



# FY2021

Interim Report

FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2020



**↑ 37%** YOY  
Active Customers  
3,085



**8.8 : 1**  
LTV:CAC Ratio



**↑ 58%** YOY  
Annualised Recurring Revenue (ARR)  
\$2.17M



**Finalist**  
Wellington Gold Awards 2020



**↑ 52%** YOY  
Recurring Revenue  
\$969K



**76**  
Net Promoter Score



## Chair's Letter

Dear fellow shareholders,

It's my pleasure to present to you our Interim Report for FY2021, our first post-COVID report in a permanently altered national and international landscape. With the initial shock and suddenness of the health crisis behind us, we're now in a position to clearly assess our post-COVID prospects, and it's time to focus on determining how we can make the most of our changed reality. Like the rest of the nation, we're eager to look ahead to clearer prospects, but we're also conscious that the global situation is far from settled. The events of 2020 served as a sharp reminder that we always need to be prepared for anything, and with that in mind, we're future-proofing, becoming more consistent, unified and durable.

While plenty has changed and the emergence of COVID-19 has paused our plans for international expansion, we're still firmly focused on the other objectives we committed to in 2020 - strengthening our team, developing our platform, and working towards cash-flow positivity. We have a clear pathway to make this happen, and our team is working towards this cohesively and single-mindedly.

But we won't achieve our ambitions alone. Our partnership with Xero and Figured continues to be a central focus, and phase two of this is now in motion, focusing on telling the story of how cloud technology can bolster and protect our agri industry. We're also now deeply committed to expanding our partner network as a channel for the sale and support of our product, allowing us to scale exponentially.

Many thanks to Asantha and the team for their drive and diligence, to the board for their guidance and commitment, and to our customers for joining us on our growth journey. Finally, let me give our thanks to you, our shareholders, for helping us to continue to build.

Sincerely,

**Nick Lewis**  
Chair



## CEO's Letter

To our shareholders, partners and supporters,

We're certainly living in strange times, but we've never been afraid of a challenge. While there's been no shortage of adversity, our business is well-suited to adapt and adjust rapidly, and the generosity and faith of our investors means we can continue to grow. We're cautiously optimistic about the domestic economy and we're gratified to see that the vast majority of our customers have weathered the long term effects of the pandemic alongside us. Our chief concern is to ensure that we optimise our resources to take care of our customers, our team and our shareholders.

Change can be a little intimidating during a crisis, but we're a fast-moving business and we can't afford to let things stagnate - so we've taken a deep breath and embraced progress. This is clearly reflected in our numbers, with recurring revenue up 52% year on year, and expense growth reduced to 13% over the same period. This demonstrates the progress we've already made in transforming from start-up to scale-up.

We said a thankful farewell to Mandy Simpson, but we welcomed Jacqueline Cheyne and Mike O'Donnell to complement the skills and perspectives of the remaining Board members. We're also highly excited to welcome three Summer of Tech interns onboard from November, following the success of our 2019 internship program. These bright young minds will be tasked with building a brand new application for the PaySauce platform, and we're looking forward to the fresh thinking and innovation they'll bring with them.

On the product side, we've continued to expand Payroll Giving, now supporting more than 30 Kiwi charities. We've concluded the free period for PaySimple, transitioning this product to a paid "calculator" offering to give our customers increased choice and flexibility, and opening up a new market of employers seeking a more basic solution.

We're conscious that everyone is undergoing a period of uncertainty, caution and often heightened pressure, and with that in mind, we want to thank all of our friends, supporters and shareholders for your loyalty and level-headedness. We've all witnessed what can be accomplished when people hang together and act with common purpose, and this is the most important lesson we can take from COVID-19 and apply to our other challenges. We firmly intend to keep prioritising people, both by looking after our team and by running a smart business that will reward our shareholders.

With gratitude,

**Asantha Wijeyeratne**  
CEO and Co-Founder

# Board



**Jacqueline Cheyne**  
INDEPENDENT NON-EXECUTIVE DIRECTOR,  
AUDIT & RISK COMMITTEE CHAIR

Jacqueline Cheyne has 25 years' experience in financial audit and advisory services. She was a partner at Deloitte for 11 years in audit and assurance and also led the Corporate Responsibility and Sustainability services function for Deloitte New Zealand for 9 years.

Jacqueline is a Chartered Accountant (CA) and Chartered Member of the New Zealand Institute of Directors, and has a broad range of experience across the financial services, public, private and not-for-profit sectors. She is currently a Director of NZX-listed Stride Property Group and NZ Green Investment Finance Limited as well as a member of the XRB, the Audit Oversight Committee of the Financial Markets Authority and the Risk and Assurance Committee for the Ministry of Business, Innovation and Employment.



**Michael "MOD" O'Donnell**  
INDEPENDENT NON-EXECUTIVE DIRECTOR

Michael "MOD" O'Donnell is a professional director, writer and advisor with a background in fintech, ecommerce, tourism and news media.

MOD is a director of Kiwibank and of Kiwi Wealth. He is also chairman of online booking company Timely, and a director of online global music company Serato, online real estate portal realestate.co.nz, tourism marketing agency Tourism New Zealand and IP marketing company G2G Knowhow. MOD is an independent weekly business columnist for Stuff Media and the host of TVNZ series "Start Me Up".

He was previously Chief Operating Officer of Trade Me, head of wholesale investment at Gareth Morgan Investments and head of distribution at AMP Capital Investors.



**Asantha Wijeyeratne**  
EXECUTIVE DIRECTOR

Asantha built Smart Payroll into a market leader with 10,000 customers before departing in 2013 to create PaySauce. He has been Executive Chair of Cloud Investments Ltd for the past six years. In recognition of his contribution to business and the community, he was awarded a Queens Service Medal (QSM) in the New Year's honours list in 2013.



**Gavin Thompson**  
NON-EXECUTIVE DIRECTOR

Gavin is the founder and a director of Catalyst IT, New Zealand's largest open-source IT service provider. He has over 25 years' experience in developing software systems in the manufacturing, engineering, financial, and government sectors.



**Nick Lewis**  
INDEPENDENT DIRECTOR & CHAIR

Nick has 15 years of governance experience in the fintech, financial services, energy, hospitality and education sectors. He is Chair of Kiwi Insurance (affiliate of Kiwibank) and a director of Pioneer Energy and Ecotricity. He was formerly the Chair of Mojo Coffee and PledgeMe. Nick is a Chartered Financial Analyst (CFA).



# The Year So Far

## Creating Happiness

In September, we conducted our latest NPS survey and the results spoke volumes. Our final score of 76 and the wealth of positive feedback was profoundly affirming for our whole team. This level of customer happiness not only indicates that users are actively recommending us, it also improves job satisfaction for our people. All this is closely linked to our high retention and low churn rate.

These achievements wouldn't be possible without the dedication and care of our team, and we believe it's vital to acknowledge that. We've recently introduced a regular Employee of the Month award and two annual awards, one to acknowledge outstanding contributions to internal culture and one to celebrate exceptional customer care. We're really keen for our team to know how valued they are, and we'll continue to recognise and reward the awesome work of the PayForce.

We've also received our own recognition from our industry and region - we were once again honoured to be named as finalists in the Wellington Gold Awards, and for the first time we were in the running for the Integrated Reporting Awards.

## Living Digital

Cloud-based services have become truly indispensable for New Zealand businesses responding to the pandemic. We're still seeing businesses moving off outdated desktop solutions as employers have reviewed their Business Continuity Plans. This helps our clients ensure they can continue functioning effectively as remote businesses at higher alert levels, resulting in ongoing organic customer growth for PaySauce as the national COVID situation continues to evolve.

As New Zealand has pursued a COVID-19 elimination strategy, we've all made some permanent changes to the way we do business. We've set out to make the best of these conditions, but there were inevitably some setbacks. Early on, the pandemic introduced barriers to the growth we anticipated from the global HR provider partnership announced in March, as this new channel is heavily reliant on in-person sales and implementation. The increased organic growth offset the shortfall from the new partnership.

Our own team has always made use of cloud technology to improve collaboration and productivity and these habits helped us make the most of remote life. We've upskilled dramatically in the delivery of information and the fostering of relationships through online platforms, and our digital communication with Xero and Figured was used by Slack as a case study in responsive and agile digital sharing across multiple teams. We conducted our ASM completely virtually and saw a threefold increase in attendance on our 2019 in-person shareholders' meeting.

We're beginning to resume some pre-COVID travel habits, with conferences, awards ceremonies and trade shows all slowly coming back to life, but we're also now actively seeking other ways to connect and communicate. This has the additional effect of reducing our environmental impact as a business and drastically reducing our event-related expenses.

## Giving Back

We've continued work on expanding and raising awareness of Payroll Giving, with more than 30 charities now available to the 16,000 working Kiwis on PaySauce. We've carefully examined our policies for adding charities to our free payroll program, and have restructured our criteria to ensure that we can dedicate our resources to the most impactful causes. We also re-committed to our certification as a Living Wage employer in line with the increase in the national Living Wage. We've also made the move towards Integrated Reporting to hold ourselves accountable, promote transparency and deliver greater value to our stakeholders and community over time.

## Looking ahead

Overall, our big objectives including our desire to enter the Irish market remains unchanged. Until there's greater certainty of travelling safely overseas, we'll continue to focus on the New Zealand market, increasingly leveraging our partners to share and support our product.

We're investing in development, including bringing on three interns to design and build a new platform application via Summer of Tech, with funding from Callaghan Innovation. This three-month, project-based internship will not only deliver additional features for our customers, but will also provide our senior development team with opportunities for mentorship and coaching.

We can no longer rely on proximity to keep information circulating internally, so we've significantly stepped up our internal communications and we're more transparent than ever in high-level decision making and planning. We're thinking and behaving like a bigger, slicker operation these days while still holding fast to our scrappy start-up spirit. Forming exemplary habits now around processes and sharing will lay solid foundations for nailing these things in the future.

# SaaS Reporting

The business results reported below provide an overview of the performance of the business in a format that we believe is useful for readers to assess the performance of PaySauce as a SaaS business.

Non-Generally Accepted Accounting Principles (Non-GAAP) measures have been included, and should not be viewed in isolation, nor considered as substitutes for measures reported in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

	30 Sep 2020	30 Sep 2019
	\$000's	\$000's
Processing Fees	876	507
IRD Subsidy	-	-*
Interest Received	94	129
<b>Recurring Revenue</b>	<b>970</b>	<b>636*</b>
Cost to Serve	(354)	(316)
<b>Gross Margin</b>	<b>616</b>	<b>320*</b>
<b>Gross Margin %</b>	<b>63%</b>	<b>50%*</b>
Other Revenue	40	264*
<b>Total Other Revenue</b>	<b>40</b>	<b>264*</b>
Customer Acquisition	(277)	(327)
Research & Development	(189)	(109)
General & Administration	(1,003)	(846)
Other Expenses	-	(9)
<b>EBITDA</b>	<b>(813)</b>	<b>(707)</b>
<b>EBITDA Margin %</b>	<b>(84%)</b>	<b>(111%)</b>
Depreciation & Amortisation	(115)	(71)
Interest Expense	(18)	(84)
Income Tax	-	-
<b>Net Loss for the period</b>	<b>(946)</b>	<b>(862)</b>

	30 Sep 2020	30 Sep 2019	YOY Change
Active customers at end of period	3,085	2,248	37%
Recurring revenue for the period (\$000's)	969	636*	52%
<b>ARR at end of period (\$000's)</b>	<b>2,169</b>	<b>1,374*</b>	<b>58%</b>
Churn % (monthly average) for the period	1.19%	1.33%	-10%
ARPU (monthly) at end of period (\$)	59	51*	15%
CAC (per addition) for the period (\$)	354	319	12%
Customer LTV at end of period (\$)	3,130	1,934	62%
Total customer LTV at end of period (\$000's)	9,656	4,347*	122%
LTV:CAC Ratio at end of period	8.8 : 1	6.1 : 1*	45%



\*As at 31 March 2020, PaySauce reclassified its PAYE intermediary subsidy revenue received as "Other Revenue" for SaaS reporting (formerly "Recurring Revenue"), as the subsidy ceased on 1 April 2020. This had an impact on the SaaS metrics for the period ended 30 September 2019 that included subsidy revenue in their calculations.

An extract of the 30 September 2019 SaaS reporting and associated metrics has been presented on page 12, showing these impacts:

## Impact of Adjustments on September 2019 SaaS Reporting

	<b>Restated 30 Sep 2019</b>	<b>Before Adjustment 30 Sep 2019</b>
Processing Fees	507	507
IRD Subsidy	-	102
Interest Received	129	129
<b>Recurring Revenue</b>	<b>636</b>	<b>738</b>
Cost to Serve	(316)	(316)
<b>Gross Margin</b>	<b>320</b>	<b>422</b>
<b>Gross Margin %</b>	<b>50%</b>	<b>57%</b>
Other Revenue	264	162
<b>Total Other Revenue</b>	<b>264</b>	<b>162</b>

	<b>Restated 30 Sep 2019</b>	<b>Before Adjustment 30 Sep 2019</b>
Recurring revenue for the period (\$000's)	636	738
ARR at end of period (\$000's)	1,374	1,603
ARPU (monthly) at end of period (\$)	51	59
Customer LTV at end of period (\$)	1,934	2,563
Total customer LTV at end of period (\$000's)	4,347	5,762
LTV:CAC Ratio at end of period	6.1 : 1	8.0 : 1

## SaaS Metrics & Definitions

These SaaS metrics are prepared and defined to provide readers with useful information about the performance of PaySauce as a SaaS business.

Non-Generally Accepted Accounting Principles (Non-GAAP) measures have been included, and should not be viewed in isolation, nor considered as substitutes for measures reported in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

### Recurring Revenue

Recurring revenue is revenue that is expected to repeat each period into the future.

For PaySauce, this is directly linked to the number of customers and the pays that they run using the PaySauce payroll product. There are currently two sources of recurring revenue - processing fees and interest received.

There is a direct correlation between the number of customers processing payroll with PaySauce, and the amounts of revenue derived from these streams (allowing some variation due to elements such as interest rates and number of payslips per customer per pay run). There is no significant estimate or judgement applied by management when recognising revenue arising from these streams.

### MRR

Monthly recurring revenue is the total recurring revenue for the last calendar month of the reporting period.

### ARR

Annual recurring revenue is the monthly recurring revenue (MRR), multiplied by 12.

### Gross Margin

The gross margin, when discussed as a SaaS term, is the recurring revenue of the business, less the cost to serve customers. This is often then expressed as a percentage, where the gross margin is divided by the recurring revenue.

### Churn (monthly)

Churn is expressed as a percentage and is calculated as the number of customers who did not run a pay in the month, but ran at least one pay in the previous month, divided by the total number of customers at the end of the previous month.

### ARPU

Average revenue per user (monthly) is the total recurring revenue for the month, divided by the total customers processing payroll that month.

### CAC (per addition)

Customer acquisition cost (per addition) is the total cost of acquiring customers for the period, divided by the number of new customers processing payroll that were acquired during the period.

### LTV

Lifetime value is the estimated value of a customer over its lifetime with PaySauce. This is calculated by taking the ARPU multiplied by the gross margin %, then divided by the churn %.

### Total Customer LTV

Total customer lifetime value is the lifetime value multiplied by the total customers.

### LTV : CAC Ratio

This ratio reflects the return on investment for customer acquisition. It is calculated by dividing the customer acquisition cost (per addition) by the lifetime value of a customer.

## SaaS Reporting Categories

### Processing Fees

This category represents the revenue generated from customers who are using the PaySauce payroll product, paying processing fees each pay run, based on a flat rate plus a variable amount based on the number of payslips in that pay run. There are no significant estimates or uncertainty surrounding the flat and variable components of processing fees. Revenue is recognised when the service is supplied.

### IRD Subsidy

This category represents the revenue that was generated from the subsidy provided by Inland Revenue for payroll intermediaries. The subsidy provided revenue based on the number of payslips processed by PaySauce each month.

The subsidy was removed, effective from 1 April 2020, and this revenue stream is no longer categorised as recurring. Impacts on our SaaS metrics relating to this are analysed above. Further information on this can be found on the Inland Revenue website.

### Interest Received

This category represents the interest received from funds held on behalf of our payroll customers which are held on deposit. As customers pay their PAYE through to us each pay run, we hold these funds and generate interest on the balance before the payment is due to Inland Revenue. As interest received on these funds grows directly in relation to our customers, we consider this an additional stream of recurring revenue.

### Cost to Serve

The category includes those costs which are related to serving our customers through the use of our software products, and the availability of our customer support team. Costs included are those such as hosting expenses for our software in the cloud, maintenance of our software products, bank fees charged per customer transaction, and customer support.

### Other Revenue

This category includes revenue that is not recurring revenue and is not part of our regular business operating activities with customers. Revenue included is that which relates to grants received, other services revenue, interest held on deposit (for those funds that are not held on behalf of customers) and the fair value revaluation gains / (losses) on lending during the period.

### Customer Acquisition

This category includes those costs which are related to acquiring new customers. Costs included are those such as sales and marketing, implementation and onboarding of customers to our system, and discounts. These costs are expensed as incurred as they do not relate to any specific customer or contract for services.

### Research & Development

This category includes those costs which are related to researching and developing new solutions and solving problems for our existing and future customers. Costs included are those associated with product development, the majority of which are developers' salaries.

It should be noted that measuring these costs between years is not an accurate reflection of the actual spending on research and development for PaySauce. This is due to the timing and way in which some of these costs are capitalised and projects are completed. The reader should also consider the amount of intangible assets recognised during the financial year. Further detail on this can be found in the notes to the financial statements.

### General & Administration

This category captures all of the other elements of running the business. Costs included are those such as office running costs, finance and administration, legal expenses, and other overhead costs.

### Other Expenses

This category captures other expenses such as costs relating to the reverse listing process, and bonus shares issued to employees.

### EBITDA

EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated by adding back depreciation, amortisation, interest expenditure, and income tax expense to the amounts reported in the NZ IFRS-based financial statements. PaySauce believes that EBITDA provides useful insights to measure the performance of PaySauce as a SaaS business.

### EBITDA Margin %

EBITDA Margin % calculates EBITDA as a percentage of Recurring Revenue.

# Financials

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## Interim Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2020

		<b>30 Sep 2020</b>	<b>30 Sep 2019</b>
		<i>Unaudited</i>	<i>Unaudited</i>
	Notes	\$000's	\$000's
<b>Revenue</b>			
Processing fees		876	504
Subsidy revenue		-	102
Interest		116	128
Other operating revenue		17	4
<b>Operating revenue</b>	<b>10</b>	<b>1,009</b>	<b>738</b>
Other (losses) / gains - net	<b>11</b>	-	162
<b>Expenses</b>			
Depreciation and amortisation	<b>6, 7</b>	(115)	(71)
Employee expenses	<b>12</b>	(1,227)	(707)
Other expenses	<b>13</b>	(595)	(901)
Finance costs	<b>14</b>	(18)	(83)
<b>Total expenses</b>		<b>(1,955)</b>	<b>(1,762)</b>
<b>Net loss before income tax</b>		<b>(946)</b>	<b>(862)</b>
Tax benefit / (expense)		-	-
<b>Net loss for the period</b>		<b>(946)</b>	<b>(862)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(946)</b>	<b>(862)</b>
<b>Loss per share</b>			
Basic loss per share	<b>9</b>	(0.70)	(0.74)
Diluted loss per share	<b>9</b>	(0.70)	(0.72)

The above statement should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Statement of

**Financial Position**

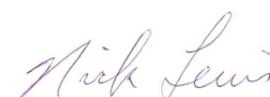
as at 30 September 2020

	Notes	30 Sep 2020 Unaudited \$000's	31 Mar 2020 Audited \$000's
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	19	15,458	13,589
Deposits	19	4,100	1,650
Trade and other receivables	4	15	149
Other current assets		75	75
Prepayments and other short-term assets		174	155
<b>Total current assets</b>		<b>19,822</b>	<b>15,618</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	440	476
Intangible assets	7	693	562
<b>Total non-current assets</b>		<b>1,133</b>	<b>1,038</b>
<b>Total assets</b>		<b>20,955</b>	<b>16,656</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5	301	356
Funds due to customers and IRD	19	16,957	13,449
Employee benefits		336	186
Other liabilities		15	43
Lease liabilities		41	39
Interest bearing liabilities		-	15
<b>Total current liabilities</b>		<b>17,650</b>	<b>14,088</b>

The above statement should be read in conjunction with the accompanying notes.

	Notes	30 Sep 2020 Unaudited \$000's	31 Mar 2020 Audited \$000's
<b>Non-current liabilities</b>			
Lease liabilities		305	326
<b>Total non-current liabilities</b>		<b>305</b>	<b>326</b>
<b>Total liabilities</b>		<b>17,955</b>	<b>14,414</b>
<b>Net assets</b>		<b>3,000</b>	<b>2,242</b>
<b>Equity</b>			
Share capital	8	12,478	10,774
Accumulated losses		(9,478)	(8,532)
<b>Equity attributable to the owners of the Company</b>		<b>3,000</b>	<b>2,242</b>

For and on behalf of the Board of Directors, who authorised the issue of these Interim Condensed Consolidated Financial Statements on 26th November 2020:



**Nick Lewis**

Chair

26 November 2020



**Jacqueline Cheyne**

Chair of Audit & Risk Committee

26 November 2020

The above statement should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Statement of Movements in Equity

for the six months ended 30 September 2020

	Notes	Attributable to equity holders of the Company		
		Share Capital \$000's	Accumulated losses \$000's	Total \$000's
<b>Unaudited</b>				
<b>Balance as at 1 April 2020</b>		<b>10,774</b>	<b>(8,532)</b>	<b>2,242</b>
<b>Comprehensive loss</b>				
Net loss for the period		-	(946)	(946)
Other comprehensive income		-	-	-
<b>Total comprehensive loss</b>		<b>-</b>	<b>(946)</b>	<b>(946)</b>
<b>Transactions with owners</b>				
Issue of ordinary shares	8	1,704	-	1,704
<b>Total transactions with owners</b>		<b>1,704</b>	<b>-</b>	<b>1,704</b>
<b>Balance as at 30 September 2020</b>		<b>12,478</b>	<b>(9,478)</b>	<b>3,000</b>
<b>Unaudited</b>				
<b>Balance as at 1 April 2019</b>		<b>5,508</b>	<b>(6,169)</b>	<b>(661)</b>
<b>Comprehensive loss</b>				
Net loss for the period		-	(862)	(862)
Other comprehensive income		-	-	-
<b>Total comprehensive loss</b>		<b>-</b>	<b>(862)</b>	<b>(862)</b>
<b>Balance as at 30 September 2019</b>		<b>5,508</b>	<b>(7,031)</b>	<b>(1,523)</b>

The above statement should be read in conjunction with the accompanying notes.

## Interim Condensed Consolidated Statement of Cash Flows

for the six months ended 30 September 2020

	Notes	30 Sep 2020 Unaudited \$000's	30 Sep 2019 Unaudited \$000's
<b>Cash flows from / (used in) operating activities</b>			
Receipts from customers		1,052	670
Interest received		92	97
Payments to suppliers and employees		(1,766)	(1,562)
Taxes (paid) / refunded		(8)	12
Interest paid on lease liability		(16)	(22)
Interest paid		(2)	(4)
<b>Net cash from (used in) operating activities before increase in funds due to customers and IRD</b>	<b>19</b>	<b>(648)</b>	<b>(809)</b>
Increase in funds due to customers and IRD	<b>19</b>	<b>3,508</b>	<b>5,207</b>
<b>Net cash from operating activities</b>	<b>17</b>	<b>2,860</b>	<b>4,398</b>
<b>Cash flows from / (used in) investing activities</b>			
Purchases of property, plant and equipment		(21)	(44)
Funds on deposit		(2,450)	-
Purchases of intangible assets		(190)	(146)
<b>Net cash (used in) investing activities</b>		<b>(2,661)</b>	<b>(190)</b>
<b>Cash flows from / (used in) financing activities</b>			
Net proceeds from issue of shares and convertible notes		1,704	773
Loan advances / (repayments)		-	200
Repayments of principal portion of lease liability		(19)	(7)
Repayments of other borrowings		(15)	(6)
<b>Net cash from financing activities</b>		<b>1,670</b>	<b>960</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,869</b>	<b>5,168</b>
Cash and cash equivalents at beginning of the period		13,589	6,313
<b>Cash and cash equivalents at end of the period</b>		<b>15,458</b>	<b>11,481</b>

The above statement should be read in conjunction with the accompanying notes.

# Notes to the Interim Consolidated Financial Statements

For the six months ended 30 September 2020

## 1. General information

PaySauce Limited (the "Company" or "PaySauce"), is a limited liability company, domiciled and incorporated in New Zealand and registered under the Companies Act 1993.

These interim condensed consolidated financial statements presented are for PaySauce Limited, together with its subsidiaries (the "Group") for the six months ended 30 September 2020. The financial statements were authorised for issue in accordance with a resolution of the Directors on 26 November 2020 and are unaudited.

The Group provides cloud based employment solutions software to small and medium-sized businesses, including mobile timesheets, payroll calculations, banking integration, PAYE filing, labour costing, automated general ledger entries and digital employment contracts.

PaySauce is a for-profit entity listed on the New Zealand Stock Exchange ("NZX").

## 2. Basis of preparation

These unaudited interim condensed consolidated financial statements for the Group for the six months ended 30 September 2020 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with the requirements of the New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting ("NZ IAS 34"), on the assumption that the Group is a going concern, and should be read in

conjunction with the audited consolidated financial statements for the Group as at and for the year ended 31 March 2020.

All significant accounting policies have been applied on a basis consistent with those used in the audited consolidated financial statements for the Group for the year ended 31 March 2020 other than as disclosed in Note 3 below.

Where presentation has changed in the current period, comparative amounts have been restated to align with the current year's presentation.

There are no seasonality or cyclical influences on the results of the Group.

These unaudited interim condensed consolidated financial statements are presented in New Zealand Dollars (NZD).

The unaudited interim condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the audited consolidated financial statements for the Group for the year ended 31 March 2020.

## 3. Use of critical accounting estimates and judgements

The preparation of the interim condensed consolidated financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these judgements, estimates and assumptions.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying

accounting policies that have the most significant effect on the amounts recognised in the interim condensed consolidated financial statements is included in the following notes:

### COVID-19

Management considers that COVID-19 did not have a significant negative impact on the business operations, financial performance, nor the financial position of the Group during the period. Management has made this judgement by looking at a range of indicators - and hasn't seen any material negative impacts on the following key indicators:

- Customer churn
- Customer size
- Registrations and sign-ups for new customers
- Aged receivables
- Losses of major partnerships

Expansion to the Irish market remained on hold due to continued uncertainty of overseas travel. Domestically, organic growth exceeded expectations as more clients sought a cloud-based solution and this compensated for the shortfall in expected growth from our new partnership with a global HR provider which is more reliant on in-person sales and implementation. With a sole focus on the domestic market, overall growth was in line with management's expectations.

While the pandemic is largely under control in New Zealand, management continues to monitor the progress of the New Zealand government in keeping COVID-19 out of New Zealand, and will continue to assess any impact on the business operations, financial performance, and financial position of the Group in the event of any resurgences in New Zealand. At this stage, management does not consider there to be any significant risk to the Group. The factors which management considered in forming this judgement are as follows:

- PaySauce's business operations are always ready to operate with minimal interruption upon enactment of our Business Continuity Plan (BCP)
- The PaySauce product is cloud-based, which

enables customers to continue to use the service uninterrupted when they enact their BCP. PaySauce's customer base predominantly consists of businesses from New Zealand's agricultural primary industry, one of the other least impacted sectors during the first outbreak of COVID-19 in New Zealand

- PaySauce is yet to see, and does not anticipate seeing customers (based on experience from the first outbreak and lockdown period) asking to defer payments, partly due to the nature of our billing (at a point in time as the service is provided, automatically deducted), and that the cost is relatively small on a monthly per customer basis compared to other business expenses
- Payroll is the core of our service provision, and is an essential service for New Zealand businesses.

### Going concern

The interim condensed consolidated financial statements have been prepared on a going concern basis.

The Group made a net loss before tax of \$945,975 for the six months ended 30 September 2020 (2019: \$862,028), had equity at 30 September 2020 of \$2,999,643 (31 March 2020: \$2,242,344) and net current assets/(liabilities) of \$2,172,217 (31 March 2020: \$1,529,612). The Group does not currently generate sufficient revenues to meet operating costs and the Group does not operate a facility of debt to draw upon.

The Directors consider after making due enquiry and having regard to the circumstances which they consider reasonably likely to affect the Group for the foreseeable future, which is not less than 12 months from the date these financial statements are approved for issue, that the going concern assumption is valid.

The Groups ability to meet forecasted financial performance will depend on the rate of growth in revenue from customers, primarily through customer acquisitions.

The uncertainty of meeting forecasted financial growth creates a material uncertainty that may cast doubt

on PaySauce's ability to continue as a going concern and therefore PaySauce may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the uncertainty to meet forecast growth the Directors are confident that PaySauce remains a going concern.

#### Capitalisation of intangible assets

Management considers the time and associated salary cost of development staff to fall under the classification of development expenditure for assessment purposes in accordance with the principles outlined in the intangible assets accounting policy in note 2(h) in the audited consolidated financial statements for the Group for the year ended 31 March 2020. No weighting of overheads is applied in these calculations.

#### Accounting for finite life intangible assets

At each reporting date, the useful lives and residual values of finite life intangible assets are reviewed for indicators of impairment. As at 30 September 2020, the assets were assessed for impairment, taking into account the condition of the assets, expected period of use of the assets by the Group, and expected disposal proceeds from any future sale of the assets. Management assessed that there were no indicators of impairment.

Development in progress has been tested for impairment by reviewing the nature of the events that originally gave rise to the recognition of the asset, the estimation of future generation of cash flows and any anticipated changes to the business or product circumstances. Management concluded that there was no impairment of this asset as at 30 September 2020.

## 4. Trade and other receivables

	<b>30 Sep 2020</b>	<b>31 Mar 2020</b>
	<i>Unaudited</i>	<i>Audited</i>
	<b>\$000's</b>	<b>\$000's</b>
Trade receivables	15	149
	<b>15</b>	<b>149</b>

## 5. Trade and other payables

	<b>30 Sep 2020</b>	<b>31 Mar 2020</b>
	<i>Unaudited</i>	<i>Audited</i>
	<b>\$000's</b>	<b>\$000's</b>
Trade payables	237	288
Accruals	29	55
GST payable	30	5
Other creditors	5	8
	<b>301</b>	<b>356</b>

## 6. Property, plant and equipment

<i>Unaudited</i>	<b>Right-of-use Asset (Property)</b>	<b>Office Equipment</b>	<b>Leasehold Improvements</b>	<b>Computer Equipment</b>	<b>Vehicle</b>	<b>Total</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Six months ended</b>						
<b>30 September 2020</b>						
<b>Opening net book value</b>	<b>353</b>	<b>39</b>	<b>8</b>	<b>71</b>	<b>5</b>	<b>476</b>
Additions	-	7	-	14	-	21
Disposals	-	-	-	(2)	-	(2)
Depreciation	(25)	(7)	(1)	(17)	(5)	(55)
<b>Closing net book value</b>	<b>328</b>	<b>39</b>	<b>7</b>	<b>66</b>	<b>-</b>	<b>440</b>
<b>As at 30 September 2020</b>						
Cost	396	67	9	117	49	638
Accumulated depreciation	(68)	(28)	(2)	(51)	(49)	(198)
<b>Net book value</b>	<b>328</b>	<b>39</b>	<b>7</b>	<b>66</b>	<b>-</b>	<b>440</b>

## 7. Intangible assets

<i>Unaudited</i>	<b>Website</b>	<b>Development in progress</b>	<b>Computer Software</b>	<b>Total</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Six months ended 30 September 2020</b>				
<b>Opening net book value</b>	<b>-</b>	<b>46</b>	<b>516</b>	<b>562</b>
Development costs recognised as an asset	-	115	76	191
Development in progress recognised as Software	-	(51)	51	-
Amortisation	-	-	(60)	(60)
<b>Closing net book value</b>	<b>-</b>	<b>110</b>	<b>583</b>	<b>693</b>
<b>As at 30 September 2020</b>				
Cost	27	110	1,033	1,170
Accumulated amortisation	(27)	-	(450)	(477)
<b>Net book value</b>	<b>-</b>	<b>110</b>	<b>583</b>	<b>693</b>

## 8. Share capital

Date	Details	Notes	Number of Shares	\$000's
<b>Unaudited</b>				
1 April 2019	Opening Balance		116,870,875	5,508
30 September 2019	Closing Balance		116,870,875	5,508,339
<b>Unaudited</b>				
1 April 2020	Opening Balance		131,341,121	10,774
	Rights issue	i	3,430,245	1,153
	Rights issue	ii	1,647,237	551
30 September 2020	Closing Balance		136,418,603	12,478

- i. On 30 April 2020: PaySauce completed the second allotment of shares under its rights issue announced to shareholders on 11 February 2020. The allotment on 30 April 2020 resulted in 3,430,245 shares being issued at a price of \$0.34 cents per share, a net raise of \$1,152,850 after directly attributable costs.
- ii. On 15 May 2020: PaySauce completed the final allotment of shares under its rights issue announced to shareholders on 11 February 2020. The allotment on 15 May 2020 resulted in 1,647,237 shares being issued at a price of \$0.34 cents per share, a net raise of \$550,424 after directly attributable costs. This completed the fully subscribed rights issue.

All ordinary shares do not have a par value. They have equal voting rights and share equally in dividends and surplus on liquidation.

No dividends were declared or paid during the reporting period (2019: None).

## 9. Earnings / (loss) per share

	30 Sep 2020 Unaudited	30 Sep 2019 Unaudited
<b>Basic earnings per share</b>		
Net loss used in calculating earnings per share (\$000's)	(946)	(862)
Weighted average number of ordinary shares for basic earnings per share	135,451,209	116,870,875
<b>Basic loss per share (cents)</b>	<b>(0.70)</b>	<b>(0.74)</b>
<b>Diluted earnings per share</b>		
Loss for the period (\$000's)	(946)	(862)
Plus interest savings from convertible notes (\$000's)	-	15
Net loss used in calculating earnings per share (\$000's)	(946)	(847)
Weighted average number of ordinary shares for diluted earnings per share	135,451,209	117,517,021
<b>Diluted loss per share (cents)</b>	<b>(0.70)</b>	<b>(0.72)</b>

There are no financial instruments on issue that will dilute the basic earnings per share amounts for the six months ended 30 September 2020. Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the period.

## 10. Operating revenue

	30 Sep 2020 Unaudited \$000's	30 Sep 2019 Unaudited \$000's
Revenue from contracts with customers	876	504
Revenue from other sources	133	234
<b>Total operating revenue</b>	<b>1,009</b>	<b>738</b>

## 11. Other gains / (losses) - net

	30 Sep 2020	30 Sep 2019
	<i>Unaudited</i>	<i>Unaudited</i>
	\$000's	\$000's
Fair value gain / (loss) on revaluation of related party loan	-	144
Fair value gain / (loss) on revaluation of convertible note conversion feature	-	18
<b>Total other gains / (losses) - net</b>	<b>-</b>	<b>162</b>

## 12. Employee expenses

	30 Sep 2020	30 Sep 2019
	<i>Unaudited</i>	<i>Unaudited</i>
	\$000's	\$000's
Salaries	1,165	667
Kiwisaver employer contribution	34	21
Staff medical insurance	7	5
Fringe benefit tax	21	14
<b>Total employee expenses</b>	<b>1,227</b>	<b>707</b>

## 13. Other expenses

	30 Sep 2020	30 Sep 2019
	<i>Unaudited</i>	<i>Unaudited</i>
	\$000's	\$000's
Administration and Management Services	73	150
Advertising, PR and Marketing	60	130
Audit Fees	29	25
Hosting Expenses	40	28
Legal, Consulting and Accounting	35	151
Listing Costs	-	9
Office Running and Rent	17	29
Other Overheads	326	302
Travel	15	77
<b>Total other expenses</b>	<b>595</b>	<b>901</b>

## 14. Finance costs

	30 Sep 2020	30 Sep 2019
	<i>Unaudited</i>	<i>Unaudited</i>
	\$000's	\$000's
Interest Paid	2	4
Finance Cost - Interest on Convertible Note	-	15
Finance Cost - Interest on Lease	16	22
Finance Cost - Interest on Related Party Lending	-	42
<b>Total finance costs</b>	<b>18</b>	<b>83</b>

## 15. Taxation

The Group holds tax losses of \$5,846,570 as at 31 March 2020, available to carry forward, but not recognised in the financial statements. These are subject to shareholder continuity being maintained.

## 16. Key management personnel and related parties

### Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly and include the Directors, the Chief Executive Officer and the Executive Leadership Team.

The table below summarises remuneration paid to key management personnel.

	<b>30 Sep 2020</b>	<b>30 Sep 2019</b>
	<i>Unaudited</i>	<i>Unaudited</i>
	<b>\$000's</b>	<b>\$000's</b>
Directors' fees	51	30
Short term employee benefits	404	150
<b>Total key management personnel compensation</b>	<b>455</b>	<b>180</b>

### Related party transactions and balances

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities subscribe to services provided by the Group. None of these related party transactions are significant to either party, and are completed on arm's length terms. Outside of these transactions, and the Directors' fees and short term employee benefits noted above, all other related party transactions are outlined below:

	<b>30 Sep 2020</b>	<b>30 Sep 2019</b>
	<i>Unaudited</i>	<i>Unaudited</i>
	<b>\$000's</b>	<b>\$000's</b>
<b>Related party transactions during the period</b>		
<b>Consulting services supplied by entities controlled by related parties</b>		
Catalyst.Net Limited	-	10
Marsland Consulting Limited	-	33
<b>Cloud hosting services supplied by entities controlled by related parties</b>		
Catalyst Cloud Limited	40	28

	<b>30 Sep 2020</b>	<b>31 Mar 2020</b>
	<i>Unaudited</i>	<i>Audited</i>
	<b>\$000's</b>	<b>\$000's</b>
<b>Related party balances payable at period end</b>		
Directors' Fees	3	9
Cloud Hosting Services	6	8
Consulting Services	-	6

## 17. Reconciliation of net loss after tax to net cash flows from operations

	30 Sep 2020	30 Sep 2019
	<i>Unaudited</i>	<i>Unaudited</i>
	\$000's	\$000's
Net Loss after taxation	(946)	(862)
<b>Add back / (deduct) non-cash items:</b>		
Depreciation & amortisation	115	71
Loss on disposal of fixed assets	2	3
Other non-cash & non-operating items	-	(104)
	<b>(829)</b>	<b>(892)</b>
<b>Movement in working capital:</b>		
(Increase)/decrease in Trade and other receivables	127	41
(Increase)/decrease in Prepayments and other assets	13	26
Increase/(decrease) in Funds due to customers and IRD	3,508	5,207
Increase/(decrease) in Trade and other payables	(80)	3
Increase/(decrease) in Employee benefits	149	24
Increase/(decrease) in Other liabilities	(28)	(11)
<b>Net cash inflow from operating activities</b>	<b>2,860</b>	<b>4,398</b>

## 18. Segment reporting

The Group is organised into one reportable operating segment only, being cloud based employment solutions software to small and medium-sized New Zealand businesses. The Group's product and service offering is that of mobile timesheets, payroll calculations, banking integration, PAYE filing, labour costing, automated general ledger entries and digital employment contracts. The chief operating decision maker has been identified as the Board of Directors, as it makes all key strategic resource allocation decisions (such as those concerning acquisition, divestment and significant capital expenditure).

## 19. Funds due to customers and IRD

As a PAYE intermediary, PaySauce collects funds from clients which are payable to both clients' employees (as the employees' net wages and salaries) and the IRD (as the applicable PAYE, student loan and other IRD liabilities). These funds are included in PaySauce's cash and deposit balances, and in accordance with section RP6 of the Income Tax Act 2007, PaySauce can earn interest on these funds, but must only use them as follows:

- Payment of net salary or wages to employees of PaySauce's clients.
- Payment of IRD obligations resulting from pays run on PaySauce software to the IRD, including PAYE deductions, student loan deductions, superannuation contributions and any other amount of tax withheld from a payment of salary or wages to IRD.

Under the financial reporting standards movements in these funds do not meet the definition of either investing or financing activities and so must be classified as operating cash flows. However as stated above the use of these funds is restricted and they cannot be used to cover other PaySauce expenses, the company has therefore presented operating cash flows in the Cash Flow Statement as both before and after this funds movement.

## 20. Contingencies

As at 30 September 2020 the Group had no material contingent liabilities or assets (March 2020: \$nil)

## 21. Events occurring after the reporting period

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

# Company Directory



## **Directors:**

Asantha Wijeyeratne  
Gavin Thompson  
Jacqueline Cheyne  
Michael O'Donnell  
Nick Lewis

## **Registered Office:**

21-23 Andrew Avenue  
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## **Website:**

[www.paysauce.com](http://www.paysauce.com)

## **Auditor:**

Grant Thornton

## **Stock Exchange:**

NZX

## **Share Registrar:**

Link Market Services Limited  
80 Queen Street  
Auckland, 1010  
New Zealand

## **NZ Company Number:**

1719868

## **NZBN:**

9429034458099



[www.paysauce.com](http://www.paysauce.com)