



Annual Report

YEAR END 31 MARCH 2022

2022



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HIGHLIGHTS


 **83%** YOY
Annualised Recurring Revenue (ARR)
\$4.5M

 **SmoothPay**
Acquisition

 **79%** YOY
Customers
6,052

 **96%** YOY
Total Customer LTV
\$30.3M

 **\$1.97M**
PayNow - Earned Wages Accessed

 **67%** YOY
LTV : CAC Ratio
14.2 : 1



Chair's Letter

Dear fellow shareholders,

My first letter to you as Chair and it's an honour that I get to share the breakthrough news of our cash flow positive position at year end. A position we achieved without compromising our continued growth.

A huge thanks to Nick Lewis, PaySauce's previous chair, and to MOD for stepping up as interim chair this year. It's clear that their stewardship has been instrumental in the company's performance. Knowing their involvement, my expectations of the business when I joined, were high. I anticipated an organisation that recognised the importance of purpose and passion for customers and in creating a culture where people thrive, and results are sustainable. I was right.

A highlight this year was the successful completion of the acquisition of SmoothPay, adding 1300 customers to our portfolio and opening up opportunities for expansion across the Pacific territories and into Australia. Accelerated quarter-on-quarter revenue growth gives us options to re-invest back into the company. It also puts us in a position of strength to seek further inorganic opportunities to accelerate that growth. And while we have achieved the milestone of moving earnings positive, I would note that we may go back to the market for capital if we believe the opportunity could significantly lift our growth rate.

As Chair, I look forward to supporting Asantha and the team as we continue our journey toward industry leadership. The determination and hard work of the last year, despite a background of COVID in the community

and other economic uncertainties, saw us tackle many of the foundational challenges facing a company moving from startup to scale up. To end the year cash-flow positive is testament to a well designed product, supported by excellent service, finding its fit in an expanding market.

On behalf of the entire board of directors I would like to thank you for your trust during the year and look forward to your continued support as shareholders. I also note the big contribution by the PayForce and thank them for their efforts in our biggest year ever.

Yours sincerely,

Shelley Ruha
Chair



CEO's Letter

Dear shareholders,

I'm writing this while I'm briefly in Sri Lanka, reconnecting with family. I can be here because of the talented and driven team that I have around me, a team that together produced an outstanding year end result - positive cash flow and 83% YoY ARR growth.

Neither of those things - the exemplary team nor the results - are a surprise to me. They're the essence of PaySauce. We do what we say we're going to do. We told the market in 2020 that we'd be cash flow positive and that promise became our north star. We said we'd expand the team, establish a customer base in a new market and mature the platform. Likewise we have delivered on that.

The team grew to 35 this year, including engineering and customer service talent joining as a result of the SmoothPay acquisition. We've invested in new leadership in sales and marketing, and product development and added to our customer support team to ensure our famous service is maintained.

8.6% of our customer base is now international, using the goPayroll product we acquired. So our customer support team are now helping customers across Australia and the Pacific.

The PayNow feature is now established in the market, with almost \$2m of earned wages being accessed by employees ahead of payday, for free.

Looking forward it's clear that here in Aotearoa we

are experiencing extraordinary times when it comes to economic fundamentals and their impact on the ecosystem for pay platforms. Economic inflation is now sitting at around 3x historical wage inflation and employers are having to move fast or risk losing their workers. Along with a cooling off of house prices, a new trajectory for cash rates and the lowest unemployment rates in over a decade; I've never seen a time when payroll was more critical to the successful functioning of SME businesses.

These historic times play to our advantage. Going forward, companies need payroll systems that are agile and innovative, and give them flexibility. These three qualities have been woven into our platform from day one. This means should the labour market dictate new cadences around salary reviews, fast-tracked wage-banding or special payments, PaySauce is ready and able to operationalise them. Watch this space.

I'd like to give a huge thank you to Nick Lewis and Mike O'Donnell (respectively outgoing and interim chairs this past year) for the part they played in achieving our goals. Their advice and guidance was especially appreciated during our acquisition of SmoothPay.

It's an honour to have welcomed Shelley as our new chair in February. Already her fresh insights and commercial nous are adding huge value in meetings and the conversations we have around the edges.

It's now true that we've passed start-up, we're well into scale-up, but I can promise we're not taking our foot off the gas. There are still new customer problems to solve in new verticals, new partnerships to develop and new growth goals to achieve. Plus new economic drivers delivering exciting opportunities. Thanks for your support as we seize these opportunities and seek to convert them to shareholder value.

Gratefully yours,

Asantha Wijeyeratne
CEO and Co-Founder

Leadership



Shelley Ruha

**INDEPENDENT DIRECTOR
AND CHAIR**

Shelley joined the PaySauce board in February 2022, and brings extensive governance experience within fintech, large scale technology infrastructure, payments innovation, banking, wealth management, and venture capital including directorships with JB Were, The Icehouse and BNZ Agricapital.

Current governance roles include Chair of Tax Gift and NZ Rural Land Management, and directorships at Heartland Bank, Hobson Wealth and Partners Life.

She has also had an extensive executive career leading large, complex businesses in New Zealand, with revenues over \$1bn and 1200 employees; and in disciplines including Technology, Operations, Product, Property and Procurement.



Asantha Wijeyeratne

**EXECUTIVE DIRECTOR,
CEO AND CO-FOUNDER**

Asantha has over 20 years' experience of unparalleled focus on helping small businesses navigate the difficult landscape of effective payroll. His formal background in accounting combined with his 'people first' attitude has seen him successfully build a number of businesses into market leadership positions.

Most notably, Asantha was the driving force behind the creation and growth of SmartPayroll and SmartBooks which he grew to service close to 10,000 SMEs in NZ before he left in December 2013.

Asantha's obsession is the small business sector with a tech and customer service focus. He loves seeing someone with determination and passion turn an idea into a business that supports them, their families and the wider community. He gets a lot of enjoyment from making tech work to help business owners succeed.

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 and is a finalist in Ernst & Young's 2021 Entrepreneur of the Year (winner yet to be announced at time of writing!)



Michael "MOD" O'Donnell

**INDEPENDENT NON-EXECUTIVE
DIRECTOR**

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

MOD is chair of New Zealand's largest craft brewery Garage Project, deputy chair of New Zealand Trade and Enterprise and deputy chair of global online music company Serato. He's also a director of KiwiWealth, Radio New Zealand, www.realestate.co.nz and The New Zealand Hi-Tech Trust.

MOD is an independent weekly business columnist for Stuff Media and the host of TVNZ series "Start Me Up". He was previously Chief Operating Officer of Trade Me, Chief Operating Officer of vWork and Head of Wholesale Investment at Gareth Morgan Investments.



Jacqueline Cheyne

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

Jackie is a professional director with a focus on finance, risk and sustainability. She is currently on the boards of Stride Property Group and NZ Green Investment Finance and is Chair of Snow Sports NZ. Jackie is on the board of the XRB and chairs the steering group leading the project for the development of climate risk disclosure standards in New Zealand. Jackie is also a member of the FMA's audit oversight committee and MBIE's Risk and Assurance committee.

Jackie was previously an assurance partner at Deloitte for over 12 years and led Deloitte NZ's sustainability service line. Jackie is a Chartered Member of the Institute of Directors and a Fellow of the Institute of Chartered Accountants.



Gavin Thompson

**DIRECTOR
(NON-INDEPENDENT)**

Gavin is a founder and director of Catalyst IT, New Zealand's largest open-source IT service provider. His background is in software development and delivery, and he has over 30 years' experience in software systems in the manufacturing, engineering, financial, and government sectors. Gavin is also a director on the board of Catalyst Cloud, a company which grew from an infrastructure platform for the Catalyst business into a provider of cloud services for Aotearoa.

Gavin is passionate about open source and open standards software and systems which allow a collaborative and effective approach to delivering secure, resilient and innovative solutions.



Troy Tarrant

CTO AND CO-FOUNDER

Troy has over 20 years experience in IT development, product design and architecture - ten of those years focused solely on HR and payroll applications. He's worked on projects across the board, from small business to government. He's built PaySauce to enable rapid development, security and scale.



Mathew Stokes

COO

As a lifelong learner and student of successful organisations, Mat believes in the maxim that 'culture eats strategy for breakfast'. As a leader, Mat's biggest priority is building and nurturing culture. His track record ranges from managing integrations with major international corporates to building innovative startups.



Jaime Monaghan

CFO

Jaime has a powerhouse background in leadership and finance, with a former role as Head of Insurance at Trade Me and eight years in Kiwibank's Finance team. She brings incisive commercial acumen to our financial and strategic planning.

Our Mission

The straight-up provider of effortless 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 care for our customers and our community. We're honest, fair and we prioritise people. We strive for transparency - we're up-front about what we do. We've earned our customers' 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 for our customers. 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

Recurring revenue accelerated in every quarter this year - thanks to a consistent increase in PaySauce customer numbers and increased average processing fees.

The SmoothPay acquisition brought us another 1300 customers and access to Australia and the Pacific, as well as expertise in international payroll development. Following the acquisition we aligned pricing across the two product lines and executed this change with minimum disruption.

Internally we transitioned from a legacy CRM and helpdesk systems to an enterprise customer management and phone management solution. The platform gives us transparency across all customers, efficiencies in communication and the ability to automate many manual processes. All part of scaling up.

Community

We watched with delight the expansion of PayNow, the feature within the PaySauce mobile app that allows employees to access funds they've already earned, effectively letting them choose their own payday on demand. This year, our customers' staff accessed \$1.97 million of wages, who otherwise may have resorted to predatory payday lenders. To the best of our knowledge we remain the only service worldwide that provides earned wage access as a native component of a payroll solution.

In line with our value #DoGoodAndBeHonest we donated, alongside a collaboration of NZ tech companies, to UNICEF Aotearoa to support their COVAX programme. The initiative ensured frontline and health workers in the low- and middle-income countries where UNICEF works had access to the COVID vaccine.

This year 3900 donations were made to 48 charities through our payroll giving feature. That's over \$87,000 of donations that qualified for the automatic tax rebate, another effortless way we help employees and their favourite charities win.

Over 100 of our favourite charities and not for profit organisations received free payroll services this year, a generous helping of PaySauce for those who need it.

Customers

We're still doubling down in dairy and the majority of new customers are coming from the dairy and wider rural sectors, so it's fair to say that we're hitting the mark with our customers 'out in the field'. We remain committed to that sector but it's pleasing to see efforts to diversify have had an effect: after rural our fastest growing sectors are now construction and retail.

40% of our current customers came to us via an accounting partner. We're continuing to invest in those channels, with an increased focus on engaged partnerships that deliver commercial returns via our newly launched partner programme.

We ran two customer satisfaction surveys (NPS) in 2022 - receiving an excellent score of 60 and a very positive 41, respectively. With the benchmark for Business to Business Software at 40 we're in good shape. Churn held fast at 0.84%, well below the industry average, which reinforces the satisfaction scores.

Crew

There's been a few comings and goings this year as we restructured our teams to allow for scale-up specialisation and added leaders accordingly. We embedded our annual performance review cycle, empowering team leaders with the tools to motivate and reward their people. One reward we're super stoked about is the Employee Share Scheme, which will see our employees become shareholders over time.

The PayForce got out and about in between lockdowns at several events including the iconic Fieldays, where we caught up with customers and gave attendees the scoop on Xero for Farming, our alliance with Xero and Figured. It was an extra special year for us - when we attended back in 2018 we were a teeny new player that no one had heard of. This year we had a whole crew on site, and got to shine in the main pavilion with our big brand peers alongside.

Year In Preview

On the path to achieving our vision of being the first choice people platform for SMEs in Oceania, the steps we're taking this coming year are precise and careful.

We're reinvesting profits back into the business to deliver on our strategic objectives - investing in infrastructure, systems, process and product best practice to realise even more efficiencies in the way we do things. We will carry on obsessing over customers, and extend that obsession to their employees too. Deeper and well designed relationships with our channels will ensure win-win-win partnerships, and we'll continue to build connections with the wider product ecosystem. Honouring diversity in our crew will remain a priority as we build the team in all departments.

Our Partners

We're going fast, but we're not going alone. Our partners - alliance, channel and integration - are all vital to our success. We're grateful for their support and inspiration as honorary members of the PayForce.

Big shout outs in particular to:

Federated Farmers and Dairy Women's Network and Taranaki Rugby Football club for keeping us connected to our rural communities.

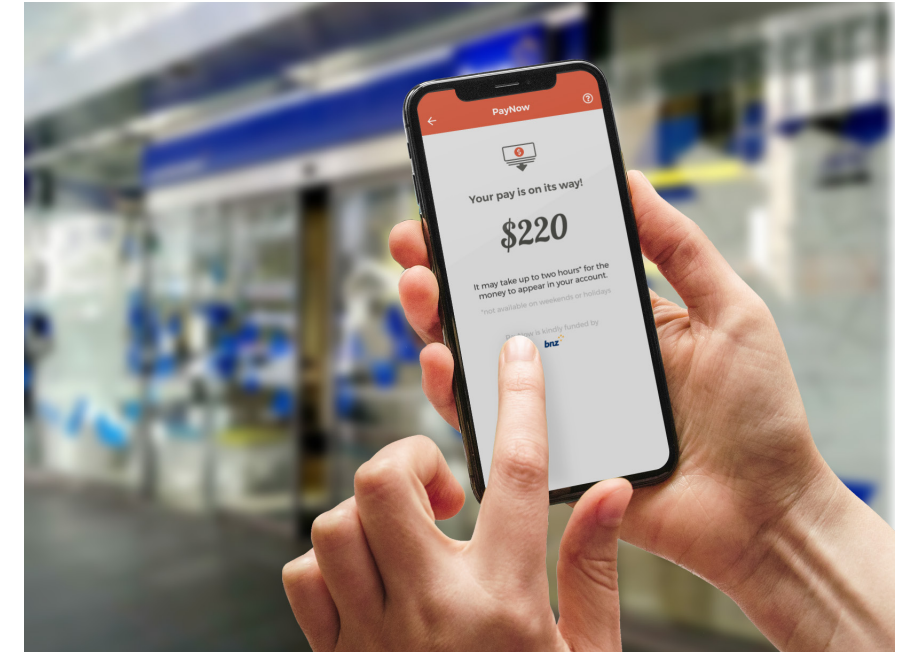
BNZ for the passion they bring to our mutual PayNow project.

Xero, Figured, Reckon, Farm Focus, Akahu and Tatou for innovative integrations that delight our customers.

This year we recommitted to our partners with a freshly designed programme of support, co-promotions and accreditation alongside Chartered Accountants Australia & New Zealand.



Jules Benton (CEO, DWN), Asantha Wijeyeratne (CEO, PaySauce) & Trish Rankin (Chair, DWN) enjoying the sun.



BNZ and PaySauce take aim at Payday lenders with PayNow



Taranaki win 2021 NPC Championship



SaaS Reporting

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

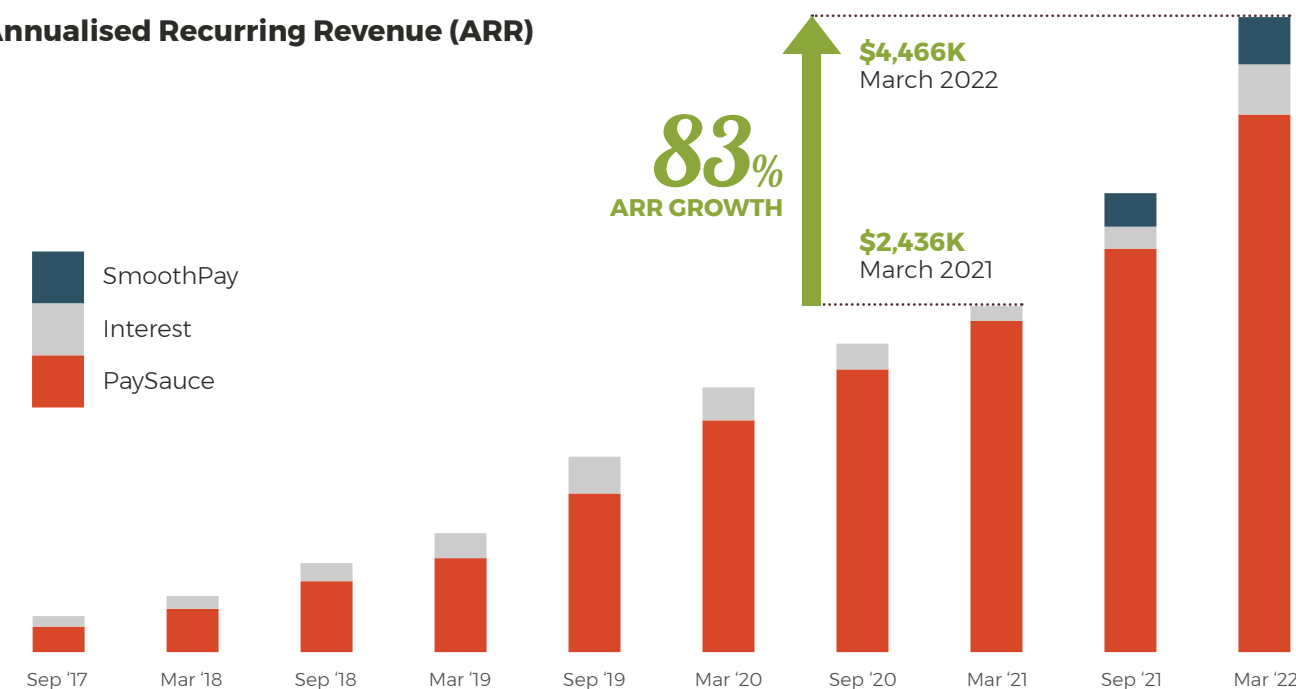
Non-Generally Accepted Accounting Principles (Non-GAAP) measures have been included and should not be viewed in isolation, nor considered as substitutes for measures reported in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

	2022	2021
	\$000s	\$000s
Processing Fees	3,196	1,928
Interest Income	203	168
Recurring Revenue	3,399	2,096
Cost to Serve	(1,057)	(681)
Gross Margin	2,342	1,415
Gross Margin %	69%	68%
Other Interest Income	7	39
Other Revenue	111	64
Total Other Revenue	118	103
Customer Acquisition	(624)	(639)
Research & Development	(556)	(337)
General & Administration	(2,135)	(1,936)
Interest Expense	(25)	(33)
Earnings Before Tax, Depreciation and Amortisation	(880)	(1,427)
Earnings Before Tax, Depreciation and Amortisation Margin %	(26%)	(68%)
Depreciation & Amortisation	(419)	(261)
Income Tax	17	-
Net Loss for the period	(1,282)	(1,688)

Revenue Metrics

	2022	2021	YOY Change
Recurring revenue for the period - Total (\$000s)	3,399	2,096	62%
ARR at end of period (\$000s)	4,466	2,436	83%
FTEs	32	32	0%
Revenue per FTE (\$000s)	110	69	60%

Annualised Recurring Revenue (ARR)



Customer Metrics

	2022	2021	YOY Change
Customers at end of period	6,052	3,377	79%
Churn % (monthly average) for the period	0.84%	0.88%	(4%)
ARPU (monthly) at end of period (\$)	61	60	2%
CAC (per addition) for the period (\$)	(352)	(539)	(35%)
LTV per customer at end of period (\$)	5,022	4,599	9%
Total customer LTV at end of period (\$000s)	30,393	15,531	96%
LTV:CAC Ratio at end of period	14.2	8.5	67%

The above categories are explained below:

Processing Fees

This category represents the revenue generated from customers who pay a monthly or annual subscription to use our software as a service. There are no significant estimates and 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 earned on deposits and investments other than payroll customer funds.

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. These costs exclude those relating to the

inorganic growth from the acquisition of SmoothPay during the period.

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.

Earnings Before Tax, Depreciation and Amortisation

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

Earnings Before Tax, Depreciation and Amortisation Margin %

Earnings Before Tax, Depreciation and Amortisation Margin % calculates Earnings Before Tax, Depreciation and Amortisation 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 products. 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 employees 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 calculated as the net reduction of customers in a calendar month divided by the total customers at the start of that 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. Excludes inorganic growth through the acquisition of SmoothPay 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).

Revenue per FTE

This metric measures the total revenue generated over the period, divided by the number of full-time equivalent (FTE) employees at PaySauce at the end of the period.

FINANCIALS

Directors' 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 2022.

In the opinion of the directors of PaySauce Limited, the consolidated financial statements and notes on pages 26 to 55:

- comply with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and present fairly the consolidated financial position of the Group as at 31 March 2022 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:



Shelley Ruha

30 May 2022

Chair



Jacqueline Cheyne

30 May 2022

Chair of Audit & Risk Committee

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 26 to 55 which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022 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 we have no other relationship with, or interests in, the Company or any of its subsidiaries.

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. 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

Intangible Assets – internally developed software

Intangible assets carrying value of \$1,586,000 at 31 March 2022 (\$905,000 31 March 2021) included computer software and software in development and customer relationship additions that arise from a business acquisition at 31 May 2021.

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 5. 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.

Intangible asset additions in the year also included customer relationships \$354,000 and software \$205,000 acquired from a business combination as disclosed in Note 5 and 18. NZ IFRS 3 business combination accounting requires fair value measurement and recognition of all significant acquired assets and liabilities. These significant intangible assets acquired involved significant management judgement and estimation when recognised at acquisition date and measured at fair value.

Employee Share Scheme

During the year the Company approved an employee share scheme for staff. This has resulted in the recognition of \$199,000 of employee cost in the year ended 31 March 2022 with an increase in the share based payment reserve of \$131,000 and recognition of related employee tax obligations of \$68,000.

Due to the complexity of accounting arising from accounting standard NZ IFRS 2 Share Based Payments and the degree of judgements and estimates required by management, we have determined this to be a key audit matter.

How our audit addressed the key audit matter

We evaluated the appropriateness of additions that have been capitalised costs or acquired as intangible assets 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.
- Assessed managements methodology and key inputs and estimates when determining the fair value of acquired intangible assets in the business combination acquisition. Obtaining sufficient appropriate audit evidence.
- Where managements fair value methodology included an assessment of an assets independent discounted future cash flows, we reviewed the methodology and key judgements for accuracy and reasonableness and consulted as appropriate with our internal corporate finance expert.
- Reviewed disclosures in the financial statements for reasonableness and appropriateness.

We evaluated the appropriateness of recognition and measurement of employee share based payments by:

- Reviewing board minutes and other announcements in respect of communications of the scheme including review and assessment of the approved scheme arrangement documentation.
- Obtained managements expert report prepared by PWC providing advice on the accounting, measurement and recognition of the employee share scheme. Reviewed the report for reasonableness obtaining sufficient appropriate audit evidence for key judgements and estimates made by management.
- Assessed the methodology and reasonableness of fair value measurements of share options.
- Reviewed disclosures in the financial statements for reasonableness and appropriateness.

Other Information

The Directors are responsible for the other information. The other information comprises the Chair & CEO letter, leadership, mission & values, year in review, partner network, Saas reporting and corporate governance and related disclosures 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



K Price, Partner
Auckland

30 May 2022

Consolidated Statement of

Comprehensive Income

for the year ended 31 March 2022

	Notes	2022 \$000s	2021 \$000s
Operating revenue	8	3,517	2,198
Expenses			
Employee expenses	9	(2,928)	(2,395)
Other expenses	12	(1,444)	(1,197)
Depreciation and amortisation	4,5	(419)	(261)
Finance costs	11	(25)	(33)
Total expenses		(4,816)	(3,886)
Net loss before income tax		(1,299)	(1,688)
Tax benefit	13	17	-
Net loss for the period		(1,282)	(1,688)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,282)	(1,688)
Loss per share		Cents	Cents
Basic loss per share	7	(0.93)	(1.24)
Diluted loss per share	7	(0.93)	(1.24)

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

Consolidated Statement of

Financial Position

as at 31 March 2022

	Notes	2022 \$000s	2021 \$000s
Assets			
Current assets			
Cash and cash equivalents	22	26,255	21,756
Deposits		1,675	-
Trade receivables		81	19
Other assets		392	165
Total current assets		28,403	21,940
Non-current assets			
Property, plant and equipment	4	137	401
Intangible assets	5	1,586	905
Total non-current assets		1,723	1,306
Total assets		30,126	23,246
Liabilities			
Current liabilities			
Trade and other payables		454	299
Funds due to customers and IRD	22	27,338	19,965
Employee benefits		282	201
Other liabilities		291	24
Lease liabilities		66	43
Total current liabilities		28,431	20,532

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

Consolidated Statement of

Financial Position (cont.)

as at 31 March 2022

	Notes	2022 \$000s	2021 \$000s
Non-current liabilities			
Lease liabilities		-	282
Employee benefits		27	-
Total non-current liabilities		27	282
Total liabilities		28,458	20,814
Net assets		1,668	2,432
Equity			
Share capital	6	13,039	12,652
Reserves		131	-
Accumulated losses		(11,502)	(10,220)
Equity attributable to the owners of the Company		1,668	2,432

For and on behalf of the Board of Directors, who authorised the issue of these Consolidated Financial Statements on 30th May 2022:



Shelley Ruha

30 May 2022

Chair



Jacqueline Cheyne

30 May 2022

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 2022

	Notes	Attributable to equity holders of the Company			
		Share-based payment reserve \$000s	Share Capital \$000s	Accumulated losses \$000s	Total \$000s
Balance as at 1 April 2021		-	12,652	(10,220)	2,432
Comprehensive loss					
Net loss for the period		-	-	(1,282)	(1,282)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(1,282)	(1,282)
Transactions with owners					
Share-based payments, net of tax	19	131	-	-	131
Issue of ordinary shares	6	-	387	-	387
Total transactions with owners		131	387	-	518
Balance as at 31 March 2022		131	13,039	(11,502)	1,668
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	6	-	1,878	-	1,878
Total transactions with owners		-	1,878	-	1,878
Balance as at 31 March 2021		-	12,652	(10,220)	2,432

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

Consolidated Statement of Cash Flows

for the year ended 31 March 2022

	Notes	2022 \$000s	2021 \$000s
Cash flows from / (used in) operating activities			
Receipts from customers		3,062	2,121
Interest received		177	221
Taxes refunded		8	18
Payments to suppliers and employees		(3,888)	(3,444)
Interest paid		(25)	(34)
Net cash used in operating activities before increase in funds due to customers and IRD	22	(666)	(1,118)
Increase in funds due to customers and IRD	22	7,374	6,515
Net cash from operating activities	17	6,708	5,397
Cash flows from / (used in) investing activities			
Funds on deposit		(1,675)	1,650
Investment in intangible assets		(433)	(494)
Purchases of property, plant and equipment		(42)	(36)
Other investing activities		(27)	-
Net cash from / (used in) investing activities		(2,177)	1,120
Cash flows from / (used in) financing activities			
Net proceeds from issue of shares		-	1,703
Repayments of principal portion of lease liability		(32)	(39)
Repayments of other borrowings		-	(14)
Net cash from / (used in) financing activities		(32)	1,650
Net increase in cash and cash equivalents		4,499	8,167
Cash and cash equivalents at beginning of the period		21,756	13,589
Cash and cash equivalents at end of the period		26,255	21,756

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

1. General information

PaySauce Limited (the "Company" or "PaySauce"), is a for-profit limited liability company, domiciled and incorporated in New Zealand and registered under the Companies Act 1993. The company is an FMC Reporting Entity for the purpose of the Financial Markets Conduct Act 2013. PaySauce is listed on the New Zealand Stock Exchange ("NZX") that trades under the ticker PYS.

The Group provides Software as a Service (SaaS) solutions for people at work in 14 jurisdictions across the Asia-Pacific region. Providing employers the technology to digitally onboard, pay and manage employees from any device. The PaySauce platform includes rosters, mobile timesheets, payroll calculations, banking integration, automated payments, PAYE filing, labour costing, automated general ledger entries and digital employment contracts.

The consolidated financial statements for the Company and its subsidiaries (the "Group") for the year ended 31 March 2022 were authorised in accordance with a resolution of the directors for issue on 30 May 2022 and are audited.

2. Summary of significant accounting policies

BASIS OF PREPARATION

These consolidated financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP")
- in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit oriented entities
- in accordance with International Financial Reporting Standards ("IFRS")
- in accordance with the requirements of the Financial Markets Conduct Act 2013;
- on the basis of historical cost;
- in New Zealand dollars (NZD) with all values rounded to the nearest one thousand dollars (\$1,000) unless otherwise stated;
- on the assumption that the Group is a going concern.

There were no new standards, amendments or interpretations issued in the financial period which would materially impact the financial statements.

a. Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and its subsidiaries as at 31

March 2022. All subsidiaries are wholly owned and controlled by the Company as at 31 March 2022 and have a reporting date of 31 March 2022 (note 21).

All transactions and balances between the Group are eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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.

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. Leases

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.

PaySauce modified the right-of-use asset and associated lease liability for the property lease at 21-23 Andrews Avenue, Lower Hutt as at 31 March 2022, as the Group no longer intends to exercise their option to extend the lease of this premises which is up for renewal within the next 12 months.

3. Use of critical accounting estimates and judgements

The preparation of the consolidated financial statements requires PaySauce to make a number of judgements, estimates and assumptions. Estimates and underlying assumptions are reviewed on an on-going basis.

Information about critical judgements and significant estimates used in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are included below and in the following notes:

- Intangible Assets (Note 5)
- Employee Share Scheme (Note 19)
- Tax Expense (Note 13)
- Business Combinations (Note 18)

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 2022. 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
- New customers
- Aged receivables
- Losses of major partnerships.

Management continues to assess any impact on the business operations, financial performance, and financial position of the Group. With COVID-19 now prevalent in the community, there is increased operational impact as people remain home either sick or isolating. 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 introduced a COVID-19 Risk Management policy to protect staff, minimising risk of infection and transmission;
- 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 from any device;
- PaySauce has not seen a trend of customers requesting deferred payment options, 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 \$1.282 million for the year ended 31 March 2022 (2021: \$1.688 million), has equity at 31 March 2022 of \$1.668 million (2021: \$2.432 million) and net current assets/(liabilities) of \$0.028 million (2021: \$1.408 million). Toward the end of the reporting period, revenue had grown sufficiently to cover the operating costs of the Group. The Group also has total debt facilities of \$0.90 million to draw upon as required.

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

4. Property, plant and equipment

	Right-of-use Asset (Property) \$000s	Office Equipment \$000s	Leasehold Improvements \$000s	Computer Equipment \$000s	Total \$000s
Year ended 31 March 2022					
Opening net book value	303	35	7	56	401
Acquisitions	-	-	-	2	2
Additions	(5)	10	1	30	36
Disposals/modifications	(189)	-	-	(5)	(194)
Depreciation	(51)	(15)	(1)	(41)	(108)
Closing net book value	58	30	7	42	137
As at 31 March 2022					
Cost	203	80	11	156	450
Accumulated depreciation	(145)	(50)	(4)	(114)	(313)
Net book value	58	30	7	42	137
Year ended 31 March 2021					
Opening net book value	353	39	8	71	471
Additions	-	10	-	26	36
Disposals	-	-	-	(2)	(2)
Depreciation	(50)	(14)	(1)	(39)	(104)
Closing net book value	303	35	7	56	401
As at 31 March 2021					
Cost	396	71	10	128	605
Accumulated depreciation	(93)	(36)	(3)	(72)	(204)
Net book value	303	35	7	56	401

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

A vehicles category was presented in the financial statements for the year ended 31 March 2021, showing fully depreciated motor vehicles that were disposed of in that period. The change in disclosure by no longer including this category for the comparative period does not impact the reporting results of operations.

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 is recognised in profit or loss within the Statement of Comprehensive Income.

Depreciation is recognised in profit or loss on a straight line basis over the estimated useful lives of each item of equipment.

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

Office equipment	8.5 - 67%
Leasehold improvements	10 - 25%
Computer equipment	21 - 40%

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

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.

The carrying value for the right-of-use asset associated with the property lease at 21-23 Andrews Avenue, Lower Hutt was modified along with the corresponding lease liability following a change in circumstances in the outlook of the tenure of lease for the property (refer to note 2 (d)).

5. Intangible assets

	Development in progress \$000s	Computer Software \$000s	Customer Relationships \$000s	Total \$000s
Year ended 31 March 2022				
Opening net book value	213	692	-	905
Acquisitions	-	205	354	559
Additions	-	20	-	20
Development costs recognised as an asset	255	158	-	413
Development in progress recognised as Software	(68)	68	-	-
Amortisation	-	(252)	(59)	(311)
Closing net book value	400	891	295	1,586
As at 31 March 2022				
Cost	400	1,684	354	2,438
Accumulated amortisation	-	(793)	(59)	(852)
Net book value	400	891	295	1,586
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	213	1,234	-	1,447
Accumulated amortisation	-	(542)	-	(542)
Net book value	213	692	-	905

Finite life intangible assets

Acquired computer software licences and costs associated with developing computer software are capitalised on the basis of the costs incurred to acquire and bring the specific software into use. All intangible assets of PaySauce are finite life intangible assets.

Development expenditure initially recognised as an expense is not recognised as an asset in subsequent periods. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Developed and acquired software is measured at cost less accumulated amortisation and impairment losses, if any. Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis and the rates for the current and comparative years are 20 - 67%.

The customer relationships acquired as part of the SmoothPay business combination (note 18) were recognised as a finite life intangible asset and measured at acquisition date fair value. At balance sheet date these are measured at cost less accumulated amortisation and impairment losses. Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis and the rates for the current and comparative years are 20 - 67%.

Key estimates and judgements

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 below. No indirect people costs, nor weighting of overheads is applied in these calculations.

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.

The intangible assets included in the acquisition of business and assets of SmoothPay during the year were valued at fair value refer to note 18 - Business Combinations.

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 2022, the assets were assessed for indicators of impairment, taking into account the condition of the assets, expected period of use of the assets by the Group, and expected disposal proceeds from any future sale of the assets. Management's assessment concluded that there were no indicators of impairment.

New assets acquired during the period were assessed by management as having useful lives as follows:

- Acquired customer relationships - 5 years
- Acquired software - 5 years

Development in progress has been assessed for indicators of impairment by reviewing the nature of the events that originally gave rise to the recognition of the asset, the estimation of future generation of cash flows and any anticipated changes to the business or product circumstances. Management's assessment concluded that there were no indicators of impairment of this asset as at 31 March 2022.

6. Share capital

Date	Details	Notes	Number of Shares	\$000s
1 April 2021	Opening Balance		137,026,278	12,652
	Share based payment	i	1,416,164	348
	Share based payment	ii	141,377	39
31 March 2022	Closing Balance		138,583,819	13,039
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

Fully paid up, ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

- i. On 31 May 2021: PaySauce acquired the business and assets of SmoothPay Limited. PaySauce issued 1,416,164 ordinary shares as consideration for the purchase, issued at a price of \$0.2648 per share, totalling a purchase price of \$0.375 million. Directly attributable costs totalled \$0.027 million, bringing the net share issue to \$0.348 million.
- ii. On 31 December 2021: PaySauce issued ordinary shares to remunerate and align the interests of a new director with PaySauce shareholders ahead of their formal appointment to the Board. There was no vesting period, and the shares were issued subject to the Director continuing to hold office until voted in by shareholders at the Annual Shareholders Meeting. The allotment on 31 December 2021 resulted in 141,377 shares being issued at a price of \$0.2847 per share, satisfying remuneration arrangements to the value of \$0.04 million expensed in the consolidated statement of comprehensive income. Directly attributable costs totalled \$0.001 million, bringing the net share issue to \$0.039 million.
- 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.

Dividends

No dividends were declared or paid during the reporting period (2021: None).

Capital Risk Management

The Group considers its capital to comprise its fully paid up, ordinary share capital and 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 Group.

7. Earnings / (loss) per share

	2022	2021
Basic earnings per share		
Net loss used in calculating earnings per share (\$000s)	(1,282)	(1,688)
Weighted average number of ordinary shares for basic earnings per share	138,241,759	135,940,949
Basic loss per share (cents)	(0.93)	(1.24)

There are no financial instruments on issue that will dilute the basic earnings per share amounts for the year ended 31 March 2022.

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

8. Operating revenue

	2022	2021
	\$000s	\$000s
Revenue from contracts with customers		
Processing fees	3,196	1,928
Other services revenue	60	44
Revenue from other sources		
Interest income	210	207
Other revenue	51	19
Total operating revenue	3,517	2,198

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

Revenue from contracts with customers

Processing fees

Revenue from processing fees includes both fixed and incremental components based on the number of employees and pays processed for the customer. Revenue is recognised at the point in time the service is provided, which is when the customer's payroll has been processed.

Other services revenue

Revenue from sales of digital contracts are recognised when the customer has used the service. Revenue is recognised at the point in time the service is provided, which is when the customer uses the contract builder application.

Revenue from other sources

Interest income

Interest income is generated from the balance of PAYE funds held due to IRD is determined to be operating revenue by the Group. Interest income is accrued using the effective interest rate method.

Other revenue

Other revenue is recognised upon completion of services at a point in time.

9. Employee expenses

	2022	2021
	\$000s	\$000s
Employee benefits/entitlements	2,630	2,354
Employee benefits/entitlements - share based payments	200	-
Fringe benefit tax	32	24
Other employee expenses	66	17
Total employee expenses	2,928	2,395

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

10. Research & Development

	2022	2021
	\$000s	\$000s
Research & development costs expensed (included in note 9 - Employee Expenses under Employee benefits/entitlements)	556	337
Total research & development	556	337

Research & development costs capitalised, and amortisation of intangible assets categories were presented under this section in the financial statements for the year ended 31 March 2021. We have changed the disclosure this year, and this information is already included in note 5. The change in disclosure does not impact the reporting results of operations.

11. Finance Costs

	2022	2021
	\$000s	\$000s
Interest paid	-	2
Finance cost - Interest on lease	25	31
Total finance costs	25	33

12. Other expenses

	2022	2021
	\$000s	\$000s
Advertising, PR and Marketing	109	111
Audit Fees	69	57
Communications and subscriptions	221	158
Customer and transactional	335	245
Directors' fees	177	146
Professional services	115	59
Office running, rent and insurance	120	94
Other overheads	101	192
Infrastructure and security	144	72
Travel	53	63
Total other expenses	1,444	1,197

The allocation of other expenses has been improved to provide the reader with a more accurate representation of the expenditure incurred. The disclosure for the year ended 31 March 2022 has also changed from what was presented in the group financial statements to align the comparative period disclosure with the newly created categories. The change in disclosure does not impact the reporting results of operations, for the categories presented on the face of the financial statements.

13. Tax expense

	2022	2021
	\$000s	\$000s
(a) Income Tax		
Net Loss before tax for the period	(1,282)	(1,688)
Tax Losses Carried Forward	(7,290)	(5,847)
Permanent Differences	9	333
Temporary Differences	(281)	(89)
Tax Losses to Carry Forward	(8,844)	(7,291)
(b) Deferred Tax		
Opening Deferred Tax Liability	-	-
Increases to Deferred Tax Liability	(99)	-
Decrease to Deferred Tax Liability	17	-
Closing Deferred Tax Liability	(82)	-

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.

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.

The Group has not recognised any deferred tax in accordance with the key estimates and judgements below.

Key estimates and judgements

The Group holds tax losses of \$8.844 million as at 31 March 2022 (2021: \$7.291 million) available to carry forward, subject to shareholder continuity being maintained. Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available to use against the asset. These are reviewed at each reporting period and adjusted if appropriate. Management has assessed that no losses are to be recognised as deferred tax assets as at 31 March 2022 as the Group is not yet profitable and for the foreseeable future expects to reinvest profits back into the business.

14. 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.

	2022 \$000s	2021 \$000s
Directors' fees	215	146
Short term employee benefits	784	836
Total key management personnel compensation	999	982

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	2022 \$000s	2021 \$000s
Consulting services supplied by entities controlled by related parties		
Catalyst.Net Limited	6	-
Cloud hosting services supplied by entities controlled by related parties		
Catalyst Cloud Limited	105	72

Related party balances payable at period end	2022 \$000s	2021 \$000s
Directors' Fees	11	17
Cloud Hosting Services	9	7

Related party balances receivable at period end	2022 \$000s	2021 \$000s
Prepaid Directors' Fees	33	-

PaySauce Limited entered into a standby debt facility agreement with Director Gavin Thompson during the period. The facility totals \$0.25M and can be drawn on demand, within two years from the date of the agreement (December 2021). The agreement is made at arm's length, with the interest rate linked to the floating interest rate of ASB Bank Limited. As at 31 March 2022, no funds have been drawn.

15. Financial instruments

The Group's financial assets mainly comprise of Cash and Cash Equivalents. Cash and Cash Equivalents comprise cash on hand and demand deposits and are measured at amortised cost. Other longer term deposits not meeting the cash and cash equivalents criteria are classified separately as Deposits. Cash and Cash Equivalents includes funds collected from customers as a PAYE intermediary (note 22).

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, funds due to customers and IRD, and other liabilities (including an overdraft facility used to operate our BNZ PayNow feature).

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

(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.

	2022	2021
	\$000s	\$000s
Financial assets		
<i>Financial assets at amortised cost</i>		
Cash and cash equivalents	26,255	21,756
Deposits	1,675	-
Trade and other receivables	81	19
Total financial assets	28,011	21,775
	2022	2021
	\$000s	\$000s
Financial liabilities		
<i>Financial liabilities at amortised cost</i>		
Funds due to customers and IRD	27,338	19,965
Trade and other payables	390	266
Other liabilities	291	24
Total financial liabilities	28,019	20,255

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	Total	0-6 months
	\$000s	\$000s	\$000s
Year ended 31 March 2022			
Funds due to customers and IRD	27,338	27,338	27,338
Trade and other payables	390	390	390
Other liabilities	291	291	291
Total	28,019	28,019	28,019
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	2022 \$000s	2021 \$000s
Each 100 basis point increase in interest rate	248	185
Each 100 basis point decrease in interest rate	(248)	(185)

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 totalled \$27.93 million as at 31 March 2022 (2021: \$21.76 million).

16. 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.

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

	2022 \$000s	2021 \$000s
Net Loss after taxation	(1,282)	(1,688)
Add back / (deduct) non-cash & non-operating items:		
Depreciation & amortisation	419	261
Loss on disposal of fixed assets	4	3
Share based payment expense	170	175
Other non-cash & non-operating items	(97)	-
	(786)	(1,249)
Movement in working capital:		
(Increase)/decrease in Trade and other receivables	(62)	161
(Increase)/decrease in Other assets	(225)	(2)
Increase/(decrease) in Funds due to customers and IRD	7,374	6,515
Increase/(decrease) in Trade and other payables	156	(24)
Increase/(decrease) in Employee benefits	107	14
Increase/(decrease) in Other liabilities	144	(18)
Net cash inflow from operating activities	6,708	5,397

18. Business combinations

Business combinations are accounted for using the acquisition method. The acquisition method involves recognising at acquisition date the identifiable assets acquired, the liabilities assumed and any non-controlling interest, separate from Goodwill. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value.

The Group acquired the business and assets of SmoothPay Limited on 31 May 2021. SmoothPay provides cloud-based payroll software as a service solutions to New Zealand, Australia and the Pacific Islands. The acquisition was undertaken to align with PaySauce's strategic objective of accelerating customer growth - expanding the group's market share in New Zealand and to overseas markets.

The consideration and identifiable net assets in the acquisition are measured at fair value. As the transaction was a purchase of business assets and liabilities rather than equity, there was no non-controlling interest to consider. The fair value of the purchase consideration of SmoothPay was \$0.375 million. This consisted of PaySauce (NZX:PYS) fully paid up ordinary shares issued at a value of \$0.375 million. The volume of the 1,416,164 shares issued was based on the 20-day volume weighted average share price of PaySauce preceding the transaction date, \$0.2648 per share. The difference between the fair value of the consideration and the fair value of the net assets acquired was not material, therefore no Goodwill has been recognised.

SmoothPay contributed \$0.21 million in operating revenue and \$0.19 million in net profit for the year ended 31 March 2022. As the acquisition took place early in the current reporting period, the group revenue and earnings that would have been recorded if the acquisition had taken place at the beginning of the group reporting period would not have been materially different.

The acquisition related costs consisted of legal, consulting, and share issue costs totalling \$0.027 million which were offset against the share capital issued, reducing the net increase in share capital to \$0.348 million.

The acquisition accounting has resulted in the following purchase price allocations:

	31 May 2021
	\$000s
Purchase price allocations	
Tangible assets acquired	2
Liabilities assumed	(186)
Intangible Assets - Software Development	205
Intangible Assets - Customer Relationships	354
Net assets acquired	375
Purchase consideration	
Fully paid up ordinary shares issued	375
Total consideration transferred	375

19. Employee Share Scheme

The group provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or right over shares ('equity settled transactions') and/or cash settlements based on the value of equity instruments of the group ('cash settled transaction'). The cost of the transaction is spread over the period in which the employees provide services and become entitled to the awards.

The cost of the equity-settled transactions with employees is measured by reference to the fair value of equity instruments at the date at which they are granted. The cost of equity-settled transactions is recognised in the statement of financial performance together with a corresponding increase in equity.

The fair value of the cash-settled transactions is determined at each reporting date and the change in fair value is recognised in the income statement with a corresponding increase in the liability.

On 31 March 2022 the directors approved a new share scheme under which certain awards were granted to employees who had been employed by the Group for more than six months. Under the share scheme, employees are entitled to a number of shares based on a dollar value specified within their offer sheet.

The receipt of the shares is subject to two vesting conditions. The first being a service condition (remaining employed or engaged under contract for personal service by PaySauce at the relevant vesting dates) and the second being a non-market performance condition, (which requires PaySauce to achieve 100% of its budgeted EBIT for FY22). Under the vesting schedule one third of the shares vest on issue date, the second third vest one year from the issue date and the balance will vest two years from the issue date.

Shares may be paid up by a Discretionary Bonus or in cash. The Company will determine the amount of any Discretionary Bonus based on the achievement of 100% of the budgeted EBIT for FY22 and the employee's achievement of their personal KPI objectives. The payment and amount of the Discretionary bonus will be decided and communicated by the Company at its sole discretion.

No individual employee will be entitled to a Discretionary Bonus that could fully settle all the vested shares. Any Discretionary Bonus will be used to fully pay up as many vested shares as possible. Each individual grantee will therefore receive partly free shares and partly share options. Set out below is a summary of the shares and share options granted under the scheme:

Grant Date	Vesting Date	Number of Shares				Balance at the end of the year
		Balance at beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	
20 May 2022	31 March 2022	-	274,362	274,362	-	274,362
20 May 2022	31 March 2023	-	274,806	-	-	274,806
20 May 2022	31 March 2024	-	274,802	-	-	274,802
Total		-	823,970	274,362	-	823,970

Grant Date	Vesting Date	Number of Share options				Balance at the end of the year
		Balance at beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	
20 May 2022	31 March 2022	-	147,412	147,412	-	147,412
20 May 2022	31 March 2023	-	146,968	-	-	146,968
20 May 2022	31 March 2024	-	146,967	-	-	146,967
Total		-	441,347	147,412	-	441,347

Grant Date	Vesting Date	Weighted average exercise price of share options				Balance at the end of the year
		Balance at beginning of the year	Granted during the year	Vested during the year	Forfeited during the year	
20 May 2022	31 March 2022	-	\$0.2842	\$0.2842	-	\$0.2842
20 May 2022	31 March 2023	-	\$0.2842	-	-	\$0.2842
20 May 2022	31 March 2024	-	\$0.2842	-	-	\$0.2842
Total		-	\$0.2842*	\$0.2842	-	\$0.2842

***Share strike price at grant date.**

The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, was \$0.057 per option as at 31 March 2022 (2021: Nil).

The inputs into the model were the market share price at grant date, the exercise price as shown above, expected annualised volatility of 28%, a dividend yield of 0%, and expected option life of between 2.8 and 4.8 years, and an annualised risk-free interest rate of 3.39%.

The volatility input is based on a statistical analysis of historical daily share prices, with 28% representing the annualised volatility over the past 6 months. The impact on the fair value of the options would not have been materially different had a different time period been chosen.

441,347 options were issued at the end of the period, of which 274,362 shares have been exercised and paid via a discretionary bonus approved in May 2022, leaving 147,412 share options remaining exercisable. The 147,412 remaining exercisable share options represent the PAYE which will be settled by the Group on each employee's behalf. As a result, a PAYE liability has been accrued as follows:

	2022	2021
	\$000s	\$000s
Share-based payment liabilities		
Current	42	-
Non-current	26	-
Total share-based payment liabilities	68	-

20. Segment reporting

The Group is organised into one reportable operating segment only, being SaaS based employment and payment solutions for people at work in 14 jurisdictions across the Asia-Pacific region, primarily within New Zealand. Providing employers the technology to digitally onboard, pay and manage employees from any device. The PaySauce platform includes rosters, mobile timesheets, payroll calculations, banking integration, automated payments, PAYE filing, labour costing, automated general ledger entries and digital employment contracts. The chief operating decision maker has been identified as the Board of Directors, as it makes all key strategic resource allocation decisions (such as those concerning acquisition, divestment and significant capital expenditure).

Overseas revenue earned is not material and no separate geographical segment has been reported.

21. Investments in subsidiary

The Company had the following subsidiaries at 31 March 2022:

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	PAYE Intermediary	100	-	New Zealand	31 March
Payroll.Kiwi Limited	01/08/2017	Employee Share Scheme Bare Trustee	100	-	New Zealand	31 March

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

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. The value of restricted funds at reporting date is represented by funds due to customers and IRD as disclosed in the Statement of Financial Position.

23. Contingencies

As at 31 March 2022 the Group had no contingent liabilities or assets (2021: \$nil)

24. Events occurring after the reporting period

The Group arranged \$0.65 million bank term debt facility, expected to be drawn in June 2022. No other 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 30 May 2022, 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 2022 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
- **Shelley Ruha** – Independent Director (Chair of Board)

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

- Not currently, or historically (within 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.

Nicholas Lewis resigned as an Independent Director and Chair of the Audit & Risk Committee, effective 30 Sept 2021.

Michael O'Donnell held the role of Interim Chair of the Board, effective 1 October 2021 to 17 February 2022.

Shelley Ruha joined the Board as an Independent Director and Chair of the Board, subject to shareholder approval at the next Annual Shareholder Meeting, effective 17 February 2022.

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 Chair 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 considered the need for measurable objectives for diversity and determined that it is not yet appropriate to set measurable objectives due to market conditions and the stage of the company's development. That decision will be reconsidered annually. When appropriate the Board, or a committee appointed by the Board, will set measurable objectives for achieving diversity (which, at a minimum, will

address gender diversity). The Board will annually review those objectives and the Company's progress in achieving them. Despite being a small team, there is diversity across age, gender identity, race, first language, religion and mobility.

We have achieved the following gender diversity as at 31 March 2022:

	Directors	Executive Leadership Team	Employees
As at 31 March 2022			
Male	3	3	12
Female	2	1	17
Total	5	4	28

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), Michael O’Donnell, and Gavin Thompson, of which Jacqueline and Michael are independent directors.

The committee usually invites the Chief Executive, Chief Financial Officer, Chief Operating Officer, Finance Manager, 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.

PaySauce has not provided detailed reporting on environmental, economic and social sustainability risks. Whilst paysauce is not yet captured by the mandatory climate risk disclosure reporting regime that is due to commence in 2023, management does not consider the business has material exposure to climate risk given the nature of our business and the increasing diversification of our customer base.

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 ASM.

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. In addition to interim and annual reporting, the company also chooses to release quarterly trading updates to the market.

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 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. This is achieved through our NZX market announcements and presentations to retail investors.

PaySauce sends notice of the ASM 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	2022	2021
	# Employees	# Employees
\$100,000 - \$109,999	2	2
\$110,000 - \$119,999	-	1
\$120,000 - \$129,999	2	2
\$130,000 - \$139,999	-	1
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	1	1
\$190,000 - \$199,999	1	-
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	1	-
\$250,000 - \$259,999	-	1
\$280,000 - \$289,999	-	1

Donations

Cash donations of \$5,000 were made by the Group during the year ended 31 March 2022 (2021: \$Nil). Donations in kind of over \$110,000 were also given to over 120 charities and non-profit organisations during the period (2021: \$65,000, and 70).

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 2022:

Director	Board Meetings Attended	ARC Meetings Attended
Asantha Wijeyeratne	14 of 14	-
Gavin Thompson	13 of 14	3 of 3
Jacqueline Cheyne	14 of 14	3 of 3
Michael O'Donnell	13 of 14	3 of 3
Nicholas Lewis*	8 of 8	1 of 1
Shelley Ruha**	2 of 2	-

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

* Nicholas Lewis resigned as an Independent Director and Chair of the Board, effective 30 September 2021.

** Shelley Ruha joined the Board as an Independent Director and Chair of the Board, subject to shareholder approval at the next Annual Shareholder Meeting, effective 17 February 2022.

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 2022:

Director	Registered holder / associated entity	Number of shares acquired / (disposed)	Consideration	Date	Notes
Asantha Wijeyeratne	Upakara Family Trust	(200,000)	\$0	Dec-21	Off-market sale of shares - gifted for no consideration
Asantha Wijeyeratne	Upakara Family Trust	(368,333)	\$110,500	Nov-21	Off-market sale of shares
Asantha Wijeyeratne	Upakara Family Trust	(666,667)	\$200,000	Dec-21	Off-market sale of shares
Michael O'Donnell	Michael O'Donnell	34,135	\$10,559	Jun-21	On-market purchase of shares
Jacqueline Robertson Cheyne	New Zealand Depository Nominee	16,747	\$5,000	Nov-21	On-market purchase of shares
Jacqueline Robertson Cheyne	New Zealand Depository Nominee	17,183	\$5,000	Dec-21	On-market purchase of shares
Shelley Ruha	New Zealand Depository Nominee	141,377	\$40,250	Dec-21	Issued prepaid shares in lieu of director remuneration

Directors' remuneration

The total Directors' fees and other remuneration received by the Directors for the period ended 31 March 2022 is outlined below:

Director	2022			2021		
	Director fees	Other remuneration	Total	Director fees	Other remuneration	Total
Asantha Wijeyeratne	Nil	\$213,470	\$213,470	Nil	\$179,032	\$179,032
Gavin Thompson	\$40,000	Nil	\$40,000	\$16,667	Nil	\$16,667
Jacqueline Cheyne	\$45,000	Nil	\$45,000	\$23,750	Nil	\$23,750
Michael O'Donnell	\$51,520	Nil	\$51,520	\$16,667	Nil	\$16,667
Nicholas Lewis*	\$37,917	Nil	\$37,917	\$62,083	Nil	\$62,083
Shelley Ruha**	\$40,250	Nil	\$40,250	Nil	Nil	Nil

* Nicholas Lewis resigned as an Independent Director and Chair of the Board, effective 30 September 2021.

** Shelley Ruha joined the Board as an Independent Director and Chair of the Board, subject to shareholder approval at the next Annual Shareholder Meeting, effective 17 February 2022. PaySauce issued ordinary shares to the value of \$40,250 to Shelley remunerate and align her interests with PaySauce shareholders ahead of Shelley's formal appointment to the Board.

Executive Director remuneration

Asantha Wijeyeratne is the Chief Executive Officer, and held this position as at 31 March 2022. 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 \$215,470 (2021: \$179,032).

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
	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
Gavin Thompson	Wijeyeratne & Co Limited	Director & Shareholder
	Catalyst Cloud Limited	Director
	Catalyst IT Limited	Director & Shareholder
	Catalyst.Net Limited	Director
	PaySauce Limited	Director & Shareholder
Jacqueline Cheyne	PaySauce Operations Limited	Director
	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	
	Realestate.co.nz Limited	Director	
	Brewwell Limited	Director	
	Radio New Zealand Limited	Director	
	NZ Trade + Enterprise / G2G	Deputy Chair	
	Serato Audio Research Limited	Deputy Chair	
	Stuff Media	National Columnist	
	Kiwi Wealth Group	Director	
	KiwiWealth	Director	
	High Tech New Zealand	Trustee	
	Cabinet	Chair of the Cybersecurity Advisory Committee	
	Nicholas Lewis*	8 Interactive Limited	Shareholder
		Celsias Limited	Shareholder
Common Ledger Limited		Shareholder	
Dropit Limited		Shareholder	
Good Bitches Baking Trust		Trustee	
Kiwi Insurance Limited		Director	
Learnspring Limited		Shareholder	
Let Use It Limited		Shareholder	
PaySauce Limited		Former Director & Shareholder	
PaySauce Operations Limited		Former Director	
Pioneer Energy Limited		Director	
PledgeMe Limited		Shareholder	
RayGun Limited		Shareholder	
RightWay Limited	Shareholder		
Woodward Partners Limited	Director & Shareholder		

Director	Company	Nature of interest
Shelley Ruha	PaySauce Limited	Director, Independent Chair & Shareholder
	TaxGift Limited	Chair
	New Zealand Rural Land Management Limited	Independent Chair
	Hobson Wealth Holdings Limited	Independent Director
	Hobson Wealth Partners Limited	Independent Director
	Partners Group Holdings Limited	Independent Director
	Partners Life Limited	Independent Director
	Heartland Bank Limited	Independent Director
	9 Spokes International Limited	Independent Director

* Nicholas Lewis resigned as an Independent Director and Chair of the Board, effective 30 September 2021.

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 2022:

Director	Securities held by Director or associated entity
Asantha Wijeyeratne	39,348,461
Gavin Thompson	2,276,978
Jacqueline Cheyne	62,851
Michael O'Donnell	34,135
Nicholas Lewis*	847,809
Shelley Ruha	141,377

* Nicholas Lewis resigned as an Independent Director and Chair of the Board, effective 30 September 2021.

Substantial product holders

The substantial product holders in PaySauce ordinary shares as at 31 March 2022 were as follows:

Substantial product holder	Shares held	% of issued shares
Wijeyeratne & Company Limited	27,750,433	20.02%
Perpetual Trust Limited	21,466,667	15.49%
Gondolin Trust	16,729,631	12.07%
Cloud Investments Limited	11,598,028	8.37%
New Zealand Central Securities	7,475,706	5.39%

Twenty largest equity security holders

The 20 largest holders of PaySauce ordinary shares as at 31 March 2022 were as follows:

Rank	Shareholders/Investors	Shares held	% of issued shares
1	Wijeyeratne & Company Limited	27,750,433	20.02%
2	Perpetual Trust Limited	21,466,667	15.49%
3	Gondolin Trust	16,729,631	12.07%
4	Cloud Investments Limited	11,598,028	8.37%
5	New Zealand Central Securities	7,475,706	5.39%
6	New Zealand Depository Nominee	3,200,191	2.31%
7	Ian Stewart Frame & Pamela Anne Frame	2,652,765	1.91%
8	Charlotte Anne Lockhart	2,485,183	1.79%
9	Gavin Thompson	2,276,978	1.64%
10	Woodward Family	2,120,000	1.53%
11	Krishnakumar Guda	1,870,000	1.35%
12	Equilibriumca Trustees Limited	1,781,842	1.29%
13	Bhagwanji Bhula Rama	1,645,000	1.19%
14	FNZ Custodians Limited	1,507,352	1.09%
15	Malcolm William Campbell	1,500,000	1.08%
16	Hugh Anthony Pradeep Fernando	1,471,102	1.06%
17	Cloud Investments Two Limited	1,457,557	1.05%
18	Matthew Gardner	1,416,164	1.02%
19	Victoria Ann Taylor	1,201,770	0.87%
20	David Russell Stewart & Adrienne Ruth Stewart	1,158,000	0.84%

Spread of security holders

The spread of holders of PaySauce ordinary shares as at 31 March 2022 are listed below:

Size of holding (shares)	Shareholders		Shares	
	Number	%	Number	%
1 - 10,000	983	75.10%	1,800,733	1.30%
10,001 - 50,000	222	16.96%	5,116,681	3.69%
50,001 - 100,000	43	3.28%	3,552,952	2.56%
100,001 - 500,000	32	2.44%	8,193,037	5.91%
500,001 - 1,000,000	9	0.69%	7,156,047	5.16%
1,000,001 and over	20	1.53%	112,764,369	81.37%
Totals	1,309	100.00%	138,583,819	100.00%

NZX waivers from listing rules

No waivers were granted to PaySauce by NZX during the year ended 31 March 2022, and there were no waivers that PaySauce relied upon during this period.

COMPANY DIRECTORY

Directors:

Asantha Wijeyeratne
Gavin Thompson
Jacqueline Cheyne
Michael O'Donnell
Shelley Ruha

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