group may also consider the funding sources. Management applied its judgement and determined that the functional currency of the Company is Singapore dollar ("SGD").

(ii) Key sources of estimation uncertainty

The Group believes that there are no key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, except as disclosed below:

(a) Depreciation & amortisation

Plant & equipment and 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 the Group's results.

(b) Impairment of trade receivables

The Group evaluates whether there is any objective evidence that trade receivables are impaired and determines the amount of impairment losses as a result of the inability of the customers to make required payments. The Group determines the estimates based on the aging of the trade receivables balance, credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

(c) Income taxes

The Group has exposure to income taxes in the countries where it operates. Significant judgement is involved in determining the Group's provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial half year in which such determination is made.

(d) Impairment of non-financial assets

Plant and equipment and intangibles are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or group of cash-generating units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives and utilisation of the assets, discount rates and other factors.

7. Significant accounting policies

a. Revenue recognition

The Group assesses its role as an agent or principal for each transactions 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 the Group's activities are met as follows:

b. Plant & equipment

Plant & equipment are stated at cost, less accumulated depreciation and provision for impairments. Depreciation is calculated on a straight-line basis so as to write off the cost over their expected useful lives. The estimated useful lives are as follows:

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

Fully depreciated plant & equipment are retained in the financial statements until they are no longer in use. The residual values and useful lives of plant & equipment are reviewed at the end of each financial year end and adjusted prospectively, if appropriate.

c. Intangible assets

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. The Group has adopted a change to the estimated useful life during the financial year, from 10 years to 5 years. The useful life is measured from the date on which they are available for use. This resulted in an increase in loss amounting to SGD 109,011 for FY2018.

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.

d. Foreign currency translation

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of comprehensive income.

Foreign currency translations

The results and financial position of all the Group entities are translated into Singapore dollars as follows:

- Assets and liabilities are translated at the closing rates at the date of the statement of financial position.
- Income and expenses are translated at average rates for the year, which approximates the exchange rates at the dates of the transactions.
- All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On aggregation, currency translation differences arising from the net investment in foreign operations are taken to the currency translation reserve

e. Investment in subsidiaries

Investment in subsidiaries are stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of these investments, the differences between net disposal proceeds and the carrying amount of the investments are taken to the statement of comprehensive income.

f. Financial assets

(i) Classification

Financial assets within the scope of FRS 39 are classified as financial assets at fair value through profit or loss, loans & receivables, held-to-maturity or available-for-sale financial assets, as appropriate. Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any financial assets at fair value through profit and loss, held-to-maturity and available for sale.

All financial assets are recognised on their trade date - the date on which the Company is committed to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans & receivables

Loans & receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried at amortised cost using the effective interest rate method less any impairment losses.

(ii) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Impairment losses are recognised in the statement of comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the statement of comprehensive income

g. <u>Impairment of non-financial assets</u>

Plant & equipment
Intangibles

Plant & equipment and interest in subsidiaries are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less costs to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The impairment loss is recognised in the statement of comprehensive income.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of comprehensive income.

h. <u>Cash and cash equivalents</u>

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

i. Trade and other receivables

Trade and other receivables, including amounts owing by related party are classified and accounted for as loans and receivables under FRS 39. An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

j. Financial liabilities

Financial liabilities include trade payables and other amounts payable. Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method where appropriate. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

k. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

l. Employee benefits expense

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

Equity-settled share-based compensation benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, options over shares or employee loan share plans, that are provided to employees and directors in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value of options is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

m. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method. Any difference between the proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate.

n. Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

o. Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

p. Equity

Ordinary shares, treasury shares, retained earnings and other reserves are classified as equity.

Where the company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as Treasury shares reserves, until they are sold or reissued. When treasury shares are subsequently sold or reissued pursuant to a share award, the cost of the treasury shares is reversed from the Treasury shares reserves and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs is recognised as a change in equity of the Company in ''Other reserves". No gain or loss is recognised in the statement of comprehensive income.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company.

8. Sales revenue

	Aggregated	
	31 March 2018 SGD	**31 March 2017 SGD**
Payroll services	5,387,085	4,945,631
HR & Staffing	293,780	542,724
	5,680,865	5,488,355

9. Other revenue / gains

	Aggregated	
	31 March 2018 SGD	**31 March 2017 SGD**
Foreign exchange gain	21,312	57,091
Gain on sale of subsidiary (refer note 14)	345,761	-
Other	47,553	29,606
	414,626	86,697

10. Employee benefits expense

	Aggregated	
	31 March 2018 SGD	**31 March 2017 SGD**
Directors remuneration	551,608	542,297
Contribution to directors' defined contribution plan	68,448	31,450
Salaries and wages	2,199,943	1,735,225
Other employees expenses	24,399	22,918
Less: amounts capitalised as intangibles	(134,038)	(123,001)
	2,710,360	2,208,889

11. Other operating expenses

	Aggregated 31 March 2018 SGD	31 March 2017 SGD
Hosting service	270,863	238,129
Repair and maintenance	8,396	7,053
Office rental	242,493	185,870
Printing and stationary	5,872	5,580
Professional fees	631,525	293,325
Travel and transportation	214,065	137,652
Doubtful debts – trade	211,511	13,671
Exchange losses	9,777	36,172
Bank charges	32,786	26,056
Insurance	67,317	34,023
Communication expense	37,775	54,297
Utilities	8,660	8,878
Others	387,028	431,922
	2,128,068	1,472,628

12. Plant & equipment

	Office equipment	Furniture and fittings	Renovation	Total
Cost	SGD	SGD	SGD	SGD
Balance as at 01.04.16	92,741	3,976	121,924	218,641
Additions	52,442		-	52,442
Balance as at 31.03.17	145,183	3,976	121,924	271,083
Additions	3,668	-	33,945	37,613
Balance as at 31.03.18	148,851	3,976	155,869	308,696
Accumulated Depreciation				
Balance as at 01.04.16	57,205	2,983	90,765	150,953
Charge for the year	16,984	993	29,230	47,207
Balance as at 31.03.17	74,189	3,976	119,995	198,160
Charge for the year	20,589	-	4,068	24,657
Balance as at 31.03.18	94,778	3,976	124,063	222,817
Net Book Value				
Balance as at 31.03.18	54,073	-	31,806	85,879
Balance as at 31.03.17	70,994	-	1,929	72,923

13. Intangible assets

Cost	Software	Software under development	Total
	SGD	SGD	SGD
Balance as at 01.04.16	826,068	119,493	945,561
Additions	234,210	27,456	261,666
Balance as at 31.03.17	1,060,278	146,949	1,207,227
Additions	279,469	9,955	289,424
Balance as at 31.03.18	1,339,747	156,904	1,496,651
Accumulated amortisation			
Balance as at 01.04.16	269,562	-	269,562
Charge for the year	98,408	-	98,408
Balance as at 31.03.17	367,970	-	367,970
Charge for the year	235,366	-	235,366
Balance as at 31.03.18	603,336	-	603,336
Net Book Value			
Balance as at 31.03.18	736,411	156,904	893,315
Balance as at 31.03.17	692,308	146,949	839,257

14. Interest in subsidiaries

	Aggregated 31 March 2018 SGD	Aggregated 31 March 2017 SGD
Unquoted equity shares at cost	-	275,299
Amounts owing by subsidiary – non-trade	-	(236,245)
	-	39,054

The amounts owing are unsecured, interest free and settlement is likely to occur in the foreseeable future.

Name of subsidiary companies	Country of incorporation and business	Principal activities	Investment cost		Percentage of equity held	
			2018 SGD	2017 SGD	2018 SGD	2017 SGD
Pay Asia Management Private Limited[1]	India	Payroll, hiring & staffing service	-	275,299	-	100
Pay Asia Ltd	Hong Kong	Payroll services	1,664	1,664	100	100
Pay Asia Services Limited, Inc	Philippines	Payroll services	3,086	3,086	100	100
Pay Asia Australia Pty Ltd	Australia	Payroll services	11	11	100	100

(1) In line with the future corporate strategy the directors have divested their investment in Pay Asia Management Private Limited ("PAM"). The company was sold on 31 March 2018 to Employee Group Pte Ltd, an entity that is owned by the Founding Shareholders, for a total consideration of SGD 621,060.

Sale of subsidiary

	SGD
Investment value	275,299
Sale consideration (being intercompany liability waived)	(621,060)
Gain on sale	(345,761)

15. **Trade and other receivables**

	Aggregated	
	31 March 2018 SGD	**31 March 2017 SGD**
Current		
Trade receivables	1,554,922	1,501,087
Prepayments	1,310	374
Deposit	119,295	72,216
Amount owing by related party – non-trade	854,579	(71,409)
Other receivables	123,823	116,227
Tax paid in advance	3,576	3,712
Less: provision for doubtful debts	(170,190)	3,252
Total trade and other receivables	2,487,315	1,625,459

The currency profile of trade and other receivables are as follows:		
Singapore dollars	2,111,829	1,498,570
Others	375,486	126,889
	2,487,315	1,625,459

16. **Bank balances**

	Aggregated	
	31 March 2018 SGD	**31 March 2017 SGD**
Cash and cash equivalents	36,592	459,344
Clients' monies	2,321,033	1,730,578
	2,357,625	2,189,922

The currency profile of cash and bank balances are as follows:

	Foreign currency	**SGD**
Australian dollars	2,950	3,280
Hong Kong dollars	135,992	25,775
Philippines peso	575,590	16,521
Singapore dollars	2,300,310	2,300,310
Indonesian Rupiah	123,264,791	11,739

17. **Share capital and treasury shares**

	No. of ordinary shares				
	Share capital	Treasury shares	Share capital SGD	Treasury shares SGD	Other reserves SGD
2017					
Beginning and end of year	25,200	(1,764)	50,400	(183,000)	20,000
2018					
Beginning and end of year	25,200	(1,764)	50,400	(183,000)	20,000

All issued ordinary shares are fully paid. The ordinary shareholders are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

18. **Trade and other payables**

	Aggregated	
	31 March 2018 SGD	31 March 2017 SGD
Trade payables	1,115,050	420,874
Advances of clients' monies	2,682,720	2,187,468
Advance payments from customers	156,077	25,690
Accruals	47,276	24,359
Book Overdraft	90,982	-
Dividend payable	-	8,750
Other payables	118,626	229,942
Total trade and other payables	4,210,731	2,897,083

19. **Borrowings**

	Aggregated	
	31 March 2018	31 March 2017
Current	SGD	SGD
Bank overdraft	110,788	100,635
Term loan	501,712	136,451
	612,500	237,086
Non-current		
Term loan	-	126,049
Total borrowings	612,500	363,135

The overdraft and term loan are secured by personal guarantees from directors. Bank overdraft bears interest of 12.8% per annum (pa) and the term loans bear interest of 6.75% pa and 2.75% pa. One term loan is repayable over 24 monthly installments commencing December 2016, and the other term loan is a 6-month rolling working capital facility. The amounts are in Singaporean dollars.

The fair value of the non-current loan is expected to approximate its carrying values. The fair value of the non-current borrowings is estimated using a discounted cash flow approach, which discounts the contractual interest rate at 6.75% and 2.75%, which equals to the estimated current market rates. The estimated fair value of the non-current borrowings is categorized within level 2 of the fair value hierarchy.

20. **Events after the reporting date**

Since 31 March 2018, the following significant activities have been undertaken by the Directors:

- On the 29 May 2018 the Group listed on the Australian Securities Exchange (ASX) via a share swap transaction with an Australian company, PayGroup Limited. The share swap was undertaken with PayGroup Limited, an Australian company established for the sole purpose of acquiring the shares of Pay Asia Pte Ltd and listing on the ASX.

- A dividend of SGD 250,000 was declared with respect to the previous financial year on 17 April 2018. A further dividend of SGD 750,000 has been declared and will be paid in July 2018.

Apart from the matters noted above, no matter or circumstance has arisen since 31 March 2018 that has significantly affected, or may significantly affect the aggregated entity's operations, the results of those operations, or the aggregated entity's state of affairs in future financial years.

21. **Authorisation of financial statements**

The board of directors authorise these financial statements for issue on 30th June 2018.

In the opinion of the Directors of Pay Asia Pte Ltd:

a The aggregated financial statements and notes of Pay Asia Pte Ltd are in accordance with the basis of preparation note, and including:

  i Giving a true and fair view of its financial position as at 31 March 2018 and of its performance for the full-year ended on that date; and

  ii Except as noted in the basis of preparation note (notes 1 to 4), comply with Singapore Financial Reporting Standards; and

b There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Director
Mark Samlal
Dated the 30th day of June 2018