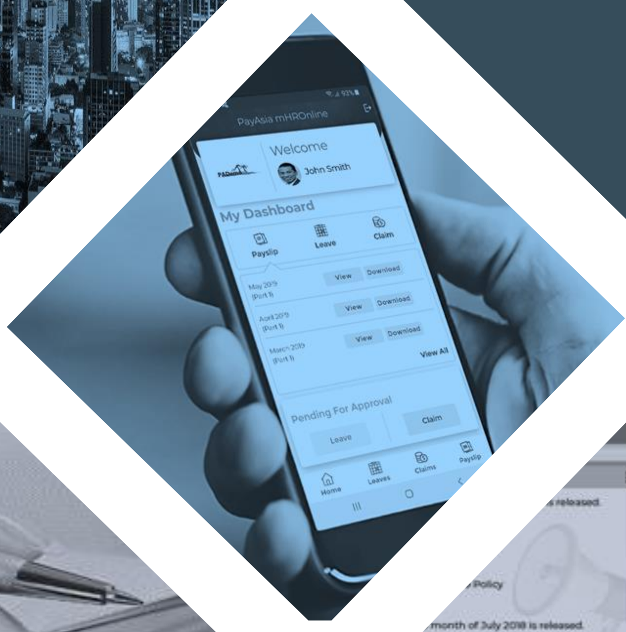
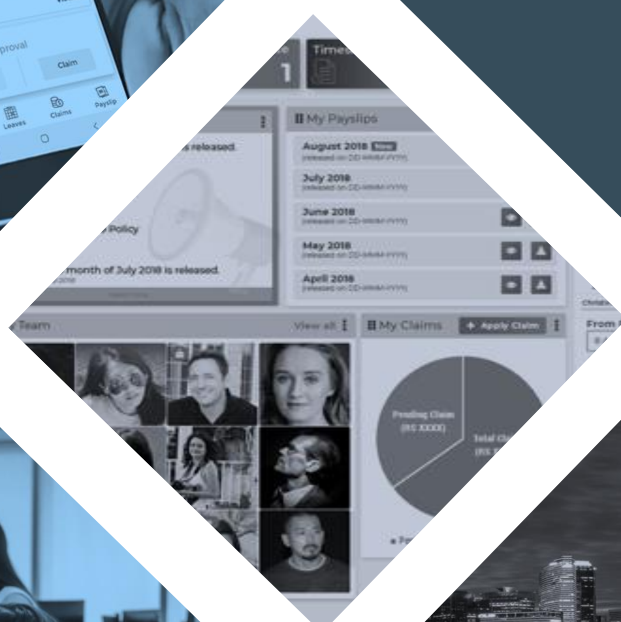
PAYGROUP LIMITED

ACN 620 435 038

FINANCIAL REPORT

31 MARCH 2019





CONTENTS

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 2019.

1. Directors

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

Ian Basser

Mark Samlal

David Fagan

Franck Neron-Bancel

2. Information on Directors

Ian Basser	–	Non-Executive Chairman
Experience	–	Ian was appointed to the Board in November 2017 as an independent Non-Executive Director and Chairman. Ian has over 28 years' experience in starting, running and building service companies around the world including Australia, Hong Kong, China, Singapore, USA, UK and Europe. He was Chief Executive Officer and Managing Director of Chandler Macleod Group Limited until August 2012. Prior to joining Chandler Macleod, he spent four years establishing and developing the Mettle Group as a strategic leadership and culture consultancy. Prior to Mettle Group, Ian was a main board director and Group Managing Director of Harvey Nash running operations in the UK, Europe and Asia and is based in Melbourne Australia. Prior to Harvey Nash, he was on the global management team of Michael Page International building operations in Australia, Asia and North America.
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 and to the role of Managing Director of the Group. Mark has over 22 years' experience in leadership roles in Asia Pacific including being a Director and General Manager of ADP in Asia Australia (1999-2003). 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, based in Singapore (2006-2008).
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
Qualifications	–	Bachelor and Master of Laws from University of Melbourne
Experience	–	David was appointed to the Board in November 2017 as a Non-Executive Director. He will chair the Audit and Risk Committee. David has over 38 years' experience in law practice including 30 years with Clayton Utz culminating in the role of Board Member and National Chief Executive Partner (2001-2010).
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
Qualifications	–	Bachelor's Degree (General Management, Finance & Marketing) from KEDGE Business School
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: US49.4 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.
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	200,000	301,302
Mark Samlal	-	-
David Fagan	-	222,964
Franck Neron-Bancel	724,332	222,964
Total	924,332	747,230

4. Company Secretary

Oliver Carton BJuris LLB was appointed Company Secretary on 13 July 2017 and resigned 2 May 2019. Justin Owen CA, F FIN, PayGroup's CFO, was appointed Company Secretary 2 May 2019.

Justin has extensive experience in working with ASX companies as both CFO and in prior roles as an audit partner of a mid tier Chartered accounting firm where he had a number of ASX listed companies as audit clients.

DIRECTORS' REPORT

5. Directors' Meetings

The table below sets out the number of meetings held during the 2019 financial year and the number of meetings attended by each Director. During the period, 9 Board meetings were held.

Director	Eligible to attend	Attended
Ian Basser	9	9
Mark Samlal	9	9
David Fagan	9	9
Franck Neron-Bancel	9	9

Since the Initial Public Offering ("IPO"), no sub-committees 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

The company was incorporated with the express purpose of acquiring a Singapore based company - Pay Asia Pte Ltd (PayAsia) and listing on the Australian Stock Exchange (ASX) pursuant to a Prospectus lodged with the Australian Securities and Investment Commission.

The company 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.

The Group is a provider of BPO solutions and Cloud (Software-as-a-Service or SaaS) based Human Capital Management (HCM) software, operating in the Asia Pacific region for multinational companies, and today services over 400 client entities with more than 31,000 client employees across 18 countries.

Financial performance

The Group recorded a loss after tax of $1,778,774 (2018: Loss $997,330).

The Group reported a statutory EBITDA loss of $1.5 million for the period.

The statutory results represent a 10 month performance of "PayAsia" following the acquisition on 29th May 2018, together with 1 month performance of PayInd which was acquired on 28 February 2019.

The statutory result also includes one-off costs associated with the ASX listing.

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

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

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

DIRECTORS' REPORT

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

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

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

In March 2019, PYG also executed an agreement with UK-based Cloudpay to be a preferred payroll partner in the APAC region. Subsequent to end of the period, PYG was awarded its first new client contract under the referral agreement, with a TCV of $0.45 million. Implementation of these new client employees will occur in the current quarter (Q1 FY20).

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

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

8. Subsequent Events

There have been no 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.

9. Changes in State of Affairs

Apart from the matters referred to 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.

DIRECTORS' REPORT

11. Dividends

During the year the Directors declared and paid an unfranked dividend of $750,000 to its equity shareholders. This represents a payment of 1.45 cents per share. A dividend of $253,062 (SGD250,000) was paid to the founding shareholders of PayGroup from pre-acquisition retained earnings. No dividends were paid in prior periods.

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

The Board of Directors, is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence, as the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid for non-audit services provided during the year ended 31 March 2019:

	2019	**2018**
	$	**$**
Investigating Accountant's Report - Grant Thornton Australia	126,506	113,002
Other subcontracted services* - Overseas Grant Thornton network firms	46,561	-
	173,067	**113,002**

**The other subcontracted services represent legacy services provided in an overseas country and are insignificant to PayGroup Limited and the overseas Grant Thornton network firm. The Group is in the process of transitioning these services to another provider.*

15. Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 31 March 2019 has been received and can be found on page 16 of the financial report.

DIRECTORS' REPORT

16. Employee Share Plan

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 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.

17. Transactions with KMP and/or their related party

PayGroup 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.

Rental Property

Pay Asia Australia Pty Ltd rents business premises 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 lease agreements are set and maintained by the third party agent and is set at terms representing normal commercial terms and conditions with rent at market rates.

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.

PayMy Outsourcing Sdn Bhd

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

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

REMUNERATION REPORT - AUDITED

Remuneration Policy

The Directors present the consolidated entity's 2019 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:

Name	Position	Appointment Date	Resignation Date
Mark Samlal	Managing Director		
Ian Basser	Non-Executive Chairman		
David Fagan	Non-Executive Director		
Franck Neron-Bancel	Executive Director		
Justin Owen[1]	Chief Financial Officer / Company Secretary[2]	2 May 2019[2]	

1. From 1 December 2018 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.
2. Justin Owen was appointed Company Secretary 2 May 2019

Principles used to determine nature and amount of remuneration

The broad principles for determining the nature and amount of remuneration of KMP has been outlined in the Company's Prospectus and since listing on the ASX has been agreed to by the Board. Since IPO, 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 of the Board and sub committee structure will be undertaken annually by the Board with changes made as deemed appropriate to the size, structure and needs of the Group.

The Committee / 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. Subsequent to year end the Board appointed an independent adviser to set the framework and guiding principles for the on-going and future remuneration policy. This report will be finalised during FY20 with the intention of being reviewed, updated and adopted by the Board.

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 Remuneration and Nominations Committee / Board sets out to link remuneration polices with the achievement of financial and personal objectives.

Group financial performance

As the Group only recently listed on the ASX, the Directors are of the view that presentation and assessment of the Group's financial performance does not provide meaningful information for the assessment of performance.

For the purpose of FY19, the Group has retained the remuneration structure as outlined in the prospectus for the Directors and updated the remuneration for Justin Owen on the basis that he has joined the Group on a full time basis since listing on the ASX

REMUNERATION REPORT - AUDITED

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 / post employment funds.

Employee Share plan

On the 23 February 2018 the Directors and senior employees, including KMP, 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 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.

At the 2018 Annual General Meeting (AGM), the company was not required to present a remuneration report and therefore there was no vote on the remuneration report for the year ended 31 March 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Consolidated entity performance and link to remuneration

2019

There were no performance based remuneration measures for 2019 or prior period.

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

REMUNERATION REPORT - AUDITED

Details of Remuneration

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

2019 Directors' Remuneration

	Short Term		Post Employment	Long Term Benefits	Share Based Payments		Total	Total Performance Related	Equity as a % of Total
	Salary/Fees	Bonus	Super-annuation	Long Service Leave	Shares	Employee Share Plan			
	$	$	$	$	$	$	$	%	%
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 Executive Remuneration

	Short Term		Post Employment	Long Term Benefits	Share Based Payments		Total	Total Performance Related	Equity as a % of Total
	Salary/Fees	Bonus	Super-annuation	Long Service Leave	Shares	Employee Share Plan			
	$	$	$	$	$	$	$	%	%
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**

2018 Directors' Remuneration

	Short Term		Post Employment	Long Term Benefits	Share Based Payments		Total	Total Performance Related	Equity as a % of Total
	Salary/Fees	Bonus	Super-annuation	Long Service Leave	Shares	Employee Share Plan			
	$	$	$	$	$	$	$	%	%
I Basser[1]	-	-	-	-	91,667	37,060	128,727	-	100.0
M Samlal[2]	-	-	-	-	-	-	-	-	-
D Fagan[1]	35,417	-	-	-	-	27,425	62,842	-	43.6
F Neron-Bancel[2]	-	-	-	-	-	-	-	-	-
Total	**35,417**	**-**	**-**	**-**	**91,667**	**64,485**	**191,569**	**-**	**81.5**

(1) Appointed 14 November 2017
(2) Appointed 13 July 2017
There were no non-monetary benefits provided

REMUNERATION REPORT - AUDITED

2018 Executive Remuneration

	Short Term		Post Employment	Long Term Benefits	Share Based Payments		Total	Total Performance Related	Equity as a % of Total
	Salary/Fees	Bonus	Super-annuation	Long Service Leave	Shares	Employee Share Plan			
	$	$	$	$	$	$	$	%	%
J Owen[1]	61,960	-	-	-	30,000	8,894	100,854	-	38.6
Total	**61,960**	**-**	**-**	**-**	**30,000**	**8,894**	**100,854**	**-**	**38.6**

1 Appointed 13 July 2017
2 There were no non-monetary benefits provided

Director and executive remuneration

Total	**97,377**	**-**	**-**	**-**	**121,667**	**73,379**	**292,423**	**-**	**66.7**

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk- STI		At risk - LTI	
Name	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Non-Executive Directors:						
I Basser	100%	100%	-	-	-	-
D Fagan	100%	100%	-	-	-	-
Executive Directors:						
M Samlal	100%	100%	-	-	-	-
F Neron-Bancel	100%	100%	-	-	-	-
Other Key Management Personnel						
J Owen	100%	100%	-	-	-	-

REMUNERATION REPORT - AUDITED

Details of Share Based Compensation

Options

No options have been issued by the Company

Equity

Prior to listing on the ASX, equity was used to settle remuneration obligations of KMP in order to manage pre-IPO cash reserves. This equity settled remuneration has been disclosed within the 2018 and 2019 remuneration tables.

Employee Shares

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

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.

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 is recognised in the share based payment reserve. As no shares were issued in the current year there was no value recognised, (2018: $216,904).

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

Shares issued pursuant to the Loan Share Plan:

2019

Nil

2018

KMP	Issue Date	Shares Issued	Issue Price $	Loan Balance	AASB 2 Expense $
Ian Basser	23 Feb 18	301,302	0.50	150,651	37,060
Mark Samlal	23 Feb 18	-	0.50	-	-
David Fagan	23 Feb 18	222,964	0.50	111,482	27,425
Franck Neron-Bancel	23 Feb 18	222,964	0.50	111,482	27,425[1]
Justin Owen	23 Feb 18	72,313	0.50	36,156	8,894

(1) The expense associated with these shares was taken up by PayAsia as a pre-acquisition expense

REMUNERATION REPORT - AUDITED

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 SGD2,100 per month from June 2018, increasing to SGD2,300 from October 2018.
- Termination by provision of six months' notice by either the Executive or the Company

Franck Neron-Bancel, Executive Director and Chief Strategy Officer

- Permanent employment contract commencing 18 October 2017
- Fixed remuneration of USD17,000 per month including superannuation / retirement benefits in the role as Chief Strategy Officer
- Fixed remuneration of AUD70,000 per annum including superannuation / retirement benefits as Executive Director of PayGroup commencing from date of listing the company on the ASX
- Termination by provision of 180 days months' notice by either the Executive or the Company

Justin Owen, 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.

REMUNERATION REPORT - AUDITED

KMP Shareholding 2019

	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	-	-	-	-	501,302
Mark Samlal	2	-	-	-	(2)	-
David Fagan	222,964	-	-	-	-	222,964
Franck Neron-Bancel	616,964	-	-	-	330,332[1]	947,296
Justin Owen	132,313	-	-	-	-	132,313

(1) Shares subscribed for as part of the Initial Public Offering

KMP Shareholding 2018

	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	-	301,302	200,000	-	-	501,302
Mark Samlal	-	-	-	-	2	2
David Fagan	-	222,964	-	-	-	222,964
Franck Neron-Bancel	-	222,964	-	-	394,000	616,964
Justin Owen	-	72,313	60,000	-	-	132,313

Transactions with KMP and/or their related party

PayGroup 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.

Rental Property
Pay Asia Australia Pty Ltd rents business premises 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 lease agreements are set and maintained by the third party agent and is set at terms representing normal commercial terms and conditions with rent at market rates.

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

REMUNERATION REPORT - AUDITED

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.

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

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

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

28 June 2019

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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 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Eric W Passaris

E W Passaris
Partner – Audit & Assurance

Melbourne, 28th June 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Revenue from continuing operations	7	4,738,424	-
Interest income		10,769	-
Other income	7	228,527	-
Expenses			
Subcontractors		(457,507)	-
Hosting services		(194,741)	-
Employee benefits expense		(2,295,826)	(177,887)
Rent and occupancy		(250,264)	-
Initial public offering costs		(108,370)	(528,036)
Consulting and professional fees		(1,727,926)	(245,176)
Depreciation and amortisation expense		(287,784)	-
Finance costs		(31,075)	-
Allowance for credit losses	9b	(14,456)	-
Overseas office expenses		(450,145)	-
Travelling expenses		(179,806)	-
License Fee		(213,516)	-
Other expenses		(510,251)	(46,231)
Loss before income tax		(1,743,947)	(997,330)
Income tax expense	8	(34,827)	-
Loss for the year		(1,778,774)	(997,330)
Other comprehensive loss for the period, net of tax		(194,047)	-
Total comprehensive loss for the period		(1,972,821)	(997,330)
Earnings per share		**Cents**	**Cents**
Basic earnings per share	12a	(4.07)	(2.99)
Diluted earnings per share	12a	(4.07)	(2.99)

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 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	9a	6,347,364	1
Trade and other receivables	9b	5,294,138	38,779
Income tax recoverable		409,582	-
Prepayments		66,269	8,333
Contract assets	7	94,210	-
Other assets	10a	391,800	181,686
Total current assets		12,603,363	228,799
Non-Current Assets			
Trade and other receivables	9b	287,402	-
Plant and equipment	10b	136,967	-
Intangibles	10c	1,292,355	-
Contract assets	7	308,060	-
Total non-current assets		2,024,784	-
TOTAL ASSETS		14,628,147	228,799
LIABILITIES			
Current Liabilities			
Trade and other payables	9c	10,038,470	721,624
Current tax liabilities		27,905	-
Provisions	10e	25,992	-
Contract liabilities	7	36,309	-
Total current liabilities		10,128,676	721,624
Non-Current Liabilities			
Contract liabilities	7	216,797	-
Deferred tax liabilities	10d	82,135	-
Provisions	10e	326,045	-
Total non-current liabilities		624,977	721,624
TOTAL LIABILITIES		10,753,653	721,624
NET SURPLUS / (DEFICIT)		3,874,494	(492,825)
Equity			
Issued capital	11a	24,076,417	287,601
Reserves	11b	(16,675,819)	216,904
Accumulated losses		(3,526,104)	(997,330)
TOTAL EQUITY		3,874,494	(492,825)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 13 July 2017	-	-	-	-
Comprehensive income				
Loss for the period	-	-	(997,330)	(997,330)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(997,330)	(997,330)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the period	287,601	-	-	287,601
Shares granted during the period under employee share plan	-	216,904	-	216,904
Total transactions with owners and other transfers	287,601	216,904	-	504,505
Balance at 31 March 2018	287,601	216,904	(997,330)	(492,825)
Balance at 1 April 2018	287,601	216,904	(997,330)	(492,825)
Loss after income tax expense for the year	-	-	(1,778,774)	(1,778,774)
Movement in foreign exchange	-	(194,047)	-	(194,047)
Total comprehensive loss for the year	-	(194,047)	(1,778,774)	(1,972,821)
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
Balance at 31 March 2019	24,076,417	(16,675,819)	(3,526,104)	3,874,494

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 2019

	Note	2019 $	2018 $
Cash flows from operations			
Receipts from customers (inclusive of GST/VAT/SST)		4,445,336	-
Payments to suppliers and employees (inclusive of GST/VAT/SST)		(7,228,305)	-
Net funds received on behalf of clients		2,774,370	-
Interest received		10,448	-
Interest and other finance costs paid		(14,088)	-
Net cash outflow operating activities	19a	(12,239)	-
Cash flows from investing activities			
Payment for, plant and equipment		(37,331)	-
Payment for intangibles		(653,714)	-
Net cash inflow from acquisition, net of cash paid		1,106,062	-
Net cash used in investing activities		415,017	-
Cash flows from financing activities			
Proceeds from share issue		8,500,000	1
Payments for IPO and fund raise		(946,561)	-
Dividend paid	12b	(1,003,062)	-
Repayment of borrowings		(740,206)	-
Employee loan		(30,603)	-
Net cash used in financing activities		5,779,568	1
Net increase in cash and cash equivalents		6,182,346	1
Cash and cash equivalents at the beginning of the financial period		1	-
Effect of exchange rate fluctuations on cash held		165,017	-
Cash and cash equivalents at the end of the financial period	9a	6,347,364	1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019

Note 1. Nature of operations

PayGroup Limited and its controlled entities (the Group) is a provider of Business Process Outsourcing solutions, Cloud (Software-as-a-Service or SaaS) based Human Capital Management (HCM) software (collectively payroll services) and Workforce Management Services, operating in the Asia Pacific region for multinational companies, and today services over 400 client entities with more than 31,000 client employees across 18 countries.

The Group operates as a trusted partner to perform the outsourced payroll process for the client employees including banking, treasury, lodgement of statutory submissions including taxation, superannuation, pension, provident funds, and other social benefits. Further, Workforce Management Services is the provision of personnel resources to service workforce labour requirements for a cross range of clients.

Note 2. General information and 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*, as appropriate for for-profit oriented entities. The consolidated financial statements comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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.

Significant accounting policies

The significant accounting policies adopted in the preparation of the financial statements are set out below. Other significant policies are contained in the notes to the financial statements to which they relate. The financial statements are for the PayGroup Limited (Group).

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 2019. PYG 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.

Note 2. General information and Statement of Compliance (continued)

Principles of consolidation (continued)

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.

These consolidated financial statements were authorised by the Board of Directors for issue on 28 June 2019.

New standards adopted as at 1 April 2018

AASB 15 replaces AASB 118 'Revenue', AASB 111 'Construction Contracts' and several revenue- related Interpretations. The new Standard has been applied as at 1 April 2018 using the modified retrospective method, with the effect of initially applying this standard recognised within the assets and liabilities acquired during the year, therefore comparatives are not restated.

The adoption of AASB 15 has mainly affected the following areas:

- Payroll Business Process Outsourcing (BPO) services set-up costs;
- Loss contracts; and
- Contracts with multiple performance obligations.

Payroll Business Process Outsourcing (BPO) services set-up costs

In preparing to on board a Payroll BPO client the Group undertakes a business process review with the client that takes up to two weeks of data, rule and process collation. This is then configured in a new established payroll instance.

This environment is tested for accuracy and optimality and conduct a "penny" test to banks. Testing involves at minimum one parallel run prior to going live and depending on the go-live month can involve running a full year of payroll processing and performing monthly data validation against the clients existing payroll reports.

Once signed off by the client the payroll instance is placed into live production by our external hosting provider and access is given to the operations team.

The Implementation team then repeats the process by configuring a new client in our own product "HROnline". HROnline provides Payslip Delivery, Biographical, E-Claim and E-Leave services. The basic configuration of Payslips and Biographical data is bundled with Payroll sales.

The Group's Datacenter for payroll is housed in WebVision (Singapore) and is charged on a monthly basis. In addition a third party provider PASR who provides all management, disaster recovery and support services on this environment (also charged monthly). HROnline is hosted on Amazon Webservices Singapore and is managed by a third party who also develop and support the product.

Note 2. General information and Statement of Compliance (continued)

New standards adopted as at 1 April 2018 (continued)

The Group is billed on a monthly basis covering the hosting and support costs for the environment. Costs of both hosting environments are mainly fixed but do have variability due to variable support queries (upgrades as an example) and the need to tune the Amazon environment over peak periods such as year end processing.

As these implementation costs arise from activities that the Group must undertake to fulfil a contract but do not themselves transfer a good or service to a customer, AASB 15 does not consider them to be performance obligations. Accordingly, these costs are excluded from the measure of performance under the contract. Instead, such costs are evaluated for possible capitalisation using the specific criteria in the Standard. Where capitalised, the resulting Contract Asset is subsequently amortised on a straight-line basis over a 5.2 year period, representing the period of benefit which includes both the existing contract and the reasonably anticipated renewals based on the Group's historical experience with similar arrangements. Under AASB 118, these costs were expensed as incurred.

This change of accounting for set-up costs had no impact on the total amount of services revenue recognised under each contract, or the date upon which services revenue is first recognised as the impact of AASB 15 had already been recognised on acquisition of PayAsia. Therefore, there has been no adjustment to the opening balance of retained earnings arising from the initial application of AASB 15.

Loss contracts

AASB 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'.

Under AASB 137, the assessment of whether a provision needs to be recognised takes place at the contract level and there are no segmentation criteria to apply. When two or more contracts entered into at or near the same time are required to be combined for accounting purposes, AASB 15 requires the Group to perform the assessment of whether the contract is onerous at the level of the combined contracts. The Group also notes that the amount of loss accrued in respect of a loss contract under AASB 111 takes into account an appropriate allocation of overheads. This contrasts with AASB 137 where loss accruals may be lower as they are based on the identification of 'unavoidable costs'.
As at 1 April 2018, the Group has not identified any contracts requiring a provision.

Contracts with multiple performance obligations
Many of the Group's contracts comprise a variety of performance obligations including, but not limited to, software, elements of design and customisation, implementation and ongoing payroll processing services. Under AASB 15, the Group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources; and
- it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

The implementation fee associated with implementing an outsourced payroll solution is a fee that provides no standalone customer benefit and is separately identifiable. It is therefore capitalised as a Contract Liability and subsequently recognised as implementation revenue on a straight line basis over a 5.2 year period, representing the contract period plus reasonably anticipated renewal period of contracts based on historical experiences.

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group during the year as the impact of the AASB 15 had been implemented by PayAsia prior to acquisition.

AASB 9 *Financial Instruments*
AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the Group elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 April 2018.

Note 2. General information and Statement of Compliance (continued)

New standards adopted as at 1 April 2018 (continued)

AASB 9 *Financial Instruments (continued)*

The adoption of AASB 9 has mostly impacted the following area:

- the impairment of financial assets applying the expected credit loss model. This applies now to the Group's trade receivables. For trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

New Accounting Standards and Interpretations not yet adopted by the Group

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting period ended 31 March 2019.

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

(a) AASB 16*: *Leases (applicable to annual reporting periods beginning on or after 1 January 2019)

When effective, this Standard will replace the current accounting requirements applicable to leases in *AASB 117*: *Leases* and related Interpretations. *AASB 16* introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

i. Recognition of a right to use asset and liability for leases (excluding short term leases with less than 12 months tenure and lease relating to low value assets)

ii. Depreciation of right to use assets in line with *AASB 116 Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components

iii. Variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date; and

iv. Additional disclosure requirements.

The transitional provisions of *AASB 16* allow a lessee to either retrospectively apply the Standard to comparatives in line with *AASB 108* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group, as a lessee, has significant operating leases outstanding at the date of initial application, 1 April 2019, and is yet to undertake a detailed assessment of the impact of *AASB 16*.

However, based on the group's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 31 March 2020 includes:

- There will be significant increase in lease assets recognised for the amount of the unamortised portion of the useful life, and lease liabilities will be recognised at the present value of the outstanding lease payments.
- Earnings before interest, depreciation, amortisation and tax (EBITDA) will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation of the right-to-use asset, and interest expense on the lease liability. However, there will be an overall reduction in net profit before tax in the early years of a lease because the amortisation and interest charges will exceed the current straight-line expense incurred under *AASB 117* Leases. This trend will reverse in later years.
- Operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

Note 2. General information and Statement of Compliance (continued)

New Accounting Standards and Interpretations not yet adopted by the Group (continued)

(b) AASB 2017-4: Uncertainty over Income Tax Treatments (applicable to annual reporting periods beginning on or after 1 January 2019)

AASB 2017-4 amends *AASB 1* First-time Adoption of Australian Accounting Standards to add paragraphs arising from AASB *Interpretation 23* Uncertainty over Income Tax Treatments

The group has not yet assessed the full impact of this Interpretation.

(c) Interpretation 23: Uncertainty over Income Tax Treatments (applicable to annual reporting periods beginning on or after 1 January 2019)

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 not yet assessed the full impact of this Interpretation.

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 2018, 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 2018 together with the other policies after Note 3 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the year ended 31 March 2019. Changes to the Group's accounting policies arising from these standards are summarised below:

3.1 Revenue

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:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. 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 either at a point in time or 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.

Based upon the review undertaken, the adoption of AASB15 did not have a material impact on the Group's statement of profit or loss and other comprehensive income, the statement of financial position for the financial year ended 31 March 2019 or the statement of cash flows as the implementation had already occurred at the acquisition date of PayAsia.

On acquisition of PayAsia, the Group recognised the following balances in relation to the adoption of AASB 15.

Contract Asset $232,651

Contract Liability $103,193

Note 3. Changes in significant accounting policies (continued)

3.2 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.

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 within other expenses.

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

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, 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.

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. 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.

b. 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.

c. Operating leases

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

d. 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)

d. Business combinations (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.

e. 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.

f. 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.

Foreign currency translations

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.
- Income and expenses are translated at average rates for the year, which approximates the exchange rates at the dates of the transactions.

Note 4. Significant accounting policies (continued)

f. Foreign currency translation (continued)

- 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. Business Result for the Period

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial period and, where relevant, the accounting policies applied and the critical judgements and estimates made.

6.1 Operating segment information

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

Identification of reportable operating segments

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

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

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

Note 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 either at a point in time or 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 revenue is recognised as interest accrues using the effective interest rate method.

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	
	2019	**2018**
Revenue from continuing operations*	**$**	**$**
Payroll services	4,686,948	-
Workforce management service fee	51,476	-
	4,738,424	-

Note 7. Revenue (continued)

	Consolidated	
	2019	2018
Other income	$	$
Foreign exchange gain	172,381	-
Government grant income	13,800	-
Other	42,346	-
	228,527	-

* The Group has initially applied AASB 115 using the modified retrospective method. Refer note 3.1 for details.

Contract assets

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

Current		
Contract assets - Deferred customer set-up costs	94,210	-
Non-Current		
Contract assets - Deferred customer set-up costs	308,060	-

Contract liabilities

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.

Current		
Contract assets – advances received	36,309	-
Non-Current		
Contract assets – advances received	216,797	-

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.

Note 8. Income Tax Expense (continued)

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.

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

	Consolidated	
	2019	**2018**
	$	**$**
Loss from continuing operations before income tax expense	1,778,774	997,330
Prima facie domestic effective tax rate of 27.5%	(489,163)	(274,266)
Adjustment for tax-rate differences in foreign jurisdictions	82,801	-
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible expenses	50,910	-
Current period tax losses not recognised	390,279	274,266
Income tax expense	**34,827**	**-**

Carried forward tax losses of $4,594,798 have not brought to account as a deferred tax asset of $1,120,354. 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.

Note 8. Income Tax Expense (continued)

(b) Franking credits

	Consolidated	
	2019	2018
	$	$
Franked dividends	-	-
Franking credits available for subsequent financial years based on a tax rate of 27.5%	-	-
	-	-

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.

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.

(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	
	2019	2018
	$	$
Cash at bank	1,426,142	-
Cash on hand	2,606	1
Clients' monies*	4,918,616	-
	6,347,364	1

* The cash and cash equivalents disclosed above and in the statement of cash flows include $4,918,616 which are held in a separate bank account held by the Group. These client monies are restricted for the purpose of payment of salaries to their employees, as part of payroll processing services and are therefore not available for general use by the Group. Refer to Note 9c for its corresponding liability amount.

Note 9. Financial assets and financial liabilities (continued)

(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.

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	
	2019	**2018**
CURRENT	**$**	**$**
Trade receivables	2,982,065	-
Less: allowance for credit losses	(100,348)	-
	2,881,717	-
Resource management asset	2,150,284	-
Other receivables	262,137	38,779
	5,294,138	38,779
NON-CURRENT		
Other receivables	287,402	-
	287,402	-

Note 9. Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

Impairment and risk exposure

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

	Consolidated	
	2019	**2018**
Unimpaired past due loans and receivables	**$**	**$**
Past due under 30 days	1,031,808	-
Past due 30 days to under 60 days	201,971	-
Past due 60 days to under 90 days	59,412	-
Past due 90 days and over	333,248	38,779
Total unimpaired past due loans and receivables	**1,626,439**	**38,779**
Total unimpaired loans and receivables	**5,294,138**	**38,779**
Unimpaired past due as a percentage of total unimpaired loans and receivables	31%	100%
Unimpaired past due 30 days and over as a percentage of total unimpaired loans and receivables	11%	100%
Reconciliation of provision for impairment		
Opening provision	-	-
Acquired as part of the PayAsia acquisition 29 May 2018	186,442	-
Additional provision	26,048	-
Write back of provision	(11,592)	-
Receivables written off as uncollectible	(100,550)	-
Closing provision	**100,348**	-

(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.

Note 9. Financial assets and financial liabilities (continued)

(c) Trade and Other Payables (continued)

	Consolidated	
	2019	**2018**
CURRENT	**$**	**$**
Trade payables	400,947	-
Advances of client's monies	4,918,616	-
Resource management liability	3,389,956	-
Accruals	583,780	87,916
Other payables	745,171	633,708
	10,038,470	721,624

(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 acquired borrowings of $721,795 as part of the PayAsia Pte Ltd acquisition. These borrowings were repaid during the year with no outstanding balance at year end (refer note 15).

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

(a) Other assets

	Consolidated	
	2019	**2018**
	$	**$**
Other current assets		
Deposits on leasehold properties	218,725	-
GST receivables	173,075	-
Capital raise costs*	-	181,686
	391,800	181,686

** Capital raise costs in prior year has been accounted for as a deduction from equity in the current year.*

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

(b) 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.

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)

(b) Property, plant and equipment (continued)

	Leasehold Improvements & Renovations	Office Equipment	Furniture & Fittings	Computers	Total
Cost					
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**
Accumulated amortisation					
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**
Net Book Value					
Balance as at 31 March 2018	-	-	-	-	-
Balance as at 31 March 2019	**27,745**	**45,689**	**25,608**	**37,925**	**136,967**

(1) Refer Note 15 for further details.

(c) 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 of 5 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)

(c) 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.

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.

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

(c) Intangibles (continued)

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	Software	Software under development	Total
Cost				
Balance 1 April 2018	-	-	-	-
Acquired as part of the Pay Asia Pte Ltd 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**
Accumulated amortisation				
Balance 1 April 2018	-	-	-	-
Acquired as part of the Pay Asia Pte Ltd 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**
Net Book Value				
Balance as at 31 March 2018	-	-	-	-
Balance as at 31 March 2019	**30,506**	**729,229**	**532,620**	**1,292,355**

(1) Refer Note 15 for further details.

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

(d) Deferred tax liability balances

The balance comprises temporary difference attributable to:	Consolidated	
	2019	2018
	$	$
Plant and Equipment	11,437	-
Employee benefits	(23,621)	-
Other	94,319	-
	82,135	-

(e) 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.

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.

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

(e) Provisions (continued)

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	
	2019	**2018**
CURRENT	**$**	**$**
Provision for leave	3,630	-
Provision for gratuity		-
Internal employees (i)	3,967	-
Temporary employees (ii)	18,395	-
	25,992	-
NON-CURRENT		
Provision for gratuity		-
Internal employees (i)	67,870	-
Temporary employees (ii)	258,175	-
	326,045	-

(i) Defined benefit plan for internal 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	**71,837**	-
Changes in the present value of defined benefit obligation:		
Defined benefit obligation acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019	67,044	-
Current service cost	3,042	-
Interest cost	685	-
Net actuarial (gain) recognised for the year	1,867	-
Net outflow	(801)	-
Defined benefit obligation as at the end of the year	**71,837**	**-**

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

(e) Provisions (continued)

(i) Defined benefit plan for internal employees

The amounts recognised in the Statement of Profit or Loss are as follows:

	Consolidated	
	2019	**2018**
	$	**$**
Service cost	3,042	-
Interest cost	685	-
Net actuarial (gain) recognised for the year	1,867	-
Expenses recognised in the Statement of Profit and Loss of the year	**5,594**	**-**

Experience adjustments:

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

Defined benefit obligation	71,837	-
(Deficit)	(71,837)	-
Experience adjustments on plan liabilities	(1,888)	-

(ii) Defined benefit plan 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	**276,570**	-

Changes in the present value of defined benefit obligation:

Defined benefit obligation acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019	258,115	-
Current service cost	21,974	-
Interest cost	2,302	-
Benefits paid	(989)	-
Net actuarial (gain) recognised for the year	(4,832)	-
Defined benefit obligation as at the end of the year	**276,570**	**-**

The amounts recognised in the Statement of Profit or Loss are as follows:

Service cost	21,974	-
Interest cost	2,302	-
Net actuarial (gain) recognised for the year	(4,832)	-
Expenses recognised in the Statement of Profit and Loss of the year	**19,444**	**-**

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

(e) Provisions (continued)

(ii) Defined benefit plan for temporary employees

Experience adjustments:

	Consolidated	
	2019	**2018**
Amounts for experience adjustments for defined benefit plans for the current period are as follows:	**$**	**$**
Defined benefit obligation	276,570	-
(Deficit)	(276,570)	-
Experience adjustments on plan liabilities	(72,878)	-

Assumptions used in the valuations of gratuity for the year ended 31 March 2019 are as below:

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

Note 11. Equity

(a) Share capital

	2019		2018	
	Shares	**$**	**Shares**	**$**
Ordinary Shares – fully paid	51,671,466	24,076,417	2,417,452	287,601

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 Mar 2019		51,671,466		24,076,417

Note 11. Equity (continued)

(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.

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	
	2019 **$**	**2018** **$**
Share based payment reserve	216,904	216,904
Foreign currency translation reserve	(194,047)	-
Reserves pursuant to share swap acquisition of PayAsia	(16,698,676)	-
	(16,675,819)	**216,904**

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)

(b) Reserves (continued)

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

In the prior year, shares issue pursuant to the Loan Share Plan are 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	242,964	$0.50	121,482	29,885[1]
Chris Brunton	23 Feb 2018	242,964	$0.50	121,482	29,885[1]
Shailendra Dasika	23 Feb 2018	120,520	$0.50	60,260	14,824[1]
Srinivas Rao	23 Feb 2018	120,520	$0.50	60,260	14,824[1]
Elana Austria	23 Feb 2018	72,313	$0.50	36,156	8,894[1]
Dawn Lim	23 Feb 2018	72,313	$0.50	36,156	8,894[1]
Aiden Liew	23 Feb 2018	72,313	$0.50	36,156	8,894[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	
	2019	**2018**
Share based payment expense	**$**	**$**
Equity settled transactions	8,333	121,667
Employee Share Plan	-	73,379
	8,333	**195,046**

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.

	2019		2018	
	Shares	**$**	**Shares**	**$**
Ordinary Shares – fully paid	51,671,466	24,076,417	2,417,452	287,601

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:

	2019	2018
	$	**$**
Earnings per share from continuing operations		
Loss after income tax (basic)	(1,778,774)	(997,330)
Loss after income tax (diluted)	(1,778,774)	(997,330)
Weighted average number of shares used in calculating basic earnings per share	43,709,858	333,443
Basic earnings / (loss) per share (cents per share)	(4.07)	(2.99)
Diluted earnings / (loss) per share (cents per share)	(4.07)	(2.99)

(b) Dividends

During the year the Directors declared and paid an unfranked dividend of $750,000 to its equity shareholders. This represents a payment of 1.45 cents per share. A dividend of $253,062 (SGD250,000) was paid to the founding shareholders of PayGroup from pre-acquisition retained earnings. No dividends were paid in prior periods.

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.

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

Note 13. Capital Management policies and procedures (continued)

(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 acquired borrowings of $721,795 as part of the Pay Asia Pte Ltd acquisition. These borrowings were repaid during the year with no outstanding balance at year end (refer note 15).

Note 14. Financial instrument risk

Risk 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 cast at bank.

	Consolidated			
	2019		2018	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$	%	$
Cash at bank	*0.34%*	6,347,364	*0%*	1
Net exposure to cash flow interest rate risk		6,347,364		1

Note 14. Financial instrument risk (continued)

(a) Market risk analysis (continued)

Sensitivity analysis

A change of 100 basis points in 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	
	2019	**2018**
	$	**$**
Increase in interest rates +10%	*2,158*	-
Decrease in interest rates -10%	*(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.

<u>Trade receivables</u>

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 schedule of unimpaired past due receivables.

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)

(c) Liquidity risk analysis (continued)

Maturity analysis

2019	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-interest bearing	$	$	$	$	$
Trade payables	400,947	-	-	-	400,947
Other payables	9,053,743	-	-	-	9,053,743
Accrued expenses	583,780	-	-	-	583,780
	10,038,470	**-**	**-**	**-**	**10,038,470**

Maturity analysis

2018	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Non-interest bearing	$	$	$	$	$
Other payables	633,707	-	-	-	633,707
Accrued expenses	87,917	-	-	-	87,917
	721,624	**-**	**-**	**-**	**721,624**

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

Note 15. Business Combinations

(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)**

Note 15. Business Combinations (continued)

(a) Pay Asia Pte Ltd ('PayAsia') continued

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.

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

Note 15. Business Combinations (continued)

(b) Pay Asia Management Pvt Ltd (continued)

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.

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

Description	**$**
Cash and cash equivalents	906,960
Trade and other receivables	3,157,325
Plant and equipment	35,809
Intangible assets	4,186
Trade and other payables	(3,531,492)
Deferred tax assets	41,647
Net identifiable assets acquired	**614,435**
Add: goodwill	30,506
Net assets acquired	**644,941**

The business combination has initially been accounted for on a provisional basis in accordance with AASB 3 Business Combinations. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at balance date. Fair value adjustments on the finalisation of the business combination is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets, liabilities, depreciation and amortisation reported.

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

(i) Acquired receivables

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

(ii) Accounting policy choice

The group recognises interests at its acquired net identifiable assets.

(iii) Revenue and profit contribution

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

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 $5,971,416 and $1,698,204 respectively. These amounts have been calculated using the subsidiary's results

Note 15. Business Combinations (continued)

(b) Pay Asia Management Pvt Ltd (continued)

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

Note 16. Related party transactions

<u>Related entities</u>

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

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

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

The entities over which control was gained are as follows:

Name	Date of acquisition	Parent entity	%	Country of incorporation and business
Pay Asia Pte Ltd	29 May 2018	PayGroup Ltd	100%	Singapore
PayMY Outsoutcing 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

<u>Employee share Plan</u>

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.

Note 16. Related party transactions (continued)

(a) Transactions with key management personnel and related entities

(i) During the period, directors or parties related to the directors subscribed for and were allocated shares in the Group as follows:

<u>*Share-based payment*</u>

2019

	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	-	-	-	-	501,302
Mark Samlal	2	-	-	-	(2)	-
David Fagan	222,964	-	-	-	-	222,964
Franck Neron-Bancel	616,964	-	-	-	330,332[1]	947,296
Justin Owen	132,313	-	-	-	-	132,313

(1) Shares subscribed for as part of the Initial Public Offering

2018

	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	-	301,302	200,001[1]	-	-	501,302
Mark Samlal	-	-	-	-	2[2]	2
David Fagan	-	222,964	-	-	-	222,964
Franck Neron-Bancel	-	222,964	-	-	394,000[3]	616,964
Justin Owen	-	72,313	60,000[4]	-	-	132,313

(1) Amount paid $100,000 (2) Amount paid $1

(3) Amount paid $197,000 (4) Amount paid $30,000

(ii) Key management personnel remuneration

	Consolidated 2019 $	Consolidated 2018 $
Short-term salary / fees	962,685	97,377
Post-employment benefits	14,864	-
Share based payments	8,333	195,046
	985,882	292,423

(iii) 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 rent at $3,542 per month (2018: $3,542).

Note 16. Related party transactions (continued)

(iv) 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.

(v) PayMy Outsourcing Sdn Bhd

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

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

Note 17. Remuneration of auditors

	Consolidated	
	2019 **$**	**2018** **$**
Audit and review of the consolidated financial statements		
Auditors of PayGroup Limited - Grant Thornton Australia	59,500	28,000
Auditors of Pay Asia Pte Ltd - Overseas Grant Thornton network firms	67,500	-
Auditors of Pay Asia Management Pvt Ltd - Shastri & Malimutt Chartered Accountants	19,688	-
Remuneration from audit and review of consolidated financial statements	**146,688**	**28,000**

Note 17. Remuneration of auditors (continued)

	Consolidated	
	2019	2018
	$	$
Other services		
Investigating Accountant’s Report - Grant Thornton Australia	126,506	113,002
Other subcontracted services - Overseas Grant Thornton network firms	46,561	-
Total other services remuneration	**173,067**	**113,002**
Total auditor's remuneration	**319,755**	**141,002**

Note 18. Commitments

(a) Operating leases

The Group leases its offices under non-cancellable operating leases. Commitments in relation to these leases contracted for at the end of each reporting period but not recognised as liabilities, are as follows:

	Consolidated	
	2019	2018
	$	$
Within one year	327,459	-
Later than one year but not later than five years	234,934	-
Greater than five years	-	-
Total commitments	**562,393**	**-**

Note 19. Reconciliation of cash flows

(a) Reconciliation of cash flow from operating activities

	Consolidated	
Cash flows from operating activities	**2019**	**2018**
	$	$
Loss after tax for the period	(1,778,774)	(997,330)
Adjustments for:		
- Depreciation and amortisation	279,151	-
- Foreign exchange differences	66,009	-
- Payments for IPO and fund raise	108,370	192,471
Net change in working capital		
- Change in trade and other receivables	(1,334,669)	-
- Change in prepayments	(36,546)	-
- Increase in other assets	(363,975)	(181,686)
- Increase in trade and other payables	3,001,609	986,545
- Change in deferred tax liabilities	(6,001)	-
- Change in provisions	52,587	-
Net cash outflow from operating activities	**(12,239)**	-

Note 19. Reconciliation of cash flows (continued)

(b) Non-cash investing and financing activities

	Consolidated	
	2019	**2018**
	$	**$**
Shares issued under loan share arrangement	-	216,904
Shares issued as settlement of liability	-	287,601

Note 20. Parent Entity information

Information relating to PayGroup Limited (the Parent Entity):

	2019	**2018**
Statement of financial position	**$**	**$**
Current assets	5,633,604	228,799
Non-current assets	16,127,007	-
Total assets	**21,760,611**	**228,799**
Current liabilities	386,792	721,624
Non-Current liabilities	-	-
Total liabilities	**386,792**	**721,624**
Issued capital	24,076,417	287,601
Reserves	216,904	216,904
Accumulated loss	(2,919,501)	(997,330)
Total equity	**21,373,820**	**(492,825)**
Loss for the year	**1,172,170**	**(997,330)**

Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 March 2019 or 2018.

Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 31 March 2019 or 2018.

Note 21. Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the opinion of the Directors' of PayGroup Limited

a) the financial statements and notes, as set out on pages 17 to 57, 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 2019 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 2019.

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, 28 June 2019

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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 2019, 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 2019 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.

Grant Thornton Audit Pty Ltd ACN 130 913 594
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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
Revenue recognition – Notes 1, 3.1, 7	

The Group derives revenue through the rendering of services which are performed under a combination of contractual agreements.
 	
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.
 	
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.
	Our procedures included, amongst others:
	• 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 standards AASB 15 *Revenue from Contracts with Customers*;
	• Testing a sample of revenue transactions to supporting documentation in order to:
	    ○ 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 2019 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.

Business combinations - acquisition of Pay Asia Management Private Limited – Note 15	

During the year the Group acquired Pay Asia Management Private Limited for $0.6m as consideration, which was transacted in Singapore Dollars.
 	
The accounting for business combinations per accounting standard AASB 3 *Business Combinations* requires significant judgement and estimates to be made in relation to:
• 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.
 	
This constitutes a key audit matter due to the significant judgement required as a part of the determination of estimates when accounting for a business combination.
	Our procedures included, but were not limited to:
	• 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 to determine whether:
	    ○ 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.

Key audit matter	How our audit addressed the key audit matter
Accounting considerations associated with initial public offering and merger accounting – Note 15	
On 29 May 2018, the Company listed on the Australian Securities Exchange. As a part of the initial public offering (IPO), the Group: • Raised $8.5m of equity through the issuance of 17m new shares; and • Incurred transaction costs totalling $0.8m, which were capitalized in the Group's balance sheet as an offset to equity; and • Immediately upon issuance, the Company executed a share swap agreement with Singaporean group, PayAsia Pte Ltd (PayAsia), issuing 32m shares in PayGroup Ltd in exchange for 100% of the shares in PayAsia. Management determined this acquisition to be a common control purchase. Accounting Standard AASB 3 *Business Combinations* excludes common control acquisitions from the guidance, and either the purchase method of accounting or a pooling of interests-type method are acceptable. Management elected to adopt the pooling of interest-type method for the transaction. We consider accounting for the IPO to be a key audit matter due to the complexity associated with determining the appropriate treatment and measurement of shares issued, capital raising costs incurred, and the pooling of interests acquisition.	Our procedures included, amongst others: • Obtaining the share swap agreement between the Company and PayAsia to assess whether the transaction was accounted for in accordance with the agreement and the commonly accepted accounting principles that apply to pooling of interest-type acquisitions; • Engaging our component audit team to perform an audit of the assets and liabilities acquired at the share swap date; • Agreeing the recorded proceeds from the issuance of shares to supporting documentation such as the prospectus document, ASX announcement, share registry records, and bank statements; • Agreeing a sample of transaction costs that were directly attributable to the equity raise to supporting documentation and assessing the nature of the costs incurred to determine whether they were capitalised in accordance with the Group's accounting policies and accounting standard AASB 132 *Financial Instruments: Presentation*; and • Assessing the adequacy of the Group's disclosures within the financial statements.

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 2019, 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 15 of the Directors' report for the year ended 31 March 2019.

In our opinion, the Remuneration Report of PayGroup Limited, for the year ended 31 March 2019 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

Eric W Passaris

E W Passaris
Partner – Audit & Assurance

Melbourne, 28th June 2019