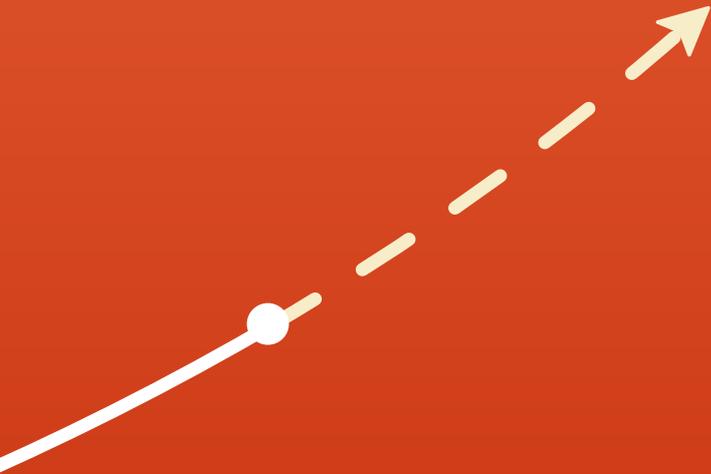




2023 Interim Report



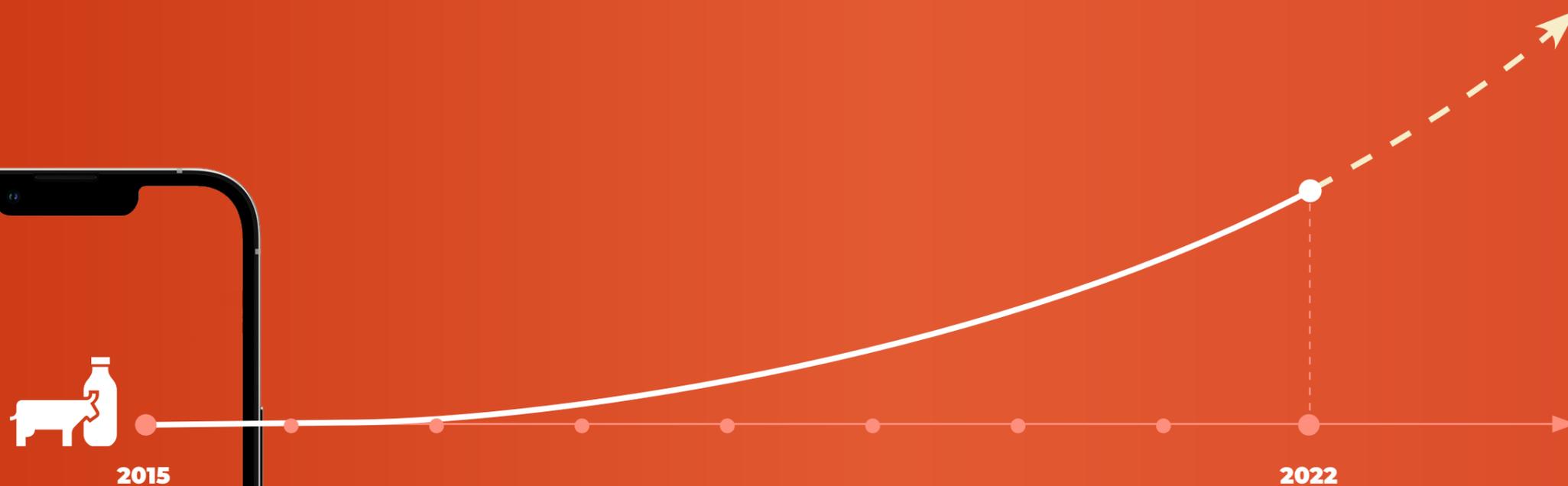
Now the start-up days are behind us, the path to scale-up is getting clearer every day.

The privilege of being self-sustaining is not lost on us, and nor is the optionality that provides us with as we reinvest for future growth.

Delivering a market-leading product on a scalable platform to our chosen markets will enable us to fulfil our vision to be the first choice people platform for SMEs in Oceania.

Content

- 02 / Strategic plan and highlights
- 04 / Leadership message
- 06 / Delivering on the plan
- 10 / Performance (SaaS metrics)
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3 year strategic plan

Where we're heading

Our vision
The first choice people platform for SMEs in Oceania

Our role
 The straight up provider of effortless solutions for people at work

Our values

 Respect and include
 Do good and be honest

 Fun and fresh
 Simple and smart

 Resourceful and results-orientated

Strategic priorities

1. Reinvest for long term growth

Implement infrastructure and security best practice

Target SMEs in specific industries

Service target markets expertly

Actively seek acquisition targets

2. Obsess over customers

Self-service by default

Wrap the product around the customer needs

Own rural

Employees as customers

3. Win-win-win partnerships

Deepen accounting relationships

Strengthen integration partnerships

Integrate with industry experts in target markets

4. Awesome people

Hire for attitude

Career development paths

Attract top talent as the employer of choice

The highlights

How we're tracking

Annualised Recurring Revenue (ARR)
 \$5.6m

 **71%**
 (YOY)

Net Promoter Score of 45



Total Customer Lifetime Value (LTV)
 \$42.7m

 **101%**
 (YOY)

Entered construction industry



LTV : CAC Ratio
 17 : 1

 **55%**
 (YOY)

5 new partnerships



PayNow - Earned Wages Accessed

\$1.4m

Increased efficiency of business operations



Investment into Research & Development
 \$0.9m

 **113%**
 (YOY)

Increased investment in R&D





Shelley Ruha
Independent Director, Chair

On behalf of the board, I'm delighted to present this Interim Report and share the progress PaySauce has made since our last update. The milestone we achieved in FY22 Q4 of being self-sufficient from an operating cash flow perspective has enabled the business to set a strong platform to accelerate the growth in a long-term, sustainable manner. The first half of FY23 has focused on setting the business up to be the first choice people platform for SMEs in Oceania. The report gives more insight into our progress against the four key strategic priorities which underpin that vision:

- Reinvest for long term growth;
- Obsess over customers;
- Win-win-win partnerships; and
- Awesome people.

The journey to date has delivered a product that removes employment friction for the dairy industry. That extended to broader rural industries as strategic partnerships and word of mouth increased the brand awareness in those communities. With around half of all employing dairy farms in Aotearoa now using PaySauce, we achieved market penetration in the dairy industry faster than we'd anticipated. So we now look to apply those insights to the dairy sector in Australia as well as into new industries in New Zealand. With a substantial proportion of new customers joining from adjacent industries, such as hospitality and construction, we're able to seek growth opportunities through partnering with industry experts. As well as improving the brand awareness in these industries, these new relationships have given us insight into the specific employment friction that exists in those markets to help shape the product roadmap. And when we see friction we smell opportunity.

“ The milestone we achieved in FY22 Q4 of being self-sufficient from an operating cash flow perspective has enabled the business to set a strong platform to accelerate the growth in a long-term, sustainable manner ”

We've made substantial progress against our strategic priorities so far this year. We've invested in our infrastructure to ensure our tech stack is robust and secure as we lay the foundation for scalable **long-term growth** going forward. We've engaged a virtual chief information security officer to provide an external overview of the infrastructure in place to ensure security of our data and our assets is robust. We've brought Jess McLean into the business as a Chief People Officer to create and lead a people experience team to attract, develop and retain **awesome people**. The introduction of a new partner program has also deepened the relationships with our key channel partner - accountants. By delivering a program that enables accountants to become accredited in PaySauce, they are better positioned to recommend PaySauce to their clients, securing a **win-win-win** for PaySauce, the partner and our mutual client. Relationships have played a key part in PaySauce's success to support us to **obsess over customers**.

Sincerely,

Shelley Ruha
Independent Director, Chair



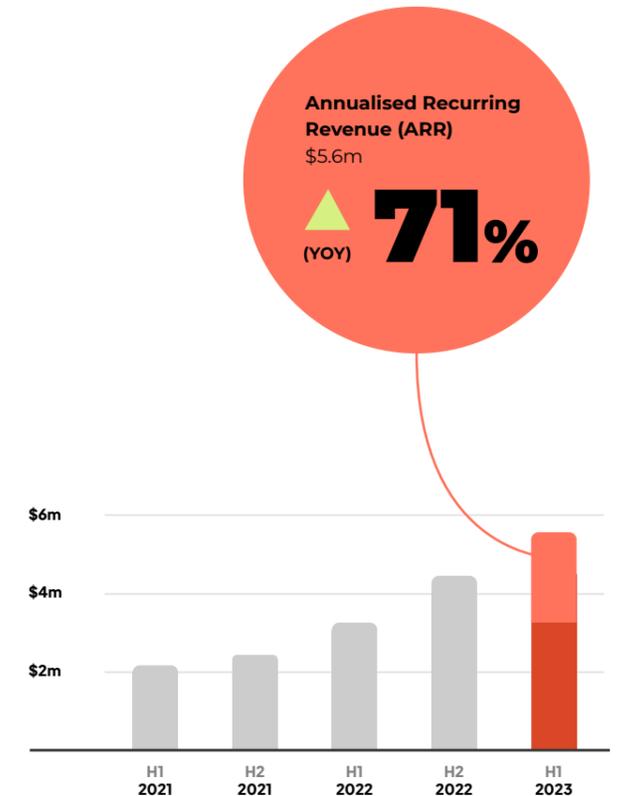
Asantha Wijeyeratne
CEO, Co-founder

It's been a privilege to lead the PayForce this year, as we've embarked on the exciting next leg of our journey. It's been particularly pleasing to see good results from the decisions on pricing, product and positioning that have been made along the way.

As a SaaS business, the total customer lifetime value is a key metric that I keep a close eye on. It's a measure of the total value of our current customers and I obsess over it as it tells me the results of our efforts to acquire new customers, retain existing ones and maintain profit margins. Despite some challenges in providing our usual standard of customer support over moving day, I've seen total customer lifetime value more than double over the last year to over \$42m - a testament to the business success.

The success has undoubtedly come from market leadership in the New Zealand dairy industry. The opportunity we have to replicate that success in other industries is hugely exciting for us as we continue to focus on SMEs and accelerate our expansion into Australia. Employment relationships have never been more critical as small business employers across all verticals face a chronic skills shortage and mounting pressures on profitability. We take our responsibility to help those employers to be a better boss seriously - delivering content, coaching and features to make the employment relationship as easy as it can be - automating admin and giving business owners back time to do the things they love (which we're pretty sure isn't payroll!).

Our focus on these priorities has driven our Annualised Recurring Revenue to \$5.6m at September 2022. This lets us reinvest back into the business to accelerate future growth. To date, this investment has predominantly been in people, with additional PayForce members added into the sales and technical teams. We also more than doubled our investment into research and development - which now represents 36% of total recurring revenue over the period.



For me, though, success isn't just measured in financial terms, but in the impact we have on the community we serve. That extends not just to our accounting and industry partners, or even just to our customers, but right through to the employees of our customers. Through the PayNow feature in our employee app, we estimate that we've saved our customers' employees over \$1.1m in fees and interest during the half year by enabling them to access the wages they've already earned before payday. And ultimately what's good for our customers' employees is good for us.

As we get into our scale up stride, it's becoming more apparent that it's thanks to a diverse team of passionate people that we're able to achieve so much. Whether they've been with us since day one, or joined as part of our growth journey, they are all engaged around a set of values that guide us and inspire me on a daily basis. I'm phenomenally proud of the Payforce and all they've delivered.

Yours,

Asantha Wijeyeratne
CEO, Co-founder

Reinvesting for long term growth

By investing in the infrastructure, following best in class architecture and security practices, and locking in adjacent markets, we'll make the business scalable in a sustainable way. This will enable a platform from which to launch into Australia.

Infrastructure

We've invested time into the infrastructure to ensure the tech stack is optimised for future growth. While optimising the production environment to ensure an awesome experience for our customers remains a key priority, the investment in this half has focused on improving testing environments, deployment processes and Disaster Recovery practices to ensure and standardise deployment processes.

Security

As a cloud-based software business, cyber security is always front of mind to protect our customers' data, our assets and our reputation. We've engaged a virtual CISO to provide security services. This has involved looking to identify any potential vulnerabilities in our infrastructure and implementing any necessary changes to manage this risk appropriately.

Operational systems

We've invested further in the business and operational systems to help improve internal processes too and help our team deliver more efficiently. Significant investment was made to integrate a new CRM and a new phone system to ensure an awesome customer experience when they look to us for support.

Sales and marketing

Now that around half of all employing dairy farmers are using PaySauce to pay their employees, we've added a BDM to the PayForce to deepen our relationship with the Accountants. The Accountants not only support our existing dairy farmer customers, but offer reach into adjacent markets in the broader rural sectors. The CAANZ partnership will strengthen our position and reach with Accountants in Australia.

Highlights

Engaged a third party to enhance security

Engaged a third party to help shape mobile development plan

Increased investment in R&D to 36% of recurring revenue

Launched the knowledge base to help customers self-serve

Further invested in internal system and process improvements



Obsessing over customers

By targeting specific markets we gain a deep understanding of our customers and the employment friction they experience. This is reflected in the Net Promoter Score we achieved of 45.

Customer support

We understand how critical payroll is to small businesses and we've increased our Customer Support team to ensure we're available to those customers by phone and email.

Knowledge base

We've used the insights from our customers to identify the most common questions and delivered a knowledge base of those FAQs. Customers can search these to find a solution for themselves in their own time.

Recognising our customers

We created Farm Boss Appreciation Day. By understanding our customers and the industry they operate in, we are able to show them some aroha. We created a tool to help farm bosses in NZ understand how much they're appreciated by their staff.

PayNow

We not only obsess over our customers, but also their employees. In this reporting period, we've extended over \$1.4m in PayNow requests to employees looking to access wages they've earned before payday for FREE. This is estimated to have saved our customers over \$1.1m in fees and interest charges they'd have incurred if they'd used a payday lender.

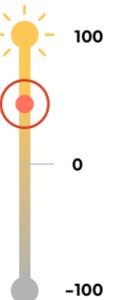


Highlights

Net Promoter Score of **45**

Created Farm Boss appreciation day

PayNow saved customers an estimated \$1.1m in interest and fees



“ I think that PaySauce is a fantastic app, the helpdesk people are so helpful and are wonderful to deal with, nothing is ever an issue and my only problem is that I wish I knew about PaySauce sooner!!! ”

Win-win-win partnerships

By forming partnerships with organisations that already support our target markets, we're able to ensure that we win, our partner wins and our mutual client wins too.

Channel partnerships

We've continued to value the relationship with our Accounting partners and cemented that this year through a new strategic partnership with CAANZ. That arrangement gives us speaking and activation opportunities at CAANZ events where we're able to demonstrate the value of PaySauce to Accountants so we're front of mind when their clients require payroll services.

Rural industry partnerships

Dairy NZ, Dairy Womens Network and Federated Farmers remain key rural industry partnerships we value. These partnerships ensure we remain up to date with whats front of mind for our customers in these sectors.

Sponsorship partnerships:

We continued to support Taranaki Rugby Football Union as a First XV partner and entered a new sponsorship partnership with Wellington Rugby Football Union, providing back of shorts coverage for PaySauce across all of the Wellington Lions players and jersey sponsorship for three of the Wellington Pride. With Wellington Lions having secured both the Ranfurly Shield and the Bunnings NPC title, there was broad television coverage of our branding.

Branching out beyond rural

Whilst there's still headroom for growth in the broader rural market in NZ, we've acquired new customers in both the hospitality and construction sectors too, without actively marketing to them. This clearly signals the product is fit for purpose for these customers and we've initiated a discovery phase to better understand any industry specific employment friction that currently exists within those areas. This will inform our product roadmap in the second half of the year.



Highlights

Brand coverage through Wellington Lions successful season

New relationship with CAANZ for reach into Australia

New employee share scheme

Awesome people

Attracting awesome people to PaySauce enables us to hire based on attitude, skills and alignment of values. By offering training and experiences that enable the payforce to develop ensures they choose to remain in the business longer.

New Chief People Officer

We hired Jess McLean to lead a dedicated People Experience function. Jess has the knowledge and experience to ensure we're successful as we grow the payforce to deliver our strategy both in NZ and Australia.

Expanded our tech team

We've bolstered our tech team. The increased capacity facilitates enhanced support and greater standardisation of our technical functions. This in turn enables newly acquired talent to learn and add value quickly.

Employee share scheme aligns values

We introduced another employee share scheme to ensure that the payforce are rewarded for delivery of their objectives and incentivised to remain in the business.

Highlights

New Chief People Officer to lead the PX team

Attracted top talent to new roles in Product and Sales & Marketing

New Employee Share Scheme



PaySauce's awesome people prove their talent, helping us become finalists at Wellingtons 2022 Gold Awards

PERFORMANCE (SAAS METRICS)

For the six months ended 30 September 2022

PaySauce customer lifetime journey

We use SaaS metrics to measure each stage of the customer's journey - the path to Total Customer Lifetime Value. Metrics are explained further in the following sections.

New customer joins PaySauce
Customer Acquisition (CAC)

\$371 per customer



\$371



\$21

Customer receives support
Cost to Serve (CTS)

(Monthly): \$21 per customer



\$70

Customer pays a monthly subscription
Recurring Revenue

(Monthly): \$70 per customer

11yrs

Customer stays with PaySauce
Customer Lifetime

Average monthly churn of 0.76%

CLTV
\$6,424

LTV : CAC
17:1



Customer Lifetime Value (CLTV)
\$6,424 per customer



PaySauce customer
Clovally Farms

Total Customer Lifetime Value

\$42.7m

At 30 September 2022

▲ **101% YOY**

Calculated from...

\$6,424
Customer LTV

X

6,658
Customers

▲ **69% YOY**

▲ **19% YOY**

*The business results and SaaS metrics reported in the following sections 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 (NZIFRS).

New customer joins PaySauce Customer Acquisition (CAC)



Continued customer growth has resulted in reaching an important milestone with around 50% of all employing dairy farms now using PaySauce. This level of market penetration has accelerated the shift in focus to new industries. Overall brand awareness has increased through a new sponsorship agreement with Wellington Rugby Football Union and a new partnership agreement with Master Builders Association will help us hone in on the construction sector.

A new partnership with CAANZ has also increased reach and engagement to new and existing accounting partners with conferences and seminars around New Zealand. This is bolstered by a new Partner Programme introduced to further develop relationships with accounting partners and create a win-win referral model.



How and why do we monitor customer acquisition?

PaySauce monitors the cost of acquiring new customers as an efficiency metric. The **customer acquisition cost (CAC)** divides the total cost of acquisition across the new customers for the period. Customer acquisition is more efficient the lower the CAC per new customer metric.

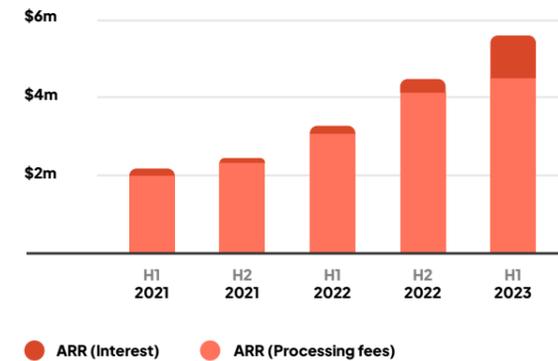
Definitions. Customer acquisition costs relate to acquiring and onboarding new customers. These consist of sales and marketing people costs and expenses such as digital marketing, events and sponsorship. These costs are expensed as incurred as they do not relate to any specific customer or contract for services.

	H1 2022	H1 2021	YOY Change
Customer acquisition costs (\$000's)	348	375	(7%)
New customers (organic)	939	1,102	(15%)
CAC per addition	371	340	9%

Customer pays a monthly subscription Recurring Revenue



Recurring revenue grew 79% year on year to \$2.5m for the half year to September 2022. This arose from increased processing fee revenue due to growth in customer numbers and pricing changes, as well as increased interest revenue due to the increasing interest rate environment and the balance of funds held on behalf of customers.



Annualised recurring revenue (ARR) grew 71% year on year to \$5.6m as at September 2022.



How and why do we monitor recurring revenue?

PaySauce monitors the revenue received from customers as a growth metric. Looking at it from a customer journey angle, this is the **Average Revenue per User (ARPU)** and is derived by dividing the total recurring revenue by the number of customers in a period. PaySauce measures this metric on a monthly basis - the higher the ARPU, the more value received from each customer.

• Interest Income - interest earned from funds held on behalf of PaySauce customers. As interest earned on these funds grows directly in relation to the number of customers, this is considered an additional recurring revenue stream.

Annualised recurring revenue (ARR) multiplies the recurring revenue generated in the last month of the period by 12 to annualise the current recurring revenue.

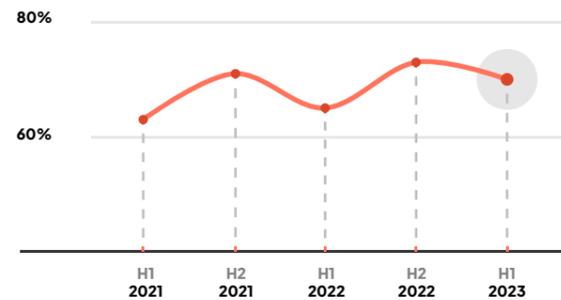
Definitions. Recurring revenue is revenue that is expected to repeat into the future. Recurring revenue for PaySauce consists of:

- Processing Fees - the monthly or annual subscription customers pay for PaySauce payroll products.

	H1 2022	H1 2021	YOY Change
ARR at end of period (\$000s)	5,576	3,267	71%
Recurring revenue for the period - Total (\$000s)	2,525	1,408	79%
ARPU (monthly) at end of period (\$)	70	49	44%
FTEs	38	31	23%
Revenue per FTE (\$000s)	68	47	45%

Customer receives support Cost to Serve (CTS)

PaySauce made further investment into servicing customers during the period with additional headcount and enhancements to CRM and phone systems. This investment enabled greater efficiencies in serving our customers. The revenue growth (up 79%) outpaced growth in cost to serve (up 46%) resulting in an increased gross margin percentage of 7 percentage points year on year to 70%.



● Gross margin

With the dairy industry making up the majority of the PaySauce customer base, additional demand is placed on the customer support team over June and July each year. This is due to “moving day”, a big day in the farming calendar when a large number of dairy farmers move to new farms. This results in an increase in cost to serve during these periods with additional temporary resources required, which has a seasonal impact on the gross margin as demonstrated above.

	H1 2022	H1 2021	YOY Change
Recurring revenue (\$000's)	2,525	1,408	79%
Less cost to serve (\$000's)	(759)	(520)	46%
Gross margin (\$000's)	1,766	888	99%
Gross margin %	70%	63%	7pp



\$21 per customer



How and why do we monitor cost to serve?

PaySauce monitors the cost of servicing customers as an efficiency metric. The **cost to serve per customer (CTS)** divides the total cost to serve by the total number of customers for the period. The lower the CTS, the more efficient PaySauce is at servicing customers.

Definitions. Cost to serve relates to servicing PaySauce customers. These consist of customer support costs and expenses such as cloud hosting, maintenance of our software products, and bank fees charged per customer transaction.

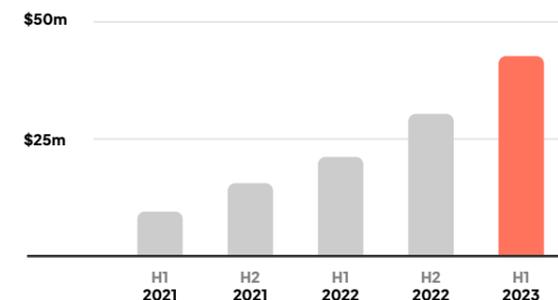
Gross margin represents our recurring revenue less the cost to serve our customers, and is also often expressed as a percentage, where the gross margin is divided by the recurring revenue.

Customer stays with PaySauce Customer Lifetime

Customers value the critical service that PaySauce provides and are estimated to remain customers for an average of 11 years. This estimated lifetime is derived from the average monthly churn rate of 0.76% over the last 12 months.

Decreased churn and an increased gross margin per customer resulted in a 69% increase in customer LTV to \$6,424. Comparing this to the average cost of acquiring a new customer, PaySauce estimates a 17 : 1 return on investment of acquiring new customers, based on the LTV : CAC ratio at September 2022.

This increase in LTV combined with the increase in the number of PaySauce customers increased total customer LTV by 101% year on year, growing to \$42.7m as at 30 September 2022. This is demonstrated on pages 10 to 11.



● Total Customer LTV

Customer LTV is particularly sensitive to churn and assumes these levels will remain consistent over an extended future period. Using the average churn levels for the last three years (0.92%), total customer LTV would be \$7.5m (18%) lower.

	H1 2022	H1 2021	YOY Change
Customers at end of period	6,658	5,611	19%
Average monthly churn rate for the period (%)	0.76	0.81	(6%)
LTV per customer at end of period (\$)	6,424	3,798	69%
Total customer LTV at end of period (\$000s)	42,770	21,312	101%
LTV:CAC ratio at end of period	17 : 1	11 : 1	55%



How and why do we monitor customer lifetime?

PaySauce monitors the retention of customers. This is measured using the churn metric which calculates the percentage of customers that stop using PaySauce products each month. The lower the churn rate, the higher the derived lifetime of each customer and the more value generated from them. The customer lifetime value is assessed relative to the customer acquisition cost (CAC) to determine the return on investment of acquiring new customers.

Definitions. Monthly average churn rate is the 12 month average of the net reduction of customers in a calendar month. This is expressed as the percentage of the total customers at the start of that month. The estimated customer lifetime (in months) is derived using the inverse of monthly average churn rate (being 1 divided by the monthly average churn rate).

Customer lifetime value (LTV) is a measure of the gross margin each customer brings in over the time they use PaySauce. LTV is calculated by multiplying the gross margin per customer by the estimated customer lifetime.

Total customer LTV is a measure of the estimated value of the current customer base, assuming that churn, revenue and cost to serve remain constant. This measure is calculated by multiplying customer LTV by the total number of customers.

LTV : CAC is a measure of the return on investment of acquiring a new PaySauce customer. This measure is calculated by dividing the customer LTV by the CAC per addition.

11yrs



Research & Development (Building the product)



Since reaching the milestone of cashflow break-even for the quarter ended March 2022, PaySauce has been reinvesting for growth. Product development is a core component to this with investment into headcount, outsourced development and streamlining internal processes as PaySauce builds for scale. The two focus points for the period have been:

- Enhancing the existing product architecture and infrastructure for scale.
- Enhancing the existing products in response to customers needs.

The capitalisation rate is a measure of how much time is spent developing and improving products compared to the time spent maintaining them. This measure improved 7 percentage points year on year to 48% as a result of streamlining internal processes to execute on the growth strategy.

Research and development costs increased 113% year on year, and as a percentage of recurring revenue, these increased 5 percentage points to represent 36% of recurring revenue.



Research and development costs relate to building new products and features as well as enhancing the current products and infrastructure. These costs predominantly consist of the software development team salaries, and are either expensed or capitalised in line with NZ IFRS requirements. Costs are expensed if they are primarily related to researching new

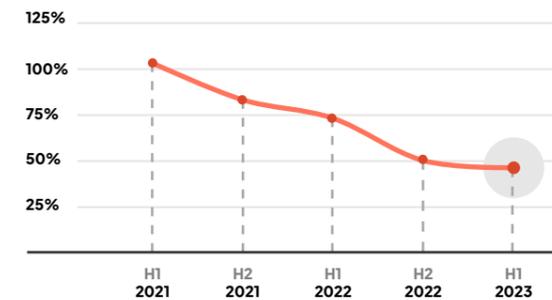
products or maintaining existing products, and capitalised if they are related to developing new and improving existing products. Development costs are discussed in aggregate below - to demonstrate the total spend on R&D for the business in the period before capitalisation under NZIFRS requirements.

	H1 2022	H1 2021	YOY Change
Research & development expensed (\$000's)	480	255	89%
Research & development capitalised (\$000's)	439	177	148%
Total research and development costs (\$000's)	919	432	113%
Percentage of recurring revenue	36%	31%	5pp
Capitalisation rate	48%	41%	7pp

General & Administration (Keeping the lights on)



General and administration costs increased 14% year on year at \$1.2m, and made up 46% of recurring revenue, down from 73% last year. Improvements to structure and process of management, finance and administration has resulted in greater efficiencies in supporting the operational arms of the business without significant investment in new headcount. This continues the positive downward trend of general and administration costs as a percentage of recurring revenue as economies of scale are realised.



● G&A Cost as a % of revenue



General and administration costs are the overhead related costs of running the business which include management remuneration,

director fees, office running costs, finance and administration, legal and consulting expenses and other overheads.

	H1 2022	H1 2021	YOY Change
Total general and administration costs (\$000's)	1,169	1,025	14%
Percentage of Recurring Revenue	46%	73%	(26 pp)

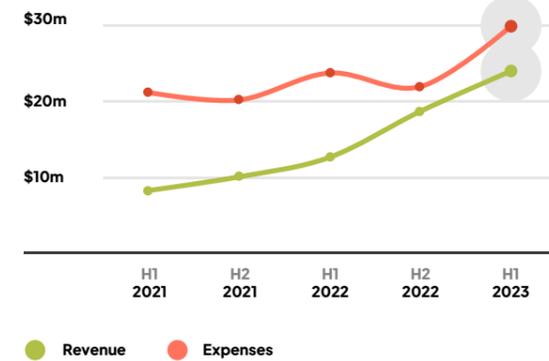
SaaS P&L

For the six months ended 30 September 2022

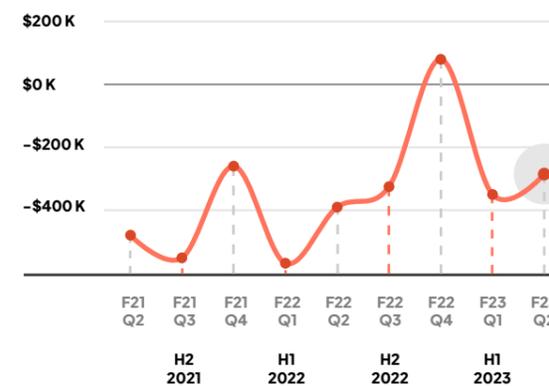
	Sept 2022	Sept 2021
Processing Fees	2,142	1,339
Interest Income	383	69
Recurring Revenue	2,525	1,408
Cost to Serve	(759)	(520)
Gross Margin	1,766	888
Gross Margin %	70%	63%
Other Interest Income	7	4
Other Revenue	45	33
Total Other Revenue	52	37
Customer Acquisition	(348)	(375)
Research & Development	(480)	(255)
General & Administration	(1,169)	(1,025)
Interest Expense	(21)	(13)
Earnings Before Tax, Depreciation and Amortisation	(200)	(743)
Earnings Before Tax, Depreciation and Amortisation Margin %	(8%)	(53%)
Depreciation & Amortisation	(235)	(203)
Income Tax	10	7
Net Loss for the period	(425)	(939)

Business results

PaySauce achieved continued revenue growth which underpins the performance for the 6 months ended 30 September 2022. Recurring revenue grew 79% year on year as a result of both increases in processing fee and interest revenue. Deliberate investment towards revenue generating activities combined with careful management of other operating costs ensured that revenue growth outperformed growth in operating costs, leading to an EBTDA loss of \$0.2m for the period, an improvement of \$0.5m.



Cashflows (excluding loan drawdown and movement of funds held on behalf of customers) were (\$0.6m) for the 6 months ended 30 September 2022. PaySauce has reinvested for growth, making investment in people, product and processes as the business continues to build for scale after achieving a cash positive quarter ended March 2022.



● Cashflow (excluding loan drawdown and movement of funds held on behalf of customers)



Earnings Before Tax, Depreciation and Amortisation (EBTDA) 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.

EBTDA Margin % is EBTDA as a percentage of recurring revenue and is calculated by dividing EBTDA by recurring revenue

Cashflow represents the operational cash movements. This includes all cash movements other than funds received from a loan drawdown and all cash movements relating to funds held on behalf of customers.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2022

		Sept 2022 Unaudited	Sept 2021 Unaudited
	NOTES	\$000s	\$000s
Operating revenue	8	2,577	1,445
Expenses			
Employee expenses	9	(1,760)	(1,435)
Other expenses	12	(996)	(739)
Depreciation and amortisation	4,5	(235)	(203)
Finance costs	11	(21)	(14)
Total expenses		(3,012)	(2,391)
Net loss before income tax		(435)	(946)
Tax benefit		10	7
Net loss for the period		(425)	(939)
Other comprehensive income		-	-
Total comprehensive loss for the period		(425)	(939)
Loss per share		Cents	Cents
Basic loss per share	7	(0.31)	(0.71)
Diluted loss per share	7	(0.31)	(0.71)

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

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2022

		Sept 2022 Unaudited	Mar 2022 Audited
	Notes	\$000s	\$000s
Assets			
Current assets			
Cash and cash equivalents		29,807	26,255
Deposits		-	1,675
Trade receivables		94	81
Other assets		428	392
Total current assets		30,329	28,403
Non-current assets			
Property, plant and equipment	4	121	137
Intangible assets	5	1,861	1,586
Total non-current assets		1,982	1,723
Total assets		32,311	30,126
Liabilities			
Current liabilities			
Trade and other payables		341	454
Funds due to customers and IRD		29,198	27,338
Employee benefits		332	282
Other liabilities		350	291
Lease liabilities		34	66
Total current liabilities		30,255	28,431

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

Interim Condensed Consolidated Statement of Financial Position (cont.)

As at 30 September 2022

	Notes	Sept 2022	Mar 2022
		Unaudited	Audited
		\$000s	\$000s
Non-current liabilities			
Employee benefits		48	27
Interest bearing liabilities		650	-
Total non-current liabilities		698	27
Total liabilities		30,953	28,458
Net assets		1,358	1,668
Equity			
Share capital	6	13,113	13,039
Reserves		172	131
Accumulated losses		(11,927)	(11,502)
Equity attributable to the owners of the Company		1,358	1,668

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

For and on behalf of the Board of Directors, who authorised the issue of these Interim Condensed Consolidated Financial Statements on 23rd November 2022:

Shelley Ruha
Chair


23 November 2022

Jacqueline Cheyne
Chair of Audit & Risk Committee


23 November 2022

Interim Condensed Consolidated Statement Of Movements In Equity

For the six months ended 30 September 2022

	Notes	Attributable to equity holders of the Company			
		Share-based payment reserve	Share Capital	Accumulated losses	Total
		\$000s	\$000s	\$000s	\$000s
Unaudited					
Balance as at 1 April 2022		131	13,039	(11,502)	1,668
Comprehensive loss					
Net loss for the period		-	-	(425)	(425)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(425)	(425)
Transactions with owners					
Share-based payments, net of tax	15	41	-	-	41
Issue of ordinary shares	6	-	74	-	74
Total transactions with owners		41	74	-	115
Balance as at 30 September 2022		172	13,113	(11,927)	1,358
Unaudited					
Balance as at 1 April 2021		-	12,652	(10,220)	2,432
Comprehensive loss					
Net loss for the period		-	-	(939)	(939)
Other comprehensive income		-	-	-	-
Total comprehensive loss		-	-	(939)	(939)
Transactions with owners					
Issue of ordinary shares	6	-	348	-	348
Total transactions with owners		-	348	-	348
Balance as at 30 September 2021		-	13,000	(11,159)	1,841

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

Interim Condensed Consolidated Statement of Cash flows

For the six months ended 30 September 2022

	Notes	Sept 2022 Unaudited \$000s	Sept 2021 Unaudited \$000s
Cash flows from / (used in) operating activities			
Receipts from customers		2,030	1,237
Interest received		268	64
Payments to suppliers and employees		(2,384)	(1,995)
Interest paid		(2)	(14)
Net cash used in operating activities before increase in funds due to customers and IRD		(88)	(708)
Increase in funds due to customers and IRD		1,860	2,793
Net cash from operating activities	14	1,772	2,085
Cash flows from / (used in) investing activities			
Funds on deposit		1,675	(1,675)
Investment in intangible assets		(448)	(177)
Purchases of property, plant and equipment		(46)	(23)
Other investing activities		-	(27)
Net cash from / (used in) investing activities		1,181	(1,902)
Cash flows from / (used in) financing activities			
Loan advances		650	-
Interest paid		(19)	-
Repayments of principal portion of lease liability		(32)	(20)
Net cash from / (used in) financing activities		599	(20)
Net increase in cash and cash equivalents		3,552	162
Cash and cash equivalents at beginning of the period		26,255	21,756
Cash and cash equivalents at end of the period		29,807	21,918

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

Notes to the Interim Condensed Consolidated Financial Statements for the six months ended 30 September 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 interim condensed consolidated financial statements for the Company and its subsidiaries (the "Group") for the six months ended 30 September 2022 were authorised in accordance with a resolution of the directors for issue on 23 November 2022 and are unaudited.

2. Summary of significant accounting policies

Basis of preparation

These unaudited interim condensed consolidated financial statements have been prepared:

- in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP");
- comply with the requirements of the New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting ("NZ IAS 34");
- 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;
- should be read in conjunction with the audited consolidated financial statements for the Group as at and for the year ended 31 March 2022

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

The unaudited interim condensed consolidated financial statements have been prepared using the same significant accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the audited consolidated financial statements for the Group for the year ended 31 March 2022, other than as disclosed in the sections below.

3. Use of critical accounting estimates and judgements

The preparation of the interim condensed 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 interim condensed consolidated financial statements are included below and in the following notes:

- Intangible Assets (Note 5)

Going concern

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

The Group made a net loss before tax of \$0.43m for six months year ended 30 September 2022 (2021: \$0.93m), has equity at 30 September 2022 of \$1.36m (Mar 2022: \$1.67m) and net current assets/(liabilities) of \$0.07m (Mar 2022: (\$0.03m)). The Group has the ability to generate sufficient revenues to meet operating costs, with excess cash invested into growth initiatives. The Group drew on the \$0.65m debt facility from BNZ in June 2022, which is due for repayment in June 2024. The group has a further debt facility of \$0.25m to draw upon if 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

Unaudited	Right-of-use Asset (Property)	Office Equipment	Leasehold Improvements	Computer Equipment	Total
Year ended 30 September 2022	\$000s	\$000s	\$000s	\$000s	\$000s
Opening net book value	59	29	7	43	138
Additions	-	10	-	36	46
Disposals	-	(1)	-	-	(1)
Depreciation	(30)	(6)	(4)	(22)	(62)
Closing net book value	29	32	3	57	121
As at 30 September 2022					
Cost	203	88	11	193	495
Accumulated depreciation	(174)	(56)	(8)	(136)	(374)
Net book value	29	32	3	57	121

5. Intangible assets

Unaudited	Development in progress	Computer Software	Customer Relationships	Total
Year ended 30 September 2022	\$000s	\$000s	\$000s	\$000s
Opening net book value	400	891	295	1,586
Additions	128	10	-	138
Development costs capitalised	311	-	-	311
Development in progress recognised as Software	(217)	217	-	-
Amortisation	-	(139)	(35)	(174)
Closing net book value	622	979	260	1,861
As at 30 September 2022				
Cost	622	1,911	354	2,887
Accumulated amortisation	-	(932)	(94)	(1,026)
Net book value	622	979	260	1,861

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.

Accounting for finite life intangible assets

At each reporting date, the useful lives and residual values of finite life intangible assets are reviewed for indicators of impairment. As at 30 September 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.

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 30 September 2022.

6. Share capital

Date	Details	Notes	Number of Shares	\$000s
Unaudited				
1 April 2022	Opening Balance		138,583,819	13,039
	Issue of ordinary shares	(i)	273,244	74
30 September 2022	Closing Balance		138,857,063	13,113
Unaudited				
1 April 2021	Opening Balance		137,026,278	12,652
	Share based payment	(ii)	1,416,164	348
30 September 2021	Closing Balance		138,442,442	13,000

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 2022: Shares issued (unpaid) as part of the 31 March 2022 employee share scheme were paid up as tranche 1 of the scheme vested for those employees who met the vesting conditions. 273,244 shares were fully paid up via a discretionary bonus approved by the board. This resulted in an issue of 273,244 ordinary shares at \$0.2842 per share, totalling an issue of \$0.078m. Directly attributable costs totalled \$0.004m, bringing the net share issue to \$0.074m.

(ii) 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.

Dividends

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

7. Earnings / (loss) per share

	Sept 2022 Unaudited	Sept 2021 Unaudited
Basic earnings per share		
Net loss used in calculating earnings per share (\$000s)	(425)	(939)
Weighted average number of ordinary shares for basic earnings per share	138,765,982	137,970,387
Basic loss per share (cents)	(0.31)	(0.71)

There are no financial instruments on issue that will dilute the basic earnings per share amounts for the six months ended 30 September 2022.

8. Operating revenue

	Sept 2022 Unaudited	Sept 2021 Unaudited
	\$000s	\$000s
Revenue from contracts with customers		
Processing fees	2,142	1,339
Other services revenue	37	33
Revenue from other sources		
Interest income	390	73
Other revenue	8	-
Total operating revenue	2,577	1,445

9. Employee expenses

	Sept 2022 Unaudited	Sept 2021 Unaudited
	\$000s	\$000s
Employee benefits/entitlements	1,502	1,409
Employee benefits/entitlements - share based payments	171	-
Fringe benefit tax	-	17
Other employee expenses	87	9
Total employee expenses	1,760	1,435

10. Research & Development

	Sept 2022 Unaudited	Sept 2021 Unaudited
	\$000s	\$000s
Research & development costs expensed (included in note 9 - Employee expenses under Employee benefits/entitlements, and note 12 - Other expenses under Infrastructure and security)	480	255
Total research & development	480	255

11. Finance Costs

	Sept 2022 Unaudited	Sept 2021 Unaudited
	\$000s	\$000s
Interest paid	19	-
Finance cost - Interest on lease	2	14
Total finance costs	21	14

12. Other expenses

	Sept 2022 Unaudited	Sept 2021 Unaudited
	\$000s	\$000s
Advertising, PR and marketing	105	69
Audit fees	36	30
Communications and subscriptions	107	102
Customer and transactional	219	151
Directors' fees	95	95
Professional services	19	32
Office running, rent and insurance	53	63
Other overheads	75	87
Infrastructure and security	245	60
Travel	42	50
Total other expenses	996	739

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 six months ended 30 September 2021 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. 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.

	Sept 2022 Unaudited	Sept 2021 Unaudited
	\$000s	\$000s
Directors' fees	63	95
Short term employee benefits	470	392
Total key management personnel compensation	533	487

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:

	Sept 2022 Unaudited	Sept 2021 Unaudited
	\$000s	\$000s
Related party transactions during the period		
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	57	52

	Sept 2022 Unaudited	Mar 2021 Audited
	\$000s	\$000s
Related party balances payable at period end		
Directors' Fees	11	11
Cloud Hosting Services	11	9

PaySauce Limited entered into a standby debt facility agreement with Director Gavin Thompson in December 2021. The facility totals \$0.25m and can be drawn on demand, within two years from the date of the agreement. The agreement is made at arm's length, with the interest rate linked to the floating interest rate of ASB Bank Limited. As at 30 September 2022, no funds have been drawn.

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

	Sept 2022 Unaudited	Sept 2021 Unaudited
	\$000s	\$000s
Net Loss after taxation	(425)	(939)
Add back / (deduct) non-cash & non-operating items:		
Depreciation & amortisation	235	203
Share based payment expense	115	-
Other non-cash & non-operating items	19	(52)
	(56)	(788)
Movement in working capital:		
Increase in Trade and other receivables	(12)	(40)
Increase in Other assets	(36)	(51)
Increase in Funds due to customers and IRD	1,860	2,793
Increase/(decrease) in Trade and other payables	(114)	83
Increase in Employee benefits	72	47
Increase in Other liabilities	58	41
Net cash inflow from operating activities	1,772	2,085

15. Employee share scheme

The Group entered into an employee share scheme for the year ended 31 March 2023. There are no significant changes to any key estimates, judgements or assumptions from the 31 March 2022 scheme outlined in the financial statements for the year ended 31 March 2022.

Employee share scheme expenses for the six month period ended 30 September 2022 are as follows:

Unaudited	March 2023 Employee Share Scheme	March 2022 Employee Share Scheme	Total
	\$000's	\$000's	\$000's
For the period ended 30 September 2022			
Share based payment expense, net of tax	87	26	113
Tax on share based payment expense	45	13	58
Total share based payment expense	132	39	171

The share based payment reserve is used to record the accumulated value of unvested shares and share options that remain exercisable.

SEPT 2022
Unaudited

Share based payment reserve	\$000s
Balance at 1 April 2022	131
Employee Share Scheme (31 March 2022) - Share based payment expense, net of tax	26
Employee Share Scheme (31 March 2022) - Shares vested and fully paid up	(72)
Employee Share Scheme (31 March 2023) - Share based payment expense, net of tax	87
Balance at 30 September 2022	172

16. Events occurring after the reporting period

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

Company Directory

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Asantha Wijeyeratne

Gavin Thompson

Jacqueline Cheyne

Michael O'Donnell

Shelley Ruha

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