PayGroup delivers $3.4M ARR in H1 FY20. On-track to deliver $17.5M pro-forma ARR in FY20 following completion of Astute One acquisition

Appendix 4D – Half Year Financial Results (H1 FY20)

Highlights

- **Revenue in H1 FY20 of $3.4M, 17.8% increase on H2 FY19 ($2.9M)**
- **Growth in payslips processed of 18.2% vs H2 FY19 and 31.3% vs H1 FY19 (as at end of periods)**
- **New contracts of $2.8M (Total Contract Value) signed during H1 FY20 across SwaS, SaaS, and treasury services.**
- **Client revenue retention of greater than 96%**
- **Completion of Astute acquisition on 14 November 2019**
- **Successful capital raise of $3.0M on 19 November 2019 to accelerate business growth & integrate the acquisition of Astute**

Australia, 29 November 2019: Human Resources SaaS and software with a service (SwaS) provider PayGroup limited ("PayGroup", "the Group", ASX:PYG), has today reported its half year financial results for the six months ended 30 September 2019 (H1 FY20).

PayGroup reported statutory revenue of $3.4M in H1 FY20, a 17.8% increase on the $2.9M for H2 FY19 (which included the beneficial revenue impact of the 13^{th} billing month as well as a one-month revenue contribution from the Indian workforce management business acquisition.)

New contract wins during H1 FY20 were $2.8M (expressed in Total Contract Value) and reflects organic growth, the increasing uptake of PayGroup's HROnline SaaS modules and the expanding Global Channel Partners Program. Client revenue retention remained high at more than 97% for the period.

PayGroup reported NPAT of $(1.4)M for H1FY20 impacted by increased employee & professional consulting expenses. Growth in employee expenses in H1 FY20 reflects the implementation of PayGroup's planned growth strategy over FY19 as a direct result of bringing forward the integration within the Global Channel Partners Program which has seen better than project growth in ARR, the associated increase in headcount in the areas of Account Management in Singapore and new processing in geographies such as Indonesia and Thailand. The increased professional & consulting expenses over H1 FY20 are one-off and a direct result of the due diligence and execution of the Astute One Limited (Astute) acquisition, completed on 14 November 2019.

PayGroup remains on-track to deliver pro-forma Annual Recurring Revenue of $17.5M in FY20 following the completion of the Astute acquisition and to transition to profitability during this period.

Mark Samlal, PayGroup's Managing Director said "*With the completion of the Astute acquisition and successful capital raising behind us, we expect to deliver strong growth in ARR in H2 FY20 and see many cross-selling opportunities across our enlarged addressable markets*."

Conference call details

Investors are invited to join a conference call hosted by Managing Director, Mr Mark Samlal at 10.30AM AEDT on Tuesday 3 December, 2019.

To access the call please use the dial in details below.

Conference ID: 10003078

Australia Toll Free:	**1 800 558 698**
Alternate Australia Toll Free:	1 800 809 971
Australia Local:	02 9007 3187
New Zealand Toll Free:	0800 453 055
China Wide:	4001 200 659
Hong Kong:	800 966 806
India:	0008 0010 08443
Indonesia:	001 803 019 3275
Japan:	0053 116 1281
Malaysia:	1800 816 294
Philippines:	1800 1110 1462
Singapore:	800 101 2785
South Korea:	00 798 142 063 275
Thailand:	001800 156 206 3275
UAE:	8000 3570 2705
United Kingdom:	0800 051 8245
United States:	(855) 881 1339

-ENDS-

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About PayGroup Limited

Headquartered in Melbourne, Australia, PayGroup Limited (ASX: PYG) is a provider of Software-with-a-Service (SwaS) payroll solutions and APP enabled Cloud (Software-as-a-Service or SaaS) Human Capital Management (HCM) platform for multinational companies. Clients are typically medium to large employers in multiple countries across Asia Pacific.

The Group is also a leader in workforce management solutions for complex businesses especially for Workforce Management Companies in Australia and New Zealand with its recent acquisition of Astute One Ltd.

Servicing over 780 client entities, the Group has 183 employees and delivers over 4.7 million payslips per annum

paygrouplimited.com

1. Company details

Name of entity:	PayGroup Limited
ABN:	90 620 435 038
Reporting period:	For the half-year ended 30 September 2019
Previous period:	For the period ended 30 September 2018

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	85.2%	to	3,410,040
Loss from ordinary activities after tax attributable to the owners of PayGroup Limited	up	36.4%	to	1,445,283
Loss for the half-year attributable to the owners of PayGroup Limited	up	36.4%	to	1,445,283

Dividends
No dividends were paid during the half year.

Six month period to 30 September 2018: The Directors declared and paid an unfranked dividend of $750,000. This represents a payment of 1.45 cents per share. A dividend of $250,250 (SGD250,000) was paid to the founding shareholders of PayGroup from pre-acquisition retained earnings.

Comments
The net loss for the consolidated entity after providing for income tax amounted to $1,445,283 (30 September 2018: $1,059,286).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	1.27	5.16

4. Audit review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

5. Attachments

Details of attachments (if any):

The Interim Report of PayGroup Limited for the half-year ended 30 September 2019 is attached.

6. Signed

Signed ____________________

Ian Basser
Chairman
Melbourne

Date: 29 November 2019

PayGroup Limited
ABN 90 620 435 038

Interim Report – 30 September 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as "the Group", "PYG", or "PayGroup") consisting of PayGroup Limited and its controlled entities at the end of, or during, the half-year ended 30 September 2019.

Directors

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

Ian Basser
Mark Samlal
David Fagan
Franck Neron-Bancel

Principal Activities

The Group is a provider of Software-with-a-Service (SwaS) payroll solutions and APP enabled Cloud (Software-as-a-Service or SaaS) Human Capital management platform.

Following the recent Astute One Limited (Astute) in November 2019, the Group is the leader in workforce management solutions for complex businesses, especially for Workforce Management Companies in Australia and New Zealand. On a combined basis, the Group services 780 client entities and deliver over 4.7 million payslips per year across 18 countries.

Operating Result

The net loss for the consolidated entity after providing for income tax amounted to $1,445,283 (30 September 2018: $1,059,286).

Review of Operations

PayAsia is headquartered in Singapore, and has direct representation across 10 countries.

Clients are typically multinational companies with medium to large numbers of 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 employee's life cycle, plus regional and mobile-enabled workflows for critical processes (such as employee and manager self-service, leave management and expense management).

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.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Group during the financial half-year, other than that referred to in the financial statements or notes thereto.

Post Balance Date Event

On 29 August 2019, the Group signed a term sheet to acquire 100% of the issued share capital of Astute One Limited and its wholly owned subsidiaries ("Astute"), a company based in Australia. The transaction was completed 14 November 2019. The acquisition was completed via the payment of $150,000 and the issue of 12.7m PayGroup Limited shares. The objective of the acquisition is to expand the Group's product offering within its core payroll and HR markets and grow its client base.

On 20 November 2019, the Group announced the completion of a $3.0 million (before costs) capital raise via a placement to new and institutional investors.

On 1 November 2019, Mark Samlal provided an unsecured loan of $500,000 to the Group, at an interest rate of 6.4% per annum and was repaid on the 27 November 2019.

Apart from the above, there were no other post balance date events.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Basser
Chairman
29 November 2019
Melbourne

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W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of PayGroup Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of PayGroup Limited for the half-year ended 30 September 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Eric W Passaris

E W Passaris
Partner – Audit & Assurance

Melbourne, 29 November 2019

Contents

General information

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 November 2019.

	Note	Consolidated 30 September 2019 $	30 September 2018 $
Revenue	5	3,410,040	1,841,168
Interest revenue		6,102	-
Other income	6	225,762	32,906
Expenses			
Subcontractors		(567,541)	(364,682)
Hosting services		(23,916)	(77,133)
Employee benefits expense		(2,244,070)	(1,055,290)
Rent and occupancy		(108,803)	(96,595)
Initial public offering costs		-	(104,107)
Consulting and professional fees		(1,103,338)	(442,252)
Depreciation and amortisation expense		(328,263)	(92,206)
Finance costs		(65,229)	(15,020)
Allowance for credit losses		(23,630)	-
Travelling expenses		(117,598)	-
License fee		(180,232)	-
Other expenses		(316,438)	(684,984)
Loss before income tax		(1,437,154)	(1,058,195)
Income tax expense		(8,129)	(1,091)
Loss after income tax for the half-year		(1,445,283)	(1,059,286)
Other comprehensive income for the half-year, net of tax		(119,339)	(68,945)
Total comprehensive loss for the half-year		**(1,564,622)**	**(1,128,231)**

Earnings per share		**Cents**	**Cents**
Basic earnings per share	10	(2.80)	(2.96)
Diluted earnings per share	10	(2.80)	(2.96)

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

	Note	Consolidated 30 September 2019 $	31 March 2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	9a	4,799,144	6,347,364
Trade and other receivables	9b	4,949,165	5,294,138
Income tax recoverable		501,582	409,582
Prepayments		55,918	66,269
Contract assets		106,075	94,210
Other assets		402,385	391,800
Total current assets		10,814,269	12,603,363
Non-Current Assets			
Trade and other receivables	9b	463,334	287,402
Plant and equipment	7	888,691	136,967
Intangibles	8	1,655,678	1,292,355
Contract assets		426,175	308,060
Total non-current assets		3,433,878	2,024,784
TOTAL ASSETS		14,248,147	14,628,147
LIABILITIES			
Current Liabilities			
Trade and other payables	9c	9,717,262	10,038,470
Borrowings	9d	529,360	-
Lease liabilities	9e	222,959	-
Current tax liabilities		30,778	27,905
Provisions		33,442	25,992
Contract liabilities		79,200	36,309
Total current liabilities		10,613,001	10,128,676
Non-Current Liabilities			
Contract liabilities		253,700	216,797
Deferred tax liabilities		57,147	82,135
Lease liabilities	9e	523,604	-
Provisions		490,823	326,045
Total non-current liabilities		1,325,274	624,977
TOTAL LIABILITIES		11,938,275	10,753,653
NET ASSETS		**2,309,872**	**3,874,494**
Equity			
Issued capital	11	24,076,417	24,076,417
Reserves	13	(16,795,158)	(16,675,819)
Accumulated losses		(4,971,387)	(3,526,104)
TOTAL EQUITY		**2,309,872**	**3,874,494**

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

	Issued capital $	Reserves $	Accumulated losses $	Total Equity $
Balance at 1 April 2019	24,076,417	(16,675,819)	(3,526,104)	3,874,494
Loss after income tax expense for the half-year	-	-	(1,445,283)	(1,445,283)
Movement in foreign exchange	-	(119,339)	-	(119,339)
Total comprehensive loss for the half-year	-	(119,339)	(1,445,283)	(1,564,622)
Total transactions with owners and other transfers	-	-	-	-
Balance at 30 September 2019	**24,076,417**	**(16,795,158)**	**(4,971,387)**	**2,309,872**
Balance at 1 April 2018	287,601	216,904	(997,330)	(492,825)
Loss after income tax expense for the half-year	-	-	(1,059,286)	(1,059,286)
Movement in foreign exchange	-	(68,945)	-	(68,945)
Total comprehensive loss for the half-year	-	(68,945)	(1,059,286)	(1,128,231)
Transactions with owners in their capacity as owners:				
Balances acquired as part of the share swap acquisition of PayAsia	16,127,007	(16,698,676)	-	(571,669)
Shares issued during the period	8,500,000	-	-	8,500,000
Cost of share issued recorded directly in equity	(838,191)	-	-	(838,191)
Dividend paid	-	-	(750,000)	(750,000)
Total transactions with owners and other transfers	23,788,816	(16,698,676)	(750,000)	6,340,140
Balance at 30 September 2018	**24,076,417**	**(16,550,717)**	**(2,806,616)**	**4,719,084**

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

	Note	Consolidated 30 September 2019 $	30 September 2018 $
Cash flows from operations			
Receipts from customers (inclusive of GST/VAT/SST)		3,947,607	2,696,491
Payments to suppliers and employees (inclusive of GST/VAT/SST)		(4,583,784)	(3,313,525)
		(636,177)	(617,034)
Net funds paid on behalf of clients		(959,991)	-
Interest received		6,102	6,047
Interest and other finance costs paid		(49,011)	(15,020)
Net cash used in operating activities		(1,639,077)	(626,007)
Cash flows from investing activities			
Payment for, plant and equipment		(84,890)	(14,152)
Payment for intangibles		(519,336)	(170,551)
Net cash inflow from acquisition, net of cash paid	16	-	844,033
Deposit paid for business acquisition		-	(478,419)
Loan to related party		-	(151,425)
Net cash (used in) / from investing activities		(604,226)	29,486
Cash flows from financing activities			
Proceeds from share issue	11	-	8,500,000
Payments for IPO and fund raise		-	(942,298)
Dividend paid	12	-	(1,000,250)
Proceeds from borrowings		570,168	-
Repayment of borrowings		(40,808)	(1,214,731)
Employee loan		(1,834)	(59,511)
Net cash from financing activities		527,526	5,283,210
Net change in cash and cash equivalents		**(1,715,777)**	**4,686,689**
Cash and cash equivalents at the beginning of the year		6,347,364	1
Effect of exchange rate fluctuations on cash held		167,557	-
Cash and cash equivalents at the end of the period		**4,799,144**	**4,686,690**

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

Note 1. Nature of operations
PayGroup Limited and its controlled entities (the Group) is a provider of Software-with-a-Service (SwaS) payroll solutions and APP enabled Cloud (Software-as-a-Service) Human Capital Management platform, operating in the Asia Pacific region for multinational companies.

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. Further, Workforce Management Services is the provision of personnel resources to service workforce labour requirements for a cross range of clients.

Note 2. General information and basis of preparation

Introduction

The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 30 September 2019 and are presented in Australian Dollars ($AUD), which is the functional currency of the parent company. PayGroup is a company limited by shares whose shares are traded on the Australian Securities Exchange (ASX). PayGroup is incorporated and domiciled in Australia.

Basis of preparation

This interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The interim financial statements do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2019, together with any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Secutities Exchange Listing Rules and *Corporations Act 2001*.

IFRS 16 Leases became mandatorily effective on 1 January 2019. Accordingly, this standard applies for the first time to this set of interim financial statements. The nature and effect of changes arising from these standards are summarised in the section below and in Note 9e.

The interim financial statements have been approved for issue by the Board of Directors on 29 November 2019.

Critical accounting judgements, estimates and assumptions

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Group’s last annual financial statements for the year ended 31 March 2019. The only exceptions are the estimate of income tax liabilities which is determined in the Interim Financial Statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Note 2. General information and basis of preparation (continued)
Principles of consolidation

The interim financial statements incorporates the assets and liabilities of all subsidiaries of PayGroup Ltd ('company' or 'parent entity') as at 30 September 2019 and the results of all subsidiaries for the half year then ended. PYG Ltd and its subsidiaries together are referred to in this interim financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

New standards adopted as at 1 April 2019

IFRS 16 Leases

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, whereby the value of the initial financial impact of the leases was recognised from 1 April 2019. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straightline basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

New standards adopted as at 1 April 2019 (continued)

IFRS 16 Leases (continued)

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 11.76%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 March 2019 to the lease liabilities recognised at 1 April 2019:

Total operating lease commitments disclosed at 31 March 2019	**562,393**
Other minor adjustments relating to commitment disclosures	(50,602)
Operating lease liabilities before discounting	511,792
Reasonably certain extension options	527,490
Discounted using incremental borrowing rate	(190,176)
Operating lease liabilities	849,106
Total lease liabilities recognised under IFRS 16 at 1 April 2019	**849,106**

Other pronouncements

Other accounting pronouncements which have become effective from 1 April 2019 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

Note 3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 March 2019, except for the effects of applying IFRS 16.

3.1 Leases

As described in Note 2, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 April 2019

The Group as a lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Note 3. Significant accounting policies (continued)

Accounting policy applicable before 1 April 2019

The Group as a lessee

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Refer note 9e for measurement and recognition.

Note 4. Operating segment information

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) in order to effectively allocate Group resources and assess performance.

Identification of reportable operating segments

The Group provides payroll services to clients that typically have multiple offices within the Asia Pacific region. The provision of these payroll services is from business process centres in India, Philippines and Singapore and in many cases are unrelated to the location where revenue is generated.

Revenue is recognised in Singapore, Malaysia and Australia and is not directly attributable to costs within the country where the income is generated. On this basis the CODM currently reviews the financial performance of the Group on a consolidated basis in order to determine the most efficient and effective use of the Group's economic resources.

Given this structure of the Group, presentation of segmental information is not relevant.

Note 5. Revenue

	Consolidated	
	30 September 2019 $	30 September 2018 $
Payroll services	3,199,400	1,713,700
Workforce management service fee	210,640	127,468
	3,410,040	1,841,168

Note 6. Other income

	Consolidated	
	30 September 2019 $	31 March 2019 $
Foreign exchange gain	187,628	-
Government grant income	23,014	-
Interest	6,102	6,047
Other	9,018	26,859
	225,762	32,906

Note 7. Property, plant and equipment

	Lease - Right of Use Assets	Leasehold Improvement & Renovations	Office Equipment	Furniture & Fittings	Computers	Total
<u>Cost</u>						
Balance 1 April 2019	-	**169,343**	**191,190**	**214,873**	**110,650**	**686,056**
Additions	838,905	-	25,972	-	59,154	924,031
Balance 30 Sept 2019	**838,905**	**169,343**	**217,162**	**214,873**	**169,804**	**1,610,087**
<u>Accumulated depreciation</u>						
Balance 1 April 2019	-	**141,598**	**145,501**	**189,265**	**72,725**	**549,089**
Charge for the year	133,641	11,885	11,620	4,123	11,038	172,307
Balance 30 Sept 2019	**133,641**	**153,483**	**157,121**	**193,388**	**83,763**	**721,396**
<u>Net Book Value</u>						
Balance as at 31 Mar 2019	**-**	**27,745**	**45,689**	**25,608**	**37,925**	**136,967**
Balance as at 30 Sept 2019	**705,264**	**15,860**	**60,041**	**21,485**	**86,041**	**888,691**

Note 8. Intangible assets

	Goodwill	Software	Software under development	Total
<u>**Gross carrying amount**</u>				
Balance at 1 April 2019	**30,506**	**1,662,227**	**532,620**	**2,225,353**
Additions	-	490,930	28,350	519,280
Balance at 30 September 2019	**30,506**	**2,153,157**	**560,970**	**2,744,633**
<u>**Amortisation and Impairment**</u>				
Balance at 1 April 2019	-	**932,998**	**-**	**932,998**
Amortisation	-	155,957	-	155,957
Balance at 30 September 2019	**-**	**1,088,955**	**-**	**1,088,955**
Carrying amount 30 September 2019	**30,506**	**1,064,202**	**560,970**	**1,655,678**
<u>**Gross carrying amount**</u>				
Balance at 1 April 2018	**-**	**-**	**-**	**-**
Acquired as part of the Pay Asia Pte Ltd acquisition 29 May 2018	-	1,481,393	55,641	1,537,034
Acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019	30,506	56,368	-	86,874
Additions	-	-	601,445	601,445
Reclassification	-	124,466	(124,466)	-
Balance at 31 March 2019	**30,506**	**1,662,227**	**532,620**	**2,225,353**
<u>**Amortisation and Impairment**</u>				
Balance at 1 April 2019	-	**-**	**-**	**-**
Acquired as part of the Pay Asia Pte Ltd acquisition 29 May 2018	-	639,554	-	639,554
Acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019	-	52,631	-	52,631
Amortisation	-	240,813	-	240,813
Balance at 31 March 2019	**-**	**932,998**	**-**	**932,998**
Carrying amount 31 March 2019	**30,506**	**729,229**	**532,620**	**1,292,355**

Note 9. Financial assets and financial liabilities

(a) Cash and cash equivalents

	Consolidated	
	30 September 2019	**31 March 2019**
Cash at bank	861,603	1,426,142
Cash on hand	2,787	2,606
Clients' monies*	3,934,754	4,918,616
	4,799,144	6,347,364

* The cash and cash equivalents disclosed above and in the statement of cash flows include $3,934,754 which are held in a separate bank account held by the Group. These client monies are restricted for the purpose of payment of salaries to their employees, as part of payroll processing services and are therefore not available for general use by the Group. Refer to Note 9c for its corresponding liability amount.

(b) Trade and other receivables

	Consolidated	
	30 September 2019	**31 March 2019**
CURRENT		
Trade receivables	3,189,252	2,982,065
Less: allowance for credit losses	(117,242)	(100,348)
	3,072,010	2,881,717
Resource management asset	1,466,678	2,150,284
Other receivables	410,476	262,137
	4,949,164	5,294,138
NON-CURRENT		
Other receivables	463,334	287,402
	463,334	287,402

(c) Trade and other payables

	Consolidated	
	30 September 2019	**31 March 2019**
CURRENT		
Trade payables	1,009,031	400,947
Advances of clients' monies	3,934,754	4,918,616
Resource management liability	1,857,419	3,389,956
Accruals	1,968,113	583,780
Other payables	947,945	745,171
	9,717,262	10,038,470

Note 9. Financial assets and financial liabilities (continued)

(d) Borrowings

Recognition and measurement

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 profit or loss over the period of borrowings using the effective interest rate.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

	Consolidated	
	30 September 2019	31 March 2019
Current	$	$
Insurance premium funding	54,002	-
Overdraft	475,358	-
	529,360	**-**

Bank overdraft bears interest of 6.54% per annum (pa) and the insurance premium funding bear interest of 6.67% pa.

(e) Lease Liabilities

Recognition and measurement leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in current and non-current liabilities.

Note 9. Financial assets and financial liabilities (continued)

(e) Lease Liabilities (continued)

Lease liabilities are presented in the statement of financial position as follows:

	Consolidated	
	30 September 2019	31 March 2019
	$	$
Lease liabilities (current)	222,959	-
Lease liabilities (non-current)	523,604	-
	746,563	-

The Group has leases for the various office locations and some IT equipment. The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 September 2019 were as follows:

	Minimum lease payments due			
	Within one year	One to five years	After five years	Total
	$	$	$	$
30 Sept 2019				
Lease payments	445,404	593,878	-	1,039,282
Finance charges	222,445	70,275	-	292,719
Net present values	**222,959**	**523,604**	**-**	**746,563**
31 March 2019				
Lease payments	-	-	-	-
Finance charges	-	-	-	-
Net present values	**-**	**-**	**-**	**-**

Note 10. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company as the numerator, i.e., no adjustments to profits were necessary during the six months period to 30 September 2019.

	Six months to 30 September 2019	Period to 30 September 2018
Weighted average number of shares used in basic earnings per share	51,671,466	35,791,757
Weighted average number of shares used in diluted earnings per share	51,671,466	35,791,757

Note 11. Contributed equity

	30 September 2019		31 March 2019	
	Shares	**$**	**Shares**	**$**
Ordinary Shares – fully paid	51,671,466	24,076,417	51,671,466	24,076,417

There were no movements in the issued capital of the company in the current half-year.

Note 11. Contributed equity (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue Price	$
Opening balance 1 Apr 2018		2,417,452	-	287,601
Shares issued – Initial public offering	29 May 2018	17,000,000	$0.50	8,500,000
Cost attributable to raising capital	-	-	-	(838,191)
Shares issued pursuant to share swap arrangement	29 May 2018	32,254,014	$0.50	16,127,007
Balance 31 Mar 2019		**51,671,466**		**24,076,417**
Balance 30 Sep 2019		**51,671,466**		**24,076,417**

Note 12. Dividends

No dividends were paid during the six month period to 30 September 2019.

Six month period to 30 September 2018: $750,000. This represents a payment of 1.45 cents per share. A dividend of $250,250 (SGD250,000) was paid to the founding shareholders of PayGroup from pre-acquisition retained earnings.

Note 13. Reserves

	Consolidated	
	30 September 2019 $	**31 March 2019 $**
Share based payment reserve	216,904	216,904
Foreign currency translation reserve	(313,386)	(194,047)
Reserves pursuant to share swap acquisition of PayAsia	(16,698,676)	(16,698,676)
	(16,795,158)	(16,675,819)

Note 14. Contingent liabilities

As at the reporting date, there were no material claims or disputes of a contingent nature against the Company and its subsidiaries.

Note 15. Related parties

Related entities

The consolidated financial statements include the financial statements of PayGroup Limited and its controlled entities. The controlled entities are as follows:

Name	Date of acquisition	Parent entity	%	Country of incorporation and business
Pay Asia Pte Ltd	29 May 2018	PayGroup Ltd	100%	Singapore
PayMY Outsourcing Sdn Bhd	29 May 2018	Pay Asia Pte Ltd	100%	Malaysia
Pay Asia Australia Pty Ltd	29 May 2018	Pay Asia Pte Ltd	100%	Australia
Pay Asia Ltd	29 May 2018	Pay Asia Pte Ltd	100%	Hong Kong
Pay Asia HR Services Limited, Inc	29 May 2018	Pay Asia Pte Ltd	100%	Philippines
Pay Asia Management Pvt Ltd	28 Feb 2019	Pay Asia Pte Ltd	100%	India
Pay Asia (Thailand) Limited	10 Sep 2018	Pay Asia Pte Ltd	100%	Thailand
Payasia Company Limited	20 Nov 2018	Pay Asia Pte Ltd	100%	Myanmar
Pay Asia Vietnam Limited Liability Company	23 Mar 2019	Pay Asia Pte Ltd	100%	Vietnam
PT Payasia Konsultansi Indonesia	1 Mar 2019	Pay Asia Pte Ltd	100%	Indonesia
Payasia BPO Payroll India Private Limited	15 Nov 2018	Pay Asia Pte Ltd	100%	India

Employee share Plan

Employees of Pay Asia Pte Ltd and its subsidiaries were offered shares as part of the employee share plan. The employee benefits expense of this plan has been recognised in the financial statements of these entities over the period in which the shares vested.

Transactions with key management personnel and related entities

(i) Key management personnel remuneration
Remuneration arrangements of key management personnel are disclosed in the annual financial report.

(ii) Rental
Pay Asia Australia Pty Ltd rents business premises via a third party agent. The premises are co-owned by Michele Samantha Samlal. On 13 May 2019, Mark Samlal acquired the 50% originally owned by the independent third party. Rent and the lease agreement are set and maintained by the third party agent and is set at terms representing normal commercial terms and conditions and at market rates, with rent at $3,542 per month (2019: $3,542).

(iii) PayMy Outsourcing Sdn Bhd
Prior to the acquisition of Pay Asia Pte Ltd by PayGroup, Pay Asia Pte Ltd controlled the operation and profits of the Malaysian subsidiary, PayMy Outsourcing Sdn Bhd. However due to regulatory constraints associated with transferring ownership of shares within Malaysia, the shareholders of PayMy Outsourcing Sdn Bhd are Mark Samlal and Michele Samantha Samlal. The acquisition agreement has been signed confirming that control is held by Pay Asia Pte Ltd and that the share transfer will occur on completion of the relevant filings within Malaysia.

There were no transactions conducted between the Group and KMP or their related parties, apart from those disclosed above and those relating to equity compensation, that were conducted other than in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

Note 16 Business combinations

There were no acquisitions during the financial half-year period. Acquisitions in the prior financial year were:

Pay Asia Pte Ltd ('PayAsia')

Summary of acquisition

As detailed in the Group's prospectus, on 29 May 2018, immediately following the listing of the Group on the Australian Stock Exchange ('ASX'), the Group acquired 100% of the shares in PayAsia via a share swap transaction. The acquisition complements the Group's existing market presence.

The transaction was undertaken based on the fair value of PayAsia's existing assets and liabilities as at 29 May 2018. The assets and liabilities recognised as a result of the acquisition are as follows:

Description	AUD$
Cash and cash equivalents	844,033
Trade and other receivables	1,744,702
Contract implementation asset	232,651
Plant and equipment	107,328
Intangible assets	897,480
Trade and other payables	(3,448,011)
Deferred implementation revenue	(103,193)
Borrowings	(721,795)
Deferred tax liabilities	(124,864)
Net asset / (liabilities) acquired	**(571,669)**

No cash was used to acquire PayAsia, with the acquisition undertaken entirely on a share swap basis where the company issued 32,254,014 shares to the existing shareholders of PayAsia for 100% of the equity in PayAsia.

Details of the purchase consideration are as follows:

Name	Number of shares issued	Escrow period from listing date
Michele Samantha Samlal	22,080,704	24 months
Lawrence Pushpam	7,051,953	24 months
Simon Forrester	2,427,722	6 months
Nancy Chandler Koglmeier	693,635	6 months
Total	**32,254,014**	

The fair value of the 32,254,014 shares swap as part of the consideration paid for PayAsia $16,127,007 was based on an offer price of $0.50 per share as detailed in the Group's Prospectus dated 11 April 2018.

Further details of the underlying business are detailed in the parent entity's Prospectus dated 11 April 2018.

Note 16 Business combinations (continued)

Reconciliation of closing equity as per 30 September 2018 Interim Report

	Issued capital $	Reserves $	Accumulated losses $	Total Equity $
Balance per 30 September 2018	7,998,536	167,055	(4,043,986)	4,121,605
Balance per 30 September 2019	24,076,417	(16,550,717)	(2,806,616)	4,719,084
Difference	**16,077,881**	**(16,717,772)**	**1,237,370**	**597,479**

The difference noted above is due to the correction of the initial recognition of the acquisition of PayAsia. Full disclosure of the acquisition is outlined in PayGroup's 31 March 2019 consolidated financial statements.

Note 17. Fair value measurement of financial instruments

The carrying amounts of the current receivables, current payables and current borrowings are considered to be a reasonable approximation of their fair value.

Note 18. Events after the reporting period

On 29 August 2019, the Group signed a term sheet to acquire 100% of the issued share capital of Astute One Limited and its wholly owned subsidiaries ("Astute"), a company based in Australia. The transaction was completed via the payment of $150,000 and the issue of 12.7m PayGroup Limited shares.

The objective of the acquisition is to expand the Group's product offering within its core payroll and HR markets and grow its client base.

On 20 November 2019, the Group announced the completion of a $3.0 million (before costs) capital raise via a placement to new and institutional investors.

On 1 November 2019, Mark Samlal provided an unsecured loan of $500,000 to the Group, at an interest rate of 6.4% per annum and was repaid on the 27 November 2019.

Apart from the above no other matter or circumstance has arisen since 30 September 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion

- The attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001, and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 September 2019 and of its performance for the financial half-year ended on that date; and
- 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 made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Basser
Chairman
29 November 2019
Melbourne

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Independent Auditor's Review Report

To the Members of PayGroup Limited

Report on the audit of the financial report

Conclusion

We have reviewed the accompanying half year financial report of PayGroup Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 September 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of PayGroup Limited does not give a true and fair view of the financial position of the Group as at 30 September 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation of the half year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PayGroup Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Eric W Passaris

E W Passaris
Partner – Audit & Assurance

Melbourne, 29 November 2019