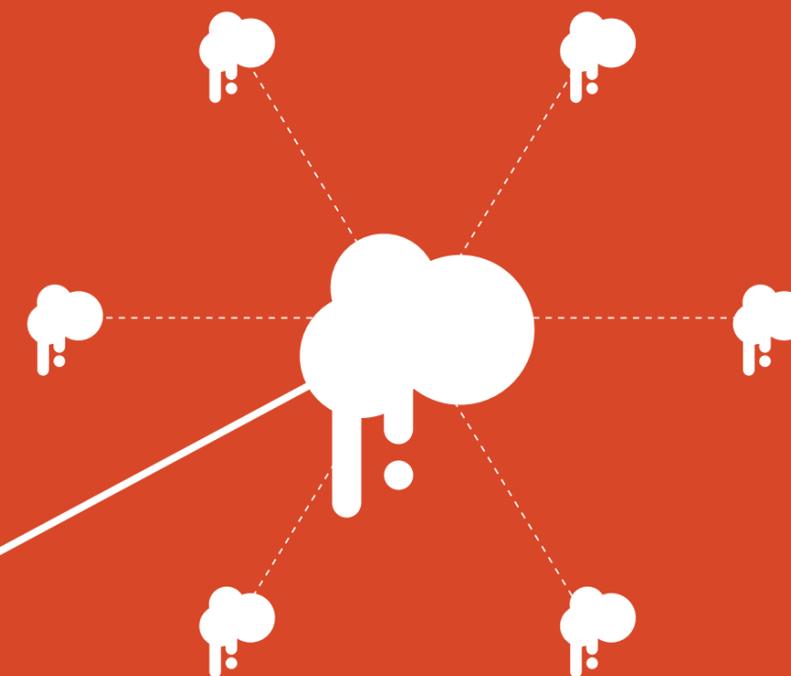
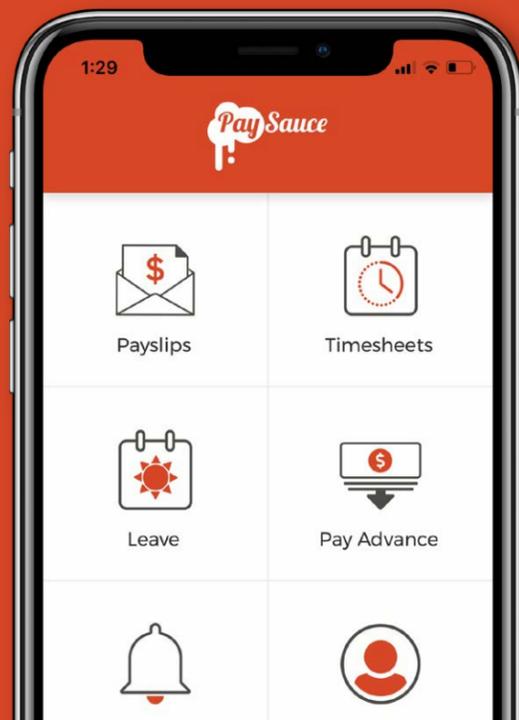




**From a mobile payroll app to an employment solutions platform, PaySauce is going places.**

**In a few short years, two guys and one good idea have become an awesome team and serious business. PaySauce is now a major innovator, with a growth curve steeper than Baldwin Street.**



**The future is all about the PaySauce platform.**

**With the freedom of the cloud and the intelligence of integration, the platform is built to connect and inform people at work.**



2019  
Highlights

# *A dairytale beginning*

Heaps of our recent growth has come from farming, especially the dairy industry. Dairy's unique employment environment gave PaySauce the chance to deliver groundbreaking solutions.

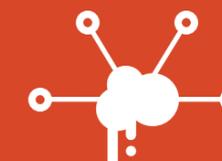
Took out a Fieldays Innovation Award



Listed on the NZX



Launched the PaySauce platform



## ARR

Annual recurring revenue at 31 March 2019

ARR GROWTH ▲ **108%**

# \$1,038,317

## Customers

Customer growth

▲ **86%**

Customers at 31 Mar 19

**1,384**

## LTV

Total customer life time value at 31 March 2019

# \$3,509,940

## Churn

Customer Churn % (monthly)

# 1.7%

## ARPU

Average revenue per user (monthly) at 31 March 2019

# \$63

## LTV:CAC Ratio

LTV to CAC (Customer acquisition cost) ratio at 31 March 2019

# 4.7:1

Explanations and calculations for the SaaS ("Software as a service") terms used above are outlined on page 23.



## Going public

**Our brand and our product set us apart - we don't look, talk, or think like the competition.**

Just before Christmas 2018, we became a publicly traded company. Heading to the NZX is an unusual and maybe an audacious move for an early stage startup. We knew this would be a catalyst for raising investment capital, and lend us some serious clout both at home and when we head offshore. We also knew it would help us get

our name out there - our listing caused a small stir, not unlike another Kiwi startup with big ambitions, Xero. In many ways, we are following Xero's footsteps: a big-thinking start up entering an industry full of mature, unwieldy players and using cutting-edge tech to shake up and simplify business.

# Contents

## The journey

- 02 Highlights
- 06 Message from the CEO
- 08 Message from the Chair
- 10 Milestones

## The company

- 12 Software at work for people
- 16 The market
- 18 The culture
- 20 Environmental and social activity
- 21 The Board
- 22 SaaS reporting
- 24 Our next move

## The nitty gritty

- 27 Director's report
- 28 Auditor's report
- 32 Consolidated financial statements
- 62 Governance
- 69 Disclosures
- 76 Directory

# Message from the CEO



To our shareholders,

PaySauce is about people. Four years ago, our Chief Technology Officer, Troy Tarrant, and I founded this business to shake up an industry that we knew all too well. We felt that running a business was tough enough without struggling to keep up with complex employment legislation. From day one, our mission was to take the friction out of interactions between employers and employees. That original spark has become a guiding light for our strategy, our features and our team.

In an industry that is dominated globally and locally by a few well-established players, we need to provide exceptional value to compete. The only way to succeed is with a genuine

commitment to customer care backed by innovation. The ongoing development of PaySauce is inspired by our regular conversations with our customers and partners. By constantly centring the customer's perspective, we'll continue to create relevant and groundbreaking solutions with lasting practical value.

The key driver for our business is sustainable growth. While it's great to have a fast-growing company, it's equally important to deliver outstanding customer experience. At the heart of this is the Net Promoter Score (NPS) measure. For me, NPS is the single best indicator of our success. Experience has taught us that if we prioritise customer care above all, our ability to attract and retain customers

increases dramatically. To provide this level of customer care, we need to invest in the right people and the right systems. Customer satisfaction is the key focus of our management team, and these are the long-term investment decisions that will ultimately deliver results.

Over the last 24 months, we've been honing our business model focusing intently on the agricultural sector. Breathtaking growth has clearly demonstrated the value of this strategy. The learnings and solutions that we've discovered in the agriculture sector have tremendous potential to be repurposed in other markets or verticals.

PaySauce is now well beyond payroll. We've moved from calculating pay to making payments to staff, to full integration with New Zealand's banking and taxation systems. With the advent of Inland Revenue's Payday Filing, we've been able to reduce administration hours for business owners further. Most significantly, we have evolved into a platform to streamline interactions between employees and employers. Our first platform solution is the digital Federated Farmers employment agreement builder, which can be used independently or with PaySauce payroll.

PaySauce has a growing group of highly motivated, skilled and talented individuals collaborating to simplify the people side of business. A huge thank you to all the members of the PayForce for their hard work. On behalf of the team, I'd like to thank our partners, our customers, and lastly you, the shareholders, for sharing this vision with us.

Sincerely,

**Asantha Wijeyeratne**  
CEO

**LTV:CAC Ratio**  
**4.7:1**

**NPS**  
Net promoter score  
**58%**



PaySauce has developed an integrated platform with payroll as its core. As products are developed and connected, the platform becomes the centre of all things employment for our customers. Each new application on the platform also adds a new source of revenue, whether one-off service based (non-recurring revenue), or monthly subscriptions (recurring revenue). Those recurring revenue streams are explained above using unit economics,

which demonstrates the revenue value of each new customer:  
**X** = every customer acquired at a particular cost "CAC";  
**Y** = increases recurring monthly revenue "MRR";  
**Z** = customer continues to generate revenue over their lifetime "LTV", after allowing for the cost to serve that customer each month.

When customers join the platform for a single product, the integration model encourages and rewards the use of other products on the platform. This results in a greater value from those customers over their lifetime. This cross-selling impact will be amplified as the platform grows and more products are added, another key to rapid growth. For full platform details see page 24.

# Message from the Chairman



On behalf of my fellow Directors and all of the PaySauce team, I'm delighted to present our first Annual Report since the listing of PaySauce. Following PaySauce's acquisition of Energy Mad Limited in December 2018, Energy Mad Limited has been renamed PaySauce Limited. We're proud to say we're now an NZX listed company, under the new ticker code PYS.

I want to take this opportunity to welcome all shareholders to this new stage of our journey, providing innovative solutions for people at work. We're especially grateful for the support we've received, and the contributions we can make, in farming and the primary sector. The employers in this industry have helped us to understand the complex working relationships and regulatory obligations they face. In turn, we're able to provide them with smart solutions, making these challenges intuitive and straightforward.

2019 has been a watershed year for our business. Not only have we joined the NZX, but we've established strong partnerships across the dairy industry, notably with Federated Farmers, the Dairy Women's Network and Dairy NZ. We now provide payroll solutions to more than 10% of New Zealand's dairy farmers. We've seen strong growth in customers, payslips and payroll over the previous year.

## Customers

Growth over previous year

▲ 86%

## Payslips

Growth in payslips processed over the past year

▲ 84%

## Payroll

Growth in payroll values processed over previous year

▲ 96%

We have always been confident that growth would be the natural consequence of the quality of our solutions. We've stayed true to this vision since PaySauce was established four years ago. The Directors are delighted with our progress to date, but this is just the beginning. We're working towards becoming the leading employment solutions provider, not only here in New Zealand, but also overseas. Our strength in the primary sector provides an exemplary strategic model, seeking out and resolving urgent, industry-specific issues.

The challenges of paying, contracting and managing agricultural workers are broadly shared from country to country.

As a specialist and a leader in this field, we see significant future opportunities to emulate this success across other markets and other verticals.

Of course, it's essential to acknowledge the extraordinary contributions of the PaySauce team (16 FTE's as at 31 March 2019). Their efforts are greatly appreciated, and they have my thanks and, I am sure, that of the shareholders. Their efforts have made the company what it is today.

I would also like to thank my fellow Directors, for their support and assistance over the past 12 months.

Finally, I would like to express my appreciation to our shareholders who have supported us on our journey so far. Your participation is crucial to all of our success. We look forward to continuing that association over the years ahead.

Sincerely,

**Andrew Barnes**  
Director (Non-Independent)/  
Chairman

# Tick tock, we don't stop

## May 2017

we become a strategic partner of Federated Farmers

## November 2017

we complete seed funding round of \$1.5M

## November 2017

we rebrand as PaySauce

## June 2018

we take out a Fieldays Innovation Award

## August 2018

we crack \$20m in payroll value processed/month

## December 2018

we go public (NXZ: PYS)

## December 2018

we become a Silver Partner of DWN (Dairy Women's Network)

## March 2019

we present at ICBNZ's (Institute of Certified NZ Bookkeepers) "Future of Payroll"

## June 2019

we became an Agrigate data partner in conjunction with LIC (Livestock Improvement Corporation) and Fonterra

# 2017 2018 2019

## April 2017

we crack \$5m in payroll value processed/month

## August 2017

we crack \$10m in payroll value processed/month

## May 2018

we crack \$15m in payroll value processed/month

## October 2018

we complete growth funding round of \$1.145M

## October 2018

we release Payday Filing and Pay Advance

## October 2018

we crack \$25m in payroll value processed/month

## April 2019

contract builder goes live

## April 2019

we officially open our new offices

## April 2019

we beta launch the PaySauce Platform

# Software at work for people

PaySauce is software at work for people. We make it really easy for Kiwi employers to manage the human side of business, from contracts to digital timesheets, payroll, banking and filing.

## What does PaySauce do, and why does it matter?

New Zealand's employment legislation is some of the world's toughest, with even MBIE themselves making big, expensive errors. Time starved business owners surrender crucial hours to complex and changing regulations, often overcorrecting to protect themselves. For the agricultural sector, it's even more difficult, with unique conditions and challenges.

Most systems are built for 9-5 businesses, and farming has its own work environment. Unemployment levels are low, scrutiny is high, and being a best-practice employer is more important than ever.

PaySauce is subscription-based cloud software for employers. We build solutions for all things employment, bringing together contracts, timesheets, payments and Inland Revenue filing. With automatic compliance, our customers can rest easy. As a true cloud solution, PaySauce is flexible, affordable and accessible, built to respond rapidly to changes in the market and legislation.

Business owners are practical people who want to focus on high-value, high-stakes tasks and have plenty of major decisions to make each day. Our big goal is to make it easy to be a really good boss. We're simplifying and speeding up problematic parts of employment, like timesheets, advances and contracts. We're facilitating better information and easier relationships by making tricky negotiations transparent, simple and instant.

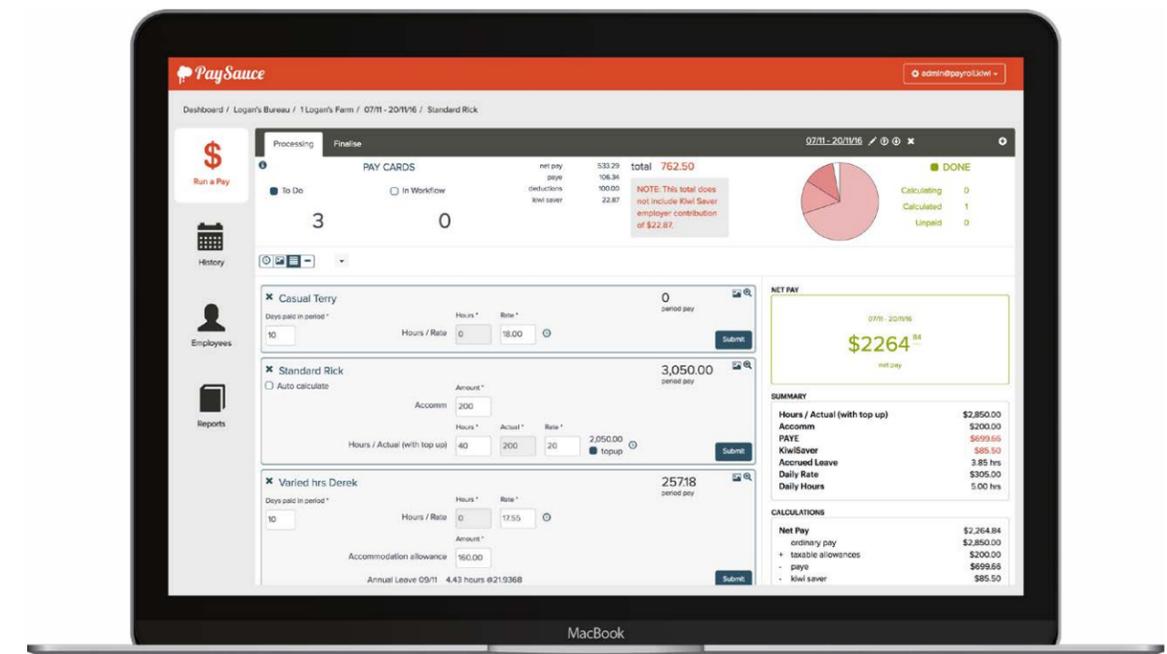
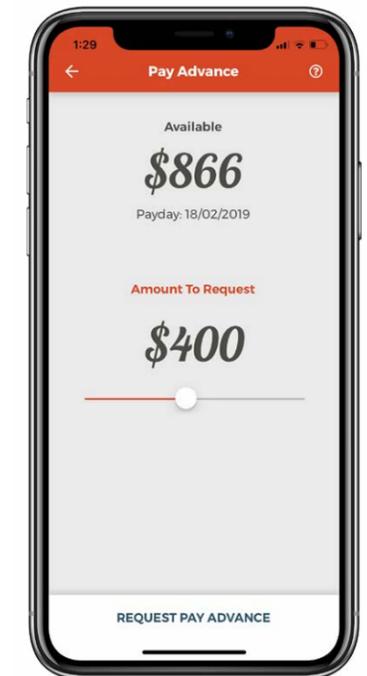
## How it Works

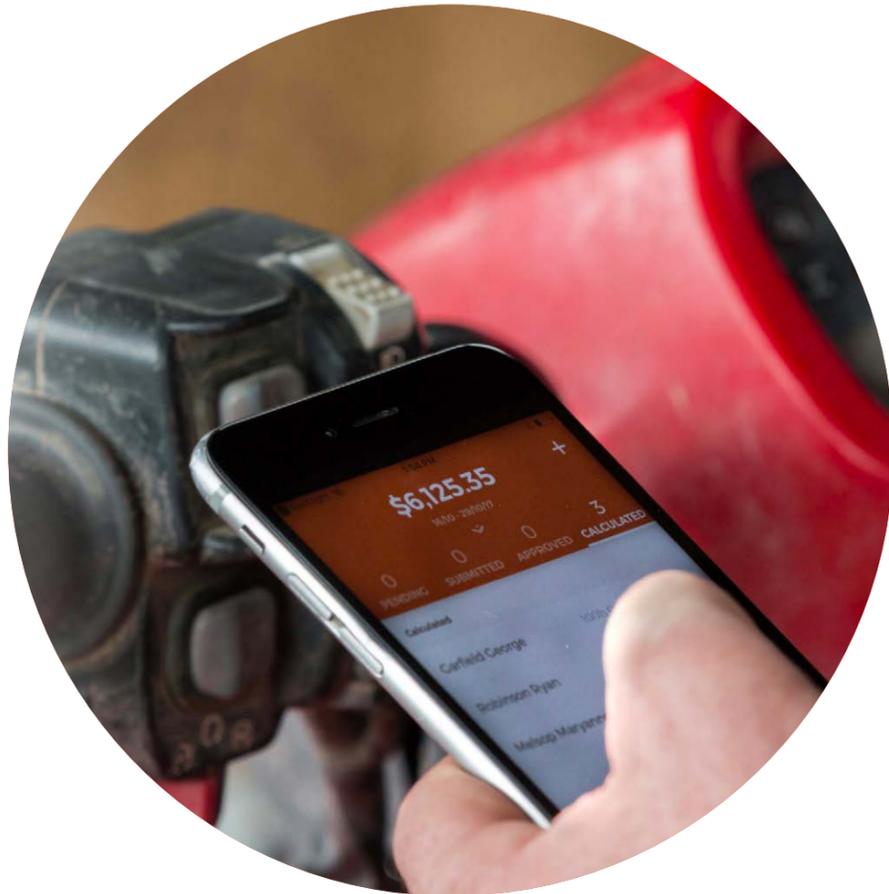
Employers register online for PaySauce, entering essential details about their business and their people. We send an email invite to their employees, telling them to join. On the PaySauce platform, a profile and a personalised dashboard is created for both the company and each employee. This displays their individual records, apps and data. If employees leave the company they joined with, they keep their dashboard and any information that belongs to them as an individual, and carry it to their new PaySauce using employer.

Right now, the platform hosts two apps: Payroll and Contract Builder, but is set to expand. With PaySauce payroll, our original application, employees can enter

hours on digital timesheets, check leave balances, make requests and access payslips. The app calculates leave, PAYE, KiwiSaver and other tax obligations, then pushes through the pay run and files with Inland Revenue. The employer just has to approve and submit the pay.

The Contract Builder is the newest app on the PaySauce platform. Employers can use this tool to create employment agreements, save templates, and import new hires directly to payroll. This is the kind of effortless sharing that we're building between all current and future applications on the platform. PaySauce users can customise their own app toolbox, on a single dashboard view with networked integration.





This addresses the clutter and confusion that business owners currently experience with incompatible management and HR software. In this case, market saturation works in our favour, allowing us to present a compelling counterpoint as we connect and centralize essential employment upkeep. We cater to small business with complete flexibility. There's no monthly fee or set-up costs - we only charge per use, for the people who are actually paid in each pay run, or the contract someone is actually employed on. This is a huge draw for small businesses in highly seasonal industries or with fluctuating markets.

Pretty cool, right? But we know that a great product isn't enough. People are indispensable. We have an awesome team of experts who explain things in plain English. We give guidance on how to get the most out of our software and the features that best suit individual businesses. We advise on all things employment, from the start of onboarding to the end of termination pay. Our people have years of experience - plus, we look after hundreds of farming customers, which means we've learned a lot about on-farm employment and all its unique challenges.

For our agri customers, that specialised experience and knowledge is invaluable.

### What's so special about our Sauce?

PaySauce can be accessed on any device, anywhere. PaySauce payroll is a truly mobile pay solution, and the only provider to let employers complete an entire payrun, including payments and payday filing, from a mobile app. We're one of the few NZ IR-authorized payroll intermediaries, and we were the first payroll intermediary to bring all our customers in line with Payday Filing requirements, 6 months ahead of the deadline.

Our software is simple, customizable and actually very usable, which sets us apart in an industry of fine print, fiddly systems and dense financial jargon. We started with a simple payroll calculator, but we're always finding problems to solve - digital timesheets, contracts, and a challenge to payday loans with Pay Advance. We've come a long way from pay day calculations. As we continue to build the platform, we're keeping employees and employers better informed, cutting out miscommunication and double-handling. We're changing the game by connecting onboarding with the pay run; the integration between the Contract Builder and PaySauce payroll loads new employee details directly into PaySauce payroll. As we transform into an employment solutions platform, we've become fundamentally different to our competitors in scope and purpose.

### Where did we come from?

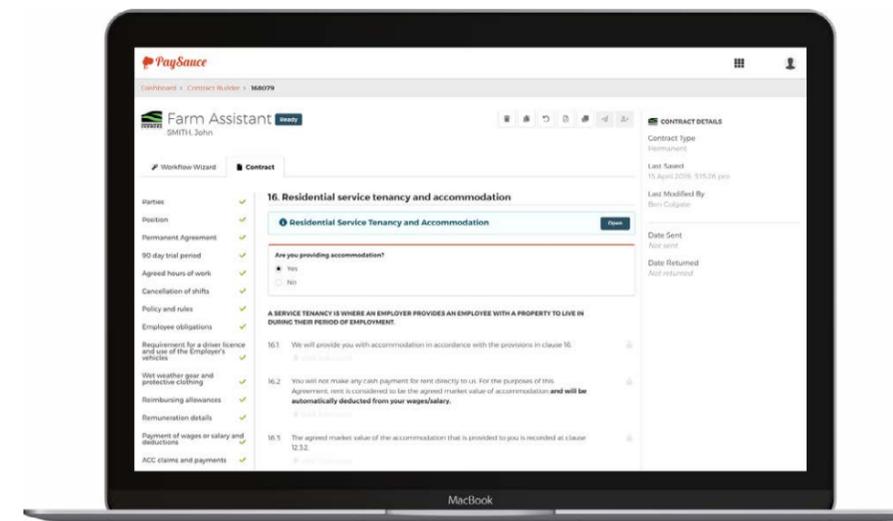
PaySauce began as a simple solution, but one that was built to grow. We kicked off in 2014 with Asantha and Troy, two guys with very different skill sets and a shared background in payroll problem-solving. PaySauce was the space to put their "what-if"s into practise, a pay solution that would rapidly and dynamically respond to changes in legislation and demand, and that people would actually want to use. They gathered a few customers, mostly through word of mouth, and started turning an idea into an application.

By 2015, we were growing healthily. From our conversations with employers, we realised that agriculture was under intense scrutiny from MBIE and running into unique compliance struggles. PaySauce became the agri specialist, led by the development of the minimum wage top-up feature for salaried employees.

With a foothold in the agriculture market, we began to build vital relationships. Federated Farmers, CashManager and the Dairy Women's Network in agriculture; ASB, Figured and a network of regional accounting practises in the financial sector.

In the last 12 months, we've almost doubled our user numbers, and we're now firmly established as a leader in the farming space. We've earned significant market penetration, especially in dairy, by building solutions with and for agri employers. While our newest features and applications are farm focused, we've designed their foundations to be easily adapted for the entire small business market. PaySauce is now taking off as not only a payroll provider, but a full suite of employment solutions, as we launch the PaySauce platform.

Troy and Asantha have since been joined by an assortment of thinkers, doers and makers. With a steep growth trajectory and an exceptional team, we're feeling pretty good about what's to come.



# The market

These days, solutions for small business are big business. We've achieved cut-through in a crowded market by innovating to meet real customer needs.

## Our Competitors

The payroll software market is crowded and fragmented, with the most popular SaaS payroll provider in the country holding less than 15% market share. But there's a prevailing trend of looking sideways, not forwards. The biggest players are 10-20 years old, and aren't built to adapt to a cloud 2.0 environment. Most are imitating, not innovating, happy to just keep up with the competition, and providing only a partial solution.

We bring genuinely user-friendly software to a marketplace of confusing design, limited tech and dated ideas. As far as we know, we are the only payroll offer in the world with our level of mobile functionality. We're pushing our industry forward, with other players in the industry replicating our features while we build our next innovation. Minimum wage top-ups, Pay Advance and digital contracts

have all broken ground and make a major impact in the work habits of our users.

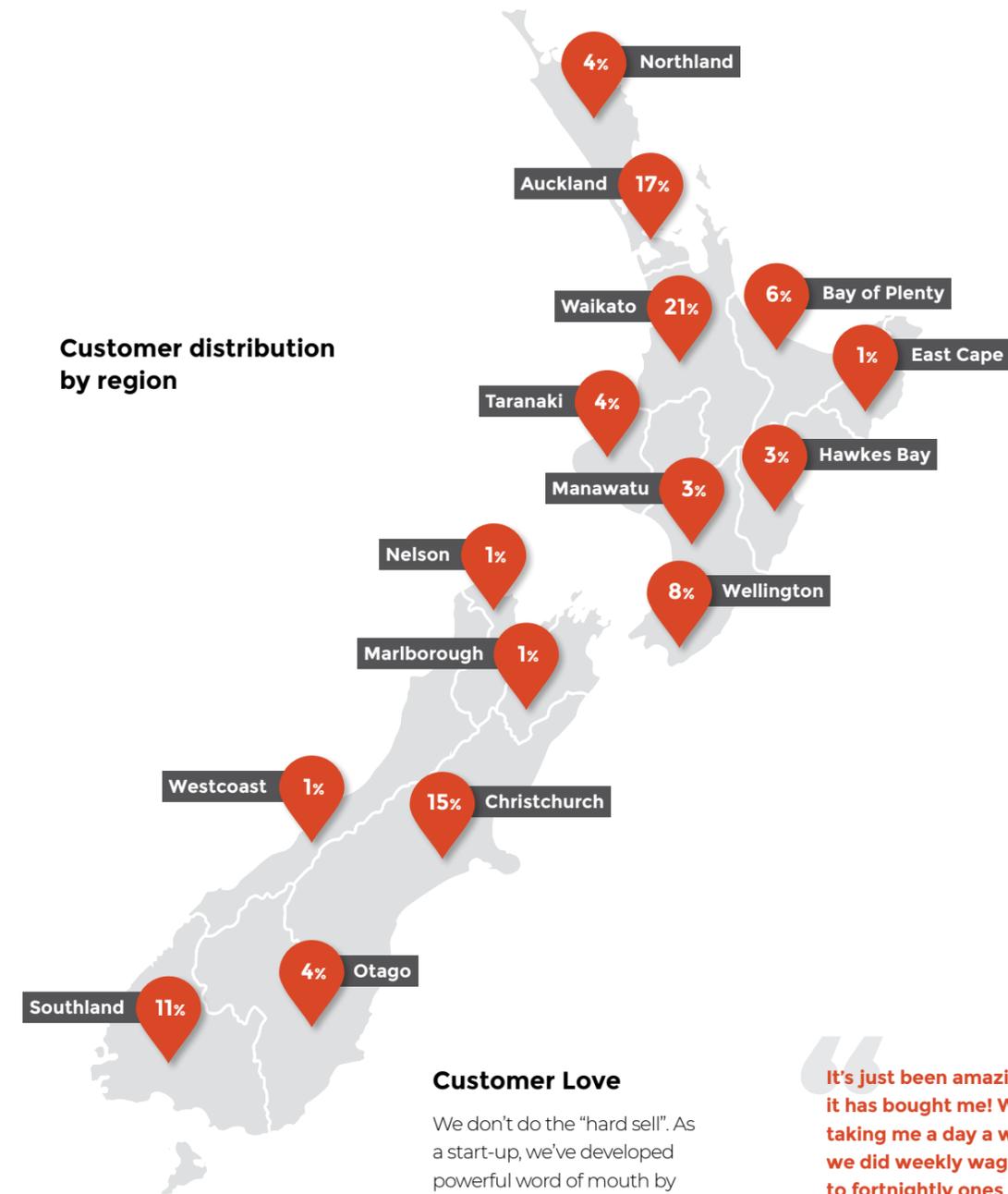
We set ourselves apart with simple design, constant evolution and a customer experience that takes care of even the least tech-savvy entrepreneur. We also cater to an underserved segment with urgent, unique needs - agriculture, and especially dairy. Payroll software is becoming a key requirement for farming employers as margins get ever tighter and time gets shorter.

## Our Customers

Our Customer is the Kiwi small business owner, whether they have one employee or 100. SMEs in NZ collectively employ 614,000 staff, and generate 42% of new jobs annually. Employers are starved for time, highly self-reliant and resourceful. They have a DIY mentality, but they're also keen on clever ideas that can better their business.

Our customers run businesses of all types, and our market is diversified and resilient. However, 70% of our customers are in the primary sector, and this is the fastest-growing part of our user base. Agriculture comes under intense scrutiny from employment authorities. We've focused closely on agriculture for the last 24 months, building features for industry-specific issues, forging partnerships and earning credibility. We're doubling down on this segment, with features, integrations and messages designed to benefit agriculture. We have crucial partnerships with the Dairy Women's Network and Federated Farmers, membership-based organisations that carry huge credibility with thousands of engaged members. These relationships have helped further our healthy market share in the agri space and keep us wired in to the needs of our customers.

Customer distribution by region



## Customer Love

We don't do the "hard sell". As a start-up, we've developed powerful word of mouth by creating happy customers. We now enjoy an increasingly rapid flow of referrals from customer networks, accounting advisors and partnerships.

We conducted NPS surveys in June 2018 and February 2019, scoring 60.17 and 58.54 respectively. This is a remarkably consistent result across a period of massive growth and is a testament to the awesomeness of our service team.

*It's just been amazing - the time it has bought me! Wages were taking me a day a week when we did weekly wages. I moved to fortnightly ones because I thought that would free up a day a fortnight... but then when we got PaySauce, we went from a whole day doing wages to less than an hour. That's allowed me time to do other things in the business. And with small businesses, every hour is worth gold.*

**Colleen, Hutt Gas and Plumbing**  
General Manager

# Culture

Our team is growing rapidly, as we scale to meet surging demand. The PayForce has grown to 16, with several key hires in the last six months. We're all really good at what we do, but more importantly, we're good at communicating. We ask for one another's input and ideas and we utilize everyone's skills.



## Who we are

Our people come from different continents, generations and disciplines. We hire on skill set, but also on "fit". Our ages range from 25 to 60-something and we boast a mix of backgrounds, habits and approaches. Our diversity is not just demographic, but diversity of thought and knowledge. We're a personnel party mix, held together by our drive to make awesome Sauce.

## How we operate

We favour macro-management. We have a non-hierarchical workplace, where opinions and input are actively sought and freely given. We find the right people and let them define their own roles. We have high expectations, but we reward success over punishing error. We're collectively geared towards growth, always preparing for the next phase. We have a number of our employees as shareholders, giving them a concrete reason to be personally invested in PaySauce's success.

## Where we go

Officially, we work from Wellington and Auckland offices, but in reality, we're all over the place. Operations Manager Rachel is a stay-at-home parent, our Head of Growth Logan is a national nomad, and many of us work flexibly. With our current growth rate, our chief priority is to extend our support and maintain standards of customer care. With that in mind, we've started to develop a remote workforce, embedded in rural areas. This network of PaySauce support specialists will use their organic relationships and community ties to help customers both remotely and in person, as well as spreading the word at a grassroots level.

## What we believe in

Our values inform the way we interact with our customers, each other, and everybody else. They keep us on the same page, and give us guidelines to fall back on for important decisions. They're the basis for attitudes and actions at the company level and for every member of the PayForce.

**Simple.** We make things easy and direct. We say what we mean. We believe that clever people make things complicated, but smart people make things simple. We don't follow arbitrary rules just because that's "the way it's done", but we don't fix what ain't broke.

**Human.** We're people building stuff for people. We don't let technology distance us from each other. Empathy is one of our core values, extending from our team to our customers to our community. We don't limit support call times or "escalate" customer issues, building relationships and sticking with the customer at all stages. We know that everything we do is in service of our customers.

**Whip-smart.** We have high standards for ourselves and each other. We're lean, quick and cutting-edge. We constantly seek improvement. PaySauce is never "finished"; there's always a new idea, or a better version of an existing one.

# Environmental and social activity

As a cloud provider, paperwork doesn't make much sense for us. We keep it paperless wherever possible, and encourage and enable the same habits in our customers, partners and shareholders. Our workplace habits prioritise sustainability; we've ditched disposable cups, we recycle and repurpose wherever possible. We leverage digital tools for our correspondence and marketing efforts to minimise printing and plastics. We buy local and second-hand for office supplies and furnishings.

We continue to support Wellington's 1% Collective as a SuperHero Sponsor and connect our employee-level customers to their favourite charities through Payroll Giving. PaySauce payroll is offered to all registered NZ charities free of charge.

In June 2019, we instituted a Volunteer Time Off programme, Time Present, to encourage our own people to take part in charitable activities in the community. PaySauce is liaising with One Percent Collective and Hutt Volunteer Services to provide our team with skilled volunteering opportunities in the local area.

# The Board



**Asantha Wijeyeratne**  
Director (Non-Independent)

Ran several successful Kiwi companies and founded New Zealand's largest small business payroll provider, SmartPayroll. Created PaySauce to revolutionise the way SME owners pay staff and manage employment obligations.



**Gavin Thompson**  
Director (Non-Independent)

Founder and a director of Catalyst IT. 25 years' experience in developing software systems in the manufacturing, engineering, financial, and government sectors.



**Nick Lewis**  
Independent Non-Executive Director

Former Chairman of Mojo Coffee, on the boards of Pioneer Energy and Ecotricity. Formerly first chair of the crowdfunding website PledgeMe.



**Andrew Barnes**  
Director (Non-Independent)/  
Chairman

Founder of Perpetual Guardian and Director of Complectus. Previously a director and founder of Just Wills Holdings Limited, CEO of Bestinvest, managing director of Australasian Wealth Management Limited, Chairman of realestate.com.au Limited (now REA Group), and an Executive Director of Macquarie Bank.



**Mandy Simpson**  
Independent Non-Executive  
Director

Chief Digital Officer at Z Energy. Director of Punakaiki Fund. Formerly Chief Financial Officer at Fronde and Chief Operating Officer at NZX.

# SaaS reporting

The business results reported below provides 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).

	31 March 2019	31 March 2018
Processing Fees	\$533,402	\$212,876
IRD Subsidy	\$167,810	\$80,833
Interest Received	\$132,856	\$67,971
<b>Total Recurring Revenue</b>	<b>\$834,068</b>	<b>\$361,680</b>
Cost to Serve	(\$270,169)	(\$202,439)
<b>Gross Margin</b>	<b>\$563,899</b>	<b>\$159,241</b>
Gross Margin %	68%	44%
Other Revenue	\$87,500	\$150,000
<b>Total Other Revenue</b>	<b>\$87,500</b>	<b>\$150,000</b>
Customer Acquisition	(\$344,008)	(\$306,482)
Research & Development	(\$133,431)	(\$314,084)
General & Administration	(\$720,965)	(\$443,237)
<b>EBITDA</b>	<b>(\$547,004)</b>	<b>(\$754,562)</b>

\*Extraordinary items relating to the reverse listing and preceding restructure process have also been excluded from the EBITDA calculation, to provide readers with a more accurate representation of the underlying operational performance of the business.

## The preceding categories are explained below:

**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 variance amount based on the number of payslips in that pay run.

**IRD Subsidy** : This category represents the revenue generated from the subsidy provided by Inland Revenue for payroll intermediaries. The subsidy provides revenue based on the number of payslips processed by PaySauce each month.

It should be noted that the subsidy will reduce for the year ending 31 March 2020, as the subsidy will only apply to payslips of those customers who have processed less than \$50,000 of PAYE and ESCT for the preceding financial year. The subsidy will be completely removed from 1 April 2020. Further information on this can be found on the Inland Revenue website.

## SaaS metrics & definitions

These software as a service ("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 continue into the future. For PaySauce, it is that which is directly linked to the number of pays that our customers run on the PaySauce payroll product. There are currently three sources of recurring revenue, those being processing fees, subsidy, and interest received.

**Interest Received** : This category represents the interest received from term deposits held in escrow for our Payroll customers. As customers pay their PAYE through to us each pay run, there is a time in which we put these on deposit and generate interest revenue, 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 directly 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, and customer support.

**Other Revenue** : This category includes revenue that is not recurring in nature, and is not part of our regular operating activities. Revenue included is that which relate to sponsorship from ASB Bank.

**Customer Acquisition** : This category includes those costs which are directly related to acquiring new customers. Costs included are

those such as sales and marketing, implementation and onboarding of customers to our system, and discounts.

**Research & Development** : This category includes those costs which are directly 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.

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).

**MRR** : Monthly recurring revenue is the total recurring revenue for the month.

**ARR** : Annual recurring revenue is the monthly recurring revenue, 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** : Churn is expressed as a percentage, and is calculated as the number of cancellations divided by the total number of customers.

**ARPU (monthly)** : Average revenue per user (monthly) is total recurring revenue, divided by the total customers processing payroll.

**CAC (per addition)** : Customer acquisition cost (per addition) is the total cost of acquiring customers for the year, divided by the number of new customers processing payroll.

**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

# Our next move

We're no longer just building the best payroll app; we're building an integrated business toolbox

In our everyday conversations with customers, we've come to understand the clutter of apps and tools for small business owners. The sheer number of options is overwhelming, creating a messy and unmanageable suite of business technology. Any data produced by one solution needs to be combined with several others to form any meaningful overview, but they're rarely compatible. The platform is our solution to this.

PaySauce has evolved from just a payroll application to a broader employment platform, a serious move that sets us apart from our former competitors. In this new environment, we provide a connected suite of employment tools to customers who may never even use our payroll services. The PaySauce platform allows employers to choose the solutions their business needs, and leave the rest. While the apps run independently, they're designed to work together.

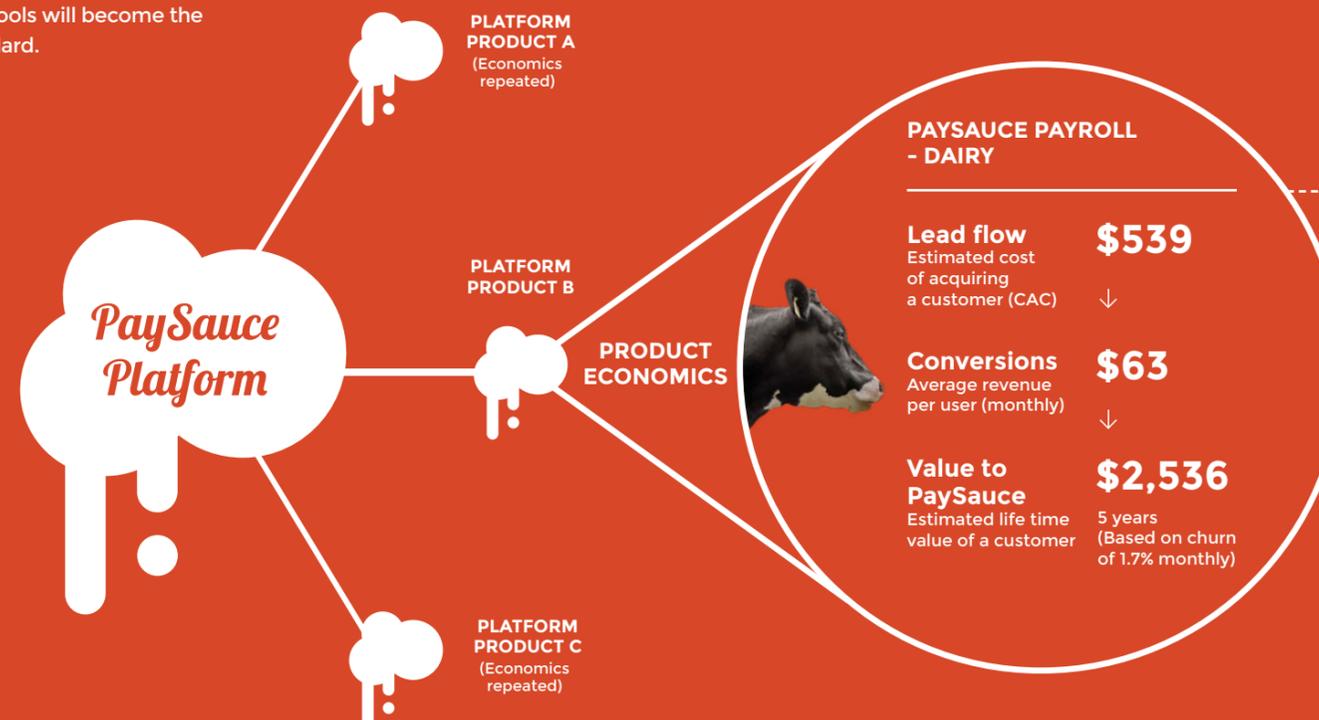
The platform is networked, with information shared securely throughout. We're no longer just

building the best payroll app; we're building an integrated business toolbox. Long term, we expect this to cover every aspect of people at work; onboarding, professional development, health & safety and record keeping, all while exchanging essential data to provide new insights and connect each part of the business.

The platform is diversifying our revenue streams and extending our reach. Our focus has shifted from "simply payroll" to the broader field of people at work. Payroll led us naturally to agriculture, as the market with the most pressing needs around fair compensation and accurate record-keeping. As we extend into supplementary solutions like onboarding, we plan to alleviate urgent issues in other industries, winning new markets in the process.

We've put 18 months into the development of a true platform environment, focused on delivering integrated applications. We plan to host both internal and third party apps, to offer the best-of-breed tools through

a "marketplace" model. As we continue to deploy new offerings, the experience of using multiple tools on the platform will become more rewarding. Each new application will extend and connect with the existing range, making the utility of the platform both broader and deeper. This is designed to reward cross-functional users. Once we reach a tipping point, PaySauce compatible tools will become the market standard.



We've got the tech and the track record. So what's the next opportunity?

As a payroll and people platform, we've been building a solution centred around the individual. If the general ledger is the centre of the business ecosystem for finance, payroll is the centre for people.

In the coming years, we'll continue to expand on our success in the agricultural sector. Our comprehensive knowledge of on-farm employment in New Zealand provides us with a solid foundation to move into agriculture in other OECD nations.

At the same time, we're keen to see the platform reach

new industries, finding simple solutions for their most complex problems, just as we've done with agriculture.

The platform's dashboard experience is delivered to both the employer and the employee, so that people at all levels of an organisation engage with PaySauce on their own terms. PaySauce is a crucial part of the work experience throughout the business, and we're able to build marketing opportunities, channels and tools from multiple perspectives.

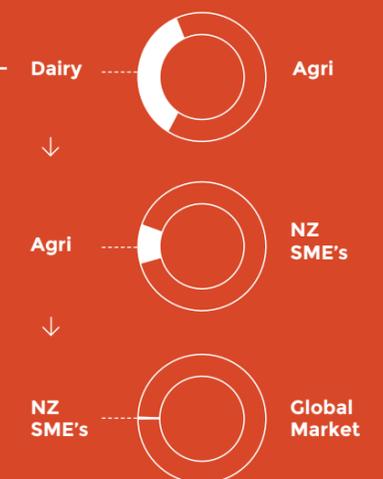
We can build the "B2B" channel through relationships with payroll advisors and small business owners, building a profile by satisfying influential employers,

accountants and bookkeepers. Equally, we can establish a strong "B2C" connection by bringing freedom and ease to employees. Getting paid is the most essential function in an employee's financial world, offering PaySauce an opportunity to improve and expand the payday and personal finance model.

While each of these plans and possibilities will require a different approach, our focus will always remain on people. We're so excited about what comes next.

Our senior leadership is engaged in risk analysis of the above options and formulating a strategy for our next phase.

## THE OPPORTUNITY



\* Graphs are purely indicative, and may not be accurate to scale.

# The nitty gritty

## Director's Report

The Board of Directors have pleasure in presenting the annual report of PaySauce Limited, incorporating the consolidated financial statements and the independent auditor's report, for the year ended 31 March 2019.

The directors consider that they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the consolidated financial statements.

For and on behalf of the Board of Directors:

In the opinion of the directors of PaySauce Limited, the consolidated financial statements and notes on pages 32-61;



28 June 2019

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Group as at 31 March 2019 and the results of their operations and cash flows for the year ended on that date; and
- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

Andrew Barnes  
Director

Date



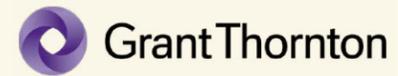
28 June 2019

Mandy Simpson  
Director

Date

27	Director's report
28	Auditor's report
32	Consolidated financial statements
62	Governance
69	Disclosures
76	Directory

# Independent Auditor's Report



To the Shareholders of PaySauce Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of PaySauce Limited (the "Company") and its subsidiaries ("the Group") on pages 32 to 61 which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners*

issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and the provision of tax services we have no other relationship with, or interests in, the Company or any of its subsidiaries.

### Material Uncertainty Related to Going Concern

We draw attention to the consolidated statement of comprehensive income and Note 19, which indicates the Group incurred a net loss before income tax of \$4.4 million during the year ended 31 March 2019 and describes the Group's reliance upon raising of sufficient capital from the shareholders to enable the Group to continue its business operations. As stated in Note 19, these events and conditions, along with other matters as set forth in Note 19 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the 'Material Uncertainty Relating to Going Concern' section, we have described below the key audit matters to be communicated in our report.

Why the audit matter is significant	How our audit addressed the key audit matter
<p><b>Reverse Acquisition of PaySauce Limited (formerly Energy Mad Limited)</b></p> <p>As described in note 2(b) in the consolidated financial statements, PaySauce Operations Limited was identified as the acquirer in the acquisition of PaySauce Limited (formerly Energy Mad Limited), the listed non-trading entity to facilitate a listing on the New Zealand Stock Exchange (NZX).</p> <p>As described in note 4 in the consolidated financial statements, management has determined the reverse acquisition of PaySauce Limited is deemed to be outside the scope of NZ IFRS 3 "<i>Business Combinations</i>" as the formerly Energy Mad Limited did not meet the definition of a 'business' and could not be accounted for as a business combination.</p> <p>This has resulted in the preparation of the Group financial statements being prepared as a continuation of the PaySauce business with the comparative financial information reflecting the operations and assets and liabilities of that business for the year ended 31 March 2018 rather than the formerly Energy Mad Limited.</p> <p>Management have determined the consideration paid in the transaction falls under NZ IFRS 2 "<i>Share Based Payments</i>" and acquisition costs arising in the transaction are recognised in accordance with that accounting standard.</p> <p>The accounting for the reverse acquisition is a key audit matter due to the accounting complexity of the transaction and the level of audit effort involved.</p>	<p><b>In obtaining sufficient appropriate audit evidence, we:</b></p> <p>Obtained an understanding of the transaction inspected the sale and purchase agreements between the entities and made inquiries of the Directors.</p> <p>Read the accounting technical paper prepared by management, which was initially prepared by an external technical expert.</p> <p>Considered the capability and competence of the assistance provided by the external expert in preparing the accounting technical paper.</p> <p>Considered the judgements and conclusions reached in the accounting technical paper in line with the requirements of relevant accounting standards, namely NZ IFRS 3 and NZ IFRS 2 for reasonableness. We assessed the use of reverse acquisition accounting as the basis for financial statement preparation, determination of the transactions as a share based payment and the treatment of specific costs incurred as part of the transaction as share based payments.</p> <p>Engaged our own technical expert assistance to peer review the judgements and conclusions contained within the accounting technical paper.</p> <p>Reviewed the material mathematical calculations performed for the accounting entries to recognise the reverse acquisition costs, specifically the treatment of the acquisition costs.</p> <p>Agreed comparative information disclosed in the consolidated financial statements is that of the continuing business of the accounting acquirer, PaySauce Limited.</p>

## Independent Auditor's Report (cont.)

### Other Information

The Directors are responsible for the other information. The other information comprises Messages from CEO and Chairman, Director's Report, Corporate Governance, other Disclosures and Company Directory but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements 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 information, we are required to report that fact. We have nothing to report in this regard.

### Directors' responsibilities for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group 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 Consolidated Financial Statements

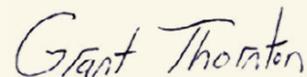
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) 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 these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1>.

### Restriction on use of our report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a body, those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

### Grant Thornton New Zealand Audit Partnership



**Kerry Price**  
Partner  
Auckland

28 June 2019

## Consolidated Statement of Comprehensive Income

for the year ended 31 March 2019

	Notes	2019 \$	2018 \$
<b>Revenue</b>			
Revenue from sponsorship		87,500	150,000
Processing fees		533,402	212,876
Subsidy revenue		167,810	80,833
Interest		132,856	67,971
<b>Operating revenue</b>	<b>13</b>	<b>921,568</b>	<b>511,680</b>
Other gains / (losses) - net	11	1,432,415	-
<b>Expenses</b>			
Depreciation and amortisation	7,8	(128,776)	(163,980)
Hosting expenses		(33,679)	(22,484)
Employee expenses	12	(675,163)	(642,925)
Other expenses	14	(694,779)	(604,966)
Employee bonuses	12	(1,554,082)	-
Listing costs	14	(3,644,004)	-
<b>Total expenses</b>		<b>(6,730,483)</b>	<b>(1,434,355)</b>
<b>Net loss before income tax</b>		<b>(4,376,500)</b>	<b>(922,675)</b>
Tax benefit / (expense)	15	-	-
<b>Net loss for the period</b>		<b>(4,376,500)</b>	<b>(922,675)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>		<b>(4,376,500)</b>	<b>(922,675)</b>

The accompanying notes form an integral part of these financial statements

## Consolidated Statement of Financial Position

as at 31 March 2019

	Notes	2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	25	6,313,146	3,614,619
Trade and other receivables	5	145,548	57,016
Other current assets		75,000	-
Prepayments and other short-term assets		120,452	33,623
<b>Total current assets</b>		<b>6,654,146</b>	<b>3,705,258</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	76,620	52,817
Intangible assets	8	296,629	108,142
<b>Total non-current assets</b>		<b>373,249</b>	<b>160,959</b>
<b>Total assets</b>		<b>7,027,395</b>	<b>3,866,217</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	6	547,632	77,058
Funds held due to customers	25	6,273,862	3,410,341
Employee benefits		58,792	29,601
Other liabilities		81,580	17,055
Contract liabilities relating to sponsorship revenue	13	-	87,500
Interest bearing liabilities		11,668	-
<b>Total current liabilities</b>		<b>6,973,534</b>	<b>3,621,555</b>

The accompanying notes form an integral part of these financial statements

## Consolidated Statement of Financial Position (cont.)

as at 31 March 2019

	Notes	2019 \$	2018 \$
<b>Non-current liabilities</b>			
Non-interest bearing liabilities		699,916	-
Interest bearing liabilities		14,688	37,267
<b>Total non-current liabilities</b>		<b>714,604</b>	<b>37,267</b>
<b>Total liabilities</b>		<b>7,688,138</b>	<b>3,658,822</b>
<b>Net assets</b>		<b>(660,743)</b>	<b>207,395</b>
<b>Equity</b>			
Share capital	9	5,508,339	1,999,977
Accumulated losses		(6,169,082)	(1,792,582)
<b>Equity attributable to the owners of the Company</b>		<b>(660,743)</b>	<b>207,395</b>

For and on behalf of the Board of Directors, who authorised the issue of these Consolidated Financial Statements on 28th June 2019:



28 June 2019

Andrew Barnes  
Director



28 June 2019

Mandy Simpson  
Director

The accompanying notes form an integral part of these financial statements

## Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

Notes	Attributable to equity holders of the Company		Total \$
	Share Capital \$	Accumulated losses \$	
	<b>1,999,977</b>	<b>(1,792,582)</b>	<b>207,395</b>
<b>Balance as at 1 April 2018</b>			
<b>Comprehensive loss</b>			
Net loss for the period	-	(4,376,500)	(4,376,500)
Other comprehensive income	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>(4,376,500)</b>	<b>(4,376,500)</b>
<b>Transactions with owners</b>			
Issue of ordinary shares	9 1,145,000	-	1,145,000
Share based payments	9 2,054,084	-	2,054,084
Reverse listing on 21 December - fair value of PaySauce Limited	9 309,278	-	309,278
<b>Total transactions with owners</b>	<b>3,508,362</b>	<b>-</b>	<b>3,508,362</b>
	<b>5,508,339</b>	<b>(6,169,082)</b>	<b>(660,743)</b>
<b>Balance as at 31 March 2019</b>			
	829,977	(869,907)	(39,930)
<b>Balance as at 1 April 2017</b>			
<b>Comprehensive loss</b>			
Net loss for the period	-	(922,675)	(922,675)
Other comprehensive income	-	-	-
<b>Total comprehensive loss</b>	<b>-</b>	<b>(922,675)</b>	<b>(922,675)</b>
<b>Transactions with owners</b>			
Issue of ordinary shares	9 1,170,000	-	1,170,000
<b>Total transactions with owners</b>	<b>1,170,000</b>	<b>-</b>	<b>1,170,000</b>
	<b>1,999,977</b>	<b>(1,792,582)</b>	<b>207,395</b>
<b>Balance as at 31 March 2018</b>			

The accompanying notes form an integral part of these financial statements

## Consolidated Statement of Cash Flows

for the year ended 31 March 2019

	2019	2018
Notes	\$	\$
<b>Cash flows from / (used in) operating activities</b>		
Receipts from customers	642,510	270,259
Increase in funds held for customers	2,863,521	2,321,581
Interest received	120,307	57,213
Payments to suppliers and employees	(2,083,752)	(1,265,992)
Taxes paid	(18,086)	(11,772)
Interest paid	(4,209)	(4,133)
<b>Net cash from operating activities</b>	<b>1,520,291</b>	<b>1,367,156</b>
<b>Cash flows from / (used in) investing activities</b>		
Purchases of property, plant and equipment	(55,821)	(57,317)
Proceeds from sale of property, plant and equipment	6,959	-
Purchases of intangible assets	(292,204)	-
Advances to related parties	-	(20,000)
<b>Net cash (used in) investing activities</b>	<b>(341,066)</b>	<b>(77,317)</b>
<b>Cash flows from / (used in) financing activities</b>		
Net proceeds from issue of shares	1,145,000	1,170,000
Loan advances	385,212	37,267
Repayments of other borrowings	(10,910)	-
<b>Net cash from financing activities</b>	<b>1,519,302</b>	<b>1,207,267</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,698,527</b>	<b>2,497,106</b>
Cash and cash equivalents at the beginning of the period	3,614,619	1,117,513
<b>Cash and cash equivalents at end of the period</b>	<b>6,313,146</b>	<b>3,614,619</b>

The accompanying notes form an integral part of these financial statements

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

### 1. General information

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

These consolidated financial statements presented are for PaySauce Limited, together with its subsidiaries (the "Group") for the year ended 31 March 2019. During the year the reverse acquisition of PaySauce Limited (formerly Energy Mad Limited) took place, and as a result, these consolidated financial statements have been prepared as a continuation of PaySauce Operations Limited (formerly PaySauce Limited) and its subsidiary Right Remuneration Limited. This is explained further in note 2(a).

These consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 28 June 2019.

The Group's principal activity is to provide payroll processing solutions to employers in New Zealand.

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

### 2. Summary of significant accounting policies

#### a. Basis of preparation

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and on the assumption that the Group is a going concern.

They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit oriented entities that have been issued by the New Zealand Accounting Standards Board. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

The Group is a Tier 1 for profit reporting entity as defined by the External Reporting Board in its "Accounting Standards Framework".

#### Historical cost convention

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below:

#### Entities reporting

To facilitate the listing of PaySauce Operations Limited, shares in PaySauce Limited were issued to the former shareholders of PaySauce Operations Limited. As a result of the transaction, the former owners of PaySauce Operations Limited obtained control of PaySauce Limited. Due to this, management considered it appropriate to account for the transaction as a "reverse acquisition". PaySauce Operations Limited was identified as the accounting acquirer and PaySauce Limited (formerly Energy Mad Limited), the listed non-trading entity, was identified as the accounting acquiree. Consequently, these consolidated financial statements, although under the name of PaySauce Limited, the legal parent, represent a continuation of PaySauce Operations Limited and its subsidiary Right Remuneration Limited.

PaySauce Operations Limited being the accounting acquirer, is deemed to have issued shares to obtain control of the acquiree, PaySauce Limited. However, because PaySauce Limited, the accounting acquiree is not a business, the transaction is not a business combination within the scope of NZ IFRS 3 (Business Combinations). The difference between the fair value of the shares deemed to have been issued to obtain control over PaySauce Limited, and the fair value of the identifiable net assets of PaySauce Limited has been recognised as an equity-settled share based payment in accordance with NZ IFRS 2 (Share Based Payments), for services received in the form of a stock exchange listing.

These consolidated financial statements reflect the results of PaySauce Operations Limited and its subsidiary Right Remuneration Limited from 1 April 2018 to 21 December 2018, and the results of the Group from 22 December 2018 to 31 March 2019. The comparative statement of comprehensive income for the year ended 31 March 2018 and the comparative statement of financial position as at 31 March 2018 reflect the results of PaySauce Operations Limited and its subsidiary Right Remuneration Limited.

## b. Basis of consolidation

These financial statements consolidate to those of the Group and its subsidiaries as of 31 March 2019. The Group controls a subsidiary if it is exposed, or has rights to variable returns from, its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Its subsidiaries have a reporting date of 31 March 2019.

All transactions and balances between the Group are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the reporting period are recognised from the effective

date of acquisition, or up to the effective date of disposal, as applicable.

## c. Foreign currency translation

### Functional and presentation currency

Items included in the consolidated financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (New Zealand). The consolidated financial statements are presented in New Zealand dollars (\$), which is the Group's functional and presentation currency.

All financial information has been rounded to the nearest dollar.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non monetary assets such as equities classified as available for sale financial assets are recognised in other comprehensive income.

## d. Goods and Services Tax (GST)

All revenue and expense transactions are recorded exclusive of GST. Assets and liabilities are similarly stated exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST.

## e. Financial instruments

### Recognition and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to contractual provisions of the 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 risk and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 (Revenue from Contracts with Customers), all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised Cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

- Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset.

### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

### Impairment of financial assets

Recognition of credit losses uses the 'expected credit loss (ECL) model'. The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12 month expected credit losses' are recognised in Stage 1 while 'lifetime expected credit losses' are recognised for Stage 2.

Measurement of the expected credit losses is determined by probability weighted estimate of credit losses over the expected life of the financial instrument.

#### Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

#### Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, funds held due to customers, interest bearing liabilities and related party loans.

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.

### f. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### g. Property, plant and equipment

#### Recognition and measurement

Items of computer, office equipment, leasehold improvement and motor vehicles are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related

equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss within the Statement of Comprehensive Income.

#### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs, including on-going repairs and maintenance, are expensed as incurred.

#### Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each item of equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The depreciation rates for the current and comparative years of significant items of property, plant and equipment are as follows:

Computer equipment	40%
Office equipment	13 - 60%
Leasehold improvements	7%
Motor vehicles	30%

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

### h. Intangible assets

#### Software

Acquired computer software licenses and costs associated with developing computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2.5 to 5 years. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

#### Development expenditure

Development expenditure is recognised as an expense except if the costs incurred and development projects are capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

Development expenditure is capitalised if, and only if the Group can demonstrate all of the following:

- its ability to measure reliably the expenditure attributable to the asset under development;
- the product or process is technically and commercially feasible;
- its future economic benefits are probable;
- its ability to use or sell the developed asset; and
- the availability of adequate technical, financial and other resources to complete the asset under development.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as an asset in subsequent periods. In the event that the expected future economic benefits are no longer considered probable, the development expenditure is written down to its recoverable amount.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis and the rate for the current and comparative years are as follows:

Software	20 - 40%
----------	----------

### Research and development

Research expenditure and development expenditure that do not meet the criteria above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### i. Impairment of non-financial assets

Non financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### j. Leases

#### Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under

operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

### **k. Trade and other payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

### **l. Employee benefits**

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group pays contributions to superannuation plans, such as Kiwisaver. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **m. Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

### **n. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

### **o. Revenue**

Revenue arises mainly from sponsorship, payroll processing services, and subsidy revenue.

To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when and as its performance obligations are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers.

#### **Revenue from sponsorship**

Revenue from sponsorship is recognised on a straight-line basis over the period of sponsorship. As the amount of work required to perform under this contract does not vary significantly from month-to-month, the straight-line method provides a faithful depiction of the transfer of services.

#### **Processing fees**

Revenue from processing fees are recognised at a point in time when the performance obligation has been satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for providing the service to the customer. The performance obligation for processing fees is considered to be met when the customer's payroll has been processed.

### **Subsidy revenue**

Subsidies received for performing PAYE services in the course of ordinary activities is measured at the fair value of the consideration received or receivable at a point in time when the payroll processing that the subsidy relates to has been incurred.

### **p. Interest expense**

Interest expenses are recognised in profit or loss within the Consolidated Statement of Comprehensive Income as they accrue, using the effective interest method. The effective interest method calculates the amortised cost of a financial liability and allocates the finance expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial liability. The application of the method has the effect of recognising the expense on the financial liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

### **q. Borrowing costs**

Borrowing costs are recognised as an expense when incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case the borrowing costs are capitalised.

### **r. Income tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous reporting periods. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which

they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### s. Share-based payments

Share based compensation benefits have been provided to the Group's founders, employees and suppliers. Information relating to these schemes is set out in (note 9).

The fair value of these equity settled transactions is determined at the grant date and is recognised as an expense in the Consolidated Statements of Comprehensive Income, with a corresponding increase in equity.

### t. Standards, amendments and interpretations to existing standards that are not yet effective

#### NZ IFRS 16 'Leases' (effective 1 January 2019)

NZ IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the Statement of Financial Position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases; however, this exemption can only be applied by lessees.

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in NZ IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of \$307,660.

The Group does not act as a lessor and hence the Group does not expect any significant impact on the financial statements.

NZ IFRS 16 is effective for periods beginning on or after 1 January 2019. The Group therefore intends to

apply the standard from the financial year beginning 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right of use assets for property leases will be measured on transition as if the new rules had always been applied. All other right of use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

At the date of authorisation of these Consolidated Financial Statements, several new, but not effective amendments to existing standards and interpretations have been published by the New Zealand Accounting Standards Board.

None of these amendments or interpretations have been adopted early by the Group. The amendments or interpretations are not listed nor disclosed as they are not expected to have a material impact on the Group's Financial Statements.

### u. New standards early adopted

#### NZ IFRS 9 – Financial instruments (effective date from 7 January 2015)

- i. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- ii. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- iii. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments
- iv. Financial assets, where applicable, are designated and measured at fair value through profit or loss at initial recognition if

doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low estimated credit losses; and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose estimated credit loss are not low.

#### NZ IFRS 15 – Revenue from contracts with customers (effective date from 7 January 2015)

The accounting standard addresses:

- contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component, and
- various specific issues, such as non-cash consideration and asset exchanges, contract costs, rights of return and other customer options, supplier repurchase options, warranties, principal versus agent, licencing, breakage, non-refundable upfront fees, and consignment and bill-and-hold arrangements.

### 3. Statement of cash flows

The consolidated statement of cash flows has been prepared using the direct approach.

Cash flows from related party receivables and payables and borrowings have been netted to provide meaningful disclosure to better reflect the activities of the party providing the funding.

The following are the definitions of the terms used in the consolidated statement of cash flows:

#### Operating activities

Operating activities include all transactions and other events that are revenue producing activities and not investing or financing activities;

#### Investing activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and of investments. Investments can include securities not falling within the definition of cash; and

#### Financing activities

Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid (if any) in relation to the capital structure are included in financing activities.

### 4. Use of critical accounting estimates and judgements

The preparation of the 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 consolidated financial statements is included in the following notes:

#### Accounting for property, plant and equipment and finite life intangible assets

At each reporting date, the useful lives and residual values of property, plant and equipment and finite life intangible assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment and finite life intangible assets requires a number of factors to be considered such as the condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset. Refer also notes 2(g), 2(h), 7 and 8.

#### Reverse acquisition

The reverse acquisition of PaySauce Limited has been deemed to be outside the scope of NZ IFRS 3 (Business Combinations), as judgement has been applied that PaySauce Limited (formerly Energy Mad Limited) was not a business at the time of acquisition, and as a result falls under IFRS 2 (Share Based Payments). Refer also note 2(a).

#### Fair value of non-current liabilities

Estimates and judgements have been made in relation to the timing of repayments of non-current liabilities, which have resulted in fair value gains on revaluation in line with IFRS 13 (Fair Value Measurement). Refer also notes 2(e), 11, and 17.

## 5. Trade and other receivables

	2019	2018
	\$	\$
Trade receivables	42,983	37,016
Advance to Magdala Studios Limited	-	20,000
GST receivable	102,565	-
	<b>145,548</b>	<b>57,016</b>

## 6. Trade and other payables

	2019	2018
	\$	\$
Trade payables	487,095	22,175
Accruals	57,000	52,881
GST payable	-	1,391
Other creditors	3,537	611
	<b>547,632</b>	<b>77,058</b>

## 7. Property, plant and equipment

	Office Equipment	Leasehold Improvements	Computer Equipment	Vehicle	Total
	\$	\$	\$	\$	\$
<b>Year ended 31 March 2018</b>					
Opening net book value	8,482	4,009	3,775	-	16,266
Additions	1,564	-	7,240	48,513	57,317
Depreciation	(3,328)	(310)	(2,574)	(14,554)	(20,766)
<b>Closing net book value</b>	<b>6,718</b>	<b>3,699</b>	<b>8,441</b>	<b>33,959</b>	<b>52,817</b>
<b>As at 31 March 2018</b>					
Cost	16,082	4,421	14,781	48,513	83,797
Accumulated depreciation	(9,364)	(722)	(6,340)	(14,554)	(30,980)
<b>Net book value</b>	<b>6,718</b>	<b>3,699</b>	<b>8,441</b>	<b>33,959</b>	<b>52,817</b>
<b>Year ended 31 March 2019</b>					
Opening net book value	6,718	3,699	8,441	33,959	52,817
Additions	21,347	-	34,474	-	55,821
Disposals	(304)	-	(6,655)	-	(6,959)
Depreciation	(3,713)	(309)	(6,483)	(14,554)	(25,059)
<b>Closing net book value</b>	<b>24,048</b>	<b>3,390</b>	<b>29,777</b>	<b>19,405</b>	<b>76,620</b>
<b>As at 31 March 2019</b>					
Cost	35,913	4,421	42,600	48,513	131,447
Accumulated depreciation	(11,865)	(1,031)	(12,823)	(29,108)	(54,827)
<b>Net book value</b>	<b>24,048</b>	<b>3,390</b>	<b>29,777</b>	<b>19,405</b>	<b>76,620</b>

Bank borrowings are secured on vehicles for the value of \$19,405 (2018: \$33,959).

## 8. Intangible assets

	Development in progress	Computer Software	Website	Total
	\$	\$	\$	\$
<b>Year ended 31 March 2018</b>				
Opening net book value	-	239,759	11,597	251,356
Amortisation	-	(132,432)	(10,782)	(143,214)
<b>Closing net book value</b>	<b>-</b>	<b>107,327</b>	<b>815</b>	<b>108,142</b>
<b>As at 31 March 2018</b>				
Cost	-	331,078	26,955	358,033
Accumulated amortisation	-	(223,751)	(26,140)	(249,891)
<b>Net book value</b>	<b>-</b>	<b>107,327</b>	<b>815</b>	<b>108,142</b>
<b>Year ended 31 March 2019</b>				
Opening net book value	-	107,327	815	108,142
Development costs recognised as an asset	157,596	134,608	-	292,204
Amortisation	-	(102,902)	(815)	(103,717)
<b>Closing net book value</b>	<b>157,596</b>	<b>139,033</b>	<b>-</b>	<b>296,629</b>
<b>As at 31 March 2019</b>				
Cost	157,596	465,686	26,955	650,237
Accumulated amortisation	-	(326,653)	(26,955)	(353,608)
<b>Net book value</b>	<b>157,596</b>	<b>139,033</b>	<b>-</b>	<b>296,629</b>

## 9. Share capital

Date	Details	Notes	Number of Shares	\$
<b>1 April 2017</b>	<b>Opening Balance</b>		<b>2,730,760,781</b>	<b>829,977</b>
	Ordinary share issue	i	369,926,726	705,000
	Ordinary share issue	ii	170,509,182	325,000
	Ordinary share issue	iii	73,448,994	140,000
<b>31 March 2018</b>	<b>Closing Balance</b>		<b>3,344,645,683</b>	<b>1,999,977</b>
<b>1 April 2018</b>	<b>Opening Balance</b>		<b>3,344,645,683</b>	<b>1,999,977</b>
	Ordinary share issue	iv	849,399,707	1,145,000
	Share based payment	v	357,178,347	500,000
	Share based payment	vi	1,116,483,029	1,554,084
	Share based payment	vii	175,836,635	309,278
<b>31 March 2019</b>	<b>Closing Balance</b>		<b>5,843,543,401</b>	<b>5,508,339</b>

The following ordinary shares were issued during the period. Where the share issue was prior to the reverse acquisition of PaySauce Limited, and the shares issued were PaySauce Operations Limited's shares, an exchange ratio of 1,543:1 has been used to calculate the equivalent number of PaySauce Limited shares. This has also been applied to the comparative figures.

- (i) On 27 November 2017 PaySauce Operations Limited issued the equivalent of 369,926,726 shares at 0.19 cents per share to raise \$705,000 as total consideration.
- (ii) On 13 February 2018 PaySauce Operations Limited issued the equivalent of 170,509,182 shares at 0.19 cents to raise \$325,000 as total consideration.
- (iii) On 23 March 2018 PaySauce Operations Limited issued the equivalent of 73,448,994 shares at 0.19 cents to raise \$140,000 as total consideration.
- (iv) On 13 August 2018: PaySauce Operations Limited issued 849,399,707 shares at 0.14 cents per share to raise \$1,145,000 as total consideration.
- (v) On 13 August 2018: PaySauce Operations Limited issued 357,178,347 shares at 0.14 cents per share to Coulthard Barnes (PaySauce) Limited in consideration for services rendered. The fair value of services received of \$500,000 including GST has been measured directly. The value was agreed between knowledgeable, willing parties in an arm's length transaction.
- (vi) On 13 August 2018: PaySauce Operations Limited issued 1,116,483,029 shares at 0.14 cents per share to its founders and key employees in consideration for services rendered. The fair value of the services could not be measured directly because they were granted as part of a bonus arrangement rather than as an element of basic remuneration. The value has therefore been measured by reference to the fair value of the equity instruments granted. The fair value of the equity instruments granted of \$1,554,084 has been determined with reference to an agreement between the PaySauce Operations Limited and the founders and key employees.

- (vii) On 21 December 2018: As part of the reverse acquisition transaction PaySauce Operations Limited is deemed to have issued 175,836,635 shares at 0.17 cents per share to the shareholders of PaySauce Limited, resulting in a fair value of \$309,278. The valuation was based on the value of PaySauce Operations Limited and was independently determined to be not unreasonable by Simmons Corporate Finance.

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 (2018: None).

### Capital Risk Management

The Company considers its capital to comprise its ordinary share capital, accumulated retained earnings and other reserves.

When managing capital, management's objective is to achieve optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Company.

## 10. Earnings / (loss) per share

	2019	2018
	\$	\$
<b>Basic earnings per share</b>		
Net loss used in calculating earnings per share	(4,376,500)	(922,675)
Weighted average number of ordinary shares for basic earnings per share	4,847,503,401	2,872,051,652
Basic loss per share (cents per share)	(0.09)	(0.03)

There are no financial investments on issue that will dilute the basic earnings per share amounts noted above.

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.

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

	2019	2018
	\$	\$
Gain on acquisition of loan	1,347,226	-
Fair value gain on revaluation of related party loan	92,924	-
Foreign currency losses	(7,735)	-
<b>Total</b>	<b>1,432,415</b>	<b>-</b>

As part of the reverse acquisition transaction, PaySauce Operations Limited acquired a loan with a face value of \$1,412,226 payable from PaySauce Limited to a third party for \$65,000. This resulted in a gain for the Group of \$1,347,226.

Coulthard Barnes (PaySauce) Limited provided interest free, non-current lending of \$792,840 during the period, which has been revalued to a fair value of \$699,916. The fair value has been determined by a net present value calculation. This is based on management judgement that no principal payments are expected until at least 12 months after balance date, estimated by management. This resulted in a gain for the Group of \$92,924.

## 12. Employee expenses

	2019	2018
	\$	\$
Salaries	660,465	621,143
Kiwisaver employer contribution	8,742	6,832
Staff medical insurance	5,956	5,069
Fringe benefit tax	-	9,881
<b>Total employee expenses</b>	<b>675,163</b>	<b>642,925</b>
Employee bonuses	1,554,082	-
<b>Total employee bonuses</b>	<b>1,554,082</b>	<b>-</b>

'Employee bonuses' shown above relate to the shares issued to the founders, and key employees of the Company at the time of issue, prior to the reverse acquisition. This was to ensure that the parties involved in establishing and growing the Company were rewarded for their efforts. As these shares were awarded rather than purchased by the employees an expense has been recognised to offset the increase in share capital on the Statement of Financial Position.

## 13. Revenue

	2019	2018
	\$	\$
Revenue from contracts with customers	620,902	362,876
Revenue from other sources	300,666	148,804
<b>Operating revenue</b>	<b>921,568</b>	<b>511,680</b>

### Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2019	2018
	\$	\$
Contract liabilities relating to sponsorship revenue	-	87,500
<b>Total contract liabilities</b>	<b>-</b>	<b>87,500</b>

## 14. Other expenses

	2019	2018
	\$	\$
Administration and Management Services	73,231	171,102
Advertising, PR and Marketing	183,992	156,359
Audit Fees	57,000	23,000
Legal, Consulting and Accounting	10,746	13,776
Office Running and Rent	64,964	48,452
Other Overheads	219,098	111,314
Other Fees Paid to Auditor*	-	20,000
Travel	85,748	60,963
<b>Total other expenses</b>	<b>694,779</b>	<b>604,966</b>

\* Assistance with preparation of statutory financial statements in accordance with NZ IFRS

Listing Costs - Reverse Acquisition	2,542,667	-
Listing Costs - Legal and Consulting Expenses	1,101,337	-
<b>Total listing costs</b>	<b>3,644,004</b>	<b>-</b>

'Listing Costs – Reverse Acquisition' shown above relate to the reverse acquisition of PaySauce Limited, in line with note 2 (a) above. The substance of the transaction is that PaySauce Operations Limited shareholders have given up 3% of their shareholding and taken over the net liabilities of PaySauce Limited to obtain a listing on the NZX main board. The value of 3% of PaySauce Operations Limited (\$309,278) based on the company value at the time of \$10,000,000 has been recognised as a share based payment and this, plus the net liabilities of PaySauce Limited assumed (\$2,233,390) has been recognised in the statement of comprehensive income as a listing expense of \$2,542,667.

'Listing Costs - Legal and Consulting Expenses' shown above relate to the legal and consulting fees incurred in the process of the reverse acquisition.

## 15. Tax expense

	2019	2018
	\$	\$
<b>(a) Income Tax</b>		
Net Loss before tax for the period	(4,376,500)	(922,675)
Tax Losses Carried Forward	(1,605,142)	(696,303)
Permanent Differences	2,126,403	13,836
Temporary Differences	54,989	-
<b>Tax Losses to Carry Forward</b>	<b>(3,800,250)</b>	<b>(1,605,142)</b>
Income Taxation at prevailing tax rates	(1,064,070)	(449,440)
Tax Losses not recognised	1,064,070	449,440
	-	-
<b>(b) Deferred Tax</b>		
<b>Opening Deferred Tax Asset / (Liability)</b>	-	-
Increases to Deferred Tax	-	-
Decrease to Deferred Tax	-	-
<b>Closing Deferred Tax Asset / (Liability)</b>	-	-
<b>(c) Imputation Credits</b>		
<b>Balance at the end of the period</b>	-	-

The Group holds tax losses of \$3,800,250 as at 31 March 2019 (2018: \$1,605,142) available to carry forward, subject to shareholder continuity being maintained.

## 16. Related party transactions

The Group had related party dealings with the following related parties during the reporting periods:

Related Party	Relationship
Cloud Investments Limited	Entity controlled by Director
Coulthard Barnes (PaySauce) Limited	Entity controlled by Director
Woodward Partners Limited	Entity controlled by Director
Catalyst.Net Limited	Partial common ownership
Catalyst Cloud Limited	Partial common ownership
Magdala Studios Limited	Partial common ownership
Marsland Consulting Limited	Partial common ownership
Mandy Simpson	Director

### (a) 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 senior managers.

	2019	2018
	\$	\$
Directors' fees	15,000	-
Short term employee benefits	209,837	60,599
Share based payments	1,554,082	-
<b>Total key management personnel compensation</b>	<b>1,778,919</b>	<b>60,599</b>

**(b) Related party transactions and balances**

	2019	2018
<b>Related party transactions</b>	<b>\$</b>	<b>\$</b>
<b>Purchases from Cloud Investments Limited</b>		
Management services	-	91,000
<b>Purchases from Coulthard Barnes (PaySauce) Limited</b>		
Advisory services	434,783	-
<b>Purchases from Magdala Studios Limited</b>		
Management services	-	35,624
<b>Purchases from Woodward Partners Limited</b>		
Director fees	7,500	-
<b>Purchases from Catalyst.Net Limited</b>		
Cloud hosting services	31,375	9,115
<b>Purchases from Catalyst Cloud Limited</b>		
Consulting services	33,679	-
<b>Purchases from Marsland Consulting Limited</b>		
Consulting services	71,617	64,020
<b>Purchases from Krishnakumar Guda</b>		
Advisory services	-	41,400
<b>Purchases from Mandy Simpson</b>		
Director fees	7,500	-
<b>Total related party transactions</b>	<b>586,454</b>	<b>241,159</b>
<b>Related party receivables</b>	<b>\$</b>	<b>\$</b>
Magdala Studios Limited	-	20,000
<b>Total related party receivables</b>	<b>-</b>	<b>20,000</b>
<b>Related party payables</b>	<b>\$</b>	<b>\$</b>
Catalyst.Net Limited	3,680	-
Catalyst Cloud Limited	4,433	-
Coulthard Barnes (PaySauce) Limited	792,840	-
Mandy Simpson	2,875	-
Marsland Consulting Limited	11,892	5,278
Woodward Partners Limited	2,875	-
<b>Total related party payables</b>	<b>818,595</b>	<b>5,278</b>

**17. Financial instruments**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 (e) above.

**(a) Categories of Financial Assets & Liabilities**

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities.

	2019	2018
<b>Financial assets</b>	<b>\$</b>	<b>\$</b>
Financial assets at amortised cost		
Cash and cash equivalents	6,313,146	3,614,619
Trade and other receivables	42,983	57,016
<b>Total financial assets</b>	<b>6,356,129</b>	<b>3,671,635</b>

	2019	2018
<b>Financial liabilities</b>	<b>\$</b>	<b>\$</b>
Financial assets at amortised cost		
Funds held due to customers	6,273,862	3,410,341
Trade and other payables	547,632	77,058
Non-interest bearing liabilities	699,916	-
Employee benefits	58,792	29,601
Other liabilities	81,580	17,055
<b>Total financial assets</b>	<b>7,661,782</b>	<b>3,534,055</b>

The Group is exposed to a variety of financial risks. The financial risks arise from the business activities of the Group. The specific financial risks that the Group is exposed to are discussed below.

**(b) Market Risk****(i) Credit risk**

The Group manages its exposure to credit risk by the application of credit approvals and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

### Credit risk concentration profile

The Group manages credit risk by placing its cash and short term investments with high quality financial institutions. The majority of the Cash and Cash Equivalents is held with ASB Bank with a AAA Fitch Rating.

### Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

### (ii) Liquidity risk

Liquidity risk arises mainly from business activities. The Group manages liquidity risk by ensuring cashflow is planned ahead of time, and funding is planned and organised when required, to ensure the Group will be able to meet its financial obligations. The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the rate at the end of the reporting period):

	Carrying amount	Total	0-6 months	7-12 months	1-2 years	2-5 years
	\$	\$	\$	\$	\$	\$
<b>Year ended 31 March 2018</b>						
Funds held due to customers	3,410,341	3,410,341	3,410,341	-	-	-
Trade and other payables	77,058	77,058	77,058	-	-	-
Employee benefits	29,601	29,601	29,601	-	-	-
Other liabilities	17,055	17,055	17,055	-	-	-
<b>Total</b>	<b>3,534,055</b>	<b>3,534,055</b>	<b>3,534,055</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Year ended 31 March 2019</b>						
Funds held due to customers	6,273,862	6,273,862	6,273,862	-	-	-
Trade and other payables	547,632	547,632	547,632	-	-	-
Employee benefits	58,792	58,792	58,792	-	-	-
Other liabilities	81,580	81,580	81,580	-	-	-
Non-interest bearing liabilities	699,916	699,916	-	-	699,916	-
<b>Total</b>	<b>7,661,782</b>	<b>7,661,782</b>	<b>6,961,866</b>	<b>-</b>	<b>699,916</b>	<b>-</b>

## 18. Fair values of financial assets and liabilities

The carrying values of short term financial assets and liabilities approximate their fair values. Short term financial assets include cash, trade and other receivables and related party receivables. Related party receivables carrying values approximate their fair values.

## 19. Going concern

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

These consolidated financial statements have been prepared on the assumption that the Group raises sufficient additional share capital and operating income increases sufficiently to enable the Group to continue its business operations. The Board considers the Group will be able to meet its commitments as they fall due based upon management forecasts and ongoing financial support that is being provided from certain shareholders.

The Group's ability to generate sufficient cashflows from operations and raise additional capital to satisfy its funding and other obligations for a period of at least 12 months following the issuance of these financial statements creates a material uncertainty which may cast doubt on the Group's ability to continue as a going concern.

If the Group was unable to raise additional capital, adjustments may have to be made to reflect the fact that assets and liabilities may need to be realised at amounts other than those at which they are currently recorded in the consolidated statement of financial position.

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

	2019	2018
	\$	\$
Net Loss after taxation	(4,376,500)	(922,675)
<b>Add back / (deduct) non-cash items:</b>		
Depreciation & amortisation	128,776	163,980
Other gains	(1,432,415)	-
Share based payments	1,554,082	-
Listing costs - reverse acquisition	2,542,667	-
	<b>(1,583,390)</b>	<b>(758,695)</b>
<b>Movement in working capital:</b>		
(Increase)/decrease in Trade and other receivables	(108,532)	(46,967)
(Increase)/decrease in Prepayments and other assets	(86,829)	671
Increase/(decrease) in Funds held due to customers	2,863,521	2,321,581
Increase/(decrease) in Trade and other payables	470,574	(11,309)
Increase/(decrease) in Employee benefits	29,191	10,265
Increase/(decrease) in Other liabilities	23,256	1,610
Increase/(decrease) in Sponsorship revenue in advance	(87,500)	(150,000)
<b>Net cash inflow from operating activities</b>	<b>1,520,291</b>	<b>1,367,156</b>

## 21. Segment reporting

The Group is organised into one reportable operating segment only, being payroll solutions to New Zealand business. The Group's product and service offering is that of cloud payroll services. 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).

## 22. Commitments

As at 31 March 2019, the Group had entered into an operating lease agreement for the premises and security for a term of 36 months, expiring on 28 February 2023.

	2019	2018
	\$	\$
No later than 1 year	72,868	28,736
Later than 1 year and no later than 5 years	234,792	272,873
<b>Total</b>	<b>307,660</b>	<b>301,609</b>

## 23. Contingencies

As at 31 March 2019 the Group had no contingent liabilities or assets (2018: \$nil)

## 24. Investments in subsidiary

The Company had the following subsidiaries at 31 March 2019:

Entity Name	Date of incorporation	Nature of business	Equity held	Value held	Country of incorporation	Balance date
			%	\$		
PaySauce Operations Limited	07/01/2015	Payroll service provider	100	309,278	New Zealand	31 March
Right Remuneration Limited	22/01/2015	Payroll service provider	100	-	New Zealand	31 March
Payroll.Kiwi Limited	01/08/2017	Management consulting	100	-	New Zealand	31 March

Only PaySauce Operations Limited and Right Remuneration Limited are consolidated in these consolidated financial statements, as Payroll.Kiwi Limited is a non-trading company.

## 25. Funds held due to customers

This liability represents customer deposits held in trust by the Group on behalf of customers. These funds will be paid to Inland Revenue in due course to settle those customers payroll tax obligations.

Therefore \$6,273,862 (2018: \$3,410,341) of the Cash and cash equivalent balance of \$6,313,146 (2018: \$3,614,619) is restricted and not available for operational expenditure of the Group.

## 26. Events occurring after the reporting period

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

# Corporate Governance

Strong corporate governance protects and provides for our shareholders, customers, staff, and stakeholders. Our approach to the recommendations outlined in the NZX Corporate Governance Code (the Code) are set out below.

This section is structured around the principles detailed in the Code, and explains how PaySauce is applying the Code's recommendations. PaySauce documents referred to in this section are also at <https://www.PaySauce.com/investor/>

The Board considers that, as at 28 June 2019, the Company complied with the recommendations set by the NZX Corporate Governance Code 2017\*, unless stated in the sections outlined below, or in PaySauce's Corporate Governance Code.

## 1

### Principle 1

#### Code of ethical behaviour

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

#### Code of ethics

Our code of ethics exists to help our directors, senior management, and employees with not just doing well, but doing good.

This sets the standard of conduct for all our people. It's intended to support decision-making that aligns with PaySauce's values, business goals, and legal and policy obligations. The board approves the code of ethics, which covers:

- conflicts of interest
- accepting gifts or benefits
- dealing with conflicts of interest
- protecting company assets
- complying with laws and policies
- maintaining confidentiality
- valuing personnel
- transparency

All new directors and employees receive a copy of the code of ethics.

#### Securities trading policy

PaySauce respects the integrity of New Zealand's financial markets and insider trading laws. Our

securities trading policy outlines how those laws apply, and the rules we've put in place to make sure our people follow the law.

Directors, certain employees, and related parties need approval from PaySauce to trade in the company's shares. Trading is limited to defined "trading windows".

The directors' shareholdings and trading of shares during the year by the directors is published under Directors' disclosures. A director or senior manager must advise the NZX promptly if they trade in the company's shares.

## 2

### Principle 2

#### Board composition and performance

"To ensure an effective board, there should be a balance of independence, skills, knowledge, experience"

#### The board of directors

The directors are responsible for the corporate governance practices of the company. The board's practices are detailed in the Company's corporate governance code, which lays out protocols for board operations.

This code complies with the relevant recommendations in the NZX Corporate Governance Code, and is reviewed annually.

The board's primary role is to represent and promote the interests of shareholders, ultimately adding long-term value to the company's shares.

The board carries out its responsibilities according to the following mandate.

- the Board shall have a minimum number of three directors;
- the Board shall have at least two directors ordinarily resident in New Zealand;
- the Board shall maintain at least two Independent Directors (as defined in the NZX Main Board Listing Rules). Where there are eight or more directors, the board will maintain three or one-third (rounded down to the nearest whole number) of the total number of directors, whichever is the greater;
- a majority of the directors should not be executives of the Company;
- a director should not have any significant conflict of interest that is potentially detrimental to the Company, other than and to the extent dealt with in the Corporate Governance Code of the Company;
- the Board seeks diversity in the skills, attributes and experience of its members across a broad range of criteria, to represent the diversity of shareholders, business types and regions in which the Company operates;
- the Board elects a chairperson, and can replace them at any time;
- Management must provide the board with accurate information within the timeframe required for the board to effectively discharge its duties; and
- The effectiveness and performance of the board and its individual members should be re-evaluated annually.

The directors of the company at 31 March 2019 are Andrew Barnes (Chairman), Asantha Wijeyeratne, Gavin Thompson, Mandy Simpson and Nick Lewis. Mandy Simpson and Nick Lewis are both independent directors, determined by assessing the directors against the following factors:

- Not currently, or historically (with 3 years) employed in an executive role with PaySauce;

\*Note - the entity did not comply with the NZX Corporate Governance Code for the full year, as the reverse listing of PaySauce only occurred on 21 December 2018.

- Not currently holding a senior role in a provider of material professional services to PaySauce;
- No current material business relationship (i.e. as a supplier or customer) to PaySauce;
- Not currently a substantial product holder of PaySauce or a senior manager of a product holder of PaySauce;
- No current material contractual relationship with PaySauce, other than as a director;
- No close family ties with anyone who would fall into the above categories;
- Has not been a director of PaySauce for a length of time that may compromise independence.

More information on the directors, including their relevant interests, and shareholdings, is provided in the Directors' disclosures section of this report and is on the company's website.

Day-to-day management of PaySauce is delegated to the chief executive and the senior executive team.

### The board's responsibilities

The primary responsibilities of the board are to:

- provide overall governance and strategic leadership;
- oversee management's implementation of the Company's strategic objectives and performance;
- oversee the development, adoption and communication of a clear strategy for the Company;
- oversee accounting and reporting systems and ensure the quality and independence of the Company's external audit process;
- adopt and regularly review the risk management framework;
- appoint a chairperson of the Board and the CEO;
- review and approve the Company's operating budgets and major capital expenditure;
- adopt and review the Company's remuneration policy and other corporate governance documents;

- ensure compliance with the Company's Constitution, continuous disclosure obligations, and the relevant laws, listing rules and regulations and auditing and accounting principles;
- implement and periodically review the Company's Code of Ethics, foster high standards of ethical conduct and personal behaviour and hold accountable those who engage in unethical behaviours;
- periodically assess its own effectiveness in carrying out these functions and the other responsibilities of the Board.

On appointment to the board by the shareholders, new directors sign a written agreement that covers the terms of their appointment.

Every year, the board and sub-committees critically evaluate their own performance and processes. This will identify any training opportunities for individual directors to maintain relevant and up-to-date skills for their role.

### Independent professional advice

With the prior approval of the chair, each director may seek independent legal and professional advice, at the company's expense, about any aspect of PaySauce's operations to assist in fulfilling their duties as director.

### Diversity

The PaySauce board and management are determined that all eligible candidates should have equal opportunity to demonstrate their skills and experience for all roles. This forms the basis of our diversity policy.

PaySauce embraces uniqueness in our people and welcomes diversity. We believe that difference builds resilience and innovation. We encourage our employees to be curious and open-minded, embracing wide-ranging perspectives and working to meet the needs of individuals.

Our approach to diversity is to continually develop a work environment that supports equality, exchange and inclusion. We believe in accommodating, rather than minimising, the different needs of our people.

For future years the board will set measurable objectives for PaySauce's diversity policy (including

gender diversity). Progress against these objectives will be assessed annually. The board will make sure PaySauce's objectives are useful and practical for promoting diversity and inclusion.

We have achieved the following gender diversity as at 31 March 2019:

	As a 31 March 2019			
	Directors	Officers	Senior Management	Employees
Male	4	2	3	4
Female	1	0	2	5
<b>Total</b>	<b>5</b>	<b>2</b>	<b>5</b>	<b>9</b>

## 3

### Principle 3

### Board committees

"The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility."

### Audit and Risk Management Committee

The Audit and Risk Committee ("ARC") assists the board in financial reporting, and risk and financial/secretarial compliance.

The ARC makes recommendations to the board on appointing external auditors to ensure that their independence. The ARC also monitors 5-yearly rotation of the lead audit partner.

The ARC facilitates communication between the board and external auditors. The committee's responsibilities include:

- reviewing the appointment of the external auditor, the annual audit plan, and addressing auditor recommendations
- reviewing publicly released dividend proposals and financial information
- ensuring that appropriate financial systems and internal controls are in place.

The ARC must include at least three directors, and consist of only non-executive directors and have a majority of independent directors. At least one member must be a director with an accounting or financial background.

\*Note - no comparative figures have been provided, as PaySauce was only listed on the NZX in December 2018.

The board chair cannot also be the chair of the audit committee. The current members are Mandy Simpson (Chair), Nick Lewis, and Gavin Thompson, of which Mandy and Nick are independent non-executive directors.

The committee usually invites the chief executive, head of finance, and external auditors to attend ARC meetings. The committee also regularly meets with the external auditors without management present, to broach any issues with managerial performance..

## 4

### Principle 4

#### Reporting and disclosure

“The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.”

#### Reporting and disclosure

The board is committed to providing accurate, thorough, and timely information to existing shareholders and to the market. This means all investors can make informed decisions about PaySauce.

As an NZX listed company, PaySauce must comply with disclosure requirements under the NZX Main Board Listing Rules. PaySauce recognises the importance of these requirements in providing equal access for all investors, or potential investors, to price-sensitive information.

The market disclosure policy outlines PaySauce's obligations to meet disclosure requirements. It also covers related issues, including external communications.

PaySauce has not provided detailed reporting on environmental, economic and social sustainability risks, because it is in the early stages of reporting on non-financial information. PaySauce will consider providing more detailed non-financial reporting in the following financial years.

PaySauce publishes key governance and other relevant documents in the investor centre of our website: <https://www.PaySauce.com/investor/>

Significant announcements made to the NZX and reports are also posted on the company's website.

## 5

### Principle 5

#### Remuneration

“The remuneration of directors and executives should be transparent, fair and reasonable.”

The board is responsible for setting individual directors' fees, and monitoring the remuneration of the chief executive and other senior officers.

PaySauce has in place a remuneration policy, outlining the key principles that influence remuneration practices. This can be found in the Company's Corporate Governance Code, located on the Company's website (at the date of this report, located in section 15 of the Company's Corporate Governance Code at <https://www.PaySauce.com/investor/>).

Further details and disclosures are outlined in the disclosures section of this document.

## 6

### Principle 6

#### Risk management

“Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.”

The board is responsible for overseeing internal controls to manage key risks, and have overall responsibility for managing risk.

The company maintains a risk register to identify and manage risk. The senior management team is responsible for maintaining this register, and reporting to the board on a regular basis.

Through the ARC, the board considers the recommendations of external auditors. The board sees that those recommendations are investigated and appropriate action is taken, where necessary

## 7

### Principle 7

#### Auditors

“The board should ensure the quality and independence of the external audit process.”

The Audit and Risk Committee (“ARC”) makes recommendations to the board to appoint an external auditor. The committee also monitors the independence and effectiveness of the external auditor, and reviews and approves any non-audit services they perform.

The committee regularly meets with the external auditor to approve the terms of engagement, audit partner rotation (at least every 5 years) and audit fee, and to review and provide feedback on the annual audit plan.

The committee routinely meets with PaySauce's external auditor, Grant Thornton, without management present. Grant Thornton also attends PaySauce's AGM.

The company continually monitors its internal control environment.

# 8

## Principle 8

### Shareholder rights and relations

“The board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.”

#### Information for shareholders

The company seeks to help investors understand its activities, by communicating effectively and providing clear and balanced information.

The company website ([www.PaySauce.com](http://www.PaySauce.com)) provides an overview of the business and information about its activities. This includes details of the company's services, latest news, investor information, key corporate governance information, and copies of significant NZX announcements. The website also provides profiles of the directors and the senior executive team.

Shareholders have the right to vote on PaySauce's major decisions, in line with the requirements of the Companies Act 1993 and the NZX Main Board Listing Rules.

### Communicating with shareholders

PaySauce works to keep investors well informed, and regularly provides information about current operations and future plans.

PaySauce sends notice of the AGM to shareholders, and publishes it on the company website at least 28 days before the meeting each year.

## Disclosures

### Employee remuneration

The table below sets out the number of PaySauce Group employees and former employees who received remuneration and other benefits, including non-cash benefits and share-based remuneration in excess of \$100,000 per annum. This information is based on all employees during the calendar year and therefore includes bonus payments that relate to the 2017 year (where applicable). Director remuneration is not included in the table below, but set out in a separate section below.

Remuneration range	Employees
\$150,000 - \$159,999	2
\$160,000 - \$169,999	1
\$460,000 - \$469,999	1

Note – for the \$460,000 - \$469,999 revenue band, base remuneration for co-founder and CTO, Troy Tarrant, was \$90,000. The remaining \$378,687 received was in the form of a share-based payment. This was a one-off recognition for historic time and knowledge contributions to the Company prior to listing, not previously recognised during the start-up phase,

### Donations

No donations were made by the Group during the year ended 31 March 2019.

### Board meeting attendance

Board meetings are held in person and/or by teleconference. The Directors attended the following board meetings during the year:

Director	Board meetings attended
Andrew Barnes	2 of 2
Asantha Wijeyeratne	2 of 2
Gavin Thompson	2 of 2
Mandy Simpson	2 of 2
Nick Lewis	2 of 2

Note - the new board was formed after 21 December 2018, when the entity was listed on the NZX. As a result, there were only two meetings scheduled for the year, in February and March.

## Directors' share transactions

Director	Registered holder / associated entity	Number of shares acquired / (disposed)*	Consideration	Date
Andrew Barnes	Coulthard Barnes (PaySauce) Limited	364,047,901	\$500,000	August 2019
Andrew Barnes	Coulthard Barnes (PaySauce) Limited	364,047,901	Nil**	August 2019
Asantha Wijeyeratne	Wijeyeratne & Co Limited	675,350,099	Nil***	August 2019
Gavin Thompson	Gavin Thompson	22,254,915	\$30,000	August 2019
Nick Lewis	The Lewis Family Trust	37,091,673	\$50,000	August 2019

\*Shares acquired in PaySauce Operations Limited, prior to the reverse acquisition detailed in the notes to the financial statements, have been converted at a ratio of 1,543:1 to represent the equivalent number of PaySauce Limited shares.

\*\*Non cash consideration - advisory services were provided by Coulthard Barnes (PaySauce) Limited in relation to the reverse acquisition, valued at \$500,000.

\*\*\*Non cash consideration - awarded as bonus share issue for the services as an employee, and achievements to date as co-founder of the company, valued at \$945,395.

## Directors' remuneration

The total Directors' fees and other remuneration received by the Directors for the period ended 31 March 2019 is outlined below:

Director	Director fees	Other remuneration	Total
Andrew Barnes	Nil	Nil	Nil
Asantha Wijeyeratne	Nil	*\$1,035,393	*\$1,035,393
Gavin Thompson	Nil	Nil	Nil
Mandy Simpson	\$7,500	Nil	\$7,500
Nick Lewis	\$7,500	Nil	\$7,500

\*Remuneration and bonus shares received in capacity as Officer (rather than Director).

## Executive Director remuneration

Asantha Wijeyeratne is the Chief Executive Officer, and held this position at 31 March 2019. He did not receive any remuneration in his capacity as a Director, but was remunerated as an Officer. He received base remuneration of \$90,000 and bonus shares at a value of \$945,395 (representing the one-off recognition for historic time and knowledge contributions to the Company prior to listing, not previously recognised during the start-up phase), totalling \$1,035,393.

## Insurance of Directors and Officers

PaySauce has a Directors' and officers' liability insurance policy in place. This provides insurance for the liabilities of the Directors and officers for acts or omissions in their capacity as Directors or employees. The insurance policies do not cover dishonest, fraudulent, malicious, or wilful acts or omissions.

## General Disclosures of Interest

Director	Company	Nature of interest
Andrew Barnes	Ariki Classic Yacht Limited	Director & Shareholder
	Arken.Legal Limited	Director
	Bath Street Capital Limited	Director & Shareholder
	Complectus Limited	Director & Shareholder
	Coulthard Barnes (PaySauce) Limited	Director & Shareholder
	Coulthard Barnes Capital Limited	Director & Shareholder
	Coulthard Barnes Holding Limited	Director
	Coulthard Barnes Investment Management Limited	Director
	Coulthard Barnes Ventures Limited	Director & Shareholder
	Delamore Estates Limited	Director & Shareholder
	Footprint New Zealand Limited	Director
	Guardian Trust Investment Nominees (RWT) Limited	Director
	Insignis Nominees Limited	Director
	Kowhiri Limited	Director
	N.Z. Foundation Nominees Limited	Director
	NZ International Trustee Company Limited	Director
NZGT Holding Company Limited	Director	

	PaySauce Limited	Director & Shareholder
	PaySauce Operations Limited	Director
	Perpetual Nominees Christchurch Limited	Director
	Perpetual Trust Limited	Director
	Perpetual Trust Services Limited	Director
	Regional Facilities Auckland	Chairman
	Will To Live Limited	Director
Asantha Wijeyeratne	Buzz Hospitality Limited	Director
	Catalyst IT Limited	Shareholder
	Catalyst TP Limited	Shareholder
	Cloud Investments Limited	Director & Shareholder
	Jaws Rentals Limited	Director
	Manuka Café Limited	Director
	Payroll.Kiwi Limited	Director
	PaySauce Limited	Director & Shareholder
	PaySauce Operations Limited	Director
	Right Remuneration Limited	Director
	Wijeyeratne & Co Limited	Director & Shareholder
Gavin Thompson	Catalyst Cloud Limited	Director
	Catalyst IT Limited	Director & Shareholder
	Catalyst.Net Limited	Director
	Catalyst TP Limited	Director & Shareholder
	PaySauce Limited	Director & Shareholder
	PaySauce Operations Limited	Director
	Truenet Limited	Director
Mandy Simpson	Ministry of Business Innovation and Employment	Audit & Risk Committee Member
	PaySauce Limited	Director
	PaySauce Operations Limited	Director

	Proveho Trustee Limited	Director
	Punakaiki Fund Limited	Director
	Z Energy Limited	Chief Digital Officer
Nick Lewis	8 Interactive Limited	Shareholder
	Celsias Limited	Shareholder
	Common Ledger Limited	Shareholder
	Dropit Limited	Shareholder
	Ecotricity GP Limited	Director
	Ecotricity Superceded Limited	Director
	Learnspring Limited	Shareholder
	Let Use It Limited	Shareholder
	PaySauce Limited	Director & Shareholder
	PaySauce Operations Limited	Director
	Pioneer Energy Limited	Director
	PledgeMe Limited	Shareholder
	RayGun Limited	Shareholder
	RightWay Limited	Shareholder
	Woodward Partners Limited	Director & Shareholder

Note - In some cases, shareholding indicated above may not be held directly. Furthermore, there may be subsidiaries of the above entities in which the Directors are also interested, without necessarily being a Director, Shareholder, or Officer of that entity.

### Director interests in shares

Directors held the following relevant interests in PaySauce ordinary shares at 31 March 2019:

Director	Securities held by Director or associated entity
Andrew Barnes	1,169,332,884
Asantha Wijeyeratne	2,088,507,475
Gavin Thompson	88,104,652
Mandy Simpson	Nil
Nick Lewis	37,091,673

## Substantial product holders

The substantial product holders in PaySauce ordinary shares as at 31 March 2019 were as follows:

Substantial product holder	Shares held	% of issued shares
Wijeyeratne & Company Limited	1,446,856,073	24.76%
Coulthard Barnes (PaySauce) Limited	1,169,332,884	20.01%
Gibson Sheat Trustees Limited	836,481,557	14.31%
Cloud Investments Limited	641,651,402	10.98%
New Zealand Central Securities	319,207,895	5.46%

## Twenty largest equity security holders

The 20 largest holders of PaySauce ordinary shares as at 18 June 2019 were as follows:

Rank	Shareholders/Investors	Shares held	% of issued shares
1	Wijeyeratne & Company Limited	1,446,856,073	24.76%
2	Coulthard Barnes (PaySauce) Limited	1,169,332,884	20.01%
3	Gibson Sheat Trustees Limited & Troy Tarrant	836,481,557	14.31%
4	Cloud Investments Limited	641,651,402	10.98%
5	New Zealand Central Securities	317,348,395	5.43%
6	Cloud Investments Two Limited	167,159,292	2.86%
7	Kevin McDonald Trustee Limited & Lisa Jane Bentley	126,961,629	2.17%
8	Ian Stewart Frame & Pamela Anne Frame	116,058,480	1.99%
9	Robert John Woodward & Tracey Jan Woodward	94,522,987	1.62%
10	Mckay Nominees Limited	90,727,775	1.55%
11	Gavin Thompson	88,104,652	1.51%
12	Krishnakumar Guda	78,724,554	1.35%
13	Hugh Anthony Pradeep Fernando	64,360,759	1.10%
14	Victoria Ann Taylor	55,637,509	0.95%
15	Amanda Higgins, Patrick Higgins & Paul Philipson	52,734,033	0.90%

16	WTR Trustee (2016) Limited, Lucy Robertshawe & Tim Aitken	45,484,064	0.78%
17	Logan Jay Tyson	41,950,630	0.72%
18	Jennifer Roseanne Sabina Fernando	37,999,914	0.65%
19	Ben Colgate	37,091,673	0.63%
20	Nick Lewis, Diane Lewis & Christopher Ritchie	37,091,673	0.63%

## Twenty largest equity security holders

The spread of holders of PaySauce ordinary shares as at 18 June 2019 are listed below:

Size of holding (shares)	Shareholders		Shares	
	Number	%	Number	%
1 - 100,000	805	82.73%	14,584,286	0.25%
100,001 - 500,000	101	10.38%	26,178,354	0.45%
500,001 - 1,000,000	19	1.95%	16,330,908	0.28%
1,000,001 - 5,000,000	14	1.44%	38,422,312	0.66%
5,000,001 - 10,000,000	5	0.51%	39,778,470	0.68%
10,000,001 and over	29	2.98%	5,708,249,071	97.68%
<b>Totals</b>	<b>973</b>	<b>100.00%</b>	<b>5,843,543,401</b>	<b>100.00%</b>

## NZX waivers from listing rules

No waivers were granted to PaySauce by NZX during the year ended 31 March 2019, and there were no waivers that PaySauce relied upon during this period.



## Company Directory

### Directors:

Andrew Howard Barnes  
Gavin Thompson  
Asantha Wijeyeratne  
Amanda Rhean Simpson  
Nicholas Romilly Lewis

### Registered Office:

21-23 Andrew Avenue  
Lower Hutt, 5010  
New Zealand

### 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

