PayGroup Limited FY18 Financial Report

Melbourne, Australia, 29 June 2018: PayGroup Limited ("PayGroup", "the Group"; ASX: PYG), a Multi-Country Payroll and cloud based Software as a Service (SaaS) Human Resource Outsourcing Solutions provider, has today released its audited financial results for the period ended 31 March 2018.

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

As the acquisition and ASX listing occurred after the 31 March 2018 balance date, the financial results of PayGroup for the period ending 31 March 2018 reflect primarily the costs of listing and other costs, given PayGroup as the holding company did not carry on the business or own PayAsia during the period.

The Board of PayGroup is pleased to announce a dividend totaling AUD750,000 representing 50% of proforma H2 FY18 profit of PayAsia. Details are as follows:

- Amount per share: 1.45 cps
- Record Date: 10th July 2018
- Payment date: 30th July 2018

As outlined in the Prospectus, the dividend reflects a dividend received from PayAsia with underlying income not subject to Australian tax, therefore the dividend will not be franked.

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

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

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

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

-ENDS-

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About PayGroup

Headquartered in Melbourne, Australia, PayGroup Limited (ASX: PYG) was recently incorporated as the holding company for PayAsia (collectively PayGroup or Group). The Group is a provider of BPO solutions and Cloud (Software-as-a-Service or SaaS) based Human Capital Management (HCM) software, operating in the Asia Pacific region for multinational companies, and today services over 400 client entities with more than 31,000 client employees across 18 countries. The Group has 111 employees located across 8 countries. Clients are typically medium to large multinational companies with employees in multiple countries in the Asia Pacific region. The Group operates as a trusted partner to perform the outsourced payroll process for the client employees including banking, treasury, lodgement of statutory submissions including taxation, superannuation, pension, provident funds, and other social benefits. Beyond its BPO Payroll Services, the Group's SaaS HCM software product suite supports clients in managing aspects of their employees' life cycle, plus regional and mobile-enabled workflows for critical processes (such as employee and manager self-service, leave management and expense management).

paygrouplimited.com

PAY GROUP LIMITED
ACN 620 435 038
FINANCIAL REPORT
31 MARCH 2018

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DIRECTORS' REPORT

Your directors present their report on Paygroup Limited (referred to herein as "the Company" or "Paygroup") for the financial period ended 31 March 2018. The Company was incorporated on 13 July 2017.

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 (appointed 14 November 2017)

Mark Samlal (appointed 13 July 2017)

David Fagan (appointed 14 November 2017)

Franck Neron- Bancel (appointed 13 July 2017)

Chris Brunton (appointed 13 July 2017, resigned 14 November 2017)

Oliver Carton (appointed director/secretary 13 July 2017, resigned directorship 14 November 2017)

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 in Singapore (2006-2008).
Special Responsibilities	–	Chief Executive Officer

DIRECTORS' REPORT

Directorships held in other listed entities during the three years prior to the current period	–	None
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 Executive Director and was appointed to the Board 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	394,000	222,964
Total	594,000	747,230

DIRECTORS' REPORT

4. Company Secretary

Oliver Carton BJuris LLB was appointed Company Secretary on 13 July 2017.

Oliver is a qualified lawyer with over 28 years' experience in a variety of corporate roles. He currently runs his own consulting business, and was previously a Director of the Chartered Accounting firm KPMG where he managed its Corporate Secretarial Group. Prior to that, he was a senior legal officer with ASIC.

5. Directors' Meetings

There table below sets out the number of meetings held during the 2018 financial period and the number of meetings attended by each Director. During the period, 1 Board meeting was held.

Director	Eligible to attend	Attended
Ian Basser	1	1
Mark Samlal	1	1
David Fagan[1]	1	1
Franck Neron-Bancel	1	1

(1) David Fagan will chair the Audit and Risk Committee

6. Review of Operations

Principal activities

The company was incorporated on 13 July 2017 with the express purpose 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.

Financial performance

The company recorded a loss after tax of $997,330.

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

The company was incorporated on 13 July 2017 and listed on the ASX on 29 May 2018 and in doing so raised $8.5m. On listing the company acquired a Singapore based company, Pay Asia Pte Ltd (PayAsia) and become the parent entity for PayAsia.

Following the acquisition, PayGroup and PayAsia (Group) will continue 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.

PayAsia is headquartered in Singapore, and as at 31 December 2017, the Group had 111 employees located across 8 countries.

Clients are typically medium to large multinational companies with employees in multiple countries in the Asia Pacific region.

The Group operates as a trusted partner to perform the outsourced payroll process for the client employees including banking, treasury, lodgement of statutory submissions including taxation, superannuation, pension, provident funds, and other social benefits.

DIRECTORS' REPORT

Beyond its BPO Payroll Services, the Group's SaaS HCM software product suite supports clients in managing aspects of their employees life cycle, plus regional and mobile-enabled workflows for critical processes (such as employee and manager self-service, leave management and expense management).

The Group will be leveraging the flexibility of its Cloud deployment capabilities to further implement its SaaS HCM suite in additional countries within and outside of the Asia Pacific region.

8. Subsequent Events

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

- The company was admitted to the official list of the ASX on 29 May 2018. The Company raised $8.5m pursuant to the offer under the prospectus dated 11 April 2018 by the issue of 17,000,000 shares at an issue price of 50 cents per share.

- As detailed in the prospectus, the company acquired the shares in PayAsia immediately post listing via a share swap agreement. This acquisition was not deemed an acquisition as per Australian Accounting Standard AABS 3 – Business Combinations and therefore no goodwill is to be recognised on acquisition.

Apart from the matters noted above, there have been no matters or circumstances other than those referred to in the financial statements or notes to the financial statements that have arisen since the end of the financial period, that have significantly affected, or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company 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 Company other than that referred to in the financial statements or notes thereto.

10. Environmental Factors

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

11. Dividends

No dividends were declared or paid during the financial period. Post year end and the listing on the ASX the Directors declared a dividend of $750,000. This dividend is based on the $750,000 dividend declared by Payasia Pte Ltd and is in line with the Company's dividend policy outlined in the Prospectus.

12. Indemnification of Directors, Officers and Auditors

The Directors and Officers 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 company 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 period, the company has not indemnified or made a relevant agreement to indemnify the auditor against a liability incurred as auditor.

DIRECTORS' REPORT

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.

There were no non-audit services provided during the period ended 31 March 2018.

15. Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 31 March 2018 has been received and can be found on page 7 of the financial 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 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 of $216,904 has been recognised on share issue in the share based payment reserve.

17. Transactions with KMP and/or their related party

There were no transactions conducted between the Company and KMP or their related parties, apart from those disclosed above 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.

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

Ian Basser, Chairman

29 June 2018

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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 period ended 31 March 2018, 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

E W Passaris
Partner – Audit & Assurance

Melbourne, 29 June 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

	Note	2018 $
Revenue from continuing operations		-
Employee benefits expense	2.2	177,887
Initial public offering costs	2.2	528,036
Consulting and professional fees		245,176
Other expenses		46,231
Loss before income tax		997,330
Income tax (expense) / credit		-
Net loss for the period		997,330
Other comprehensive income		-
Total comprehensive loss for the period		997,330
Earnings per share		
Basic earnings per share (cents)	2.3	(2.99)
Diluted earnings per share (cents)	2.3	(2.99)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	2018 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4.3	1
Trade and other receivables	3.1	38,779
Prepayments		8,333
Other assets	3.2	181,686
TOTAL CURRENT ASSETS		228,799
TOTAL ASSETS		228,799
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	3.3	721,624
TOTAL CURRENT LIABILITIES		721,624
TOTAL LIABILITIES		721,624
NET DEFICIT		(492,825)
EQUITY		
Issued capital	4.4	287,601
Reserves	5.2	216,904
Accumulated losses		(997,330)
TOTAL EQUITY		(492,825)

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

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018

	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)

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

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STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2018

	Note	2018 $
Cash flows from operations		
Receipts from customers		-
Payments to suppliers and employees		-
		-
Net cash outflow from operating activities	5.4	-
Cash flows from financing activities		
Proceeds from issuing of shares		1
Net cash inflow from financing activities		1
Net increase in cash and cash equivalents		1
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	4.3	1

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018

1. Introduction to the Report

Statement of Compliance

These general purpose financial statements of PayGroup Limited have been prepared in accordance with the Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The financial statements comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Board of Directors on 29 June 2018.

Basis of Preparation

Except for cash flow information, the 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.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The company incurred a net loss after tax of for the period ended 31 March 2018 of $997,330 and as at 31 March 2018 the company was in a net deficit position of $492,825. As disclosed in Note 5.5 Events occurring after the reporting period, the company has successfully listed on the Australian Stock Exchange and raised $8.5m. On this basis the Directors are of the opinion that the use of the going concern basis is appropriate and the Company will be able to pay its debts as and when they fall due.

Critical accounting estimates and assumptions

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 Company's accounting policies.

Accounting estimates and judgments	Note	Page
Taxation	2.4	15
Fair value of Share Based Payment Transactions	5.1	21

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 (company).

i. **Foreign currency translation**

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the Company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

ii. **New Accounting Standards and Interpretations not yet adopted by the Company**
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the reporting period ended 31 March 2018.

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company 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.

To the extent that the Company, as a lessee, has significant operating leases outstanding at the date of initial application, 1 April 2019, right-to-use assets will be 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.

Thereafter, 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.

2. Business Result for the Period

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

2.1 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 Company resources and assess performance.

Given the nature of operations of the company up to 31 March 2018, the company does not have any segment based reporting.

2.2 Loss for the period

Loss before income tax from continuing operations includes the following specific expenses

	2018
Employee benefits expense	
- Director fees	77,083
- Share based payments	100,804
Initial public offering costs	528,036

2.3 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 costs 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.

	2018 **Cents**
From continuing operations attributable to the ordinary equity holders of the company	(2.99)
Total basic earnings per share attributable to the ordinary equity holders of the company	**(2.99)**

Diluted earnings per share

Diluted earnings per share adjusts 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.

	2018 **Cents**
From continuing operations attributable to the ordinary equity holders of the company	(2.99)
Total diluted earnings per share attributable to the ordinary equity holders of the company	**(2.99)**

Reconciliation of earnings used in calculating earnings per share

	2018 $
Basic earnings per share	
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share:	
From continuing operations	(997,330)
Diluted earnings per share	
Loss attributable to the ordinary equity holders of the company used in calculating basic earnings per share:	
From continuing operations	(997,330)

Weighted average number of shares used as the denominator

	2018 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	333,443
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	333,443

2.4 Taxation

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

Current tax

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

Deferred tax

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

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

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

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

Offsetting balances

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

i. Reconciliation of income tax expense to prima facie tax payable

	2018
	$
Loss from continuing operations before income tax expense	997,330
Prima facie tax rate of 27.5%	(274,266)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:	
Current period tax losses not recognised	274,266
Income tax benefit	-

Carried forward tax losses of $997,330 have not brought to account as a deferred tax asset of $274,266. 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 Company 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.

ii. Franking credits

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

Key estimate and judgment: Taxation

The company is subject to income taxes in Australia. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

3. Operating Assets and Liabilities

3.1 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 of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Other receivables represent amounts due from Pay Group Pte Ltd and its subsidiaries.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The amount of the impairment loss is recognised in profit or loss within impairment losses on loans and receivables. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the impairment losses on loans and receivables in profit or loss.

	2018 $
CURRENT	
Other receivables	
PayMY Outsourcing Sdn. Bhd.	8,894
Pay Asia Australia Pty Ltd	29,885
Total current trade and other receivables	38,779

No impairment provision has been recognised and the balances are not deemed past due

	2018 $
3.2 Other assets	
Capital raise costs	181,686
	181,686

The company has capitalised costs associated with the capital raise that was completed subsequent to period end in May 2018. These costs will be directly off set against funds raised.

3.3 Trade and other payables

Recognition and measurement

These amounts represent liabilities for goods and services provided to the Company 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.

	2018 $
CURRENT	
Other payables	
Pay Asia Pte Ltd	633,708
Accrued expenses	87,916
	721,624

3.4 Contingent liabilities

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

4. Capital Management

The Company'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 Company 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 Company defines capital as fully paid ordinary shares.

4.1 Borrowings

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

The Company has no borrowings for the current period.

4.2 Financial risk management

The Company'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 Company'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 Company. The Company 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.

Market risk

Foreign currency risk

The Company 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.

As the company has no borrowings and limited cash reserves interest rate risk is very low.

Credit risk

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 statement of financial position and notes to the 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisations, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Liquidity risk

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

The Company 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.

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	633,708	-	-	-	633,708
Accrued expenses	87,916	-	-	-	87,916
	721,624	-	-	-	721,624

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

4.3 Cash and cash equivalents

Recognition and measurement

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturity dates of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	2018 $
Cash on hand	1
	1

4.4 Contributed equity

Recognition and measurement

Ordinary fully paid shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are show 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 Company. All ordinary shares rank equally with regard to the Company's residual assets.

	2018 Shares	2018 $
Ordinary shares – fully paid	2,417,452	287,601

Movements in ordinary share capital

Details	Date	Shares	Issue price $	$
2018				
Balance	13 Jul 2017	-	-	-
Shares issued to director	13 Jul 2017	2	$0.50	1
Shares issued under Loan Share Plan	23 Feb 2018	1,763,450	-	-
Shares issued under share based payment arrangement	23 Feb 2018	594,000	$0.43	257,600
	23 Feb 2018	60,000	$0.50	30,000
		2,417,452		287,601

4.5 Dividends

No dividends were paid or declared for the current period. Post year end and the listing on the ASX the Directors declared a dividend of $750,000.

5. Other

5.1 Related party transactions

Related entities

As noted in the subsequent events note, PayGroup Ltd acquired 100% of the shares in Pay Asia Pte Ltd in May 2018 as part of a share swap arrangement. Pay Asia Pte Ltd become a 100% controlled entity at this date. This transaction was undertaken as part of the initial public offering undertaken by Pay Group Limited. Expenses associated with listing the company on the ASX were paid by Pay Asia Pte Ltd.

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

During the current period, directors or parties related to the directors subscribed for shares in the company as follows:

Date	Name	Number of Shares	Amount Paid
13 Jul 2017	Mark Samlal	2	1
13 Feb 2018	Ian Basser[1]	200,000	100,000
13 Feb 2018	Franck Neron-Bancel[1]	394,000	197,000

1) Shares were issued as part of a share based payment arrangement – whereby fees were settled by issuing shares

Loans to / (from) related parties

The Company has the following loans to/(from) related parties in the current period.

	2018
	$
PayMY Outsourcing Sdn Bhd	8,894
Pay Asia Australia Pty Ltd	29,885
Pay Asia Pte Ltd	(633,709)

The above loans are all unsecured, interest free and payable at call

Key management personnel remuneration

	2018
	$
Short-term salary/fees	127,083
Share based payments	100,804
	227,887

Share based payments

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

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

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

The cost of equity-settled transactions are 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.

Shares issue pursuant to the Loan Share Plan:

Name	Issue Date	Shares Issued	Issue Price	Loan Balance
Ian Basser	23 Feb 2018	301,302	$0.50	150,651
David Fagan	23 Feb 2018	222,964	$0.50	111,482
Franck Neron-Bancel	23 Feb 2018	222,964	$0.50	111,482
Sachin Goklaney	23 Feb 2018	242,964	$0.50	121,482
Chris Brunton	23 Feb 2018	242,964	$0.50	121,482
Shailendra Dasika	23 Feb 2018	120,520	$0.50	60,260
Srinivas Rao	23 Feb 2018	120,520	$0.50	60,260
Elana Austria	23 Feb 2018	72,313	$0.50	36,156
Dawn Lim	23 Feb 2018	72,313	$0.50	36,156
Aiden Liew	23 Feb 2018	72,313	$0.50	36,156
Justin Owen	23 Feb 2018	72,313	$0.50	36,156

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 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%

5.2 Reserves

Recognition and measurement

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 related parties note in section 5.1.

	2018
	$
Share based payment reserve	
Opening balance	-
Shares granted during period under employee share plan	216,904
Closing balance	216,904

5.3 Remuneration of auditors

	2018
	$
Audit and assurance services	28,000
Total remuneration	28,000

5.4 Cash flow information

a) Reconciliation of cash flow from operating activities

	2018
	$
Loss after tax for the period	997,330
Share based payments	(192,471)
Increase in other assets	181,686
Increase in trade and other liabilities	(986,545)
Net cash outflow from operating activities	-

b) Non-cash investing and financing activities

	2018
	$
Shares issued under loan share arrangement	216,904
Shares issued as settlement of liability	287,600

5.5 Events occurring after the reporting period

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

- The company was admitted to the official list of the ASX on 29 May 2018. The Company raised $8.5m pursuant to the offer under the prospectus dated 11 April 2018 by the issue of 17,000,000 shares at an issue price of 50 cents per share.

- As detailed in the prospectus, the company acquired the shares in PayAsia immediately post listing via a share swap agreement. This acquisition was not deemed an acquisition as per Australian Accounting Standard AABS 3 – Business Combinations and therefore no goodwill is to be recognised on acquisition.

Apart from the matters noted above, there have been no matters or circumstances other than those referred to in the financial statements or notes to the financial statements that have arisen since the end of the financial period, that have significantly affected, or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

DIRECTORS’ DECLARATION

In the opinion of the Directors’ of PayGroup Limited

a) the financial statements and notes, as set out on pages 8 to 24, are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the entity’s financial position as at 31 March 2018 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 1, 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

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, 29 June 2018

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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), which comprises the statement of financial position as at 31 March 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 31 March 2018 and of its performance for the period ended on that date; and

b complying with Australian Accounting Standards and complying with 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 Company in accordance with 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.

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 directors' report for the period ended 31 March 2018, 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 accordingly 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*. The Directors' responsibility also includes 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 Company'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 Company 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/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Eric W Passaris

E W Passaris
Partner – Audit & Assurance

Melbourne, 29 June 2018