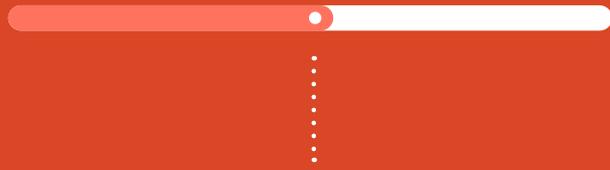


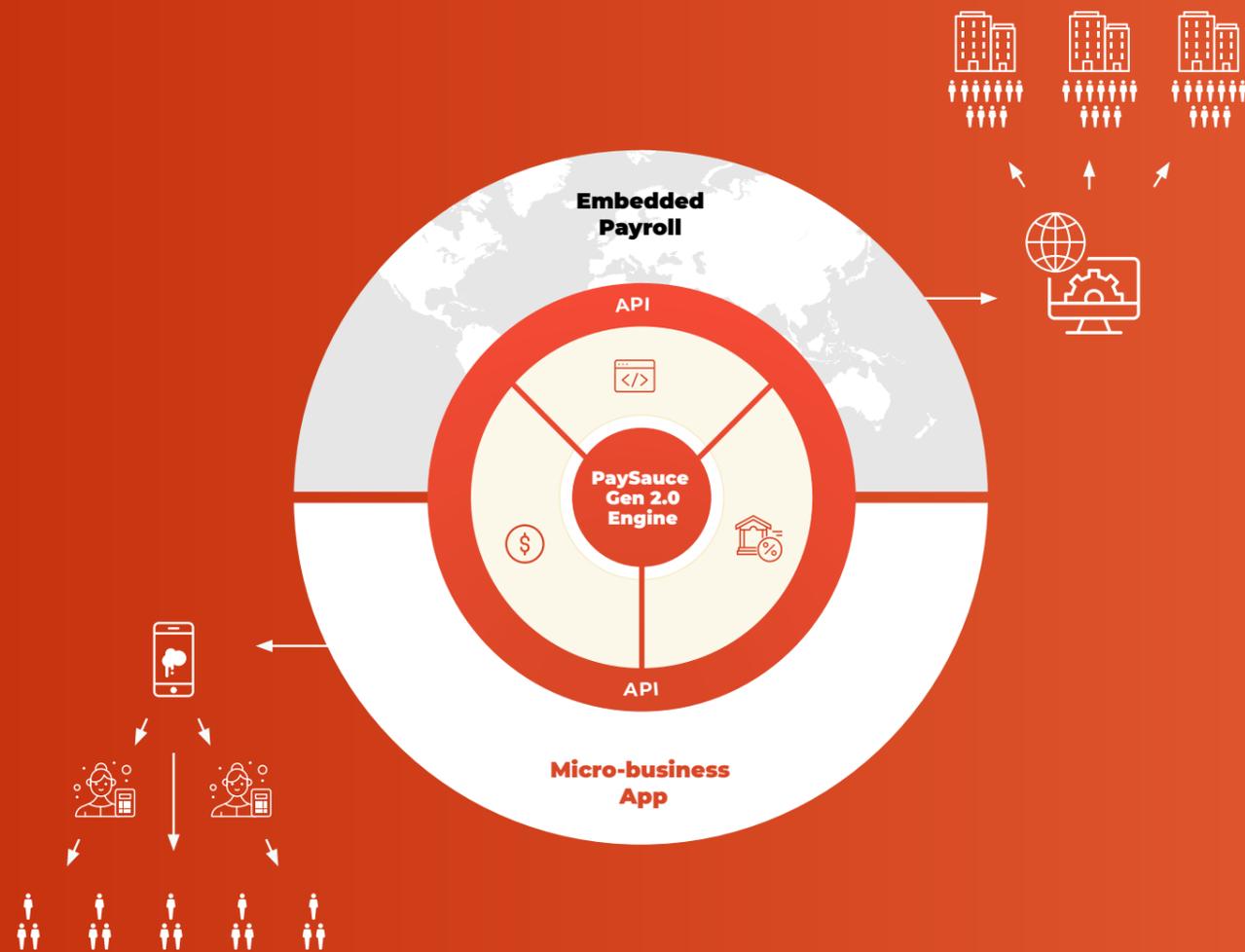


2023

2024

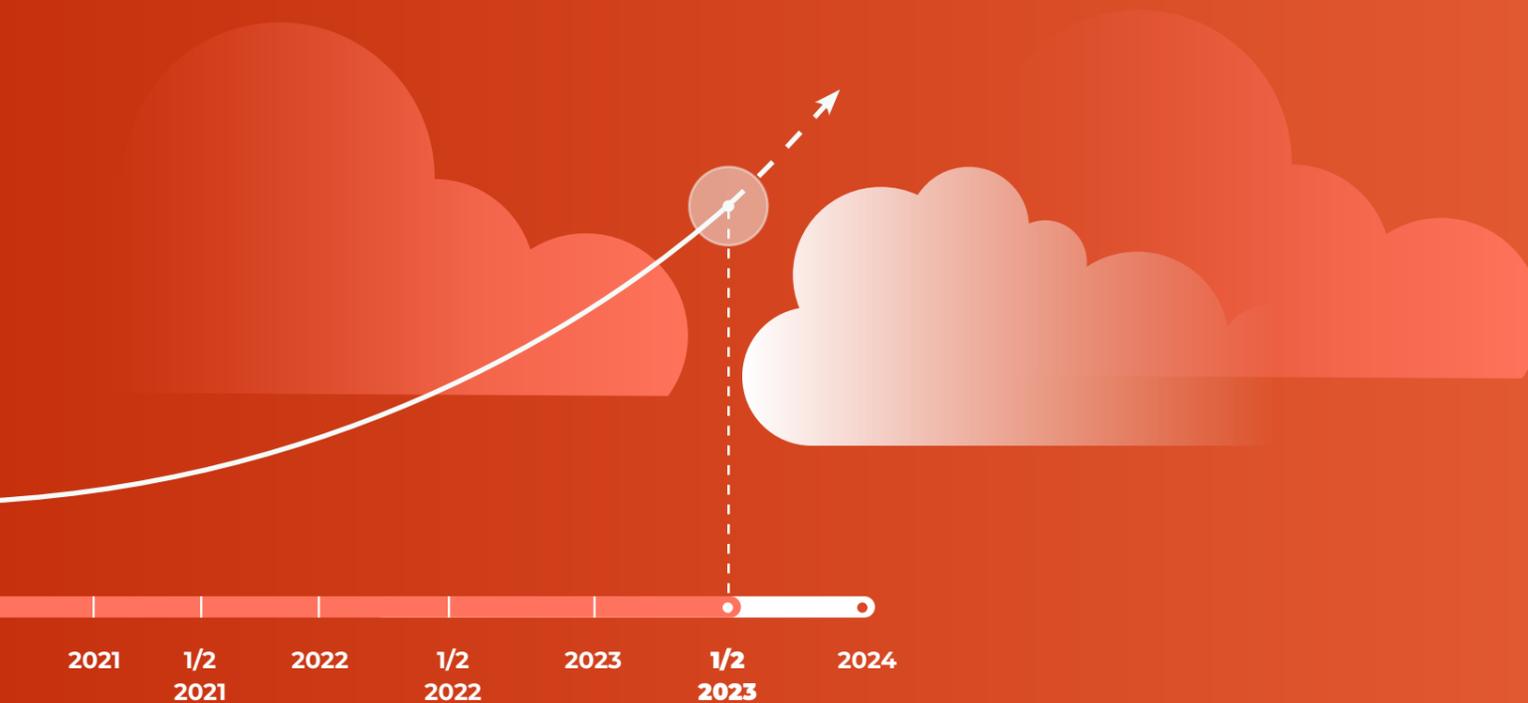


**2024  
Interim  
Report**



The Gen 2.0 Payroll Engine is nearly here. PaySauce is working with its first customer to prove we can plug the Gen 2.0 Payroll Engine into their employment solution to embed payroll into their service. The Gen 2.0 Payroll Engine will also power our micro-business payroll app.

The opportunities are endless and we're excited about the early demand shown for this new modular architecture.



## Content

- 04 / Strategic plan and highlights
- 06 / Leadership
- 10 / Delivering on the plan
- 14 / Performance (SaaS metrics)
- 20 / Finances
- 37 / Directory

# 3 year strategic plan - where we're heading

## Our vision

The first choice people platform for SMEs in globally

## 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

- Building the Gen 2.0 Payroll Engine
- Building a proof of concept for embedded payroll
- Building a micro-business payroll application
- Improved security

### 2.

#### Obsess over customers

- Continued to grow, but at a declining rate of growth
- Commenced marketing to new verticals
- Strong customer advocacy maintained
- Customer centric design for new micro business payroll app

### 3.

#### Win-win-win partnerships

- Further invested in the Accountant channel
- Working with first potential embedded partner
- Evolved the payments solutions in NZ with Akahu and ASB

### 4.

#### Awesome people

- Added sales and marketing capability
- Re-allocated headcount for strategic alignment
- Attracted specialist people for specialist functions
- Created an Employee Share Scheme for F24

## How we're tracking for FY 2024



## The highlights

### Annualised Recurring Revenue (ARR)

▲ 32% YoY increase

# \$7.4m

### EBTDA

▲ \$455k YoY increase

# \$255k

### Rule of 40

Above industry benchmark

# 48

### Cashflow

Generating cash flow from operations\*

# \$464k

\* before funds due to customers and IRD

## Maiden positive earnings in year of transition



**Shelley Ruha**  
Independent Director,  
Chair

Dear shareholders,

It's an exciting time for PaySauce, with the achievement of maiden positive earnings in the first six months of the new financial year. This has been a key milestone and reflects the period of transition for PaySauce. Amid challenging trading conditions, when customer growth in the core New Zealand business has slowed, we have evolved our payroll technology to enable scalable future growth. We have developed an advanced Gen 2.0 Payroll Engine that is unbundled from the user interface, a move that opens new and significant opportunities for growth.

We are now moving to an environment where third party employee service providers can embed the Gen 2.0 Payroll Engine into their solutions. And, at the same time, we can continue to tap the significant opportunities we see across Australasia to deploy the bundled solution in our mobile micro-business payroll app.

### Financial performance

Operating revenue for the six months to the end of September rose 40% to \$3.6 million from \$2.6 million in the same period in the prior year. Annualised Recurring Revenue (ARR) at the end of September rose to \$7.4 million, a 32% increase on the \$5.6 million the same time a year ago.

The result was supported by the strong rise in interest rates, which led to an 162% rise in income from interest payments held on account for our customers and the IRD to \$1.0 million from \$390,000 in the prior year. Processing fee income rose by 18% to \$2.5 million from \$2.1 million, an increase driven by both new customers and increased revenue from existing customers.

However, these gains have been moderated by a slowdown in customer growth as penetration in the core dairy farm vertical matures. Growth into the new verticals of plumbers, builders and hospitality has started, but remains in its infancy.

Customers at the end of September stood at 7,202 up 8% on the 6,658 at the same time year ago, but the rate of growth was down from the annualised rate of 14% at the end of March 2023.

EBTDA was \$255,000 reversing the prior year's EBTDA loss of \$200,000 with growth in revenue outpacing costs. Notably, we held the costs to serve existing customers steady at \$21 per customer. This achievement has been offset by a 37% rise in new customer acquisition costs to \$508 per customer from \$371 per customer and continued investments for growth. Net losses after tax narrowed to \$267,000 from \$425,000 at the same time a year ago.

Our key business metric (our revenue growth rate + our EBITDA margin) is at 48, above the 'rule of 40' benchmark of SaaS companies, albeit below the 67 we achieved in the year to the end of March 2023.

The company is self-funding. Operating cashflows, before the inflow of funds due to customers and the IRD, were \$464,000, a significant improvement over the cash outflow of \$88,000 in the prior year. The company meanwhile has undrawn facilities of \$250,000.

“

The evolution of our payroll technology... opens new, significant and international opportunities for growth.

”

### Outlook

We are confident about our prospects for the year ahead and beyond. The current high-interest rate environment, which appears set to persist for some time, represents a double-edge sword for PaySauce.

On the one hand it is supportive of revenue as we earn more on the funds we hold on behalf of customers and the IRD. However, we also recognise that it makes trading for our customers challenging and makes it more difficult for PaySauce to recruit new customers, especially as we seek to grow our micro-business payroll app into new verticals and establish a foothold in Australia.

Against this, we are excited about the opportunities presented with the advances of the Gen 2.0 Payroll Engine and our embedded payroll solution. We believe these developments combined with existing Australasia opportunities are bringing our goal of \$10 million in ARR into sight.

We thank the PaySauce team for their dedication over the last six months and look forward to providing an update for shareholders in the New Year.

Yours sincerely,

**Shelley Ruha**  
Independent Director, Chair



## Advancing our strategy



**Asantha Wijeyeratne**  
CEO, Co-founder

Dear shareholders,

November was a watershed month for PaySauce. An agreement to deliver a proof of concept to embed our payroll technology within a third-party employment solution, as Shelley noted, holds out the potential for significant new growth opportunities.

At the heart of this agreement is the successful evolution of our technology in a way that differentiates PaySauce from other Software as a Service (SaaS) payroll solutions in two critical ways.

Firstly our new Gen 2.0 Payroll Engine has been developed to be configured quickly to comply with complex payroll rules in any jurisdiction around the world. Secondly, it can be unbundled from the user interface, offering an application programming interface (API) that allows third parties to quickly integrate it with their systems. It is also designed for superior speed and processing.

As a result of this evolution we can continue to tap the significant opportunities we see in Australasia for a robust mobile solution for micro-businesses, while at the same time target a new category of customers – employee service providers.

### A multi-national opportunity

The second category of these customers is a truly international opportunity. Employee service providers around the world are rapidly consolidating. With that move, demand is growing for payroll solutions that can be quickly deployed in multiple territories. Our Gen 2.0 Payroll Engine meets that need.

For PaySauce the new market offers complementary characteristics to the existing market for the mobile app. New contracts can deliver an immediate and significant uplift in ARR with pricing set at rates per pay slip and agreements set with contracted minimum volumes.

Contract periods are expected to be fixed term over multiple years and where the service is offered in New Zealand, PaySauce will continue to earn interest on balances held on behalf of clients. Meanwhile, the cost to serve customers is expected to be lower since the employee service provider owns the customer relationship.

Against this there is a longer sales cycle than the mobile app. Additionally, there are development costs as PaySauce is contracted to deliver the integration of the Gen 2.0 Payroll Engine and maintain ongoing Service Level Agreements (SLAs).

Our initial proof-of-concept agreement, with a counterparty that has requested anonymity, is aimed at demonstrating that the re-architecture of PaySauce's technology can lead to greater scalability. This contract alone, should it deliver on its objectives, could deliver a significant increase in ARR.

Meanwhile, expressions of interest from other employee service providers since our announcement of this new capability, has been strong and we are confident of quickly offering the solution to similar service providers.

“

Expressions of interest from other service providers since our announcement of this new capability... has been strong.

”

### Strategic delivery

The November agreements are also the culmination of strategies focused on investing to deliver a secure, robust and scalable platform to support long term growth. They are also a product of our strategic focus on fostering winning partnerships.

We meanwhile continue to obsess over customers in line with our third strategic pillar. Our monthly churn rate has risen slightly to 0.91% from 0.76% at the same time a year ago.

Customer lifetime value increased 10% to \$7,070, principally reflecting a 20% increase in monthly recurring revenue per customer, offset by the increase in monthly average churn which causes a reduction to the derived customer lifetime.

We are encouraged with these results, especially since we increased prices on our standard and premium plans last year. We continue to attribute this success to a mobile app that is easy to use and the determination of our amazing people, again a vindication of our strategy to prioritise the recruitment and retention of great people.

### Outlook

Capital markets are tough at the moment and raising funds, particularly for small market cap businesses, can result in a substantial dilution for existing shareholders. It has always been essential therefore, that PaySauce achieves profitability and continues to generate positive cash flows in order to control our own destiny.

Yet again surpassing the 'rule of 40' shows that we have our investments into future growth and our current cash flows in the right balance, something of which I'm hugely proud. This balance has been crucial in allowing us to evolve PaySauce, and take the initiative towards future growth opportunities and our goal of serving 1 million micro businesses globally.



Looking ahead, we have some economic headwinds as our customers adjust to the higher interest rates following the recent tightening cycle. Our dairy customers are also facing a relatively low payout, which will also impact their hiring and spending decisions over the next twelve months. We will continue to diversify our portfolio by investing into marketing channels supporting the hospitality and construction industries as well as seeking new potential partners for embedded payroll at a more holistic level. Work will continue to deliver the proof of the embedded payroll concept, looking to have an embedded solution driving an uplift in ARR at the earliest point in time. It's a phenomenally exciting time to be on this journey and I'm glad we've got your support along the way. Thank you again, for your support of PaySauce.

On behalf of shareholders and the board we thank the team for their efforts.

Yours sincerely,

**Asantha Wijeyeratne**  
Executive Director, CEO and Co-Founder

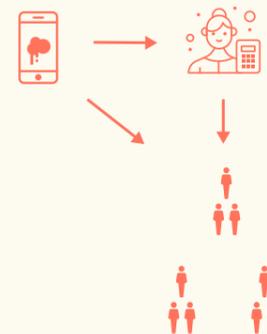
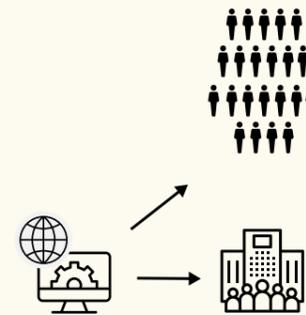
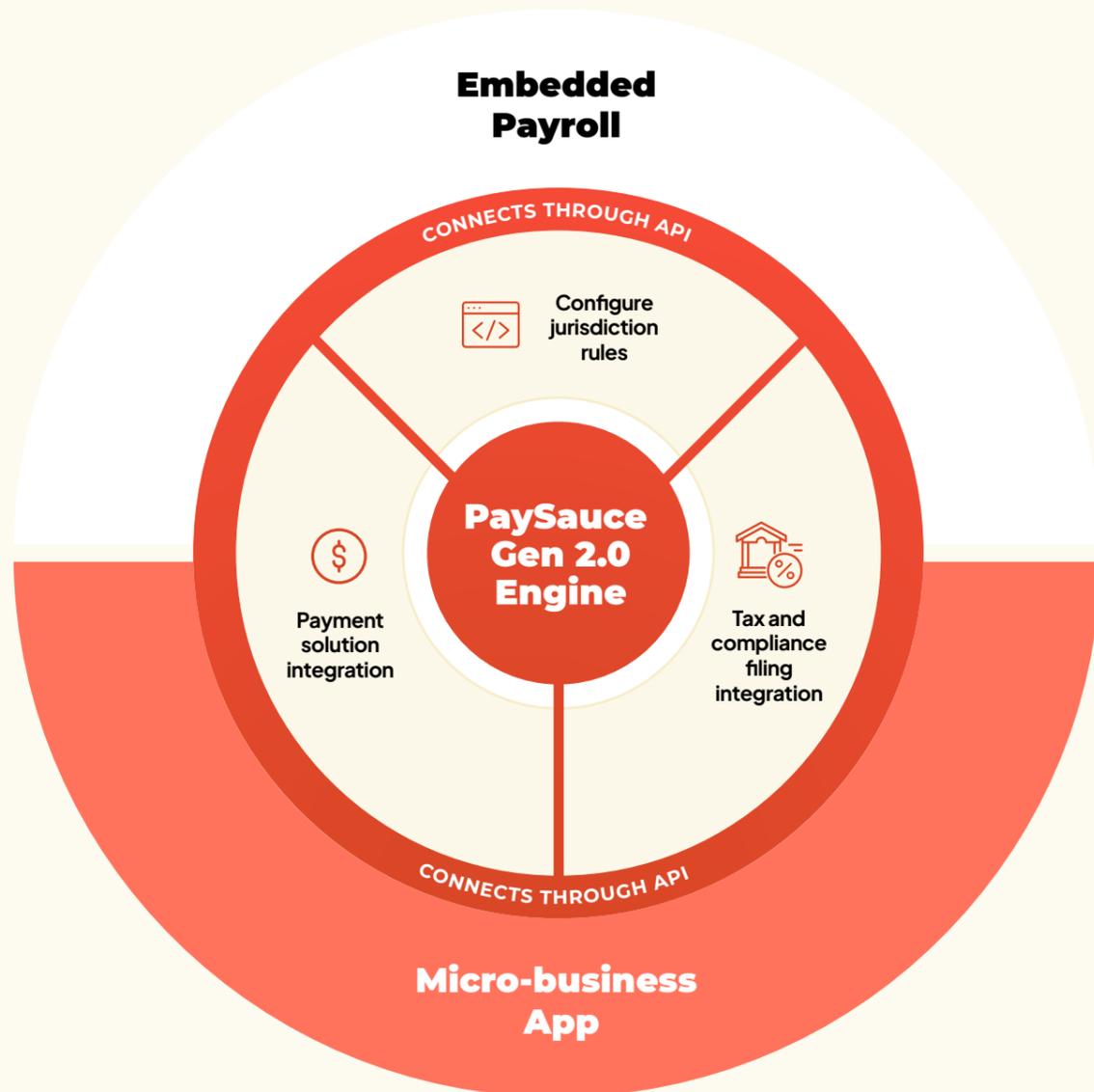
# PaySauce Gen 2.0 Payroll Engine

The Gen 2.0 Payroll Engine is a step-change in the architectural evolution for PaySauce. The architecture is more modular, enabling different components to be pieced together to deliver an awesome payroll experience for different end users.

The two primary opportunities to commercialise the Gen 2.0 Payroll Engine are for Embedded payroll and the Micro-business payroll app.

1. **Embedded payroll** allows third parties to integrate payroll calculations, staff payments and local tax office filing into their own solutions. For PaySauce, this enables an accelerated uptake for end users as the customers are already clients of the third parties. Existing employment solutions are looking to consolidate internationally and seek opportunities to expand their offerings to incorporate payroll.
2. **Micro-business payroll app** is the end-user mobile phone app that PaySauce will build and market to businesses employing 1-5 employees. The app will allow these businesses to onboard, manage, make payments and file tax records for their staff from their phone.

With one third party formally engaged and providing requirements for the proof of concept for the embedded solution in New Zealand, this opportunity is beginning to come to fruition.



### Embedded payroll opportunity

CUSTOMER ACQUISITION	CUSTOMER SUPPORT	REVENUE RECOGNITION
Rapid global scalability by embedding into existing providers with large customer base	End customer relationship and support is owned by the 3rd party provider	Fixed term, multi year contract, invoiced annual in advance

### Micro-business App opportunity

CUSTOMER ACQUISITION	CUSTOMER SUPPORT	REVENUE RECOGNITION
Very large under-served market of micro-businesses with 1-5 employees acquired directly and through accountants	PaySauce owns the customer relationship and provides direct support	Monthly subscription on a pay as you go basis

STRATEGIC PRIORITY #1

## Re-invest for long term growth

### Highlights

**Embedded payroll opportunity**

**Micro business payroll opportunity**

**Enhanced infrastructure and security**

Long-term growth for PaySauce extends from the Gen 2.0 Payroll Engine, and the effort to bring that to the market has dominated the first half of this financial year. The Gen 2.0 Payroll Engine will enable new customers to join PaySauce in a scalable manner, either through new partners embedding the solution into their own employment software, or through new micro-businesses downloading the app to easily on-board, manage, make payments and file tax records for their staff.

Whilst the Gen 2.0 Payroll Engine is aimed at serving customers in the future, investment also continues to ensure PaySauce continues to attract new customers to the existing PaySauce platform. That customer base has continued to grow and there is a squad of developers dedicated to improving the existing platform to ensure that our customers continue to receive improved usability of the product, giving them increased peace of mind and time back to run their respective businesses.

STRATEGIC PRIORITY #2

## Obsess over customers

### Highlights

**Accelerated development of Gen 2.0 payroll engine**

**Product improvements reduced customer support calls**

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

The understanding of our customers is critical to our short, medium and long term success, ensuring that we give them the peace of mind that their employees get paid correctly, on time and with all relevant compliance filing completed. With the technological enhancement offered by our Gen 2.0 Payroll engine, the view of the customer is evolving.

Our micro-business payroll app is focused entirely on making the lives of business owners who employ 1-5 employees much, much easier. Essentially, to

those customers, we're selling peace of mind and time. Whilst we're still at the beginning of the journey, we're thinking about the customer for embedded payroll very differently, as these customers shall likely be aggregators of many employers with their own employees, and the end-customer relationship is likely to be owned by the aggregator.

STRATEGIC PRIORITY #3

## Win-win-win partnerships

### Highlights

**Strengthened banking connections through API and Akahu**

**Increasing our reach into local accounting firms**

**National brand exposure through rugby sponsorships**

To scale quickly and efficiently, especially when scaling globally, it's essential to partner with local experts who've already solved the problem in their own market. PaySauce partners with many different organisations as long as the partnership results in a win for PaySauce, a win for the partner and ultimately a win for our customer.

Working with our banking and payments partners PaySauce has implemented technology upgrades that reduce processing complexity, while giving customers greater security, real-time visibility of their payroll payments, and eliminates the need for letters of credit.

STRATEGIC PRIORITY #4

## Awesome people

### Highlights

**Four new senior roles in Sales and Product teams**

**New employee share scheme for FY24**

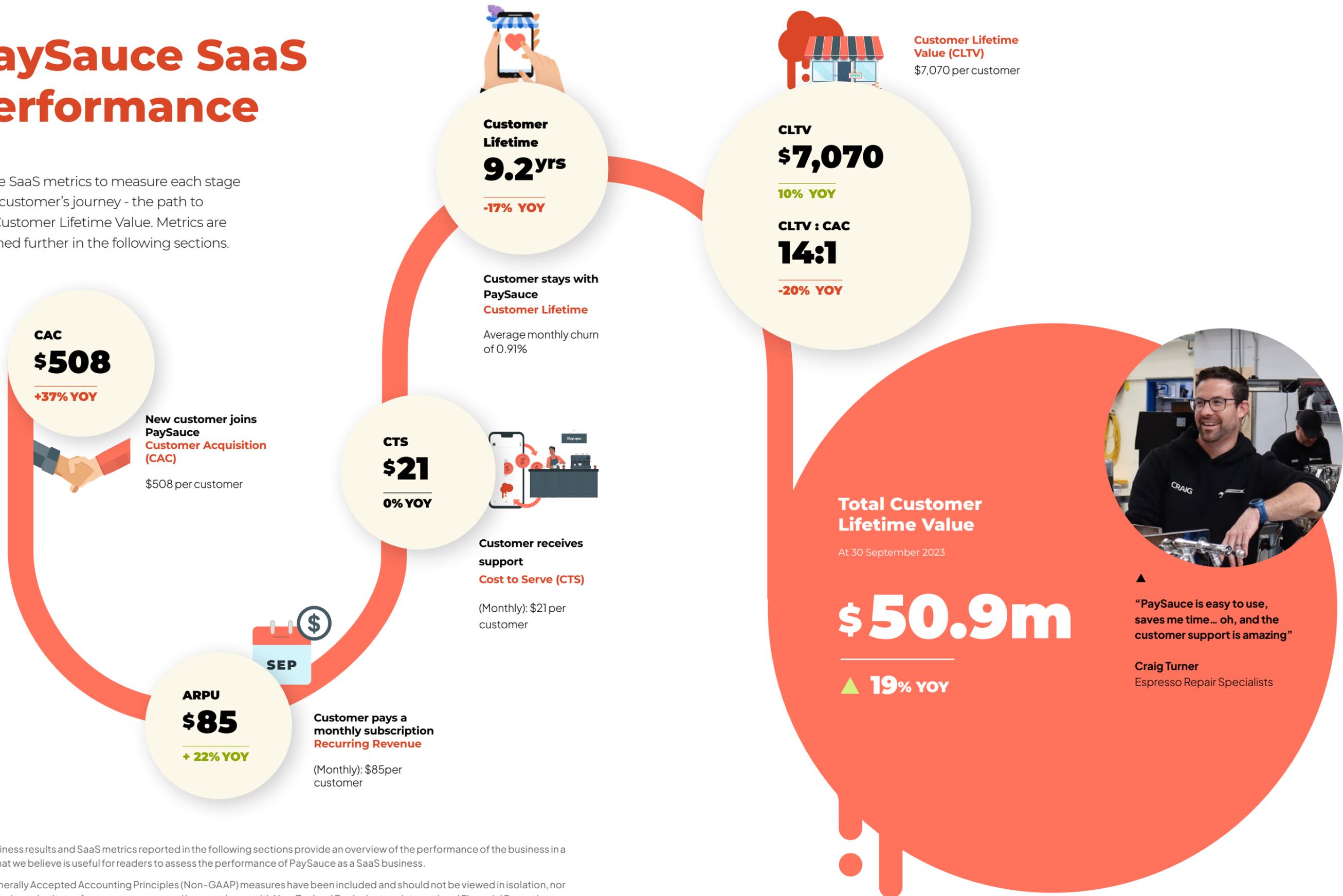
**Winner of the 2degrees Wellington Regional Business Excellence Awards**

Attracting and retaining awesome people is essential to PaySauce's strategic execution. In this period, the evolution of the existing platform has enabled customers to self-serve to a greater extent. This has reduced the number of Customer Support people required to ensure those customers get an awesome experience with PaySauce. The increased capacity has been moved into areas to support our future growth, predominantly the Sales and Product teams.

The collective efforts of the team were recognised at the 2023 2degrees Wellington Regional Business Excellence Awards. Judged on a number of criteria, including strategic planning, internal communications, performance monitoring, training support, and diversity and inclusion, PaySauce was recognised as the winner in the Service and Support business category, and was the overall Supreme Winner.

# PaySauce SaaS performance

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.



**CAC**  
**\$508**

+37% YOY

New customer joins PaySauce  
**Customer Acquisition (CAC)**

\$508 per customer

**Customer Lifetime**  
**9.2 yrs**

-17% YOY

Customer stays with PaySauce  
**Customer Lifetime**

Average monthly churn of 0.91%

**CTS**  
**\$21**

0% YOY

Customer receives support  
**Cost to Serve (CTS)**

(Monthly): \$21 per customer

**ARPU**  
**\$85**

+22% YOY

Customer pays a monthly subscription  
**Recurring Revenue**

(Monthly): \$85 per customer

**CLTV**  
**\$7,070**

10% YOY

**CLTV : CAC**  
**14:1**

-20% YOY

**Customer Lifetime Value (CLTV)**  
\$7,070 per customer

**Total Customer Lifetime Value**

At 30 September 2023

**\$50.9m**

▲ 19% YOY



▲  
"PaySauce is easy to use, saves me time... oh, and the customer support is amazing"

**Craig Turner**  
Espresso Repair Specialists

\*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).

## Customer Acquisition (CAC)



	SEP 2023	SEP 2022	YOY Change
Customer acquisition costs (\$000s)	418	348	20%
New customers (organic)	822	939	(12%)
CAC per addition	508	371	37%

**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.

## Recurring Revenue



	SEP 2023	SEP 2022	YOY Change
ARR at end of period (\$000s)	7,378	5,576	32%
Recurring revenue for the period - Total (\$000s)	3,551	2,525	41%
ARPU (monthly) at end of period (\$)	85	70	22%
FTEs	43	38	13%
Revenue per FTE (\$000s)	84	68	24%

**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.

## Cost to Serve (CTS)



	SEP 2023	SEP 2022	YOY Change
Recurring revenue (\$000s)	3,551	2,525	41%
Less cost to serve (\$000s)	(873)	(759)	15%
<b>Gross margin (\$000s)</b>	<b>2,678</b>	<b>1,766</b>	<b>52%</b>
Gross margin %	75%	70%	5pp
CTS per customer (monthly) at end of period (\$)	21	21	-

**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.

## Customer Lifetime



	SEP 2023	SEP 2022	YOY Change
Customers at end of period	7,202	6,658	8%
Average monthly churn rate for the period (%)	0.91	0.76	20%
LTV per customer at end of period (\$)	7,070	6,424	10%
Total customer LTV at end of period (\$000s)	50,918	42,770	19%
LTV:CAC ratio at end of period	14 : 1	17 : 1	(20%)

**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.

Note - 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 (0.83%), total customer LTV would be \$5.27m (10.4%) lower.

## SaaS P&L

For the year ended 30 September 2023

	SEP 2023	SEP 2022
	\$000s	\$000s
Processing Fees	2,536	2,142
Interest Income	1,015	383
<b>Recurring Revenue</b>	<b>3,551</b>	<b>2,525</b>
Cost to Serve	(873)	(759)
<b>Gross Margin</b>	<b>2,678</b>	<b>1,766</b>
<b>Gross Margin %</b>	<b>75%</b>	<b>70%</b>
Other Interest Income	6	7
Other Revenue	51	45
<b>Total Other Revenue</b>	<b>57</b>	<b>52</b>
Customer Acquisition	(418)	(348)
Research & Development	(501)	(480)
General & Administration	(1,512)	(1,169)
Interest Expense	(49)	(21)
<b>Earnings Before Tax, Depreciation and Amortisation</b>	<b>255</b>	<b>(200)</b>
<b>Earnings Before Tax, Depreciation and Amortisation Margin %</b>	<b>7%</b>	<b>(8%)</b>
Depreciation & Amortisation	(305)	(235)
Asset Impairment	(228)	-
Income Tax	11	10
<b>Net Loss for the period</b>	<b>(267)</b>	<b>(425)</b>

## 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.

**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.

**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.

**Cost to serve** consists 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.

**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.

**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



## Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2023

	Notes	SEP 2023	MAR 2023
		Unaudited	Audited
		\$000s	\$000s
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	356	504
Cash and cash equivalents - customer funds	16	10,581	8,169
Term deposits - customer funds	16	21,100	24,200
Trade receivables		98	124
Other assets		515	638
<b>Total current assets</b>		<b>32,650</b>	<b>33,635</b>
<b>Non-current assets</b>			
Property, plant and equipment	4	351	358
Intangible assets	5	2,039	2,009
<b>Total non-current assets</b>		<b>2,390</b>	<b>2,367</b>
<b>Total assets</b>		<b>35,040</b>	<b>36,002</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		326	627
Funds due to customers and IRD	16	31,681	32,369
Employee benefits		488	372
Other liabilities		350	346
Lease liabilities		69	114
<b>Total current liabilities</b>		<b>32,914</b>	<b>33,828</b>

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

## Interim Condensed Consolidated Statement of Financial Position (cont.)

As at 30 September 2023

	Notes	SEP 2023	MAR 2023
		Unaudited	Audited
		\$000s	\$000s
<b>Non-current liabilities</b>			
Lease liabilities		142	115
Employee benefits		20	14
Interest bearing liabilities		650	650
<b>Total non-current liabilities</b>		<b>812</b>	<b>779</b>
<b>Total liabilities</b>		<b>33,726</b>	<b>34,607</b>
<b>Net assets</b>		<b>1,314</b>	<b>1,395</b>
<b>Equity</b>			
Share capital	6	13,303	13,212
Reserves	15	337	242
Accumulated losses		(12,326)	(12,059)
<b>Equity attributable to the owners of the Company</b>		<b>1,314</b>	<b>1,395</b>

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 21st November 2023:

Shelley Ruha  
Chair


21 November 2023

Jim Sybertsma  
Chair of Audit & Risk Committee


21 November 2023

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2023

	Notes	Attributable to equity holders of the Company			Total
		Share-based payment reserve	Share Capital	Accumulated losses	
		\$000s	\$000s	\$000s	
Unaudited					
<b>Balance as at 1 April 2023</b>		<b>242</b>	<b>13,212</b>	<b>(12,059)</b>	<b>1,395</b>
<b>Comprehensive loss</b>					
Net loss for the period		-	-	(267)	(267)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>(267)</b>	<b>(267)</b>
<b>Transactions with owners</b>					
Share-based payments, net of tax	15	189	-	-	189
Share-based payments, paid up	6	(94)	91	-	(3)
<b>Total transactions with owners</b>		<b>95</b>	<b>91</b>	<b>-</b>	<b>186</b>
<b>Balance as at 30 September 2023</b>		<b>337</b>	<b>13,303</b>	<b>(12,326)</b>	<b>1,314</b>
Unaudited					
<b>Balance as at 1 April 2022</b>		<b>131</b>	<b>13,039</b>	<b>(11,502)</b>	<b>1,668</b>
<b>Comprehensive loss</b>					
Net loss for the period		-	-	(425)	(425)
Other comprehensive income		-	-	-	-
<b>Total comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>(425)</b>	<b>(425)</b>
<b>Transactions with owners</b>					
Share-based payments, net of tax		119	-	-	119
Share-based payments paid up	6	(78)	74	-	(4)
<b>Total transactions with owners</b>		<b>41</b>	<b>74</b>	<b>-</b>	<b>115</b>
<b>Balance as at 30 September 2022</b>		<b>172</b>	<b>13,113</b>	<b>(11,927)</b>	<b>1,358</b>

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

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2023

	Notes	6 months to SEP 2023	6 months to SEP 2022
		Unaudited	Unaudited
		\$000s	\$000s
<b>Cash flows from / (used in) operating activities</b>			
Receipts from customers		2,446	2,030
Interest received		1,026	268
Payments to suppliers and employees		(2,997)	(2,384)
Interest paid		(11)	(2)
<b>Net cash from / (used in) operating activities before before changes in funds due to customers and IRD</b>		<b>464</b>	<b>(88)</b>
Increase / (decrease) in funds due to customers and IRD		(689)	1,860
<b>Net cash from / (used in) operating activities</b>	<b>14</b>	<b>(225)</b>	<b>1,772</b>
<b>Cash flows from / (used in) investing activities</b>			
Funds on deposit		3,100	(7,295)
Investment in intangible assets		(467)	(448)
Purchases of property, plant and equipment		(49)	(46)
<b>Net cash from investing activities</b>		<b>2,584</b>	<b>(7,789)</b>
<b>Cash flows from / (used in) financing activities</b>			
Loan advances		-	650
Repayments of principal portion of lease liability		(57)	(32)
Repayments of other borrowings		(38)	(19)
<b>Net cash from / (used in) financing activities</b>		<b>(95)</b>	<b>599</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,264</b>	<b>(5,418)</b>
Cash and cash equivalents at beginning of the period		8,673	10,205
<b>Cash and cash equivalents at end of the period</b>		<b>10,937</b>	<b>4,787</b>

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 2023

## 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 2023 were authorised in accordance with a resolution of the directors for issue on 21 November 2023 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), which is the functional currency of the Group, 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 2023

There are no seasonality or cyclical 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 2023, 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.

### Going concern

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

The Group made a net loss before tax of \$0.267m for six months year ended 30 September 2023 (2022: \$0.425m), has equity at 30 September 2023 of \$1.314m (Mar 2023: \$1.395m) and net current liabilities of \$0.264m (Mar 2023: \$0.193m). The Group now has positive net cash from operating activities before increase in funds due to customers and IRD. The Group also has further debt facilities of \$0.250 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

Unaudited	Right-of-use Asset (Property)	Office Equipment	Leasehold Improvements	Computer Equipment	Total
Year ended 30 September 2023	\$000s	\$000s	\$000s	\$000s	\$000s
<b>Opening net book value</b>	<b>228</b>	<b>60</b>	<b>4</b>	<b>66</b>	<b>358</b>
Additions	40	28	-	20	88
Disposals	-	-	-	-	-
Depreciation	(62)	(9)	(1)	(23)	(95)
<b>Closing net book value</b>	<b>206</b>	<b>79</b>	<b>3</b>	<b>63</b>	<b>351</b>
<b>As at 30 September 2023</b>					
Cost	480	151	15	243	889
Accumulated depreciation	(274)	(72)	(12)	(180)	(538)
<b>Net book value</b>	<b>206</b>	<b>79</b>	<b>3</b>	<b>63</b>	<b>351</b>

## 5. Intangible assets

Unaudited	Development in progress	Computer Software	Customer Relationships	Total
Year ended 30 September 2023	\$000s	\$000s	\$000s	\$000s
<b>Opening net book value</b>	<b>799</b>	<b>986</b>	<b>224</b>	<b>2,009</b>
Additions	22	24	-	46
Development costs recognised as an asset	422	-	-	422
Development in progress recognised as Software	(153)	153	-	-
Asset impairment	(228)	-	-	(228)
Amortisation	-	(175)	(35)	(210)
<b>Closing net book value</b>	<b>862</b>	<b>988</b>	<b>189</b>	<b>2,039</b>
<b>As at 30 September 2023</b>				
Cost	862	2,252	354	3,468
Accumulated amortisation	-	(1,264)	(165)	(1,429)
<b>Net book value</b>	<b>862</b>	<b>988</b>	<b>189</b>	<b>2,039</b>

Indicators of impairment were identified for Development in progress assets as at 30 September 2023, with some assets in this category no longer expected to be completed. Upon assessment of the recoverable amount of the Development in progress assets, it was determined that an impairment loss of \$0.228 million be recognised.

## 6. Share capital

Date	Details	Notes	Number of Shares	\$000s
Unaudited				
<b>1 April 2023</b>	<b>Opening Balance</b>		<b>139,207,935</b>	<b>13,212</b>
	Issue of ordinary shares	<b>(i)</b>	359,845	91
<b>30 September 2023</b>	<b>Closing Balance</b>		<b>139,567,780</b>	<b>13,303</b>
Unaudited				
<b>1 April 2022</b>	<b>Opening Balance</b>		<b>138,583,819</b>	<b>13,039</b>
	Issue of ordinary shares	<b>(ii)</b>	273,244	74
<b>30 September 2022</b>	<b>Closing Balance</b>		<b>138,857,063</b>	<b>13,113</b>

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 2023: Shares issued (unpaid) as part of the FY23 employee share scheme were paid up as tranche 1 of the scheme vested for those employees who met the vesting conditions. 359,845 shares were fully paid up via a discretionary bonus approved by the board. This resulted in an issue of 359,845 ordinary shares at \$0.2596 per share, totalling an issue of \$0.094m. Directly attributable costs totalled \$0.003m, bringing the net share issue to \$0.091m.
- (ii) On 31 May 2022: Shares issued (unpaid) as part of the FY22 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.

The interim condensed consolidated statement of changes in equity has been changed from what was presented for the six months ended 30 September 2022. The disclosure previously summarised the net figure of share based payments accrued and paid up. These elements are now shown separately on the face of the financial statements, and the issuance of ordinary shares has been more accurately labelled as share-based payments paid up. The change in disclosure does not impact the reporting results in any other way.

### Dividends

No dividends were declared or paid during the reporting period (SEP 2022: None).

**7. Earnings / (loss) per share**

	6 months to SEP 2023	6 months to SEP 2022
	Unaudited	Unaudited
<b>Basic earnings per share</b>		
Net loss used in calculating earnings per share (\$000s)	(267)	(425)
Weighted average number of ordinary shares for basic earnings per share	139,447,832	138,765,982
<b>Basic loss per share (cents)</b>	<b>(0.19)</b>	<b>(0.31)</b>

There are no financial instruments on issue that will dilute the basic earnings per share amounts for the six months ended 30 September 2023

**8. Operating revenue**

	6 months to SEP 2023	6 months to SEP 2022
	Unaudited	Unaudited
	\$000s	\$000s
Revenue from contracts with customers		
- Processing fees	2,536	2,142
- Other services revenue	39	37
Revenue from other sources		
- Interest income	1,021	390
- Other revenue	12	8
<b>Total operating revenue</b>	<b>3,608</b>	<b>2,577</b>

**9. Employee expenses**

	6 months to SEP 2023	6 months to SEP 2022
	Unaudited	Unaudited
	\$000s	\$000s
Employee benefits/entitlements	1,850	1,502
Employee benefits/entitlements - share based payments	340	171
Fringe benefit tax	10	-
Other employee expenses	88	87
<b>Total employee expenses</b>	<b>2,288</b>	<b>1,760</b>

**10. Research & Development**

	6 months to SEP 2023	6 months to SEP 2022
	Unaudited	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)	501	480
<b>Total research &amp; development</b>	<b>501</b>	<b>480</b>

**11. Finance Costs**

	6 months to SEP 2023	6 months to SEP 2022
	Unaudited	Unaudited
	\$000s	\$000s
Interest paid	38	19
Finance cost - Interest on lease	11	2
<b>Total finance costs</b>	<b>49</b>	<b>21</b>

**12. Other expenses**

	<b>6 months to SEP 2023</b>	<b>6 months to SEP 2022</b>
	Unaudited	Unaudited
	<b>\$000s</b>	<b>\$000s</b>
Advertising, PR and marketing	150	105
Audit fees	42	36
Communications and subscriptions	140	107
Customer and transactional	250	219
Other overheads	229	242
Infrastructure and security	143	245
Travel	62	42
<b>Total other expenses</b>	<b>1,016</b>	<b>996</b>

The allocation of other expenses has been simplified due to the size and nature of the categories presented. The disclosure for the six months ended 30 September 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.

A provision for other overheads of \$108k was released to the statement of profit and loss during the period.

**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.

	<b>6 months to SEP 2023</b>	<b>6 months to SEP 2022</b>
	Unaudited	Unaudited
	<b>\$000s</b>	<b>\$000s</b>
Directors' fees	95	63
Short term employee benefits	543	470
Share-based payments	73	-
<b>Total key management personnel compensation</b>	<b>711</b>	<b>533</b>

**Related party transactions and balances**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of 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. Outside of these transactions, and the Directors' fees and short term employee benefits noted above, all other related party transactions are outlined below:

	<b>6 months to SEP 2023</b>	<b>6 months to SEP 2022</b>
	Unaudited	Unaudited
	<b>\$000s</b>	<b>\$000s</b>
<b>Related party transactions during the period</b>		
<b>Cloud hosting services supplied by entities controlled by related parties</b>		
<i>Catalyst Cloud Limited</i>	61	57
	<b>SEP 2023</b>	<b>MAR 2023</b>
	Unaudited	Audited
<b>Related party balances payable at period end</b>	<b>\$000s</b>	<b>\$000s</b>
Directors' Fees	16	11
Cloud Hosting Services	9	11

PaySauce Limited has a standby debt facility agreement with Director Gavin Thompson. The facility totals \$0.25M and can be drawn on demand, within three years from the date of the agreement (December 2021). The interest rate in the agreement is linked to the floating interest rate of ASB Bank Limited. As at 30 September 2023, no funds have been drawn.

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

	6 months to SEP 2023	6 months to SEP 2022
	Unaudited	Unaudited
	\$000s	\$000s
Net Loss after taxation	(267)	(425)
<b>Add back / (deduct) non-cash &amp; non-operating items:</b>		
Depreciation & amortisation	305	235
Asset impairments	228	-
Share based payment expense	189	115
Other non-cash & non-operating items	36	19
	<b>491</b>	<b>(56)</b>
<b>Movement in working capital:</b>		
(Increase)/decrease in Trade and other receivables	26	(12)
(Increase)/decrease in Other assets	123	(36)
Increase/(decrease) in Funds due to customers and IRD	(689)	1,860
Increase/(decrease) in Trade and other payables	(301)	(114)
Increase in Employee benefits	122	72
Increase in Other liabilities	3	58
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(225)</b>	<b>1,772</b>

**15. Employee Share Scheme**

The Group entered into an employee share scheme for the year ended 31 March 2024. The new FY24 scheme is different to the FY22 and FY23 schemes outlined in the financial statements for the year ended 31 March 2023, as follows:

An ESS agreement is entered into between each eligible employee and the Company stipulating the value of ESS shares granted. Shares are issued quarterly, at the end of each quarter, and the number of ESS shares granted is determined by the volume weighted average share price on each issue date.

New ESS agreements may be entered into throughout the course of the financial year for new employees as they become eligible, with the benefit pro-rated for the proportion of the year those employees are eligible from. Equally, employees who leave or become ineligible for the scheme will forfeit their right to be issued shares as part of the ESS agreement.

ESS shares are performance based on the achievement of the employees personal KPI objectives.

This equity settled remuneration attracts income tax on the employees. The income tax and other deductibles are deducted and the net amount of ordinary shares are issued to employees.

The ESS shares for the FY24 scheme have been accrued, but not yet been issued for the first two quarters for FY24. The issue for these two quarters is due to be completed in November 2023, with the volume weighted average share price to be calculated on the issue date.

Employee share scheme expenses, and other share based payments for the six month period ended 30 September 2023 are as follows:

Unaudited	March 2024 Employee Share Scheme	March 2023 Employee Share Scheme	March 2022 Employee Share Scheme	Other Shared Based Payments	Total
<b>For the period ended 30 September 2023</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>	<b>\$000s</b>
Share based payment expense, net of tax	136	28	6	19	<b>189</b>
Tax on share based payment expense	73	19	9	-	<b>101</b>
<b>Total share based payment expense</b>	<b>209</b>	<b>47</b>	<b>15</b>	<b>19</b>	<b>290</b>

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

	Unaudited
<b>Share based payment reserve</b>	<b>\$000s</b>
<b>Balance at 1 April 2023</b>	<b>242</b>
Employee Share Scheme (31 March 2022) - Share based payment expense, net of tax	6
Employee Share Scheme (31 March 2023) - Share based payment expense, net of tax	28
Employee Share Scheme (31 March 2023) - Shares vested and fully paid up	(94)
Employee Share Scheme (31 March 2024) - Share based payment expense, net of tax	136
Other share based payment expenses, net of tax	19
<b>Balance at 30 September 2023</b>	<b>337</b>

**16. 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 term 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.

Term deposits were reclassified from cash and cash equivalents in the consolidated financial statements in the year ended 31 March 2023. The comparative figures on the face of the consolidated statement of cash flows for the six month period ending 30 September 2022 have changed as a result.

**17. Events occurring after the reporting period**

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

**Company Directory****Directors:**

Asantha Wijeyeratne

Gavin Thompson

Jim Sybertsma

Mark Samlal

Michael O'Donnell

Shelley Ruha

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**Auditor:**

Grant Thornton New Zealand Audit Limited

**Stock Exchange:**

NZX

**Share Registrar:**

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**NZ Company Number:**

1719868

**NZBN:**

9429034458099

