

Pro-forma ARR of \$17.8M exceeding FY20 guidance

Appendix 4E – Preliminary final report for year ended 31 March 2020

Highlights

- Outperformed guidance delivering FY20 ARR of \$17.8M (against guidance of \$17.5M) and positive operating activities cash flows from H2 FY20 (prior to one-off acquisition costs)
- Operating activities cash flow for FY20 was \$(0.1)M, a significant improvement from \$(4.8)M in FY19
- Completion of Astute acquisition in November 2019 – compelling strategic rationale & financial contribution
- Global Partnership Program continues to be a key strategic growth pillar – low cost of customer acquisition & efficient delivery model
- 95% client retention
- Launch of Treasury Services delivering new recurring revenue streams
- COVID-19 business continuity plan enacted with limited disruption to service delivery
- Strong start to FY21 YTD with new contract wins of \$2.7M (\$5.5M for FY20) of TCV
- Outlook for FY21 to transition to statutory earnings and continue to deliver operating activities cash flow growth

Melbourne, 29 May 2020: Human Resources SaaS and Software with a Service (SaaS) provider PayGroup Limited (“PayGroup”, “the Group”; ASX: PYG), has today released its Appendix 4E – Preliminary Final Report for the year ended 31 March 2020 (FY20).

PayGroup operates as Pay Asia Pte Ltd (“PayAsia”) and Astute One Limited (“Astute”).

The statutory Appendix 4E reflects a full year contribution from PayAsia and a 5-month contribution from Astute (from the effective acquisition date of 1 November 2019). On a statutory basis, PayGroup’s FY20 revenue & other income was \$10.9M a 110% increase on FY19, including a \$2.9M contribution from the Astute acquisition (for 5 months) as well as strong organic growth in the PayAsia business.

On a twelve-month Pro-Forma basis, PayGroup reported \$17.8M Annual Recurring Revenue (ARR), inclusive of \$8.8M of annualised Pro-Forma revenue from Astute.

FY20 – FINANCIAL METRICS SUMMARY

| Year ending 31 Mar (A\$m) | FY20 | FY19 | Movement YoY (+/-) |
|----------------------------------|--------|------------------|--------------------|
| Statutory | | | |
| - Revenue (incl. other income) | 10.9 | 5.2 ¹ | +110% |
| - Operating expenses | (11.4) | (6.4) | -78% |
| - NPAT | (1.9) | (1.6) | -19% |
| - Operating activities cash flow | (0.1) | (4.8) | +\$4.7M |

| Year ending 31 Mar (A\$m) | FY20 | FY19 | Movement YoY (+/-) |
|------------------------------|------|------|-----------------------|
| Pro-Forma² | | | |
| - Revenue | 17.8 | 8.4 | +112% |

Notes:

1 This includes \$0.2m of bargain gain on the purchase of the Indian Workforce Management business in FY2019. Restated.

2 Pro-Forma in FY20 assumes Astute owned as at 1 April 2019 (vs actual acquisition date of 1 November 2019). Pro-Forma in FY19 assumes full year contribution of PayAsia and our Workforce Management business in India.

PayGroup's operating expenses increased to \$11.4M in FY20 due to the impact of the Astute acquisition (including one-off costs associated with the acquisition) as well as investment in growth initiatives, the integration of Astute and their systems and new service lines. Operating expenses are discussed in more detail further below.

Reported Net Profit After Tax in FY20 was \$(1.9)M largely driven by continued investment in growth initiatives as well as investment in acquisition opportunities.

FY20 – OPERATING METRICS SUMMARY

| Year ending 31 Mar (A\$m) | FY20 | FY19 | Movement YoY (+/-) |
|---|---------------------------|--------------|-----------------------|
| As at 31-Mar | | | |
| - PayAsia (payslips) | 61,054 | 48,279 | +26.5% |
| - Astute (payslips) | 327,657 | 317,714 | +3.1% |
| - Treasury Services (transactions) | 3,653 | - | - |
| New contract wins (Total Contract Value) | 5.5 | 4.9 | +12.0% |
| Employees contracted to be implemented (in FY21) | 12,068¹ | 7,877 | +53.2% |

Notes

1 Includes SwaS, SaaS and Treasury Services payslips

PayGroup reported strong growth across all segments in FY20, reporting 26.5% growth in PayAsia payslips processed, supported by the strong sales momentum & new contract wins from Q4 FY19 and throughout FY20.

In addition, PayGroup continued to build its Global Partnership Program and now has 7 global partners with this program accounting for 10% of all SwaS and Treasury Services payslips processed. PayGroup has recently executed a new agreement with an AU-based partner for a further 10,000 payslips per month, with this agreement to be fulfilled from PayGroup's Indian operations. The Global Partnership Program continues to be an important strategic focus for PayGroup as it offers an additional and cost-effective pipeline given limited customer acquisition costs combined with efficient fulfilment via PayGroup's Asian-based locations.

Astute's SaaS cloud-based technology is designed and built to process a very large volume of payslips. In FY20 Astute payslips processed increased by 3.1%, noting it was owned by PayGroup for 5-months of

FY20. During this time Astute made a positive contribution to PayGroup's financial performance and greatly enhanced the SaaS reported revenues for the Group

PayGroup launched its Treasury Services offering in Q2 FY20, with live Treasury transactions processed increasing from 155 per month at the end of H1 FY20 to 3,653 per month at the end of H2 FY20. This service line accounted for approximately 5% of Pro-Forma FY20 revenue and given strong initial customer demand in the first year of its launch is expected to make a growing financial contribution in FY21.

PayGroup's new contract wins in FY20 were \$5.5M, an increase of 12% on FY19. New contract wins in FY21 to date (1 April – May 25) are \$2.7M laying the foundation for strong recurring revenue growth in FY21. Client retention in FY20 remained in line-with FY19 at 95%.

Operating costs with savings identified for FY21

In FY20 PayGroup's operating expenses increased to \$11.4M from \$6.4M in FY19, and is explained as follows:

- The acquisition of Astute, business integration & 5 months of associated staff, office, technology and R&D costs (~\$1.8M)
- The inclusion of PayAsia's Indian Workforce Management Company for the full year (FY19 was for 1 month) (~\$1.3M)
- The inclusion of PayAsia's operating costs for 2 months (FY19 was for 10 months) (~\$800K)
- One-off acquisition and advisory costs associated with the Astute transaction and other strategic initiatives (~\$900K)

Management have pre-identified \$1.5M of annualised cost savings and efficiencies for FY21 in the areas of hosting technology, revision of outsourced development partners, reduced global travel & smart-shoring of technology teams. Savings are planned to be realised in some of these areas, commencing as of Q2 FY21.

Operating Cash flow

Cash on hand as at 31 March 2020 (excluding cash held on behalf of clients) was \$2.0 million, up from \$1.4 million as at 31 March 2019.

Operating activities cash flow for FY20 was \$(0.1)M, a significant improvement from \$(4.8)M in FY19. Operating activities cash flow momentum has been particularly strong in H2 FY20 as a result of continued new sales uplift and the Astute acquisition. PayGroup delivered positive operating activities cash flow of \$1.8M for Q4 FY20.

During FY20, the Group successfully completed a \$3 million capital raise via a placement to institutional investors. Proceeds were used to fund growth, expand the Global Partnership Program, support the launch of Treasury Services and fund the costs associated with the acquisition and integration of Astute.

COVID-19 Update

As announced in April 2020, PayGroup's business has been able to successfully adapt to a remote working environment with limited impact. Stimulus packages have added to payroll complexity across the region and this has increased opportunities for technology reviews for the Astute market and more SwaS opportunities for PayAsia. PayGroup continues to be a trusted partner and is well positioned to take

advantage of the current market opportunities and accelerated shift to online workflow across the 33 countries that we operate within.

Outlook

PYG has recorded a strong start to the current financial period with PYG's new client implementation schedule expecting to add a further 12,068 payslips in the FY21 period (as a result of FY20 sales). There has also been an additional \$2.7 million (TCV) in new contract wins in FY21 YTD (1 April – 25 May).

The sales pipeline continues to strengthen with COVID-19 challenges presenting some opportunities, given the lack of digitisation in many companies for HR, payroll and treasury functions as well as the increasing complexity of payroll across all markets.

PayGroup expects that with its pre-identified cost efficiencies, continued sales momentum and the positive financial contribution from Astute, the business will continue to deliver improved operating activities cash flows and the pathway to positive statutory earnings in FY21.

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

"I am pleased to report PayGroup's FY20 results, our first annual result since the successful Astute acquisition in November 2019. In a year where PayGroup has incurred many costs associated with bringing together two business of scale, we have delivered ARR in excess of our initial guidance and positive operating activities cash flows from H2 FY20 onwards (before the impact of one-off acquisition costs). We are only 2-months into our FY21 year and we expect that our businesses will continue to perform well, even if various lock down provisions continue to exist globally. In Australia we see that businesses are hiring, particularly contractors, which will positively improve Astute's metrics. Our key markets in Asia are very resilient with many countries back to work.

"We enter FY2021 in a good position, with a strong book of recurring revenue, 95% client retention, a cost efficiency plan and strong industry fundamentals in spite of the current COVID-19 headwinds."

-ENDS-

For further information, please contact:

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

Kyahn Williamson
WE Communication
+61 401 018 828
kwilliamson@we-worldwide.com

About PayGroup

Headquartered in Melbourne, Australia, PayGroup is the holding company for PayAsia and Astute One.

PayAsia delivers payroll solutions and a Cloud-based Human Capital Management platform, HROnline, to Multinational clients of all employee sizes across Asia Pacific and the Middle East.

Astute One is a leader in Cloud-based onboarding, pay to bill solutions for workforce management companies in Australia and New Zealand.



PayGroup services 875 client entities and more than 400,000 payslips per month across 33 countries and has 183 employees located in 11 countries.

More information on PayGroup can be found at www.paygrouplimited.com

For personal use only

1. Company details

| | |
|---------------------|--|
| Name of entity: | PayGroup Limited |
| ABN: | 90 620 435 038 |
| Reporting period: | For the financial year ended 31 March 2020 |
| Comparative period: | For the financial year ended 31 March 2019 |

2. Results for announcement to the market

| Key information | \$ | Up/Down | % Change |
|--|------------|---------|----------|
| Revenue from ordinary activities | 10,067,860 | Up | 112% |
| Loss from ordinary activities after tax attributable to the owners of PayGroup Limited | 1,913,903 | Up | 23% |
| Net loss attributable to the owners of PayGroup Limited | 1,913,903 | Up | 23% |

Background

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

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

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

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

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

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

Financials

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

PayGroup reported a statutory EBITDA loss of \$0.5 million for the financial year.

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

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

Uplift of \$10.5 million in intangible assets reported by the group were driven by \$9.2 million recognised as the

fair value of the intangible assets acquired from the purchase of the AstuteOne (\$6.3 million being the fair value of the software recognised on acquisition).

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

Dividends paid and proposed

No dividend was paid for the year ended 31 March 2020. A total unfranked dividend of \$750,000 (\$0.0145/share) was paid on 30 July, 2018 (Record date – 10 July, 2018) for the period ended 31 March 2019.

Net tangible assets per share

| | 2020 Cents | 2019 Cents |
|-------------------------------|-----------------------|-----------------------|
| Net tangible assets per share | 0.4 | 5.1 |

Control gained or lost over entities in the period

FY20

On 1 November 2019, the Group acquired 100% of the issued share capital of Astute One Limited and its controlled entities. As a result of the acquisition, the group gained control over the following entities:

| Name | Date of acquisition / incorporation | Parent entity | % | Country of incorporation and business |
|-----------------------------------|--|----------------------|----------|--|
| Astute One Limited | 1 November 2019 | PayGroup Ltd | 100% | Australia |
| Astute International Pty Ltd | 1 November 2019 | PayGroup Ltd | 100% | Australia |
| Astute Corporation Pty Ltd | 1 November 2019 | PayGroup Ltd | 100% | Australia |
| Managed Payroll Solutions Pty Ltd | 1 November 2019 | PayGroup Ltd | 100% | Australia |

FY19

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

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

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

The entities over which control was gained are as follows:

| Name | Date of acquisition / incorporation | Parent entity | % | Country of incorporation and business |
|----------------------------|--|----------------------|----------|--|
| Pay Asia Pte Ltd | 29 May 2018 | PayGroup Ltd | 100% | Singapore |
| PayMY Outsourcing Sdn Bhd | 29 May 2018 | Pay Asia Pte Ltd | 100% | Malaysia |
| Pay Asia Australia Pty Ltd | 29 May 2018 | Pay Asia Pte Ltd | 100% | Australia |
| Pay Asia Ltd | 29 May 2018 | Pay Asia Pte Ltd | 100% | Hong Kong |

| | | | | |
|--|-------------|------------------|------|-------------|
| Pay Asia HR Services Limited, Inc | 29 May 2018 | Pay Asia Pte Ltd | 100% | Philippines |
| Pay Asia Management Pvt Ltd | 28 Feb 2019 | Pay Asia Pte Ltd | 100% | India |
| Pay Asia (Thailand) Limited | 10 Sep 2018 | Pay Asia Pte Ltd | 100% | Thailand |
| Payasia Company limited | 20 Nov 2018 | Pay Asia Pte Ltd | 100% | Myanmar |
| Pay Asia Vietnam Limited Liability Company | 23 Mar 2019 | Pay Asia Pte Ltd | 100% | Vietnam |
| PT Payasia Konsultansi Indonesia | 1 Mar 2019 | Pay Asia Pte Ltd | 100% | Indonesia |
| Payasia BPO Payroll India Private Limited | 15 Nov 2018 | Pay Asia Pte Ltd | 100% | India |

Investment in Associates and Joint Ventures

Not applicable.

Status of Audit

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

Attachments

The preliminary financial report of PayGroup Limited and its controlled entities (the Group) for the year ended 31 March 2020 is attached.

PayGroup Limited and its controlled entities
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 31 March 2020

| | Notes | Consolidated 2020 \$ | 2019 \$ Restated |
|---|-------|----------------------------|------------------------|
| Revenue from continuing operations | 3 | 10,067,860 | 4,738,424 |
| Interest income | | 15,713 | 10,769 |
| Other income | 3 | 853,808 | 228,527 |
| Gain from a bargain purchase | 12 | - | 218,044 |
| Expenses | | | |
| Subcontractors | | (795,548) | (457,507) |
| Hosting services | | (287,103) | (194,741) |
| Employee benefits expense | | (5,554,023) | (2,295,826) |
| Rent and occupancy | | (241,820) | (250,264) |
| Initial public offering costs | | - | (108,370) |
| Consulting and professional fees | | (2,802,177) | (1,727,926) |
| Depreciation and amortisation expense | | (1,402,276) | (287,784) |
| Finance costs | | (116,662) | (31,075) |
| Allowance for credit loss | | (75,982) | (14,456) |
| Overseas office expenses | | - | (450,145) |
| Travelling expenses | | (275,196) | (179,806) |
| License fee | | (375,663) | (213,516) |
| Other expenses | | (990,543) | (510,251) |
| Loss before income tax | | <u>(1,979,612)</u> | <u>(1,525,903)</u> |
| Income tax benefit/(charge) | | 65,709 | (34,827) |
| Loss for the year | | <u>(1,913,903)</u> | <u>(1,560,730)</u> |
| Other comprehensive income/(loss) | | | |
| Exchange gain/(loss) on translation of foreign operations | | (420,862) | (194,047) |
| Other comprehensive loss for the year | | <u>(420,862)</u> | <u>(194,047)</u> |
| Total comprehensive loss for the year | | <u>(2,334,765)</u> | <u>(1,754,777)</u> |
| Earnings per share | | Cents | Cents |
| Basic earnings per share | 2 | (3.30) | (3.57) |
| Diluted earnings per share | 2 | (3.30) | (3.57) |

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

PayGroup Limited and its controlled entities
Consolidated statement of financial position
As at 31 March 2020

| | | Consolidated | |
|--------------------------------------|--------------|---------------------|-------------------|
| | Notes | 2020 | 2019 |
| | | \$ | \$ |
| | | | Restated |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 9,041,450 | 6,347,364 |
| Trade and other receivables | 5 | 4,451,288 | 5,484,005 |
| Income tax recoverable | | 558,804 | 409,582 |
| Prepayments | | 164,567 | 66,269 |
| Contract assets | | 245,714 | 94,210 |
| Other assets | 6 | 510,867 | 391,800 |
| Total current assets | | 14,972,690 | 12,793,230 |
| Non-Current Assets | | | |
| Trade and other receivables | 5 | 322,187 | 287,402 |
| Right-of-use assets | 14 | 1,622,520 | - |
| Plant and equipment | | 181,934 | 143,021 |
| Intangibles | 7 | 11,972,863 | 1,477,509 |
| Deferred tax assets | | 80,615 | - |
| Contract assets | | 740,582 | 308,060 |
| Total non-current assets | | 14,920,701 | 2,215,992 |
| TOTAL ASSETS | | 29,893,391 | 15,009,222 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 8 | 12,562,256 | 10,203,447 |
| Borrowings | | 7,171 | - |
| Current tax liabilities | | 64,579 | 27,905 |
| Lease liability | 14 | 624,505 | - |
| Provision | 9 | 569,206 | 25,992 |
| Contract liabilities | | 154,910 | 36,309 |
| Total current liabilities | | 13,982,627 | 10,293,653 |
| Non-Current Liabilities | | | |
| Contract liabilities | | 446,315 | 216,797 |
| Deferred tax liabilities | | - | 80,189 |
| Lease liability | | 1,096,274 | - |
| Provision | 9 | 472,892 | 326,045 |
| Total non-current liabilities | | 2,015,481 | 623,031 |
| TOTAL LIABILITIES | | 15,998,108 | 10,916,684 |
| NET SURPLUS / (DEFICIT) | | 13,895,283 | 4,092,538 |
| Equity | | | |
| Issued capital | 10 | 36,213,927 | 24,076,417 |
| Reserves | 11 | (17,096,681) | (16,675,819) |
| Accumulated losses | | (5,221,963) | (3,308,060) |
| TOTAL EQUITY | | 13,895,283 | 4,092,538 |

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

PayGroup Limited and its controlled entities
Consolidated Statement of changes in equity
For the year ended 31 March 2020

| | Issued capital | Reserves | Accumulated losses | Total equity |
|--|----------------|--------------|--------------------|--------------|
| | (Restated) | (Restated) | (Restated) | (Restated) |
| | \$ | \$ | \$ | \$ |
| Consolidated | | | | |
| 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) |
| Restatement of gain from a bargain purchase (note 12) | - | - | 218,044 | 218,044 |
| Restated total comprehensive loss for the year | - | (194,047) | (1,560,730) | (1,754,777) |
| Transactions with owners, in their capacity as owners: | | | | |
| Balances acquired and shares issued as part of the share swap acquisition of PayAsia | 16,127,007 | (16,698,676) | - | (571,669) |
| Shares issued during the period | 8,500,000 | - | - | 8,500,000 |
| Cost of share issue recorded directly in equity | (838,191) | - | - | (838,191) |
| Dividend paid | - | - | (750,000) | (750,000) |
| Total transactions with owners and other transfers | 23,788,816 | (16,698,676) | (750,000) | 6,340,140 |
| Restated balance at 31 March 2019 | 24,076,417 | (16,675,819) | (3,308,060) | 4,092,538 |
| Balance at 1 April 2019 | 24,076,417 | (16,675,819) | (3,308,060) | 4,092,538 |
| Loss after income tax expense for the year | - | - | (1,913,903) | (1,913,903) |
| Movement in foreign exchange | - | (420,862) | - | (420,862) |
| Total comprehensive loss for the year | - | (420,862) | (1,913,903) | (2,334,765) |
| Transactions with owners, in their capacity as owners: | | | | |
| Shares issued pursuant to Astute acquisition | 9,190,588 | - | - | 9,190,588 |
| Shares issued to settle supplier payment | 127,000 | - | - | 127,000 |
| Shares issued – capital raise | 3,000,000 | - | - | 3,000,000 |
| Cost of share issued recorded directly in equity | (180,078) | - | - | (180,078) |
| Total transactions with owners and other transfers | 12,137,510 | - | - | 12,137,510 |
| Balance at 31 March 2020 | 36,213,927 | (17,096,681) | (5,221,963) | 13,895,283 |

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

PayGroup Limited and its controlled entities
Consolidated Statement of cash flows
For the year ended 31 March 2020

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

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

PayGroup Limited and its controlled entities

Notes to the preliminary final report

For the year ended 31 March 2020

1. Significant accounting policies

The preliminary financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 March 2019, except for the effects of the following:

New standards adopted as at 1 April 2019

Adoption of AASB 16 Leases from 1 April 2019

AASB 16 'Leases' replaces AASB 117 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, whereby the value of the initial financial impact of the leases was recognised from 1 April 2019. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from AASB 117 and IFRIC 4 and has not applied AASB 16 to arrangements that were previously not identified as leases under AASB 117 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 April 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

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

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

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

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

PayGroup Limited and its controlled entities

Notes to the preliminary final report

For the year ended 31 March 2020

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

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

The Group as a lessee

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group as a lessee

Finance leases

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

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

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

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

Prior period restatement

The comparative period balances have been restated on finalization of the purchase price allocation of Pay Asia Management Pvt Ltd which resulted in the adjustment to the initial purchase price allocation. Refer note 12.

PayGroup Limited and its controlled entities

Notes to the preliminary final report

For the year ended 31 March 2020

2. Earnings per share

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

| | Consolidated 2020 \$ | 2019 \$ Restated |
|--|-------------------------------------|---------------------------------|
| Earnings per share from continuing operations | | |
| Loss after income tax (basic) | (1,913,903) | (1,560,730) |
| Loss after income tax (diluted) | (1,913,903) | (1,560,730) |
| Weighted average number of shares used in calculating basic earnings per share | 58,049,935 | 43,709,858 |
| Basic earnings / (loss) per share (cents per share) | (3.30) | (3.57) |
| Diluted earnings / (loss) per share (cents per share) | (3.30) | (3.57) |

3. Revenue

Revenue from continuing operations

| | | |
|-----------------------------------|-------------------|------------------|
| Payroll and HCM software services | 9,571,675 | 4,686,948 |
| HR and Staffing | 496,185 | 51,476 |
| | <u>10,067,860</u> | <u>4,738,424</u> |
| Other income | | |
| Foreign exchange gain | 419,584 | 172,381 |
| Government grant income | 284,007 | 13,800 |
| Other | 150,217 | 42,346 |
| | <u>853,808</u> | <u>228,527</u> |

4. Cash and cash equivalents

| | | |
|--|------------------|------------------|
| Cash at bank | 1,964,816 | 1,426,142 |
| Cash on hand | 2,787 | 2,606 |
| | <u>1,967,603</u> | <u>1,428,748</u> |
| Unrestricted cash and cash equivalents | 1,967,603 | 1,428,748 |
| Restricted client monies* | 7,073,847 | 4,918,616 |
| | <u>9,041,450</u> | <u>6,347,364</u> |

*The cash and cash equivalents disclosed above include \$7,073,847 (2019: \$4,918,616) which are held in a separate bank account held by the Group. These client monies are restricted for the purpose of payment of salaries to their employees, as part of payroll processing services and are therefore not available for general use by the Group. Refer to note 8 for the corresponding liability account. The client money is not included in the statement of cash flows. The comparative period statement of cash flows is reclassified to conform with the presentation in the current year.

PayGroup Limited and its controlled entities
Notes to the preliminary final report
For the year ended 31 March 2020

| | Consolidated | |
|---|---------------------|------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| | | Restated |
| 5. Trade and other receivables | | |
| <u>Current</u> | | |
| Trade receivables | 3,291,399 | 3,171,932 |
| Less: allowance for impairment of receivables | (158,505) | (100,348) |
| | <u>3,132,894</u> | <u>3,071,584</u> |
| Resource management asset | 473,182 | 2,150,284 |
| Other receivables | 845,212 | 262,137 |
| Total current trade and other receivables | <u>4,451,288</u> | <u>5,484,005</u> |
| <u>Non-current</u> | | |
| Other receivables | <u>322,187</u> | <u>287,402</u> |
| Total non-current trade and other receivables | <u>322,187</u> | <u>287,402</u> |
| 6. Other assets | | |
| Deposits | 351,964 | 218,725 |
| GST receivable | 158,903 | 173,075 |
| | <u>510,867</u> | <u>391,800</u> |
| 7. Intangible assets | | |
| <i>Recognition and measurement</i> | | |
| Intangible assets include the Group's aggregate amount spent on the acquisition of computer software and development costs. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and impairment losses. They are amortised in the profit or loss on a straight-line basis over their estimated useful lives. The Group has adopted an estimated useful life ranging between 5 - 10 years. The useful life is measured from the date on which they are available for use. | | |
| Intangible assets with indefinite useful lives are not amortised and are measured at cost less impairment losses. | | |
| Goodwill on acquisition | 1,688,511 | - |
| Software | 7,677,118 | 725,043 |
| Software under development | 1,347,314 | 532,620 |
| Customer contracts and relationships | 1,076,587 | 219,846 |
| Trademark and tradename | 183,333 | - |
| | <u>11,972,863</u> | <u>1,477,509</u> |

PayGroup Limited and its controlled entities

Notes to the preliminary final report

For the year ended 31 March 2020

Intangible assets (continued)

| | Goodwill (Restated) \$ | Software (Restated) \$ | Software under development \$ | Customer contracts and relationships (Restated) \$ | Trademark and tradename \$ | Total (Restated) \$ |
|--|------------------------------|------------------------------|--|--|-------------------------------------|---------------------------|
| Cost | | | | | | |
| Balance 1 April 2018 | - | - | - | - | - | - |
| Acquired as part of the PayAsia acquisition 29 May 2018 | - | 1,481,393 | 55,641 | - | - | 1,537,034 |
| Acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019 | 30,506 | 56,368 | - | - | - | 86,874 |
| Additions | - | - | 601,445 | - | - | 601,445 |
| Reclassification | - | 124,466 | (124,466) | - | - | - |
| Balance 31 March 2019 | 30,506 | 1,662,227 | 532,620 | - | - | 2,225,353 |
| Restatement based on final purchase price allocation of the Pay Asia Management Pvt Ltd 28 Feb 2019 | (30,506) | - | - | 219,846 | - | 189,340 |
| Restated balance 1 April 2019 | - | 1,662,227 | 532,620 | 219,846 | - | 2,414,693 |
| Acquired as part of Astute acquisition 1 Nov 2019 | 1,688,511 | 6,300,000 | - | 1,000,000 | 200,000 | 9,188,511 |
| Additions | - | 18,306 | 2,144,221 | - | - | 2,162,527 |
| Reclassification | - | 1,329,527 | (1,329,527) | - | - | - |
| Balance 31 March 2020 | 1,688,511 | 9,310,060 | 1,347,314 | 1,219,846 | 200,000 | 13,765,731 |
| Accumulated amortisation | | | | | | |
| Balance 1 April 2018 | - | - | - | - | - | - |
| Acquired as part of the PayAsia acquisition 29 May 2018 | - | 639,554 | - | - | - | 639,554 |
| Acquired as part of the Pay Asia Management Pvt Ltd acquisition 28 Feb 2019 | - | 52,631 | - | - | - | 52,631 |
| Charge for the year | - | 240,813 | - | - | - | 240,813 |
| Balance 31 March 2019 | - | 932,998 | - | - | - | 932,998 |
| Restatement based on final purchase price allocation of the Pay Asia Management Pvt Ltd 28 Feb 2019 | - | 4,186 | - | - | - | 4,186 |
| Restated balance 1 April 2019 | - | 937,184 | - | - | - | 937,184 |
| Charge for the year | - | 695,758 | - | 143,259 | 16,667 | 855,684 |
| Balance 31 March 2020 | - | 1,632,942 | - | 143,259 | 16,667 | 1,792,868 |
| Net Book Value | | | | | | |
| Balance as at 31 March 2019 | 30,506 | 729,229 | 532,620 | - | - | 1,292,355 |
| Restated balance as at 1 April 2019 | - | 725,043 | 532,620 | 219,846 | - | 1,477,509 |
| Balance as at 31 March 2020 | 1,688,511 | 7,677,118 | 1,347,314 | 1,076,587 | 183,333 | 11,972,863 |

8. Trade and other payables

| | Consolidated | |
|--------------------------------------|-------------------|-------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| | | Restated |
| Trade payables | 1,093,349 | 565,924 |
| Advances of client's monies (note 4) | 7,073,847 | 4,918,616 |
| Resource management liability | 793,980 | 3,389,956 |
| Accruals | 1,333,296 | 583,780 |
| GST/VAT/SST payable | 929,307 | 491,987 |
| Other payables | 1,338,477 | 253,184 |
| | <u>12,562,256</u> | <u>10,203,447</u> |

9. Provisions

Current

| | | |
|------------------------|----------------|---------------|
| Provision for gratuity | 25,999 | 22,362 |
| Provision for leave | 543,207 | 3,630 |
| | <u>569,206</u> | <u>25,992</u> |

Non-Current

| | | |
|------------------------|----------------|----------------|
| Provision for gratuity | 358,495 | 326,045 |
| Provision for leave | 14,123 | - |
| Other provisions | 100,274 | - |
| | <u>472,892</u> | <u>326,045</u> |

10. Contributed equity

| | 31 March 2020 | | 31 March 2019 | |
|------------------------------|---------------|------------|---------------|------------|
| | Shares | \$ | Shares | \$ |
| Ordinary Shares – fully paid | 68,894,010 | 36,213,927 | 51,671,466 | 24,076,417 |

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 | <u>32,254,014</u> | <u>\$0.50</u> | <u>16,127,007</u> |
| Balance 31 March 2019 | | <u>51,671,466</u> | | <u>24,076,417</u> |
| Balance at 1 April 2019 | | 51,671,466 | | 24,076,417 |
| Shares issued pursuant to Astute acquisition | 14 Nov 2019 | 12,764,706 | \$0.72 | 9,190,588 |
| Shares issued – capital raise | 27 Nov 2019 | 4,285,714 | \$0.70 | 3,000,000 |
| Shares issued to settle supplier payment | 27 Nov 2019 | 108,553 | \$0.76 | 82,500 |
| Shares issued to settle supplier payment | 7 Jan 2020 | 63,571 | \$0.70 | 44,500 |
| Cost attributable to raising capital | - | - | - | (180,078) |
| Balance 31 March 2020 | | <u>68,894,010</u> | | <u>36,213,927</u> |

| | Consolidated 2020 \$ | 2019 \$ Restated |
|--|----------------------------|------------------------|
| 11. Reserves | | |
| Share based payment reserve | 216,904 | 216,904 |
| Foreign currency translation reserve | (614,909) | (194,047) |
| Reserves pursuant to share swap acquisition of PayAsia | (16,698,676) | (16,698,676) |
| | (17,096,681) | (16,675,819) |

12. Business combinations

Consolidated 2020

(a) *Astute One Limited*

Summary of acquisition

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

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

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

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

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

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

The business combination has initially been accounted for on a provisional basis in accordance with AASB 3 Business Combinations. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at balance date. The acquisition accounting for this transaction is provisional and as allowed under Australian Accounting Standards any adjustments made to these provisional numbers will be reflected in future financial periods. Finalisation is expected no later than 31 October 2020.

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

(i) *Acquired receivables*

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

(ii) *Accounting policy choice*

The group recognises interests at its acquired net identifiable assets.

| <u>Purchase consideration – cash inflow</u> | 2020 |
|---|----------------|
| | \$ |
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Cash consideration | 150,000 |
| Less: Balances acquired | |
| Cash | 686,705 |
| Restricted client monies | (240,862) |
| Net inflow of cash – investing activities | 295,843 |

Consolidated 2019

(a) *Payasia Pte Ltd ("PayAsia")*

Summary of acquisition

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

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

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

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

(i) *Acquired receivables*

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

(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.

Purchase consideration

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

Details of the purchase consideration are as follows:

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

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

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

(b) *Pay Asia Management Pvt Ltd*

Summary of acquisition

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

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

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

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

In 2019, the business combination had initially been accounted for on a provisional basis in accordance with AASB 3 Business Combinations. The fair value of assets acquired, liabilities and contingent liabilities assumed were initially estimated by the consolidated entity taking into consideration all available information at balance date. The acquisition accounting for this transaction was provisional and as allowed under Australian Accounting Standards, any adjustments made to these provisional numbers will be reflected in future financial periods. Accounting standards permit a measurement period of up to one year during which acquisition accounting can be finalised following the acquisition date.

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

| Description | Initial purchase price allocation | Adjustments for final purchase price allocation | Restated balance |
|---|-----------------------------------|---|------------------|
| | \$ | \$ | \$ |
| Cash and cash equivalents | 906,960 | - | 906,960 |
| Trade and other receivables | 3,157,325 | 189,867 | 3,347,192 |
| Plant and equipment | 35,809 | 6,054 | 41,863 |
| Intangible assets | 4,186 | (4,186) | - |
| Customer relationships and customer contracts | - | 219,846 | 219,846 |
| Trade and other payables | (3,531,492) | (164,977) | (3,696,469) |
| Deferred tax assets | 41,647 | 1,946 | 43,593 |
| Net identifiable assets acquired | 614,435 | 248,550 | 862,985 |
| Goodwill | 30,506 | (30,506) | - |
| Gain from a bargain purchase | - | (218,044) | (218,044) |
| Net assets acquired | 644,941 | - | 644,941 |

(iii) *Acquired receivables*

The fair value of acquired trade receivables is \$3,347,192. The gross contractual amount for trade receivables due is \$3,347,192, of which \$nil is expected to be uncollectible.

(iv) *Accounting policy choice*

The group recognises interests at its acquired net identifiable assets.

| <u>Purchase consideration – cash inflow</u> | 2019 |
|---|----------------|
| | \$ |
| 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 |

13. Segment report

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

b) Reportable segments:

| 2020 | PayAsia | Astute | India | Corporate | Eliminations | Total |
|--|------------------|------------------|------------------|--------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue: | | | | | | |
| External revenues | 6,794,588 | 2,858,784 | 783,669 | - | (369,181) | 10,067,860 |
| Inter-segment revenue | 1,456,631 | 90,909 | 688,606 | - | (2,236,146) | - |
| Total revenue | 8,251,219 | 2,949,693 | 1,472,275 | - | (2,605,327) | 10,067,860 |
| Results: | | | | | | |
| EBITDA | (170,659) | 1,500,157 | 55,068 | (2,049,538) | 188,585 | (476,387) |
| Depreciation and amortization | 714,315 | 179,715 | 123,558 | 384,688 | - | 1,402,276 |
| EBIT | (884,974) | 1,320,442 | (68,490) | (2,434,226) | 188,585 | (1,878,663) |
| Interest income | 3,159 | 263 | 11,098 | 1,193 | - | 15,713 |
| Interest expense | 45,622 | 37,722 | 22,670 | 10,648 | - | 116,662 |
| Profit/(loss) before income tax expense | (927,437) | 1,282,983 | (80,062) | (2,443,681) | 188,585 | (1,979,612) |
| Assets and liabilities: | | | | | | |
| Segment assets | 13,941,154 | 5,636,087 | 3,156,741 | 32,129,051 | (24,969,642) | 29,893,391 |
| Segment liabilities | 16,484,493 | 3,782,848 | 2,638,642 | 436,401 | (7,344,276) | 15,998,108 |

2019:

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

14. Impact of new accounting standard – AASB 16 Leases

a) Lease liabilities

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

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

Appendix 4E Preliminary final report

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

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

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

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

b) Right-of-use ("RoU") assets

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

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

15. Events occurring after the reporting period

No matter or circumstance has arisen since 31 March 2020 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.

Covid-19 update:

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

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

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

16. Annual Reporting Calendar

Reporting

Financial Report
Director Nomination
Notice of AGM and Annual Report
Appendix 4C - quarter ended 30 June 2020
AGM
Appendix 4C - quarter ended 30 September 2020
Appendix 4D Half-Year Report 1
Appendix 4C - quarter ended 31 December 2020
Appendix 4C - quarter ended 31 March 2021
Appendix 4E & Audited Financial Statements Year ended 31 March 2021

Requirement Date

30 June 2020
9 July 2020
27 July 2020
28 July 2020
27 August 2020
28 October 2020
6 November 2020
28 January 2021
28 April 2021
28 May 2021