PaySauce Limited

Consolidated Financial Statements for the Year Ended
31 March 2017

Contents

Compilation report

Compilation report to the directors.

Scope

On the basis of information you provided we have compiled, in accordance with Service Engagement Standard No. 2: *Compilation of Financial Information* , the financial statements of PaySauce Limited for the year ended 31 March 2017 as set out on pages 4 to 24. As described in Note 1 to the consolidated financial statements, these consolidated financial statements have been prepared in accordance with New Zealand equivalents to International Finance Reporting Standards (NZ IFRS) for a Tier 1 for profit reporting entity.

Responsibilities

You are solely responsible for the information contained in these consolidated financial statements and have determined that the accounting framework you have selected is appropriate to meet your needs and for the purpose that the consolidated financial statements were prepared. The consolidated financial statements were prepared exclusively for your benefit. We do not accept responsibility to any other person for the contents of the financial statements.

No audit or review engagement undertaken

Our procedures use accounting expertise to undertake the compilation of the consolidated financial statements from information you provided. Our procedures do not include verification or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.

Disclaimer of liability

Neither we nor any of our employees accept any responsibility for the reliability, accuracy or completeness of the compiled financial information nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on the compiled financial information.

15 October 2018
Auckland

Grant Thornton New Zealand Ltd
Chartered Accountants

Directors' Report

As at 31 March 2017

In the opinion of the directors of PaySauce Limited, the financial statements and notes on pages 8 to 24;

- comply with New Zealand generally accepted accounting practice and present fairly the financial position of the Group as at 31 March 2017 and the results of their operations and cash flows for the year ended on that date; and

- have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of financial position of the Group and facilitates compliance of the financial statements with the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors:

Name	Name
Director	Director
PaySauce Limited	PaySauce Limited
15 October 2018	15 October 2018

Consolidated Statement of Financial Position

As at 31 March 2017

	Note	Year Ended 31 March 2017 $	Year Ended 31 March 2016 $
Current Assets			
Cash and cash equivalents		28,753	97,177
Trade and other receivables	7	10,051	350,645
Prepayments and other short-term assets		14,291	5,162
Total Current Assets		**53,095**	**452,984**
Non-Current Assets			
Plant and Equipment	9	16,266	13,487
Intangible Assets	9	205,596	169,567
Branding and Establishment Costs		57,200	-
Total Non-Current Assets		**279,062**	**183,054**
Total Assets		**332,157**	**636,038**
Current Liabilities			
Trade and other payables	8	88,370	130,316
Employee benefits		19,336	5,550
Other liabilities		15,441	8,740
Sponsorship Revenue in Advance		150,000	62,500
Total Current Liabilities:		**273,147**	**207,106**
Non-Current Liabilities			
Sponsorship Revenue in Advance		87,500	237,500
Total Non-Current Liabilities:		**87,500**	**237,500**
Total Liabilities		**360,647**	**444,606**
Equity			
Share Capital	10	829,977	500,000
Accumulated Losses	11	(858,467)	(308,568)
Equity Attributable to Owners of the Company		**(28,490)**	**191,432**
Total Liabilities & Equity		**332,157**	**636,038**

For and on behalf of the Board, who authorised the issue of these financial statements on 15 October 2018.

Name	Name
Director	Director
PaySauce Limited	PaySauce Limited
15 October 2018	15 October 2018

The attached notes form an integral part of and are intended to be read in conjunction with these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	Year Ended 31 March 2017 $	Year Ended 31 March 2016 $
Revenue			
Revenue from Sponsorships and Referrals		70,500	-
Subscription Revenue		34,937	2,848
Other Revenue		15,702	2,546
Interest		9,244	4,459
Total Income		**130,383**	**9,853**
Expenses			
Depreciation and Amortisation		97,155	8,203
Hosting Expenses		18,811	8,785
Employee Expenses	12	241,281	142,516
Other Expenses	13	323,035	150,969
Total Expenses		**680,282**	**310,473**
Net Loss Before Tax		(549,899)	(300,620)
Tax Expense	14	-	-
Net Loss After Tax		**(549,899)**	**(300,620)**
Other Comprehensive Income		-	-
Total Comprehensive Loss		**(549,899)**	**(300,620)**

The attached notes form an integral part of and are intended to be read in conjunction with these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Note	Share Capital $	Accumulated Losses $	Total $
Balance at 1 April 2016		**500,000**	**(308,568)**	**191,432**
Comprehensive Loss				
Net Loss After Tax		-	(549,899)	(549,899)
Other Comprehensive Income		-	-	-
Total Comprehensive Loss:		**-**	**(549,899)**	**(549,899)**
Transactions with Owners				
Issue of Ordinary Shares	10	329,977	-	329,977
Total Transactions With Owners:		**329,977**	**-**	**329,977**
Balance at 31 March 2017		**829,977**	**(858,467)**	**(28,490)**

	Note	Share Capital $	Accumulated Losses $	Total $
Balance at 1 April 2015		**75,000**	**(7,948)**	**67,052**
Comprehensive Loss				
Net Loss After Tax		-	(300,620)	(300,620)
Other Comprehensive Income		-	-	-
Total Comprehensive Loss:		**-**	**(300,620)**	**(300,620)**
Transactions with Owners				
Issue of Ordinary Shares	10	425,000	-	425,000
Total Transactions With Owners:		**425,000**	**-**	**425,000**
Balance at 31 March 2016		**500,000**	**(308,568)**	**191,432**

The attached notes form an integral part of and are intended to be read in conjunction with these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Note	Year Ended 31 March 2017 $	Year Ended 31 March 2016 $
Cash Flows from (used in) Operating Activities			
Cash Receipts from Customers		354,808	485
Interest Received		6,883	4,459
Cash Paid to Suppliers and Employees		(564,570)	(207,170)
Taxes Paid		(547)	(2,270)
Interest Paid		(1,969)	(96)
Net Cash (used in) Operating Activities	19	(205,395)	(204,592)
Cash Flows from (used in) Investing			
Purchase of Fixed Assets		(135,963)	(180,089)
Brand and Establishment costs		(57,200)	-
Net Cash (used in) Investing Activities		(193,163)	(180,089)
Cash Flows from (used in) Financing Activities			
Net Proceeds from Issue of Shares	10	329,978	425,000
Loans repayments from employees		156	(156)
Net Cash from Financing Activities		330,134	424,844
Net Increase in Cash and Cash Equivalents			
Cash and Cash Equivalents at beginning of period		97,177	57,014
Cash and Cash Equivalents at end of period		**28,753**	**97,177**

The attached notes form an integral part of and are intended to be read in conjunction with these financial statements.

1. Reporting Entity

PaySauce Limited ("the Company" or "PaySauce") is a company domiciled in New Zealand, incorporated under the Companies Act 1993 on 7 January 2015.

PaySauce commenced public operations on 7 January 2015, offering cloud payroll software and services.

The consolidated financial statements of PaySauce and its subsidiary (collectively referred to as "the Group") have been prepared in accordance with the Financial Reporting Act 2013 and the Companies Act 1993. The Group has elected to be a Tier 1 for-profit reporting entity as defined by the External Reporting Board in its "Accounting Standards Framework".

2. Basis of Preparation

a. *Statement of compliance*

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and on the assumption that the Group is a going concern. They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were authorised for issue by the Board of Directors on 15 October 2018.

b. *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies below.

c. *Functional and presentation currency*

These consolidated financial statements are presented in New Zealand Dollars ($), which is the Company's functional currency and presentation currency. All financial information has been rounded to the nearest dollar.

d. *Reliance on the raising of additional share capital*

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

As an early stage growth entity the Group is not yet operating profitably and during the year ended 31 March 2017 it incurred a total comprehensive loss of $549,899. The Group's cashflow forecasts show that Group is reliant on the raising of sufficient additional share capital to continue its current level of business operations. As at 31 March 2017 the Group has a net liability position of $28,490.

These consolidated financial statements have been prepared on the assumption that the Group raises sufficient additional share capital through subsequent share capital issues and operating income increases sufficiently to enable the Group to continue its business operations.

Management's plan in response to these conditions is to undertake the following actions over the next 12 months:

- to ensure that shareholders are kept informed of the Group's trading results;
- to manage the variable costs of the Group's operations;
- to secure a stable stream of subscription revenue; and
- to raise share capital via private share capital issues.

Should the Group not raise sufficient additional share capital and increase operating income, there is a material uncertainty that would cast significant doubt on the Group's ability to continue as a going concern. If the Group were unable to continue in operational existence for the foreseeable future, adjustments will have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently recorded in the Consolidated Statement of Financial Position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify long-term liabilities as current liabilities in the Consolidated Statement of Financial Position.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently during the periods presented in these consolidated financial statements.

a. *Basis of Consolidation*

These financial statements consolidate those of the Company and its subsidiary as of 31 March 2017. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Its subsidiaries have a reporting date of 31 March.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the reporting period are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

b. *Goods and services tax*

All revenue and expense transactions are recorded exclusive of GST. Assets and liabilities are similarly stated exclusive of GST, with the exception of receivables and payables, which are stated inclusive of GST.

c. *Financial instruments*

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risk and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised Cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

- The Group's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Impairment of financial assets

Recognition of credit losses uses the 'expected credit loss (ECL) model'.The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage2')

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised in Stage 1 while 'lifetime expected credit losses' are recognised for the second Stage.

Measurement of the expected credit losses is determined by probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

d. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

e. Property, plant and equipment

Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss within the Statement of Comprehensive Income.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs, including on-going repairs and maintenance, are expensed as incurred.

Depreciati

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

Computer Equipment	40%
Office Equipment	67%

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

f. *Software*

Acquired computer software licences 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 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 are not recognised as assets in the subsequent period. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

Amortisation is recognised in profit or loss on a straight line basis and the rate for the current and comparative years are as follows:

Software	40%

g. *Impairment of non-financial assets*

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset’s recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

h. *Leases*

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

i. *Trade and other payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. As trade and other payables are usually paid within 30 days, they are carried at face value.

j. *Employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group pays contributions to superannuation plans, such as Kiwisaver. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

k. *Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

l. *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

m. *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from Sponsorship and Referrals

Revenue from sponsorship is recognised on a straight line basis over the period of sponsorship, whereas revenue from referrals is recognised on a point in time basis.

Subscriptions

Revenue from the sale of software is recognised when the Group provides its services to the customer.

For subscriptions that are not customised by the Group, the licence period commences upon delivery. For sales of Software subject to significant customisation, the licence period begins upon commencement of

Other Revenue

Subsidies received from performing PAYE services in the course of ordinary activities is measured at the fair value of the consideration received or receivable.

Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method (also refer significant accounting policy (o) below).

n. Expenses

Expenses are recognised as incurred in profit or loss within the Consolidated Statement of Comprehensive Income on an accrual basis. The following specific recognition criteria must also be met before expenses are recognised:

Interest expense

Interest expenses are recognised in profit or loss within the Consolidated Statement of Comprehensive Income as they accrue, using the effective interest method.

Borrowing costs

Borrowing costs are recognised as an expense when incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case the borrowing costs are capitalised.

o. Finance revenue and finance costs

Finance income and finance expense are recognised in profit or loss as they accrue, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the finance income or finance expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or liability. The application of the method has the effect of recognising revenue and expense on the financial asset or liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

Finance income comprises interest income on funds.

p. Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous reporting periods. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

4. Statement of Cash Flows

The consolidated statement of cash flows has been prepared using the direct approach.

Cash flows from related party receivables and payables and borrowings have been netted to provide meaningful disclosure to better reflect the activities of the party providing the funding.

The following are the definitions of the terms used in the consolidated statement of cash flows:

Operating activities

Operating activities include all transactions and other events that are revenue producing activities and not investing or financing activities;

Investing activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets and of investments. Investments can include securities not falling within the definition of cash; and

Financing activities

Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid (if any) in relation to the capital structure are included in financing activities.

5. New Standards and Interpretations

New standards early adopted

NZ IFRS 9 – Financial instruments (effective date from 7 January 2015)

i. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.

ii. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

iii. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments

iv. Financial assets, where applicable, are designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low estimated credit losses; and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose estimated credit loss are not low.

NZ IFRS 15 – Revenue from contracts with customers (effective date from 7 January 2015)

The accounting standard addresses:

- contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts timing – whether revenue is required to be recognized over time or at a single point in time
- variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- time value – when to adjust a contract price for a financing component, and
- various specific issues, such as non-cash consideration and asset exchanges, contract costs, rights of return and other customer options, supplier repurchase options, warranties, principal versus agent, licencing, breakage, non-refundable upfront fees, and consignment and bill-and-hold arrangements.

6. Use of Critical Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS requires the Board of Directors and management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these judgements, estimates and assumptions.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Accounting for property, plant and equipment and finite-life intangible assets

At each reporting date, the useful lives and residual values of property, plant and equipment and finite-life intangible assets are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant and equipment and finite-life intangible assets requires a number of factors to be considered such as the condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset. Refer also note 9.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

7. Trade and Other Receivables

	2017	2016
	$	$
Trade Receivables	10,051	350,645
	10,051	350,645

8. Trade and Other Payables

	2017	2016
	$	$
GST Payable	-	39,469
Trade Payables	29,690	26,427
Accruals	56,932	63,448
Other Creditors	1,748	972
	88,370	130,316

9. Plant and Equipment and Intangible Assets

a. Carrying values of plant and equipment and intangible assets

	Cost	Accumulated Depreciation/ Amortisation	Carrying Value	Depreciation/ Amortisation
31 March 2017	$	$	$	$
Plant and Equipment				
Computer Equipment	7,542	3,767	3,775	2,579
Leasehold Improvements	4,421	412	4,009	309
Office Equipment	14,518	6,034	8,482	3,605
Total Plant and Equipment:	26,481	10,213	16,266	6,493
Intangible assets				
Software	273,878	79,879	193,999	79,880
Website	26,955	15,358	11,597	10,782
Total Intangible Assets:	300,833	95,237	205,596	90,662
	327,314	105,450	221,862	97,155
31 March 2016	$	$	$	$
Plant and Equipment				
Computer Equipment	3,528	1,188	2,340	1,151
Leasehold Improvements	4,421	103	4,318	103
Office Equipment	9,258	2,429	6,829	2,373
Total Plant and Equipment:	17,207	3,720	13,487	3,627
Intangible assets				
Software	147,188	-	147,188	-
Website	26,955	4,576	22,379	4,576
Total Intangible Assets:	174,143	4,576	169,567	4,576
	191,350	8,296	183,054	8,203

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

b. Movements in the carrying values of plant and equipment and intangible assets

	Opening Net Book Value	Additions	Disposals	Depreciation/ Amortisation	Closing Book Net Value
31 March 2017	**$**	**$**	**$**	**$**	**$**
Plant and equipment					
Computer Equipment	2,340	4,014	-	2,579	3,775
Leasehold Improvements	4,318	-	-	309	4,009
Office Equipment	6,829	5,258	-	3,605	8,482
	13,487	9,272	-	6,493	16,266
Intangible assets					
Software	147,188	126,691	-	79,880	193,999
Website	22,379	-	-	10,782	11,597
	169,567	126,691	-	90,662	205,596
31 March 2016	**$**	**$**	**$**	**$**	**$**
Plant and equipment					
Computer Equipment	1,092	2,399	-	1,151	2,340
Leasehold Improvements	-	4,421	-	103	4,318
Office Equipment	943	8,259	-	2,373	6,829
	2,035	15,079	-	3,627	13,487
Intangible assets					
Software	-	147,188	-	-	147,188
Website	9,133	17,822	-	4,576	22,379
	9,133	165,010	-	4,576	169,567

10. Share Capital

	2017	2016
	$	**$**
Share Capital	829,977	500,000

Movements in share capital	**Number of Ordinary shares**	**Value**
		$
Balance at 31 March 2015	1,367,053	75,000
Ordinary Share Issue i	187,968	275,000
Ordinary Share Issue ii	102,528	150,000
Balance at 31 March 2016	1,657,549	500,000
Ordinary Share Issue iii	112,209	329,977
Balance at 31 March 2017	**1,769,758**	**829,977**

The following ordinary shares were issued during the period:

i. On 1 September 2015 the Company issued 187,968 shares at $1.46 to raise $275,000 as total

ii. On 15 March 2016 the Company issued 102,528 shares at $1.46 to raise $150,000 as total consideration.

iii. Between 1 January 2017 and 31 March 2017 the Company issued 112,209 shares at $2.94 to raise $184,977 as total consideration.

All ordinary shares do not have a par value. They have equal voting rights and share equally in dividends
No dividends were declared or paid during the reporting period (2016: None).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

Capital Risk Management

The Company considers its capital to comprise its ordinary share capital, accumulated retained earnings and other reserves.

When managing capital, management's objective is to achieve optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

11. Earnings Per Share

Earnings per Share

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.

	2017 $	2016 $
Net Loss used in calculating earnings per share	(549,899)	(300,620)
Weighted average number of ordinary shares for basic earnings per share	1,694,952	1,196,512
Basic earnings per share ($ per share)	(0.32)	(0.25)

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

12. Employee Expenses

	2017 $	2016 $
Salaries	222,845	135,701
Kiwisaver Employer Contribution	6,931	3,802
Staff Medical Insurance	3,871	1,232
Fringe Benefit Tax	7,633	1,781
	241,281	142,516

13. Other Expenses

	2017 $	2016 $
Buisness Development	91,334	-
Office Running and Rent	38,572	19,949
Administration and Management Services	45,837	69,508
Other Overheads	39,781	15,700
Travel	35,951	18,731
Advertising, PR and Marketing	25,589	5,033
Legal, Consulting and Accounting	8,694	11,465
Other	37,277	10,583
	323,035	150,969

No auditor was appointed for the year ended 31 March 2017 (2016: none).

Notes to the Consolidated Financial Statements
For the year ended 31 March 2017

14. Income Tax

a. *Income Tax*

	2017 $	2016 $
Net loss before tax	(549,899)	(300,620)
Income taxation at prevailing tax rates	(153,972)	(84,174)
Non-deductible expenses	4,381	1,578
Tax losses not recognised	149,591	82,596
Taxation benefit per the statement of comprehensive income	-	-

Comprising:

	2017 $	2016 $
Current Tax	-	-
Deferred Tax	-	-
	-	-

b. *Deferred Tax*

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.

Deferred tax assets are recognised to the extent that the realisation of the related benefit through future taxable income is probable.

	2017 $	2016 $
Deferred Tax Assets	-	-
Deferred Tax Liabilities	-	-
	-	-

c. *Imputation Credit Account*

	2017 $	2016 $
Balance at the End of the Period	3,444	1,470

15. Related Party Transactions & Balances

The Group had related party dealings with the following related parties during the reporting periods:

Related Party	Relationship
Catalyst.Net Limited	Partial common ownership
Magdala Studios Limited	Entity controlled by Director
Marsland Consulting Limited	Partial common ownership
Cloud Investments Limited	Entity controlled by Director

Related Party Receivables

	2017 $	2016 $
Catalyst.Net Limited	5,902	1,607
Magdala Studios Limited	21,666	21,666
Marsland Consulting Limited	7,118	-
Cloud Investments Limited	27,500	40,000
	62,186	63,273

Related Party Transactions	Year Ended 31 March 2017 $	Year Ended 31 March 2016 $
Purchases from Catalyst.Net Limited		
Cloud hosting services	26,201	10,103
Purchases from Magdala Studios Limited		
Consulting services	52,000	30,331
Purchases from Marsland Consulting Limited		
Consulting services	49,184	33,304
Purchases from Cloud Investments Limited		
Management services	-	40,000

16. Key Management Personnel

Compensation for key management personnel was paid as consulting and management services to entities controlled by the key management personel. See note 15 for payments made to Magdala Studios Limited and Cloud Investments Limited.

17. Financial Instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 (c) to the financial statements.

a. *Categories of Financial Assets & Liabilities*

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Financial Assets

Financial Assets at Amortised Cost

	2017 $	2016 $
Cash and cash equivalents	28,753	97,177
Trade and other receivables	10,051	350,645
	38,804	447,822

Financial Liabilities

Financial Liabilities at Amortised Cost

	2017	2016
	$	$
Trade and other payables	88,370	130,316
Employee benefits	19,336	5,550
Other liabilities	15,441	8,740
	123,147	144,606

The Group is exposed to a variety of financial risks. The financial risks arise from the business activities of the Group. The specific financial risks that the Group is exposed to are discussed below.

b. *Market Risk*

i. *Credit risk*

The Group manages its exposure to credit risk by the application of credit approvals and monitoring procedures on an on-going basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Credit risk concentration profile

The Group manages credit risk by placing its cash and short term investments with high quality financial institutions. The majority of the Cash and Cash Equivalents is held with ASB Bank with a AA- Fitch Rating.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the reporting period.

ii. *Liquidity risk*

Liquidity risk arises mainly from business activities. The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on the rate at the end of the reporting period):

31 March 2017	Carrying amount	Total	0-6 mths	7-12 mths	1-2 yrs	2-5 yrs
	$	$	$	$	$	$
Trade payables	88,370	88,370	88,370	-	-	-
Employee benefits	19,336	19,336	19,336	-	-	-
Other liabilities	15,441	15,441	15,441	-	-	-
Operating Lease	-	20,870	7,826	7,826	5,217	-
	123,147	144,017	130,973	7,826	5,217	-

31 March 2016	Carrying amount	Total	0-6 mths	7-12 mths	1-2 yrs	2-5 yrs
	$	$	$	$	$	$
Trade payables	130,316	130,316	130,316	-	-	-
Employee benefits	5,550	5,550	5,550	-	-	-
Other liabilities	8,740	8,740	8,740	-	-	-
Operating Lease	-	36,522	7,826	7,826	15,652	5,217
	144,606	181,128	152,432	7,826	15,652	5,217

18. Fair Values of Financial Assets & Liabilities

The carrying values of short term financial assets and liabilities approximate their fair values. Short term financial assets include cash, trade and other receivables and related party receivables. Related party receivables carrying values approximate their fair values.

19. Reconciliation of Net Profit/(Loss) After Tax to Net Cash Flows from Operations

	2017	2016
	$	$
Net Loss after taxation	(549,899)	(300,620)
Add back non-cash items:		
Depreciation and amortisation	97,155	8,203
	(452,744)	(292,417)
Movement in working capital:		
(Increase)/decrease in Trade and Other Receivables	340,594	(348,217)
(Increase)/decrease in Prepayments and Other Assets	(9,129)	(5,162)
Increase/(decrease) in Trade and Other Payables	(41,946)	127,200
Increase/(decrease) in Employee Benefits	13,786	5,550
Increase/(decrease) in Other Liabilities	7,544	8,454
Increase/(decrease) in Sponsorship Revenue in Advance	(63,500)	300,000
Net cash inflow (used in) Operating Activities	(205,395)	(204,592)

20. Segment Reporting

The Group is organised into one reportable operating segment only, being payroll software development solutions. The Group's product and service offering is that of cloud payroll services. The chief operating decision maker has been identified as the Board of Directors, as it makes all key strategic resource allocation decisions (such as those concerning acquisition, divestment and significant capital expenditure).

21. Commitments & Contingencies

Operating Lease Commitments

As at 31 March 2017, the Group had entered into an operating lease agreement for the premisis and security for a term of 30 months with the latest agreement terminating in October 2018. The commitment payable is set out in note 17 b(ii).

Contingencies

There were no material contingent liabilities at each reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

22. Investment in Subsidiary

The Company has the following subsidiary at each reporting date:

Entity Name	Date of Incorporation	Nature of Activities	Equity % Held	Voting % Held	Country of Incorporation	Balance Date
Right Remuneration Limited	22/01/2015	Management Consulting	100	100	New Zealand	31 March

23. Events after the Reporting Date

There were no events after the reporting period that would materially affect the consolidated financial statements (2016: none).

Company Directory
As at 31 March 2017

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