

PAYGROUP LIMITED

ACN 620 435 038

ANNUAL REPORT 31 MARCH 2020



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DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to herein as "the Group", "PYG" or "PayGroup") consisting of PayGroup Limited and its controlled entities for the financial year ended 31 March 2020.

1. Directors

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

Ian Bassier

Mark Samlal

David Fagan

Franck Neron-Bancel

2. Information on Directors

Ian Bassier

– Non-Executive Director (Independent)

Experience

– Ian was appointed to the Board in July 2017 as an independent Non-Executive Director and Chairman. Ian has over 32 years' experience in starting, running and building service companies around the world including Australia, Hong Kong, China, Singapore, USA, UK and Europe. He was Chief Executive Officer and Managing Director of Chandler Macleod Group Limited until August 2012. Prior to joining Chandler Macleod, he spent five years establishing and developing the Mettle Group as a strategic leadership and culture consultancy. Prior to Mettle Group, Ian was Group Managing Director of Harvey Nash running operations in the UK, Europe and Asia. Prior to Harvey Nash, he was on the global management team of Michael Page International building operations in Australia, Asia and North America.

Directorships held in other listed entities during the three years prior to the current period – None

Mark Samlal

– Managing Director

Experience

– Mark co-founded Pay Asia Pte Ltd (PayAsia) in 2006 where he was Non-Executive Chairman until being appointed to the role of Executive Chairman and Managing Director of PayAsia in July 2015. In July 2017, he was appointed to the Board of PayGroup and to the role of Managing Director of the Group. Mark has over 24 years' experience in leadership roles in Asia Pacific including being a Director and General Manager of ADP in Asia Australia (1999-2003). His previous senior roles included Chief Executive Officer VicPlas Ltd a Singapore Stock Exchange listed company in (2008-2014) and Executive Director of Omni Industries in Singapore (2006-2008). Mark is affiliated with the major shareholder and is based in Singapore.

Special Responsibilities – Chief Executive Officer

Directorships held in other listed entities during the three years prior to the current period – None

DIRECTORS' REPORT

David Fagan	– Non-Executive Director (Independent) and Chair of Audit Committee
Experience	– David was appointed to the Board in July 2017 as a Non-Executive Director. He is the chair of the Audit and Risk Committee. David has over 38 years' experience in law practice including over 30 years with Clayton Utz culminating in the role of Board Member and National Chief Executive Partner (2001-2010). Current Non-Executive Director roles include ASX listed Medibank Private Limited (since 2014) including Chair of the Board Risk Management Committee, and UBS Grocon Real Estate Investment Management (since March 2014). David holds both a Bachelor and Master of Laws from University of Melbourne and is based in Melbourne, Australia.
Directorships held in other listed entities during the three years prior to the current period	– Medibank Private Limited (ASX:MPL)
Franck Neron-Bancel	– Executive Director
Experience	– Franck joined PayAsia in May 2017 as an adviser and was appointed to the Board of PayGroup in July 2017 as Executive Director and Chief Strategy Officer. Franck has over 21 years' industry experience in global HCM and payroll services with global leader Automatic Data Processing, Inc. (NASDAQ: ADP, Market Cap: USD 63 billion). Franck's tenure at ADP culminated in the role of Senior Vice President Strategic Account Management (2013-2017), with reporting to the ADP Global Enterprise Solutions President. Franck holds a Bachelor's Degree (General Management, Finance & Marketing) from KEDGE Business School and is based in New York, United States of America.
Special Responsibilities	– Chief Strategy Officer
Directorships held in other listed entities during the three years prior to the current period	– None

3. Directors' Shareholdings

The table below sets out each Director's relevant interest in shares or options of the Company at the date of this report:

Director	Number of ordinary shares	Number of ordinary shares issued under employee share scheme
Ian Basser	258,843	301,302
Mark Samlal ⁽¹⁾	22,118,470	-
David Fagan	61,785	222,964
Franck Neron-Bancel	771,406	222,964
Total	23,210,504	747,230

(1) Shares indirectly held by Mark Samlal through related parties.

DIRECTORS' REPORT

4. Company Secretary

Oliver Carton B Juris LLB was appointed Company Secretary on 13 July 2017 and resigned 2 May 2019. Oliver was re-appointed as Company Secretary on 9 January 2020.

Justin Owen CA, F FIN, PayGroup's CFO, was appointed Company Secretary from 2 May 2019 to 9 January 2020.

5. Directors' Meetings

The table below sets out the number of meetings held during the 2020 financial year and the number of meetings attended by each Director. During the period, 12 Board meetings were held.

Director	Eligible to attend	Attended
Ian Basser	12	12
Mark Samlal	12	12
David Fagan	12	12
Franck Neron-Bancel	12	12

Since the Initial Public Offering ("IPO"), no other sub-committees other than the Audit and Risk Committee have been established, with all responsibility held and actions undertaken by the Board. This structure is reviewed annually by the Board.

6. Review of Operations

Principal activities

PayGroup Limited ("PayGroup") headquartered in Melbourne, Australia, is the holding company for PayAsia, a specialist provider of payroll and human capital management solutions.

PayAsia delivers Software-with-a-Service ("SaaS") payroll solutions and leveraging a Cloud ("SaaS") based Human Capital Management platform, HROnline, for data aggregation, reporting and critical workflows.

The Group is also a leader in workforce management solutions for complex businesses via Pay Asia Management Pvt Ltd ("PayAsia Management" an entity incorporated and operating in India) as well as expanding to providing workforce management solutions in Australia and New Zealand with its acquisition of Astute One Limited.

PayGroup successfully listed on the ASX on the 29 May 2018 and completed the acquisition of PayAsia via a share swap arrangement as at the date of listing. The Group further acquired Pay Asia Management Pvt Ltd ("PayInd"), a company based in India on 29 February 2019 via a 100% acquisition for cash consideration.

Following the acquisition, PayGroup, PayAsia and PayInd (Group) have continued to expand the underlying PayAsia business.

During the financial year, PayGroup acquired Astute One Limited and its wholly owned subsidiaries ("AstuteOne") on 1 November 2019. AstuteOne consists of entities incorporated in Australia and provides payroll SaaS solutions along with Managed Payroll Services (MPS) in Australia and New Zealand.

FY20 results represents full 12 months performance for PayAsia and Pay Asia Management and 5 months contribution from AstuteOne.

FY19 results represents 10 months performance for PayAsia and 1 months contribution for Pay Asia Management.

Financial performance

Statutory revenue reported for the financial year was \$10.1 million. PayAsia and PayAsia Management contributed \$7.2 and \$2.9 million contribution by AstuteOne (5 months contribution to the Group).

PayGroup reported a statutory EBITDA loss of \$0.6 million (2019: \$1.2 million) for the financial year.

Cash on hand as at 31 March 2020 was \$9 million, of which \$7 million related to restricted funds held on behalf of payroll clients.

The Group achieved a positive operating cash flow of \$1,843,213 for the quarter ended 31 March 2020 and operating activities cash outflow for the full financial year was \$139,858.

Uplift of \$10.5 million in intangible assets reported by the Group were driven by \$9.2 million recognised as the fair value of the intangible assets acquired from the purchase of the AstuteOne (\$6.3 million being the fair value of the software recognised on acquisition).

On 20 Nov 2019 the Group successfully completed \$3 million capital raise via placement to institutional investors. Proceeds were used to fund growth and acquisition costs.

The statutory result also includes one-off costs associated with the acquisition of AstuteOne.

7. Business Strategies, Prospects and Risks for the Future Financial Years

The Group reported a strong growth for the financial year. Positive operating activities cash flow was achieved in second half of FY20 (post one-off adjustments). The Group's payslips processed grew from 347K per month end of FY19 to 395K per month FY20 (increase by 48K per month)¹.

FY20 was a solid year with the successful acquisition of AstuteOne allowing the Group to further expand its technology platform and SaaS business from offering 9 modules to 16 modules, positively contributing to the improved financial performance of the Group, as well as allowing deeper expansion into Australia and New Zealand markets.

PayGroup continued to grow during the financial year under all revenue channels of SwaS, SaaS and Global Partner Programs (GPP). The Group also launched its Treasury function in Q2 FY20 which is expected to bring in additional revenue growth under SwaS or GPP channels.

PayGroup now has 875 customers as at 31 March 2020 (up from 450 as at 31 March 2019) and maintains its high customer retention rate at 95% during the financial year. The Group expanded its geographical capabilities to 33 countries (up from 25 in prior year).

The advent of Covid-19 has seen a number of growing payroll regulatory and legislative changes but also opportunities due to the increased complexities to process payroll accurately. There is increasing demand to move to the cloud-based payroll environment, creating new opportunities for the Group. Increased multi-country service offerings and capabilities globally has provided opportunities particularly with our Global Partners.

Sales pipeline remains strong entering into FY21. The group signed new contracts totalling \$2.7M TCV in the first 2 months of the new financial year. Implementation remains busy with 12K payslip² in implementation backlog as at 31 March 2020 (up from almost 8K as at 31 March 2019).

The Group continues to see strong opportunities and new sales win momentum in Q1 of FY21. Focus remains with building technology capabilities to strengthen our global opportunities and particularly in Australia and New Zealand for AstuteOne. Global Partnership Programs is expected to bring additional revenue generating partnerships in FY21 with strong growth also projected in Treasury services.

¹ Includes Astute payslips and those associated with new Treasury Services Offering.

² Employees contracted to be implemented but not yet on-boarded and includes SwaS, SaaS and Treasury services.

8. Subsequent Events

There have been no other matters or circumstances that have arisen since the end of the financial period, that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Covid-19 update:

PayGroup is well equipped to execute its business continuity planning (“BCP”) policy for Covid-19. Investments in technology pre-Covid-19 has allowed the group to execute BCP with its workforce across all business segments working from home without material impact to its service delivery to clients or loss of productivity.

The group is closely monitoring the global economic impact of Covid-19 and across its geographical business segments and client base. To date, PayGroup financials is largely unimpacted by Covid-19 and has not seen reported revenue substantially decline to date. From the date of this reporting, the group is unaware of any factors suggesting a substantial impact to its top line revenue or operational cost base due to Covid-19.

Notwithstanding this, PayGroup has identified significant cost saving opportunities across its segments and is therefore, well positioned for any unforeseen adverse impacts from Covid-19.

9. Changes in State of Affairs

The Group successfully completed institutional placement of shares for \$3,000,000 in November and acquired Astute One Limited and its wholly owned subsidiaries on 1 November 2019.

Apart from the matters referred to above and within the subsequent event note, there were no other significant changes in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

10. Environmental Factors

PayGroup is not subject to any significant environmental regulation under Australian Commonwealth or State law. PayGroup recognises its obligations to its stakeholders (customers, shareholders, employees and the community) to operate in a way that minimises the impact it has on the environment.

11. Dividends

No dividend was paid for the year ended 31 March 2020. A total unfranked dividend of \$750,000 (1.45 cents/share) was paid on 30 July, 2018 (Record date – 10 July, 2018) for the period ended 31 March 2019.

12. Indemnification of Directors, Officers and Auditors

The Directors of PayGroup Limited are indemnified against liabilities pursuant to agreements with PayGroup Limited. PayGroup Limited has entered into insurance contracts with a third party insurance provider, in accordance with normal commercial practices. Under the terms of the insurance contract, the nature of the liabilities insured against and the amount of premiums paid are confidential. The Group is not aware of any liability that arose under these indemnities as at the date of this report.

During or since the end of financial year, the Group has not indemnified or made a relevant agreement to indemnify the auditor against a liability incurred as auditor.

13. Proceedings on Behalf of Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the period.

14. Non-audit services

During the year, Grant Thornton Australia, the Company's auditor, has performed certain other services in addition to its audit responsibilities.

The Board, in accordance with advice received from the Board's Audit and Risk Committee, is satisfied that the provision of non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company to ensure that they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity of the Company.

No officer of the Company was a partner or director of Grant Thornton during the financial year.

Details of the amounts paid to the auditors and its related practices for audit and non-audit services provided during the year are disclosed in note 17 of the financial statements accompanying this report.

15. Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 March 2020 has been received and can be found on page 13 of the financial report.

16. Employee Share Plan

No shares were granted/ issued under employee share plan for the current year ended 31 March 2020 and prior period ended 31 March 2019.

REMUNERATION REPORT - AUDITED

Remuneration Policy

The Directors present the consolidated entity's 2020 audited remuneration report which details the remuneration information for PayGroup Limited's executive directors, non-executive directors and other key management personnel.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the business, directly or indirectly, as an executive.

The names and positions of KMP in the Group during the whole of the financial year unless otherwise stated are:

As at 31 March 2020

Name	Position	Dates
Current KMP		
Mark Samlal	Managing Director	Full year
Ian Basser	Non-Executive Chairman (independent)	Full year
David Fagan	Non-Executive Director (independent)	Full year
Franck Neron-Bancel	Executive Director & Chief Strategy Officer	Full year
Elise Nguyen	Chief Financial Officer	From 20 January 2020
Former KMP		
Justin Owen ¹	Chief Financial Officer / Company Secretary ²	From 1 December 2018 to 20 January 2020

- From 1 December 2018 to 20 January 2020, Justin Owen undertook the CFO role on a full time basis, providing this service via a company controlled by Justin Owen. Prior to this date the services were provided on a part-time basis.
- Justin Owen was appointed Company Secretary from 1 May 2019 to 9 January 2020

Principles used to determine nature and amount of remuneration

The Directors agreed that, due to the size and structure of the Group and Board, that remuneration responsibility would be held by the Board.

An annual review will be undertaken by the Board with changes made as deemed appropriate to the size, structure and needs of the Group.

The Board can obtain professional advice where necessary to ensure that the Group attracts and retains talented and motivated directors and employees who can enhance performance through their contribution and leadership.

The guiding principles for determining the nature and amount of remuneration for KMP of the Group is as follows:

- remuneration should include an appropriate mix of fixed and performance based components,
- components of remuneration should be understandable, transparent and easy to communicate; and
- Remuneration Committee / Board to review KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The Board sets out to link remuneration policies with the achievement of financial and personal objectives.

Results from the remuneration benchmark and framework study completed during the year were reviewed by the Board confirming that PayGroup's employees are paid within the industry spread for their role, responsibility and seniority relative to the country with which they are employed in.

Group financial performance

EBITDA growth together with improved asset returns are underpinned by the Company's focus on portfolio premiumisation, brand building investment, strategic customer partnerships, more efficient routes-to-market and a cost conscious culture. FY20 results demonstrate the benefits of this strategy delivering EBITDA loss of \$0.6 million (FY19: \$1.2 million), marking 50% improvement over year on year performance.

Given the Group only recently listed on the ASX in May 2018, the presentation and assessment of the Group's financial performance represents 10 months of FY19 and 12 months of FY20 trading. The table below summarises the Company's financial performance over last two financial years:

	2020	2019
	\$	\$
EBITDA	(636,495)	(1,217,813)
Earnings/ (loss) per share (in cents)	(3.57)	(3.66)

As the Group only recently listed on the ASX the Group has broadly retained the remuneration structure as outlined in the prospectus for the Directors.

Components of remuneration

Non-executive directors are remunerated with fees within the aggregate limit as approved by shareholders.

Name	Annual Approved Fee
Ian Basser	\$100,000
David Fagan	\$85,000

The executive directors and other KMP are remunerated based upon market value of the position and the range of skills and experience they bring to the Group and, going forward, will be split between fixed and performance linked remuneration.

Fixed remuneration will consist of base remuneration and employer contributions to superannuation /or its equivalent in other jurisdictions.

Performance linked remuneration consists of Short-term Incentives (STI) and Long-term Incentives (LTI) via Employee Share Plan with key performance metrics tied to group objectives.

Employee Share plan

No shares were granted under the employee share plan in 2020 and 2019.

The balance of the employee share plan represents the shares granted on the 23 February 2018 under the Loan Share Plan where the Directors and senior employees, including KMP, were invited to apply for Plan Shares. A limited recourse loan was provided to allow the Directors and senior employees to purchase the Plan Shares at the Company's Initial Public Offering price of \$0.50 per share, pursuant to the terms of the loan agreement. The Plan Shares are subject to voluntary escrow conditions of 24 months from date of issue and vest on issue.

Shares issued to Directors and employees under the employee share plan financed via a non-recourse loan are treated in the same way as options and fair valued accordingly at issue date. The fair value of the Loan Share Plan was calculated using the Binomial option pricing model. The value of the shares has been expensed on a proportionate basis from grant date to vesting date. As the shares vested immediately the full value of \$216,904 has been recognised on share issue in the share based payment reserve.

The Plan aims to recognise long-term performance by rewarding the Directors and key management with Performance Shares which will allow them to share in the growth in value of the Company.

Consolidated entity performance and link to remuneration

There were no performance based remuneration measures for 2020 or prior period.

In respect of the current financial year and prior period there were no bonus payments made to key management personnel.

Details of Remuneration

Details of remuneration of the Directors and KMP of the Group are set out in the following tables.

2020 Directors and other Executives Remuneration

	Short Term		Post	Long Term	Share Based		Total	Total	Equity as a %
	Salary/Fees	Bonus	Employment	Benefits	Payments	Payments		Performance	Related
	\$	\$	Super- annuation	Long Service Leave	Shares	Employee Share Plan	\$	%	%
2020 Directors' Remuneration									
I Basser	100,000	-	-	-	-	-	100,000	-	-
M Samlal	366,608	-	17,545	-	-	-	384,153	-	-
D Fagan	85,000	-	-	-	-	-	85,000	-	-
F Neron-Bancel	347,941	-	-	-	-	-	347,941	-	-
Total	899,549	-	17,545	-	-	-	917,094	-	-

2020 Other Executives' remuneration

J Owen	212,490	-	-	-	-	-	212,490	-	-
E Nguyen	41,815	-	-	-	-	-	41,815	-	-
Total	254,305	-	-	-	-	-	254,305	-	-

¹ Appointed full time 1 December 2018
There were no non-monetary benefits provided

Directors and other Executives Remuneration

Total	1,153,854	-	17,545	-	-	-	1,171,399	-	-
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2019 Directors and other Executives Remuneration

	Short Term		Post	Long Term	Share Based		Total	Total	Equity as a %
	Salary/Fees	Bonus	Employment	Benefits	Payments	Payments		Performance	Related
	\$	\$	Super- annuation	Long Service Leave	Shares	Employee Share Plan	\$	%	%
2019 Directors' Remuneration									
I Basser	91,667	-	-	-	8,333	-	100,000	-	8.3
M Samlal	300,732	-	14,864	-	-	-	315,596	-	-
D Fagan	85,000	-	-	-	-	-	85,000	-	-
F Neron-Bancel	297,906	-	-	-	-	-	297,906	-	-
Total	775,305	-	14,864	-	8,333	-	798,502	-	1.0

There were no non-monetary benefits provided

2019 Other Executive remuneration

J Owen ¹	187,380	-	-	-	-	-	187,380	-	-
Total	187,380	-	-	-	-	-	187,380	-	-

¹ Appointed full time 1 December 2018
There were no non-monetary benefits provided

Director and Executive Remuneration

Total	962,685	-	14,864	-	8,333	-	985,882	-	0.8
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The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk- STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Non-Executive Directors:</i>						
I Basser	100%	100%	-	-	-	-
D Fagan	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
M Samlal	100%	100%	-	-	-	-
F Neron-Bancel	100%	100%	-	-	-	-
<i>Other Key Management Personnel</i>						
J Owen	100%	100%	-	-	-	-
E Nguyen	100%	n/a				

Details of Share Based Compensation

Options

No options have been issued by the Company in the current year or prior year.

Employee Shares

There were no employee shares offered or issued in the current year or prior year.

Service Agreements

The contracts for service between the Group and specified executives are formalised in service agreements. The major provisions in the agreements relating to remuneration are set out below:

Mark Samlal, Managing Director / Chief Executive Officer

- Permanent employment contract commencing 1 November 2014
- Fixed annual remuneration of SGD330,296 including superannuation/retirement benefits and director fees and a housing allowance of SGD2,300.
- Termination by provision of six months' notice by either the Executive or the Company

Franck Neron-Bancel, Executive Director and Chief Strategy Officer

- Consulting and service agreement commencing 1 May 2017
- Consultancy fee of USD17,000 per month (from April 2019 to December 2019), USD\$14,000 (Jan 2020) and USD11,000 per month (from February 2020).
- Director's fee of AUD70,000 per annum as Executive Director of PayGroup commencing from date of listing the company on the ASX.
- Termination by provision of 6 months' notice by either the Executive or the Company.

Justin Owen, former Chief Financial Officer and Company Secretary

- Permanent part time contract with CFO Effect Pty Ltd, transitioned to permanent full time contract commencing 1 November 2018.
- Fixed remuneration of \$275,000 inclusive of superannuation
- Termination by provision of one months' notice by either CFO Effect Pty Ltd or the Company.

Elise Nguyen, Chief Financial Officer

- Permanent employment contract commencing 20 January 2020
- Fixed annual remuneration of SGD208,000 and short term incentive up to 30% of annual salary
- Termination by provision of two months' notice by either the Executive or the Company

KMP Shareholding 2020

	Balance at Beginning of year	Employee shares issued as remuneration during year	Shares issued as equity settled remuneration	Other changes during year		Balance at end of year
				On Market	Other	
Ian Basser	501,302	-	-	58,843	-	560,145
Mark Samlal ⁽¹⁾	22,080,706	-	-	37,764	-	22,118,470
David Fagan	222,964	-	-	61,785	-	284,749
Franck Neron-Bancel	947,296	-	-	47,074	-	994,370
Justin Owen	132,313	-	-	-	-	132,313
Elise Nguyen	-	-	-	-	-	-

(1) Shares indirectly held by Mark Samlal through related parties.

Transactions with KMP and/or their related party

There were no transactions conducted between the Group and KMP or their related parties, apart from KMP remuneration as disclosed above and rental payments as disclosed in note 16 of the financial statements accompanying this report. These transactions were conducted 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.

End Remuneration Report

This directors' report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors:



Ian Basser, Chairman

26 June 2020

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 audit of PayGroup Limited for the year ended 31 March 2020, 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



E W Passaris
Partner – Audit & Assurance

Melbourne, 26 June 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	Consolidated 2020 \$	2019 \$ Restated
Revenue from continuing operations	7	10,067,860	4,738,424
Interest income		15,713	10,769
Other income	7	853,808	228,527
Gain from a bargain purchase	15	-	179,528
Expenses			
Subcontractors		(795,548)	(457,507)
Hosting services		(287,103)	(194,741)
Employee benefits expense		(5,714,131)	(2,295,826)
Rent and occupancy		(241,820)	(250,264)
Initial public offering costs		-	(108,370)
Consulting and professional fees		(2,802,177)	(1,727,926)
Depreciation and amortisation expense		(1,402,276)	(287,784)
Finance costs		(116,662)	(31,075)
Allowance for credit loss	9b	(75,982)	(14,456)
Overseas office expenses		-	(450,145)
Travelling expenses		(275,196)	(179,806)
License fee		(375,663)	(213,516)
Other expenses		(990,543)	(510,251)
Loss before income tax		<u>(2,139,720)</u>	<u>(1,564,419)</u>
Income tax benefit/(charge)	8	65,709	(34,827)
Loss for the year		<u>(2,074,011)</u>	<u>(1,599,246)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified to the statement of profit or loss</i>			
Exchange gain/(loss) on translation of foreign operations		(392,158)	(194,047)
<i>Items that will not be reclassified to the statement of profit or loss</i>			
Actuarial gains/(losses) on defined benefit plan		160,108	-
Other comprehensive loss for the year		<u>(232,050)</u>	<u>(194,047)</u>
Total comprehensive loss for the year		<u>(2,306,061)</u>	<u>(1,793,293)</u>
Earnings per share		Cents	Cents
Basic earnings per share	12a	(3.57)	(3.66)
Diluted earnings per share	12a	(3.57)	(3.66)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Notes	Consolidated	
		2020	2019
		\$	\$ Restated
ASSETS			
Current Assets			
Cash and cash equivalents	9a	9,041,450	6,347,364
Trade and other receivables	9b	3,849,861	5,294,138
Income tax recoverable		558,804	409,582
Prepayments		164,567	66,269
Contract assets	7	245,714	94,210
Other assets	9e	510,867	391,800
Total current assets		14,371,263	12,603,363
Non-Current Assets			
Trade and other receivables	9b	322,187	287,402
Right-of-use assets	18	1,622,520	-
Property, plant and equipment	10a	181,934	136,967
Intangibles	10b	11,963,051	1,471,883
Deferred tax assets	10c	80,615	-
Contract assets	7	740,582	308,060
Total non-current assets		14,910,889	2,204,312
TOTAL ASSETS		29,282,152	14,807,675
LIABILITIES			
Current Liabilities			
Trade and other payables	9c	12,562,256	10,038,470
Borrowings	9d	7,171	-
Current tax liabilities		64,579	27,905
Lease liability	18	624,505	-
Provision	10d	569,206	25,992
Contract liabilities	7	154,910	36,309
Total current liabilities		13,982,627	10,128,676
Non-Current Liabilities			
Contract liabilities	7	446,315	216,797
Deferred tax liabilities	10c	-	82,135
Lease liability	18	1,096,274	-
Provision	10d	472,892	326,045
Total non-current liabilities		2,015,481	624,977
TOTAL LIABILITIES		15,998,108	10,753,653
NET SURPLUS / (DEFICIT)		13,284,044	4,054,022
Equity			
Issued capital	11a	36,213,927	24,076,417
Reserves	11b	(17,509,296)	(16,675,819)
Accumulated losses		(5,420,587)	(3,346,576)
TOTAL EQUITY		13,284,044	4,054,022

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

Consolidated	Issued capital \$	Reserves (Restated) \$	Accumulated losses (Restated) \$	Total equity (Restated) \$
Balance at 1 April 2018	287,601	216,904	(997,330)	(492,825)
Loss after income tax expense for the year as previously reported	-	-	(1,778,774)	(1,778,774)
Restatement of gain from a bargain purchase (note 15)	-	-	179,528	179,528
Restated loss after income tax expense	-	-	(1,599,246)	(1,599,246)
Movement in foreign exchange	-	(194,047)	-	(194,047)
Restated total comprehensive loss for the year	-	(194,047)	(1,599,246)	(1,793,293)
Transactions with owners, in their capacity as owners:				
Balances acquired and shares issued 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 issue 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
Restated balance at 31 March 2019	24,076,417	(16,675,819)	(3,346,576)	4,054,022
Balance at 1 April 2019	24,076,417	(16,675,819)	(3,346,576)	4,054,022
Loss after income tax expense for the year	-	-	(2,074,011)	(2,074,011)
Movement in foreign exchange	-	(392,158)	-	(392,158)
Actuarial gains/(losses) on defined benefit plan	-	160,108	-	160,108
Total comprehensive loss for the year	-	(232,050)	(2,074,011)	(2,306,061)
Transactions with owners, in their capacity as owners:				
Shares issued pursuant to Astute acquisition	9,190,588	-	-	9,190,588
Retention shares receivable pursuant to Astute acquisition	-	(601,427)	-	(601,427)
Shares issued to settle supplier payment	127,000	-	-	127,000
Shares issued – capital raise	3,000,000	-	-	3,000,000
Cost of share issued recorded directly in equity	(180,078)	-	-	(180,078)
Total transactions with owners and other transfers	12,137,510	(601,427)	-	11,536,083
Balance at 31 March 2020	36,213,927	(17,509,296)	(5,420,587)	13,284,044

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020**

	2020	2019
	\$	\$
		Restated
Cash flows from operations		
Receipts from customers (inclusive of GST/VAT/SST)	11,304,716	4,445,336
Payments to suppliers and employees (inclusive of GST/VAT/SST)	(11,331,141)	(9,244,678)
Interest received	15,121	10,448
Interest and other finance costs paid	(128,554)	(14,088)
Net cash used in operating activities	<u>(139,858)</u>	<u>(4,802,982)</u>
Cash flows from investing activities		
Payment for plant and equipment	(99,096)	(37,331)
Payment for intangibles	(2,161,954)	(653,714)
Net cash inflow from acquisition, net of cash paid (note 15)	261,534	1,106,062
Net cash received from investing activities	<u>(1,999,516)</u>	<u>415,017</u>
Cash flows from financing activities		
Proceeds from share issue	3,000,000	8,500,000
Payments for IPO and fund raise	(144,600)	(946,561)
Dividend paid	-	(1,003,062)
Proceeds from borrowings	570,744	-
Repayment of borrowings	(563,573)	(740,206)
Repayment of principal on lease liability	(296,607)	-
Employee loan	(1,857)	(30,603)
Net cash used in financing activities	<u>2,564,107</u>	<u>5,779,568</u>
Net increase in cash and cash equivalents	<u>424,733</u>	<u>1,391,603</u>
Cash and cash equivalents at the beginning of the financial period	<u>1,428,748</u>	<u>1</u>
Effect of exchange rate fluctuations on cash held	114,122	37,144
Cash and cash equivalents at the end of the financial period (note 9a)	<u><u>1,967,603</u></u>	<u><u>1,428,748</u></u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Note 1. Nature of operations

PayGroup Limited and its controlled entities (the Group) is addressing the needs of multinational companies of any size by delivering Software-with-a-Service (SaaS) payroll solutions and leveraging a Cloud (SaaS) based Human Capital Management platform, HROnline, for data aggregation, reporting and critical workflows. Clients are typically medium to large employers in multiple countries across Asia Pacific and the Middle East. 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 acquisition of Astute One Ltd.

PayGroup has 183 employees located in 11 countries are servicing over 875 client entities representing more than 395,000 payslips per month.

Note 2. General information and Statement of Compliance

Basis of Preparation

The consolidated general purpose financial statements of the Group have been prepared in accordance with the Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* and complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These consolidated financial statements were authorised by the Board of Directors for issue on 26 June 2020.

Except for cash flow information, the consolidated financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial report, are disclosed in Note 5.

Note 3. Changes in significant accounting policies

The consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 31 March 2019, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements, for the year ended 31 March 2019 together with the other policies after Note 3 are the relevant policies for the purposes of comparatives.

AASB 16 Leases and AASB Interpretation 23 Uncertainty over Income Tax Treatments became effective for periods beginning on or after 1 January 2019. Accordingly, the Group applied AASB 9 and Interpretation 23 for the first time to the year ended 31 March 2020. Changes to the Group's accounting policies arising from these standards are noted below.

Note 3. Changes in significant accounting policies (continued)**New standards adopted as at 1 April 2019****Adoption of AASB 16 Leases from 1 April 2019**

AASB 16 'Leases' replaces AASB 117 'Leases' along with three Interpretations (Interpretation 4 'Determining whether an Arrangement contains a Lease', AASB Interpretation 115 'Operating Leases-Incentives' and AASB Interpretation 127 '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 AASB 117 and Interpretation 4 and has not applied AASB 16 to arrangements that were previously not identified as leases under AASB 117 and Interpretation 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 AASB 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 AASB 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 straight-line basis over the remaining lease term.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 117 and Interpretation 4. The adoption of AASB 16 affected the following Balance Sheet items on 1 April 2019:

	As reported 31 March 2019 Restated \$	AASB 16 impact \$	Opening balance 1 April 2019 \$
Right-of-use assets	-	930,872	930,872
Total assets impact	-	930,872	930,872
Lease liabilities	-	930,872	930,872
Total liabilities impact	-	930,872	930,872
Accumulated losses	(3,308,060)	-	(3,308,060)
Total equity impact	(3,308,060)	-	(3,308,060)

Note 3. Changes in significant accounting policies (continued)

The Group as a lessee

For any new contracts entered into on or after 1 April 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.

Adoption of AASB Interpretation 23 Uncertainty over Income Tax Treatments

Interpretation 23 clarifies how the recognition and measurement requirements of AASB 112 Income Taxes are applied where there is uncertainty over income tax treatments.

The Group has adopted AASB Interpretation 23 Uncertainty over Income Tax Treatments for the first time in which gives guidance on the accounting for uncertain tax provisions. The adoption of AASB Interpretation 23 has not resulted in a material change in relation to provisions for tax uncertainties held by the Group.

All other amendments to accounting standards and interpretation not yet effective and not included above are not material or applicable to the Group

Note 4. Significant accounting policies

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

a. Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of PayGroup Ltd ('Group' or 'parent entity') as at 31 March 2020. PayGroup Ltd and its subsidiaries together are referred to in this financial report 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.

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.

Note 4. Significant accounting policies (continued)

b. Going concern

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern, which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report.

The Directors have a reasonable expectation that the Group will have adequate resources to continue to meet its obligations as they fall due.

c. Current and non-current classification

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

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

d. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

e. Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Note 4. Significant accounting policies (continued)

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

1. Financial assets at amortised cost
2. Financial assets at fair value through profit or loss (FVTPL)
3. Debt instruments at fair value through other comprehensive income (FVTOCI)
4. Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented separately.

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, leases, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

f. Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the asset transferred, equity instruments issued, all liabilities incurred by the acquirer to former owners of the acquiree and the amounts of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where a business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Note 4. Significant accounting policies (continued)

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquiree.

g. Goods and Services Tax (GST) and other similar taxes

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

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

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

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

h. 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 profit or loss.

The results and financial position of all the Group entities are translated into Australian dollars (AUD) as follows:

- Assets and liabilities are translated at the closing rates at the date of the statement of financial position.

Note 4. Significant accounting policies (continued)

- 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.

Note 5. Critical accounting judgements, estimates and assumptions

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 report, except from those involving estimate and as follows:

a. Capitalisation of intangibles

Costs directly attributable to the development of computer software are capitalised as intangible assets when the Group judges that the technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the cost 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.

b. Determination of functional currency of the entity's 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, ie 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 judgment and determined that the functional currency of the company is Australian dollars.

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 within the notes to the financial statements.

Note 6. Segment report

- a) 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.
- b) The Group has 3 reportable segments: PayAsia, Astute and India. In identifying its operating segments, management follows the geographical and revenue lines generated under each segment. Each segment performs the following main revenue activities:
- PayAsia delivers predominantly SwaS payroll solutions and HCM platform as well as payroll Treasury, Lodgement and other payroll related services globally. Most of its business is delivered in APAC regional.
 - Astute provides SaaS payroll and workforce management solutions to Australian and New Zealand clients.
 - India predominantly provides workforce management solutions to both local and multinational entities in India.
- c) Reportable segments:

2020	PayAsia	Astute	India	Total
	\$	\$	\$	\$
Revenue:				
External revenues	6,425,407	2,858,784	783,669	10,067,860
Inter-segment revenue	1,825,812	90,909	688,606	2,605,327
Total revenue	8,251,219	2,949,693	1,472,275	12,673,187
Results:				
EBITDA	(410,971)	1,500,157	(105,040)	984,146
Depreciation and amortization	714,315	462,811	225,150	1,402,276
EBIT	(1,125,286)	1,037,346	(330,190)	(418,130)
Interest income	3,159	263	11,098	14,520
Interest expense	45,622	37,722	22,670	106,014
Profit/(loss) before income tax expense	(1,167,749)	999,887	(341,762)	(509,624)
Assets and liabilities:				
Segment assets	12,494,462	13,635,793	3,265,184	29,395,439
Segment liabilities	16,522,030	3,782,848	2,638,642	22,943,520

- d) The totals presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

Note 6. Segment report (continued)*i. Segment Revenue*

	2020
	\$
Total reportable segment revenues	12,673,187
Elimination of inter-segment revenue	<u>(2,605,327)</u>
Total revenue from continuing operations	<u>10,067,860</u>

ii. Segment Operating Profit/(Loss)

	2020
	\$
Total reportable segment operating loss	(509,624)
Corporate ⁽¹⁾ employee benefit expenses	(571,648)
Corporate ⁽¹⁾ consulting and professional fees	(951,849)
Corporate ⁽¹⁾ other expenses	(285,729)
Corporate ⁽¹⁾ interest income	1,193
Corporate ⁽¹⁾ interest expense	(10,648)
Elimination and consolidation adjustments	<u>188,585</u>
Profit/(loss) before income tax expense	<u>(2,139,720)</u>

iii. Segment assets

	2020
	\$
Total reportable segment assets	29,395,439
Corporate ⁽¹⁾ assets including investment in subsidiaries	25,467,595
Elimination and consolidation adjustments	<u>(25,580,882)</u>
Total assets	<u>29,282,152</u>

iv. Segment liabilities

	2020
	\$
Total reportable segment liabilities	22,943,520
Corporate ⁽¹⁾ liabilities	436,401
Elimination and consolidation adjustments	<u>(7,381,813)</u>
Total liabilities	<u>15,998,108</u>

(1) Comprises of centrally managed costs, assets and liabilities relating to group employee benefits expense, professional and consultancy charges, intangibles and tax.

e) Geographical information:

Revenue from external customers is attributed to geographic location based on the location of customers. The revenue from external customers by geographical location for the year ended 31 March 2020 is set out below. The location of non-current assets as at 31 March 2020 is set out below;

	Revenue (\$)	Non-current assets (\$)
Australia and New Zealand	3,649,734	11,361,716
Asia	6,418,126	3,549,173
	<u>10,067,860</u>	<u>14,910,889</u>

Note 6. Segment report (continued)

2019:

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

Note 7. Revenue

Recognition and measurement

Revenue arises mainly from the sale of outsourced payroll services and workforce management services.

To determine whether to recognise revenue, the Group follows a 5-step process:

- a. Identifying the contract with a customer
- b. Identifying the performance obligations
- c. Determining the transaction price
- d. Allocating the transaction price to the performance obligations
- e. Recognising revenue when/as performance obligation(s) are satisfied.

The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Implementation Revenue

As part of sale of an outsourced payroll services contract, the Group will invoice for an implementation fee. Typically the outsourced payroll services contract will be for a period of three years post implementation. The implementation is deemed an unsatisfied service obligation with the satisfaction completed during the term of the contract. On this basis, the invoiced implementation fee is initially recognised in the balance sheet as a contract liability and then recognised in profit and loss over the term of the contract.

Workforce Management

Workforce Management solutions represents the provision of labour resources to clients of the Group. These resources are employed within the Group and are provided to clients on an agency / principal relationship. Invoices are raised by the contracting entity within the Group based upon the underlying contractual terms with the client for the value of the labour resources plus the associated service fee. For revenue recognition purposes only the service fee is recognised as revenue. The invoiced raised by the Group represents a contractual obligation with the client. Likewise, the employment costs associated with the Workforce Management labour contingent are not recognised as an expense.

Interest

Interest income is recognised as interest accrues using the effective interest rate method.

Note 7. Revenue (continued)**Government grants**

Grants from the government are recognised as a receivable at the 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 period 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.

	Consolidated	
	2020	2019
Revenue from continuing operations⁽¹⁾	\$	\$
Payroll services	9,571,675	4,686,948
Workforce management service fee	496,185	51,476
	10,067,860	4,738,424

(1) Revenue from continuing operations is recognized over the period-of-time.

	Consolidated	
	2020	2019
Other income	\$	\$
Foreign exchange gain	419,584	172,381
Government grant income	284,007	13,800
Other	150,217	42,346
	853,808	228,527
Contract assets		
<u>Current</u>		
Contract assets - Deferred customer set-up costs	245,714	94,210
<u>Non-Current</u>		
Contract assets - Deferred customer set-up costs	740,582	308,060

The contract assets relate primarily to the cost of activities to implement an outsourced payroll services contract but do not result in a transfer of services to the customer. The entity accounts for the initial setup / implementation costs such as costs of the design, migration and testing of technology platform. This resulting asset will be amortised on a systematic basis over the life of the contract period. The entity expects to provide services relating to the technology platform. The contracts assets were impacted by the acquisition of Astute One (refer note 15) and the closing balance at 31 March 2020 includes \$326,751 of Astute One contract assets.

Note 7. Revenue (continued)**Contract liabilities**Current

Contract liabilities – advances received	154,910	36,309
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Non-Current

Contract liabilities – advances received	446,315	216,797
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The contract liabilities primarily relate to the advanced consideration received as initial set up fees from first time customers. Revenue is recognised on a systematic basis over the life of the contract period. The contracts liabilities were impacted by the acquisition of Astute One (refer note 15) and the closing balance at 31 March 2020 includes \$165,529 of Astute One contract liabilities.

Note 8. Income Tax Expense***Recognition and measurement***

The income tax expense for the period comprises current tax expense and deferred tax expense.

Current tax

Current tax assets/liabilities are measured at the amounts expected to be recovered/to be paid to/from the relevant taxation authority.

Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Offsetting balances

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Note 8. Income Tax Expense (continued)

(a) Reconciliation of income tax expense to prima facie tax payable

	Consolidated	
	2020	2019
	\$	\$
		Restated
Loss from continuing operations before income tax expense	2,139,720	1,564,419
Prima facie domestic effective tax rate of 27.5%	(588,423)	(430,215)
Adjustment for tax-rate differences in foreign jurisdictions	83,428	82,801
Under-provision of tax in prior year	15,702	
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible expenses	(18,789)	(8,038)
Withholding Tax	3,798	-
Current period tax losses not recognised	438,575	390,279
Income tax (benefit)/expense	<u>(65,709)</u>	<u>34,827</u>

Carried forward tax losses of \$9,122,309 have not brought to account as a deferred tax asset. Based on the value of tax losses incurred, the directors' have formed an opinion that the business was not in a position to satisfy the criteria for recognising these losses as a deferred tax asset. These losses remain available for the Group to use in the future.

Under normal circumstances, the benefits of deferred tax losses not brought to account can only be realised in the future if:

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realised
- conditions for deductibility imposed by law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The directors on a regular basis will assess the recognition of the deferred tax assets.

(b) Franking credits

	Consolidated	
	2020	2019
	\$	\$
Franked dividends	-	-
Franking credits available for subsequent financial years based on a tax rate of 27.5%	7,250	-
	<u>7,250</u>	<u>-</u>

Note 8. Income Tax Expense (continued)

Key estimate and judgment: Taxation

The Group has exposure to income taxes in the countries where it operates. Significant judgment is involved in determining the Group 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 year in which the determination is made.

AASB Interpretation 23: Uncertainty over income tax treatments

AASB Interpretation 23 clarifies the application of recognition and measurement requirements of *AASB 112: Income Taxes* where there is uncertainty over income tax treatments. The Interpretation specifically addresses:

- Whether an entity considers uncertain tax treatments collectively or separately;
- That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all relevant information;
- That the entity should reflect the uncertainty in its accounts where it concludes that it is not probable that the tax authorities will accept the treatment adopted;
- That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty; and
- That the judgements and estimates must be re-assessed whenever there is a change in circumstance or new information that affects the judgements.

The Group has assessed the impact of AASB Interpretation 23 on the financial statements. The assessment concluded that the Interpretation did not have a material impact on the financial statements. Consequently, no retrospective adjustment is required.

Note 9. Financial assets and financial liabilities

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The group's exposure to various risks associated with the financial instruments is discussed in note 14. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

Note 9. Financial assets and financial liabilities (continued)**(a) Cash and cash equivalents****Recognition and measurement**

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.

	Consolidated	
	2020	2019
	\$	\$
Cash at bank	1,964,816	1,426,142
Cash on hand	2,787	2,606
Unrestricted cash and cash equivalents	1,967,603	1,428,748
Restricted client monies*	7,073,847	4,918,616
	9,041,450	6,347,364

*The cash and cash equivalents disclosed above include \$7,073,847 (2019: \$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 9c for the corresponding liability account. The client money is not included in the statement of cash flows. The comparative period statement of cash flows is reclassified to conform with the presentation in the current year.

(b) Trade and other receivables**Recognition and measurement**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months after the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are recognised when the Group becomes party to a contractual provision.

They are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less any loss allowance.

The Group makes use of a simplified approach in accounting for trade and other receivables and records a loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Resource Management Asset

The Group provides labour resources to clients as part of its resource management solution, where these labour resources are employed within the Group. The Group recognises this arrangement as an agency relationship and therefore nets off the staffing costs against the associated fee raised under the contractual relationship and provided to the client. Revenue recognised is the service fee as defined within the contractual arrangements associated with providing labour to the client. The value of unbilled or outstanding fees associated with the provision of labour resources is recognised as a Resource Management Asset and fully supported by the underlying contractual terms. The Group holds an unconditional right to the Resource Management Asset. Any unpaid employee obligations associated with Resource Management are recorded with the Resource Management Liability, and recorded within Trade and Other Payables.

Note 9. Financial assets and financial liabilities (continued)**(b) Trade and other receivables (continued)*****Key estimate and judgment: Trade receivable loss allowance***

The Group evaluates whether there is any objective evidence in relation to historical experience, external indicators and forward-looking indicators that indicate a loss allowance is required and determines an appropriate loss allowance. If the financial condition of the customers were to deteriorate over and above the objective evidence obtained, actual write offs would be higher than estimated.

	Consolidated	
	2020	2019
	\$	\$
<u><i>CURRENT</i></u>		
Trade receivables	3,291,399	2,982,065
Less: allowance for credit losses	(158,505)	(100,348)
	<u>3,132,894</u>	<u>2,881,717</u>
Resource management asset	473,182	2,150,284
Other receivables	243,785	262,137
	<u>3,849,861</u>	<u>5,294,138</u>
<u><i>NON-CURRENT</i></u>		
Other receivables	322,187	287,402
	<u>322,187</u>	<u>287,402</u>

Impairment and risk exposure

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected loss rates are based on the historical payment profile as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The group has identified gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Information about the impairment of trade receivables and the group's exposure to credit risk are tabled below:

	Consolidated	
	2020	2019
	\$	\$
<i>Past due loans and receivables</i>		
Past due under 30 days	1,133,122	1,031,808
Past due 30 days to under 60 days	198,178	201,971
Past due 60 days to under 90 days	61,240	59,412
Past due 90 days and over	533,272	333,248
Total past due loans and receivables	<u>1,925,812</u>	<u>1,626,439</u>
Total loans and receivables	<u>3,849,861</u>	<u>5,294,138</u>
Expected credit loss per the allowance for impairment matrix	158,505	100,348
Expected credit loss (%), net	4%	2%

Note 9. Financial assets and financial liabilities (continued)**(b) Trade and other receivables (continued)**

	2020	2019
	\$	\$
<i>Reconciliation of allowance for impairment</i>		
Opening balance	100,348	-
Acquired as part of the PayAsia acquisition 29 May 2018	-	186,442
Acquired as part of Astute acquisition 1 Nov 2019	50,049	
Additional expected credit loss allowance	75,982	26,048
Receivables written off, net	<u>(67,874)</u>	<u>(112,142)</u>
Closing balance	<u>158,505</u>	<u>100,348</u>

(c) Trade and Other Payables***Recognition and measurement***

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short term nature.

Resource Management Liability

The Group provides staff to clients as part of its resource management solution, where these staff resources are employed within the Group. The Group recognises this arrangement as an agency relationship and therefore nets off the staffing costs against the associated fee provided to the client. Where the Group has a liability to its employees under this arrangement for unpaid wages, salaries and associated on costs, this is recognised as a Resource Management Liability.

	Consolidated	
	2020	2019
	\$	\$
<u>CURRENT</u>		
Trade payables	1,093,349	400,947
Advances of client's monies (note 9a)	7,073,847	4,918,616
Resource management liability	793,980	3,389,956
Accruals	1,333,296	583,780
GST/VAT/SST payable	929,307	491,987
Other payables	<u>1,338,477</u>	<u>253,184</u>
	<u>12,562,256</u>	<u>10,038,470</u>

(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. The group has borrowings of \$7,171 at 31 March 2020 (nil at 31 March 2019).

Note 9. Financial assets and financial liabilities (continued)**(e) Other assets**

	Consolidated	
	2020	2019
Other current assets	\$	\$
Deposits on leasehold properties	351,964	218,725
GST receivables	158,903	173,075
	510,867	391,800

Note 10. Non-financial assets and financial liabilities

This note provides information about the group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
 - property, plant and equipment (note 10(a))
 - intangible asset (note 10(b))
 - deferred tax balances (note 10(c))
 - provisions and employee benefit obligations (note 10(d))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Property, plant and equipment***Recognition and measurement***

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:

Leasehold improvements	5 years
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.

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

Note 10. Non-financial assets and financial liabilities (continued)

(a) Property, plant and equipment (continued)

Impairment of assets

Plant and equipment are reviewed for impairment wherever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (ie 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 cash generating unit (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 profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimate used to determine the assets 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 profit or loss.

Key estimation uncertainty: Depreciation

Plant and equipment 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. Any changes in the economic useful lives or residual values could impact the depreciation charges and consequently affect the Group's results.

Key estimation uncertainty: Impairment of non-financial assets

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

The recoverable amount 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.

Note 10. Non-financial assets and financial liabilities (continued)**(a) Property, plant and equipment (continued)**

	Leasehold Improvements & Renovations	Office Equipment	Furniture & Fittings	Computers	Total
<u>Cost</u>					
Balance 1 April 2018	-	-	-	-	-
Acquired as part of the Pay Asia Pte Ltd acquisition 29 May 2018 ¹	169,343	147,704	6,687	14,941	338,675
Acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019 ¹	-	33,302	207,190	66,633	307,125
Additions	-	10,184	996	29,076	40,256
Balance 31 March 2019	169,343	191,190	214,873	110,650	686,056
	169,343	191,190	214,873	110,650	686,056
Balance 1 April 2019					
Additions	55,229	41,581	-	61,622	158,432
Balance 31 March 2020	224,572	232,771	214,873	172,272	844,488
<u>Accumulated amortisation</u>					
Balance 1 April 2018	-	-	-	-	-
Acquired as part of the Pay Asia Pte Ltd acquisition 29 May 2018 ¹	126,740	95,087	4,028	5,492	231,347
Acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019 ¹	-	27,861	183,869	59,041	270,771
Charge for the year	14,858	22,553	1,368	8,192	46,971
Balance 31 March 2019	141,598	145,501	189,265	72,725	549,089
Balance 1 April 2019	141,598	145,501	189,265	72,725	549,089
Charge for the year	39,258	24,054	24,696	25,457	113,465
Balance 31 March 2020	180,856	169,555	213,961	98,182	662,554
<u>Net Book Value</u>					
Balance at 31 March 2019	27,745	45,689	25,608	37,925	136,967
Balance at 31 March 2020	43,716	63,216	912	74,090	181,934

(1) Refer Note 15 for further details.

(b) Intangibles***Recognition and measurement***

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 an estimated useful life ranging between 5 - 10 years. The useful life is measured from the date on which they are available for use.

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

Note 10. Non-financial assets and financial liabilities (continued)

(b) Intangibles (continued)

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.

Goodwill

Goodwill on acquisition of subsidiaries or businesses is included in intangible assets.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
- ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually and are allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Impairment of assets

Intangibles are reviewed for impairment wherever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (ie 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 cash generating unit (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 profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimate used to determine the assets 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 profit or loss.

Note 10. Non-financial assets and financial liabilities (continued)**(b) Intangibles (continued)****Critical accounting estimates: Capitalisation of intangibles**

Costs directly attributable to the development of computer software are capitalised as intangible assets when the Group judges that the technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the cost 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.

Key estimation uncertainty: Amortisation

Intangibles are depreciated and amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. Changes in the expected level of use and technological developments could impact the economic useful lives and the residual values of these asset, therefore future amortisation charges could be revised.

Key estimation uncertainty: Impairment of non-financial assets

Intangibles are tested for impairment whenever there is any objective evidence or indication that these assets maybe impaired.

The recoverable amount 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.

	Goodwill (Restated)	Software (Restated)	Software under development	Customer contracts and relationships (Restated)	Trademark and tradenname	Total (Restated)
	\$	\$	\$	\$	\$	\$
Cost						
Balance 1 April 2018	-	-	-	-	-	-
Acquired as part of the PayAsia acquisition 29 May 2018 ⁽¹⁾	-	1,481,393	55,641	-	-	1,537,034
Acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019 ⁽¹⁾	30,506	56,368	-	-	-	86,874
Additions	-	-	601,445	-	-	601,445
Reclassification	-	124,466	(124,466)	-	-	-
Balance 31 March 2019	30,506	1,662,227	532,620	-	-	2,225,353
Restatement based on final purchase price allocation of the Pay Asia Management Pvt Ltd 28 Feb 2019 ⁽¹⁾	(30,506)	-	-	210,034	-	179,528
Restated balance 31 March 2019	-	1,662,227	532,620	210,034	-	2,404,881
Acquired as part of Astute acquisition 1 Nov 2019 ⁽¹⁾	1,688,511	6,300,000	-	1,000,000	200,000	9,188,511
Additions	-	14,120	2,144,221	-	-	2,158,341
Reclassification	-	1,329,527	(1,329,527)	-	-	-
Balance 31 March 2020	1,688,511	9,305,874	1,347,314	1,210,034	200,000	13,751,733

Note 10. Non-financial assets and financial liabilities (continued)**(b) Intangibles (continued)**

	Goodwill (Restated) \$	Software (Restated) \$	Software under development \$	Customer contracts and relationships (Restated) \$	Trademark and tradename \$	Total (Restated) \$
Accumulated amortisation						
Balance 1 April 2018	-	-	-	-	-	-
Acquired as part of the PayAsia acquisition 29 May 2018 ⁽¹⁾	-	639,554	-	-	-	639,554
Acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019 ⁽¹⁾	-	52,631	-	-	-	52,631
Charge for the year	-	240,813	-	-	-	240,813
Balance 31 March 2019	-	932,998	-	-	-	932,998
Balance 1 April 2019	-	932,998	-	-	-	932,998
Charge for the year	-	695,758	-	143,259	16,667	855,684
Balance 31 March 2020	-	1,628,756	-	143,259	16,667	1,788,682
Net Book Value						
Restated balance at 31 March 2019	-	729,229	532,620	210,034	-	1,471,883
Balance at 31 March 2020	1,688,511⁽²⁾	7,677,118	1,347,314	1,066,775	183,333	11,963,051

(1) Refer Note 15 for further details.

(2) The aggregate carrying amount of indefinite life intangible assets comprises of goodwill which has been allocated to Astute CGU. The management has not considered to perform annual impairment testing on indefinite life intangible assets since these were recently valued as part of the purchase price allocation of the Astute One acquisition (refer note 15).

(c) Deferred tax asset/ (liability) balances

The balance comprises temporary difference attributable to:

	Consolidated	
	2020 \$	2019 \$
Plant and Equipment	60,305	(11,437)
Employee benefits	20,310	23,621
Other	-	(94,319)
Deferred tax asset/(liability)	80,615	(82,135)

(d) Provisions**Recognition and measurement**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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

Note 10. Non-financial assets and financial liabilities (continued)**(d) Provisions (continued)*****Employee benefit obligations***

The current portion of this liability includes all of the accrued annual leave and the unconditional entitlements to long service leave where employees have completed the required period of service.

Defined contribution plan

The Group contributes to the statutory provident fund as per Pay Asia Management Pvt Ltd's Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and Employee's State Insurance Scheme as per the Employees' State Insurance Act, 1948.

Gratuity

Gratuity is a post employment benefit and is a defined benefit plan taken up in Pay Asia Management Pvt Ltd. The liability recognised in the Balance Sheet represents the present value of the defined benefit obligation at the Balance Sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan. Independent actuaries using the Projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Other Comprehensive Income in the year in which such gains or losses arises.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by the employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

	Consolidated	
	2020	2019
<i>CURRENT</i>	\$	\$
Provision for leave	543,207	3,630
Provision for gratuity		
Internal employees (i)	4,770	3,967
Temporary employees (ii)	21,229	18,395
	569,206	25,992
<i>NON-CURRENT</i>		
Provision for leave	14,123	-
Provision for gratuity		
Internal employees (i)	70,953	67,870
Temporary employees (ii)	287,542	258,175
Provision for make-good	100,274	-
	472,892	326,045

Note 10. Non-financial assets and financial liabilities (continued)**(d) Provisions (continued)**

Movement in provision for make-good is as follows

	Consolidated	
	2020	2019
	\$	\$
Opening balance	-	-
Charged to profit or loss	100,274	-
Balance at 31 March	<u>100,274</u>	<u>-</u>

(i) Gratuity for internal employees

	Consolidated	
	2020	2019
	\$	\$
Amounts recognised in the Balance Sheet are as follows:		
Present value of the obligation as at the end of the year		
Net liability recognised in the balance sheet	<u>75,723</u>	<u>71,837</u>

Changes in the present value of defined benefit obligation:

Opening balance	71,837	-
Defined benefit obligation acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019	-	67,044
Current service cost	15,987	3,042
Interest cost	5,779	685
Net actuarial (gain) recognised for the year	(18,988)	1,867
Foreign exchange loss on translation	4,355	-
Net outflow	<u>(3,247)</u>	<u>(801)</u>
Defined benefit obligation as at the end of the year	<u>75,723</u>	<u>71,837</u>

(i) Gratuity for internal employees**The amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income are as follows:**

Service cost	15,987	3,042
Interest cost	5,779	685
Net actuarial (gain)/loss recognised for the year	<u>(18,988)</u>	<u>1,867</u>
Expenses recognised in the Statement of Profit and Loss and Other Comprehensive Income	<u>2,778</u>	<u>5,594</u>

Experience adjustments:

Amounts for experience adjustments for defined benefit plans for the current period are as follows:

Defined benefit obligation	<u>75,723</u>	<u>71,837</u>
(Deficit)	<u>(75,723)</u>	<u>(71,837)</u>
Experience adjustments on plan liabilities	<u>(3,282)</u>	<u>(1,888)</u>

Note 10. Non-financial assets and financial liabilities (continued)**(d) Provisions (continued)**

(ii) Gratuity for temporary employees

Amounts recognised in the Balance Sheet are as follows:

Present value of the obligation as at the end of the year		
Net liability recognised in the balance sheet	308,771	276,570

Changes in the present value of defined benefit obligation:

Opening balance	276,570	-
Defined benefit obligation acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019	-	258,115
Current service cost	140,286	21,974
Interest cost	22,130	2,302
Foreign exchange loss on translation	16,765	-
Benefits paid	(5,820)	(989)
Net actuarial (gain) recognised for the year	(141,160)	(4,832)
Defined benefit obligation as at the end of the year	<u>308,771</u>	<u>276,570</u>

The amounts recognised in the Statement of Profit or Loss and Other Comprehensive Income are as follows:

Service cost	140,286	21,974
Interest cost	22,130	2,302
Net actuarial (gain) recognised for the year	(141,160)	(4,832)
Expenses recognised in the Statement of Profit and Loss and Other Comprehensive Income	<u>21,256</u>	<u>19,444</u>

(ii) Gratuity for temporary employees

Experience adjustments:

	Consolidated	
	2020	2019
	\$	\$
Amounts for experience adjustments for defined benefit plans for the current period are as follows:		
Defined benefit obligation	308,771	276,570
(Deficit)	(308,771)	(276,570)
Experience adjustments on plan liabilities	(93,271)	(72,878)

Assumptions used in the valuations of gratuity for the year ended 31 March 2020 are as below:

	Internal Employees 2020	Internal Employees 2019	Temporary employees 2020	Temporary employees 2019
Discount rate	6.72%	7.75%	6.88%	7.62%
Future salary increase	7%	10%	7%	10%
Attrition rate	15%	15%	28%	28%
Retirement age	60	60	58	58

Note 11. Equity

(a) Share capital

	2020		2019	
	Shares	\$	Shares	\$
Ordinary Shares – fully paid	68,894,010	36,213,927	51,671,466	24,076,417

Recognition and measurement

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

All issued ordinary shares are fully paid. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Group. All ordinary shares rank equally with regard to the Group's residual assets.

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 March 2019		51,671,466		24,076,417
Balance at 1 April 2019		51,671,466		24,076,417
Shares issued pursuant to Astute acquisition	14 Nov 2019	12,764,706	\$0.72	9,190,588
Shares issued – capital raise	27 Nov 2019	4,285,714	\$0.70	3,000,000
Shares issued to settle supplier payment	27 Nov 2019	108,553	\$0.76	82,500
Shares issued to settle supplier payment	7 Jan 2020	63,571	\$0.70	44,500
Cost attributable to raising capital	-	-	-	(180,078)
Balance 31 March 2020		68,894,010		36,213,927

(b) Reserves

Share-based payment reserve

The share-based payment reserve is used to recognise:

- the fair value of options issued to Directors and employees which have not been exercised;
- the fair value of shares issued to Directors and employees; and
- other share-based payment transactions.

The cost of shares and options over shares issued to Directors and employees are measured as set out in the audited remuneration report.

Note 11. Equity (continued)Foreign currency translation reserve

It comprises foreign currency translation differences arising on the translation of financial statements of the Group's foreign entities into \$AUD.

	Consolidated	
	2020	2019
	\$	\$
Share based payment reserve	216,904	216,904
Retention shares receivable reserve ⁽¹⁾	(601,427)	-
Actuarial (losses)/gains on defined benefit plan	160,108	-
Foreign currency translation reserve	(586,205)	(194,047)
Reserves pursuant to share swap acquisition of PayAsia	(16,698,676)	(16,698,676)
	(17,509,296)	(16,675,819)

- (1) Retention shares receivable reserve represents shares receivable pursuant to the working capital adjustment under the terms of the Astute Share Purchase Agreement. The working capital adjustment represents the shortfall of the working capital acquired over the target working capital of \$150,000

Share-based payment recognition and measurement

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

Equity settled transactions are awards of 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 are measured at fair value on grant date.

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.

On the 23 February 2018 the Directors and senior employees were invited to apply for Plan Shares under the Loan Share Plan. A limited recourse loan was provided to allow the Directors and senior employees to purchase the Plan Shares at the Company's Initial Public Offering price of \$0.50 per share, pursuant to the terms of the loan agreement. The Plan Shares are subject to voluntary escrow conditions of 24 months from date of issues and vest on issue.

The Plan aims to recognise long-term performance by rewarding the Directors and key management with Performance Shares which will allow them to share in the growth in value of the Company.

Each Performance Share is an ordinary share in PayGroup Limited and are only subject to voluntary escrow conditions.

Key estimation uncertainty: Fair value of share-based payment transactions

The fair value of share-based payment transactions was determined using a binomial pricing model. The model requires certain inputs in order to determine an appropriate fair value. These inputs include share price at grant date, risk free rate, volatility factor, exercise price, time to maturity and expected dividend yield.

Note 11. Equity (continued)

There were no shares issued under the Loan Share Plan in the current year.

In the prior year, shares issued pursuant to the Loan Share Plan were as follows:

Name	Issue Date	Shares Issued	Issue Price	Loan Balance \$	Fair Value \$
Ian Basser	23 Feb 2018	301,302	\$0.50	150,651	37,000
David Fagan	23 Feb 2018	222,964	\$0.50	111,482	27,425
Franck Neron- Bancel	23 Feb 2018	222,964	\$0.50	111,482	27,425 ¹
Sachin Goklaney	23 Feb 2018	257,217	\$0.50	128,608	31,638 ¹
Chris Brunton	23 Feb 2018	257,217	\$0.50	128,608	31,638 ¹
Srinivas Rao	23 Feb 2018	134,773	\$0.50	67,387	16,577 ¹
Elana Austria	23 Feb 2018	86,567	\$0.50	43,283	10,647 ¹
Dawn Lim	23 Feb 2018	86,567	\$0.50	43,283	10,647 ¹
Aiden Liew	23 Feb 2018	86,566	\$0.50	43,283	10,647 ¹
Chris Cheah	23 Feb 2018	35,000	\$0.50	17,500	4,305 ¹
Justin Owen	23 Feb 2018	72,313	\$0.50	36,156	8,894

216,904

¹ The expense associated with these loan shares was taken up by PayAsia as a pre-acquisition expense and totalled \$143,525. The balance, \$73,379 was recognised by the Group.

The fair value of the Loan Share Plan was calculated using the Binomial pricing model using inputs as noted below. As the shares vested immediately the full value of \$216,904 (\$0.123 per Loan Share) has been accounted for in the share based payment reserve, with the expense recognised within the entity where the employee is contracted.

The above fair value calculation was based upon the following inputs:

Share price at grant date	\$0.40
Risk free rate	2.38%
Volatility factor	40%
Exercise Price	\$0.50
Time to maturity	5 years
Expected dividend yield	6.2%

Consolidated

	2020	2019
	\$	\$
Share based payment expense		
Equity settled transactions	127,000	8,333
Employee Share Plan	-	-
	<u>127,000</u>	<u>8,333</u>

Note 12. Earnings per share and dividends

(a) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of PayGroup Limited, excluding any cost of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	2020		2019	
	Shares	\$	Shares	\$
Ordinary Shares – fully paid	68,894,010	36,213,927	51,671,466	24,076,417

Reconciliation of earnings used and the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2020	2019
		Restated
	\$	\$
Earnings per share from continuing operations		
Loss after income tax (basic)	(2,074,011)	(1,599,246)
Loss after income tax (diluted)	(2,074,011)	(1,599,246)
Weighted average number of shares used in calculating basic earnings per share	58,049,935	43,709,858
Basic earnings / (loss) per share (cents per share)	(3.57)	(3.66)
Diluted earnings / (loss) per share (cents per share)	(3.57)	(3.66)

(b) Dividends

No dividend was paid for the year ended 31 March 2020.

A total unfranked dividend of \$750,000 (1.45 cents/share) was paid on 30 July, 2018 (Record date – 10 July, 2018) and dividend of \$253,062 (SGD250,000) was paid to the founding shareholders of PayGroup from pre-acquisition retained earnings for the period ended 31 March 2019.

Note 13. Capital Management policies and procedures

The Group's objective when managing capital is to:

- Safeguard their ability to continue as a going concern, so that they can provide returns to shareholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

Note 13. Capital Management policies and procedures (continued)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

For the purpose of analysis the Group defines capital as fully paid ordinary shares

*(a) 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. The group has no borrowings as at 31 March 2020.

Note 14. Financial instrument riskRisk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk.

(a) Market risk analysis*Foreign currency risk*

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The table below outlines the variance interest rate on cash at bank.

	Consolidated			
	2020	Balance	2019	Balance
	Weighted average interest rate		Weighted average interest rate	
	%	\$	%	\$
Cash at bank	0.34%	9,041,450	0.34%	6,347,364
Net exposure to cash flow interest rate risk		<u>9,041,450</u>		<u>6,347,364</u>

Note 14. Financial instrument risk (continued)*Sensitivity analysis*

A change by 10% in existing interest rates at the reporting date would have increased/decreased equity and profit/loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

Impact on profit/loss for the period

	Consolidated	
	2020	2019
	\$	\$
<i>Increase in interest rates +10%</i>	3,074	2,158
<i>Decrease in interest rates -10%</i>	(3,074)	(2,158)

(b) Credit risk analysis

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers including receivables and committed transactions.

Trade receivables

Collectability of trade receivables is reviewed on an ongoing basis through regular review of ageing analysis. Trade receivables are written off when there is no reasonable expectation of recovery.

Trade receivables consist of a large number of customers in various industries and geographical areas. The Group does not hold any security on the trade receivables balance.

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, trade receivables have been assessed on a collective basis as they possess shared credit characteristics. They have been grouped based on days past due.

Refer to Note 9(b) for further information of impairment and risk exposure.

The Group does not have any significant credit risk to any single counterparty given the large number of customers.

(c) Liquidity risk analysis

Prudent liquidity risk management requires the Group to maintain sufficient liquid assets and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Amounts presented below represent the future undiscounted principal and interest cash flows.

Note 14. Financial instrument risk (continued)*Maturity analysis*

2020	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<u>Non-interest bearing</u>	\$	\$	\$	\$	\$
Trade payables	1,093,349	-	-	-	1,093,349
Other payables	9,206,304	-	-	-	9,206,304
Accrued expenses	1,333,296	-	-	-	1,333,296
Lease liabilities	624,505	582,941	513,333	-	1,720,779
	12,257,454	582,941	513,333	-	13,353,728

Maturity analysis

2019	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
<u>Non-interest bearing</u>	\$	\$	\$	\$	\$
Trade payables	400,947	-	-	-	400,947
Other payables	8,561,756	-	-	-	8,561,756
Accrued expenses	583,780	-	-	-	583,780
	9,546,483	-	-	-	9,546,483

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 15. Business Combinations**Consolidated 2020***(a) Astute One Limited***Summary of acquisition**

The Group acquired 100% of the issued share capital of Astute One Limited and its controlled entities ("AstuteOne"), an Australian company. The acquisition significantly increases the range of HCM software service modules and further strengthens its workforce management business, whilst allowing deeper penetration into the Australian market and provides opportunities for expansion to New Zealand.

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

Purchase consideration (refer note below):	\$
Cash paid	150,000
Ordinary shares issued	9,190,588
Retention shares receivable	(601,427)
Total purchase consideration	8,739,161

The fair value of the 12,764,706 shares issued at \$0.72 as part of the consideration paid for AstuteOne was based on the two week value weighted average share price from transaction date.

Note 15. Business Combinations (continued)

Retention shares receivable represents shares receivable pursuant to the working capital adjustment under the terms of the Astute Share Purchase Agreement. The working capital adjustment represents the shortfall of the working capital acquired over the target working capital of \$150,000.

The transaction was undertaken based on the fair value of AstuteOne's existing assets and liabilities as at 1 Nov 2019.

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

Description	\$
Cash and cash equivalents	686,705
Trade and other receivables	1,140,445
Contract assets	188,104
Right-of-use assets	1,102,156
Intangible assets:	
- Software	6,300,000
- Customer contracts and relationships	1,000,000
- Trademarks	200,000
Trade and other payables	(2,360,791)
Lease liability	(1,084,045)
Contract liabilities	(121,924)
Net identifiable assets acquired	7,050,650
Add: goodwill	1,688,511
Net assets acquired	8,739,161

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. The acquisition accounting for this transaction is provisional and as allowed under Australian Accounting Standards any adjustments made to these provisional numbers will be reflected in future financial periods. Finalisation is expected no later than 30 September 2020.

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

(i) Acquisition related costs

Acquisition-related costs of \$359,872 that were not directly attributable to the issue of shares are included in consulting and professional fees in profit or loss and in operating cash flows in the statement of cash flows.

(ii) Acquired receivables

The fair value of acquired trade and other receivables is \$ 1,140,445. The gross contractual amount for trade receivables due is \$ 1,190,494 of which \$50,049 is expected to be uncollectible.

(iii) Accounting policy choice

The group recognises interests at its acquired net identifiable assets.

Note 15. Business Combinations (continued)

<u>Purchase consideration – cash inflow</u>	2020
	\$
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	150,000
Less: Balances acquired	
Cash	686,705
Restricted client monies	(275,171)
Net inflow of cash – investing activities	261,534

(iv) Revenue and profit contribution

The acquired business contributed revenues of \$2,949,693 and net profit of \$1,282,972 to the Group for the period from 1 November 2019 to 31 March 2020.

If the acquisition had occurred on 1 April 2019, consolidated pro-forma revenue and profit for the year ended 31 March 2020 would have been \$7,586,353 and \$2,031,756 respectively. These amounts have been calculated using the subsidiary's results.

Consolidated 2019*a) 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 liabilities acquired	(571,669)

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 \$1,744,702. The gross contractual amount for trade receivables due is \$1,931,144, of which \$186,442 is expected to be uncollectible.

Note 15. Business Combinations (continued)*(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. See note 4d for the group's accounting policies for business combinations.

(iii) Revenue and profit contribution

The acquired business contributed revenues of \$4,124,651 and net loss of \$826,301 to the Group for the period from 1 June 2018 to 31 March 2020.

If the acquisition had occurred on 1 April 2018, consolidated pro-forma revenue and loss for the year ended 31 March 2020 would have been \$5,783,974 and \$2,439,672 respectively. These amounts have been calculated using the subsidiary's results.

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 \$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.

b) Pay Asia Management Pvt Ltd**Summary of acquisition**

The Group acquired 100% of the issued share capital of Pay Asia Management Pvt Ltd, an India based company. The acquisition increased the group's international market share and complements the group's existing workforce management business .

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	-
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.

Note 15. Business Combinations (continued)

In 2019, the business combination had 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 were initially estimated by the consolidated entity taking into consideration all available information at balance date. The acquisition accounting for this transaction was provisional and as allowed under Australian Accounting Standards, any adjustments made to these provisional numbers will be reflected in future financial periods. Accounting standards permit a measurement period of up to one year during which acquisition accounting can be finalised following the acquisition date.

The Group has finalised acquisition accounting on the Pay Asia Management Pvt Ltd acquisition. The final purchase price allocation resulted in an adjustment to the initial purchase price allocation and a corresponding reduction in goodwill. The assets and liabilities recognised as a result of the acquisition are as follows:

Description	Initial purchase price allocation	Adjustments for final purchase price allocation	Restated balance
	\$	\$	\$
Cash and cash equivalents	906,960	-	906,960
Trade and other receivables	3,157,325	-	3,157,325
Plant and equipment	35,809	-	35,809
Intangible assets	4,186	-	4,186
Customer relationships and customer contracts	-	210,034	210,034
Trade and other payables	(3,531,492)	-	(3,531,492)
Deferred tax assets	41,647	-	41,647
Net identifiable assets acquired	614,435	210,034	824,469
Goodwill	30,506	(30,506)	-
Gain from a bargain purchase	-	(179,528)	(179,528)
Net assets acquired	644,941	-	644,941

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.

If the acquisition had occurred on 1 April 2018, consolidated pro-forma revenue and loss for the year ended 31 March 2019 would have been \$772,126 and \$25,992 respectively. These amounts have been calculated using the subsidiary's results

Note 16. Related party transactionsRelated entities

PayGroup Ltd acquired 100% of the issued share capital of Astute One Limited and its controlled entities ("AstuteOne") on 1 November 2019. AstuteOne became a 100% controlled entity at this date.

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 2020 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	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 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%	Phillipines
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
Astute One Limited	1 Nov 2019	PayGroup Ltd	100%	Australia
Astute International Pty Ltd	1 Nov 2019	PayGroup Ltd	100%	Australia
Astute Corporation Pty Ltd	1 Nov 2019	PayGroup Ltd	100%	Australia
Managed Payroll Solutions Pty Ltd	1 Nov 2019	PayGroup Ltd	100%	Australia

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.

(i) Key management personnel remuneration	Consolidated	
	2020	2019
	\$	\$
Short-term salary / fees	1,153,854	962,685
Post-employment benefits	17,545	14,864
Share based payments	-	8,333
	<u>1,171,399</u>	<u>985,882</u>

Note 16. Related party transactions (continued)

(ii) Rental

Pay Asia Australia Pty Ltd rents business premise via a third party agent. These 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 net rent at \$3,542 per month (2019: \$3,542). This lease ended in November 2019.

(iii) Deposits / loans to related parties

Prior to the acquisition of Pay Asia Pte Ltd, the directors of Pay Asia Pte Ltd divested their investment in Pay Asia Management Private Limited ("PAM"). The company was sold on 31 March 2018 to Employee Group Pte Ltd ("EG"), an entity that is owned by the Founding Shareholders of Pay Asia Pte Ltd – who by virtue of the share swap / acquisition undertaken on 29 May 2018 became shareholders of PYG. Mark Samlal is a Director of EG.

At the time of the divestment of PAM, it was acknowledged that PayGroup would be acquiring the underlying payroll business that operated within PAM. Due to regulatory challenges in establishing the appropriate operating vehicle and appropriate ownership structure within India, the acquisition of the payroll business was delayed.

The sale / purchase transaction undertaken as at 31 March 2018 resulted in EG taking over an inter-company liability owing to PAM, the settlement of which would be undertaken via the proceeds to be received from PYG for the sale of the PAM payroll business. Due to delays in PYG establishing the India structure, PYG, via its subsidiary Pay Asia Pte Ltd, paid a deposit of \$509,099 to EG as consideration for the acquisition of the payroll business.

The value of the deposit was supported by an independent valuation of PAM's payroll business as reflected as at 31 March 2018.

In addition to the deposit paid, a loan of \$126,449 was also provided to EG to support the underlying payroll. At the time of providing the loan, PayGroup had commenced discussions to acquire PAM rather than the standalone payroll business. This acquisition was completed 28 February 2019 with PAM becoming a 100% owned subsidiary of Pay Asia Pte Ltd. On completion of the acquisition, the deposit paid and loan provided formed the consideration paid for the acquisition.

(iv) 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. These filings were slightly delayed due to Covid-19 and the management expects the transfer will be fully executed in second quarter of FY21.

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 17. Remuneration of auditors

	Consolidated	
	2020	2019
	\$	\$
<i>Audit and review of the consolidated financial statements</i>		
Auditors of PayGroup Limited - Grant Thornton Australia	138,500	59,500
Auditors of subsidiaries - Overseas Grant Thornton network firms	72,030	67,500
Auditors of subsidiaries – Others	42,764	19,688
Remuneration from audit and review of consolidated financial statements	253,294	146,688
	Consolidated	
	2020	2019
	\$	\$
<i>Other services</i>		
Investigating Accountant's Report - Grant Thornton Australia	-	126,506
Other subcontracted services - Overseas Grant Thornton network firms	172,151	46,561
Total other services remuneration	172,151	173,067
Total auditor's remuneration	425,445	319,755

Note 18. Leases**(a) Recognition and measurement**

The leases recognised by the Group under AASB 16 predominantly relate to property leases. The Group recognises all lease liabilities and corresponding right of use assets, with the exception of short-term (12 months or less) and low value leases, on the balance sheet. Lease liabilities are recorded at the present value of fixed payments, variable lease payments that depend on an index or rate, amounts payable under residual value guarantees and extension options expected to be exercised. Where a lease contains an extension option which the Group can exercise without negotiation, lease payments for the extension period are included in the liability if the Group is reasonably certain that it will exercise the option. Variable lease payments not dependent on an index or rate are excluded from the liability. Lease payments are discounted at the incremental borrowing rate of the lessee, unless the rate implicit in the lease can be readily determined. The right of use asset at initial recognition reflects the lease liability adjusted for any lease payments made before the commencement date plus any make good obligations and initial direct costs incurred.

Lease liabilities are remeasured when there is a change in future lease payments resulting from a change in an index or rate, or a change in the assessed lease term. A corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount has been reduced to zero.

The Group applied judgement to determine the incremental borrowing rates as well as the lease term for some lease contracts that include extension or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

The Group recognises depreciation of the right of use assets and interest on the lease liabilities in the income statement over the lease term. Repayments of lease liabilities are separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the cash flow statement.

Note 18. Leases (continued)**(b) Lease liabilities**

On adoption of AASB 16, the Group has recognised lease liabilities for leases previously classified as operating leases. On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 6.14%.

The Group's commitments previously classified as non-cancellable operating leases predominately relate to office premises, ranging in lease terms from 1 to 5 years. The Group's leases may have extension options to manage operational flexibility. These options are exercisable only by the Group and not the respective lessor. The lease agreements are negotiated individually and do not impose any covenants on the Group. In assessing the lease term for calculating the present value of the lease payments, options are only included in the lease term if the lease is reasonably certain to be extended.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases. Lease liabilities recognised in the Balance Sheet on 1 April 2019 reconcile back to operating lease commitments as disclosed at 30 June 2019 as follows:

	\$
Total operating lease commitments disclosed at 31 March 2019	562,393
Other minor adjustments relating to commitment disclosures	<u>(74,879)</u>
Operating lease liabilities before discounting	487,514
Reasonably certain extension options	582,981
Discounted using incremental borrowing rate	<u>(139,623)</u>
Operating lease liabilities	930,872
Total lease liabilities recognised under AASB 16 at 1 April 2019	<u>930,872</u>

The movement in lease liabilities from 1 April 2019 to the year ended 31 March 2020 is presented below:

	\$
Lease liability at 1 April 2020	930,872
Additions	22,621
Acquired as part of Astute acquisition 1 Nov 2019	1,084,045
Interest expense	71,255
Payments on lease liabilities	<u>(388,014)</u>
Lease liability at 31 Mar 2020	<u>1,720,779</u>
Lease liabilities – current	624,505
Lease liabilities – non-current	<u>1,096,274</u>

(c) Right-of-use assets

The RoU assets have been measured at the initial lease liability amount, as if the AASB 16 had been applied from the commencement date of the leases. The recognised ROU assets relate to the following assets:

	\$
Right-of-use assets at 1 April 2019	930,872
Additions	22,621
Acquired as part of the Astute acquisition 1 Nov 2019	1,102,156
Depreciation	<u>(433,129)</u>
Right-of-use assets at 31 March 2020	<u>1,622,520</u>

Note 19. Reconciliation of cash flows

(a) Reconciliation of cash flow from operating activities

	Consolidated	
Cash flows from operating activities	2020	2019
	\$	\$
Loss after tax for the period	(2,074,011)	(1,599,246)
Adjustments for:		
- Depreciation and amortisation	1,402,276	279,151
- Foreign exchange differences	78,714	66,009
- Allowance for credit loss	75,982	-
- Share based payments for settlement of liability	127,000	108,370
- Gain from a bargain purchase	-	(179,528)
Net change in working capital		
- Change in trade and other receivables	(1,704,765)	(1,334,669)
- Change in prepayments	98,298	(36,546)
- Increase in other assets	268,289	(363,975)
- Increase in trade and other payables	1,992,236	(1,789,134)
- Change in deferred tax	162,750	(6,001)
- Change in provisions	(566,627)	52,587
Net cash used in operating activities	(139,858)	(4,802,982)

(b) Non-cash investing and financing activities

	Consolidated	
	2020	2019
	\$	\$
Shares issued pursuant to Astute acquisition	9,190,588	-
Shares issued as settlement of liability	127,000	-

(c) Bank facilities

The group has an unutilized overdraft facility of \$285,000 from DBS Bank of Singapore.

Note 20. Parent Entity information

Information relating to PayGroup Limited (the Parent Entity):

	2020	2019
	\$	\$
Statement of financial position		
Current assets	6,661,456	5,633,604
Non-current assets	25,467,595	16,127,007
Total assets	32,129,051	21,760,611
Current liabilities	436,401	386,792
Non-Current liabilities	-	-
Total liabilities	436,401	386,792
Issued capital	36,213,927	24,076,417
Share based payment reserve	216,904	216,904
Accumulated loss	(4,738,181)	(2,919,501)
Total equity	31,692,650	21,373,820
Loss for the year	2,443,681	1,172,170

Note 20. Parent Entity information (continued)

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 March 2020 or 2019.

Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 31 March 2020 or 2019.

Note 21. Events occurring after the reporting period

There have been no other matters or circumstances that have arisen since the end of the financial period, that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Covid-19 update:

PayGroup is well equipped to execute its business continuity planning ("BCP") policy for Covid-19. Investments in technology pre-Covid-19 has allowed the group to execute BCP with its workforce across all business segments working from home without material impact to its service delivery to clients or loss of productivity.

The group is closely monitoring the global economic impact of Covid-19 and across its geographical business segments and client base. To date, PayGroup financials is largely unimpacted by Covid-19 and has not seen reported revenue substantially decline to date. From the date of this reporting, the group is unaware of any factors suggesting a substantial impact to its top line revenue or operational cost base due to Covid-19.

Notwithstanding this, PayGroup has identified significant cost saving opportunities across its segments and is therefore, well positioned for any unforeseen adverse impacts from Covid-19.

DIRECTORS' DECLARATION

In the opinion of the Directors' of PayGroup Limited

- a) the financial statements and notes, as set out on pages 14 to 60, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 March 2020 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (iii) as stated in note 2, the financial statements also comply with International Financial Reporting Standards
- 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; and

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 March 2020.

Signed in accordance with a resolution of the Directors' made pursuant to section 295(5) of the *Corporations Act 2001*.

On behalf of the Directors,



Ian Basser

Chairman

Melbourne, 26 June 2020

Independent Auditor's Report

To the Members of PayGroup Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of PayGroup Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 March 2020, 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 31 March 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition Note 7</p> <p>The Group derives revenue through the rendering of services which are performed under a combination of contractual agreements.</p> <p>Determining the appropriate revenue recognition methods for multiple contractual agreements can be complex and involves management judgment, which include determination of each performance obligation within contracts, allocation of consideration to individual performance obligations and identifying when performance obligations are satisfied so revenue can be recognised.</p> <p>This area is a key audit matter as we have determined the occurrence of revenue to be a key audit matter due to the application of judgment due to the complexity and customised nature of the arrangements entered into with customers.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and assessing each revenue stream to determine the appropriateness of policies and procedures in place regarding revenue recognition in accordance with accounting standard AASB 15 <i>Revenue from Contracts with Customers</i>; • Testing a sample of revenue transactions to supporting documentation in order to: <ul style="list-style-type: none"> ○ Verify the occurrence of services performed; ○ Assess whether revenue is being recognised in accordance with the Group's revenue recognition policies and the relevant accounting standard; ○ Assess management's estimate of the Group's ability to satisfy performance obligations of each project at 31 March 2020 through corroboration to underlying supporting documentation; and • Perform a recalculation of the ability to meet the performance obligations for each significant contract; and • Assessing the adequacy of the Group's disclosures within the financial statements.
<p>Business Combination Note 15</p> <p>During the year the Group acquired Astute One Limited and its controlled entities for \$8.7m as consideration AASB 3 Business Combinations requires significant judgement and estimates to be made in relation to:</p> <ul style="list-style-type: none"> • The fair value of the purchase consideration, including any contingent consideration; • The fair value of assets and liabilities acquired, including separately identifiable intangible assets; and • Evaluating the fair value of assets acquired during the provisional accounting period. <p>This is a key audit matter due to the significant judgement required as part of the determination of estimates when accounting for a business combination.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reading the underlying sale and purchase agreement to understand key terms and conditions of the transaction; • Reviewing the work contained in the purchase price allocation valuation calculation, including review of managements expert's valuation assessment, to determine whether: <ul style="list-style-type: none"> ○ The intangible assets identified are appropriate; ○ The valuation methodologies used are reasonable; and ○ Assumptions used are reasonable compared with external benchmarks and our knowledge of the Group and its industry; • Testing the mathematical accuracy of the underlying calculations; and • Assessing the adequacy of the Group's disclosures with respect to the business acquisition against the requirements of AASB 3.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 8 to 13 of the Directors' report for the year ended 31 March 2020.

In our opinion, the Remuneration Report of PayGroup Limited, for the year ended 31 March 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd
Chartered Accountants



E W Passaris
Partner – Audit & Assurance

Melbourne, 26 June 2020