

Record growth in new contract wins and implementations provides strong platform for growth in FY20

Appendix 4E – Preliminary final report for year ended 31 March 2019

Highlights

- Pro Forma revenue increase of 15.1% in FY19 vs pcg
- Record growth in new contracts signed during the period (+96% on pcg)
- SaaS HROnline client employees under management up 23% on pcg – driven by both existing client upsells and new client contracts
- Growth in BPO Payroll services client employees (+10.2% on pcg)
- Global Partners Program delivering increased sales pipeline and new clients
- Expanding geographic footprint providing additional revenue opportunities and in-house processing capacity
- Investment in technology to drive business growth and cost efficiencies in FY20
- Strong start to current period with record new client implementations (3,053 employees) and \$1.1m new contract wins (TCV) in first 6 weeks of FY20
- On track to be operating cash flow positive in H2 FY20

Singapore, 30 May 2019: Multi-Country BPO (Business Process Outsourcing) Payroll and cloud-based Software as a Service (SaaS) Human Resource Outsourcing Solutions provider PayGroup Limited (“PayGroup”, “the Group”; ASX: PYG), has today released its Appendix 4E – Preliminary Final Report for the year ended 31 March 2019 (FY19).

PayGroup operates as Pay Asia Pte Ltd (“PayAsia”), which it formally acquired on 29 May 2018, in conjunction with its listing on the ASX. The statutory Appendix 4E accordingly reflects a 10-month contribution from PayAsia (from the effective listing date of 29 May 2019 to 31 March 2019). On a twelve-month Pro Forma basis, PayGroup reported A\$8.4 million revenue and A\$2.3 million NPAT for the FY19 period.

FY19 – Financial highlights and key operating metrics

Year ending 31 Mar (A\$m)	FY18 Pro Forma	FY19 Pro Forma	Movement YoY (+/-)	FY19 Statutory
Financial Highlights:				
Revenue	\$7.3m	\$8.4m	+15.1%	\$4.8m
Operating expenses	\$4.4m	\$5.7m	+29.5%	\$6.2m
EBITDA	\$2.9m	\$2.7m	-6.9%	\$(1.4)m
NPAT	\$2.6m	\$2.3m	-11.5%	\$(1.8)m

Year ending 31 Mar (A\$m)	FY18	FY19	Movement YoY (+/-)
Key Operating Metrics:			
Payslips processed (March)	33,611	37,053	+10.2%
New contract wins (Total Contract Value)	\$2.5m	\$4.9m	+96.0%
Client employees under management (31-Mar)	42,735	48,279	+13.0%
- BPO Payroll	33,611	37,053	+10.2%
- SaaS modules	9,124	11,226	+23.0%

Record new contracts wins with strong contribution from both BPO Payroll and SaaS modules

Pro Forma revenue for the period was \$8.4 million, representing a 15.1% increase on the previous corresponding period (pcp). Statutory revenue for the period was \$4.8 million, and represented a ten-month contribution of PYG's operating subsidiary PayAsia, and also included a one-month contribution from the workforce management business (PayInd) acquired in February 2019. Client churn over the FY19 period was low at less than 5%, with no client losses recorded in Q4 FY19.

PYG reported strong sales momentum in FY19 recording 96.0% growth in new contract wins to \$4.9 million, expressed as total contract value (TCV) and based on an average 3-year term. This strong performance reflected continued growth in new BPO payroll client acquisition, the increasing uptake of PYG's HROnline SaaS modules as well as the Group's expanding Global Channel Partners Program.

It is important to note that PayAsia recognises revenue on a recurring monthly basis over the term of the contract following the on-boarding of the client's employees. Monthly revenues generated are recurring in nature with new client contracts signed on average 39 month terms (3 years plus an extra month for each year for annual tax processing). The Group continues to target a 3-4 month implementation period for onboarding a new client's employees.

The final quarter of FY19 (Q4) represented a peak period for implementation on new client's employees across both BPO payroll services (1,735 added) and SaaS modules (581 added). Accordingly, the revenue impact of Q4 FY19 new client implementations will not be fully realised until H1 FY20.

Client employees under contract as at 31 March 2019 totalled 37,053 for BPO Payroll services (versus 33,611 pcp) and 11,226 for SaaS modules (versus 9,124 pcp).

Global Channel Partnership program – delivering new clients and pipeline expansion

Significant investment and progress was made during the period on the the Group's Global Partners Program. The Group continued to experience solid momentum and an increase in qualified leads coming from its US-based referral partner and in H2 FY19 expanded the partnership program to include new partnership agreements with Japanese-based Payroll Inc., and UK-based PeopleFirst. Initial contract revenues from PYG's agreement with Payroll Inc will commence in H1 FY20.

In March 2019, PYG also executed an agreement with UK-based Cloudpay to be a preferred payroll partner in the APAC region. Subsequent to end of the period, PYG was awarded its first new client contract under

the referral agreement, with a TCV of \$0.45 million. Implementation of these new client employees will occur in the current quarter (Q1 FY20).

Significant investment in technology and infrastructure to drive future business growth & cost efficiencies

PYG made several strategically important investments during the FY19 period, which are expected to drive business growth and cost efficiencies. Investment occurred in the following areas:

- Transition of payroll technology partner providing a material improvement in payroll processing times;
- New HROnline user interface to drive new sales and expansion of offering to existing customers. First customers to be implemented in Q2 FY20;
- Technology integration completed for Global Channel Partners Program, with early stage revenue generation expected to accelerate in FY20;
- Establishment of BPO processing operations in Myanmar and Thailand, taking number of countries serviced by the Group to 19; and
- Increase in headcount in Account Management in Singapore.

Financials commentary

PYG reported a statutory EBITDA loss of \$1.4 million for the period. The statutory result included a 10-month contribution from PayAsia (from 29 May 2018), as well as costs associated with the infrastructure and technology initiatives noted above. It is anticipated that these initiatives will lay the foundation for accelerated revenue growth and cost efficiencies in FY20. The statutory result also including one-off costs associated with the ASX listing.

On a Pro Forma basis, PYG reported \$2.7 million EBITDA for the period, which was down 6.9% on pcp. This result included a full year contribution from the workforce management business, as well as an increased level of operational expenses associated with the initiatives outlined above. This will support PayGroup in scaling up to meet the increased level of new business being secured without the need for material investment in additional resources and infrastructure. This was evidenced by the strong start to the current financial period on new client implelentations.

Cash on hand as at 31 March 2019 was \$6.3 million, of which \$4.9 million related to balances held on behalf of payroll clients.

Statutory operating cash outflow for the FY19 period was \$2.5 million, reflecting the impact of further developing the Global Partners Program through the sales enablement strategy and geographic expansion driven by client requirements.

Acquisition of workforce management business to support multi-national client demand in APAC region

PYG completed the acquisition of Pay Asia Management Private Limited (PayInd) on 29 February 2019. PayInd is a workforce management and payroll processing business based in Bangalore, India. The business services over 93 clients and 4,500 contractors in 300 cities, and is well positioned to support the Group in servicing increasing mulit-national client demand across the APAC region for bundled and standalone workforce management and payroll solutions.

On a Pro Forma basis PayInd generated \$0.86 million revenue and \$0.31 million NPAT for the FY19 period.

Outlook

PYG has recorded a strong start to the current financial period with the completion of a record 6-week period in new client implementations (3,053 employees added). Additionally, PYG's new client implementation schedule anticipates adding a further 4,824 client employees in the FY20 period (as a result of FY19 sales).

The Group also recorded a strong start to the new financial period over the first 6 weeks with \$1.1 million (TCV) in new contract wins.

Based on the growing contribution of SaaS HROnline module solutions, PYG continues to review opportunities to grow this area of business activity within the Group.

Other drivers of revenue in FY20 are expected to include a growing revenue contribution from the Group's Global PartnersProgram, where PYG continues to experience strong momentum through qualified leads and sales. Additionally, PYG's Treasury Solution is beginning to generate revenue and represents an attractive offering to customers.

The Group's existing client base and recurring revenue business model, together with its efficient cash management and minimal working capital requirements, will support PYG's expected transition to positive operating cashflow generation in H2 FY20. This will be assisted by cost efficiencies expected to flow through from the PYG's infrastructure and technology investments made in the last financial period.

PayGroup's Managing Director and CEO, Mark Samlal, commented on the Appendix 4E saying:

"Fiscal year 2019 has been a transformative year for PYG – from our IPO in May 2018 to the significant growth we have delivered in our underlying businesses. We have continued to deliver another year of record growth, driven by new client acquisition and retention of existing customers. Our investment in our Cloud SaaS solution HROnline is delivering strong results and represents a high quality and attractive margin revenue stream. We expect this segment to make a growing contribution to our business in FY20."

"Our expanding Global Partners Program, a strong client implementation schedule, our expansion into workforce management solutions as well as further investments in technology and infrastructure, are also expected to make material financial contributions to the Group in FY20. We have made a strong start to the year and are on track to transition to positive operating cashflow generation in the current financial year."

-ENDS-

For further information, please contact:

Mark Samlal
Managing Director
PayGroup Limited
mark.samlal@payasia.asia

Kyahn Williamson
WE Buchan
+61 3 8866 4722
kwilliamson@we-buchan.com



About PayGroup

Headquartered in Melbourne, Australia, PayGroup Limited (ASX: PYG) is 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. 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) and treasury solutions.

paygrouplimited.com

1. Company details

Name of entity:	PayGroup Limited
ABN:	90 620 435 038
Reporting period:	For the financial year ended 31 March 2019
Comparative period:	For the financial period ended 31 March 2018

2. Results for announcement to the market

Key information	\$	Up/Down	% Change
Revenue from ordinary activities	4,738,423	Up	N/A ¹
Loss from ordinary activities after tax attributable to the owners of PayGroup Limited	1,769,486	Up	77.4%
Net loss attributable to the owners of PayGroup Limited	1,769,486	Up	77.4%

(1) Percentage movement not applicable as prior period value was zero

Background

- PayGroup Limited ("PayGroup") achieved a listing on the Australian Stock Exchange (ASX) on 29 May 2018, and completed the acquisition of PayAsia Pte Ltd ("PayAsia"), a Singapore based provider of BPO and cloud based Human capital Management software, operation in the Asia pacific for multinational companies ("Group"). The acquisition was completed via a share swap arrangement.
- The Group acquired Pay Asia Management Pvt Ltd ("PayInd"), a company based in India on 29 February 2019 via a 100% acquisition for cash consideration.
- The financial results represent a 10 month performance of PayAsia following the acquisition on 29th May 2018, together with 1 month performance of PayInd which was acquired on 29 February 2019.
- Comparative period shows only the performance of PayGroup, which was established for the express purpose of acquiring PayAsia.

Highlights

- Record growth in new contracts signed during FY19 (+96% on pcp) driven by organic sales and the Global Partnership program
- Growth in client employees of 23% for SaaS HROnline and 10.2% for BPO Payroll services
- Continued technology investment to drive business growth and cost efficiencies in FY20
- Laying the platform for additional revenue opportunities as well as creating cost operating cost efficiencies through the expansion of our geographic footprint
- The Group recognised revenue from its existing US-based partner in FY19. A further 2 partners were added as part of the Global Partnership Program in FY19.

Commentary

PayGroup operates as PayAsia, which it formally acquired on 29 May 2018, in conjunction with its listing on the ASX.

PayGroup, through PayAsia, acquired Pay Asia Management Pvt Ltd on 29 February, adding Workforce Management as a business division of the Group.

Financials

PayGroup reported a statutory EBITDA loss of \$1.44 million for the period. The statutory result included the 10-month contribution from PayAsia (from 29 May 2018), as well as costs associated with the infrastructure and technology initiatives noted above. It is anticipated that these initiatives will lay the foundation for accelerated revenue growth and cost efficiencies in FY20. The statutory result also including one-off costs associated with the ASX listing.

Cash on hand as at 31 March 2019 was \$6.3 million, of which \$4.9 million related to balances held on behalf of payroll clients.

Statutory operating cash outflow for the FY19 period was \$2.7 million, reflecting the impact of further developing the Chanel Partner program through the sales enablement strategy and geographic expansion driven by client requirements.

Record new contract wins with strong contribution from both BPO Payroll and SaaS modules

PayGroup reported strong sales momentum in FY19 recording 96.0% growth in new contract wins to \$4.9 million, expressed as total contract value (TCV) and based on an average 3-year term. This strong performance reflected continued growth in new BPO payroll client acquisition, the increasing uptake of PayGroup's HROnline SaaS modules as well as the Group's expanding Global Channel Partnership program.

Statutory revenue for the period was \$4.8 million and represented a ten-month contribution of PayGroup's operating subsidiary PayAsia, and also included a one-month contribution from the workforce management business (PayInd) acquired in February 2019. Client churn over the FY19 period was low at less than 5%, with no client losses recorded in Q4 FY19.

The final quarter of FY19 (Q4) represented a peak period for implementation on new client's employees across both BPO payroll services (1,735 added) and SaaS modules (581 added).

Client employees under contract as at 31 March 2019 totalled 37,053 for BPO Payroll services (versus 33,611 pcpc) and 11,226 for SaaS modules (versus 9,124 pcpc). This represents an increase of 10.2% for BPO Payroll services and 23% for SaaS Modules.

Global Channel Partnership program

The Group continued to experience strong momentum from its US-based referral partner, with initial revenues recognised in FY19 from contract wins.

Further expansion to its Global Partnership program lead to the addition of two UK-based global HR providers. Initial contract revenues from both these partnerships will commence in H1 FY20.

Significant investment in technology and infrastructure

PYG made several strategically important investments during the FY19 period, which are expected to drive business growth and cost efficiencies. Investment occurred in the following areas:

- Transition of payroll technology partner providing a material improvement in payroll processing times;
- New HROnline user interface to drive new sales and expansion of offering to existing customers. First customers to be implemented in Q2 FY20;
- Technology integration completed for Global Channel Partnerships, with early stage revenue generation expected to accelerate in FY20;
- Establishment of BPO processing operations in Myanmar and Thailand, taking the number of countries serviced by the Group to 19; and
- Increase in headcount in Account Management in Singapore as part of the sales enablement strategy.

Dividends paid and proposed

A total unfranked dividend of \$750,000 (\$0.0145/share) was paid for the period ended 31 March 2019.

Net tangible assets per share

	2019 \$/share	2018 \$/share
Net tangible assets per share	0.26	Nil

Control gained or lost over entities in the period

PayGroup Ltd acquired 100% of the shares in Pay Asia Pte Ltd on 29 May 2018 as part of a share swap arrangement. Pay Asia Pte Ltd became a 100% controlled entity at this date.

Pay Asia Pte Ltd (100% owned subsidiary of PayGroup Ltd) acquired 100% of the shares in Pay Asia Management Pvt Ltd on 28 February 2019. Pay Asia Management Pvt Ltd became a 100% controlled entity at this date.

Pay Asia Pte Ltd incorporated a number of subsidiaries within countries where the Group has expanded its operations. As at 31 March 2019 the results of these companies were not material to the results of the Group.

The entities over which control was gained are as follows:

Name	Date of acquisition / incorporation	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

Investment in Associates and Joint Ventures

Not applicable.

Status of Audit

The report is based on accounts which are in the process of being audited.

Attachments

The preliminary financial report of PayGroup Limited and its controlled entities (the Group) for the year ended 31 March 2019 is attached.

PayGroup Limited and its controlled entities
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 31 March 2019

		Consolidated	
	Notes	2019	2018
		\$	\$
Revenue from continuing operations	2	4,738,423	-
Other income	2	61,147	-
Expenses			
Subcontractors		(457,507)	-
Hosting services		(194,741)	-
Employee benefits expense		(2,297,651)	(177,887)
Rent and occupancy		(250,264)	-
Initial public offering costs		(108,370)	(528,036)
Consulting and professional fees		(1,727,926)	(245,176)
Depreciation and amortisation expense		(279,152)	-
Finance costs		(23,756)	-
Allowance for credit loss		(14,456)	-
Other expenses		(1,180,406)	(46,231)
Loss before income tax		(1,734,660)	(997,330)
Income tax expense		(34,827)	-
Loss for the year		(1,769,486)	997,330)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(1,769,486)	(997,330)
Earnings per share		Cents	Cents
Basic earnings per share	1	(4.04)	(2.99)
Diluted earnings per share	1	(4.04)	(2.99)

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

PayGroup Limited and its controlled entities
Consolidated statement of financial position
As at 31 March 2019

		Consolidated	
	Notes	2019	2018
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	3	6,347,364	1
Trade and other receivables	4	5,703,720	38,779
Prepayments		66,269	8,333
Other assets	5	486,010	181,686
Total current assets		12,603,363	228,799
Non-Current Assets			
Trade and other receivables	4	287,402	-
Plant and equipment		141,679	-
Intangibles	6	1,292,355	-
Other assets	5	308,060	-
Total non-current assets		2,029,496	-
TOTAL ASSETS		14,632,859	228,799
LIABILITIES			
Current Liabilities			
Trade and other payables	7	10,074,778	721,624
Provision	8	53,897	-
Total current liabilities		10,128,675	721,624
Non-Current Liabilities			
Trade and other payables	7	216,798	-
Provision	8	326,045	-
Deferred tax liabilities		82,135	-
Total non-current liabilities		624,978	721,624
TOTAL LIABILITIES		10,753,653	721,624
NET SURPLUS / (DEFICIT)		3,879,206	(492,825)
Equity			
Issued capital	9	7,998,536	287,601
Reserves	10	37,377	216,904
Accumulated losses		(4,156,707)	(997,330)
TOTAL EQUITY		3,879,206	(492,825)

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

PayGroup Limited and its controlled entities
Consolidated Statement of changes in equity
For the year ended 31 March 2019

	Issued capital	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Consolidated				
Balance at 13 July 2017	-	-	-	-
Loss for the period	-	-	(997,330)	(997,330)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the year	-	-	(997,330)	(997,330)
Transactions with owners, in their capacity as owners:				
Shares issued during the period	287,601	-	-	287,601
Shares granted during the period under employee share plan	-	216,904	-	216,904
Total transactions with owners and other transfers	287,601	216,904	-	504,505
Balance at 31 March 2018	287,601	216,904	(997,330)	(492,825)
Balance at 1 April 2018	287,601	216,904	(997,330)	(492,825)
Balances acquired as part of the share swap acquisition of PayAsia	49,126	19,096	(639,891)	(571,669)
Loss after income tax expense for the year	-	-	(1,769,486)	(1,769,486)
Total comprehensive income for the year	-	-	(1,769,486)	(1,769,486)
Movement in foreign exchange	-	(198,623)	-	(198,623)
Transactions with owners, in their capacity as owners:				
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	7,661,809	-	(750,000)	6,911,809
Balance at 31 March 2019	7,998,536	37,377	(4,156,707)	3,879,206

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

PayGroup Limited and its controlled entities

Consolidated Statement of cash flows

For the year ended 31 March 2019

	2019	2018
	\$	\$
Cash flows from operations		
Receipts from customers (inclusive of GST/VAT/SST)	4,146,657	-
Payments to suppliers and employees (inclusive of GST/VAT/SST)	(6,662,689)	-
Interest received	10,769	-
Interest and other finance costs paid	(23,756)	-
Net cash used in operating activities	<u>(2,529,019)</u>	<u>-</u>
Cash flows from investing activities		
Payment for, plant and equipment	(37,930)	-
Payment for intangibles	(601,445)	-
Net cash inflow from acquisition, net of cash paid	1,106,051	-
Net cash received from investing activities	<u>466,676</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from share issue	8,500,000	1
Payments for IPO and fund raise	(946,561)	-
Dividend paid	(1,000,250)	-
Repayment of borrowings	(721,795)	-
Employee loan	(23,407)	-
Funds received on behalf of clients	2,800,342	-
Net cash used in financing activities	<u>8,608,329</u>	<u>1</u>
Net increase in cash and cash equivalents	<u>6,545,986</u>	<u>1</u>
Cash and cash equivalents at the beginning of the financial period	1	-
Effect of exchange rate fluctuations on cash held	(198,623)	-
Cash and cash equivalents at the end of the financial period	<u>6,347,364</u>	<u>1</u>

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

PayGroup Limited and its controlled entities

Notes to the preliminary final report

For the year ended 31 March 2019

1. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of PayGroup Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period.

	2019 \$	2018 \$
Earnings per share from continuing operations		
Loss after income tax (basic)	1,769,486	997,330
Loss after income tax (diluted)	1,769,486	997,330
Weighted average number of shares used in calculating basic earnings per share	43,709,858	333,443
Basic earnings / (loss) per share (cents per share)	(4.04)	(2.99)
Diluted earnings / (loss) per share (cents per share)	(4.04)	(2.99)

	Consolidated 2019 \$	2018 \$
2. Revenue		
Revenue from continuing operations		
Payroll services	4,686,947	-
HR and Staffing	51,477	-
	<u>4,738,423</u>	<u>-</u>
Other income		
Foreign exchange loss	(5,768)	-
Interest	10,769	-
Other	56,146	-
	<u>61,147</u>	<u>-</u>

3. Cash and cash equivalents

Cash at bank	1,426,142	-
Cash on hand	2,606	1
Clients' monies*	4,918,616	-
	<u>6,347,364</u>	<u>1</u>

* The cash and cash equivalents disclosed above and in the statement of cash flows include \$4,918,616 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 7 for its corresponding liability amount.

PayGroup Limited and its controlled entities
Notes to the preliminary final report
For the year ended 31 March 2019

	Consolidated	
	2019	2018
	\$	\$
4. Trade and other receivables		
<u>Current</u>		
Trade receivables	2,982,065	-
Less: allowance for impairment of receivables	(100,348)	-
	<u>2,881,717</u>	<u>-</u>
Accrued income	2,150,284	-
Income tax recoverable	409,582	-
Other receivables	262,137	38,779
Total current trade and other receivables	<u>5,703,720</u>	<u>38,779</u>
<u>Non-current</u>		
Other receivables	287,402	-
Total non-current trade and other receivables	<u>287,402</u>	<u>-</u>

Other receivables non-current includes reimbursement right for gratuity of \$281,543.
The carrying amount of other financial assets approximates their fair value.

5. Other assets

Current

Capital raise costs	-	181,686
Deposits	218,725	-
GST receivable	173,075	-
Contract implementation asset	94,210	-
	<u>486,010</u>	<u>181,686</u>

Non-current

Contract implementation asset	308,060	-
-------------------------------	---------	---

In 2018, the group has capitalised costs associated with the capital raise that was completed subsequent to period end in May 2018. These costs were directly off set against funds raised.

6. Intangible assets

Software	730,278	-
Software under development	532,620	-
Goodwill on acquisition	29,457	-
	<u>1,292,355</u>	<u>-</u>

PayGroup Limited and its controlled entities

Notes to the preliminary final report

For the year ended 31 March 2019

6. Intangible assets (continued)

	Goodwill	Software	Software under development	Total
Cost				
Balance 1 April 2018	-	-	-	-
Acquired as part of the PayAsia 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	29,457	56,368	-	85,825
Additions	-	-	601,445	601,445
Reclassification	-	124,466	(124,466)	-
Balance 31 March 2019	29,457	1,662,227	532,620	2,224,304
Accumulated amortisation				
Balance 1 April 2018	-	-	-	-
Acquired as part of the PayAsia 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
Charge for the half year	-	239,764	-	239,764
Balance 31 March 2019	-	931,949	-	931,949
Net Book Value				
Balance as at 31 March 2018	-	-	-	-
Balance as at 31 March 2019	29,457	730,278	532,620	1,292,355

7. Trade and other payables

	Consolidated	
	2019	2018
	\$	\$
<u>Current</u>		
Trade payables	400,947	-
Advances of client's monies	4,918,616	-
Consultants and Temp staff salary payable	3,389,956	-
Accruals	569,967	87,916
Deferred implementation revenue	36,309	-
Other payables	758,983	633,708
	<hr/> 10,074,778	<hr/> 721,624
<u>Non-current</u>		
Deferred implementation revenue	216,798	-
	<hr/>	<hr/>

8. Provisions

<u>Current</u>		
Provision for gratuity	25,992	-
Provision for income tax	27,905	-
	<hr/> 53,897	<hr/> -
<u>Non-Current</u>		
Provision for gratuity	326,045	-
	<hr/>	<hr/>

9. Contributed equity

	31 March 2019		31 March 2018	
	Shares	\$	Shares	\$
Ordinary Shares – fully paid	51,671,466	7,998,536	2,417,452	287,601
	<hr/>	<hr/>	<hr/>	<hr/>

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	-	-
Balances acquired as part of the share swap acquisition of PayAsia	29 May 2018	-	-	49,126
Balance 31 March 2019		<hr/> 51,671,466		<hr/> 7,998,536

	Consolidated	
	2019	2018
	\$	\$
10. Reserves		
Share based payment reserve	216,904	216,904
Foreign currency translation reserve	(198,623)	-
Other reserve	19,096	-
	<u>37,377</u>	<u>216,904</u>

11. Business combinations

(a) Payasia 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 has significantly increased the group's international market share in this industry, and complements the group's existing division.

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	\$
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 liabilities acquired	<u>(571,669)</u>

There will be no goodwill or other intangible assets recognised as part of the acquisition.

(i) Acquired receivables

The fair value of acquired trade receivables is \$1,111,529. The gross contractual amount for trade receivables due is \$1,307,779, of which \$196,250 is expected to be uncollectible.

(ii) Accounting policy choice

This acquisition was not deemed an acquisition as per Australian Accounting Standard AASB 3 'Business Combinations'. The acquisition has been treated as a pooling of interests whereby the equity of PayGroup has been combined with the equity of PayAsia as at the date of acquisition.

(iii) Revenue and profit contribution

The acquired business contributed revenues of \$4,612,073 and net loss of \$542,509 to the Group for the period from 1 June 2018 to 31 March 2019.

Purchase consideration

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 (\$8,500,000) was based on an offer price of \$0.50 per share as detailed in the Group's Prospectus dated 11 April 2018. Issue costs of \$908,191 which were directly attributable to the issue of the shares have been netted against the deemed proceeds in equity. Acquisition-related costs were not directly attributable to the issue of shares are included in administrative expenses in profit or loss and in operating cash flows in the consolidated statement of cash flows.

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

(b) Pay Asia Management Pvt Ltd

Summary of acquisition

The Group acquired 100% of the issued share capital of Pay Asia Management Pvt Ltd. The acquisition has significantly increased the group's international market share in this industry, and complements the group's existing division.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration (refer note below):	\$
Cash paid	644,941
Ordinary shares issued	-
Contingent consideration	-
Total purchase consideration	644,941

The transaction was undertaken based on the fair value of Pay Asia Management Pvt Ltd's existing assets and liabilities as at 28 Feb 2019.

The assets and liabilities recognised as a result of the acquisition are as follows:

Description	\$
Cash and cash equivalents	906,960
Trade and other receivables	3,157,325
Plant and equipment	35,809
Intangible assets	4,186
Trade and other payables	(3,531,492)
Deferred tax assets	41,647
Net identifiable assets acquired	614,434
Add: goodwill	30,507
Net assets acquired	644,941

The business combination has initially been accounted for on a provisional basis in accordance with AASB 3

Business Combinations. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at balance date. Fair value adjustments on the finalisation of the business combination is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets, liabilities, depreciation and amortisation reported.

The goodwill is attributable to the workforce and the underlying business capability and operational performance. It will not be deductible for tax purposes.

(i) Acquired receivables

The fair value of acquired trade receivables is \$3,157,325. The gross contractual amount for trade receivables due is \$3,157,325, of which \$nil is expected to be uncollectible.

(ii) Accounting policy choice

The group recognises interests at its acquired net identifiable assets.

(iii) Revenue and profit contribution

The acquired business contributed revenues of \$126,350 and net loss of \$54,807 to the Group for the period from 1 March 2019 to 31 March 2019.

Purchase consideration – cash inflow

	2019	2018
	\$	\$
Outflow of cash to acquire subsidiary, net of cash acquired		-
Cash consideration	644,941	-
Less: Balances acquired		-
Cash	906,960	-
Net inflow of cash – investing activities	262,019	-

12. Segment report

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 Company resources and assess performance.

Given the nature of operations of the company up to 31 March 2019, the company does not have any segment based reporting.

13. Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 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.