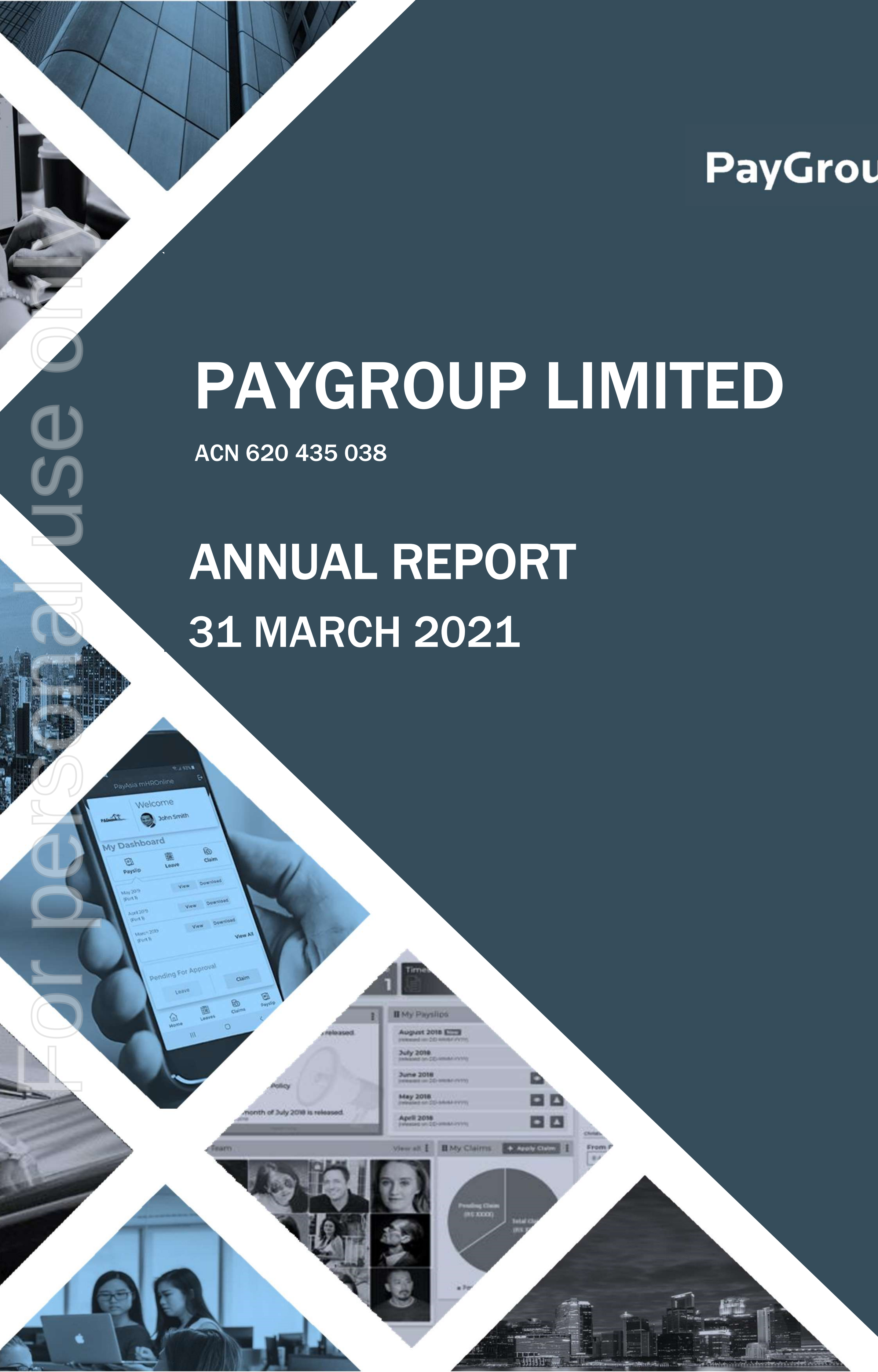


PayGroup

PAYGROUP LIMITED

ACN 620 435 038

ANNUAL REPORT

31 MARCH 2021

Contents

ASX Appendix 4E

For the year ended 31 March 2021

Preliminary Final Report

Name of entity	ABN reference
PayGroup Limited	90 620 435 038

Reporting Periods

Financial year ended ('current period')	Financial year ended ('previous corresponding period')
31 March 2021	31 March 2020

Results for announcement to the market

Key information	Current period $	Previous corresponding Period $	Percentage change increase %	Amount increase/ (decrease) $
Revenue from ordinary activities	$15,627,285	$10,186,701	53%	$5,440,584
Loss from ordinary activities after tax	($510,697)	($2,074,011)	75%	$1,563,314
Net loss attributable to members of parent company	($510,697)	($2,074,011)	75%	$1,563,314

Dividends

No dividends were paid during the year ended 31 March 2021 and 31 March 2020.

Net tangible assets

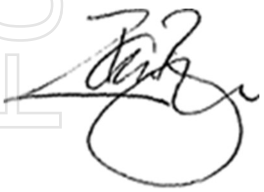
Net tangible asset backing per ordinary share	Current period Cents	Previous corresponding period Cents
Net tangible asset backing per ordinary share	2.5	1.9

Financial statements

For additional 4E disclosures, refer to the Directors' Report and audited Financial Report for the year ended 31 March 2021.

Signed

On behalf of the directors



Ian Basser
Chairman
31 May 2021
Melbourne

Message from the Chairman

Fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual report for the financial year ended 31 March 2021 (FY21). The year was a milestone year for PayGroup as we continued to execute on our growth strategy and ensured the continuation of strong results, despite the once-in-a-century global health pandemic.

Pleasingly, in FY21 PayGroup achieved record Annualised Recurring Revenue (ARR) of $27.2m, an increase of 53% on the prior year (FY20: $17.8m). The strong growth in statutory revenue to $16.0m, up 47% on FY20, is a result of continued organic growth and highly strategic acquisitions through the course of the financial year.

A focus of the management team throughout the year, aside from dealing with the challenges of business continuity as a result of the pandemic, was on cost efficiencies and savings across PayGroup. During the year, savings were executed in the areas of hosting technologies, revisions of development partner arrangements, reduced international travel and smart shoring technology teams. This, coupled with the significant revenue growth, has resulted in a record EBITDA of $1.6 million in FY21 and represents a $2.2 million improvement on the FY20 EBITDA loss $0.6 million. I should also note this EBITDA result is inclusive of several one-off costs including acquisition expenses that amount to approximately $1.2 million, highlighting the strength of PayGroup's underlying business.

Throughout the year, PayGroup made a number of compelling acquisitions to position the Company for strong future growth. During the first half of the year, the acquisition of TalentOz significantly expanded PayGroup's human capital management (HCM) offering with the addition of 11 new modules, greatly enhancing PayGroup's capabilities. Later in the year, the acquisition of PayrollHQ helped cement PayGroup's position in the Australia and New Zealand markets, providing significant cross-selling opportunities. Finally, in April 2021 PayGroup acquired Integrated Workforce Solutions, expanding our capabilities into the large and growing franchise vertical, expanding PayGroup's core payroll offering while providing new cross-selling opportunities. Overall, the successful acquisitions during FY21 have significantly strengthened PayGroup's core payroll businesses, expanded the HCM product suite, increased cross-selling opportunities and provided greater scale for margin accretion, providing a strong platform for growth in the years ahead.

PayGroup's Global Partner Program (GPP) continues to deliver an ever-growing number of new contracts and client referrals. The contribution of the sales channel now represents 13% of ARR and has grown to $3.5m in FY21 (FY20: $0.8m). The significant growth exhibited by the GPP is a clear demonstration of PayGroup's growing reputation as a leading payroll provider in APAC, and the attractiveness of our offering for global customers. We expect the GPP will continue to deliver a strong pipeline of international opportunities for PayGroup, drive strong revenue growth in FY22 and be a material revenue contributor over the coming years.

Heading into the COVID-19 pandemic, PayGroup was well placed to ensure the continuity of its operations and assist customers to transition to online workplace environments. Pleasingly, PayGroup has maintained strong growth momentum despite the disruption to the employment and payroll sector. This is mainly due to our trusted relationship with our large and diversified client base, as we continue to help them solve their mission critical problems, and our ability to assist customers to quickly shift to remote work environments. The accelerated shift to digitisation is increasing the opportunities for PayGroup as employers seek greater oversight of critical business functions such as payroll compliance, while continuing to support their employees to ensure they feel engaged, supported, and productive.

The Board of Directors are pleased with PayGroup's achievements during FY21, and the outlook for the year ahead is exciting. Strong revenue growth momentum, highly strategic acquisitions, and an accelerating pipeline of opportunities through the GPP provide a significant platform for continued growth. PayGroup will continue to invest in potential opportunities and focus on further innovating our technology to meet the increasing demand for our core payroll and HCM offering.

I would like to thank Mark and his hard-working management team on behalf of the Board of Directors for all their efforts during what was a particularly challenging, and extremely busy year. Finally, the Board of Directors would like to thank our shareholders for their continued support as we continue to successfully execute our long-term vision.

We look forward to sharing further updates throughout the year ahead.

Yours faithfully,

Ian Basser
Chairman
31 May 2021
Melbourne

Corporate Governance Statement

The Directors are responsible for the strategic direction of the Company, the identification and implementation of corporate policies and goals, and monitoring of the business and affairs of the Company on behalf of its' Shareholders.

The Company is cognisant of the Corporate Governance Principles and Recommendations (3rd edition) as published by ASX Corporate Governance Council and acknowledges that the 8 principles set out therein are fundamental to good corporate governance.

The Board believes that the structure of the Company, its management and business practices provide a basis of governance which meets the essential corporate governance principles articulated by ASX in that publication.

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (Best Practice Recommendations).

The Company's website http://paygrouplimited.com/index.php/corporate-governance/ contains an Investor Section, which details the Company's Corporate Governance Policy. This provides public access to all the information relevant to the Company meeting its corporate governance obligations.

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	***Lay solid foundations for management and oversight***	
1.1	A listed entity should have a Board Charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	**Role and Responsibilities of the Board of Management** The Board is responsible for setting the strategic direction of the Company and for overseeing and monitoring its businesses and affairs. Directors are accountable to the shareholders for the Company's performance. A copy of the Company's Primary Board Charter, which sets out the role and responsibilities of the Board is available on the Company's website in the Corporate Governance section.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	**Director Appointment and Election** The Board performs appropriate checks on candidates for the Board including checks as to the candidate's character, experience, education, criminal record and bankruptcy history. Where appropriate, external consultants may be engaged to assist in searching for candidates and undertaking relevant checks. The Company will continue to provide information to shareholders about Directors seeking re-election or a candidate seeking election to the Board, including but not limited to their relevant qualifications, experience and skills as well as details of any other listed directorships held, whether the Director is considered to be independent and a recommendation by the Board in respect of the re-election or election as a Director.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Each Director enters into a written agreement with the Company which outlines the terms of his or her appointment including the Director's duties, obligations, remuneration, expected time commitments and notification of the Company's policies. Senior executives including the Managing Director and CFO have a formal services agreement setting out the terms of their employment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Company Secretary The company secretary is responsible for co-ordination of all Board business, including advising on governance matters, monitoring policies and procedures, board papers, board minutes, communication with regulatory bodies, ASX, ASIC and all statutory and other filings. The company secretary is accountable to the Board and all Directors have access to the company secretary. The decision to appoint or remove the company secretary is made by the Board.

Corporate Governance Statement

(continued)

<table>
<tr><th></th><th>BEST PRACTICE RECOMMENDATION</th><th>COMMENT</th></tr>
<tr><td>1.5</td><td>A listed entity should:
(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;
(b) disclose that policy or a summary of it; and
(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:
(1) the respective proportions of men and women on the board, in senior executive positions and across the organisation (including how the entity has defined "senior executive" for these purposes); or
(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</td><td>Diversity Charter
The Company has established a Diversity Charter, which is available on the Company's website. The Diversity Charter outlines requirements for the Board to develop measurable objectives for achieving diversity and annually assess both the objectives and the progress in achieving those objectives. The Board has developed objectives regarding gender diversity and aims to achieve these objectives over the next five years as Director and senior executive positions become vacant and appropriately qualified candidates become available.
The respective proportion of women and men in the Company as at 31 March 2021 is as follows:
<table>
<tr><th></th><th>Proportion of women</th><th>Proportion of men</th></tr>
<tr><td>On the Board</td><td>0%</td><td>100%</td></tr>
<tr><td>In senior executive positions</td><td>17%</td><td>83%</td></tr>
<tr><td>Across the whole organisation</td><td>45%</td><td>55%</td></tr>
</table>
For this purpose, the Board defines "a "senior executive" as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business or has the capacity to significantly affect the Company's financial standing. This therefore includes all senior management and senior executive designated positions as well as senior specialised professionals.
The Company's diversity objectives and progress towards achieving them are disclosed on the Company's website in the Corporate Governance section.</td></tr>
<tr><td>1.6</td><td>A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</td><td>Performance Assessment
The performance of the Board, Board Committees and individual Directors will be reviewed regularly by the Board under the direction of the Chairman. Given the size of the Board this review is carried out informally. The performance criteria against which Directors are assessed will be set by the Chairman in line with the criteria set out in the Company's Corporate Governance Policy.</td></tr>
<tr><td>1.7</td><td>A listed entity should:
(a) have and disclose a process for periodically evaluating the performance of its senior executives; and
(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</td><td>The Board has not adopted a formal process whereby it periodically evaluates the performance of the Managing Director. Given the size of the Board, this evaluation is carried out informally.
The Managing Director evaluates the performance of senior management annually against Key Performance Indicators (KPI's), including measuring actual performance against planned performance.</td></tr>
</table>

Corporate Governance Statement
(continued)

	BEST PRACTICE RECOMMENDATION	COMMENT
2.	***Structure the board to add value***	
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	The Board has not established a Nominations Committee. The Board as a whole carries out the functions of a Nominations Committee, and PayGroup believes this is appropriate for a Company of its size and business. The Board seeks to ensure that it has an appropriate mix of skills necessary to fulfil its obligations.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	**Skills Matrix** The Board regularly evaluates the mix of its skills, experience and diversity. The Board considers that collectively its directors have a level of skill, knowledge and experience that enables the Board to effectively discharge its responsibilities and duties (including the activities and industries outlined below). The mix of skills the Board is seeking to maintain, and to build upon, includes: • Human capital management services and software; • Finance and Tax (e.g. financial management capability including accounting or related financial management qualifications); • Research and development; • Executive leadership; • Risk management understanding and experience; • Commercial acumen; • Strategic capabilities. Further detail about the skills, experience and expertise held by each Director in office is disclosed in the Director's Report contained in the 2021 Annual Report.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Directors of PayGroup are independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The following Directors are Independent: Mr Ian Basser, Mr David Fagan and Mr Shane Gild. The date of appointment of each Director is set out in the Directors' Report Section of the 2021Annual Report.

Corporate Governance Statement
(continued)

	BEST PRACTICE RECOMMENDATION	COMMENT
2.4	A majority of the board of a listed entity should be independent directors.	At the date of this report and during the period a majority of directors were independent directors.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chairman is an independent director. The Chief Executive Officer is not the Chairman.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Company has an induction program for new directors. The Company has policies and procedures in place to assist Directors in fulfilling their responsibilities. The Company has an informal process to educate new Directors about the nature of the business, including information on the Company's core values, corporate and financial strategy, objectives, as well as its governance framework and operations. The Board receives ongoing governance updates as required, including in relation to recent legislative and regulatory changes and developments in corporate governance. All Directors have ongoing access to information on the Company's operations and to the Company's senior management. The Company provides the capacity for any Director to obtain separate professional advice on any matter being discussed by the Board and for the Company to pay the cost incurred.
3.	***Instil a culture of acting lawfully, ethically and responsibly***	
3.1	A listed entity should articulate and disclose its values.	The Company has articulated it values and published these on its website.
3.2	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Board has drawn up a formal code of conduct to guide Board members, executives and employees in carrying out their duties and responsibilities, to guide compliance with legal and other obligations and to maintain confidence in the Company's integrity. Executives and employees are encouraged to report to Board members any concerns regarding potentially unethical practices. The code of conduct is disclosed on the Company's website in the Corporate Governance Policy.
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy	The Board has adopted a Whistleblower Policy the object of which is to provide a whistleblower reporting regime, and protection for whistle-blowers. The Whistle-blower Policy is disclosed on the Company's website in the Corporate Governance Policy. The CFO monitors incidents under that policy on behalf of the Board.
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy	The Company's Code of Conduct contains Business Ethics, Ant-Bribery and Anti-Corruption sections. The CFO monitors incidents under the Code of Conduct on behalf of the Board.

Corporate Governance Statement
(continued)

	BEST PRACTICE RECOMMENDATION	COMMENT
4.	***Safeguard integrity in financial reporting***	
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	**Audit and Risk Committee** The Board has established an Audit & Risk Committee however during the period determined that the work of this Committee should be carried out by the full Board. The leader of Audit & Risk Committee work at Board level is chaired by David Fagan, who is an independent chairman and who is not chair of the Board. The Board carries out the functions of this Committee twice a year, represented by one meeting to review each of the full year and half year financial reports and make recommendation to the Board. Further meetings may be held for discussion on policies and procedures and risk management matters. Meetings are attended by the accounting firm audit partner responsible for the Company's audit when appropriate. A copy of the Company's Audit & Risk Committee Charter is available on the Company's website in the Corporate Governance Policy.
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	The Board has obtained the relevant assurances from management.
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor	Periodic reports that are not audited are prepared by management and reviewed by the Board prior to being released to ASX. Where necessary, periodic reports are reviewed by the auditor for errors or omissions.
5.	***Make timely and balanced disclosure***	
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company's Corporate Governance Policy is designed to promote transparency and investor confidence and ensure that all interested parties have an equal opportunity to obtain information which is issued by the Company. Additionally, the Company is committed to complying with the continuous disclosure obligations contained in the ASX Listing Rules and the Corporations Act 2001. A copy of the Company's Corporate Governance Policy is available on the Company's website.
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made	The Board receives copies of all material announcements before they are made
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation	New and substantive investor or analyst presentations are released to the ASX Market Announcements Platform ahead of the presentation

Corporate Governance Statement

(continued)

	BEST PRACTICE RECOMMENDATIONS	COMMENT
6.	***Respect the rights of shareholders***	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company provides information about itself and its governance on its website. All policies and charters concerning governance issues are located on a dedicated section headed Corporate Governance.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has in place a Disclosure to the Investment Community Policy, which promotes effective communication with shareholders. The Policy is available in the Corporate Governance Policy.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Board encourages full participation of shareholders at the AGM to ensure a high level of accountability and identification with the Company's strategy and goals. The 2021 Notice of Annual General Meeting will be provided to all shareholders and made available on the Company website. The external auditor is required to attend the AGM of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Shareholders are able to communicate with the Company electronically and ask questions via the Company's website or by email. Investors are also able to communicate with the Company's share registry electronically, by emailing the share registry or via the share registry's website.
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands	In line with the ASX Listing Rules, all Listing Rule resolutions are determined by way of a poll.
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company gives security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
7.	***Recognise and manage risk***	
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	The Board is responsible for ensuring that adverse risks and mitigation of these risks are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified.

Corporate Governance Statement
(continued)

	BEST PRACTICE RECOMMENDATIONS	COMMENT
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Management undertakes detailed risk assessments of the Company's operations, procedures and processes and reports to the Board on a regular basis. A final review has not taken place in the financial year ended 31 March 2021, however the Board regularly reviews risk as part of reports from management.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company does not currently have an internal audit function. Management reviews the Company's major business units, organisational structure and accounting controls and processes on a regular basis and reports accordingly to the Board. The Board is satisfied that the processes in place to identify the Company's material business risks are appropriate and that these risks are being effectively managed. The Company's risk management processes are monitored and reported against on an ongoing basis.
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	The Company does not have any economic, environmental and social sustainability risks over and above those of every commercial organisation, and not already disclosed to security holders.
8.	***Remunerate fairly and responsibly***	
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	The Company does not have a Nomination & Remuneration Committee and the Board as a whole are responsible for: • determining and reviewing compensation arrangements for the Directors and the Managing Director; and • approving parameters within which the review of the compensation arrangements for the senior executive team can be conducted by the Managing Director. Given the size of the Board and operations of the Company a Remuneration Committee is not necessary.

Corporate Governance Statement
(continued)

	BEST PRACTICE RECOMMENDATIONS	COMMENT
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Details of Directors' and key management personnel remuneration for the period ending 31 March 2021 are set out in the Remuneration Report (contained in the 2021 Annual Report). The structure of non-executive Directors' remuneration is distinct from that of executives. Further details in relation to the Company's remuneration policies (including its equity-based remuneration policies) are contained in the Remuneration Report, within the Directors' report.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The Company's Employee Share Plan (ESP) provides an interest free loan to selected senior employees which are subject to escrow for 2 years. The Shares issued under the ESP cannot be dealt with or encumbered in any way during the escrow period.

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as "the Group", "PYG", or "PayGroup") consisting of PayGroup Limited and its controlled entities at the end of, or during, the year ended 31 March 2021.

Directors

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

- **Ian Basser, Non-Executive Director (Independent)**

Experience	Ian was appointed to the Board in July 2017 as an independent Non-Executive Director and Chairman. Ian has over 32 years' experience in starting, running and building service companies around the world including Australia, Hong Kong, China, Singapore, USA, UK and Europe. He was Chief Executive Officer and Managing Director of Chandler Macleod Group Limited until August 2012. Prior to joining Chandler Macleod, he spent five years establishing and developing the Mettle Group as a strategic leadership and culture consultancy. Prior to Mettle Group, Ian was Group Managing Director of Harvey Nash running operations in the UK, Europe and Asia. Prior to Harvey Nash, he was on the global management team of Michael Page International building operations in Australia, Asia and North America.
Directorships held in other listed entities during the three years prior to the current period	None

- **Mark Samlal, Managing Director**

Experience	Mark co-founded Pay Asia Pte Ltd (PayAsia) in 2006 where he was Non-Executive Chairman until being appointed to the role of Executive Chairman and Managing Director of PayAsia in July 2015. In July 2017, he was appointed to the Board of PayGroup and to the role of Managing Director of the Group. Mark has over 24 years' experience in leadership roles in Asia Pacific including being a Director and General Manager of ADP in Asia Australia (1999-2003). His previous senior roles included Chief Executive Officer VicPlas Ltd a Singapore Stock Exchange listed company in (2008-2014) and Executive Director of Omni Industries in Singapore (2006-2008). Mark is affiliated with the major shareholder and is based in Singapore. Mark has not held Directorships in other listed entities during the three years prior to the current period.
Special Responsibilities	Chief Executive Officer
Directorships held in other listed entities during the three years prior to the current period	None

- **David Fagan, Non-Executive Director (Independent) and Chair of Audit Committee**

Experience	David was appointed to the Board in July 2017 as a Non-Executive Director. He is the chair of the Audit and Risk Committee. David has over 38 years' experience in law practice including over 30 years with Clayton Utz culminating in the role of Board Member and National Chief Executive Partner (2001-2010). David holds Non-Executive Director roles in ASX listed Medibank Private Limited (ASX:MPL) (since 2014) including Chair of the Board Risk Management Committee and UBS Grocon Real Estate Investment Management (from March 2014 to December 2020). David is also a Chairman of BDO Group Holdings Limited ("BDO"). David had both a Bachelor and Master of Laws from University of Melbourne and is based in Melbourne, Australia.
Directorships held in other listed entities during the three years prior to the current period	Medibank Private Limited (ASX:MPL)

- **Franck Neron-Bancel, Executive Director**

Experience	Franck joined PayAsia in May 2017 as an adviser and was appointed to the Board of PayGroup in July 2017 as Executive Director and Chief Strategy Officer. Franck has over 21 years' industry experience in global HCM and payroll services with global leader Automatic Data Processing, Inc. (NASDAQ: ADP, Market Cap: USD 63 billion). Franck's tenure at ADP culminated in the role of Senior Vice President Strategic Account Management (2013-2017), with reporting to the ADP Global Enterprise Solutions President. Franck holds a Bachelor's Degree (General Management, Finance & Marketing) from KEDGE Business School and is based in New York, United States of America.
Special Responsibilities	Chief Strategy Officer
Directorships held in other listed entities during the three years prior to the current period	None

- **Shane Gild, Non-Executive Director (Independent)**

Experience	Shane was appointed to the Board on the 2nd of November 2020 as an independent Non-Executive Director. With 22 years of equity capital market experiences and having recently left the Corporate Finance team at Canaccord Genuity, Shane has worked with a number of ASX emerging growth companies and institutional investors over his career. In addition to a successful 8 years at Canaccord, he worked for many years at Deutsche Bank in both Australia and London and was a senior member of the Equities executive team. In addition, Shane brings his experience with M&A strategy implementation and investor relations to the Board of PayGroup.
Directorships held in other listed entities during the three years prior to the current period	None

Directors' Shareholdings

Director	Number of ordinary shares	Number of ordinary shares issued under employee share scheme
Ian Basser	258,843	301,302
Mark Samlal[(1)]	22,118,470	-
David Fagan	61,785	222,964
Franck Neron-Bancel	771,406	222,964
Shane Gild	110,731	-
	23,321,235	**747,230**

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

Company Secretary

Oliver Carton B Juris LLB was appointed Company Secretary on 13 July 2017 and resigned 2 May 2019. Oliver was re-appointed as Company Secretary on 9 January 2020. Justin Owen CA, F FIN, PayGroup's CFO, was appointed Company Secretary from 2 May 2019 to 9 January 2020.

Directors' report
(continued)

Directors' Meetings

The table below sets out the number of meetings held during the 2021 financial year and the number of meetings attended by each Director. During the period, 10 Board meetings were held.

Director	Eligible to attend	Attended
Ian Basser	10	10
Mark Samlal	10	10
David Fagan	10	10
Franck Neron-Bancel	10	10
Shane Gild	4	4

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

Operating & Financial Review

Principal Activities

PayGroup Limited is headquartered in Melbourne, Australia, and is the parent entity for a number of trading groups – PayAsia, AstuteOne, TalentOz, PayrollHQ and PayBharat.

The Group delivers mission critical payroll solutions and scalable Human Capital Management ("HCM") software to companies across over 40 countries.

The Group services the following sectors of the market:
- Corporates – employees within multi-national companies as well as the small to medium enterprises
- Workforce Management – contractors and contingent labour workforce
- Franchises – staff on flexible rostering

The core activity of the Group is payroll, delivered through a combination of software and service, and includes the complex calculations of gross-to-net pay for employees, contractors and franchise staff across over 40 countries, as well as the mandatory lodgement of statutory information along with the payments of salaries and statutory monies directly associated with payroll.

Beyond payroll, the Group also delivers core and strategic HCM modules to all sectors of the market including onboarding, rostering, timesheets, leave management, expense management, talent management, learning and development, and most recently, to accommodate for Covid-19 work conditions, the inclusion of facial recognition and temperature checks.

The Group services over 2,100 clients across multiple industry sectors.

Financial performance

	FY21 $	FY20 $	FY21 vs FY20 %
Operating revenue	$15,627,285	$10,186,701	53%
EBITDA	$1,635,534	($636,495)	n/a
Cash flow from operating activities	$1,721,797	$581,142	196%
Net loss after tax	($510,697)	($2,074,011)	(75%)

	FY21 Cents per share	FY20 Cents per share	FY21 vs FY20 %
Earnings per share			
Basic earnings per share	(0.68)	(3.57)	(81%)
Diluted earnings per share	(0.68)	(3.57)	(81%)

Directors' report
(continued)

PayGroup reported a net loss after tax for the year ended 31 March 2021 of $510,697 against a net loss of $2,074,011 in the prior comparable period.

Statutory revenue reported for the year was $15.6 million. PayAsia (inclusive of TalentOz) and PayAsia Management contributed $8 million, AstuteOne contributed $7 million and PayrollHQ contributed $0.6 million.

Reported statutory EBITDA showed an improvement of $2.2 million giving EBITDA of $1.6 million for the year ended 31 March 2021 against EBITDA loss of $0.6 million for the year ended 31 March 2020.

Statement of Financial Position

Cash on hand as at 31 March 2021 was $12.1 million, of which $8.9 million related to restricted funds held on behalf of payroll clients.

Uplift of $6 million in intangible assets against the 31 March 2020 reported balance were mainly driven by $3.1 million recognised as the fair value of the intangible assets acquired from the purchase of the PayrollHQ, $1.7 million from the purchase of the TalentOz. and continued software product development of the PayAsia and AstuteOne proprietary SaaS platforms.

On 9 September 2020 the Group successfully completed $3.5 million capital raise via placement to institutional investors. Proceeds are planned to be utilised to fund growth and acquisition costs.

The statutory result includes one-off costs associated with the acquisition of TalentOz and PayrollHQ of $288 thousand.

Acquisition of TalentOz

PayGroup acquired the assets of TalentOz Sdn Bhd and Forzia Tech Private Limited (TalentOz) effective 1 July 2020. The acquisition of TalentOz added a suite of Talent Management modules that are highly complementary to PayGroup's offerings. The 11 new modules which were added to the existing 16 modules allowed the Group to cross-sell and up-sell the strategic talent management solutions to its existing client base. TalentOz also added a growing portfolio of clients with the hallmarks of high retention and ongoing repetitive revenue.

Acquisition of PayrollHQ

PayGroup acquired Payroll HQ Pty Ltd (PayrollHQ) effective 1 December 2020. PayrollHQ provides the full suite of payroll solutions in Australia and New Zealand and is Australia's fastest growing payroll servicing business. With over 100 client employees at acquisition, and processing 120,000 payslips per annum, PayrollHQ provides a growing revenue base to the Group as well as a significant sales funnel. The client base has a high level of retention and all the revenue is repetitive in nature. The Group has the opportunity to cross-sell the other HCM modules to the PayrollHQ client base, continuously increasing its revenue per client.

Business Strategies, Prospects and Risks for the Future Financial Years

FY21 brought a mix of emotions for the Group, combining continued business success with the sadness caused in many lives as a result of the Covid-19 pandemic. We ensured all our staff's safety was prioritised with all staff working from home at the start of the pandemic. The Group has invested over the last few years in digitising its operations and back office and the transition to the remote working conditions were smooth, resulting in zero client disruption.

Our FY21 success was underpinned by record sales with Total Contract Value (TCV) wins of $13.7 million for the year (up from $5.5 million in the prior year). PayGroup now has over 2,100 clients as at 31 March 2021 (up from 875 as at March 2020) with 95% client retention rate.

The Group entered into a number of strategic acquisitions during the year, which deepened our penetration in the Australian and New Zealand payroll markets as well as creating a full suite of HCM module offerings to our clients. In July, the Group acquired the TalentOz business along with its HCM SaaS software solution creating a full comprehensive HCM platform with total of 27 modules covering hire-to-retire capabilities. We also acquired PayrollHQ in December, adding over 100 quality Australian and New Zealand corporate payroll clients along with a great sales pipeline and executive sales expertise.

The Group's Global Partner Program (GPP) contributed 8% to the total Group revenue for FY21. Continued strong growth is expected as the Group delivers multi-country efficient payroll services to its Global Partners. Treasury Services contributed about 5% of our group revenue, which includes payment services and monetisation, and is one of our fastest growing service lines.

Directors' report

(continued)

With a low cost of acquisition, the GPP contributes high margin to the Group and we are focused on continuing to increase this.

We increased our investment in technology as the Group executes its strategy into further digitisation and automation. We welcomed Jerome Gouvernel, a highly experienced HR technology leader, as our Group Chief Product Officer, with over 25 years' experience in product and technology innovation within the HR vertical.

In FY21 we focused on cash and better utilisation of our cash to drive Group performance. We achieved positive operating activities cashflow for 4 consecutive quarters and received ASX exemption on quarterly 4C reporting. Our successful acquisitions unlocked new growth opportunities allowing us to cross-sell and upsell new solutions to our client base.

Impact of COVID-19 on the Group

PayGroup is saddened by the impact Covid-19 has had on many lives globally. All our employees have followed the regulatory guidelines regarding remote working, with little disruption to the Group's operational performance. We are proud of the energy, commitment and collaborative efforts our staff globally has provided to delivering services to our clients. Whilst Covid-19 has presented business challenges, there has been no material client loss to the Group. The Group has assisted more and more organisations in digitising their HR functions and processes, and we saw a record $13.7 million TCV sales wins for the year.

We have built a strong resilience to the challenges posed and remain optimistic on our future performance.

Significant changes in the state of affairs

The Group successfully completed institutional placement of shares for $3.5 million in September 2020. The Group also acquired the business of TalentOz effective 1 July 2020 and PayrollHQ effective 1 December 2020.

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

Subsequent Events

IWS acquisition

PayGroup entered into an agreement to acquire 100% of the issued capital of Integrated Workforce Solutions (IWS). IWS provides a leading cloud-based platform delivering rostering, payroll and accounting services specialising in solutions for the franchise sector in Australia and New Zealand. IWS's purpose built proprietary platform simplifies complex payroll administration and includes high margin modules for rostering, time and attendance, award interpretation, KPI and benchmarking tools, and bookkeeping. IWS has a large and captive client base of more than 1,000 customers, for which it processes in excess of 400,000 pay slips per annum. IWS has an established position as the provider for new franchise locations and preferred supplier to existing sites, and a customer retention rate in excess of 94%.

The total transaction consideration will comprise an Initial Consideration and a Performance Earn-out. The Initial Consideration of $12.75m was paid partially in cash ($8.4m) and the balance in PayGroup shares ($4.35m) – based on the 5-day volume weighted average price (VWAP) prior to the execution of the binding sale and purchase agreement. The Performance Earn-out is based on the achievement of key performance metrics in FY22 and FY23 – based on minimum revenue targets (95% of $6.2 million in FY22 and $7.4 million in FY23) and minimum gross margin targets (70%) for each earn-out period (FY22 and FY23 to June year-end). The Performance Earn-out is calculated at 10% of the Initial Consideration for each earn-out period, at the 5-day VWAP prior to 30 June. All shares issued in consideration for IWS will be subject to a 24-month escrow period.

The IWS Acquisition will expand PayGroup's offering into a new high-margin franchise vertical, strengthening the core payroll business, providing substantial cross-sell opportunities, and is expected to make a material contribution to PayGroup's annualised recurring revenue (ARR).

FFP acquisition

PayGroup has signed the Share Sales Agreement for acquisition of FF Partners Co., Ltd. (FFP) on 1 May 2021. FFP is headquartered in Tokyo (Japan) and provides the complex payroll and social insurance management services to organisations in Japan. The acquisition is valued at 2x of FY21 (1 May 2020 to 30 April 2021) statutory revenue and will be paid in 2 tranches partially in cash (equivalent to approximately $125,000 as at current Foreign Currency rate) plus the balance of approximately $125,000 in PYG shares. Fifty percent of the cash and shares consideration shall be paid on completion which is expected in June 2021. The balance shall be paid post PYG's FY22 group half-year review sign-off. FFP was an existing partner of PayAsia in Japan.

Directors' report
(continued)

Share Placement

PayGroup has issued 26.8 million new fully paid ordinary shares in the Company ("New Shares"). The Placement was completed in two tranches as follows:

- the issue of 20.3 million New Shares raised approximately $11.4m under the Company's available ASX listing rule 7.1 (12,071,619 shares) and 7.1A (8,228,381 shares) placement capacity, with settlement date on 9 April 2021 ("Tranche 1"); and
- the issue of approximately 6.5 million New Shares to raise approximately $3.6 million, the shareholders approved the resolutions at a general meeting of the Company, held on 13 May 2021 ("Tranche 2").

New Shares have been issued under the Placement and will rank pari passu with existing shares in the Company.

PayGroup also offered a non-underwritten share purchase plan ("SPP") to existing, eligible shareholders. The SPP raised $0.65 million with 1.16 million shares was allotted and issued on 5 May 2021.

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

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.

Dividends

No dividends were paid during the year ended 31 March 2021 and 31 March 2020.

Indemnification of Directors, Officers and Auditors

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

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

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.

Non-audit services

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

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

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

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

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

Directors' report
(continued)

Employee Share Plan

In FY21, 130,081 shares at fair value of $78,048 was issued to the CFO Elise Nguyen under the employee share plan. No shares were granted/ issued under employee share plan for prior year ended 31 March 2020.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following pages.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Basser
Chairman
31 May 2021
Melbourne

Remuneration report

This remuneration report provides details of PayGroup's remuneration policy and practice for Key Management Personnel (KMP) for the year ended 31 March 2021. The information presented in this report has been audited as required under section 308(3C) of the Corporations Act 2001 and forms part of the Director's report.

Remuneration Policy

The Directors present the consolidated entity's 2021 audited remuneration report which details the remuneration information for PayGroup Limited's executive directors, non-executive directors, and other key management personnel.

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

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

KMP	Position	Term as KMP
Executive Directors (ED)		
Mark Samlal	Managing Director and Chief Executive Officer (CEO)	Full year
Franck Neron-Bancel	Chief Strategy Officer	Full year
Non-executive Directors (NED)		
Ian Basser	Non-executive Chairman	Full year
David Fagan	Non-executive Director	Full year
Shane Gild (1)	Non-executive Director	Partial year
Executive		
Elise Nguyen	Chief Financial Officer	Full year

(1) Shane Gild was appointed as Director effective 2 November 2020.

Principles used to determine nature and amount of remuneration

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

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

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

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

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

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

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

Remuneration report
(continued)

Group financial performance

EBITDA growth together with improved asset returns are underpinned by the Company's focus on portfolio premiumisation, brand building investment, strategic customer partnerships, more efficient routes-to-market and a cost-conscious culture. FY21 results demonstrate the benefits of this strategy delivering EBITDA of $1.6 million (FY20: EBITDA loss $0.6 million), marking significant improvement over year-on-year performance.

The table below summarises the Company's financial performance over past three financial years:

	FY21 $m	FY20 $m	FY19 $m
Operating revenue	15.6	10.2	4.7
EBITDA	1.6	(0.6)	(1.3)
Cash flow from operating activities	1.7	0.6	(4.8)
Net loss after tax	(0.5)	(2.1)	(1.6)

	FY21 Cents per share	FY20 Cents per share	FY19 Cents per share
Earnings per share			
Basic earnings per share	(0.68)	(3.57)	(3.66)
Diluted earnings per share	(0.68)	(3.57)	(3.66)

The Group has broadly retained the remuneration structure as outlined in the prospectus for the Directors.

Components of remuneration

Performance measurement	The executive directors and other KMP are remunerated based upon market value of the position and the range of skills and experience they bring to the Group and, going forward, will be split between fixed and performance linked remuneration.		
Remuneration components	**Base salary**	**Performance linked renumeration**	**Directors' fee**
	Fixed remuneration will consist of base remuneration and employer contributions to superannuation /or its equivalent in other jurisdictions.	Performance linked renumeration consists of Short-term Incentives (STI) and Long-term Incentives (LTI) via Employee Share Plan with key performance metrics tied to group objectives.	Non-executive directors are remunerated with fees within the aggregate limit as approved by shareholders, noted as follows: • Ian Basser- $100,000 • David Fagan- $85,000 • Shane Gild- $70,000

Employee Share plan

On 15 December 2020, 130,081 shares at fair value of $78,048 were issued to the CFO Elise Nguyen under the employee share plan. A limited recourse loan was provided to allow employee to purchase the Plan Shares at the Company's Offering price of $0.615 per share, pursuant to the terms of the loan agreement. The fair value of the Loan Share Plan was calculated using the 10 days volume weighted average of trading price. As the shares vested and issued immediately the full value of $78,048 was recorded under issued capital.

The balance of the employee share plan represents the shares granted on the 23 February 2018 under the Loan Share Plan where the Directors and senior employees, including KMP, were invited to apply for Plan Shares. A limited recourse loan was provided to allow the Directors and senior employees to purchase the Plan Shares at the Company's at Initial Public Offering price of $0.50 per share, pursuant to the terms of the loan agreement. The Plan Shares are subject to voluntary escrow conditions of 24 months from date of issue and vest on issue. The fair value of the Loan Share Plan was calculated using the Binomial option pricing model. The value of the shares has been expensed on a proportionate basis from grant date to vesting date. As the shares vested immediately the full value of $216,904 has been recognised on share issue in the share-based payment reserve. The Plan aims to recognise long-term performance by rewarding the Directors and key management with Performance Shares which will allow them to share in the growth in value of the Company.

Remuneration report
(continued)

Consolidated entity performance and link to remuneration

KMP bonus for prior year ended 31 March 2020 was settled via issue of 14,278 shares valued at $8,567 is performance-based remuneration.

Details of Remuneration

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

Directors and other Executives Remuneration

		Short-term benefits $		Post-employment benefits $	Long-term benefits $			
KMP	Year	Base salary/ fee	Bonus [2]	Superannuation	Employee Share Plan	Total remuneration $	Total performance related	Equity as a % of Total
Mark Samlal	**2021**	**348,548**	**-**	**13,188**	**-**	**361,736**	**-**	**-**
	2020	366,608	-	17,545	-	384,153	-	-
Franck Neron-Bancel	**2021**	**255,384**	**-**	**-**	**-**	**255,384**	**-**	**-**
	2020	347,941	-	-	-	347,941	-	-
Ian Basser	**2021**	**100,000**	**-**	**-**	**-**	**100,000**	**-**	**-**
	2020	100,000	-	-	-	100,000	-	-
David Fagan	**2021**	**85,000**	**-**	**-**	**-**	**85,000**	**-**	**-**
	2020	85,000	-	-	-	85,000	-	-
Shane Gild	**2021**	**29,165**	**-**	**-**	**-**	**29,165**	**-**	**-**
Elise Nguyen	**2021**	**206,403**	**-**	**-**	**78,049**	**284,452**	**-**	**27%**
	2020	41,815	8,567	-	-	50,382	8,567	17%
Justin Owen [1]	2020	212,490	-	-	-	212,490	-	-
Total KMP	**2021**	**1,024,500**	**-**	**13,188**	**78,049**	**1,115,737**	**-**	**7%**
	2020	1,153,854	8,567	17,545	-	1,179,966	8,567	1%

(1) Justin Owen resigned effective 20 January 2020.
(2) KMP bonus, performance-based remuneration for prior year ended 31 March 2020 was settled via issue of 14,278 shares valued at $8,567.

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

KMP	Year	Fixed remuneration	At risk- STI	At–risk - LTI
Mark Samlal	**2021**	**100%**	**-**	**-**
	2020	100%	-	-
Franck Neron-Bancel	**2021**	**100%**	**-**	**-**
	2020	100%	-	-
Ian Basser	**2021**	**100%**	**-**	**-**
	2020	100%	-	-
David Fagan	**2021**	**100%**	**-**	**-**
	2020	100%	-	-
Shane Gild	**2021**	**100%**	**-**	**-**
Elise Nguyen	**2021**	**73%**	**-**	**27%**
	2020	83%	17%	-
Justin Owen	2020	100%	-	-
Total KMP	**2021**	**93%**	**-**	**7%**
	2020	99%	1%	-

Remuneration report
(continued)

Details of Share Based Compensation

Options

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

Employee Shares

The employee shares issued include 14,278 shares issued to Elise Nguyen as bonus employee entitlements for FY20.

Service Agreements

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

- Mark Samlal, Managing Director / Chief Executive Officer

Criterion	Arrangements
Term of contract	Ongoing.
Notice period	Termination by provision of six months' notice by either the Executive or the Company
Remuneration	Fixed annual remuneration of SGD330,296 including superannuation/retirement benefits and director fees and a housing allowance of SGD2,550.

- Franck Neron-Bancel, Executive Director and Chief Strategy Officer

Criterion	Arrangements
Term of contract	Ongoing.
Notice period	Termination by provision of 6 months' notice by either the Executive or the Company.
Remuneration	Director's fee of AUD70,000 per annum as Executive Director of PayGroup commencing from date of listing the company on the ASX and Consultancy fee of USD11,000 per month.

- Elise Nguyen, Chief Financial Officer

Criterion	Arrangements
Term of contract	Ongoing.
Notice period	Termination by provision of 2 months' notice by either the Executive or the Company.
Remuneration	Fixed annual remuneration of SGD208,000 and short term incentive up to 30% of annual salary

KMP Shareholding

KMP	Balance as at 1 Apr 2020	Employee shares issued as remuneration	Shares issued as equity settled remuneration	Other changes	Balance at end of year
Mark Samlal (1)	22,118,470	–	–	–	22,118,470
Franck Neron-Bancel	994,370	–	–	–	994,370
Ian Basser	560,145	–	–	–	560,145
David Fagan	284,749	–	–	–	284,749
Shane Gild (2)	79,286	–	–	31,445	110,731
Elise Nguyen	-	130,081	14,278	–	144,359
Total	**24,037,020**	**130,081**	**14,278**	**31,445**	**24,212,824**

(1) Shares indirectly held by Mark Samlal through related parties.
(2) Other changes in Shane Gild's shareholding represents shares bought on-market.

Remuneration report
(continued)

Transactions with KMP and/or their related party

There were no transactions conducted between the Group and KMP or their related parties, apart from KMP remuneration as disclosed above and rental payments as disclosed in note 16 of the financial statements accompanying this report. These transactions were conducted in accordance with normal employee, customer or supplier relationships on terms no more favourable than those reasonably expected under arm's length dealings with unrelated persons.

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

On behalf of the directors

Ian Basser
Chairman
31 May 2021
Melbourne

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Auditor's Independence Declaration

To the Directors of PayGroup Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of PayGroup Limited for the year ended 31 March 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Eric W Passaris

Eric Passaris
Partner – Audit & Assurance

Melbourne, 31 May 2021

Consolidated statement of profit or loss and Other Comprehensive Income

For the year ended 31 March 2021

	Notes	**2021**	2020
Revenue	5	15,627,285	10,186,701
Other income	5	386,457	734,967
Expenses:			
Subcontractors		(1,408,912)	(833,613)
Technology expense		(1,424,501)	(788,630)
Employee benefits expense		(7,793,222)	(6,251,899)
Rent and occupancy		(223,713)	(241,820)
Consulting and professional fees		(1,787,497)	(1,911,474)
Allowance for credit losses	7b	(28,786)	(75,982)
Impairment of non-trade receivables	7b	(599,768)	-
Travelling expenses		(18,897)	(275,196)
License fee		(197,688)	(298,712)
Other expenses		(895,224)	(880,837)
Profit/ (loss) before depreciation, amortisation, interest and income tax expense		**1,635,534**	**(636,495)**
Depreciation and amortisation expense		(2,264,589)	(1,402,276)
Loss before interest and income tax expense		**(629,055)**	**(2,038,771)**
Interest income		25,142	15,713
Interest expense		(155,168)	(116,662)
Net interest and financing costs		(130,026)	(100,949)
Loss before income tax expense		**(759,081)**	**(2,139,720)**
Income tax expense	6	248,384	65,709
Loss after income tax expense		**(510,697)**	**(2,074,011)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(69,387)	(392,158)
Items that will not be reclassified to the statement of profit or loss			
Actuarial gains/(losses) on defined benefit plan		61,957	160,108
Total other comprehensive (loss)/income for the period		**(7,430)**	**(232,050)**
Total comprehensive loss for the period		**(518,127)**	**(2,306,061)**

		Cents per share	Cents per share
Earnings per share			
Basic earnings per share	12	(0.68)	(3.57)
Diluted earnings per share	12	(0.68)	(3.57)

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

Consolidated statement of financial position

As at 31 March 2021

	Notes	**2021** **$**	2020 $ (Restated)
Assets			
Current assets			
Cash and cash equivalents	7a	12,111,732	9,041,450
Trade and other receivables	7b	3,401,620	3,849,861
Income tax recoverable		611,807	558,804
Prepayments		163,196	164,567
Contract assets	5	486,919	245,714
Other assets	7d	788,667	510,867
Total current assets		**17,563,941**	**14,371,263**
Non-current assets			
Trade and other receivables	7b	473,928	322,187
Right-of-use assets	10	1,461,408	1,622,520
Property, plant and equipment	8a	251,023	181,934
Intangibles	8b	18,723,564	12,564,478
Deferred tax assets	8c	77,071	80,615
Contract assets	5	1,131,721	740,582
Total non-current assets		**22,118,715**	**15,512,316**
Total assets		**39,682,656**	**29,883,579**
Liabilities			
Current liabilities			
Trade and other payables	7c	14,985,932	12,569,427
Current tax liabilities		32,391	64,579
Lease liability	10	619,750	624,505
Provisions	8d	826,754	569,206
Contract liabilities	5	350,098	154,910
Total current liabilities		**16,814,925**	**13,982,627**
Non-current liabilities			
Contract liabilities	5	644,971	446,315
Lease liability	10	863,873	1,096,274
Provisions	8d	532,744	472,892
Total non-current liabilities		**2,041,588**	**2,015,481**
Total liabilities		**18,856,513**	**15,998,108**
Net assets		**20,826,143**	**13,885,471**
Equity			
Issued capital	11a	43,672,726	36,213,927
Reserves	11b	(16,915,299)	(16,907,869)
Accumulated losses		(5,931,284)	(5,420,587)
Total equity		**20,826,143**	**13,885,471**

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

Consolidated statement of changes in equity

For the year ended 31 March 2021

	Issued capital $	Reserves $ (Restated)	Accumulated losses $	Total equity $ (Restated)
Balance as at 1 April 2019	**24,076,417**	**(16,675,819)**	**(3,346,576)**	**4,054,022**
Loss after income tax expense for the year	–	–	(2,074,011)	(2,074,011)
Movement in foreign exchange	–	(392,158)	–	(392,158)
Actuarial gains/(losses) on defined benefit plan	–	160,108	–	160,108
Total comprehensive income/ (loss)	**–**	**(232,050)**	**(2,074,011)**	**(2,306,061)**
Transactions with owners in their capacity as owners:				
Shares issued pursuant to Astute acquisition	9,190,588	–	–	9,190,588
Retention shares receivable pursuant to Astute acquisition (note 11b)	–	(601,427)	–	(601,427)
Shares issued to settle supplier payment	127,000	–	–	127,000
Shares issued – capital raise	3,000,000	–	–	3,000,000
Cost of share issued recorded directly in equity	(180,078)	–	–	(180,078)
Total transactions with owners in their capacity as owners	**12,137,510**	**(601,427)**	**–**	**11,536,083**
Balance as at 31 March 2020	**36,213,927**	**(17,509,296)**	**(5,420,587)**	**13,284,044**
Balance as at 1 April 2020	**36,213,927**	**(17,509,296)**	**(5,420,587)**	**13,284,044**
Restatement of retention shares receivable pursuant to Astute acquisition (note 11b)	–	601,427	–	601,427
Restated balance as at 1 April 2020	**36,213,927**	**(16,907,869)**	**(5,420,587)**	**13,885,471**
Loss after income tax expense for the year	–	–	(510,697)	(510,697)
Movement in foreign exchange	–	(69,387)	–	(69,387)
Actuarial gains/(losses) on defined benefit plan	–	61,957	–	61,957
Total comprehensive income/ (loss)	**–**	**(7,430)**	**(510,697)**	**(518,127)**
Transactions with owners in their capacity as owners:				
Shares issued pursuant to TalentOz acquisition	1,534,567	–	–	1,534,567
Shares issued pursuant to PayrollHQ acquisition	2,473,617	–	–	2,473,617
Shares issued – capital raise	3,500,000	–	–	3,500,000
Cost of share issued recorded directly in equity	(192,500)	–	–	(192,500)
Shares issued to settle supplier payment	35,387	–	–	35,387
Shares issued to settle employee entitlements	29,680	–	–	29,680
Shares issued under Employee share plan	78,048	–	–	78,048
Total transactions with owners in their capacity as owners	**7,458,799**	**–**	**–**	**7,458,799**
Balance as at 31 March 2021	**43,672,726**	**(16,915,299)**	**(5,931,284)**	**20,826,143**

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

Consolidated statement of cash flows

For the year ended 31 March 2021

	2021	2020
	$	$
Cash flows from operating activities		
Receipts from customers (inclusive of GST/VAT/SST)	18,671,253	11,020,709
Payments to suppliers and employees (inclusive of GST/VAT/SST)	(18,194,694)	(10,610,141)
Government grants and tax incentives	1,340,121	284,007
Interest received	25,141	15,121
Interest and other finance costs paid	(120,024)	(128,554)
Net cash generated from/(utilised by) operating activities	**1,721,797**	**581,142**
Cash flows from investing activities		
Payments for development of intangible assets	(2,566,163)	(2,161,954)
Payments for purchase of plant and equipment	(131,526)	(99,096)
Net cash (outflow)/inflow from acquisition, net of cash paid (note 15)	(122,776)	261,534
Payments for acquisition-related transaction costs (1)	(287,537)	(721,000)
Net cash utilised by investing activities	**(3,108,002)**	**(2,720,516)**
Cash flows from financing activities		
Proceeds from issue of share capital	3,500,000	3,000,000
Payments for fund raise	(192,500)	(144,600)
Repayment of principal on lease liability	(527,280)	(296,607)
Payment of employee loan	–	(1,857)
Proceeds from borrowings	–	570,744
Repayment of borrowings	–	(563,573)
Net cash generated from/(utilised by) financing activities	**2,780,220**	**2,564,107**
Net increase/(decrease) in cash and cash equivalents	**1,394,015**	**424,733**
Cash and cash equivalents at the beginning of the financial year (2)	1,967,603	1,428,748
Effects of exchange rate changes on cash and cash equivalents	(137,895)	114,122
Cash and cash equivalents at end of the year (2)	**3,223,723**	**1,967,603**

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

(1) Payment of acquisition-related transaction costs to be classified under the cash flows used in investing activities in the consolidated statement of cash flows. The Group has been previously presenting these costs under operating cash flows. The comparative period balances have been reclassified to conform with the current period presentation.

(2) The cash and cash equivalents disclosed above do not include $8,888,009 (31 March 2020: $ 7,073,847) which are held in separate bank accounts 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 7c 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.

Notes to the consolidated financial statements
For the year ended 31 March 2021

Note 1. Nature of operations

PayGroup Limited and its controlled entities (the Group) is headquartered in Melbourne, Australia.

The Group delivers mission critical payroll solutions and scalable Human Capital Management software to companies across over 40 countries.

The Group services the following sectors of the market:
- Corporates – employees within multi-national companies as well as the small to medium enterprises
- Workforce Management – contractors and contingent labour workforce
- Franchises – staff on flexible rostering

The core activity of the Group is payroll, delivered through a combination of software and service, and includes the complex calculations of gross-to-net pay for employees, contractors and franchise staff across over 40 countries, as well as the mandatory lodgement of statutory information along with the payments of salaries and statutory monies directly associated with payroll.

Beyond payroll, the Group also delivers core and strategic HCM modules to all sectors of the market including onboarding, rostering, timesheets, leave management, expense management, talent management, learning and development, and most recently, to accommodate for Covid-19 work conditions, the inclusion of facial recognition and temperature checks.

The Group services over 2,100 clients across multiple industry sectors.

Note 2. General information and basis of preparation

Introduction

The consolidated financial statements of the Group are for the year ended 31 March 2021 and are presented in Australian Dollars ($AUD), which is the functional currency of the parent company. PayGroup is a company limited by shares whose shares are traded on the Australian Securities Exchange (ASX). PayGroup is incorporated and domiciled in Australia.

Principles of consolidation

The consolidated financial report incorporates the assets and liabilities of all subsidiaries of PayGroup Ltd ('Group' or 'parent entity') as at 31 March 2021. PayGroup Ltd and its subsidiaries together are referred to in this financial report as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Basis of preparation

PayGroup Limited (the 'Company') is a for profit company domiciled in Australia. The full year financial report is a general purpose financial report comprising the Company and its subsidiaries (collectively referred to as the 'Group' or 'PayGroup') for the year ended 31 March 2021. The full year financial statements:

- have been prepared in accordance with the Corporations Act 2001 (Cth), Australian Accounting Standards and interpretations, and International Financial Reporting Standards (IFRS);
- were authorised for issue by the Directors on 31 May 2021;
- have been prepared on a historical cost basis, except for derivative financial instruments and investments in financial assets which have been measured at fair value; and
- have all amounts presented in Australian dollars, unless otherwise stated.

New standards adopted as at 1 April 2020

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for annual reporting periods commencing on or after 1 April 2020 including the following:

- **AASB 3 *Business combinations* (amendments)**
  Definition of a business

- **AASB 101 and AASB 108 (amendments)**
  Definition of material

- **AASB 2019-3 Amendments to Australian Accounting Standards**
  Interest rate benchmark reform

- **AASB 2019-5 Amendments to Australian Accounting Standards**
  Disclosure of the Effect of New IFRS Standards not yet issued in Australia

- **AASB 2020-4 Amendments to Australian Accounting Standards**
  COVID-19 related rent concessions

The group early adopted AASB 2020-4 Amendments to Australian Accounting Standards pertaining to COVID-19 related rent concessions. In applying the practical expedient, the Group recognised the forgiveness of rent amounting to $48,035 as a negative variable lease payment in the consolidated statement of Profit and Loss. The forgiveness of rent is unconditional and qualifies to be accounted using the practical expedient available in AASB 16 Leases.

Apart from above, none of these standards have had a material impact on the Group in the current period and are not expected to have a material impact in future reporting periods or on foreseeable future transactions.

Standards in issue but not yet effective

At the date of authorisation of the financial report, the following new accounting standards, amendments and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not yet been applied by the Group within this financial report:

- **AASB 10 and AASB 128 (amendments)**
  Sale or contribution of assets between an investor and its associate or joint venture

- **AASB 17 Insurance contracts**
  Measurement of insurance liabilities

- **AASB 2020-1 Amendments to Australian Accounting Standards**
  Classification of liabilities as current or non-current

- **AASB 2020-3 Amendments to Australian Accounting Standards**
  Annual improvements 2018-2020 and other amendments

- **AASB 2020-8 Amendments to Australian Accounting Standards**
  Interest rate benchmark reform (Phase 2)

The Group does not believe these new accounting standards, amendments and interpretations will have a material impact on the financial statements of the Group in future periods.

Critical accounting judgements, estimates and assumptions

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

In the process of applying the Group's accounting policies, the Group is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial report, except from those involving estimate and as follows:

- *Capitalisation of intangibles*

  Costs directly attributable to the development of computer software are capitalised as intangible assets when the Group judges that the technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the cost can be measured reliably. Such costs include purchases of materials and services and payroll related costs of employees directly involved in the project. Research costs are recognised as an expense when incurred.

- *Determination of functional currency of the entities in the Group*

  The effects of changes in foreign exchange rates requires the company and the entities in the Group to determine its functional currency to prepare the financial statements. When determining its functional currency, the company and the entities in the Group consider the primary economic environment in which it operates, i.e., the one in which it primarily generates and expends cash. The company and the entities in the Group may also consider the funding sources. Management applied its judgment and determined that the functional currency of the company is Australian dollars.

The Group believes that there are no key assumptions made concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, except as disclosed within the notes to the financial statements.

Note 3. Significant accounting policies

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

a. Going concern

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

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

b. Current and non-current classification

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

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

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

c. Fair value measurement

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

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

d. Financial instruments

Recognition and derecognition

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

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

Subsequent measurement of financial assets

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

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

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

Trade and other receivables

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

Classification and measurement of financial liabilities

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

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

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

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

e. Business combinations

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

The consideration transferred is the sum of the acquisition date fair values of the asset transferred, equity instruments issued, all liabilities incurred by the acquirer to former owners of the acquiree and the amounts of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss. Payment of acquisition-related transaction costs to be classified under the cash flows used in investing activities in the consolidated statement of cash flows. The group has been previously presenting these costs under operating cash flows. The comparative period balances have been reclassified to conform with the current period presentation.

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

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

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

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

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

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

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

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

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

g. Foreign currency translation

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the statement of profit or loss.

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

- Assets and liabilities are translated at the closing rates at the date of the statement of financial position.
- Income and expenses are translated at average rates for the year, which approximates the exchange rates at the dates of the transactions.
- All resulting exchange differences are recognised in a separate component of equity as foreign currency translation reserve.

On aggregation, currency translation differences arising from the net investment in foreign operations are taken to the currency translation reserve.

Notes to the consolidated financial statements

For the year ended 31 March 2021

Note 4. Segment reporting

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

b) The Group has 3 reportable segments: PayAsia, Astute and PayrollHQ. In identifying its operating segments, management follows the geographical and revenue lines generated under each segment. Each segment performs the following main revenue activities:

- PayAsia (including TalentOz and PayBharat) delivers predominantly SwaS payroll services and solutions and HCM platform as well as payroll payments, payroll lodgements and other payroll related services globally. PayBharat predominantly provides workforce management and payroll solutions to both local and multinational entities in India. Most of its business is delivered in the APAC region.
- Astute provides SaaS payroll and workforce management solutions to Australian and New Zealand clients.
- PayrollHQ provides a full suite of SwaS payroll outsourcing services for its clients across Australia and New Zealand.

c) Reportable segments:

Year ended 31 March 2021	PayAsia	Astute	PayrollHQ	Total
Revenue:				
External revenues	7,980,561	7,068,580	578,144	15,627,285
Inter-segment revenue	3,287,939	600,000	-	3,887,939
Total revenue	**11,268,500**	**7,668,580**	**578,144**	**19,515,224**
Results:				
Profit/ (loss) before depreciation, amortisation, interest and income tax	483,749	2,861,093	(9,256)	3,335,586
Depreciation and amortization	966,658	1,243,501	54,430	2,264,589
Profit/ (loss) before interest and income tax expense	**(482,909)**	**1,617,592**	**(63,686)**	**1,070,997**
Interest income	22,264	2,251	-	24,515
Interest expense	82,410	66,517	1,432	150,359
Profit/ (loss) before income tax expense	**(543,055)**	**1,553,326**	**(65,118)**	**945,153**
Assets and liabilities:				
Segment assets	21,561,765	16,429,222	4,141,717	42,132,704
Segment liabilities	17,717,651	4,396,139	672,458	22,786,248

Year ended 31 March 2020	PayAsia	Astute	PayrollHQ	Total
Revenue:				
External revenues	7,209,076	2,977,625	-	10,186,701
Inter-segment revenue	2,514,418	90,909	-	2,605,327
Total revenue	**9,723,494**	**3,068,534**	**-**	**12,792,028**
Results:			-	
Profit/ (loss) before depreciation, amortisation, interest and income tax	(516,011)	1,500,157	-	984,146
Depreciation and amortization	939,465	462,811	-	1,402,276
Profit/ (loss) before interest and income tax expense	**(1,455,476)**	**1,037,346**	**-**	**(418,130)**
Interest income	14,257	263	-	14,520
Interest expense	68,292	37,722	-	106,014
Profit/ (loss) before income tax expense	**(1,509,511)**	**999,887**	**-**	**(509,624)**
Assets and liabilities:			-	
Segment assets	15,759,646	14,237,220	-	29,996,866
Segment liabilities	19,160,672	3,782,848	-	22,943,520

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

	Year ended 31 March 2021	Year ended 31 March 2020
i. Segment revenue		
Total reportable segment revenues	19,515,224	12,792,028
Elimination of inter-segment revenue	(3,887,939)	(2,605,327)
Total revenue from continuing operations	**15,627,285**	**10,186,701**
ii.*Segment Operating Profit/(Loss)*		
Total reportable segment operating profit/(loss)	945,153	(509,624)
Corporate[1] employee benefit expenses	(181,530)	(571,648)
Corporate[1] consulting and professional fees	(1,103,013)	(951,849)
Corporate[1] other expenses	(369,039)	(285,729)
Corporate[1] interest income	627	1,193
Corporate[1] interest expense	(4,809)	(10,648)
Elimination and consolidation adjustments	(46,470)	188,585
Profit/(loss) before income tax expense	**(759,081)**	**(2,139,720)**
iii. *Segment Assets*		
Total reportable segment assets	42,132,704	29,996,866
Corporate[1] assets including investment in subsidiaries	32,531,859	25,467,595
Elimination and consolidation adjustments	(34,981,907)	(25,580,882)
Total assets	**39,682,656**	**29,883,579**
iv. *Segment liabilities*		
Total reportable segment liabilities	22,786,248	22,943,520
Corporate[1] liabilities	1,490,397	436,401
Elimination and consolidation adjustments	(5,420,132)	(7,381,813)
Total liabilities	**18,856,513**	**15,998,108**

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

e) Geographical information:

Revenue from external customers is attributed to geographic location based on the location of customers. The revenue from external customers and non-current assets by geographical location for the year ended 31 March 2021 and 31 March 2020 is set out below;

	2021 Revenue ($)	2020 Revenue ($)	2021 Non-current assets ($)	2020 Non-current assets ($)
Australia and New Zealand	7,646,724	3,768,575	16,505,525	11,963,143
Asia	7,980,561	6,418,126	5,613,190	3,549,173
	15,627,285	**10,186,701**	**22,118,715**	**15,512,316**

Note 5. Revenue

Recognition and measurement

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

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

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

The transaction price for a contract excludes any amounts collected on behalf of third parties.
Revenue is recognised over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

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

Implementation Revenue

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

Payroll Services

The Group provides comprehensive payroll services to its clients, which include the complex calculations of gross-to-net payroll, the calculation of statutory elements of payroll, the lodgement of all mandatory statutory elements related to payroll, as well as the payments related to payroll including salaries and various pension funds. These services are provided by a dedicated team of operational executives of the Group who use multiple payroll engines to produce the pay calculations and the reports on a weekly, fortnightly, and monthly basis. The Group provides all payroll services based on a per payslip fee. Each client is invoiced on a weekly, fortnightly, or monthly basis depending on the contract terms, and the fee is a calculation of the total payslips produced for that client for that billing period. The per payslip fee is a recurring fee from each client and forms part of the revenue recognition upon delivery of the service. There are certain activities which are country specific but all of these form part of the regular and recurring invoicing. All costs associated with the delivery of these payroll services are taken into account when deriving the per payslip fee to each client.

SaaS (Software-as-a-Service) revenue

The Group provides its proprietary software solutions, including payroll, onboarding, rostering, timesheets, invoicing, talent management, performance management, learning and development, facial recognition, temperature checks, and others, (herein termed "HCM modules") to its clients. The provision of this service is through a subscription of licence to the software for one or multiple HCM modules. The clients access the Group's software directly. The Group charges a user-based subscription fee, usually invoiced on a monthly basis, and revenue is recognized on delivery of the service. The Group maintains and supports the software and provides support and maintenance as part of its service to clients. Any customisation work required by clients is also supported by the Group and charged separately as a fixed fee, calculated through an estimation of time required to carry out the customisation. This is agreed in advance with each client and forms part of the contract terms.

Interest

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

Government grants

Grants from the government are recognised as a receivable at the fair value when there is reasonable assurance that the grant will be received, and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grant income included within other income do not include employment-related government grants, these government grants are deducted against employee benefits expense.

Government grants relating to assets are deducted against the carrying amount of the assets.

Revenue from continuing operations (1)

	2021	2020
	$	$
Payroll services	8,497,363	7,433,967
SaaS (Software-as-a-Service) revenue	7,129,922	2,752,734
	15,627,285	**10,186,701**

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

Other income

	2021	2020
	$	$
Foreign exchange gain/ (loss)	(162,473)	419,584
Government grant income [(1)]	474,583	284,007
Other [(2)]	74,347	31,376
	386,457	**734,967**

(1) Government grant income included within other income do not include employment-related government grants of $ 1,165,538. These government grants are deducted against employee benefits expense.

(2) Other includes rent concessions of $62,368 obtained from the landlord, in response to the COVID-19 pandemic. The forgiveness of rent is unconditional and qualifies to be accounted using the practical expedient available in AASB 16 Leases. In applying the practical expedient, the Group recognised this forgiveness of rent as a negative variable lease payment in the consolidated statement of Profit and Loss.

Contract assets

	2021	2020
	$	$
Current		
Contract assets - Deferred customer set-up costs	486,919	245,714
Non-Current		
Contract assets - Deferred customer set-up costs	1,131,721	740,582

The contract assets relate primarily to the cost of activities to implement an outsourced payroll services contract but do not result in a transfer of services to the customer. The entity accounts for the initial setup / implementation costs such as costs of the design, migration and testing of technology platform. This resulting asset will be amortised on a systematic basis over the expected average life of the contract period. The entity expects to provide services relating to the technology platform.

Contract liabilities

	2021	2020
	$	$
Current		
Contract liabilities – advances received	350,098	154,910
Non-Current		
Contract liabilities – advances received	644,971	446,315

The contract liabilities primarily relate to the advanced consideration received as initial set up fees from first time customers. Revenue is recognised on a systematic basis over the expected average life of the contract period.

Note 6. Income Tax Expense

Recognition and measurement

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

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

PayGroup Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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.

Reconciliation of income tax expense to prima facie tax payable

	2021	2020
	$	$
Loss from continuing operations before income tax expense	759,081	2,139,720
Prima facie domestic effective tax rate of 26% (2020: 27.5%)	(197,361)	(588,423)
Adjustment for tax-rate differences in foreign jurisdictions	132,807	83,428
(Over)/under-provision of tax in prior year	(54,970)	15,702
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other non-deductible expenses	(2,301,173)	(18,789)
Withholding Tax	$2,603	3,798
Current period tax losses not recognized	2,169,709	438,575
Income tax (benefit)/expense	**(248,384)**	**(65,709)**

Carried forward tax losses of $18.9 million have not brought to account as a deferred tax asset. These tax losses include capital losses of $8.1 million within Australia, and revenue losses of $6.5 million and $3.9 million within Australia and Singapore jurisdictions, respectively. Based on the value of tax losses incurred, the directors' have formed an opinion that the business was not in a position to satisfy the criteria for recognising these losses as a deferred tax asset. These losses remain available for the Group to use in the future.

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

- assessable income is derived of a nature, and of an amount sufficient to enable the benefit from the deductions to be realized
- 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.

Franking credits

	2021	2020
	$	$
Franked dividends	-	-
Franking credits available for subsequent financial years based on a tax rate of 27.5%	7,250	7,250
	7,250	**7,250**

Key estimate and judgment: Taxation

The Group has exposure to income taxes in the countries where it operates. Significant judgment is involved in determining the Group provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which the determination is made.

AASB Interpretation 23: Uncertainty over income tax treatments

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

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

The Group has assessed the impact of AASB Interpretation 23 on the financial statements. The assessment concluded that the Interpretation did not have a material impact on the financial statements.

Note 7. Financial assets and financial liabilities

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

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

The group's exposure to various risks associated with the financial instruments is discussed in note 13. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

(a) Cash and cash equivalents

Recognition and measurement

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

	2021	2020
	$	$
Cash at bank	3,220,652	1,964,816
Cash on hand	3,071	2,787
Unrestricted cash and cash equivalents	3,223,723	1,967,603
Clients' monies*	8,888,009	7,073,847
	12,111,732	**9,041,450**

**The cash and cash equivalents disclosed above include $8,888,009 (31 March 2020: $7,073,847) which are held in separate bank accounts 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 7c for the corresponding liability account. The client money is not included in the statement of cash flows.*

(b) Trade and other receivables

Recognition and measurement

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months after the reporting period are classified as current assets. All other receivables are classified as non-current assets. Trade and other receivables are recognised when the Group becomes party to a contractual provision. They are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and substantially all the risks and rewards are transferred. Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, less any loss allowance.

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

Resource Management Asset

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

Key estimate and judgment: Trade receivable loss allowance

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

	2021	2020
	$	$
CURRENT		
Trade receivables	2,876,984	3,291,399
Less: allowance for credit losses	(111,104)	(158,505)
	2,765,880	3,132,894
Resource management asset	518,136	473,182
Non-trade receivables (refer note 14)	599,768	-
Less: Impairment of non-trade receivables (refer note 14)	(599,768)	-
Other receivables	117,604	243,785
	3,401,620	**3,849,861**
NON-CURRENT		
Other receivables	473,928	322,187
	473,928	**322,187**

Impairment and risk exposure

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

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

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

Past due loans and receivables

	2021	2020
	$	$
Past due under 30 days	494,376	1,133,122
Past due 30 days to under 60 days	67,503	198,178
Past due 60 days to under 90 days	46,871	61,240
Past due 90 days and over	383,647	533,272
Total past due loans and receivables	992,397	1,925,812
Total loans and receivables	**3,986,652**	**4,330,553**
Expected credit loss per the allowance for impairment matrix	111,104	158,505
Expected credit loss (%), net	**3%**	**4%**

Reconciliation of allowance for impairment

	2021	2020
	$	$
Opening balance	158,505	100,348
Acquired as part of Astute acquisition 1 Nov 2019	-	50,049
Additional expected credit loss allowance	28,786	75,982
Receivables written off, net	(76,187)	(67,874)
Closing balance	**111,104**	**158,505**

(c) Trade and other payables

Recognition and measurement

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

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

	2021 $	2020 $
CURRENT		
Trade payables	1,398,473	1,093,349
Advances of client's monies (note 7a)	8,888,009	7,073,847
Resource management liability	835,777	793,980
Accruals	890,338	1,333,296
GST/VAT/SST payable	1,045,387	929,307
Deferred purchase consideration payable pursuant to PayrollHQ's acquisition (1)	878,601	-
Other payables	1,049,347	1,345,648
	14,985,932	**12,569,427**

(1) The 1,405,762 shares were issued as deferred consideration shares pursuant to PayrollHQ's acquisition. These shares were recorded as a financial liability and were initially valued at $0.60. Deferred purchase consideration payable (note 15) were revalued at year end based on their fair value of $0.625, the resulting fair value adjustment of $35,144 is recorded under other expenses.

(d) Other assets

	2021 $	2020 $
Deposits on leasehold properties	579,436	351,964
GST receivables	209,231	158,903
	788,667	**510,867**

Note 8. Non-financial assets and financial liabilities

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

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment (note 8(a))
  - intangible asset (note 8(b))
  - deferred tax balances (note 8(c))
  - provisions and employee benefit obligations (note 8(d))
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) Property, plant and equipment

Recognition and measurement

Plant & equipment are stated at cost, less accumulated depreciation and provision for impairments. Depreciation is calculated on a straight-line basis so as to write off the cost over their expected useful lives. The estimated useful lives are as follows:

Leasehold improvements	5 years or shorter of lease term
Renovation	3 years
Furniture & fittings	3 years
Office equipment	3 - 10 years
Computers	3 years

Fully depreciated plant & equipment are retained in the financial statements until they are no longer in use. The residual values and useful lives of plant & equipment are reviewed at the end of each financial year end and adjusted prospectively, if appropriate. Plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets maybe impaired.

Impairment of assets

Plant and equipment are reviewed for impairment wherever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e., the higher of the fair value less costs to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

The impairment loss is recognised in the statement of profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of profit or loss.

Key estimation uncertainty: Depreciation

Plant and equipment are depreciated and amortised on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. Any changes in the economic useful lives or residual values could impact the depreciation charges and consequently affect the Group's results.

Key estimation uncertainty: Impairment of non-financial assets

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

The recoverable amount of these assets and, where applicable, cash generating units, have been determined based on value in use calculations. These calculations require the use of estimates. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit (or group of cash generating units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives and utilisation of the assets, discount rates and other factors.

Cost:	Leasehold Improvement & Renovations $	Office Equipment $	Furniture & Fittings $	Computers $	Total $
Balance 1 April 2019	169,343	191,190	214,873	110,650	686,056
Additions	55,229	41,581	–	61,622	158,432
Balance 31 March 2020	**224,572**	**232,771**	**214,873**	**172,272**	**844,488**
Additions	–	93,988	106	37,432	131,526
Acquired as part of the TalentOz acquisition 1 July 2020	–	10,751	1,850	18,274	30,875
Acquired as part of the PayrollHQ acquisition 1 December 2020	–	–	–	23,410	23,410
Balance 31 March 2021	**224,572**	**337,510**	**216,829**	**251,388**	**1,030,299**
Accumulated depreciation:					
Balance 1 April 2019	141,598	145,501	189,265	72,725	549,089
Charge for the year	39,258	24,054	24,696	25,457	113,465
Balance 31 March 2020	**180,856**	**169,555**	**213,961**	**98,182**	**662,554**
Charge for the period	34,241	29,681	2,504	35,502	101,928
Acquired as part of the PayrollHQ acquisition 1 December 2020	–	–	–	14,794	14,794
Balance 31 March 2021	**215,097**	**199,236**	**216,465**	**148,478**	**779,276**
Net Book Value:					
Balance 31 March 2020	**43,716**	**63,216**	**912**	**74,090**	**181,934**
Balance 31 March 2021	**9,475**	**138,274**	**364**	**102,910**	**251,023**

(b) Intangible assets

Recognition and measurement

Intangible assets include the Group's aggregate amount spent on the acquisition of computer software and development costs. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and impairment losses. They are amortised in the profit or loss on a straight-line basis over their estimated useful lives. The Group has adopted an estimated useful life ranging between 5 - 10 years. The useful life is measured from the date on which they are available for use.

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

The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. For computer software licences, the useful life represents management's view of the expected term over which the Group will receive benefits from the software, but not exceeding the licence term. For unique software products controlled by the Group, the life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology. Historically changes in useful lives have not resulted in material changes to the Group's amortisation charge.

Goodwill

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

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

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

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

Impairment of assets

Intangibles are reviewed for impairment wherever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e., the higher of the fair value less costs to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount.

The impairment loss is recognised in the statement of profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the statement of profit or loss.

Critical accounting estimates: Capitalisation of intangibles

Costs directly attributable to the development of computer software are capitalised as intangible assets when the Group judges that the technical feasibility of the project is demonstrated, the Group has the intention and ability to complete and use the software and the cost can be measured reliably. Such costs include purchases of materials and services and payroll related costs of employees directly involved in the project. Research costs are recognised as an expense when incurred.

Key estimation uncertainty: Amortisation

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

Key estimation uncertainty: Impairment of non-financial assets

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

The recoverable amount of these assets and, where applicable, cash generating units, have been determined based on value in use calculations. These calculations require the use of estimates. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit (or group of cash generating units) and also to use many estimates and assumptions such as future market growth, forecast revenue and costs, useful lives and utilisation of the assets, discount rates and other factors.

Cost:	Goodwill (refer note 9) $	Software $	Software under development $	Customer contracts & relationships $	Trademark & tradename $	Total $
Balance 1 April 2019	–	1,662,227	532,620	210,034	–	2,404,881
Acquired as part of Astute acquisition	1,688,511	6,300,000	–	1,000,000	200,000	9,188,511
Additions	–	14,120	2,144,221	–	–	2,158,341
Reclassification	–	1,329,527	(1,329,527)	–	–	–
Balance 31 March 2020	1,688,511	9,305,874	1,347,314	1,210,034	200,000	13,751,733
Restatement based on final purchase price allocation of the Astute acquisition 1 Nov 2019	601,427	–	–	–	–	601,427
Restated balance 31 March 2020	**2,289,938**	**9,305,874**	**1,347,314**	**1,210,034**	**200,000**	**14,353,160**
Acquired as part of the TalentOz acquisition	687,161	1,035,445	–	–	–	1,722,606
Acquired as part of the PayrollHQ acquisition	2,513,944	–	–	900,000	–	3,413,944
Additions	–	367,723	2,202,626	–	–	2,570,349
Reclassification	–	2,501,500	(2,501,500)	–	–	–
Balance 31 March 2021	**5,491,043**	**13,210,542**	**1,048,440**	**2,110,034**	**200,000**	**22,060,059**
Accumulated amortisation:						
Balance 1 April 2019	–	932,998	–	–	–	932,998
Charge for the year	–	695,758	–	143,259	16,667	855,684
Balance 31 March 2020	**–**	**1,628,756**	**–**	**143,259**	**16,667**	**1,788,682**
Charge for the period	–	1,330,048	–	177,765	40,000	1,547,813
Balance 31 March 2021	**–**	**2,958,804**	**–**	**321,024**	**56,667**	**3,336,495**
Net Book Value:						
Restated balance 31 March 2020	**2,289,938**	**7,677,118**	**1,347,314**	**1,066,775**	**183,333**	**12,564,478**
Balance 31 March 2021	**5,491,043**	**10,251,738**	**1,048,440**	**1,789,010**	**143,333**	**18,723,564**

(c) Deferred tax asset/ (liability) balances

The balance comprises temporary difference attributable to:

	2021 **$**	2020 $
Plant and Equipment	52,137	60,305
Employee benefits	24,934	20,310
Deferred tax asset/(liability)	**77,071**	**80,615**

The deferred tax assets are recognized within India and Philippines jurisdictions where effective tax rates are 25% and 30%, respectively.

(d) Provisions

Recognition and measurement

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

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

Employee benefit obligations

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

Defined contribution plan

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

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

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

Short-term employee benefits

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

Other long-term employee benefits

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

	2021	2020
	$	$
CURRENT		
Provision for leave	774,734	543,207
Provision for gratuity:		
Internal employees (i)	9,662	4,770
Temporary employees (ii)	32,472	21,229
Provision for make-good (iii)	9,886	-
	826,754	**569,206**
NON-CURRENT		
Provision for leave	55,525	14,123
Provision for gratuity:		
Internal employees (i)	92,097	70,953
Temporary employees (ii)	279,920	287,542
Provision for make-good (iii)	105,202	100,274
	532,744	**472,892**

(i) Gratuity for internal employees

Amounts recognised in the Balance Sheet are as follows:

	2021	2020
	$	$
Present value of the obligation as at the end of the year		
Current portion	9,662	4,770
Non-current portion	92,097	70,953
Net liability recognised in the balance sheet	**101,759**	**75,723**
Changes in the present value of defined benefit obligation:		
Opening balance	75,723	71,837
Service cost	23,295	15,987
Interest cost	4,417	5,779
Net actuarial (gain) recognised for the year	12,618	(18,988)
Foreign exchange loss on translation	(14,294)	4,355
Net outflow	-	(3,247)
Defined benefit obligation as at the end of the year	**101,759**	**75,723**

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

	2021	2020
	$	$
Service cost	23,295	15,987
Interest cost	4,417	5,779
Net actuarial (gain) recognised for the year	12,618	(18,988)
Expenses recognised in the Statement of Profit and Loss and Other Comprehensive Income	**40,330**	**2,778**

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

	2021	2020
	$	$
Defined benefit obligation	101,759	75,723
(Deficit)	(101,759)	(75,723)
Experience adjustments on plan liabilities	**16,653**	**(3,282)**

(ii) Gratuity for temporary employees

Amounts recognised in the Balance Sheet are as follows:

	2021	2020
	$	$
Present value of the obligation as at the end of the year		
Current portion	32,472	21,229
Non-current portion	279,920	287,542
Net liability recognised in the balance sheet	**312,392**	**308,771**
Changes in the present value of defined benefit obligation:		
Opening balance	308,771	276,570
Service cost	113,709	140,286
Interest cost	18,440	22,130
Net actuarial (gain) recognised for the year	(74,575)	(141,160)
Foreign exchange loss on translation	(53,953)	16,765
Net outflow	-	(5,820)
Defined benefit obligation as at the end of the year	**312,392**	**308,771**

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

	2021	2020
	$	$
Service cost	113,709	140,286
Interest cost	18,440	22,130
Net actuarial (gain) recognised for the year	(74,575)	(141,160)
Expenses recognised in the Statement of Profit and Loss and Other Comprehensive Income	**57,574**	**21,256**

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

	2021	2020
	$	$
Defined benefit obligation	312,392	308,771
(Deficit)	(312,392)	(308,771)
Experience adjustments on plan liabilities	**(72,308)**	**(93,271)**

Notes to the consolidated financial statements

For the year ended 31 March 2021

Assumptions used in the valuations of gratuity for the year ended 31 March 2021 are as below:

	Internal Employees		Temporary employees	
	2021	2020	**2021**	2020
	$	$	**%**	%
Discount rate	7.19%	6.72%	6.77%	6.88%
Future salary increase	7%	7%	7%	7%
Attrition rate	15%	15%	28%	28%
Retirement age	58	60	58	58

(iii) Movement in provision for make-good is as follows:

	2021	2020
	$	$
Opening balance	100,274	-
Acquired as part of PayrollHQ acquisition 1 December 2020	14,814	100,274
Closing balance	**115,088**	100,274

Note 9. Goodwill

In accordance with the accounting standard AASB 136 Impairment of Assets, the Group has conducted a review of indicators of impairment during the year for each of the cash generating units (CGUs) to which goodwill has been allocated.

During the year and at the date of this report, no indicators were identified that would require a reassessment of the recoverable amount of goodwill for the PayAsia, Astute and PayrollHQ Cash Generating Units (CGUs). For PayrollHQ, the last valuation was performed at the time of acquisition (1 December 2020).

For the PayAsia and Astute CGU tested, the recoverable amount has been calculated based on the value in use, using a discounted cash flow (DCF) approach. The DCF uses pre-tax cash flow projections that are based on the most recent forecast updated for current performance and is discounted at an appropriate pre-tax discount rate taking into account the Group's weighted average cost of capital adjusted for any risks specific to the CGU.

Terminal growth rates applied in the DCF are based on estimates of long-term Industry growth in the country in which the CGU primarily operates.

The allocation of goodwill to PayAsia and Astute CGU tested for impairment in the year ended 31 March 2021 and the assumptions applied in calculating the recoverable amounts of the goodwill in testing for impairment are as follows:

	Allocated Goodwill		Pre-tax discount rate		Long term growth rate	
	2021	2020 (Restated)	**2021**	2020	**2021**	2020
	$	$	**%**	%	**%**	%
Astute	2,289,938	2,289,938	15.6%	n/a	5%	n/a
PayAsia	687,161	-	15.1%	n/a	5%	n/a

No impairment of goodwill has been recognised in the year to 31 March 2021 (2020: nil).

Significant estimates made

The continued profitability and growth of the CGUs are dependent on retaining existing client revenue. Loss of existing client revenue would result in reduced headroom or impairment of the goodwill allocated to the CGUs. The cash flow projections also assume an increased number of clients using the software provided by the business over the forecast period. If the business is not able to achieve the increased revenue from new client sales then it will result in reduced headroom or impairment of the goodwill allocated to the CGUs.

Note 10. Leases

Recognition and measurement

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

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

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

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

Right-of-use assets

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

	$
Balance 1 April 2019	930,872
Additions	22,621
Acquired as part of the Astute acquisition 1 Nov 2019	1,102,156
Depreciation	(433,129)
Balance 31 March 2020	**1,622,520**
Additions	385,381
Acquired as part of the PHQ acquisition 1 Dec 2020	72,078
Write-off of assets	(3,723)
Depreciation	(614,848)
Balance 31 March 2021	**$1,461,408**

Lease liabilities

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

	2021	2020
	$	$
Balance 1 April	1,720,779	930,872
Additions	385,381	22,621
Written-off	(16,551)	–
Rent concessions recognized as other income	(62,368)	–
Acquired as part of Astute acquisition 1 Nov 2019	–	1,084,045
Acquired as part of PayrollHQ acquisition 1 Dec 2020	68,258	–
Interest expense	115,724	71,255
Foreign exchange loss on translation	(200,320)	–
Payments on lease liabilities	(527,280)	(388,014)
Balance 31 March	**1,483,623**	**1,720,779**
Lease liabilities – current	**619,750**	**624,505**
Lease liabilities – non-current	**863,873**	**1,096,274**

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Note 11. Equity

(a) Share capital

	31 March 2021		31 March 2020	
	Shares	$	Shares	$
	82,522,339	43,672,726	68,894,010	36,213,927

Recognition and measurement

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

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

Movements in ordinary share capital

	Date	**Shares**	**Issue price**	**$**
Balance at 1 April 2019		51,671,466		24,076,417
Shares issued pursuant to Astute acquisition	14 Nov 2019	12,764,706	$0.72	9,190,588
Shares issued – capital raise	27 Nov 2019	4,285,714	$0.70	3,000,000
Shares issued to settle supplier payment	27 Nov 2019	108,553	$0.76	82,500
Shares issued to settle supplier payment	7 Jan 2020	63,571	$0.70	44,500
Cost attributable to raising capital	–	–	–	(180,078)
Balance 31 March 2020		**68,894,010**		**36,213,927**
Balance at 1 April 2020		68,894,010		36,213,927
Shares issued pursuant to TalentOz acquisition	14-Jul-20	1,826,865	$0.84	1,534,567
Shares issued pursuant to PayrollHQ acquisition (Tranche 1)	15-Dec-20	4,122,694	$0.60	2,473,617
Shares issued pursuant to PayrollHQ acquisition (Tranche 2) (1)	15-Dec-20	1,405,762	-	-
Shares issued – capital raise	9-Sep-20	6,034,483	$0.58	3,500,000
Cost of share issued recorded directly in equity	15-Dec-20			(192,500)
Shares issued to settle supplier payment	15-Dec-20	58,977	$0.60	35,387
Shares issued to settle employee entitlements	15-Dec-20	49,467	$0.60	29,680
Shares issued under Employee share plan	15-Dec-20	105,347	$0.60	63,208
Shares issued under Employee share plan	13-Jan-21	24,734	$0.60	14,840
Balance 31 March 2021		**82,522,339**		**43,672,726**

(1) Tranche 2 shares issued are deferred purchase consideration which has been recorded as a financial liability. Refer note 7c.

(b) Reserves

Recognition and measurement

Share-based payment reserve

The share-based payment reserve is used to recognise:

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

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

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

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

The cost of equity settled transactions are measured at fair value on grant date.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Foreign currency translation reserve

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

Reserves

	2021	2020
	$	$
		(Restated)
Share based payment reserve	216,904	216,904
Retention shares receivable reserve(1)	–	–
Actuarial (losses)/gains on defined benefit plan	222,065	160,108
Foreign currency translation reserve	(655,592)	(586,205)
Reserves pursuant to share swap acquisition of PayAsia	(16,698,676)	(16,698,676)
	(16,915,299)	**(16,907,869)**

(1) Refer note 14.

Share based payment expense

	2021	2020
	$	$
		(Restated)
Shares issued to settle supplier payment	35,387	127,000
Shares issued to settle employee entitlements	29,680	-
Shares issued under Employee share plan	78,048	-
	143,115	**127,000**

Note 12. Earnings per share and dividends

Recognition and measurement

Basic earnings per share

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

Diluted earnings per share

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

Earnings per share

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

	2021	2020
	$	$
Loss after income tax (basic)	(510,697)	(2,074,011)
Loss after income tax (diluted)	(510,697)	(2,074,011)
Weighted average number of shares used in basic earnings per share	75,261,670	58,049,935
Weighted average number of shares used in diluted earnings per share	75,261,670	58,049,935
Basic earnings / (loss) per share (cents per share)	(0.68)	(3.57)
Diluted earnings / (loss) per share (cents per share)	(0.68)	(3.57)

Dividends

No dividends were paid during the year ended 31 March 2021 and 31 March 2020.

Note 13. Financial instrument risk

Capital and Risk management objectives and policies

The Group's objective when managing capital is to:
- Safeguard their ability to continue as a going concern, so that they can provide returns to shareholders; and
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. For the purpose of analysis the Group defines capital as fully paid ordinary shares

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

(a) Market risk analysis

Foreign currency risk

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

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

Interest rate risk

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

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

	2020 Weighted average interest rate	**2020 Balance $**	**2020 Weighted average interest rate**	**2020 Balance $**
Cash and cash equivalents	0.34%	12,111,732	0.34%	9,041,450
Net exposure to cash flow interest rate risk		**12,111,732**		**9,041,450**

Sensitivity analysis

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

Impact on profit/loss for the period:

	2021 $	2020 $
Increase in interest rates +10%	4,118	3,074
Decrease in interest rates -10%	(4,118)	(3,074)

(b) Credit risk analysis

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

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

Trade receivables

Collectability of trade receivables is reviewed on an ongoing basis through regular review of ageing analysis. Trade receivables are written off when there is no reasonable expectation of recovery. Trade receivables consist of a large number of customers in various industries and geographical areas. The Group does not hold any security on the trade receivables balance.

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis as they possess shared credit characteristics. They have been grouped based on days past due. Refer to Note 7(b) for further information of impairment and risk exposure.

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

(c) Liquidity risk analysis

Prudent liquidity risk management requires the Group to maintain sufficient liquid assets and available borrowing facilities to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Amounts presented below represent the future undiscounted principal and interest cash flows.

Maturity analysis

	1 year or less $	Between 1 and 2 years $	Between 3 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-interest bearing					
Trade payables	1,093,349	–	–	–	1,093,349
Other payables	2,139,629	–	–	–	2,139,629
Advances of client's monies	7,073,847	–	–	–	7,073,847
Accrued expenses	1,333,296	–	–	–	1,333,296
Lease liabilities	624,505	582,941	513,333	–	1,720,779
Balance 31 March 2020	**12,264,626**	**582,941**	**513,333**	**–**	**13,360,900**
Non-interest bearing					
Trade payables	1,398,473	–	–	–	1,398,473
Other payables	2,763,726	–	–	–	2,763,726
Advances of client's monies	8,888,009	–	–	–	8,888,009
Accrued expenses	890,338	–	–	–	890,338
Lease liabilities	619,750	522,926	259,621	81,326	1,483,623
Balance 31 March 2021	**14,560,296**	**522,926**	**259,621**	**81,326**	**15,424,169**

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

Note 14. Contingent assets and liabilities

As part of the acquisition of AstuteOne Limited (and its wholly owned subsidiaries):

1. After completion of the acquisition by the Company of all the issued shares in AstuteOne Limited, Mr Marcus Webb retained the role of CEO; Mr Matt Hudson retained the role of Director of AstuteOne (and its associated group companies) and they retained operational control (subject to PayGroup internal policies and certain authorities agreed in writing with Mr Webb and Mr Hudson) - reflecting Mr Webb's continued interest to further earn-out consideration based on the financial performance of AstuteOne (as referred to below). On 21 December 2020 Mr Webb and Mr Hudson purported to make Mr Webb's role as CEO of AstuteOne redundant and caused certain payments to themselves to be made. These payments totaled $599,768. Messrs Webb and Hudson then immediately left the AstuteOne business at that time without prior notice and the Company's new nominees to the AstuteOne Board assumed control of AstuteOne, with minimal impact on its customers and business. The Company and AstuteOne dispute the legitimacy of the above payments or any entitlement of Messrs Webb and Hudson to the monies they caused AstuteOne to pay to them and is seeking their repayment. The claim by the Company for repayment is disputed by Messrs Webb and Hudson and the parties have agreed to undertake a mediation of the dispute. On a prudent accounting basis, the sum of these payments is treated as an impaired receivable.

2. Under the terms of the AstuteOne purchase agreement, post completion, the parties were obliged to seek to agree an adjustment for working capital of the AstuteOne business as at the completion date. The Company has determined that the amount due in respect of the provisions for the working capital adjustment is $601,427. Messrs Webb and Hudson (and entities controlled by them) as vendors under the AstuteOne purchase agreement dispute the Company's entitlement to and quantum of the amount claimed by the Company in respect of the working capital adjustment. The parties have agreed to undertake a mediation of the dispute. In the light of the on-going dispute, for accounting purposes, the Company has treated the working capital shortfall amount as part of Goodwill rather than a receivable.

3. The Company entered into a Performance Rights Agreement with Mr Webb whereby if the AstuteOne Limited group of companies achieved a Profit Before Tax (PBT) of A$1.5m for the Target Performance Period ended 31 October 2020, Mr Webb would be entitled to be issued shares in the Company worth A$1.5m. The PBT calculation was furnished to Mr Webb within 45 days of the end of the Target Performance Period. Based on the Company's calculation, the earn-out PBT has not been satisfied and therefore no share based payments were recognised in the year-end report. Mr Webb disputes the Company's calculations and claims he is entitled to shares in the Company worth A$1.5m. The parties have agreed to undertake a mediation of the dispute.

There were no other material claims or disputes of a contingent nature against the Company and its subsidiaries as at the reporting date.

Note 15. Business Combinations

Current financial year

TalentOz

Summary of acquisition

The Group acquired the business of TalentOz Sdn Bhd and Forzia Tech Private Limited ("TalentOz") effective 1 July 2020. TalentOz provides comprehensive cloud-based HCM software with Payroll modules in Malaysia and India. It has an innovative SaaS HCM, analytics and payroll product suite with leading end-user functionality, enabling businesses to unlock the full value of their workforce across all devices.

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

	2021 $
Purchase consideration (refer note below):	
Cash paid	170,381
Ordinary shares issued	1,534,567
Total purchase consideration	**1,704,948**

The fair value of the 1,826,865 shares issued at $0.84 as part of the consideration paid for TalentOz was based on the 5 days value weighted average share price from transaction date.

The transaction was undertaken based on the fair value of TalentOz's assets and liabilities acquired as at 1 July 2020. The goodwill is attributable to the workforce and the underlying business capability and operational performance. It will not be deductible for tax purposes.

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 TalentOz acquisition. The final purchase price allocation did not result in any adjustment to the initial purchase price allocation. The purchase consideration, assets and liabilities recognised as a result of the acquisition are as follows:

	2021 $
Property, plant and equipment	30,875
Intangible assets:	
Software	1,035,445
Employee benefit liability	(48,533)
Net identifiable assets acquired	**1,017,787**
Add: goodwill	687,161
Net assets acquired	**1,704,948**

(i) Acquisition related costs

Acquisition-related costs of $227,228 that were not directly attributable to the payment of purchase consideration are included in consulting and professional fees in profit or loss and in investing cash flows in the statement of cash flows.

(ii) Acquired receivables

The fair value of acquired trade and other receivables is $nil. The gross contractual amount for trade receivables due and collectible is $nil.

(iii) Accounting policy choice

The group recognises interests at its acquired net identifiable assets.

	2021 $
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	(170,381)
Less: Balances acquired	
Cash	–
Restricted client monies	–
Net inflow/ (outflow) of cash – investing activities	**(170,381)**

(iv) Revenue and profit contribution

The acquired business contributed revenues of $391,217 and net loss of $105,287 to the Group for the period from 1 July 2020 to 31 March 2021.

If the acquisition had occurred on 1 April 2020, consolidated pro-forma revenue and loss for the year ended 31 March 2021 would have been $521,623 and $140,382, respectively. These amounts have been calculated using the acquiree's results.

PayrollHQ

Summary of acquisition

The acquisition of PayrollHQ effective 1 December 2020 has significantly transformed PayGroup's payroll presence in the Australia and New Zealand markets and increased PayGroup's sales capabilities in Australia. PayrollHQ has an excellent client base and sales pipeline and is led by a group of experienced and high-performing industry experts. The acquisition is underpinned by a highly compelling rationale for PayGroup and is consistent with its strategic plan to grow its revenue and client base and capitalise on the fast-growing outsourced HCM and payroll markets across the Asia Pacific region.

PayrollHQ provides a full suite of payroll outsourcing services for its clients, and processes in excess of 120,000 payslips per annum. PayrollHQ has over 100 current corporate clients and a significant sales funnel, with high client retention.

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

	2021 $
Purchase consideration (refer note below):	
Ordinary shares issued	2,473,616
Deferred purchase consideration payable (recorded as financial liability)	843,457
Total purchase consideration	**3,317,073**

The fair value of the 4,122,694 ordinary shares issued and 1,405,762 deferred shares consideration is taken at $0.60. The fair value was based on the 10 days value weighted average share price from transaction date. The 1,405,762 issued as deferred consideration shares were recorded as a financial liability and were initially valued at $0.60. Deferred purchase consideration payable pursuant to PayrollHQ's acquisition (note 8c) were revalued at year end based on their fair value of $0.625, the resulting fair value adjustment of $35,144 is recorded under other expenses.

The transaction was undertaken based on the fair value of PayrollHQ's assets and liabilities acquired as at 1 December 2020. The goodwill is attributable to the workforce and the underlying business capability and operational performance.

The business combination has initially been accounted for on a provisional basis in accordance with AASB 3 Business Combinations. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at balance date. The acquisition accounting for this transaction is provisional and as allowed under Australian Accounting Standards any adjustments made to these provisional numbers will be reflected in future financial periods. Finalisation is expected no later than 30 September 2021.

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

Notes to the consolidated financial statements
For the year ended 31 March 2021

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

	2021
	$
Cash and cash equivalents	52,489
Trade and other receivables	198,498
Contract assets	120,161
Contract liabilities	(57,720)
Right-of-use assets	72,078
Lease liabilities	(68,258)
Plant and equipment	8,616
Trade and other payables	(205,431)
Intangible assets:	
Customer contracts and relationships	900,000
Deferred tax liability	(217,303)
Net identifiable assets acquired	**803,130**
Add: goodwill	2,513,944
Net assets acquired	**3,317,074**

(i) Acquisition related costs

Acquisition-related costs of $60,309 that were not directly attributable to the payment of purchase consideration are included in consulting and professional fees in profit or loss and in investing cash flows in the statement of cash flows.

(ii) Acquired receivables

The fair value of acquired trade and other receivables is $198,498. The gross contractual amount for trade receivables due is $198,498 of which none is expected to be uncollectible.

(iii) Accounting policy choice

The group recognises interests at its acquired net identifiable assets.

	2021
	$
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	–
Less: Balances acquired	
Cash	52,489
Restricted client monies	–
Net inflow/ (outflow) of cash – investing activities	**52,489**

(iv) Revenue and profit contribution

The acquired business contributed revenues of $578,144 and net loss of $35,118 to the Group for the period from 1 December 2020 to 31 March 2021.

If the acquisition had occurred on 1 April 2020, consolidated pro-forma revenue and loss for the year ended 31 March 2021 would have been $1,575,728 and $26,424, respectively. These amounts have been calculated using the acquiree's results.

Previous corresponding year

Astute One Limited

Summary of acquisition

On the date of acquisition 1 November 2019, 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.

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 Astute One Limited acquisition. The final purchase price allocation resulted in an adjustment to the initial purchase price allocation and a corresponding change in goodwill. The purchase consideration, assets and liabilities recognised as a result of the acquisition are as follows:

	Initial purchase price allocation	Adjustments for final purchase price allocation	Restated balance
	$	$	$
Purchase consideration (refer note below):			
Cash paid	150,000	–	150,000
Ordinary shares issued	9,190,588	–	9,190,588
Retention shares receivable (refer note 14)	(601,427)	601,427	–
Total purchase consideration	**8,739,161**	**601,427**	**9,340,588**

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

The assets and liabilities recognised based on the final purchase price allocation as follows:

	Initial purchase price allocation	Adjustments for final purchase price allocation	Restated balance
	$	$	$
Cash and cash equivalents	686,705	–	686,705
Trade and other receivables	1,140,445	–	1,140,445
Contract assets	188,104	–	188,104
Right-of-use assets	1,102,156	–	1,102,156
Intangible assets:			
Software	6,300,000	–	6,300,000
Customer contracts and relationships	1,000,000	–	1,000,000
Trademarks	200,000	–	200,000
Trade and other payables	(2,360,791)	–	(2,360,791)
Lease liability	(1,084,045)	–	(1,084,045)
Contract liabilities	(121,924)	–	(121,924)
Net identifiable assets acquired	**7,050,650**	**–**	**7,050,650**
Add: goodwill	1,688,511	601,427	2,289,938
Net assets acquired	**8,739,161**	**601,427**	**9,340,588**

(i) Acquisition related costs

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

(ii) Acquired receivables

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

(iii) Accounting policy choice

The group recognises interests at its acquired net identifiable assets.

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

(iv) Revenue and profit contribution

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

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

Note 16. Related parties

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

PayGroup Limited acquired 100% of the issued share capital of PayrollHQ Pty Ltd ("PayrollHQ") on 1 December 2020. PayrollHQ became a 100% controlled entity at this date.

PayGroup Limited 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 Limited) 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 2021 the results of these companies were not material to the results of the Group.

As at the date of this report, the entities over which control was gained are as follows:

Name	Date of acquisition	Parent entity	%	Country of incorporation and business
Pay Asia Pte Ltd	29 May 2018	PayGroup Limited	100%	Singapore
PayMY Outsourcing Sdn Bhd	29 May 2018	Pay Asia Pte Ltd	100%	Malaysia
Pay Asia Australia Ltd	29 May 2018	Pay Asia Pte Ltd	100%	Australia
Pay Asia Ltd	29 May 2018	Pay Asia Pte Ltd	100%	Hong Kong
Pay Asia HR Services Limited, Inc	29 May 2018	Pay Asia Pte Ltd	100%	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
Astute One Limited	1 Nov 2019	PayGroup Limited	100%	Australia
Astute International Pty Ltd	1 Nov 2019	Astute One Limited	100%	Australia
Astute Corporation Pty Ltd	1 Nov 2019	Astute One Limited	100%	Australia
Managed Payroll Solutions Pty Ltd	1 Nov 2019	Astute One Limited	100%	Australia
Pay Asia Taiwan LLC	10 Nov 2020	Pay Asia Pte Ltd	100%	Taiwan
PayrollHQ Pty Ltd	1 Dec 2020	PayGroup Limited	100%	Australia

Notes to the consolidated financial statements
For the year ended 31 March 2021

During the year, David Fagan (Independent Non-Executive Director and Chair of Audit Committee) was appointed as Chairman of BDO Group Holdings Limited ("BDO") and thus it is considered as a related party. BDO has provided professional and consultancy services amounting to $189,895 for the year ended 31 March, 2021 and have a payable balance of $119,800 as at 31 March, 2021.

(a) Key management personnel remuneration

	2021	2020
	$	$
Short-term salary / fees	1,024,500	1,153,854
Post-employment benefits	13,188	17,545
Share based payments	78,049	8,567
	1,115,737	**1,179,966**

(b) Rental

Pay Asia Australia Pty Ltd rents business premise via a third-party agent. These premises are co-owned by Michele Samantha Samlal. On 13 May 2019, Mark Samlal acquired the 50% originally owned by the independent third party. Rent and the lease agreement are set and maintained by the third-party agent and is set at terms representing normal commercial terms and conditions and at market rates, with nil net rent at per month (2020: $3,542). This lease ended in November 2019.

(c) PayMy Outsourcing Sdn Bhd

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

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

Note 17. Remuneration of auditors

	2021	2020
	$	$
Audit and review of the consolidated financial statements:		
Auditors of PayGroup Limited - Grant Thornton Australia	257,050	138,500
Auditors of subsidiaries - Overseas Grant Thornton network firms	54,435	72,030
Auditors of other subsidiaries of the Group	53,212	42,764
Remuneration from audit and review of consolidated financial statements	**364,697**	**253,294**
Other services:		
Other subcontracted services - Overseas Grant Thornton network firms	59,984	172,151
Total other services remuneration	**59,984**	**172,151**
Total auditor's remuneration	**424,681**	**425,445**

Note 18. Reconciliation of cash flows

Reconciliation of cash flow from operating activities

	2021	2020
	$	$
Cash flows from operating activities:		
Loss after tax for the period	(510,697)	(2,074,011)
Adjustments for:		
Depreciation and amortization	2,264,589	1,402,276
Government grants (non-cash)	(300,000)	-
Foreign exchange differences	72,106	78,714
Allowance for credit loss	28,786	75,982
Acquisition-related transaction costs	282,832	721,000
Share based payments for settlement of liability	143,115	127,000
Net change in working capital		
Change in trade and other receivables	(2,051,268)	(1,704,765)
Change in prepayments	1,371	98,298
Increase in other assets	(429,541)	268,289
Increase in trade and other payables	1,899,560	1,992,236
Change in deferred tax	3,544	162,750
Change in provisions	317,400	(566,627)
Net cash used in operating activities	**1,721,797**	**581,142**

Non-cash investing and financing activities

	2021	2020
	$	$
Shares issued pursuant to Astute acquisition	-	9,190,588
Shares issued for TOz acquisition	1,534,567	-
Shares issued pursuant to PayrollHQ acquisition	2,473,617	-
Shares issued as settlement of liability	35,387	127,000
Shares issued to settle employee entitlements	29,680	-
Shares issued under Employee share plan	78,048	-
	4,151,299	**9,317,588**

Available financing facilities

The group has an unutilized overdraft facility of $244,000 from DBS Bank of Singapore.

Note 19. Parent Entity information

Information relating to PayGroup Limited (the Parent Entity):

	2021	2020
	$	$
Statement of financial position		
Current assets	3,747,190	6,661,456
Non-current assets	28,784,669	25,467,595
Total assets	**32,531,859**	**32,129,051**
Current liabilities	1,490,397	436,401
Non-Current liabilities	-	-
Total liabilities	**1,490,397**	**436,401**
Issued capital	43,672,726	36,213,927
Share based payment reserve	216,904	216,904
Accumulated loss	(12,848,168)	(4,738,181)
Total equity	**31,041,462**	**31,692,650**
Loss for the year	**8,109,987**	**2,443,681**

Contingent liabilities of the parent entity

The parent entity did not have any other contingent liabilities as at 31 March 2021 or 2020, except as disclosed in note 14.

Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 31 March 2021 or 2020.

Note 20. Events after the reporting period

IWS acquisition

PayGroup entered into an agreement to acquire 100% of the issued capital of Integrated Workforce Solutions (IWS). IWS provides a leading cloud-based platform, delivering rostering, payroll and accounting services specialising in solutions for the franchise sector in Australia and New Zealand. IWS's purpose built proprietary platform simplifies complex payroll administration and includes high margin modules for rostering, time and attendance, award interpretation, KPI and benchmarking tools, and bookkeeping. IWS has a large and captive client base of more than 1,000 customers, for which it processes in excess of 400,000 pay slips per annum. IWS has an established position as the provider for new franchise locations and preferred supplier to existing sites, and a customer retention rate in excess of 94%.

The total transaction consideration comprises an Initial Consideration and a Performance Earn-out. The Initial Consideration of $12.75m was paid partially in cash ($8.4m) and the balance in PayGroup shares ($4.35m) – based on the 5-day volume weighted average price (VWAP) prior to the execution of the binding sale and purchase agreement. The Performance Earn-out is based on the achievement of key performance metrics in FY22 and FY23 – based on minimum revenue targets (95% of $6.2 million in FY22 and $7.4 million in FY23) and minimum gross margin targets (70%) for each earn-out period (FY22 and FY23 to June year-end). The Performance Earn-out is calculated at 10% of the Initial Consideration for each earn-out period, at the 5-day VWAP prior to 30 June. All shares issued in consideration for IWS will be subject to a 24-month escrow period from the date of issue.

IWS Acquisition will expand PayGroup's offering into a new high-margin franchise vertical, strengthens the core payroll business, provides substantial cross-sell opportunities, and is expected to make a material contribution to PayGroup's annualised recurring revenue (ARR).

FFP acquisition

PayGroup has signed the Share Sales agreement for the acquisition of FF Partners Co., Ltd (FFP) on 1 May 2021. FFP is headquartered in Tokyo (Japan) and provides the complex payroll and social insurance management services to organisations in Japan. FFP was an existing partner of PayAsia for Japan.

Share Placement

PayGroup has issued 26.8 million new fully paid ordinary shares in the Company ("New Shares"). The Placement was completed in two tranches as follows:

- the issue of 20.3 million New Shares raised approximately $11.4m under the Company's available ASX listing rule 7.1 (12,071,619 shares) and 7.1A (8,228,381 shares) placement capacity, with settlement date on 9 April 2021 ("Tranche 1"); and
- the issue of approximately 6.5 million New Shares to raise approximately $3.6 million, the shareholders approved the resolutions at a general meeting of the Company, held on 13 May 2021 ("Tranche 2").

New Shares have been issued under the Placement and will rank pari passu with existing shares in the Company.

PayGroup also offered a non-underwritten share purchase plan ("SPP") to existing, eligible shareholders. The SPP raised $0.65 million with 1.16 million shares was allotted and issued on 5 May 2021.

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

Directors' declaration
For the year ended 31 March 2021

In the directors' opinion

- The attached financial statements and notes comply with the Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 March 2021 and of its performance for the financial year ended on that date;
- as stated in note 2, the financial statements also comply with International Financial Reporting Standards; and
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 March 2021.

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
31 May 2021
Melbourne

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Independent Auditor's Report

To the Members of PayGroup Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of PayGroup Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 March 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 31 March 2021 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Grant Thornton

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Note 5	

The Group derives revenue through the rendering of services which are performed under a combination of contractual agreements.
 	
Determining the appropriate revenue recognition methods for multiple contractual agreements can be complex and involves management judgment, which include determination of each performance obligation within contracts, allocation of consideration to individual performance obligations and identifying when performance obligations are satisfied so revenue can be recognised.
 	
This area is a key audit matter as we have determined the occurrence of revenue to be a key audit matter due to the application of judgment due to the complexity and customised nature of the arrangements entered into with customers.
	Our procedures included, amongst others:
	• Obtaining an understanding of and assessing each revenue stream to determine the appropriateness of policies and procedures in place regarding revenue recognition in accordance with accounting standard AASB 15 *Revenue from Contracts with Customers*;
	• Documenting and testing the operating effectiveness of the internal controls in respect to Astute Software-as-a-service revenue from the rendering of services;
	• Testing a sample of revenue transactions to supporting documentation in order to:
	  ○ Verifying the occurrence of services performed;
	  ○ Assessing whether revenue is being recognised in accordance with the Group's revenue recognition policies and the relevant accounting standard;
	  ○ Assessing management's estimate of the Group's ability to satisfy performance obligations of each project at 31 March 2021 through corroboration to underlying supporting documentation; and
	• Performing a recalculation of the ability to meet the performance obligations for each significant contract; and
	• Assessing the adequacy of the Group's disclosures within the financial statements

Business Combinations Note 15	

During the year the Group acquired the business of TalentOz and its controlled entities for $1,704,948 as consideration and PayrollHQ for $3,317,073 as consideration.
 	
AASB 3 *Business Combinations* requires significant judgement and estimates to be made in relation to:
• The fair value of the purchase consideration, including any contingent consideration;
• The fair value of assets and liabilities acquired, including separately identifiable intangible assets; and
• Evaluating the fair value of assets acquired during the provisional accounting period.
 	
This is a key audit matter due to the significant judgement required as part of the determination of estimates when accounting for a business combination.
	Our procedures included, but were not limited to:
	• Reading the underlying sale and purchase agreements to understand key terms and conditions of the transaction;
	• Reviewing the work contained in the purchase price allocation valuation calculations, including review of managements expert's valuation assessment, to determine whether:
	  ○ The intangible assets identified are appropriate;
	  ○ The valuation methodologies used are reasonable; and
	  ○ Assumptions used are reasonable compared with external benchmarks and our knowledge of the Group and its industry;
	• Testing the mathematical accuracy of the underlying calculations; and
	• Assessing the adequacy of the Group's disclosures with respect to the business acquisitions against the requirements of AASB 3.

Grant Thornton

Capitalised software under development costs Note 8(b)

Capitalised product development costs had a net carrying value of $11,300,178 at 31 March 2021.

During the year the Group capitalised $2,570,349 of project development costs. These intangible assets are being amortised over a 10 year period.

AASB 138 *Intangible Assets* sets out the specific requirements to be met in order to capitalise development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138.

Given the nature of the industry in which the Group operates, there is also a risk that there could also be a material impairment to capitalised development costs carried as intangible assets, which needs to be considered under accounting standard AASB 136 *Impairment of Assets*.

This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138, the estimate of the assets' useful lives and consideration of impairment involving projected future cash flows under accounting standard AASB 136.

Our procedures included, but were not limited to:

- Assessing the Group's accounting policy in respect of software development costs for adherence to AASB 138;
- Evaluating management's assessment of each project for compliance with the recognition criteria set out in AASB 138, including discussing project plans with management and project leaders to develop an understanding of the nature and feasibility of key projects at 31 March 2020;
- Testing a sample of costs capitalised to supporting documentation to understand the nature of the item and whether expenditure was attributable to the development of the related asset and assessing compliance with the recognition criteria set out in AASB 138;
- Evaluating the appropriateness of the useful economic lives over which capitalised costs are being amortised;
- Challenging management's assumptions and estimates including those relating to forecast revenue, costs and discount rates by assessing the reasonableness of the approved cash flow projections as well as the Group's historical ability to forecast accurately; and
- Assessing the adequacy of related disclosure in the financial statements

Capitalised value of Goodwill Note 9

The Group has recorded goodwill totalling $5,491,043 at 31 March 2021 across three Cash Generating Units. Goodwill is required to be assessed for impairment annually by management as prescribed by AASB 136 *Impairment of Assets*.

Management test goodwill annually for impairment by comparing their carrying amounts against their recoverable amounts determined by either, the greater of its fair value less costs to sell, or its value in use.

This area is a key audit matter due to the significant balance carried by the Group and the inherent subjectivity around key inputs used

Our procedures included, but were not limited to:

- Enquiring with management to obtain and document an understanding of their process and controls related to the determination of cash generating units and the calculation of recoverable amount;
- Evaluating the impairment calculations prepared by management against the requirements of AASB 136;
- Assessing management's assessment of impairment and management's value in use calculations;
- Assessing management's determination of three cash generating units;
- Involving our internal valuation specialists to:
  - Assessing and evaluating the reasonableness of key assumptions, where relevant to the impairment test, including discount rates, terminal growth rates, market evidence of industry earnings valuation multiples and forecast growth assumptions;
  - Performing a sensitivity analysis on the significant inputs and assumptions made by management in preparing its calculations; and
- Assessing the adequacy of disclosures in the financial statements.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 March 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Grant Thornton

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilites/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 9 to 13 of the Directors' report for the year ended 31 March 2021.

In our opinion, the Remuneration Report of PayGroup Limited, for the year ended 31 March 2021 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

E W Passaris
Partner – Audit & Assurance

Melbourne, 31 May 2021

Additional information for listed public companies

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only. The following information is current as at 31 March 2021.

1) Shareholding

a) Distribution of shareholders

Range	Total holders	Units	% of issued capital
1 – 1,000	232	174,238	0.21
1,001 – 5,000	487	1,375,402	1.67
5,001 – 10,000	192	1,528,825	1.85
10,001 – 25,000	148	2,510,414	3.04
25,001 – 50,000	87	3,227,627	3.91
50,001 and over	102	73,705,833	89.32
Rounding			0.00
Total	**1,248**	**82,522,339**	**100.00**

b) The number of shareholdings held in less than marketable parcels is 47,843.

c) Substantial Shareholders

Shareholder	Number of Ordinary Shares Fully Paid Shares Held	% Held of Issued Ordinary Capital
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED [1]	24,249,341	29.39
LAWRENCE PUSHPAM	7,051,953	8.55
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,383,778	5.31
A.C.N. 636 453 864 PTY LTD	4,270,588	5.18
MARKET EFFECT PTY LTD <MKOB FAMILY A/C>	4,264,352	5.17
Total	**44,220,012**	**53.6**

(1) Mark Samlal holds a relevant interest in these shares.

d) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares
Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Additional information for listed public companies
(continued)

e) 20 Largest Shareholders – Ordinary Shares

Shareholder	Number of Ordinary Shares Fully Paid Shares Held	% Held of Issued Ordinary Capital
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED (1)	24,249,341	29.39
LAWRENCE PUSHPAM	7,051,953	8.55
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,383,778	5.31
A.C.N. 636 453 864 PTY LTD	4,270,588	5.18
MARKET EFFECT PTY LTD <MKOB FAMILY A/C>	4,264,352	5.17
NATIONAL NOMINEES LIMITED	3,627,340	4.40
IMT HERON PTY LTD <ACN 633 500 535) <A ROSS FAMILY TRUST A/C>	2,061,347	2.50
KAZACOS INVESTMENTS PTY LTD	1,702,786	2.06
SIMON FORRESTER <SIMON & SALLY S/F A/C>	1,593,634	1.93
A.C.N. 645 534 274 PTY LTD	1,405,762	1.70
TALENTOZ SDN BHD	1,211,759	1.47
FRANCK NERON-BANCEL	947,296	1.15
DESTIN PTY LTD	794,634	0.96
ELIZABETH & CO PTY LTD <ACN 169 473 429) <468 BARAKA FAMILY TRUST A/C>	742,086	0.90
MRS VICKY KAZACOS + MR PETER KAZACOS	709,494	0.86
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	696,112	0.84
NANCY CHANDLER KOGLMEIER	693,635	0.84
MR PHILIP ANDREW RICHARDS	672,503	0.81
CHAPPELL ESCROW PTE LTD	615,106	0.75
IAN BASSER	501,302	0.61
Total Top 20 holders of ordinary fully paid shares	**62,194,808**	**75.38**
Total remaining holders balance	**20,327,531**	**24.62**

2) Number and class of restricted securities and securities subject to voluntary escrow

Description	Number on Issue
Ordinary shares escrowed until 14 November 2020	4,270,588
Ordinary shares escrowed until 14 November 2021	8,116,667
Ordinary shares escrowed until 14 November 2021	377,451
ESP shares escrowed until further notice	2,028,798
ESP shares escrowed until further notice	615,106
Ordinary shares escrowed until 15 December 2022	5,528,456
ESP shares escrowed until further notice	130,081
Ordinary shares escrowed until 14 July 2021	1,211,759
Total	**22,278,906**

3) Unquoted Securities

There are no unquoted securities.

4) Use of cash

Since the date of listing on the ASX to the end of the reporting period PayGroup used its cash and assets readily convertible into cash in a way consistent with its business objectives.

Corporate Directory

Directors	Ian Basser – Non-Executive Chairman
	Mark Samlal – Managing Director
	David Fagan – Non-Executive Director
	Franck Neron-Bancel – Executive Director
	Shane Gild, Non-Executive Director
Company Secretary	Oliver Carton Email: Investor@payasia.asia
Registered Office	Level 1 325 Flinders Lane Melbourne Victoria 3000 Australia
PayGroup's Global Headquarters	Level 1 325 Flinders Lane Melbourne Victoria 3000 Australia
Share Registry	Computershare Investors Services Pty Limited 452 Johnston Street Abbotsford VIC 3067 www.computershare.com
Stock Exchange Listing	PayGroup Limited is listed on the Australian Stock Exchange (ASX Code: PYG)
Australian Legal Adviser	K&L Gates Level 25 525 Collins Street Melbourne Victoria 3000 Australia
Auditor	Grant Thornton Collins Square Level 22 Tower 5, 727 Collins Street Melbourne Victoria 3008

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