PaySauce Limited

Condensed Consolidated Financial Statements

for the year ended 31 March 2019

CONTENTS

PaySauce Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 March 2019

	Notes	2019 $	2018 $
Revenue			
Revenue from sponsorship		87,500	150,000
Processing fees		533,402	212,876
Subsidy revenue		167,810	80,833
Interest		132,856	67,971
Total revenue		**921,568**	**511,680**
Other gains (losses) - net	**5**	1,432,415	-
Expenses			
Depreciation and amortisation		(128,776)	(163,980)
Hosting expenses		(33,679)	(22,484)
Employee expenses	**6**	(675,163)	(642,925)
Other expenses	**7**	(694,779)	(604,966)
Employee bonuses	**6**	(1,554,082)	-
Listing costs	**7**	(3,644,004)	-
Total expenses		**(6,730,483)**	**(1,434,355)**
Net loss before income tax		**(4,376,500)**	**(922,675)**
Tax benefit	**8**	1,064,070	-
Loss from continuing operations		**(3,312,430)**	**(922,675)**
Net loss after tax		**(3,312,430)**	**(922,675)**
Other comprehensive income		-	-
Total comprehensive loss		**(3,312,430)**	**(922,675)**

PaySauce Limited
Consolidated Statement of Financial Position

for the year ended 31 March 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents		6,313,146	3,614,619
Trade and other receivables		145,548	57,016
Other current assets		75,000	-
Prepayments and other short-term assets		120,452	33,623
Total current assets		**6,654,146**	**3,705,258**
Non-current assets			
Property, plant and equipment		76,620	52,817
Intangible assets		296,629	108,142
Deferred tax assets		1,064,070	-
Total non-current assets		**1,437,319**	**160,959**
Total assets		**8,091,465**	**3,866,217**
Liabilities			
Current liabilities			
Trade and other payables		547,632	77,058
Funds held due to customers		6,273,862	3,410,341
Employee benefits		58,792	29,601
Other liabilities		81,580	17,055
Contract liabilities relating to sponsorship revenue		-	87,500
Interest bearing liabilities		11,668	-
Total current liabilities		**6,973,534**	**3,621,555**

PaySauce Limited
Consolidated Statement of Financial Position
for the year ended 31 March 2019

	Notes	2019 $	2018 $
Non-current liabilities			
Non-interest bearing liabilities		699,916	-
Interest bearing liabilities		14,688	37,267
Total non-current liabilities		**714,604**	**37,267**
Total liabilities		**7,688,138**	**3,658,822**
Net assets		**403,327**	**207,395**
Equity			
Share capital	**3**	5,508,339	1,999,977
Accumulated losses		(5,105,012)	(1,792,582)
		403,327	**207,395**

PaySauce Limited
Consolidated Statement of Changes in Equity
for the year ended 31 March 2019

	Notes	Attributable to equity holders of the Company		
		Share Capital	Accumulated losses	Total
		$	$	$
Balance as at 1 April 2018		**1,999,977**	**(1,792,582)**	**207,395**
Comprehensive income				
Loss for the year		-	(3,312,430)	(3,312,430)
Total comprehensive income		**-**	**(3,312,430)**	**(3,312,430)**
Transactions with owners				
Issue of ordinary shares	3	1,145,000	-	1,145,000
Share based payments	3	2,054,084	-	2,054,084
Reverse listing on 21 December - fair value of PaySauce Limited	3	309,278	-	309,278
Total transactions with owners		**3,508,362**	**-**	**3,508,362**
Balance as at 31 March 2019		**5,508,339**	**(5,105,012)**	**403,327**
Balance as at 1 April 2017		829,977	(869,907)	(39,930)
Comprehensive income				
Loss for the year		-	(922,675)	(922,675)
Total comprehensive income		**-**	**(922,675)**	**(922,675)**
Transactions with owners				
Issue of ordinary shares	3	1,170,000	-	1,170,000
Total transactions with owners		**1,170,000**	**-**	**1,170,000**
Balance as at 31 March 2018		**1,999,977**	**(1,792,582)**	**207,395**

PaySauce Limited
Consolidated Statement of Cash Flows
for the year ended 31 March 2019

	Notes	2019 $	2018 $
Cash flows from (used in) operating activities			
Receipts from customers		642,510	270,259
Increase in funds held for customers		2,863,521	2,321,581
Interest received		120,307	57,213
Payments to suppliers and employees		(2,083,752)	(1,265,992)
Taxes paid		(18,086)	(11,772)
Interest paid		(4,209)	(4,133)
Net cash from operating activities		**1,520,291**	**1,367,156**
Cash flows from (used in) investing activities			
Purchases of property, plant and equipment		(55,821)	(57,317)
Proceeds from sale of property, plant and equipment		6,959	-
Purchases of intangible assets		(292,204)	-
Advances to related parties		-	(20,000)
Net cash used in investing activities		**(341,066)**	**(77,317)**
Cash flows from (used in) financing activities			
Net proceeds from issue of shares		1,145,000	1,170,000
Loan advances		385,212	37,267
Repayments of other borrowings		(10,911)	-
Net cash from financing activities		**1,519,301**	**1,207,267**
Net increase in cash and cash equivalents		**2,698,526**	**2,497,106**
Cash and cash equivalents at the beginning of the financial year		3,614,620	1,117,513
Cash and cash equivalents at end of the financial year		**6,313,146**	**3,614,619**

Notes to the Condensed Consolidated Financial Statements

1 General Information

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

The condensed consolidated financial statements are based on the Financial Statements for the Group, which are in the process of being audited. The condensed consolidated financial statements have been prepared using materially the same accounting policies and methods of computation, and should be read in conjunction with, the audited 2018 Financial Statements of PaySauce Operations Limited.

2 Critical Estimates and Assumptions

(a) Reverse Acquisition

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

PaySauce Operations Limited being the accounting acquirer, is deemed to have issued shares to obtain control of the acquiree, PaySauce Limited. However, because PaySauce Limited, the accounting acquiree is not a business, the transaction is not a business combination within the scope of NZ IFRS 3. The difference between the fair value of the shares deemed to have been issued to obtain control over PaySauce Limited, and the fair value of the identifiable net assets of PaySauce Limited has been recognised as an equity-settled share based payment in accordance with IFRIC (Interpretation statement) Update March 2013, and IFRS 2, for services received in the form of a stock exchange listing.

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

(b) Intangible Assets (Software Development)

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

Development expenditure

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

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

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

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as an asset in subsequent periods. In the event that the expected future economic benefits are no longer considered probable, the development expenditure is written down to its recoverable amount.
Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis and the rate for the current and comparative years are as follows:

Software 20 - 40% (representing useful lives of between 2.5 and 5 years)

3 Share Capital

Date	Details	Notes	Number of Shares	$
1 April 2017	**Opening Balance**		**2,730,760,782**	**829,977**
	Ordinary share issue	i	369,926,726	705,000
	Ordinary share issue	ii	170,509,182	325,000
	Ordinary share issue	iii	73,448,994	140,000
31 March 2018	**Closing Balance**		**3,344,645,684**	**1,999,977**

3 Share Capital (continued)

Date	Details	Notes	Number of Shares	$
1 April 2018	**Opening Balance**		**3,344,645,684**	**1,999,977**
	Ordinary share issue	iv	849,399,707	1,145,000
	Share based payment	v	357,178,347	500,000
	Share based payment	vi	1,116,483,029	1,554,084
	Share based payment	vii	175,836,635	309,278
31 March 2019	**Closing Balance**		**5,843,543,402**	**5,508,339**

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

(i) On 27 November 2017 PaySauce Operations Limited issued 369,926,726 shares at 0.19 cents per share to raise $705,000 as total consideration.

(ii) On 13 February 2018 PaySauce Operations Limited issued 170,509,182 shares at 0.19 cents to raise $325,000 as total consideration.

(iii) On 23 March 2018 PaySauce Operations Limited issued 73,448,994 shares at 0.19 cents to raise $140,000 as total consideration.

(iv) On 13 August 2018: PaySauce Operations Limited issued 849,399,707 shares at 0.14 cents per share to raise $1,145,000 as total consideration.

(v) On 13 August 2018: PaySauce Operations Limited issued 357,178,347 shares at 0.14 cents per share to Coulthard Barnes (PaySauce) Limited in consideration for services rendered. The fair value of services received of $500,000 including GST has been measured directly. The value was agreed between knowledgeable, willing parties in an arm's length transaction.

(vi) On 13 August 2018: PaySauce Operations Limited issued 1,116,483,029 shares at 0.14 cents per share to its founders and key employees in consideration for services rendered. The fair value of the services could not be measured directly because they were granted as part of a bonus arrangement rather than as an element of basic remuneration. The value has therefore been measured by reference to the fair value of the equity instruments granted. The fair value of the equity instruments granted of $1,554,084 has been determined with reference to an agreement between the PaySauce Operations Limited and the founders and key employees.

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

All ordinary shares do not have a par value. They have equal voting rights and share equally in dividends and surplus on liquidation.

No dividends were declared or paid during the reporting period (2018: None).

4 Earnings per Share

	2019	2018
Basic earnings per share	**$**	**$**
Net loss used in calculating earnings per share	(3,312,430)	(922,675)
Weighted average number of ordinary shares for basic earnings per share	4,847,503,401	2,872,051,652
Basic earnings per share (cents per share)	(0.07)	(0.03)

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

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

5 Other Gains / (Losses) - Net

	2019	2018
	$	**$**
Gain on acquisition of loan	1,347,226	-
Fair value gain on acquisition of related party loan	92,924	-
Foreign currency losses	(7,735)	-
	1,432,415	**-**

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

6 Employee Expenses

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

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

These expenses are not a recurring part of the operations of the Group.

7 Other Expenses

	2019	2018
	$	$
Administration and Management Services	73,231	171,102
Advertising, PR and Marketing	183,992	156,359
Audit Fees	57,000	23,000
Legal, Consulting and Accounting	10,746	13,776
Office Running and Rent	64,964	48,452
Other Overheads	219,098	111,314
Other Fees Paid to Auditor	-	20,000
Travel	85,748	60,963
	694,779	**604,966**
Listing Costs - Reverse Acquisition	2,542,667	-
Listing Costs - Legal and Consulting Expenses	1,101,337	-
	3,644,004	**-**

'Listing Costs – Reverse Acquisition' shown above relate to the reverse acquisition of PaySauce Limited, in line with note 2 (a) above, reverse acquisition. The substance of the transaction is that PaySauce Operations Limited shareholders have given up 3% of their shareholding and taken over the net liabilities of PaySauce Limited to obtain a listing on the NZX main board. The value of 3% of PaySauce Operations Limited ($0.31M) based on the company value at the time of $10M has been recognised as a share based payment and this, plus the net liabilities of PaySauce Limited assumed ($2.233M) has been recognised in the statement of comprehensive income as a listing expense of $2.543M.

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

These expenses are not a recurring part of the operations of the Group.

8 Tax Expense

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Management judgement has been applied to this probability. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.