FY2021

Annual Report

YEAR END 31 MARCH 2021

Contents

We're growing up so fast! 2021 has been the year we moved from "start-up to scale-up", from payroll to fintech, and from agri to rural - and beyond.

New Features

BNZ PayNow

Rosters

8.5 : 1
LTV : CAC Ratio

36%
Active Customers
3,377

59%
Recurring Revenue from Processing Fees
$1.9M

106%
Total Customer LTV
$15.5M

Chair's Letter

Dear fellow shareholders,

2021 was my second year as Chair of PaySauce, and still the team continues to exceed my expectations. This year alone, the PayForce has launched a major new product, implemented an updated pricing structure, progressed groundbreaking partnerships with two of the nation's most prominent companies, achieved world-class customer satisfaction scores, and been the first to bring earned wage access into New Zealand. It's a privilege to oversee all of these activities and accomplishments, and I want to thank Asantha and his phenomenal team for all their efforts.

At a governance level, we've benefited from the input of our newest members, Jacqueline Cheyne and Michael O'Donnell, who have provided essential guidance in many of our most important discussions. I'm proud to say that our board, senior executives and the entire team continue to form a smart and cohesive collective, all working towards delivering on our shared goals.

We've seen solid growth in our revenue, despite the removal of the IRD subsidy and a sharp decline in interest rates - we were prepared for these changes and took measures to absorb them, working as always towards our goal of becoming cash-flow positive. We've continued to enjoy elevated brand recognition and visibility as a result of our vital partnership projects. BNZ PayNow and Rosters in particular are signals to the market that we're serious about the fundamental shift from just another payroll app to a bonafide fintech.

I hope that you'll look back over the year with the same pride and pleasure that I feel. Thank you for choosing to put your trust in us, and know that all our achievements are also yours.

Sincerely,

Nicholas Lewis
Chair

CEO's Letter

Dear shareholders,

FY2021 was the year to show our true colours. If 2020 was about adaptability, 2021 was about identity - what our purpose is, where our priorities lie, who our partners and our people are. These are questions we've sought to answer definitively, both to the market and each other.

While the global situation remains in flux with the promise of vaccinations and a new freedom of movement, we've kept our focus on the things that we can control. We continue to build a more productive and sophisticated business, with our improved efficiency and decisiveness reflected in our annual recurring revenue. We've done the work to formalise our official values and mission statement, set clear and ambitious goals at all levels of the business, and unite our team around a common purpose.

This year, we've been able to finally bring some dormant dreams to life. After months of development and careful discussion and planning, we were incredibly proud to unveil Rosters. This is a highly sought-after tool with powerful utility for existing customers and a major draw for new customers. Crucially, Rosters isn't a supplementary feature within payroll, but an entirely distinct product integrated with payroll, connecting two essential employment functions. The addition of Rosters marks a significant change in how both our own people and the wider market understand our business, not just as an app but as a centralised multi-service platform, not just as payroll, but a fintech.

This message was also supported by the launch of BNZ PayNow. This epitomises what we aim to do as a company: the innovative use of technology to fill a human need. The public, media and industry response to this concept has been overwhelming, boosted by our mounting national awareness around financial responsibility and BNZ's involvement as one of New Zealand's major banking players. I believe that earned wage access has the potential to change lives and create better financial outcomes for Kiwis, and we all owe BNZ a debt of gratitude for their backing.

On that note, I'll close with the warmest of thanks to all our partners, our customers and to you, our shareholders, for helping us turn our big ideas into real-life innovations.

Yours,

Asantha Wijeyeratne
CEO and Co-Founder

Board

Asantha Wijeyeratne

EXECUTIVE DIRECTOR & CEO

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

Gavin Thompson

DIRECTOR

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

Nicholas Lewis

INDEPENDENT DIRECTOR & CHAIR

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

Jacqueline Cheyne

INDEPENDENT DIRECTOR, AUDIT & RISK COMMITTEE CHAIR

Jackie has over 25 years' experience in financial audit and advisory services. She was a partner at Deloitte NZ for 11 years where she also led the Sustainability service line.

She is a director of NZX-listed Stride Property Group and NZ Green Investment Finance Limited as well as a member of the XRB, Chair of Snow Sports NZ and a member of the Audit Oversight Committee of the Financial Markets Authority. Jackie is an FCA and CMIoD.

Michael "MOD" O'Donnell

INDEPENDENT DIRECTOR

MOD is a director, writer and advisor with a background in fintech, ecommerce, tourism and news media. MOD is a director of Kiwi Wealth, Chairman of Timely, and a director of Serato, Tourism New Zealand and G2G Knowhow. He is an independent weekly business columnist for Stuff Media and hosts TVNZ's "Start Me Up". He was previously Chief Operating Officer of Trade Me, Head of Wholesale Investment at Gareth Morgan Investments and Head of Distribution at AMP Capital Investors.

Our Mission

PaySauce is a straight-up innovator of fresh solutions for people at work.

Our Values

Do good and be honest

We act ethically and never knowingly cause harm. We lend a hand and we give a dang. We're honest, fair and we prioritise people. We strive for transparency - we're up-front about what we do. We've earned trust and confidence because we really know our stuff, but at the same time we hold ourselves accountable, own our mistakes and then learn from them.

Respect and include

We make technology but our biggest focus is on people. We value everyone's ideas and input and we treat everyone right. We think difference and variety are pretty cool, and we won't stand for bullying, discrimination or narrow-mindedness. We listen to our partners, customers, team and stakeholders and we make sure our decisions drive the outcomes that they need.

Fun and fresh

We're a wee bit quirky and we go our own way. We keep each other humble and we call it like we see it. We're always professional, but we're down-to-earth and we're good company. We're serious about what we do - but we don't take ourselves too seriously.

Simple and smart

We work really hard to make tricky stuff easy, and we proactively solve real problems. We're always improving and innovating, and we're never "finished" - we can always do more and get better. We're curious, driven and dedicated, looking for the simplest answers to the trickiest questions. We love to be pioneering and bold, but we never over-complicate anything or fix what's not broken.

Resourceful and results-oriented

We're ambitious but grounded, and our decisions are shrewd and data-driven. We're motivated by success and we're always working to create the returns to fuel a healthy, sustainable business. We strategically prioritise tasks and tactics in order to regularly deliver outcomes, because we know that what gets produced is more important than what gets planned. We're adaptive, agile and unafraid to take a calculated risk, while always arming ourselves with the best information available.

Year In Review

Company

We expanded our value proposition with the addition of Rosters, a change that brings us significantly closer to our aim of becoming the ultimate solution for people at work. We've adjusted our 3 payroll pricing subscriptions to better serve customer needs, replacing Starter with Simple, an entry-level product to provide an easy first step for customers new to cloud systems, and improving the feature set within our Standard and Premium packages to clarify the ascending value of each. Desktop solutions are being retired at a more rapid rate with further adjustments to payday filing legislation, and Simple helps to ease the transition from older desktop software and manual spreadsheets and wagebooks. We've also added timesheets to our Standard plan to reflect the needs of our customers in agri, construction and hospitality, and given our Premium customers access to Rosters. Our adjusted structure is not only more logical, it also encourages employers to upgrade as they gain confidence and as their businesses grow and develop.

Community

BNZ PayNow grabbed headlines, both as a much-needed initiative for social good and as the first instance of earned wage access in New Zealand, once again cementing our status as a true innovator. Plus, to the best of our knowledge, we're the only service worldwide that provides earned wage access as a native component of a payroll solution, and not an additional plugin. This tool circumvents the need for payday lending, a cause of our escalating national private debt levels.

We also ran our own fundraiser for Breast Cancer Awareness, continued to expand our list of donee charities in Donations and used our "featured" function to spotlight essential causes such as Movember and Daffodil Day. And as ever, we continue to provide free payroll services to charities and non profits, with over 70 organizations receiving support this way.

Customers

When the nation's businesses thrive, so do we. We've been grateful to see the resilience and tenacity in the small business sector, with confidence and financial performance climbing as the country managed a pandemic-free year in the wake of our first nationwide lockdown. We've seen a significant number of customers return to payroll processing through PaySauce after a break, a strong indication of customer loyalty and retention.

We're also excited to see our customer base continue to broaden and diversify. We've welcomed a number of large employers in the 80+ staff category, and we've also seen greater diversity in the industries they operate in. Rural regions continue to be our stronghold, but there's an increasing balance between farming businesses and other rural employers. This reflects the work we've done to bolster and future-proof our product, both in response speed and feature range.

Systems upgrades across the last 12 months have helped us to more effectively collect and collate customer feedback to help shape our development schedule, and we've also gathered a small pool of trusted customers to assist with testing and feedback prior to release. Our most recent NPS returned a score of 76, a huge testament to the always exceptional work of our support team.

Crew

We've strengthened our sales capability in the mainland, bringing a permanent PaySauce presence to Dunedin. We also welcomed 3 interns for the summer via Summer of Tech, providing leadership and coaching opportunities for our senior development team and giving our production capacity a brief but powerful boost. These summer internships have become a crucial resource for our development efforts, while giving us a chance to support a fellow Wellington business and driving progress on project based dev work like Rosters.

We created efficiency gains by reassigning business functions into the departments best equipped to handle them, and introduced specific objectives for each team member for the first time. We're encouraging our people to think in terms of their career progression, upskilling and creating opportunities, so that we grow collectively and individually.

Year In Preview

We're determined to become even more efficient and effective, identifying and eliminating risks ahead of time and achieving more consistent rhythms and measurable outcomes for our regular operational activities. In the public eye, we'll continue to stake out our distinctive position as the platform for people at work and see this position acknowledged by our customers, partners and the industry at large, joining the ranks of New Zealand's smartest fintechs.

Internally, we'll sustain a work environment that keeps our team satisfied and driven, making us an in-demand employer. We'll work closely with our trusted customers to test new products and evaluate ideas, resulting in a development schedule closely aligned with real customer needs.

Each of these initiatives will strengthen and streamline our business, ultimately leading us to the overarching outcome of achieving cash flow positivity.

SaaS Reporting

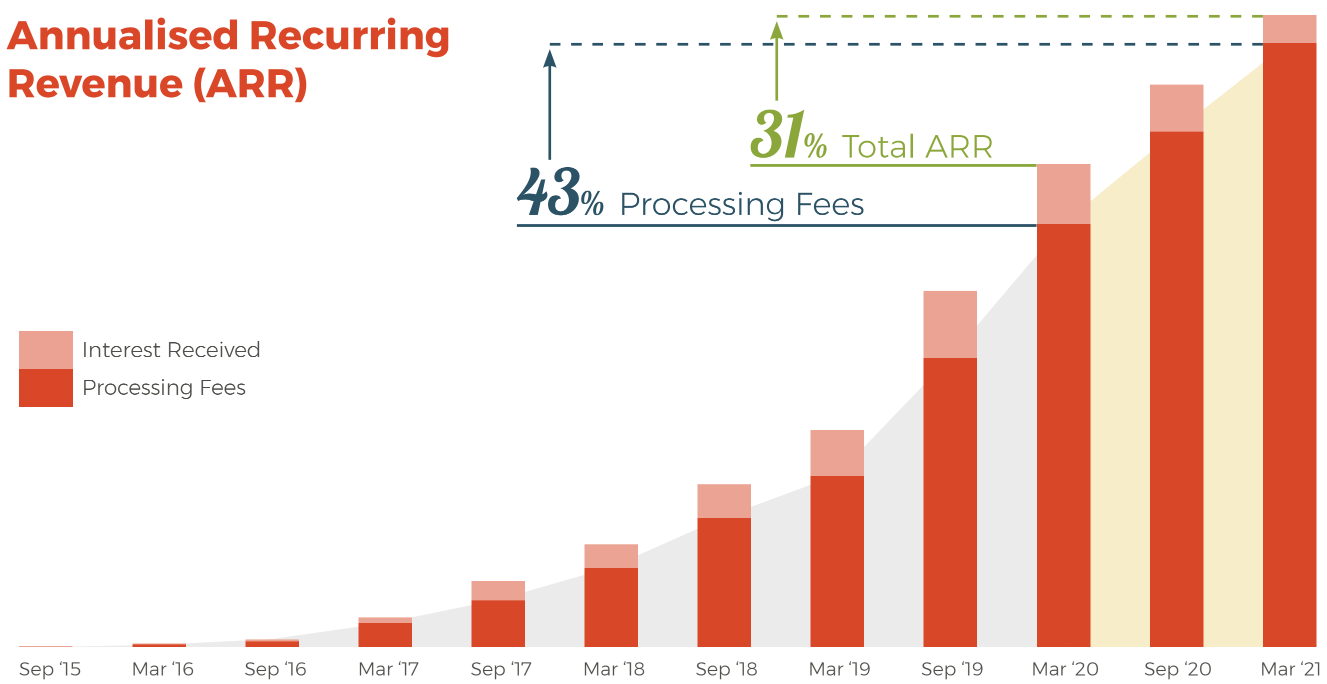
The business results reported below provide an overview of the performance of the business in a format we believe is useful to help readers assess the performance of PaySauce as a SaaS business.

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).

	2021 $000's	2020 $000's
Processing Fees	1,928	1,210
Interest Income	168	246
Recurring Revenue	**2,096**	**1,456**
Cost to Serve	(681)	(560)
Gross Margin	**1,415**	**896**
Gross Margin %	**68%**	**62%**
Other Interest Income	39	-
Other Revenue	64	226
Total Other Revenue	**103**	**226**
Customer Acquisition	(639)	(745)
Research & Development	(337)	(265)
General & Administration	(1,936)	(1,874)
Other Expenses	-	(9)
EBITDA	**(1,394)**	**(1,771)**
EBITDA Margin %	**(67%)**	**(122%)**
Depreciation & Amortisation	(261)	(152)
Interest Expense	(33)	(440)
Net Loss for the period	**(1,688)**	**(2,363)**

	2021	2020	YOY Change
Active customers at end of period	3,377	2,492	36%
Recurring revenue for the period - Processing Fees ($000's)	1,928	1,210	59%
Recurring revenue for the period - Interest Income ($000's)	168	246	(32%)
Recurring revenue for the period ($000's)	2,096	1,456	44%
ARR at end of period - Processing Fees ($000's)	**2,329**	**1,630**	**43%**
ARR at end of period - Interest Income ($000's)	107	231	(54%)
ARR at end of period ($000's)	**2,436**	**1,861**	**31%**
Churn % (monthly average) for the period	0.88%	1.26%	(30%)
ARPU (monthly) at end of period ($)	60	62	(3%)
· Processing Fees component ($)	57	55	5%
· Interest Income component($)	3	7	(64%)
CAC (per addition) for the period ($)	(539)	(517)	4%
Customer LTV at end of period ($)	4,599	3,032	52%
Total customer LTV at end of period ($000's)	15,531	7,557	106%
LTV:CAC Ratio at end of period	8.54	5.87	45%

Annualised Recurring Revenue (ARR)



The above categories are explained below:

Processing Fees
This category represents the revenue generated from customers who are using the PaySauce software, paying processing fees each pay run, based on a monthly subscription with a variable component based on the number of employees and payslips in each pay run. There are no significant estimates, nor any uncertainty surrounding the flat and variable components of processing fees. Revenue is recognised when the software service is supplied.

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

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

Other Revenue
This category includes revenue that is not recurring revenue and includes grants received and other services revenue.

Other Interest Income
This category includes non-recurring interest income.

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

Research & Development
This category includes those costs which are related to researching and developing new solutions and solving problems for our existing and future customers. Costs included are predominantly software development 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 due to the timing of these costs being capitalised. The reader should also consider the amount of intangible assets recognised during the financial year as detailed in the full financial statements.

General & Administration
This category captures all of the other elements of running the business. Costs included are those such as management remuneration, director fees, office running costs, finance and administration, legal and consulting expenses, and other overhead costs.

Other Expenses
This category captures other expenses such as costs relating to the reverse listing process.

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

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

SaaS Metrics & Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financials

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 2021.

In the opinion of the directors of PaySauce Limited, the consolidated financial statements and notes on pages 24 to 53:

- comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and present fairly the consolidated financial position of the Group as at 31 March 2021 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.

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:

Nicholas Lewis 26 May 2021
Chair

Jacqueline Cheyne 26 May 2021
Chair of Audit & Risk Committee

Grant Thornton

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 24 to 53 which comprise the consolidated statement of financial position as at 31 March 2021, 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 financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2021 and its financial performance and 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 other assurance 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 which indicate the Group incurred a net loss before income tax of $1,688,000 during the year ended 31 March 2021 and Note 4 which describes the Group's reliance upon sufficient forecast cash flows to enable the Group to continue its business operations. As stated in Note 4, these events and conditions, along with other matters set forth, 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 Related to Going Concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Why the audit matter is significant	How our audit addressed the key audit matter
Intangible Asset – internally developed software Intangible assets computer software and software in development had a carrying value of $905,000 as at 31 March 2021 with additions of $494,000 and amortisation of $152,000 in the year as disclosed in note 7. The Group is a Software as a Service ("SaaS") provider which incurs significant expenditure in development, upgrading and maintaining of software. NZ IAS 38 Intangible Assets outlines the criteria for capitalisation of costs associated with developing the software including whether the software will generate future economic benefits as disclosed in Note 7. Capitalised software costs are recognised at cost and subsequently amortised over their estimated useful lives. Costs that do not meet the criteria for capitalisation are expensed to profit or loss as incurred. Capitalisation of appropriate costs and estimates of useful life require significant judgement and therefore have been included as a key audit matter.	We evaluated the appropriateness of costs that have been capitalised as intangible asset software and development and managements estimate of useful life by: • Inquiry of management, evaluating costs that have been capitalised with respect to the criteria outlined in NZ IAS 38 Intangible Assets. We obtained an understanding of the nature of the costs incurred including the application of the software in the business to generate future economic benefits. • Checked costs capitalised and annual amortisation charged for mathematical accuracy including sensitivity analysis on rates applied. • Assessed managements estimate of the useful life of intangible assets for reasonableness based upon the expected future period of use of the asset • Agreed a sample of costs capitalised for appropriate sufficient audit evidence.

Other Information

The Directors are responsible for the other information. The other information comprises the Director's and CEO's Report, Missions and values, Year in Review, SaaS Reporting, Corporate Governance 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 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 financial statements is located on the External Reporting Board's website at: https://www.xrb.govt.nz/assurance-standards/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

Grant Thornton

K Price, Partner
Auckland

26 May 2021

Consolidated Statement of

Comprehensive Income

for the year ended 31 March 2021

	Notes	2021 $000's	2020 $000's
Revenue			
Processing fees		1,928	1,210
Subsidy revenue		-	240
Interest		207	246
Other operating revenue		38	62
Grants received		25	17
Operating revenue	**10**	**2,198**	**1,775**
Fair value loss on revaluation of related party loan		-	(93)
Expenses			
Depreciation and amortisation	**6, 7**	(261)	(152)
Employee expenses	**11**	(2,395)	(1,781)
Other expenses	**13**	(1,197)	(1,672)
Finance costs	**14**	(33)	(440)
Total expenses		**(3,886)**	**(4,045)**
Net loss before income tax		**(1,688)**	**(2,363)**
Tax benefit / (expense)	**15**	-	-
Net loss for the period		**(1,688)**	**(2,363)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(1,688)**	**(2,363)**
Loss per share		**Cents**	**Cents**
Basic loss per share	**9**	(1.24)	(2.00)
Diluted loss per share	**9**	(1.24)	(2.00)

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

Consolidated Statement of

Financial Position

as at 31 March 2021

	Notes	2021 $000's	2020 $000's
Assets			
Current assets			
Cash and cash equivalents	**22**	21,756	13,589
Deposits		-	1,650
Trade receivables		19	149
Other current assets		75	75
Prepayments and other short-term assets		90	155
Total current assets		**21,940**	**15,618**
Non-current assets			
Property, plant and equipment	**6**	401	476
Intangible assets	**7**	905	562
Total non-current assets		**1,306**	**1,038**
Total assets		**23,246**	**16,656**
Liabilities			
Current liabilities			
Trade and other payables	**5**	299	356
Funds due to customers and IRD	**22**	19,965	13,449
Employee benefits		201	186
Other liabilities		24	43
Lease liabilities		43	39
Interest bearing liabilities		-	15
Total current liabilities		**20,532**	**14,088**

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

Consolidated Statement of

Financial Position (cont.)

as at 31 March 2021

	Notes	2021 $000's	2020 $000's
Non-current liabilities			
Lease liabilities		282	326
Total non-current liabilities		**282**	**326**
Total liabilities		**20,814**	**14,414**
Net assets		**2,432**	**2,242**
Equity			
Share capital	8	12,652	10,774
Accumulated losses		(10,220)	(8,532)
Equity attributable to the owners of the Company		**2,432**	**2,242**

For and on behalf of the Board of Directors, who authorised the issue of these Consolidated Financial Statements on 26th May 2021:

Nicholas Lewis 26 May 2021

Chair

Jacqueline Cheyne 26 May 2021

Chair of Audit & Risk Committee

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

Consolidated Statement of

Movements in Equity

for the year ended 31 March 2021

	Notes	Attributable to equity holders of the Company		
		Share Capital $000's	Accumulated losses $000's	Total $000's
Balance as at 1 April 2020		**10,774**	**(8,532)**	**2,242**
Comprehensive loss				
Net loss for the period		-	(1,688)	(1,688)
Other comprehensive income		-	-	-
Total comprehensive loss		**-**	**(1,688)**	**(1,688)**
Transactions with owners				
Issue of ordinary shares	8	1,878	-	1,878
Total transactions with owners		**1,878**	**-**	**1,878**
Balance as at 31 March 2021		**12,652**	**(10,220)**	**2,432**
Balance as at 1 April 2019		**5,508**	**(6,169)**	**(661)**
Comprehensive loss				
Net loss for the period		-	(2,363)	(2,363)
Other comprehensive income		-	-	-
Total comprehensive loss		**-**	**(2,363)**	**(2,363)**
Transactions with owners				
Issue of ordinary shares	8	5,266	-	5,266
Total transactions with owners		**5,266**	**-**	**5,266**
Balance as at 31 March 2020		**10,774**	**(8,532)**	**2,242**

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

Consolidated Statement of

Cash Flows

for the year ended 31 March 2021

	Notes	2021 $000's	2020 $000's
Cash flows from / (used in) operating activities			
Receipts from customers		2,121	1,531
Interest received		221	230
Payments to suppliers and employees		(3,444)	(3,552)
Taxes (paid) / refunded		18	(25)
Interest paid on lease liability		(31)	(30)
Interest paid		(3)	(11)
Net cash (used in) operating activities before increase in funds due to customers and IRD	**22**	**(1,118)**	**(1,857)**
Increase in funds due to customers and IRD	**22**	6,515	7,176
Net cash from operating activities	**19**	**5,397**	**5,319**
Cash flows from / (used in) investing activities			
Purchases of property, plant and equipment		(36)	(98)
Proceeds from sale of property, plant and equipment		-	3
Funds on deposit		1,650	(1,650)
Purchases of intangible assets		(494)	(329)
Net cash from / (used in) investing activities		**1,120**	**(2,074)**
Cash flows from / (used in) financing activities			
Net proceeds from issue of shares and convertible notes		1,703	5,015
Loan advances / (repayments)		-	(793)
Interest paid		-	(148)
Repayments of principal portion of lease liability		(39)	(31)
Repayments of other borrowings		(14)	(12)
Net cash from financing activities		**1,650**	**4,031**
Net increase in cash and cash equivalents		**8,167**	**7,276**
Cash and cash equivalents at beginning of the period		13,589	6,313
Cash and cash equivalents at end of the period	**22**	**21,756**	**13,589**

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

Photo taken by Vicky Taylor, our Head of Customer Experience, while traveling between roadshow presentations.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

1. General information

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

These consolidated financial statements presented are for PaySauce Limited, together with its subsidiaries (the "Group") for the year ended 31 March 2021.

These consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 26 May 2021.

The Group provides Software as a Service (SaaS) delivering employment and payment solutions to small and medium-sized businesses. As well as the core payroll solution (with fully automated banking, accounting and pay-day filing) the Group provides digital employment contracts, rosters, timesheets and earned wage access for employees - accessible via smartphone.

PaySauce is a for-profit entity listed on the New Zealand Stock Exchange ("NZX") that trades under the ticker PYS.

2. Summary of significant accounting policies

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. The consolidated financial statements also comply with International Financial Reporting Standards ("IFRS").

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:

a. Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiaries as at 31 March 2021. All subsidiaries are wholly owned and controlled by the Company as at 31 March 2021 and have a reporting date of 31 March 2021 (note 21).

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.

b. 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 one thousand dollars ($1,000).

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.

c. 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.

d. 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 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.

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; and
- 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.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables 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, and funds due to customers and IRD.

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.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and term deposits maturing within 6 months. This also includes funds collected from customers as a PAYE intermediary (note 22).

f. Property, plant and equipment

Recognition and measurement

Items of computer, office equipment, leasehold improvements, motor vehicles, and right-of-use assets 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.

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 this expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs, including ongoing 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:

Right-of-assets	12.5%
Office equipment	8.5 - 67%
Leasehold improvements	10 - 25%
Computer equipment	21 - 40%
Motor vehicles	30%

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

g. 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 programs are recognised as an expense as incurred.

Development expenditure

Development expenditure (predominantly salary costs of our software development team) incurred on a project is capitalised as a long-term asset to the extent that such expenditure is expected to generate future economic benefits. Any development expenditure that does not meet this criteria is recognised as an expense.

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 - 67%

Research and development

Research expenditure and development expenditure that does not meet the criteria above is recognised as an expense as incurred.

h. Impairment of non-financial assets

Property, Plant & Equipment

The carrying values of property, plant and equipment are reviewed annually for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Software Development Assets and Development in Progress

Software development intangible assets with useful lives, and software development which has not yet completed are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. This includes external factors, such as changes in expected future processes, technology and economic conditions.

If any indications of impairment exist relating to non-financial assets, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

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.

i. Leases

The Group leases an office premises and various pieces of equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and;
- payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost, comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and;
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

j. 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.

k. Employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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.

l. 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.

m. Revenue

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue arises mainly from SaaS employment services.

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. 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.

There are no significant estimates or judgements surrounding recognition of revenue.

Processing fees

Revenue from payroll processing fees is 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. Revenue from processing fees includes both fixed and incremental components based on the number of employees and pays processed for the customer which are known as the revenue is recognised at the point in time the service is provided. 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. There is no significant financing component to the contracts, and payment is due at the point the performance obligation has been met. The performance obligation for processing fees is considered to be met when the customer's payroll has been processed.

Other operating revenue - contract builder sales

Revenue from contract builder sales 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. There is no significant financing component to the contracts, and there is no variable consideration as the price is known as the revenue is recognised at the point in time the service is provided. Payment is due at the point the performance obligation has been met. The performance obligation for contract builder sales is considered to be met when the customer has used the digital contract builder service.

REVENUE FROM OTHER SOURCES

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and using the effective interest rate method. Interest is determined to be operating revenue by the Group, as interest is primarily generated from the balance of PAYE funds held due to IRD, which is directly linked to the number of PaySauce customers processing payroll.

Other operating revenue - others

Other operating revenue consists of implementation costs, and one-off service provision. These revenues are recognised upon completion of services at a point in time.

Grants received

Grants received are recognised at their fair value where it is highly probable that the grant will be received and PaySauce has met any associated conditions. This revenue is recognised at a point in time as the conditions are met.

n. 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 cost, 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.

o. 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.

p. 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.

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:

Capitalisation of intangible assets

Management considers the time and associated salary cost of development staff to fall under the classification of development expenditure for assessment purposes in accordance with the principles outlined in the intangible assets accounting policy in note 2(g). No weighting of overheads is applied in these calculations.

Accounting for finite life intangible assets

At each reporting date, the useful lives and residual values of finite life intangible assets are reviewed for indicators of impairment. As at 31 March 2021, the assets were assessed for indicators of impairment by reviewing the nature of the events that originally gave rise to the recognition of the assets, the estimation of future generation of cash flows and any anticipated changes to the business or product circumstances. Management concluded that there were no indicators of impairment of the assets as at 31 March 2021.

Management has reassessed the remaining useful life of each significant asset after consideration of the expected future period of use. Changes in estimates have not resulted in any material impact upon the current and future annual amortisation charged.

COVID-19

Management considers that COVID-19 did not have a significant negative impact on the business operations, financial performance, nor the financial position of the Group for the year ended 31 March 2021. Management has made this judgement by looking at a range of indicators - and has not seen any material negative impacts on the following key indicators:

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

Other more macro economic impacts of COVID-19 included a decrease in interest income (due to a sharp decline in interest rates), and a change in strategic direction with expansion to the Irish market put on hold due to continued uncertainty of overseas travel. The impact of the decline in interest rates on interest income is estimated by management to be around $0.114 million. Domestically, organic growth exceeded expectations as more clients sought a cloud-based solution and this compensated for the shortfall in expected growth from our partnership with a global HR provider which is more reliant on in-person sales and implementation. With a sole focus on the domestic market, overall growth was in line with management's expectations.

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

- PaySauce's business operations are always ready to operate with minimal interruption upon enactment of our Business Continuity Plan (BCP)
- The PaySauce product is cloud-based, which enables customers to continue to use the service uninterrupted when they enact their BCP. PaySauce's customer base predominantly consists of businesses from New Zealand's agricultural primary industry, one of the other least impacted sectors during the first outbreak of COVID-19 in New Zealand
- PaySauce is yet to see, and does not anticipate seeing customers (based on experience from the first outbreak and lockdown period) asking to defer payments, partly due to the nature of our billing (at a point in time as the service is provided, automatically deducted), and that the cost is relatively small on a monthly per customer basis compared to other business expenses
- Payroll is the core of our service provision, and is an essential service for New Zealand businesses.

Going concern

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

The Group made a net loss before tax of $1.688 million for the year ended 31 March 2021 (2020: $2.363 million), has equity at 31 March 2021 of $2.432 million (2020: $2.242 million) and net current assets/(liabilities) of $1.408 million (2020: $1.530 million). The Group does not currently generate sufficient revenues to meet operating costs and the Group does not operate a facility of debt to draw upon.

At each reporting date, estimates and judgements are made around the ability of the Group to continue operating for the foreseeable future, which is not less than 12 months from the date these financial statements are approved for issue. These estimates and judgements are formed with reference to the current cash on hand and forecast future cash flows from operations, using information available to the Directors at the time of signing the financial statements.

The Group's ability to continue as a going concern is dependent upon meeting forecasted growth in revenue primarily through customer acquisition. The uncertainty of meeting forecast growth, and in turn forecast future cash flows from operations, creates a material uncertainty that may cast doubt on the Group's ability to continue as a going concern.

In the event that forecasted cash flows from operations are not met, plans to mitigate the effects of this on the Group's ability to continue as a going concern include:

- Hiring freeze
- Reducing operating expense
- Deferring non-essential capital projects, with a focus on maximising cash flow
- Price increase

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

If PaySauce is unable to continue as a going concern the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

5. Trade and other payables

	2021 $000's	2020 $000's
Trade payables	202	288
Accruals	57	55
GST payable	33	5
Other creditors	7	8
	299	**356**

6. Property, plant and equipment

	Right-of-use Asset (Property) $000's	Office Equipment $000's	Leasehold Improvements $000's	Computer Equipment $000's	Vehicle $000's	Total $000's
Year ended 31 March 2020						
Opening net book value	**-**	**25**	**3**	**30**	**19**	**77**
Additions	396	25	9	64	-	494
Disposals	-	(1)	(3)	(2)	-	(6)
Depreciation	(43)	(10)	(1)	(21)	(14)	(89)
Closing net book value	**353**	**39**	**8**	**71**	**5**	**476**
As at 31 March 2020						
Cost	396	60	10	105	49	620
Accumulated depreciation	(43)	(21)	(2)	(34)	(44)	(144)
Net book value	**353**	**39**	**8**	**71**	**5**	**476**
Year ended 31 March 2021						
Opening net book value	**353**	**39**	**8**	**71**	**5**	**476**
Additions	-	10	-	26	-	36
Disposals	-	-	-	(2)	-	(2)
Depreciation	(50)	(14)	(1)	(39)	(5)	(109)
Closing net book value	**303**	**35**	**7**	**56**	**-**	**401**
As at 31 March 2021						
Cost	396	71	10	128	49	654
Accumulated depreciation	(93)	(36)	(3)	(72)	(49)	(253)
Net book value	**303**	**35**	**7**	**56**	**-**	**401**

7. Intangible assets

	Website $000's	Development in progress $000's	Computer Software $000's	Total $000's
Year ended 31 March 2020				
Opening net book value	**-**	**158**	**139**	**297**
Development costs recognised as an asset	-	237	92	329
Development in progress recognised as Software	-	(349)	349	-
Amortisation	-	-	(63)	(63)
Closing net book value	**-**	**46**	**517**	**563**
As at 31 March 2020				
Cost	27	46	907	980
Accumulated amortisation	(27)	-	(390)	(417)
Net book value	**-**	**46**	**517**	**563**
Year ended 31 March 2021				
Opening net book value	**-**	**46**	**517**	**563**
Development costs recognised as an asset	-	305	189	494
Development in progress recognised as Software	-	(138)	138	-
Amortisation	-	-	(152)	(152)
Closing net book value	**-**	**213**	**692**	**905**
As at 31 March 2021				
Cost	27	213	1,234	1,474
Accumulated amortisation	(27)	-	(542)	(569)
Net book value	**-**	**213**	**692**	**905**

8. Share capital

Date	Details	Notes	Number of Shares	$000's
1 April 2019	**Opening Balance**		**116,870,875**	**5,508**
	Conversion of convertible note	i	2,495,403	1,285
	Rights issue	ii	11,974,843	3,981
31 March 2020	**Closing Balance**		**131,341,121**	**10,774**
1 April 2020	**Opening Balance**		**131,341,121**	**10,774**
	Rights issue	iii	3,430,245	1,153
	Rights issue	iv	1,647,237	550
	Employee share issue	v	607,675	175
31 March 2021	**Closing Balance**		**137,026,278**	**12,652**

i. On 28 January 2020: PaySauce converted the outstanding convertible loan note agreement with Public Trust Nominees Class 10 Limited to shares, in accordance with the provisions of the agreement. The agreement was entered into on 28 June 2019, for a term of 24 months after which the notes were to convert into ordinary shares, unless either the holder or issuer elects to convert the notes at an earlier date. The total value of the drawdown, inclusive of accrued interest, was $1.285 million, resulting in an issue of 2,495,403 new shares at the conversion price of $0.51 per share.

ii. On 9 March 2020: PaySauce completed the initial allotment of shares under its rights issue announced to shareholders on 11 February 2020. The allotment on 9 March 2020 resulted in 11,974,843 shares being issued at a price of $0.34 per share, a net raise of $3.981 million after directly attributable costs. The issue was not fully subscribed, and PaySauce announced it would seek to place the remaining share capital over the subsequent 90 day window in accordance with the NZX listing rules. The available shares remaining for allotment as at 31 March 2020 were 5,077,482.

iii. On 30 April 2020: PaySauce completed the second allotment of shares under its rights issue shortfall. The allotment on 30 April 2020 resulted in 3,430,245 shares being issued at a price of $0.34 per share, a net raise of $1.153 million after directly attributable costs.

iv. On 15 May 2020: PaySauce completed the final allotment of shares under its rights issue shortfall. The allotment on 15 May 2020 resulted in 1,647,237 shares being issued at a price of $0.34 per share, a net raise of $0.550 million after directly attributable costs. This completed the fully subscribed rights issue.

v. On 31 March 2021: PaySauce issued ordinary shares to employees as part of remuneration arrangements under employment agreements. This was a share based payment for accrued bonuses, there were no vesting periods or conditions, and were all equity settled and expensed to the profit and loss. The allotment on 31 March 2021 resulted in 607,675 shares being issued at a price of $0.2875 per share, satisfying remuneration arrangements to the value of $0.175 million.

All ordinary shares have no par value. They have equal voting rights and share equally in dividends and surplus on liquidation.

Dividends

No dividends were declared or paid during the reporting period (2020: None).

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital, accumulated retained earnings.

When managing capital, management's objective is to achieve optimal long term capital 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.

9. Earnings / (loss) per share

	2021	2020
Basic earnings per share		
Net loss used in calculating earnings per share ($000's)	(1,688)	(2,363)
Weighted average number of ordinary shares for basic earnings per share	135,940,949	118,039,366
Basic loss per share (cents)	**(1.24)**	**(2.00)**

There are no financial instruments on issue that will dilute the basic earnings per share amounts for the year ended 31 March 2021.

Basic earnings per share is calculated by dividing the profit / (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the period.

10. Operating revenue

	2021 $000's	2020 $000's
Revenue from contracts with customers	1,972	1,210
Revenue from other sources	226	548
Total operating revenue	**2,198**	**1,758**

11. Employee expenses

	2021 $000's	2020 $000's
Salaries	2,354	1,756
Staff medical insurance	17	11
Fringe benefit tax	24	14
Total employee expenses	**2,395**	**1,781**

12. Research & Development

	2021 $000's	2020 $000's
Research & development costs expensed (included in note 11 - Employee Expenses under Salaries)	337	265
Research & development costs capitalised (included in note 7 - Intangible Assets under Development costs recognised as an asset)	494	329
Amortisation of intangible assets (included in note 7 - Intangible Assets under Amortisation)	152	63
Total research & development	**983**	**657**

13. Other expenses

	2021 $000's	2020 $000's
Administration and Management Services	173	223
Advertising, PR and Marketing	158	246
Audit Fees	57	55
Hosting Expenses	72	67
Legal, Consulting and Accounting	59	296
Listing Costs	-	9
Office Running and Rent	28	60
Other Overheads	587	543
Travel	63	173
Total other expenses	**1,197**	**1,672**

14. Finance costs

	2021 $000's	2020 $000's
Interest Paid	2	11
Finance Cost - Interest on Convertible Note	-	251
Finance Cost - Interest on Lease	31	30
Finance Cost - Interest on Related Party Lending	-	148
Total finance costs	**33**	**440**

15. Tax expense

	2020 $000's	2019 $000's
(a) Income Tax		
Net Loss before tax for the period	(1,688)	(2,363)
Tax Losses Carried Forward	(5,847)	(3,800)
Permanent Differences	333	295
Temporary Differences	(89)	21
Tax Losses to Carry Forward	**(7,291)**	**(5,847)**
(b) Deferred Tax		
Opening Deferred Tax Asset / (Liability)	**-**	**-**
Increases to Deferred Tax	-	-
Decrease to Deferred Tax	-	-
Closing Deferred Tax Asset / (Liability)	**-**	**-**
(c) Imputation Credits		
Balance at the end of the period	**-**	**-**

The Group holds tax losses of $7.291 million as at 31 March 2021 (2020: $5.847 million) available to carry forward, subject to shareholder continuity being maintained.

16. Key management personnel and related parties

Key management personnel compensation

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

The table below summarises remuneration paid to key management personnel.

	2021 $000's	2020 $000's
Directors' fees	146	70
Short term employee benefits	836	434
Total key management personnel compensation	**982**	**504**

Related party transactions and balances

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

Related party transactions during the period	2021 $000's	2020 $000's
Consulting services supplied by entities controlled by related parties		
Catalyst.Net Limited	-	4
Cloud hosting services supplied by entities controlled by related parties		
Catalyst Cloud Limited	72	67

Related party balances payable at period end	2021 $000's	2020 $000's
Directors' Fees	17	9
Cloud Hosting Services	7	8

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 (d) 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.

Financial assets	2021 $000's	2020 $000's
Financial assets at amortised cost		
Cash and cash equivalents	21,756	13,589
Deposits	-	1,650
Trade and other receivables	19	149
Total financial assets	**21,775**	**15,388**

Financial liabilities	2021 $000's	2022 $000's
Financial liabilities at amortised cost		
Funds due to customers and IRD	19,965	13,449
Trade and other payables	266	356
Other liabilities	24	42
Total financial liabilities	**20,255**	**13,847**

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

As a SaaS business with minimal credit exposure, credit risk is relatively low relating to revenue received from customers and any associated trade receivables. 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 are held with ASB Bank and BNZ, both of which have a credit rating of A+ from Fitch, AA- from Standard & Poor's, and A1 from Moody's.

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 cash flow 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 $000's	Total $000's	0-6 months $000's	7-12 months $000's	1-2 years $000's	2-5 years $000's
Year ended 31 March 2020						
Funds due to customers and IRD	13,449	13,449	13,449	-	-	-
Trade and other payables	356	356	356	-	-	-
Other liabilities	42	42	42	-	-	-
Total	**13,847**	**13,847**	**13,847**	**-**	**-**	**-**
Year ended 31 March 2021						
Funds due to customers and IRD	19,965	19,965	19,965	-	-	-
Trade and other payables	266	266	266	-	-	-
Other liabilities	24	24	24	-	-	-
Total	**20,255**	**20,255**	**20,255**	**-**	**-**	**-**

(iii) Interest rate risk

PaySauce's interest rate risk arises from the interest that it earns from its cash and cash equivalents. These funds are subject to variable interest rates that expose PaySauce to cash flow interest risk rate. PaySauce does not currently use any derivative products to manage interest rate risk.

As at balance date, none of the funds were held in deposits subject to interest periods of greater than 12 months.

An analysis of the sensitivity of the Group's earnings due to movements in interest rates is shown below.

Effect on net profit before tax	2021 $000's	2020 $000's
Each 100 basis point increase in interest rate	185	108
Each 100 basis point decrease in interest rate	(185)	(108)

The above information is calculated by applying the effective movement to the average balance of cash and cash equivalents. Cash and cash equivalents and Deposits total $21.756 million (2020: $15.239 million).

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

	2021 $000's	2020 $000's
Net Loss after taxation	(1,688)	(2,363)
Add back / (deduct) non-cash & non-operating items:		
Depreciation & amortisation	261	152
Loss on disposal of fixed assets	3	4
Share based payment expense	175	-
Other non-cash & non-operating items	-	492
	(1,249)	**(1,715)**
Movement in working capital:		
(Increase)/decrease in Trade and other receivables	161	(39)
(Increase)/decrease in Prepayments and other assets	(2)	6
Increase/(decrease) in Funds due to customers and IRD	6,515	7,176
Increase/(decrease) in Trade and other payables	(24)	(196)
Increase/(decrease) in Employee benefits	14	127
Increase/(decrease) in Other liabilities	(18)	(40)
Net cash inflow from operating activities	**5,397**	**5,319**

20. Segment reporting

The Group is organised into one reportable operating segment only, being SaaS based employment and payment solutions to small and medium-sized New Zealand businesses. As well as the core payroll solution (with fully automated banking, accounting and pay-day filing) the Group provides digital employment contracts, rosters, timesheets and earned wage access for employees - accessible via smartphone. 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).

21. Investments in subsidiary

The Company had the following subsidiaries at 31 March 2021:

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

22. Funds due to customers and IRD

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

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

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

23. Contingencies

As at 31 March 2021 the Group had no contingent liabilities or assets (2020: $nil)

24. 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 the Company and as a result 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 available online at https://www.paysauce.com/investor/

The Board considers that, as at 26 May 2021, the Company complied with the recommendations set by the NZX Corporate Governance Code, unless stated in the sections outlined below, or in PaySauce's Corporate Governance Code.

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
- 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 help ensure 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.

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 and a maximum of 10;
- 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; and
- the Board elects a Chair, 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.
- The effectiveness and performance of the board and its individual members should be re-evaluated annually.

As at 31 March 2021 the Board comprised of five Directors:

- **Asantha Wijeyeratne** – Executive Director and CEO
- **Gavin Thompson** – Non-executive Director
- **Jacqueline Cheyne** – Independent Director (Chair of Audit & Risk Committee)
- **Michael O'Donnell** – Independent Director
- **Nicholas Lewis** – Independent Director (Chair of Board)

Independence of directors is determined by assessing the directors against the following factors:

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

Mandy Simpson resigned as an Independent Director and Chair of the Audit & Risk Committee, effective 18 September 2020.

Jacqueline Cheyne joined the Board as an Independent Director and Chair of the Audit & Risk Committee, effective 1 August 2020.

Michael O'Donnell joined the Board as an Independent Director, effective 1 October 2020.

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 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 a director.

Diversity

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

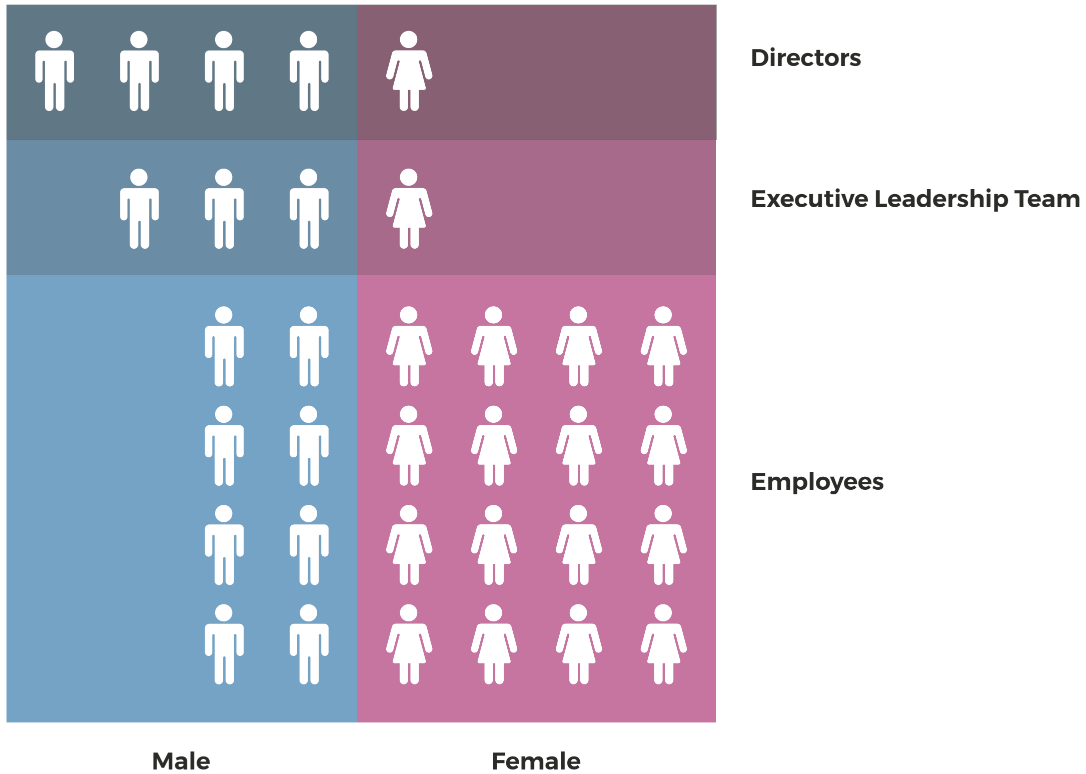
PaySauce embraces uniqueness in our people and welcomes diversity. We believe that difference builds resilience and innovation. We encourage our employees to be curious and open-minded, embracing wide-ranging perspectives and working to meet the needs of individuals.

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.

The board has set measurable objectives for PaySauce's diversity policy which 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 2021:

	Directors	Executive Leadership Team	Employees
As at 31 March 2020			
Male	3	3	10
Female	1	1	14
Total	**4**	**4**	**24**
As at 31 March 2021			
Male	4	3	8
Female	1	1	20
Total	**5**	**4**	**28**



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 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 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.

The Chair of the Board cannot also be the Chair of the ARC. The current members are Jacqueline Cheyne (Chair), Nicholas Lewis, and Gavin Thompson, of which Jacqueline and Nicholas are independent directors.

The committee usually invites the Chief Executive, Chief Financial Officer, Head of Finance, and at least twice a year invites the external auditors to attend ARC meetings.

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

At present, 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 coming financial years.

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

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

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 Executive Team.

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.

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 Company has appropriate processes that identify and manage potential and material risks."

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

The company maintains a risk register to identify and manage risk. The Executive 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.

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 meets with the external auditor at least twice a year 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.

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) 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. Director remuneration is not included in the table below, and instead set out in a separate section below.

Remuneration range	2021 # Employees	2020 # Employees
$100,000 - $109,999	2	2
$110,000 - $119,999	1	-
$120,000 - $129,999	2	2
$130,000 - $139,999	1	-
$150,000 - $159,999	-	1
$160,000 - $169,999	1	-
$170,000 - $179,999	1	-
$250,000 - $259,999	1	-
$280,000 - $289,999	1	-

Donations

No cash donations were made by the Group during the year ended 31 March 2021 (2020: $Nil). However donations in kind were given to over 70 charities and non-profit organisations during the period (2020: 43).

Board meeting attendance

Board meetings are held in person and/or by teleconference. The Directors attended the following board meetings during the year ended 31 March 2021:

Director	Board Meetings Attended	ARC Meetings Attended
Asantha Wijeyeratne	11 of 13	-
Gavin Thompson	12 of 13	4 of 4
Jacqueline Cheyne*	8 of 8	3 of 3
Mandy Simpson**	6 of 6	2 of 2
Michael O'Donnell***	5 of 6	-
Nick Lewis	13 of 13	4 of 4

Note - If a director was not a member of a particular committee at the time of the relevant meetings '-' has been recorded.

*Jacqueline Cheyne joined as Director and Chair of ARC on 1 August 2020.

**Mandy Simpson resigned as Director and Chair of ARC on 18 September 2020.

***Michael O'Donnell joined as Director on 1 October 2020.

Directors' share transactions

Directors disclosed, pursuant to section 148 of the Companies Act 1993 and Part 5 of the Financial Markets Conduct Act 2013, the following acquisitions and disposals of relevant interest in PaySauce ordinary shares during the year ended 31 March 2021:

Director	Registered holder / associated entity	Number of shares acquired / (disposed)	Consideration	Date	Notes
Asantha Wijeyeratne	Wijeyeratne & Co Limited	(600,000)	$275,215	Jul-20	On-market sale of shares
Asantha Wijeyeratne	Wijeyeratne & Co Limited	(466,688)	$169,200	Jul-20	Off-market sale of shares
Asantha Wijeyeratne	Wijeyeratne & Co Limited	(120,000)	$0	Jul-20	Off-market sale of shares - gifted to relatives for no consideration
Gavin Thompson	Gavin Thompson	263,158	$100,000	Jul-20	Off-market purchase of shares
Jacqueline Cheyne	New Zealand Depository Nominee	28,922	$10,000	Nov-20	On-market purchase of shares

Directors' remuneration

The total Directors' fees and other remuneration received by the Directors for the period ended 31 March 2021 is outlined below:

	2021			2020		
Director	Director fees	Other remuneration	Total	Director fees	Other remuneration	Total
Asantha Wijeyeratne	Nil	$179,032	$179,032	Nil	$106,150	$106,150
Gavin Thompson	$16,667	Nil	$16,667	Nil	Nil	Nil
Jacqueline Cheyne*	$23,750	Nil	$23,750	N/A	N/A	N/A
Mandy Simpson**	$19,250	Nil	$19,250	$32,500	Nil	$32,500
Michael O'Donnell***	$16,667	Nil	$16,667	N/A	N/A	N/A
Nick Lewis	$62,083	Nil	$62,083	$37,500	Nil	$37,500

*Jacqueline Cheyne joined as Director and Chair of ARC on 1 August 2020.

**Mandy Simpson resigned as Director and Chair of ARC on 18 September 2020.

***Michael O'Donnell joined as Director on 1 October 2020.

Executive Director remuneration

Asantha Wijeyeratne is the Chief Executive Officer, and held this position as at 31 March 2021. He did not receive any remuneration in his capacity as a Director, but was remunerated as Chief Executive Officer. He received remuneration and benefits of $179,032 (2020: $106,150).

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
Asantha Wijeyeratne	Buzz Hospitality Limited	Director
	Catalyst IT Limited	Shareholder
	Catalyst TP Limited	Shareholder
	Cloud Investments Limited	Director & Shareholder
	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
Jacqueline Cheyne	PaySauce Limited	Director & Shareholder
	Stride Property Limited	Director
	New Zealand Green Investment Finance	Director
	External Reporting Board	Board Member
	Snow Sports NZ	Chair
	Broader Perspectives	Director
	Ministry of Business Innovation and Employment	Audit & Risk Committee Member
	Financial Markets Authority	Member of the Audit Oversight Committee
	Christchurch City council	Audit & Risk Committee Member

General Disclosures of Interest (cont.)

Director	Company	Nature of interest
Michael O'Donnell	PaySauce Limited	Director
	Timely	Former Chair (to 10 Feb 2021)
	Realestate.co.nz	Director
	Garage Project	Chair
	Radio New Zealand	Director
	Tourism New Zealand	Director
	NZ Trade + Enterprise / G2G	Director
	Serato	Dep Chair
	Stuff Media	National Columnist
	KiwiWealth	Director
Nick Lewis	8 Interactive Limited	Shareholder
	Celsias Limited	Shareholder
	Common Ledger Limited	Shareholder
	Dropit Limited	Shareholder
	Ecotricity GP Limited	Former Director (to Jan 2021)
	Ecotricity Superceded Limited	Former Director (to Jan 2021)
	Good Bitches Baking Trust	Trustee
	Kiwi Insurance 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 2021:

Director	Securities held by Director or associated entity
Asantha Wijeyeratne	27,750,433
Gavin Thompson	2,276,978
Jacqueline Cheyne	28,922
Mandy Simpson*	147,059
Michael O'Donnell	Nil
Nick Lewis	847,809

* Mandy Simpson resigned as Director and Chair of ARC on 18 September 2020.

Substantial product holders

The substantial product holders in PaySauce ordinary shares as at 31 March 2021 were as follows:

Substantial product holder	Shares held	% of issued shares
Wijeyeratne & Company Limited	27,750,433	20.25%
Coulthard Barnes (PaySauce) Limited	20,800,000	15.18%
Gibson Sheat Trustees Limited	16,729,631	12.21%
Cloud Investments Limited	12,833,028	9.37%
New Zealand Central Securities	7,285,713	5.32%

Twenty largest equity security holders

The 20 largest holders of PaySauce ordinary shares as at 31 March 2021 were as follows:

Rank	Shareholders/Investors	Shares held	% of issued shares
1	Wijeyeratne & Co Limited	27,750,433	20.25%
2	Coulthard Barnes (Paysauce) Limited	20,800,000	15.18%
3	Gibson Sheat Trustees Limited & Troy Tarrant	16,729,631	12.21%
4	Cloud Investments Limited	12,833,028	9.37%
5	New Zealand Central Securities Depository Limited	7,285,713	5.32%
6	Cloud Investments Two Limited	2,915,114	2.13%
7	New Zealand Depository Nominee	2,895,192	2.11%
8	Ian Stewart Frame & Pamela Anne Frame	2,652,765	1.94%
9	Gavin Thompson	2,276,978	1.66%
10	Woodward Family	2,120,000	1.55%
11	Krishnakumar Guda	1,870,000	1.36%
12	Mckay Nominees Limited	1,781,842	1.30%
13	Bhagwanji Bhula Rama	1,645,000	1.20%
14	DKL BE Brave Trustees Limited	1,598,531	1.17%
15	Malcolm William Campbell	1,500,000	1.09%
16	Hugh Anthony Pradeep Fernando	1,471,102	1.07%
17	Charlotte Anne Lockhart	1,335,635	0.97%
18	Maarten Arnold Janssen	1,327,080	0.97%
19	Victoria Ann Taylor	1,201,770	0.88%
20	Higgins Family	1,017,921	0.74%

Spread of security holders

The spread of holders of PaySauce ordinary shares as at 31 March 2021 are listed below:

	Shareholders		Shares	
Size of holding (shares)	Number	%	Number	%
1 - 10,000	1,063	76.53%	2,091,948	1.53%
10,001 - 50,000	222	15.98%	5,060,921	3.69%
50,001 - 100,000	43	3.10%	3,064,758	2.24%
100,001 - 500,000	32	2.30%	7,517,741	5.49%
500,001 - 1,000,000	9	0.65%	6,283,175	4.59%
1,000,001 and over	20	1.44%	113,007,735	82.47%
Totals	**1,389**	**100.00%**	**137,026,278**	**100.00%**

NZX waivers from listing rules

No waivers were granted to PaySauce by NZX during the year ended 31 March 2021, and there were no waivers that PaySauce relied upon during this period.

Company Directory

Directors:

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

Registered Office:

21-23 Andrew Avenue
Lower Hutt, 5010
New Zealand

Website:

www.paysauce.com

Auditor:

Grant Thornton New Zealand Audit Limited

Stock Exchange:

NZX

Share Registrar:

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

NZ Company Number:

1719868

NZBN:

9429034458099

www.paysauce.com