

2020

# SERKO 2020 ANNUAL REPORT

This Annual Report is dated 24 June 2020 and is signed on behalf of the Board of Directors (Board) of Serko Limited by Claudia Batten, Acting Chair, and Darrin Grafton, Chief Executive Officer (CEO).



**CLAUDIA BATTEN**  
ACTING CHAIR



**DARRIN GRAFTON**  
CHIEF EXECUTIVE OFFICER

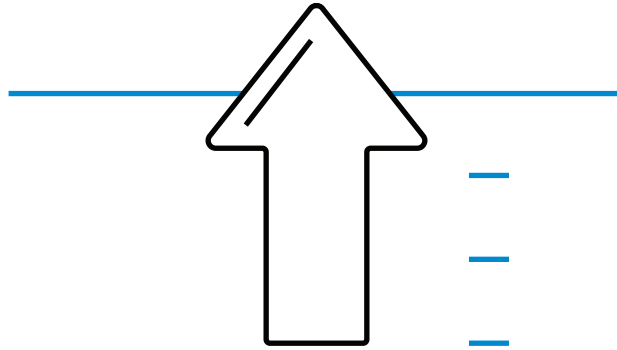
# Our Purpose

Our purpose is to transform the way businesses manage travel and expenses. We do this by helping companies drive down the cost of their travel program, using smart technology and making the process of booking and managing travel and reconciling expenses a positive experience for their people.

# About Serko

Serko is a market leading travel and expense technology solution in Australasia, used by over 6,800 corporate entities. Zeno is Serko's next generation travel management application, using intelligent technology, predictive workflows, and a global travel marketplace to transform business travel across the entire journey. Serko is listed on the New Zealand Stock Exchange Main Board (NZX:SKO) and Australian Securities Exchange (ASX:SKO). Serko employs more than 240 people worldwide, with its headquarters in New Zealand, and offices across Australia, China, and the U.S.

Visit [www.serko.com](http://www.serko.com) for more information.

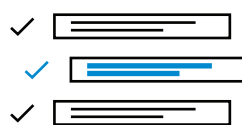


11%

Operating Revenue Growth to \$25.9m

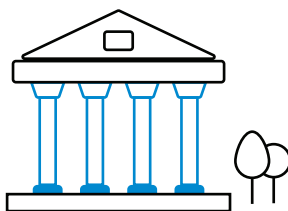


\$26.8m  
 Total Income

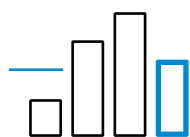


2%  
 Increase in booking transactions

\$42.4m

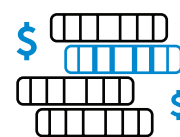


Cash balances increased from \$15.7m post net capital raise of \$43.2m



(\$6.1m)  
 EBITDAF\* loss

(\$9.4m)  
 Net Loss After Tax



\* EBITDAF = earnings before interest, taxation, depreciation, amortisation and fair value

# CEO and Chairman's letter

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## Dear Fellow Shareholders,

The first three quarters of the financial year ended 31 March 2020 were characterised by monthly revenue growth and the achievement of a number of key milestones. However, Serko's performance was impacted in the fourth quarter of the financial year as the Covid-19 pandemic became widespread, significantly affecting booking volumes. This resulted in an adverse impact on the full-year result.

Government responses to the pandemic worldwide, including lockdowns and the suspension of all non-essential travel, continue to have a material adverse effect on booking transaction volumes on Serko's online travel booking platforms, which generate the majority of Serko's revenue.

Clear evidence of a pattern of declining booking activity became apparent in mid-February 2020 and this was followed by a precipitous decline in March 2020 as lockdown measures were implemented. At its lowest point during the financial year in March 2020, daily booking volumes were down in excess of 90% compared to similar days in March 2019.

In response to the operational and economic impacts of Covid-19, Serko has reduced cash burn and reprioritised strategic initiatives to position the business for the materially changed operating environment. The implementation of these initiatives was largely undertaken after the balance date.

It should, however, be noted that Serko has carefully chosen to retain resource and capacity on key growth initiatives to ensure we are well positioned to participate in the recovery of corporate travel.

Of note during the financial year, Serko entered into an agreement with Booking.com to supply a 'white-label' version of our Zeno booking tool for Booking.com, targeting its business customer base internationally. The 'Booking.com for Business' version of Zeno is currently in pilot phase and is expected to be rolled out to additional Northern Hemisphere markets following achievement of agreed performance targets.

Booking Holdings (owner of Booking.com) participated in Serko's successful oversubscribed capital raising of \$45 million (\$43.2 million net of costs), completed in late 2019.

This capital raise was intended to provide funding for Serko's planned expansion into new markets. Although we did not anticipate an event as catastrophic as Covid-19, the Serko Board has always maintained a prudent approach to balance sheet management. By raising additional capital, the

Company's strong cash position has provided a comfortable level of liquidity that meant we have had no requirement to raise capital in distressed circumstances.

This has allowed us to maintain our operating capacity and retain our key people to best position Serko when travel volumes recover.

## SUMMARY FINANCIAL RESULTS

The Serko Board has exercised judgement on a number of important areas in the Income Statement and Statement of Financial Position and we draw your attention to the commentary in this Annual Report, the Financial Statements themselves and the Notes to the Financial Statements for more detailed explanations.

### Revenue

Total Operating Revenue for the year to 31 March 2020 rose 11% to \$25.9 million from \$23.4 million in the same period a year ago, substantially lower than our initial guidance range of 20% - 40% for the year. We revised revenue expectations to the low end of the range on 25 February 2020 and then abandoned guidance completely on 16 March 2020, in both cases owing to the effects of Covid-19.

Under IFRS 15 (Revenue from Contracts) Serko records revenue from its portfolio of contracts with reference to actual transactions, forecast transactions and minimum contracted commitments. Serko has agreed to a number of changes to contracts as a result of the impact of Covid-19 on the entire industry, this includes changes to schedules of contracted minimum revenues. This has had the effect of reducing the revenue that Serko expected to record in the current year. The Board has also made decisions with respect to Expected Credit Losses (IFRS 9) that reflect the prevailing level of uncertainty in the travel industry.

Total income from all sources for the year to 31 March 2020 was up 9% to \$26.8 million from \$24.6 million in the prior year.

Recurring Product Revenues increased 16% during the year, lifted by a full-year contribution from InterpIX and organic business growth prior to the Covid-19 outbreak. Peak Annualised Transactional Monthly Revenue (ATMR) at the end of February 2020, historically a forward-looking indicator of recurring revenues, stood at \$27.5 million, up from \$26.0

million in the same period of the prior year. However, by the end of March ATMR had fallen to \$15 million, based on the drop that occurred within the month, ending the year with travel booking revenues up only 2% to \$16.3 million from \$15.9 million in the prior year. Subsequently ATMR has dropped further post year-end.

Serko Expense platform revenues were up 115% to \$5.8 million for the financial year from \$2.7 million reflecting the full-year contribution of the InterplX acquisition of \$3.7 million versus \$0.9 million for a single quarter for FY19. Excluding InterplX, Serko Expense platform revenues were up 16% at \$2.1 million from \$1.8 million the prior year.

Services revenue and grant income were down 33% on the same period a year ago, reduced to \$1.8 million owing to Serko's development resources being directed toward product development for new markets. Supplier commissions revenues declined marginally by \$111,000 (7%) to \$1.4 million.

### Expenses and Investment Activity

Operating costs increased 59% to \$37.1 million reflecting a full year of InterplX operating costs and the scale up of our international presence. Costs included \$4.7 million non-cash costs relating primarily to depreciation, amortisation, final fair-value adjustment related to the issue of the final tranche of Serko shares for the InterplX acquisition and share based payments.

Serko has capitalised \$11 million of development costs for FY20, compared to \$6.7 million in FY19. Total Research & Development (R&D) at \$13.6 million was 53% of net operating income compared to 39% in the prior year. Although there remains considerable uncertainty as to the future operating environment, the Serko Board remains of the view that this investment will produce an acceptable commercial return in the future.

### Cash Flow and Cash Balance

Serko remains well funded following the completion of an oversubscribed capital raise of \$45 million in November 2019, with cash balances up from \$15.7 million in the prior year. Net funds received after capital raising costs were \$43.2 million. Excluding these funds, Serko's net cash burn for the year, including capitalised development, was \$16.5 million. Cash balances at 31 March 2020 were \$42.4 million.

### Earnings

Net loss after tax for the year was (\$9.4 million), down from a FY19 profit of \$1.6 million and EBITDAF fell to a loss of (\$6.1 million) from a profit of \$2.6 million in the same period a year ago.

## AUSTRALASIAN MARKET UPDATE

The New Zealand and Australian markets together generated a majority of total bookings on our platform, and travel booking revenues, during the financial year. The majority of these transactions were domestic bookings.

During the financial year we achieved year-on-year booking growth each month through to February 2020. This was despite softer economic conditions in Australia in the first half, followed by the Australian bushfires negatively impacting corporate travel.

Serko continued to grow customer numbers during the financial year with the number of corporates transacting through the travel platforms increasing by over 700 (comparing February 2020 to February 2019).

We also saw a significant transition to the premium Zeno product from Serko Online during the period. Zeno was carrying approximately 25% of transactions across our platforms at the end of the financial year, up from approximately 6% of transactions at the beginning of the year.

Zeno is now being used by 42% of corporate customers in Australia and New Zealand, up from 9% at the beginning of the year.

In February a peak of over 24,000 bookings were processed in a single day (up from a peak of 21,000 in the same month in the prior year). However, with the gradual decline in bookings becoming evident in mid-February, and the subsequent rapid decline in March 2020, total bookings for the entire financial year were up only 2% over the prior year.

### Impacts of Covid-19

The Covid-19 pandemic and related travel restrictions resulted in an observable declining trend in February 2020 followed by a dramatic reduction in March 2020. By the end of March 2020, daily transaction volumes had declined by ~90% compared to the equivalent days in March 2019.

We currently believe that the Australian and New Zealand domestic and trans-Tasman travel markets, which presently generate most of our revenue, are poised to recover more quickly than international routes outside of Australasia.

Travel volumes have gradually started to recover in May 2020 with the easing of domestic travel restrictions in New Zealand. We are yet to see any material increase in domestic travel in Australia owing to the significant travel restrictions that remain in place. Essential travel in Australia has, however, continued and we continue to manage a small number of Australian transactions across our platforms.

During the first three weeks of June 2020, over 3,200 corporate customers have made travel bookings as New Zealand moved down to Level 1 restrictions. This has resulted in daily booking volumes on Serko's platforms steadily increasing in June 2020 to about 25% of the daily booking volumes in June 2019 (from a low of 9% in April). Although the outlook is highly uncertain, we anticipate our core Australasian markets will be operating at 40% - 70% of their pre-Covid-19 activity levels by March 2021. Beyond that we are taking a conservative approach to growth as most industry reports indicate a slow, and largely unpredictable, return to full pre-Covid-19 activity levels.

We have been working proactively with our travel management partners to support their recovery. In some instances this has required amendment of contractual obligations that has adversely impacted our previously noted FY20 revenue recognition.

## **NORTH AMERICAN & EUROPEAN EXPANSION UPDATE**

### **North America**

During the financial year we invested heavily in our Zeno platform for expansion into North America. Transactions commenced in this market following the transition of several travel management resellers from pilot phase to onboarding their first corporate customers. As expected, revenue numbers from this market were not significant for the financial year.

Travel management reseller onboarding slowed materially in the last quarter owing to the impact of Covid-19 and we expect further corporate onboarding to be slow until travel resumes in that market.

Transactions have effectively ceased due to the lockdown restrictions in this market.

Despite the impacts of Covid-19, Serko has signed an additional three resellers since 31 March 2020. Development work will continue in the market, expanding local air, rail and hotel content, as well as completing reseller integrations to support the migration of additional corporates onto our platforms.

### **United Kingdom & Europe**

In the United Kingdom and Europe we have been undertaking the development work required for the launch of 'Booking.com for Business', a white-label version of Zeno to be offered internationally to Booking.com's small and medium-sized enterprise (SME) customers.

The impacts of Covid-19 delayed the beta-launch of 'Booking.com for Business' from March 2020 to May 2020. However, initial bookings have been completed in the United Kingdom and Ireland and the roll out in these two markets will continue

for most of FY21. Additional key markets will be developed and 'localised' (e.g. for content and language) as we progressively roll out the solution across Europe.

### **Impacts of Covid-19**

Serko's business plans in North America and Europe are not contingent on the revival of long-haul international travel. In excess of 95% of the revenue opportunities we were pursuing prior to the pandemic were domestic or intra-regional bookings and the total addressable market remains significant.

Domestic travel in the United States (US), and domestic and cross-border intra-regional travel to nearby countries within Europe, are expected to be the first segments of these travel markets to recover post-Covid-19.

## **SERKO EXPENSE PLATFORM INITIATIVES**

As noted above the Serko Expense platform has provided solid revenue growth during the financial year and represents an important diversification from travel revenues for Serko.

In North America the development work required to bring the InterplX expense platform in line with the Zeno user experience continues and we expect to launch the new Zeno Expense offering in Q3 FY21, bringing greater scalability and a richer set of features to our combined Travel & Expense offering.

In Australasia a direct marketing campaign and activation of a reseller incentive programme across our travel management company partners, along with the introduction of a rapid implementation programme that materially reduces our set-up time to onboard new accounts, is resulting in an increased pipeline of Serko Expense platform opportunities.

## **RESPONSE TO COVID-19**

Our immediate response to the Covid-19 pandemic was to introduce measures to look after our people. We already had in place a pandemic plan that informed our planning for a crisis such as Covid-19. Our crisis management team convened when our China office was forced to close. This team, with close Board oversight, focussed on ensuring the ongoing health and safety of our people and the seamless continuation of our operations as we transitioned to remote working.

We maximised the use of digital technology to retain our productivity and interconnectedness. We also worked hard to ensure we communicated effectively with our people throughout the crisis and ran a digital resilience programme to support and engage our people as they worked remotely. Serko's most recent (May 2020) culture survey results show the strongest engagement scores in five years of surveying and our employees voiced their gratitude for the leadership and support shown during such a challenging period.



These initiatives were rapidly followed by a cost-reduction programme designed to preserve our strong cash balance position and target an average cash burn rate of no more than \$2 million per month through to the end of FY21. We balanced cost savings with investment in core areas to maintain our capability to deliver on our key growth initiatives.

This cost-reduction programme saw the removal of non-essential expenditure, scaled down operating expenses (such as cost of sales and hosting) as well as the rationalisation of our contractor resources (including the conversion of some of this resource to full-time employment). Serko has aimed to keep as many people employed during this period as possible, as we recognise the personal impact to employees if they were to lose their jobs and the cost to the business of losing skilled people, especially as our ambition to grow in new markets remains undiminished.

We acknowledge and thank the various Government programmes and subsidy schemes that have assisted in the retention of our people during this challenging period. We accessed \$1.6 million of Government-backed Covid-19 relief schemes to date across the countries in which Serko operates, including receipt of \$871,670 in salary subsidies from the New Zealand Government.

In addition, employees agreed to take a salary reduction for three months from May 2020, and the non-executive directors agreed to either take a reduction in their directors' fees or receive a portion of their directors' fees in shares for the first three months of FY21.

## BUSINESS TRAVEL OUTLOOK

The rate of return to business travel will vary by region and type of trip (i.e. domestic, regional, long-haul international). Volumes are very difficult to model. Travel Management resellers are operating with fewer human resources, creating opportunities for automation and technology solutions. Additionally, we are seeing greater cost management by corporations and a focus on traveller wellbeing, duty of care obligations and change management. We are actively assessing changes in corporate and traveller needs to ensure that we can support the market, our customers and our growth as the industry recovers.

## FY21 OUTLOOK

We consider the business is well positioned for growth when trading conditions improve and the travel industry starts to recover:

- We occupy a strong market position in Australasia, with the majority of our transactions being domestic and Trans-Tasman in our home markets. There remains a pipeline of new customers to be onboarded from our existing reseller partners;

- We are focusing predominantly on domestic travel within North America, where we continue to add resellers to our platform and continue development work to localise content in that region;
- 'Booking.com for Business' white-label is now live in the United Kingdom and Ireland and our agreement with Booking.com presents an opportunity to continue to expand use of the Zeno booking tool internationally;
- We have a strong balance sheet and ongoing commitment to investment, which will benefit existing and prospective customers; and
- We have retained resource and capacity on key growth initiatives.

We believe these factors position us well to continue to prosper in our home markets and to roll out our products globally as confidence returns to corporate travel markets.

Timing, however, remains uncertain. As a result, we are unable to forecast our likely operating revenue for the 2021 financial year with any certainty.

As at 31 May 2020, Serko had net cash and cash equivalents of \$39.9 million. We believe these cash resources, at the current rate of cash burn, will be sufficient to see the Company through to cash flow break even again, should our anticipated recovery scenario be achieved.

We will continue our rigorous focus on cash flow throughout the remainder of FY21, targeting an average monthly cash burn of no more than \$2 million per month, to conserve cash reserves.

## THANK YOU TO OUR PEOPLE

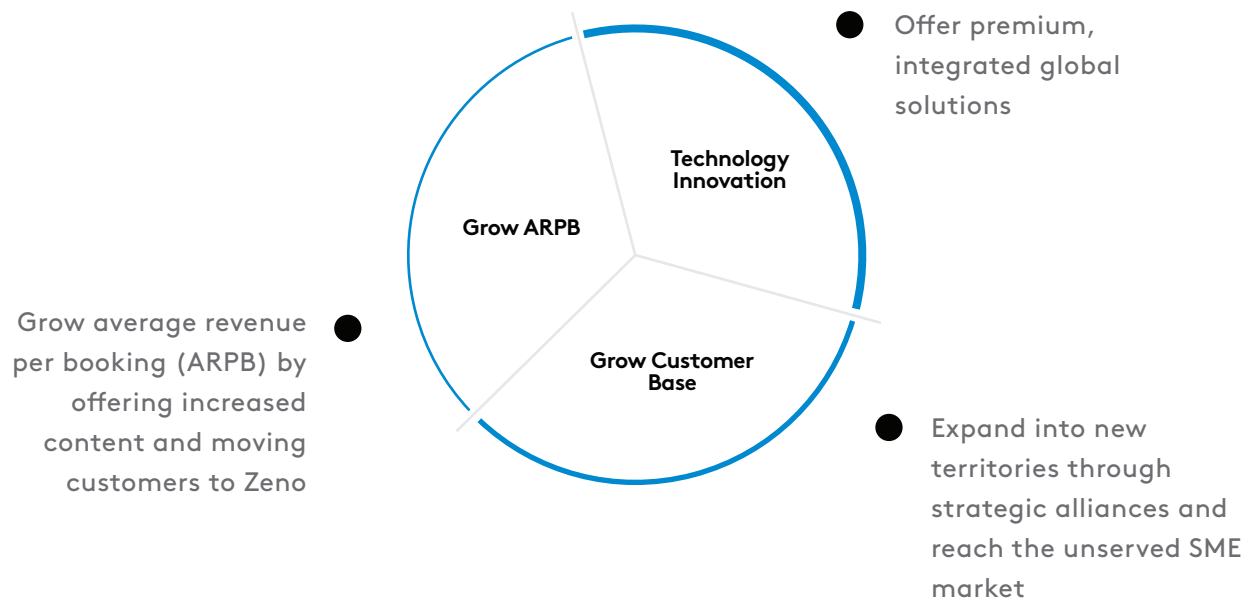
We want to take this opportunity to thank our people for their continuing dedication and hard work during the 2020 financial year and also, most importantly, since the Covid-19 pandemic dramatically changed our industry and our way of working. We acknowledge this been an incredibly difficult period personally for many of our employees. Our people have adapted quickly to working remotely during the lock down period in each of our offices and have continued to work hard to deliver on Serko's goals. We thank them for their continuing commitment to Serko.

Signed

  
**CLAUDIA BATTEN**  
 ACTING CHAIR

  
**DARRIN GRAFTON**  
 CHIEF EXECUTIVE OFFICER

# STRATEGIC OVERVIEW



**TECHNOLOGY INNOVATION** Our vision of building Zeno as a platform for the future of travel supported us into new markets and strategic partnerships

- Developed Zeno into a white-label platform under the Booking.com for Business brand to target SME customers
- Launched Zeno Labs, an innovation program that plugs our customers directly into our product development research and development
- Continued to expand our integrations with content partners, enriching travel options for users (e.g. Southwest Airlines through New Distribution Capability (NDC), train bookings)

**Our focus for FY21:**

- Develop a strategy of architecting our technology to become an extensible platform that can be built on by partners in future
- Accelerate our ability to scale internationally by enabling additional content and service partners to build onto the Zeno platform
- Implement the learnings from our partnership with Booking.com to deliver a more consumer-grade shopping and booking experience

**GROW CUSTOMER BASE** Zeno helped our travel management partners win new business and the first Zeno customers in the US and Canada went live

- 700 new customers were added to Zeno during the year<sup>1</sup>, bringing total customers to more than 6,800 globally, with a peak of 24,000 bookings per day<sup>2</sup>
- Developed content and systems integration needed to deploy Zeno through our reseller partners in North America and the first corporate customers in the US and Canada went live
- Launched a best-in-class sales enablement programme to support reseller partners globally to win and retain more customers with Zeno

**Our focus for FY21:**

- Support Booking.com to roll out the Zeno powered white-label Booking.com for Business platform to their existing customers and drive new customer acquisition
- Extend our self on-boarding white-label solution to additional resellers and markets
- Drive adoption and market share of Zeno across the customer base of our North American travel management partners

**GROW ARPB** We signed a significant new agreement to launch Booking.com for Business powered by Zeno on a revenue share model

- Grew the adoption of Zeno across the Serko customer base from approximately 6% of transactions at the beginning of the financial year to approximately 25%
- Developed a pipeline of partnerships with revenue share business models that are higher than our transactional ARPB to date (e.g. Booking.com for Business) presenting future opportunities for growth
- Rolled out the Zeno self-onboarding portal to enable partners to cost-effectively add customers to our online booking platform

**Our focus for FY21:**

- Invest in product development of value-add functionality across cost, risk and change management that can be commercialised on a transaction or subscription basis
- Launch our new Zeno Expense platform into the North American market
- Support the migration to Zeno of the remaining 50%+ of Serko Online customers, with the associated uplift in transaction fees

<sup>1</sup> Comparing February 2019 to February 2020.  
<sup>2</sup> In February 2020, before the impact of Covid-19 hit. Note transactions have materially declined since February 2020 as a result of Covid-19.

# Our Products

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# zeno

Zeno is an integrated travel and expense platform that is designed to revolutionise the world of corporate travel and expense management globally.

## Zeno travel

Zeno Travel is an Online Booking Tool (OBT) that is used by corporate travellers to book flights, trains, hotels, rental cars and airport transfers in line with their corporate travel policies.

This provides the oversight and control that travel managers need to ensure that spend is effectively managed, with the ease of use and personalised experience that draws corporate travellers to use the OBT and avoid travel program 'leakage' to supplier websites or leisure travel retailers.

Zeno does this with an intuitive interface that makes booking business travel super simple, intelligent technology that provides personalised itinerary recommendations based on traveller preferences, and a global marketplace that allows travellers to connect with preferred suppliers at every stage of the journey.

The result is greater traveller adoption, increased compliance and greater control over the entire travel program compared with legacy corporate booking tools.



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Serko generates revenue through corporate customers paying a **booking fee per transaction** and through supplier commission.

## Zeno expense

Zeno Expense automates the process of corporate card and out-of-pocket expense submission, reconciliation and reimbursement. Employees capture receipts via the mobile app, or email receipts directly to Zeno, add a description or cost centre if needed and submit for approval there and then. To make it even simpler, Zeno also offers automated integrations with providers such as Uber for Business.

Zeno's intelligent technology proactively identifies and manages out of policy claims, detecting and minimising expense claim fraud and dramatically streamlining the expense administration function.

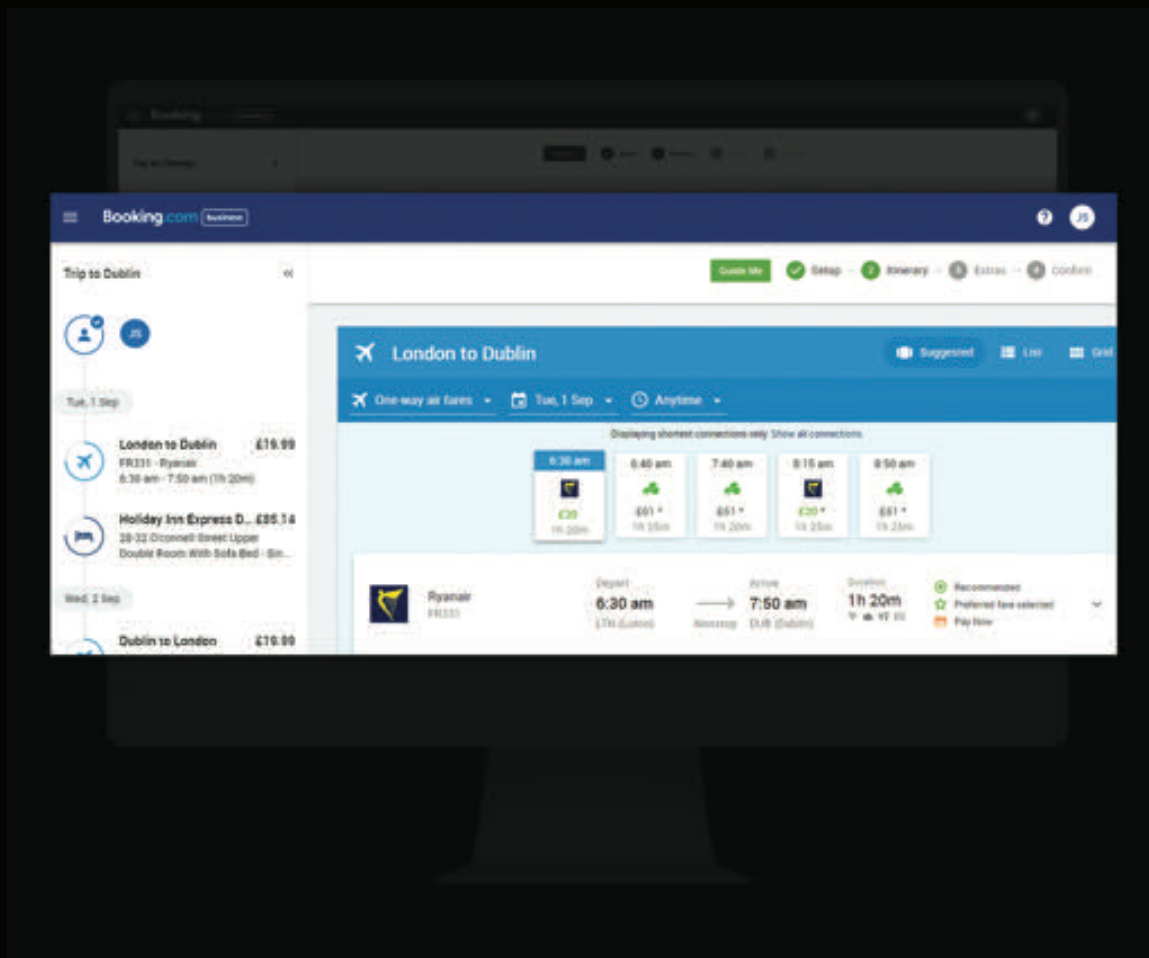
Zeno Expense also provides managers and finance teams with a full suite of analysis tools that help them to run their Travel & Expense budgets more effectively, identify problem areas and optimize expense policies.

The result is better spend management and less time wasted preparing, approving and processing expense reports.



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Serko earns revenue through corporate customers paying a **fee per active user** and/or per expense report submitted.



**Booking.com** business

## BOOKING.COM FOR BUSINESS powered by Zeno

In October 2019 Booking Holdings invested in Serko as part of a capital raising, and extended the Serko partnership to eventually enable Booking.com to leverage the Zeno platform as a white-label solution under the Booking.com for Business brand, with a commercial partnership based on a revenue share model between Booking.com and Serko.

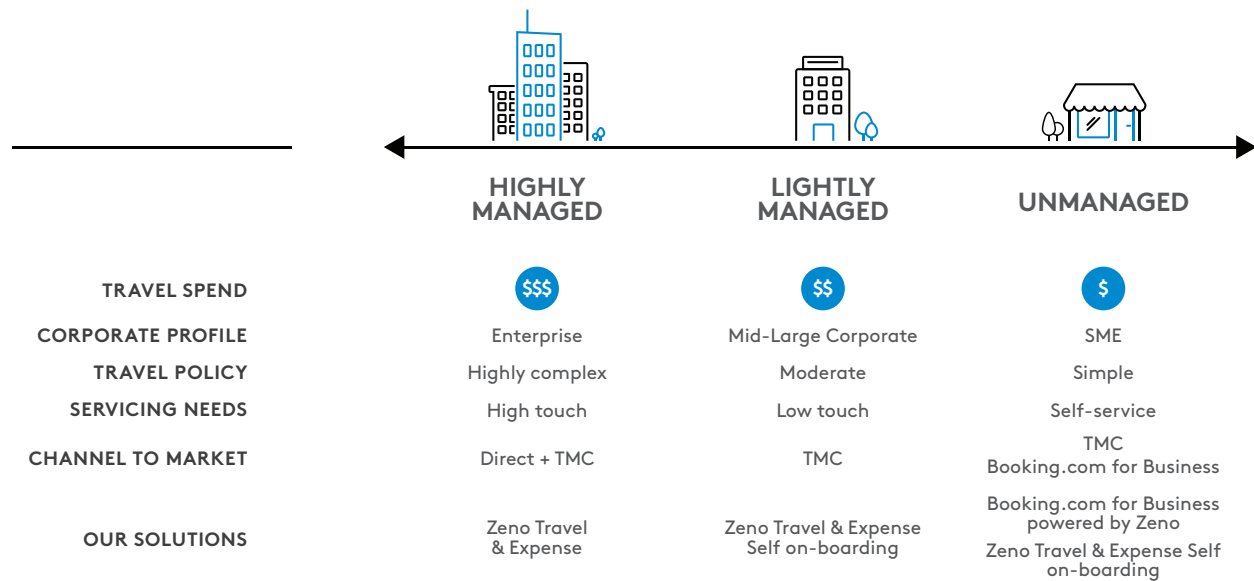
Teams at both companies have worked together to rapidly bring to market an initial product which is currently being tested in a few key markets.

For small to medium sized businesses who don't have the complex managed travel needs that a travel management company would support, the new Booking.com for Business

platform will in time provide them with a one-stop-shop for all their business travel needs, helping them save time and money and making life easier for their travellers and their administration teams alike.

About Booking Holdings: Booking Holdings is the world's leading provider of online travel & related services, provided to consumers and local partners in more than 225+ countries and territories through six primary consumer-facing brands: Booking.com, KAYAK, Priceline, Agoda, Rentalcars.com and OpenTable

# The markets we serve



## Managed travel

Mid to large sized organisations generally have well developed corporate travel policies and significant annual travel spend, relying on the services of Travel Management Companies (TMC) to manage their corporate travel programs. These services generally include travel booking, risk management, traveller support, supplier negotiation and reporting. TMCs provide Zeno to their corporate customers as their online booking channel, as a standalone app or as part of a suite of digital tools to support business travel.

## Un-managed travel

Small to medium sized organisations (SMEs) generally have lower annual spend and less developed corporate travel policies. Travel bookings are generally made directly with suppliers or through online travel booking sites, meaning they miss out on corporate negotiated rates and often make multiple bookings for a single trip. This can make it difficult to deal with disruption and change management, expenditure reconciliation and traveller support.

# Business travel in a post-pandemic world

*In a post-pandemic world, the rate of return to business travel will vary by region and type of trip (i.e. domestic, regional, long-haul international) and nobody can say with a great deal of certainty what volumes will look like.*

## The future

What is more certain, however, is that as business travel resumes, factors such as cost, risk and change management are likely to be top-of-mind priorities for organisations.

Cost management is a key consideration because most organisations will be returning from a near zero dollar spend on travel, and each trip and each dollar proposed to be spent will be reviewed with a greater level of scrutiny than before.

Risk management is likely to be of increased importance to ensure traveller wellbeing is certain and that duty of care obligations are being met.

Change management is also expected to be a critical priority, not just to support an organisation's travellers as they navigate a much more unpredictable landscape of disruptions but also to ensure that credits are effectively tracked and utilised.

## We're built for the future

The managed sales channel offers a solution to these requirements. Flights or hotels booked directly with suppliers across multiple airline or hotel websites make it difficult for the organisation to effectively address cost, risk or change management.

Adoption of the corporate booking tool and the subsequent corporate travel policy compliance has become increasingly important.

- This is the future of business travel that Zeno is built for:
- A traveller-centric platform that is easy to use, with rich content presented in a way that is familiar to any traveller to drive adoption,
- Seamless policy application at point of purchase to ensure compliance, and
- Intelligent technology to support changes and cancellations with dynamic application of ticket credits.
- The world of business travel has changed, and Serko is well positioned to support this change.

# Board of Directors

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## Simon Botherway CFA

Independent Non-executive Director, Chair<sup>1</sup>, New Zealand

*Appointed 30 April 2014, re-elected August 2018*

Simon is based in New Zealand. He is a Chartered Member of the NZ Institute of Directors. He holds a BCom, as well as the US-based Chartered Financial Analyst (CFA) designation. Simon has extensive experience in corporate governance, banking and investment management. In 2002 Simon co-founded Brook Asset Management and was Chairman from 2004 to 2008. He is also a past President of the CFA Society of New Zealand and was a member of the CFA Asia-Pacific Advocacy Committee.

Simon was appointed as a member of the Securities Commission in 2009 and chaired the Financial Markets Authority Establishment Board in 2010. Simon is currently a Director of Fidelity Life Assurance and is a Guardian of the New Zealand Superannuation Fund.



## Claudia Batten

Independent Non-executive Director, Acting Chair<sup>1</sup>, United States

*Appointed 30 April 2014, re-elected August 2017*

Claudia is based in the United States. She holds an LLB (Hons) and BCA from Victoria University (Wellington). Claudia has been a founding member of two highly successful entrepreneurial ventures. The first venture was Massive Incorporated, a network for advertising in video games, she helped pioneer 'digital' as a media buy. Massive was sold to Microsoft in 2006. In 2009 she co-founded Victors & Spoils ('V&S'), the first advertising agency built on the principles of crowdsourcing. V&S was majority acquired by French holding company Havas Worldwide in 2011. Claudia is a strong supporter of the New Zealand start-up scene as an active mentor and adviser. She is also the digital adviser to the Board of Westpac New Zealand.



## Clyde McConaghy

Independent Non-executive Director, Australia

*Appointed 30 April 2014, re-elected August 2019*

Clyde is based in Australia. He holds a BBus, and an MBA from Cranfield University United Kingdom (UK). Clyde is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Directors UK. He is the founder of Optima Boards, providing independent director and advisory services to public, private, family office and charitable entities around the world. Clyde has worked in publishing, media, online and technology sectors, living in the UK, Germany, China and Australia. He is a Director of ASX-listed technology company, Infomedia Limited and Chairman of the Board of Chapman Eastway Pty Limited.



## Darrin Grafton

Executive Director, Chief Executive Officer & Co-Founder

*Appointed 5 April 2007, elected August 2019*

Darrin has more than 25 years' experience in travel technology and is a recognised industry innovator. He has been responsible for leading major changes in the corporate travel industry throughout his career and was named one of the top 25 most influential executives in the travel industry by the BTN Group in 2014.

Darrin has held directorships and senior management positions across various companies, including the Gullivers Travel Group (listed on the Australian and New Zealand Stock Exchanges between 2004 and 2006). Darrin has previously been awarded the NZX Hi-Tech Entrepreneur Award, has been a past finalist for the NZ Hi-Tech Company Leader Award and the EY Entrepreneur of the Year Award. He is also a member of the Institute of IT Professionals NZ, the Institute of Directors NZ.



## Robert (Bob) Shaw

Executive Director, Chief Strategy Officer & Co-Founder

*Appointed 5 April 2007, re-elected August 2018*

Since 1987, Bob has been involved in transforming the travel industry, collaborating with the World's leading airlines, travel agencies and global distribution systems. He has held a number of directorships and senior management positions in various high-profile ventures, including Gullivers Travel Group (listed on the Australian and New Zealand Stock Exchanges between 2004 and 2006) and Interactive Technologies.

Bob has been a past finalist for the EY Entrepreneur of the Year Award.

He is also a member of the Institute of IT Professionals NZ and the Institute of Directors NZ.

1. Mr Botherway continues as a director of Serko (attending all Board and Committee meetings) but took a leave of absence from the Chair role on 12 March 2020 for medical reasons. Ms Batten assumed the role of Acting Chair from this date.



# Management Team



## John Challis

Head of Business Development

John has 18 years' experience in the corporate travel technology sector across operations, implementations and sales. John has been with Serko for 11 years and was until recently responsible for managing the Australasian sales team, however, as part of Serko's global expansion plans John is now responsible for growth in new markets, with a heavy focus on the Northern Hemisphere.



## Tony D'Astolfo

Senior Vice President, NORAM

Tony is a 35-year travel industry veteran, with rich expertise in travel and technology and a passion for moving the industry forward. His career includes senior leadership positions at Deem, Phocuswright, GroundLink, Sabre/GetThere and United Airlines. Tony is a long-time member of GBTA and ACTE and a former member of the Board of Directors of both ACTE and WINIT for Women.



## Charlie Nowaczek

Chief Operating Officer (COO)

Charlie has over 25 years' experience as an operations executive and management adviser, specialising in business transformation and operational excellence. Over the last decade he has been COO for a number of technology start-ups in the US and Canada.



## Duanne O'Brien

Chief Technology Officer

Duanne is a technology leader with over 25 years' experience, specialising in building global enterprise SaaS (software as a service) platforms. Duanne leads the largest of our global teams, designing, building and running Serko's platforms and products.



## Susan Putt

Chief Financial Officer (CFO)

Susan has over 30 years' experience working in New Zealand and has also worked in Australia and Canada. She is a Chartered Accountant and Chartered Member of the Institute of Directors. Susan has worked as CFO, Head of Strategy, and director for a number of New Zealand businesses and specialises in working with high-growth companies.



## Murray Warner

Head of Australasian Market

Murray has 20 years' experience working with cloud software technology building new sales and revenue operations. He has previously held several senior management positions with Concur Technologies, an SAP company, across Asia-Pacific, Europe and North America.



## Nick Whitehead

Chief Marketing Officer

Nick has a 20-year track record of commercialising technology through the development of effective go-to-market strategies and leads Serko's global marketing and communications function.

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# Corporate Responsibility

Serko aims to be a successful growth company. To realise this ambition we must do the right thing by our people, customers, communities and our shareholders.

We aim to achieve this through:

- 1) Focusing on long-term growth and business sustainability;
- 2) Applying best practice governance and risk management procedures;
- 3) Cultivating an inclusive workplace of diverse and engaged staff; and
- 4) Enabling environmentally sustainable choices through technology.

Serko is committed to developing long-term value creation and making positive improvements in social, economic and environmental outcomes.

Further information and our full Annual Report can be found on the investor centre of Serko's website.

Serko's first Environmental Social and Governance (ESG) Report was produced in 2018. The United Nations (UN) Sustainable Development Goals (SDGs) have been adopted for Serko's ESG initiatives to be reported against. Serko's ESG framework remains under development and will continue to be progressed over time.

The SDGs are a set of global initiatives set by the UN for everyone to contribute to. For Serko, the SDGs are a way to see which areas of sustainability we are directly contributing to and how our initiatives relate to a larger vision for positive change.

The UN SDGs relevant to Serko and our actions are as follows:



## People:

### Good health and well-being

Health and Safety Policies



### Quality education

Training and intern programmes



### Gender equality

Diversity and inclusion policies



### Decent work and economic growth

Remuneration policies



### Reduced inequalities

Diversity and inclusion policies



## Customers:

### Industry, innovation and infrastructure

Industry recognition for innovation



### Responsible consumption and production

Privacy and security policies



## Community:

### Sustainable cities and communities

Sponsorships and donations



### Climate action

Environmental practices



 **SUSTAINABLE DEVELOPMENT GOALS**

# MANAGEMENT COMMENTARY

Please read the following commentary with the financial statements and the related notes in this report. Some parts of this commentary include information regarding the plans and strategy for the business and include forward-looking statements that involve risks and uncertainties.

Actual results and the timing of certain events may differ materially from future results expressed or implied by the forward-looking statements contained in the following commentary. All amounts are presented in New Zealand dollars (NZD), except where indicated. All references to a year are the financial year ended 31 March, unless otherwise stated.

Non-GAAP (generally accepted accounting practices) measures have been included, as we believe they provide useful information for readers to assist in understanding Serko's financial performance. Non-GAAP financial measures do not have standardised meanings and should not be viewed in isolation or considered as substitutes for measures reported in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). These measures have not been independently audited or reviewed.



## BUSINESS RESULTS

Year ended 31 March	2020	2019	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Revenue	25,869	23,361	2,508	11%
Other income	922	1,215	(293)	-24%
<b>Total income</b>	<b>26,791</b>	<b>24,576</b>	<b>2,215</b>	<b>9%</b>
Operating expenses	(37,092)	(23,320)	(13,772)	-59%
Percentage of operating revenue	-143%	-100%		
Net finance income	975	290	685	236%
<b>Net (loss)/profit before tax</b>	<b>(9,326)</b>	<b>1,546</b>	<b>(10,872)</b>	<b>-703%</b>
Percentage of operating revenue	-36%	7%		
Income tax benefit (expense)	(38)	87	(125)	-144%
<b>Net (loss)/profit after tax</b>	<b>(9,364)</b>	<b>1,633</b>	<b>(10,997)</b>	<b>-673%</b>
Percentage of operating revenue	-36%	7%		

Operating revenue excludes other income, which is primarily grants.

Total income from all sources for the year to 31 March 2020 was up 9% to \$26.8 million from \$24.5 million in the prior year. However, as operating costs increased, Serko recorded a net loss result after tax of (\$9.4 million) against prior year net profit of \$1.6 million. The result includes non-cash elements of \$4.7 million for depreciation, amortisation, fair value remeasurement adjustments and share-based payments.

Annual total operating revenue grew by \$2.5 million (11%) to \$25.9 million from \$23.4 million in the prior year, primarily related to Expense platform revenue, with Travel platform revenue affected by the Covid-19 pandemic. Refer to further analysis under Income on page 22.

The Company recognised \$0.9 million in grants from Callaghan Innovation and New Zealand Trade and Enterprise (NZTE) within other income, down \$0.3 million (24%) from the prior year.

Total operating expenses increased by \$13.8 million to \$37.1 million from \$23.3 million in the prior year. Refer to further analysis under Operating Expenses on page 27.

Net finance income increased by \$0.7 million to \$1 million, primarily through increased foreign exchange gains.



## EARNINGS BEFORE INTEREST, TAX, DEPRECIATION, AMORTISATION AND FAIR VALUE (EBITDAF)

Year ended 31 March	2020	2019	Change	%
	\$ (000)	\$ (000)	\$ (000)	
<b>Net (loss) profit after tax</b>	(9,364)	1,633	(10,997)	-673%
Add back/(deduct): income tax	38	(87)	125	-144%
Deduct: net finance income	(975)	(290)	(685)	236%
Add back: depreciation and amortisation	3,156	1,048	2,108	201%
Add back: Fair value remeasurement of contingent consideration	1,056	287	769	268%
<b>EBITDAF (Loss)</b>	<b>(6,089)</b>	<b>2,591</b>	<b>(8,680)</b>	<b>-335%</b>
Percentage of operating revenue	-24%	-11%		

EBITDAF is a Non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation, Amortisation and Fair value remeasurement of contingent consideration. Serko uses this as a useful indicator of cash profitability.

EBITDAF declined by \$8.7 million from a profit of \$2.6 million to a loss of (\$6.1 million).

Depreciation and amortisation increased by \$2.1 million over the prior year, owing to increased amortisation of capitalised software of \$1 million, as well as the inclusion of depreciation of right-of-use assets (leased premises) under IFRS-16 (Leases) adoption of \$1 million.

The second tranche of InterplX acquisition shares were issued in February 2020 resulting in a fair value remeasurement adjustment of contingent consideration of \$1.1 million owing to the increase in share price since March 2019.



## INCOME

Year ended 31 March	2020	2019	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Travel platform booking revenue	16,307	15,948	359	2%
Expense platform revenue	5,831	2,710	3,121	115%
Supplier commissions revenue	1,427	1,538	(111)	-7%
Other revenues	485	467	18	4%
<b>Recurring product revenue</b>	<b>24,050</b>	<b>20,663</b>	<b>3,387</b>	<b>16%</b>
Percentage of operating revenue	93%	89%		
Services revenue	1,819	2,698	(879)	-33%
<b>Total revenue</b>	<b>25,869</b>	<b>23,361</b>	<b>2,508</b>	<b>11%</b>
Other income	922	1,215	(293)	-24%
<b>Total income</b>	<b>26,791</b>	<b>24,576</b>	<b>2,215</b>	<b>9%</b>

Recurring product revenue (a Non-GAAP measure) is the revenue derived from transactions and usage of Serko products by contracted customers. It excludes services revenue.

Total revenue is operating revenue excluding grants and finance income, while total income includes grants.



Under Serko IFRS-15 (*Revenue from Contracts*) records revenue from its portfolio of contracts with reference to actual transactions, forecast transactions and minimum contracted commitments. Owing to Covid-19 impacting the entire travel industry, Serko has agreed to a number of changes to contracts, including changes to schedules of contracted minimum revenue. This has had the effect of reducing the revenue that Serko expected to record in the current year.

Travel booking transactions were up year on year each month for the year through to February 2020 despite being adversely affected by a subdued economic climate in the first half, then the Australian bush fires in November. In the fourth quarter of the financial year the Covid-19 pandemic became widespread, significantly affecting booking volumes and materially impacting Serko's performance. Governmental responses to the pandemic worldwide, including lockdowns and the suspension of all non-essential travel, has had a material adverse effect on booking transactions made on Serko's online travel booking platforms, which generate the majority of Serko's revenue.

Clear evidence of a pattern of declining booking activity became apparent in mid-February 2020 and this was followed by a precipitous decline in March 2020 as lockdown measures were implemented. At its lowest point during the financial year in March 2020, daily booking volumes were down in excess of 90% compared to similar days in March 2019.

Travel booking transactions grew 2% on the previous year, with a February peak of over 24,000 bookings processed in a single day (up over 14% from a peak of 21,000 in the prior year) before the impacts of Covid-19 were felt. February has historically been the month with the highest average daily transaction volume.

During the year Serko continued to grow customer numbers, with the number of corporates transacting through the travel platforms for the year increasing by over 700 when comparing February 2020 with February 2019. This was owing to the continued onboarding of corporate customers by TMC resellers.

We also had significant transition to Zeno, Serko's premium travel booking tool launched in 2018. As of 31 March 2020, Zeno was carrying approximately 25% of transactions across our platforms at the end of the financial year, up from approximately 6% of transactions at the beginning of the year. Zeno is being used by 42% of the corporate TMC customers, up from 9% at the beginning of the year.

Travel platform revenue grew by 2% for the year to \$16.3 million from \$15.9 million.

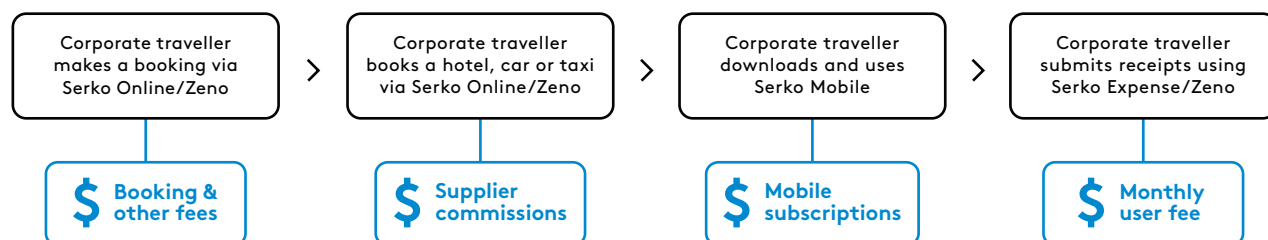
Serko Expense platform revenues were up 115% to \$5.8 million, up from \$2.7 million in the prior year reflecting the full-year contribution from the InterplX acquisition of \$3.7 million versus \$0.9 million for a single quarter for FY19. Excluding InterplX, Serko Expense platform revenues were up 16% at \$2.1 million from \$1.8 million the prior year.

Supplier commissions revenue declined marginally by \$111,000 (7%) to \$1.4 million from \$1.5 million. Other revenues remained in line with the prior year at \$0.5 million.

Recurring product revenue was up 16% to \$24 million from \$20.7 million on the prior year, lifted by a full year of contribution from InterplX and growth in the underlying business ahead of the Covid-19 outbreak. Recurring revenue as a percentage of total revenue increased to 93%, up from the prior year 89%. Total income including grants was up 9% to \$26.8 million.

Services revenue are non-recurring revenues and primarily reflect revenue associated with customising Serko's travel platform as white-label solutions for its TMCs. Total services revenue declined by 33% over the prior period to \$1.8 million from \$2.7 million. This revenue was higher in the 2019 financial year owing to work performed on behalf of Flight Centre for its SAVI product. This year development work has been prioritised for the launch of the Booking.com for Business platform, a white-label version of our Zeno booking tool for Booking.com. Under the agreement with Booking.com, Serko will receive a revenue share of commission rather than development fees. The platform is currently being trialled in the UK and Ireland.

### HOW SERKO MAKES MONEY



## HOW SERKO MAKES MONEY CONTINUED

Serko's main source of revenue is Travel platform revenue from Serko Online and Zeno.

Travel platform revenue is made up of transaction fees, ancillary service fees and contracted minimum payments (where applicable) and is stated net of volume-related rebates and discounts.

The serko.travel platform for small and medium enterprises is a free booking service and Serko earns commission income on those bookings direct from suppliers, therefore income from this platform is included in supplier commissions. This platform is now being adapted to become the Booking.com for Business platform in partnership with Booking.com. The commissions earned through this platform will be split and recognised under supplier commissions.

Serko also earns income from its expense management platform Serko Expense, which allows registered users of corporate customers to process travel and expense claims for accounting and reimbursement. Revenues are derived from a combination of fees for active users, registered users and reports processed. In December 2018 Serko acquired US based InterPLX. The two expense platforms will be brought together as Zeno Expense and with further development to link directly to Zeno travel platform to enable automation of the travel expenses filing.

Supplier commission revenue is earned when corporates opt to book Serko-sourced hotel and other traveller-related services. Serko is paid directly from the suppliers of these services.

Other income includes income from Serko Mobile licence fees and other miscellaneous revenues.

Services revenue is derived from installation service and customised software development undertaken on behalf of the TMCs. It also includes the fees charged to develop connections to third party systems wanting to integrate with Serko's platforms. The basis of charging can vary depending on the contractual terms with the customer, which may specify time and materials, capped or fixed pricing.

Other income is primarily government grants for research and development projects and international growth grants.

## REVENUE BY GEOGRAPHY

Year ended 31 March	2020	2019*	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Australia	18,218	19,335	(1,117)	-6%
New Zealand	2,465	2,343	122	5%
North America	4,823	1,471	3,352	228%
Other	363	212	151	71%
<b>Revenue</b>	<b>25,869</b>	<b>23,361</b>	<b>2,508</b>	<b>11%</b>

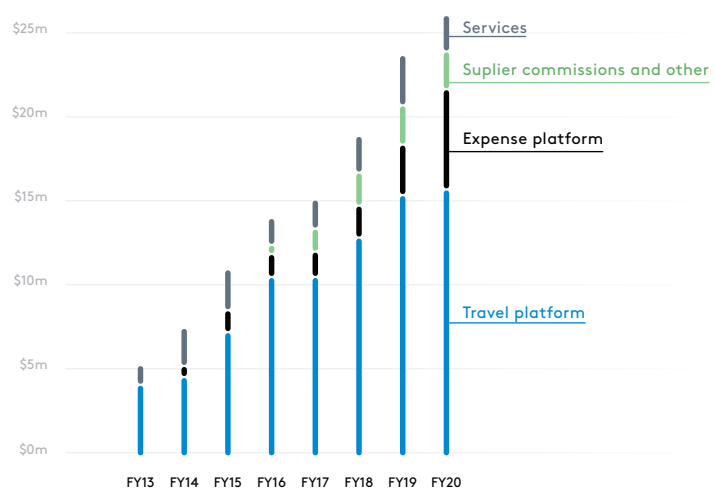
\*Note the prior year figures have been adjusted as a result of a reclass of grant revenue resulting in a movement between Australia and New Zealand-sourced income.

Serko currently earns 70% (FY19: 83%) of revenue from Australia and 10% (FY19: 10%) from New Zealand sources, with New Zealand sourced income up 5% and Australian sourced income down 6% over the prior year. The decline in Australian revenue is owing to the Covid-19 impact on travel and declining services revenue. The portion of income from New Zealand has increased primarily with the onboarding of Orbit customers, which commenced last year (signed July 2018). Both Australia and New Zealand have been adversely affected by Covid-19 travel restrictions. While the travel market is expected to be impacted for a considerable period, there remains a pipeline of new customers to be onboarded onto Serko's platforms by Serko's travel management resellers.

The portion of North American income has grown year on year, primarily owing to Expense platform revenue from the InterPLX acquisition. Within North America, TMC onboarding and customer trials had commenced prior to Covid-19, with live bookings being made. However, transactions and further onboarding have been delayed in line with lockdown restrictions in this market. Serko has signed three new mid-sized TMCs since 31 March 2020.

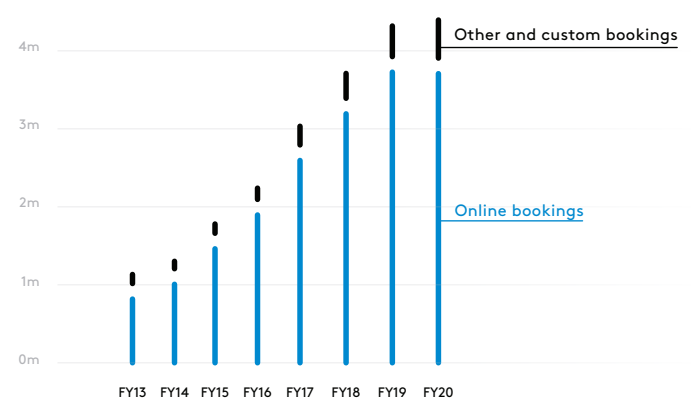


# Revenue trend



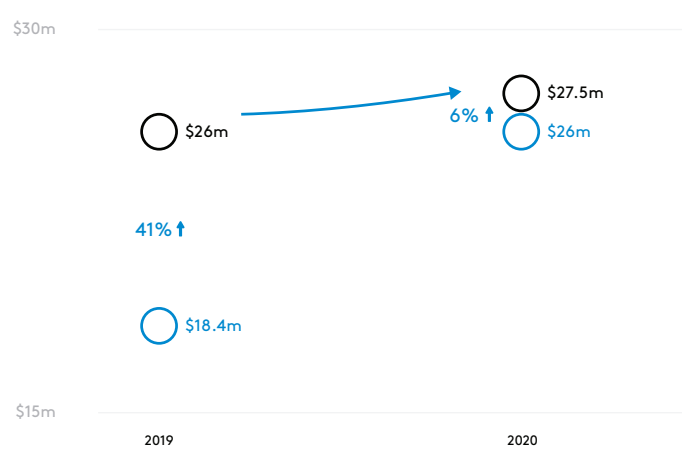
# Booking trend<sup>1</sup>

Travel platform booking trend over the last 8 years



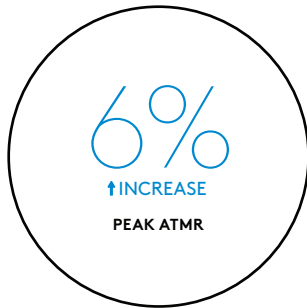
# Peak ATMR<sup>2</sup>

Year-on-year movement



1 Booking volumes are total volumes and include Offline and Custom Bookings, which can be either bundled into a price per Online booking or at a reduced rate, as these are primarily automated bookings but processed through the booking tool.

2 Peak ATMR is a Non-GAAP measure representing Annualised Transactional Monthly Revenue (ATMR). Serko uses this as a useful indicator of future recurring revenues from Serko products. It is based on the monthly transactions and average revenue per booking (for its Travel platform revenue) and monthly user charges (for its Expense platform revenue) annualised on a constant currency basis. Peak ATMR was February for both 2019 and 2020. However, ATMR declined at the end of March 2020 to \$15 million based on the drop in transactions that occurred in the month following the impact of Covid-19.



## ACTIVITY

Travel platform bookings increased 2% over the prior year, driven mainly by growth in our core Australasian markets. Total travel bookings during FY20 were 4.22 million, up from 4.14 million, representing 58% of an estimated addressable market of 7.2 million corporate travel bookings in Australia and New Zealand. Total travel bookings include 0.5 million Offline bookings (system automated bookings) which don't contribute significantly to revenue or are bundled into the 'Online' booking rate. Online bookings for the year were 3.72 million and, with 1% decline, were Covid-19 impacted, with more Offline bookings completed during March 2020. Online volumes dropped for March 2020 to around 50% of the previous March 2019 volumes.

With border restrictions and in-country lockdowns in place, both domestic and international travel dropped, and Serko experienced a low of less than 10% of previous year volumes in April 2020. During the first three weeks of June 2020, over 3,200 corporate customers have made a travel booking as New Zealand moved down to Level 1 restrictions. This has resulted in daily booking volumes on Serko's platforms steadily increasing in June 2020 to about 25% of the daily booking volumes in June 2019. The Australian and New Zealand domestic and trans-Tasman travel markets, which presently generate the majority of our travel revenue, are poised to recover more quickly than international routes outside Australasia.

Serko is currently expanding into Northern Hemisphere markets. However, these regions did not make a significant contribution to volumes in 2020 owing to being in development and trial stages. Once travel does start to increase in these markets, Serko is expecting to gain volume both from its TMC resellers, as well as its recently launched Booking.com for Business (powered by Zeno) platform, which commenced trials in the UK and Ireland in May 2020.

Average Revenue Per Booking (ARPB) for travel-related revenue (Travel platform and supplier commissions) increased marginally during the year by 2% to \$4.76 from \$4.67 based on Online bookings and was largely related to increases in pricing for the Zeno platform. ARPB for recurring revenue (total recurring revenue divided by Online bookings) at \$6.46 improved by 17% from \$5.52 in the prior year mainly attributable to the inclusion of InterpIX income.

Peak Annualised Transactional Monthly Revenue (ATMR), a useful indicator of recurring revenue from Serko products, rose to \$27.5 million in February 2020 from \$26.0 million in the same period of the prior year. However, ATMR declined at the end of March 2020 to \$15 million based on the drop in transactions that occurred in the month following the impact of Covid-19.



## OPERATING EXPENSES

Year ended 31 March	2020	2019	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Marketing expenses	1,469	1,171	298	25%
Third party connection costs	885	62	823	1327%
Other selling costs	635	458	177	39%
<b>Total selling and marketing expenses</b>	<b>2,989</b>	<b>1,691</b>	<b>1,298</b>	<b>77%</b>
<b>Hosting expenses</b>	<b>3,362</b>	<b>1,931</b>	<b>1,431</b>	<b>74%</b>
Employee remuneration	17,161	11,924	5,237	44%
Contribution to pension plans	662	433	229	53%
Share-based payment expenses	959	576	383	66%
Other remuneration and benefits	637	202	435	215%
<b>Total remuneration and benefits</b>	<b>19,419</b>	<b>13,135</b>	<b>6,284</b>	<b>48%</b>
Auditor remuneration and other assurance fees	153	109	44	40%
Directors' fees	357	283	74	26%
Expected credit loss allowance on receivables	237	(7)	244	-3486%
Amortisation of intangibles	1,705	754	951	126%
Depreciation	1,451	294	1,157	394%
Rental and operating lease expenses	83	804	(721)	-90%
Professional fees	1,571	1,057	514	49%
Computer licences	925	260	665	256%
Other administration expenses	3,784	2,722	1,062	39%
<b>Total administration expenses</b>	<b>10,266</b>	<b>6,276</b>	<b>3,990</b>	<b>64%</b>
<b>Fair value remeasurement on contingent consideration</b>	<b>1,056</b>	<b>287</b>	<b>769</b>	<b>268%</b>
<b>Total operating expenses</b>	<b>37,092</b>	<b>23,320</b>	<b>13,772</b>	<b>59%</b>
Percentage of operating revenue	143%	100%		

Selling and marketing expenses comprise all the direct costs of sales that are not people or salary related.

Remuneration and benefits are the total costs of employees and contractors engaged within the business during the financial year, including gross salary, additional payroll taxes, superannuation and KiwiSaver, bonuses, commissions and the value of any share-based remuneration or awards.

Administration expenses are other general overheads and operating costs, including depreciation and amortisation charges.

Total operating expenses were up 59%, or \$13.8 million, from the prior year to \$37.1 million, owing to increases across all categories of expenses as Serko expands its operations.

Selling and marketing expenses increased to \$3.0 million from \$1.7 million in the prior year. Selling costs increased owing to increased third party connection costs, primarily related to Sabre Global Distribution technology fees introduced in May 2019. Marketing costs increased owing to increased presence at North American travel conferences in advance of launching the product. This had led to a healthy pipeline of customer interest prior to Covid-19 but onboarding has been delayed owing to a significant number of TMC staff being furloughed in the region during the lockdown period.

## OPERATING EXPENSES CONTINUED

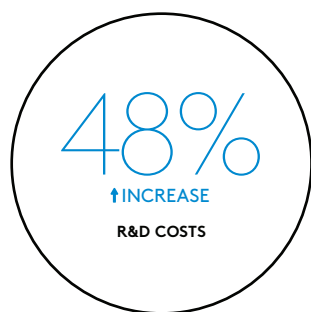
Hosting costs at \$3.4 million increased with the volume increases and set-up costs associated with new data centres for new territories as well as infrastructure improvements to increase speed and stability of the product.

Remuneration and benefits (R&B) increased by \$6.3 million to \$19.4 million owing to the increased head count from 173 full-time equivalent (FTE) to 233 FTE as at 31 March 2020. Share-based payments of \$0.9 million related to employee share-based payments and options (long-term incentives) for 2020, compared to \$0.6 million in the prior year. Short term incentives included in the prior year were \$1.4 million. Owing to Covid-19 cost saving measures, no short-term incentives have been accrued for the 2020 financial year. Serko was planning on hiring additional staff as it expanded, however, owing to Covid-19 additional hiring will be subject to a recovery in travel revenues.

Administration costs at \$10.3 million were up from \$6.3 million on the prior year. Administration costs included significant increases for depreciation and amortisation, up \$2.1 million of which \$1.0 million related to reclassification of premises costs due to adoption of IFRS-16 (*Leases*). An increase in professional fees included \$0.4 million related to one-off costs related to partnership owing diligence activity prior to the share capital raise. An increase in computer licences relates to head count increases, as well as more sophisticated collaboration tools and software monitoring. Other administration costs also increased with expansion, including increases in travel, recruitment and insurance. An increase in Expected Credit Loss (ECL) provision was also related to Covid-19 impact owing to the prevailing level of uncertainty in the travel industry.

The fair value measurement adjustment on contingent consideration, relating to the InterplX acquisition, was \$1.0 million, compared to the prior year value of \$0.3 million. The total value of shares issued in February 2020 for the final tranche was \$2.9 million for a final increase in value of \$1.3 million owing to the increase in share price since acquisition.

The InterplX acquisition consideration was by way of issuance of Serko shares, half of which was deferred and contingent on InterplX achieving key milestones. As a result the liability for the deferred component of this acquisition varied with the trading price of the shares at the date of issue. An increase in the Serko price therefore resulted in an accounting entry that reduced Serko's profit and increased the contingent consideration liability, which was then extinguished on share issue.



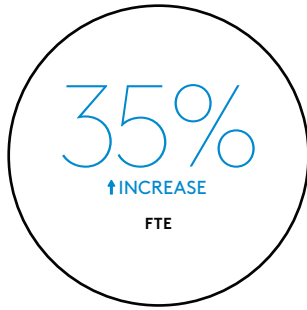
## RESEARCH AND DEVELOPMENT (R&D) COSTS

Year ended 31 March	2020	2019	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Total R&D costs (including amounts capitalised)	13,606	9,165	4,441	48%
Percentage of operating revenue	53%	39%		
Less: capitalised product development costs	(11,013)	(6,740)	(4,273)	63%
Percentage R&D costs	81%	74%		
<b>Research costs (excluding amortisation of amounts previously capitalised)</b>	<b>2,593</b>	<b>2,425</b>	<b>168</b>	<b>7%</b>
Less: Government grants for R&D	(683)	(810)	127	-16%
Add: Amortisation of capitalised development costs and intellectual property	1,705	754	951	126%
<b>Net product development costs</b>	<b>3,615</b>	<b>2,369</b>	<b>1,246</b>	<b>53%</b>
Percentage of operating revenue	14%	10%		

Research & Development (R&D) costs is a Non-GAAP measure representing the internal and external costs related to R&D that have been included in operating costs and capitalised as computer software development during the period. Research expenditure includes all reasonable expenditure associated with R&D activities that does not give rise to intangible assets. R&D expenses include employee and contractor remuneration related to these activities. It also covers research expenditure defined by NZ IAS 38.

Serko has capitalised more development costs for FY20 than in FY19, at \$11.0 million compared to \$6.7 million in FY19. Total R&D at \$13.6 million was 53% of net operating income compared to 39% in the prior year. While there remains considerable uncertainty as to the future operating environment, Serko remains of the view that this investment will produce an acceptable commercial return in the future.

Continued investment in the Travel platforms for Northern Hemisphere expansion, as well as the further development of the Serko Expense platform will see Serko continue in a development phase for the next financial year as the products continue to be localised for each market.



## EMPLOYEES AND AVERAGE REVENUE PER FTE

Year ended 31 March	2020	2019	Change	%
Product development and maintenance	146	100	46	46%
Sales and marketing	18	16	2	13%
Customer support	52	40	12	30%
Administration	17	17	0	0%
<b>Total employee numbers at end of the year (FTE)</b>	<b>233</b>	<b>173</b>	<b>60</b>	<b>35%</b>
<b>Average revenue per FTE (NZD \$000)</b>	<b>121</b>	<b>167</b>	<b>(46)</b>	<b>-28%</b>

Serko's staff numbers increased during the year moving to 233 from 173 full-time equivalent (FTE) staff at the end of 2019. Head count was 237 with 120 staff based in New Zealand, 23 in Australia, 48 in China and 46 in the US. The increase in staff is primarily in product development and reflects the investment Serko is making in its product to service the Northern Hemisphere markets. Post year end staff numbers have increased to 240.

Average revenue per FTE decreased by \$46,000 to \$121,000, reflecting the investment into additional staff as Serko expands.



## CASH FLOWS

Year ended 31 March	2020	2019	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Receipts from customers	22,318	21,855	463	2%
Grant income receipts	649	1,264	(615)	-49%
Other operating cash flows	(26,756)	(19,472)	(7,284)	37%
<b>Total cash flows from operating activities</b>	<b>(3,789)</b>	<b>3,647</b>	<b>(7,436)</b>	<b>-204%</b>
Investing cash flows	(11,812)	(7,279)	(4,533)	62%
Financing cash flows	42,273	14,220	28,053	197%
<b>Total net cash flows</b>	<b>26,672</b>	<b>10,588</b>	<b>16,084</b>	<b>152%</b>
Net foreign exchange differences	(13)	(88)	75	-85%
<b>Closing cash balances</b>	<b>42,391</b>	<b>15,732</b>	<b>26,659</b>	<b>169%</b>

Receipts from customers increased by 2% over the year from \$21.9 million to \$22.3 million. Other operating cash outflows increased by \$7.3 million to \$26.8 million mainly owing to increased payments to employees and suppliers. Net operating cash outflows for the year were \$3.8 million.

Cash outflows for property, plant and equipment and intangibles, reflecting capitalised internal development, were \$11.8 million. A capital raise to fund expansion resulted in a net \$43.2 million contribution to cash balances. Lease liabilities recorded under finance activities under new IFRS 16 adoption were \$1.1 million. Previously, rental payments were recorded under operating activities.

Cash balances increased 169% as at 31 March 2020, from \$15.7 million to \$42.4 million.

# FINANCIAL STATEMENTS



The directors of Serko Limited are pleased to present the financial statements for Serko Limited and its subsidiaries (the group) for the year ended 31 March 2020 to shareholders.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which fairly present the financial position of the group as at 31 March 2020 and the results of its operations and cash flows for the year ended on that date.

The directors consider the financial statements of the group have been prepared using accounting policies that have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the group and facilitate compliance of the financial statements with the Companies Act 1993, NZX Listing Rules, Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The directors consider 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.

The financial statements are signed on behalf of the Board of Directors 24 June 2020 by:

  
**CLAUDIA BATTEN**  
 ACTING CHAIR

  
**DARRIN GRAFTON**  
 CHIEF EXECUTIVE OFFICER

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# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020	2019
		\$ (000)	\$ (000)
Revenue	4	25,869	23,361
Other income	4	922	1,215
<b>Total income</b>		<b>26,791</b>	<b>24,576</b>
Operating Expenses			
Selling and marketing expenses		(2,989)	(1,691)
Hosting expenses		(3,362)	(1,931)
Remuneration and benefits		(19,419)	(13,135)
Administration expenses		(10,266)	(6,276)
Fair value remeasurement on contingent consideration		(1,056)	(287)
<b>Total operating expenses</b>	<b>5</b>	<b>(37,092)</b>	<b>(23,320)</b>
Finance income	5	1,137	360
Finance expenses	5	(162)	(70)
<b>(Loss)/profit before income tax</b>		<b>(9,326)</b>	<b>1,546</b>
Income tax (expense)/benefit	6	(38)	87
<b>Net (loss)/profit attributable to the shareholders of the company</b>		<b>(9,364)</b>	<b>1,633</b>
Movement in foreign currency reserve		(11)	(126)
<b>Total comprehensive income/(loss) for the year</b>		<b>(9,375)</b>	<b>1,507</b>
Earnings per share			
Basic profit per share	18	(\$0.10)	\$0.02
Diluted profit per share	18	(\$0.11)	\$0.02

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Notes	Share capital \$(000)	Share-based payment reserve \$(000)	Foreign currency reserve \$(000)	Accumulated losses \$(000)	Total \$(000)
Balance as at 1 April 2019		40,993	1,885	(211)	(16,432)	26,235
Net loss for the year		-	-	-	(9,364)	(9,364)
Adjustment on adoption of new IFRS16	2(d)	-	-	-	(323)	(323)
Other comprehensive income/(loss)*		-	-	(11)	-	(11)
<b>Total comprehensive income/(loss) for the year</b>		-	-	<b>(11)</b>	<b>(9,687)</b>	<b>(9,698)</b>
Transactions with owners						
Issue of share capital	17	45,000	-	-	-	45,000
Cost of equity issued	17	(1,793)	-	-	-	(1,793)
Shares allocated to employees	17	353	682	-	-	1,035
Shares forfeited from employees	17	-	(17)	-	-	(17)
Share-based payments – employee share options	17	74	(133)	-	-	(59)
Non-executive directors settlement of non-recourse loan	17	243	(43)	-	-	200
Shares issued in respect of InterplX acquisition	17	2,881	-	-	-	2,881
<b>Balance as at 31 March 2020</b>		<b>87,751</b>	<b>2,374</b>	<b>(222)</b>	<b>(26,119)</b>	<b>63,784</b>
Balance as at 1 April 2018		25,185	1,309	(85)	(18,065)	8,344
Net profit for the year		-	-	-	1,633	1,633
Other comprehensive income/(loss)*		-	-	(126)	-	(126)
<b>Total comprehensive income for the year</b>		-	-	<b>(126)</b>	<b>1,633</b>	<b>1,507</b>
Transactions with owners						
Issue of share capital	17	15,048	-	-	-	15,048
Cost of equity issued	17	(778)	-	-	-	(778)
Shares allocated to employees	17	-	406	-	-	406
Shares forfeited from employees	17	-	(24)	-	-	(24)
Share-based payments – employee share options	17	-	194	-	-	194
Shares issued in respect of InterplX acquisition	17	1,538	-	-	-	1,538
<b>Balance as at 31 March 2019</b>		<b>40,993</b>	<b>1,885</b>	<b>(211)</b>	<b>(16,432)</b>	<b>26,235</b>

\*Items in other comprehensive income may be reclassified to the income statement and are shown net of tax. The accompanying notes form part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 \$(000)	2019 \$(000)
<b>Current assets</b>			
Cash at bank and on hand	11	42,391	15,732
Receivables	7	6,578	5,493
Income tax receivable		84	-
Derivative financial instruments	8	557	421
<b>Total current assets</b>		<b>49,610</b>	<b>21,646</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	3,382	1,129
Intangible assets	10	20,110	10,553
Deferred tax asset	6	250	84
<b>Total non-current assets</b>		<b>23,742</b>	<b>11,766</b>
<b>Total assets</b>		<b>73,352</b>	<b>33,412</b>
<b>Current liabilities</b>			
Trade and other payables	12	7,073	4,791
Contingent consideration	14	-	1,825
Income tax payable		-	224
Interest-bearing loans and borrowings	16	58	54
Lease liabilities	13	1,280	-
<b>Total current liabilities</b>		<b>8,411</b>	<b>6,894</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	-	134
Interest-bearing loans and borrowings	16	92	149
Lease liabilities	13	1,065	-
<b>Total non-current liabilities</b>		<b>1,157</b>	<b>283</b>
<b>Total liabilities</b>		<b>9,568</b>	<b>7,177</b>
<b>Equity</b>			
Share capital	17	87,751	40,993
Share-based payment reserve	17	2,374	1,885
Foreign currency reserve		(222)	(211)
Accumulated losses		(26,119)	(16,432)
<b>Total equity</b>		<b>63,784</b>	<b>26,235</b>
<b>Total equity and liabilities</b>		<b>73,352</b>	<b>33,412</b>

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 24 June 2020



**CLAUDIA BATTEN**  
ACTING CHAIR



**DARRIN GRAFTON**  
CHIEF EXECUTIVE OFFICER

The accompanying notes form part of these financial statements.

# Consolidated Statement of Cash flows

For the year ended 31 March 2020

	Notes	2020	2019
		\$ (000)	\$ (000)
<b>Cash flows from operating activities</b>			
Receipts from customers		22,318	21,855
Interest received		418	304
Receipts from grants		649	1,264
Taxation (paid)/received		(529)	(142)
Payments to suppliers and employees		(26,275)	(19,395)
Interest payments		(126)	(20)
Net GST refunded (paid)		(244)	(219)
<b>Net cash flows (used in)/from operating activities</b>	<b>21</b>	<b>(3,789)</b>	<b>3,647</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(794)	(466)
Capitalised development costs and other intangible assets	10	(11,018)	(6,813)
<b>Net cash flows (used in) investing activities</b>		<b>(11,812)</b>	<b>(7,279)</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	17	45,000	15,048
Cost of new share issue	17	(1,793)	(778)
Payment of lease liabilities	13	(1,080)	-
Non-executive directors non-recourse loan		200	-
Net repayment of loans		(54)	(50)
<b>Net cash flows from financing activities</b>		<b>42,273</b>	<b>14,220</b>
<b>Net increase in total cash</b>			
Net foreign exchange difference		(13)	(88)
Cash and cash equivalents at beginning of period		15,732	5,232
<b>Cash and cash equivalents at the end of the period</b>		<b>42,391</b>	<b>15,732</b>
Cash and cash equivalents comprises the following:			
Cash at bank and on hand	11	42,391	15,732
		<b>42,391</b>	<b>15,732</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2020

## 1 CORPORATE INFORMATION

The financial statements of Serko Limited ('the Company') and subsidiaries ('the Group') were authorised for issue in accordance with a Board resolution.

The Company is a limited liability company domiciled and incorporated in New Zealand under the Companies Act 1993 and is listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX) as an ASX Foreign Exempt Listing. Its registered office is at Unit 14d, 125 The Strand, Parnell, Auckland.

The Group is involved in the provision of computer software solutions for corporate travel. The Group is headquartered in Auckland, New Zealand.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out in the respective notes and in this note. These policies have been consistently applied to all the years presented, unless otherwise stated.

### a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Financial Markets Conduct Act 2013. The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets and liabilities as identified in specific accounting policies.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars unless stated otherwise.

The financial statements provide comparative information in respect of the previous period.

### b) Going concern

The Board has carefully considered the ability of the Group to continue to operate as a going concern for at least the next 12 months from the date the financial statements are authorised for issue. It is the conclusion of the Board that the Group will continue to operate as a going concern and the financial statements have been prepared on that basis.

In light of the severe impact of Covid-19 on Serko's core business of the provision of online travel booking software, the Board has given careful consideration to the ability of the Group to continue to operate as a going concern for at least the next 12 months from the date the financial statements are authorised for issue.

Serko completed an oversubscribed capital raising of \$45 million (\$43.2 million net of costs) in late 2019. This capital raise was intended to provide funding for Serko's anticipated strategic initiative of expansion into new markets. Although we did not anticipate an event as catastrophic as Covid-19, the Serko Board has always maintained a prudent and conservative approach to balance sheet management. By raising more capital than the Board believed Serko required, the Company's a strong cash position that has provided a comfortable level of liquidity. It also allowed us to:

- Maintain our operating capacity;
- Retain resource and capability to put Serko into a strong position to reassure our customers of our ongoing viability;
- Retain our key people to quickly recover from the impact of the pandemic when travel volumes recover.

We have, however, responded to the decline in activity and the uncertainty of the future environment by reducing cash costs across all expense categories.

The Group has made significant changes to the way we operate and addressed Serko's cost base in anticipation of a subdued operating environment. The Company has undertaken modelling of future results based on three alternative scenarios and has then weighted those scenarios to formulate a plan for the ongoing solvency of the business. Serko has applied a weighting of 50% to the most pessimistic scenario.

In reaching their conclusion the Board has considered the following factors:

- Cash reserves at 31 March 2020 of \$42.4 million provides a sufficient level of headroom to help support the business for at least the next 12 months;

- Covid-19 cost saving initiatives introduced post year end to target maximum cash burn of \$2 million per month on average for FY21 through the following initiatives:
  - Seeking government Covid-19 wage subsidy schemes, in New Zealand, Australia and the US
  - Implementing hiring and salary freezes and terminating non-essential contractors and staff
  - Scaling-down hosting environment for reduced transactions
  - Negotiating reduced rental on leasehold premises
  - Reducing other expenditure (i.e. marketing and travel) to essential only
  - Implementing voluntary staff salary reductions for three months from May 2020
  - Non-executive directors agreeing to take either a reduction of directors' fees or receive a portion of their directors' fees in shares for the first three months of FY21
- The Board has made due enquiry into the appropriateness of the assumptions underlying the budgetary forecasts.

### c) Statement of compliance

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards, as appropriate for profit-oriented entities.

### d) Application of new and revised standards, amendments and interpretations

Apart from the changes noted below, the accounting policies adopted are consistent with those of previous years.

NZ IFRS 16 (Leases) is effective for annual periods beginning on or after 1 January 2019. The standard deals with the recognition, measurement, presentation and disclosure of leases and replaces the current guidance in NZ IAS 17 Leases (NZ IAS 17). The new standard introduces a single model for lessees that recognises all leases on the balance sheet through an asset representing the rights to use the leased item during the lease term and a liability for the obligation to make lease payments. This removes the distinction between operating and finance leases and aims to provide users of the financial statements relevant information to assess the effect that leases have on the statement of financial position, statement of comprehensive income and cash flows of the reporting entity. Lessor accounting remains largely unchanged from NZ IAS 17 for the Group.

The Group adopted NZ IFRS 16 using the modified retrospective approach with the right-of-use (ROU) asset being determined as if NZ IFRS 16 had been applied from lease commencement but using the incremental borrowing rate as at 1 April 2019. Leases recognised relate to building leases at different geographical locations and an incremental borrowing rate of between 4% and 6% has been applied. The Group has made use of the practical expedient available on transition to NZ IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with NZ IAS 17 will continue to be applied to those leases entered or modified before 1 April 2019. Comparative numbers have not been restated.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019. Key changes to the financial statements are set out below:

- Recognition of an ROU asset and lease liability for operating leases, adjusted for any incentives on the statement of financial position; and
- Recognition of interest and depreciation expense (refer to note 5) instead of operating lease rental expense in the statement of financial performance. The change in accounting standard has impacted retained earnings by \$323,000 and resulted in a credit to profit before tax of \$203,000 in the current financial year; and
- Interest-bearing loans and borrowings relating to leasehold improvements have been reclassified.

In accordance with the transition provisions of NZ IFRS 16, comparatives have not been restated, with the cumulative effect being recognised in opening retained earnings at transition (1 April 2019).

A reconciliation of operating lease commitments at 31 March 2019 to the lease liability recognised at 1 April 2019 is shown below:

	\$(000)
Operating lease commitments disclosed at 31 March 2019	1,688
The effect of discounting	(196)
Adjustments as a result of a different treatment of extension and termination options	987
<b>Lease liabilities recognised as at 1 April 2019</b>	<b>2,479</b>
Classified as:	
Less than one year	768
Later than one year but not more than five years	1,711
<b>Lease liabilities recognised as at 1 April 2019</b>	<b>2,479</b>

Serko Limited also entered into a lease agreement to sub-lease additional premises through to December 2020, with these premises being available for use in October 2019.

#### ***Practical expedients applied***

In applying NZ IFRS 16 for the first time, Serko has used the following practical expedients permitted by the standard:

- Use of a single discount rate to leases with reasonably similar characteristics;
- Accounted for each lease component and any associated non-lease components as a single lease component;
- Excluded lease contracts of insignificant value;
- Excluded lease contracts less than 12 months; and
- Exclusion of initial direct costs for the measurement of the lease asset at the date of initial application.



## e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Serko Limited and its subsidiaries as at and for the year ended 31 March each year.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group ceases control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a cease of control, is accounted for as an equity transaction. If the Group ceases control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and

- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Acquisition-related costs are expensed as incurred and recognised in profit or loss.

The difference between the above items and the fair value of the consideration is recorded as either goodwill or gain on bargain purchase. After initial recognition goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested annually for impairment, or immediately if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Any gain on bargain purchase is recognised immediately on acquisition to profit and loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Non-controlling interests are allocated their share of comprehensive income after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

## f) Foreign currency translation

### i) Functional and presentation currency

Items included in these financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). These financial statements are presented in New Zealand dollars, which is the Group's presentation currency and the parent's functional currency.

## ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance date. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end of exchange rates for monetary assets and liabilities denominated in foreign currencies, are recognised in profit or loss.

## iii) Foreign Currency Translation Reserve

For the purposes of presenting these consolidated financial statements the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

## g) Financial instruments

Cash at bank and on hand and receivables are financial assets measured at amortised cost. When financial assets are recognised initially they are measured at fair value plus directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

Derivative financial instruments are recognised at fair value through profit or loss.

## i) Amortised cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Such assets are subsequently carried at amortised cost using the effective interest method. Expected credit loss movements are recognised in profit or loss when the contract assets and liabilities are derecognised or impaired, as well as through the amortisation process.

## ii) Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities, including interest-bearing loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method calculates the amortised cost of a financial liability and allocates the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount of the liability.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

## iii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost or at fair value through comprehensive income, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Special consideration has been given to ECL in light of the economic impact of Covid-19 throughout the travel industry and the capacity of our customers to meet their obligations to us.

For all other financial instruments the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings or, in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

#### **h) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is one that takes 12 months or longer to prepare for its intended use or sale. Other borrowing costs are expensed when incurred.

#### **i) Other taxes**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. All receivables and payables are stated GST inclusive.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **j) Comparatives**

Certain comparative amounts have been reclassified to conform to the current year's presentation.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures.

In the process of applying the Group's accounting policies, management has made the following judgements, which have an effect on the amounts recognised in the consolidated financial statements.

#### **Covid-19 Pandemic**

On 11 March 2020 the World Health Organization (WHO) declared a global pandemic as a result of the outbreak and spread of Covid-19. However, as Serko announced on 25 February 2020, the Company had detected an adverse trend in travel bookings prior to the WHO declaration. On 14 March the New Zealand Government announced it was closing its borders to non-New Zealand residents and on 25 March the New Zealand Government raised its Alert Level to 4 (full lockdown other than 'essential' services) for an initial four-week period. Covid-19 related travel restrictions were also enacted within Australia and within Northern Hemisphere markets where Serko expects to grow. New Zealand domestic travel resumed when the country moved to Level 2 on 11 May. However, travel is still restricted in Australia to essential travel only. Northern Hemisphere travel is also restricted but varies between regions.

Revenue from Serko's online booking tools is almost exclusively directly related to booking volumes.

The Governmental policy responses, including lockdowns and the suspension of all travel other than essential services, has had a severe adverse effect on bookings on Serko's Travel booking platform.

The actions taken by Serko are outlined as per Going Concern disclosure (note 2b). It should, however, be noted that Serko has carefully chosen to retain resource and capacity on key growth initiatives to ensure it is positioned to participate in the eventual recovery of corporate travel.

The Serko Board has exercised judgement on a number of important areas in the income statement and statement of financial position and we draw your attention to the commentary in the notes to the financial statements for more detailed explanations.

#### **Development costs (note 10)**

Development costs of a project are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits. The effects that Covid-19 has had on travel have been considered in assessing expected future cash flows.

#### **Functional and presentation currency**

The Group periodically reviews the functional currency for reporting purposes. The Group believes that there is sufficient justification for the continued use of NZD as the functional currency. The key factors behind this conclusion are:

- Serko is NZX listed and has raised capital in NZD;
- Research and development grant funding is in NZD;
- NZD is the main currency for labour, operating cost and capital expenditure; and
- The Group also generates certain revenues in NZD as per note 4.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONTINUED

#### Impairment (note 10 – Intangibles and note 7 – Receivables)

Management reviews the carrying value of intangible and non-financial assets on an annual basis, in particular, goodwill, computer software and development work in progress. Consideration is placed on a number of factors, depending on the specific asset in question, which may include discounted cash flow forecasts, the ability to continue to generate discrete cash flow and returns, any changes or anticipated changes in the business or product circumstances and the nature of the events that originally gave rise to the recognition of any non-financial assets. Management has considered reduced travel owing to Covid-19 and estimated the recovery profile of travel in various geographies and its effect on growth plans. No impairment to intangibles is considered necessary.

Serko has updated its expected credit loss assumptions and the provision was increased to \$237,000 from the prior year \$7,000 due to Covid-19 impacts.

#### Revenue recognition (note 4)

Serko has customer agreements that contain annual minimum transaction volume commitments that span financial reporting periods. Based on this management needs to make a judgement about estimated future transaction volumes to determine related revenue for the specific financial reporting period. The effects of Covid-19 have been considered and as a result of reduced forecasts adjustments on contractual revenue have been recognised.

## 4 REVENUE & OTHER INCOME

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. Revenue is disclosed net of credit notes, rebates and discounts.

### a) Revenue from transaction and usage fees

Revenue from transaction and usage fees is recorded at the time travel or expense transactions are processed through Serko's platforms. Contracts that have fixed minimum booking volume arrangements are recognised over the period of volume commitment. For contracts without fixed consideration we have applied the 'as invoiced' basis. Serko records revenue from its portfolio of contracts with reference to actual transactions, forecast transactions and minimum contracted commitments. Owing to Covid-19 impacting the entire travel industry, Serko has agreed to a number of changes to contracts with customers, including changes to schedules of contracted minimum revenue. This has had the effect of reducing the revenue that Serko expected to record in the current year.

Serko Expense revenue is invoiced monthly on an active user basis and revenue recognised at a point in time.

Supplier commission revenue, predominantly from hotel bookings, is recognised at a point in time, once the performance obligation is fulfilled.

### b) Revenue from services

Revenue from a contract to provide installation services is recognised by reference to the completion of the contract or services delivered at balance date. If services relate to one-off chargeable work orders, these can be invoiced as and when the performance obligation is satisfied. Revenue is recognised at a point in time by applying the 'as invoiced' practical expedient. If these relate to customised set up or installation, the revenues are recognised over the contract term.

### c) Contract assets

Contract assets relate to accrued revenue for contractual minimum guarantees (refer note 7).

### d) Government grants

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs it is intended to compensate. Revenue is recognised once the criteria of the grant application is met.

## 4 REVENUE &amp; OTHER INCOME CONTINUED

	Notes	2020 \$(000)	2019 \$(000)
Revenue - transaction and usage fees:			
Travel platform booking revenue		16,307	15,948
Expense platform revenue		5,831	2,710
Supplier commissions revenue		1,427	1,538
Services revenue		1,819	2,698
Other revenue		485	467
<b>Total revenue</b>		<b>25,869</b>	<b>23,361</b>
Government grants	15	922	1,208
Sundry income		-	7
<b>Total other income</b>		<b>922</b>	<b>1,215</b>
<b>Total revenue and other income</b>		<b>26,791</b>	<b>24,576</b>
		<b>2020</b>	<b>2019</b>
		<b>\$(000)</b>	<b>\$(000)</b>
Geographic information			restated*
Australia		18,218	19,335
New Zealand		2,465	2,343
US		4,823	1,471
Other		363	212
<b>Total revenue</b>		<b>25,869</b>	<b>23,361</b>

\*Note the prior year figures have been adjusted as a result of a reclass of grant revenue resulting in a movement between Australia and New Zealand sourced income.

## 5 EXPENSES

	2020	2019
	\$ (000)	\$ (000)
Operating profit before taxation includes the following expenses:		
Marketing expenses	1,469	1,171
Third party connection costs	885	62
Other selling costs	635	458
<b>Total selling and marketing expenses</b>	<b>2,989</b>	<b>1,691</b>
<b>Hosting expenses</b>	<b>3,362</b>	<b>1,931</b>
Employee remuneration	17,161	11,924
Contributions to pension plans	662	433
Share-based payment expenses	959	576
Other remuneration and benefits	637	202
<b>Total remuneration and benefits</b>	<b>19,419</b>	<b>13,135</b>
Auditor remuneration and other assurance fees	153	109
Directors' fees*	357	283
Expected credit loss allowance on receivables	237	(7)
Amortisation of intangibles	1,705	754
Depreciation	1,451	294
Rental and operating lease expenses	83	804
Professional fees	1,571	1,057
Computer licences	925	260
Other administration expenses	3,784	2,722
<b>Total administration expenses</b>	<b>10,266</b>	<b>6,276</b>
<b>Fair value remeasurement of contingent consideration</b>	<b>1,056</b>	<b>287</b>
<b>Expenses from ordinary activities</b>	<b>37,092</b>	<b>23,320</b>

\*Directors' fees include \$12,500 earned by a director of subsidiary, Serko India Private Limited.



## 5 EXPENSES CONTINUED

	2020	2019
	\$ (000)	\$ (000)
Finance income and expenses includes:		
Finance income		
Interest received	418	305
Dividends received	1	1
Foreign exchange gains - net	718	54
<b>Total finance income</b>	<b>1,137</b>	<b>360</b>
Finance expenses		
Interest expense	(14)	(20)
Interest expense on lease liabilities	(111)	-
Other finance expenses	(37)	(50)
<b>Total finance expenses</b>	<b>(162)</b>	<b>(70)</b>
<b>Total finance income and expenses</b>	<b>975</b>	<b>290</b>

## Auditor remuneration

	2020	2019
	\$ (000)	\$ (000)
Amounts for services performed by Deloitte Limited:		
Audit of financial statements	146	79
Other assurance services*	7	7
<b>Total audit fees</b>	<b>153</b>	<b>86</b>

\*Other assurance services relate to review of the Group's compliance with Callaghan Innovation Grant requirements.

## 6 INCOME TAX

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted in the jurisdictions on which the Group operates at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns, with respect to situations in which applicable tax regulations are subject to interpretation, and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- For a deferred income tax liability arising from the initial recognition of goodwill; and

- Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) relevant to the appropriate tax jurisdiction, that have been enacted or substantively enacted at the balance date.

	2020	2019
	\$ (000)	\$ (000)
Current income tax		
Current income tax charge	318	493
Adjustments in respect of income tax	(113)	(225)
	<b>205</b>	<b>268</b>
Deferred income tax		
Origination and reversal of temporary differences	(167)	(355)
<b>Income tax expense/(benefit) reported in the statement of comprehensive income</b>	<b>38</b>	<b>(87)</b>

## 6 INCOME TAX CONTINUED

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

	2020 \$(000)	2019 \$(000)
Accounting (loss)/profit before income tax	(9,326)	1,546
At the statutory income tax rate of 28% (2019:28%)	(2,611)	433
Non-deductible items	456	143
Adjustments in respect of income tax	(113)	(225)
Foreign taxes	72	18
Share-based payments	182	170
Tax losses unrecognised/(recognised)	2,132	(545)
Effect of tax on overseas subsidiaries at different rate	(80)	(81)
<b>Income tax expense/(benefit)</b>	<b>38</b>	<b>(87)</b>
At effective income tax rate of:	-0.4%	-5.6%

Deferred income tax at 31 March relates to the following:

	2020		2019	
	Statement of financial position \$(000)	Statement of comprehensive income \$(000)	Statement of financial position \$(000)	Statement of comprehensive income \$(000)
Deferred income tax liabilities recognised				
Intangibles	(320)	86	(406)	20
Unrealised foreign exchange	-	(13)	13	22
Deferred income tax asset recognised				
Intangibles and non-current assets*	106	51	55	(30)
Provision for ECL	65	63	2	2
Employee entitlements	350	102	248	169
Bonus provision	8	(163)	172	172
Share-based payments	41	41	-	-
<b>Net deferred tax asset recognised</b>	<b>250</b>	<b>167</b>	<b>84</b>	<b>355</b>
Deferred income tax asset not recognised				
Employee entitlements	-	-	-	(112)
Bonus provision	-	-	-	(195)
Leases	-	-	-	11
	-	-	-	<b>(296)</b>

\*Net of lease liabilities.

Tax losses carried forward are attributable to those generated in New Zealand of \$20,437,000, subject to shareholder continuity rules being met.

## 7 RECEIVABLES

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. Trade receivables are assessed for impairment and an expected credit loss (ECL) provision made based on lifetime expected credit losses. The ECL model considers various aspects of credit risk within a risk

matrix, considering history of debtor write off, ageing of invoices, country, market and product risk.

Serko has also made decisions with respect to Expected Credit Losses that reflect the prevailing level of uncertainty in the travel industry and the impact of Covid-19 on our customers' businesses and their capacity to pay.

The impairment, and any subsequent movement, including recovery, is recognised in the statement of comprehensive income.

	2020	2019
	\$(000)	\$(000)
Trade receivables	4,049	3,040
Expected credit loss provision	(237)	(7)
<b>Trade receivables (net)</b>	<b>3,812</b>	<b>3,033</b>
GST receivable	473	229
Sundry debtors	34	58
Contract assets	1,368	1,593
Prepayments	845	551
Funds held in trust	46	29
<b>Total receivables</b>	<b>6,578</b>	<b>5,493</b>
<b>Foreign currency risk</b>		
The carrying amounts of the group's receivables are denominated in the following currencies:		
New Zealand dollars	3,098	2,981
Australian dollars	2,748	1,841
US dollars	717	666
British pounds	15	5
	<b>6,578</b>	<b>5,493</b>

	Total	0-30 days	31-60 days	61-90 days	91+ days
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)

At 31 March the ageing analysis of receivables was as follows:

<b>2020</b>					
Trade receivables	4,049	1,996	1,726	173	154
<b>2019</b>					
Trade receivables	3,040	2,252	630	48	110

## 7 RECEIVABLES CONTINUED

### Allowance for impairment loss – Trade receivables

Group trade receivables over 60 days were \$327,000 (2018: \$158,000. This balance of \$327,000 has been assessed as part of Covid-19's impact on the recovery of trade receivables. An ECL provision of \$237,000 (2019: \$7,000) has been made as required under NZ IFRS 9. Additionally, the Group recognises an allowance of individual receivables if there is objective evidence of credit impairment.

Trade receivables are non-interest bearing and are generally on 30 - 60-day terms. Serko has historically low levels of impairment on trade receivables.

## 8 FINANCIAL INSTRUMENTS

### Derivative financial instruments

The Group uses derivatives in the form of forward exchange contracts (FECs) to reduce the risk that movements in the exchange rate will affect the Group's New Zealand dollar cash flows. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The following table presents the Group's foreign currency forward exchange contracts measured at fair value:

	2020 \$(000)	2019 \$(000)
Current:		
Foreign currency forward exchange contracts	557	421
Contractual amounts of forward exchange contracts outstanding were as follows:		
Foreign currency forward exchange contracts	18,819	11,016

Derivative financial instruments have been determined to be within level 2 of the fair value hierarchy. Foreign currency forward exchange contracts have been fair valued using published market foreign exchange rates and contract forward rates discounted at a rate that reflects the credit risk of the counterparties.

## 9 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are recorded at cost less accumulated depreciation and impairment. Initial cost includes purchase consideration and those costs attributable to bringing the asset to the location and condition necessary for its intended use. Where an item is self-constructed, its construction cost includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Subsequent expenditure relating to an item of property, plant and equipment is added to its gross carrying amount when such expenditure either increases the future economic benefits beyond its existing service potential or is necessarily incurred to enable future economic benefits to be obtained and if that expenditure would have been included in the initial cost of the item had it been incurred at that time. The carrying amount of any replaced part is derecognised.

All other repairs and maintenance expenditure is recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The residual value of assets is reviewed and adjusted, if appropriate, at each balance date.

The following estimates have been used:

- Leasehold improvements - Term of lease (7% - 16.7%)
- Furniture and fittings - 6% - 36%
- Computer equipment - 17.5% - 48%
- Right-of-use asset - Term of lease (16.7% - 100%)

### a) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

### b) Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## 9 PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Leasehold improvement	Furniture & fittings	Computer equipment	Right-of-use asset*	Total
	\$ (000)	\$ (000)	\$ (000)	\$ (000)	\$ (000)
<b>2020</b>					
Cost or valuation					
Balance at 1 April 2019	812	556	873	1,970	4,211
Additions	53	251	490	946	1,740
Disposals	(230)	-	-	(60)	(290)
Currency translation	(25)	7	27	45	54
<b>Balance at 31 March 2020</b>	<b>610</b>	<b>814</b>	<b>1,390</b>	<b>2,901</b>	<b>5,715</b>
Depreciation					
Balance at 1 April 2019	333	223	556	-	1,112
Depreciation expense	133	70	264	984	1,451
Disposals	(223)	-	-	(17)	(240)
Currency translation	(25)	5	18	12	10
<b>Balance at 31 March 2020</b>	<b>218</b>	<b>298</b>	<b>838</b>	<b>979</b>	<b>2,333</b>
<b>Net carrying amount</b>	<b>392</b>	<b>516</b>	<b>552</b>	<b>1,922</b>	<b>3,382</b>
<b>2019</b>					
Cost or valuation					
Balance at 1 April 2018	770	367	574	-	1,711
Additions	28	166	270	-	464
Acquisition through business combinations	14	24	30	-	68
Currency translation	-	(1)	(1)	-	(2)
<b>Balance at 31 March 2019</b>	<b>812</b>	<b>556</b>	<b>873</b>	<b>-</b>	<b>2,241</b>
Depreciation					
Balance at 1 April 2018	222	175	421	-	818
Depreciation expense	111	48	135	-	294
<b>Balance at 31 March 2019</b>	<b>333</b>	<b>223</b>	<b>556</b>	<b>-</b>	<b>1,112</b>
<b>Net carrying amount</b>	<b>479</b>	<b>333</b>	<b>317</b>	<b>-</b>	<b>1,129</b>

\*Right-of-use assets relate to premises leases.

## 10 INTANGIBLES

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Costs related to internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful lives and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. An intangible asset with an indefinite useful life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

- Goodwill and Other intangible assets (indefinite useful life, tested annually for impairment)
- Intellectual property (finite, amortised on 5 years straight-line basis)
- Capitalised software development costs (finite, amortised on 5 years straight-line basis)
- Computer software (finite, amortised on a straight-line basis 40% - 60%).

### Research and development

Research and maintenance costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset. Also considered is how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to reliably measure the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and impairment losses. Any expenditure capitalised is amortised over the period of expected benefit from the related project.

Intangible assets under development at balance date are recorded as capital work in progress and are not subject to amortisation.

### Impairment of non-financial assets

Intangible assets that have indefinite useful lives or are not yet completed are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units ('CGUs')). Non-financial assets, including development work in progress and computer software are assessed for impairment at a Group level under one reporting segment. For the year ended 31 March 2019, InterplX Inc goodwill was assessed as a separate CGU. In the current year, the InterplX product has been developed to bundle with travel, it no longer has separately identifiable cash flows and is assessed as part of the one Group CGU.



## 10 INTANGIBLES CONTINUED

Non-financial assets, other than goodwill that suffered impairment, are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

The recoverable amount of the cash-generating unit is determined from a value-in-use calculation that uses a discounted cash flow analysis. The key assumptions for the value-in-use calculation are those regarding the discount rate, growth rates and forecast financial performance and cash flows. Management estimates the discount rate using rates that reflect current market assumptions of the time value of money and risk specific to the cash-generating unit. The growth rates are based on management's best estimate. Forecast revenues, direct and indirect costs, are based on historical experience/past practices and expectations of future changes in the markets the Group operates in and services.

Owing to Covid-19 there is uncertainty around forecasts for domestic and international air travel and consequently uncertainty relating to Serko's forecast cash flows, which is an indicator of possible impairment. Serko has forecast a significant reduction in travel bookings and Serko Expense platform system use for the year ending 31 March 2021. These forecasts are based on the information available to the Group at the time of preparing these financial statements and were arrived at with reference to various data sources, including airlines, the International Air Transport Association ('IATA'), external management consultancy reports and Travel Management Company resellers.

Serko's estimates of travel recovery and growth rates remain uncertain and dependent on a number of factors with respect to Covid-19, including timing of return to domestic travel, border controls for international travel and public demand and behaviour with respect to travel and airline scheduling. Cash flows are sensitive to the ability of the Group to return to pre-Covid-19 revenue by the end of FY2022 and to achieve its Northern Hemisphere growth plans over the five-year period. The longer-term effects of Covid-19 on Serko's business remain uncertain and the potential impacts of the pandemic continue to evolve.

In undertaking an impairment review of the cash-generating unit the following assumptions were used in the impairment model:

- Cash flow projections across a five-year forecast period
- Three distinct scenarios were modelled and probability weighted at 10% to the highest case, 40% to the mid case and 50% to the lowest case. As a result, the major approved assumptions for impairment testing are as follows:
  - The Australian and New Zealand travel industry recovers over two years to pre-Covid-19 levels
  - Northern Hemisphere travel markets are assumed to have a lag relative to Australasia and forecasts return to pre-Covid-19 levels in FY23
  - Serko Expense platform revenue growth, supplier commissions and services and other revenues are relative to Travel platform recovery and growth in each territory
- Discount rate of 11.7% (FY19: 11.5%)
- Discount factor applied using a mid-year convention
- Terminal growth rate of 2% (FY19: 2.4%).

## 10 INTANGIBLES CONTINUED

In assessing the sensitivity of the forecasts to errors in assumptions, an analysis in key underlying assumptions was performed and applied to the weighted average scenario. This included reducing the estimated growth rate by 10%, reducing the terminal growth rate by 1% and increasing the discount rate by 1%. These reasonably possible changes in assumptions did not result in any impairment to intangible assets.

	Goodwill	Intellectual property	Key employee retention	Customer contracts	Other intangible assets	Development work in progress	Computer software	Total
	\$ (000)	\$ (000)	\$ (000)	\$ (000)	\$ (000)	\$ (000)	\$ (000)	\$ (000)
<b>2020</b>								
Cost								
Balance at 1 April 2019	1,405	1,477	-	-	73	4,766	4,775	12,496
Additions	-	-	-	-	5	11,013	-	11,018
Assets no longer in use	-	-	-	-	-	-	(36)	(36)
Transfer of cost	-	-	-	-	-	(11,215)	11,215	-
Currency translation	117	237	-	-	-	-	-	354
<b>Balance at 31 March 2020</b>	<b>1,522</b>	<b>1,714</b>	<b>-</b>	<b>-</b>	<b>78</b>	<b>4,564</b>	<b>15,954</b>	<b>23,832</b>
Amortisation and impairment								
Balance at 1 April 2019	-	76	-	-	-	-	1,867	1,943
Amortisation	-	332	-	-	-	-	1,373	1,705
Currency translation	-	74	-	-	-	-	-	74
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>482</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,240</b>	<b>3,722</b>
<b>Net carrying amount</b>	<b>1,522</b>	<b>1,232</b>	<b>-</b>	<b>-</b>	<b>78</b>	<b>4,564</b>	<b>12,714</b>	<b>20,110</b>
<b>2019</b>								
Cost								
Balance at 1 April 2018	220	-	78	443	-	49	2,915	3,705
Additions	-	-	-	-	73	6,740	-	6,813
Assets no longer in use	(220)	-	(78)	(443)	-	-	(201)	(942)
Transfer of cost	-	-	-	-	-	(2,023)	2,023	-
Acquisition through business combinations (refer note 13)	1,444	1,523	-	-	-	-	39	3,006
Currency translation	(39)	(46)	-	-	-	-	(1)	(86)
<b>Balance at 31 March 2019</b>	<b>1,405</b>	<b>1,477</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>4,766</b>	<b>4,775</b>	<b>12,496</b>
Amortisation and impairment								
Balance at 1 April 2018	220	-	78	443	-	-	1,390	2,131
Amortisation	-	76	-	-	-	-	678	754
Assets no longer in use	(220)	-	(78)	(443)	-	-	(201)	(942)
<b>Balance at 31 March 2019</b>	<b>-</b>	<b>76</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,867</b>	<b>1,943</b>
<b>Net carrying amount</b>	<b>1,405</b>	<b>1,401</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>4,766</b>	<b>2,908</b>	<b>10,553</b>

## 11 CASH AT BANK AND ON HAND

Cash and short-term deposits in the statement of financial position comprise cash at bank, and on hand, short-term highly liquid investments with an original maturity of three months or less.

	2020	2019
	\$(000)	\$(000)
Cash at bank – New Zealand dollar balances	34,776	8,945
Cash at bank – foreign currency balances	7,615	6,787
	<b>42,391</b>	<b>15,732</b>
The carrying amounts of the group's cash at bank and on hand are denominated in the following currencies:		
New Zealand dollars	34,776	8,945
Australian dollars	6,751	6,356
Chinese Yuan	429	290
US dollars	412	119
Indian rupees	23	22
	<b>42,391</b>	<b>15,732</b>

The Group has an indemnity guarantee over the Australian leased property of \$108,000.

## 12 TRADE AND OTHER PAYABLES

### Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, long-service leave and annual leave expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for wages and salaries that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

### Post-employment benefits

Contributions made on behalf of eligible employees to defined contribution funds are recognised in the period they are incurred. The defined contribution funds receive fixed contributions from the Group whose legal or constructive obligation is limited to these contributions only.

### Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

	2020	2019
	\$ (000)	\$ (000)
Trade payables	3,032	1,144
Accrued expenses	2,743	2,701
Lease incentive*	-	193
Annual leave accrual	1,298	887
<b>Total trade and other payables</b>	<b>7,073</b>	<b>4,925</b>
Disclosed as:		
Current	7,073	4,791
Non-current	-	134
	<b>7,073</b>	<b>4,925</b>

\* The lease incentive has been reclassified upon transition to NZ IFRS 16.

The average credit period on trade payables is approximately 30 days.

## 13 LEASE LIABILITIES

### Recognition and measurement of Serko leasing activities

Serko leases property for fixed periods of between one and six years and some include extension options. These extension options are usually at the discretion of Serko and are included in the measurement of the lease asset if management intends to exercise the extension.

Prior to 31 March 2019 leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Now assets and liabilities arising from a lease are initially measured on a present value basis. Lease incentives are recognised as part of the measurement of the right-of-use asset and lease liabilities, whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis. Lease liabilities include the net present value of fixed payments less any lease incentives receivable. The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The amortisation of the discount applied on recognition of the lease liability is recognised as interest expense in the income statement.

Key movements relating to lease balances are presented below.

	<b>2020</b>
	\$ (000)
Balance at 1 April 2019 due to first-time adoption of NZ IFRS 16	2,479
Leases entered into during the period	900
Principal repayments	(1,080)
Foreign exchange adjustment	46
<b>Closing balance</b>	<b>2,345</b>
Classified as:	
Current	1,280
Non-current	1,065
<b>Closing balance</b>	<b>2,345</b>
Maturity analysis - contractual undiscounted cash flows:	
Less than 1 year	1,423
Later than 1 year and not later than 2 years	848
Later than 2 years and not later than 3 years	347
<b>Total undiscounted lease liabilities at 31 March</b>	<b>2,618</b>

#### 14 CONTINGENT CONSIDERATION – INTERPLX

Consideration for the InterplX Inc. acquisition was part settled in shares at the market price on 20 December 2018, with the purchase agreement including contingent consideration that was settled on 12 February 2020 in the form of further Serko shares (tranche 2). Contingent consideration was calculated based on the achievement of InterplX revenue performance over the period 1 January 2019 to 31 December 2019. The fair value remeasurement of shares issued in respect of tranche 2 was \$1,342,977 with \$1,056,016 recognised as an expense in 2020 (2019: \$286,961).

#### 15 GOVERNMENT GRANTS

Income relating to grants is presented in the table below

	2020	2019
	\$(000)	\$(000)
Callaghan R&D grant	683	810
Callaghan student experience grant	34	66
NZTE international growth grant	205	332
<b>Total compensation</b>	<b>922</b>	<b>1,208</b>

#### 16 INTEREST-BEARING LOANS AND BORROWINGS

	2020	2019
	\$(000)	\$(000)
Current		
Leasehold fitout loan	58	54
	<b>58</b>	<b>54</b>
Non-current		
Leasehold fitout loan	92	149
	<b>92</b>	<b>149</b>

## 17 EQUITY

Ordinary share capital is recognised at the fair value of the consideration received. Transaction costs relating to the listing of new ordinary shares and the simultaneous sale and listing of existing shares are allocated to those transactions on a proportional basis.

Transaction costs relating to the sale and listing of existing shares are not considered costs of an equity instrument as no equity instrument is issued and, consequently, costs are recognised as an expense in the statement of comprehensive income when incurred. Transaction costs relating to the issue of new share capital are recognised directly in equity as a reduction of the share proceeds received.

During the year the Group allocated the following restricted shares to Serko employees (refer to note 19):

- In respect of the Restricted Share Plan (RSP), the Group allocated 25,000 shares (2019: 346,157). Unallocated shares are 1,256,846 (2019: 1,268,628); and
- In respect of Restricted Share Units (RSU), the Group allocated 671,117 (2019: nil).

	2020	2019	2020	2019
			Number of shares	Number of shares
	\$ (000)	\$ (000)	(000)	(000)
Ordinary shares				
Share capital at the beginning of the year	40,993	25,185	80,923	74,894
Issue of shares pursuant to institutional capital placement	40,000	15,048	9,900	5,455
Issue of shares pursuant to Share Purchase Plan (SPP) placement	5,000	-	1,238	-
Transaction costs for issue of new shares	(1,793)	(778)	-	-
Non-executive directors settlement of non-recourse loan	243	-	-	-
Issue of shares pursuant to US Options plan	74	-	25	-
Issue of shares pursuant to Restricted Share Units (RSU) scheme	353	-	79	-
Shares issued in respect of InterplX acquisition	2,881	1,538	574	574
<b>Share capital at 31 March</b>	<b>87,751</b>	<b>40,993</b>	<b>92,739</b>	<b>80,923</b>
Share-based payment reserve				
Balance at 1 April	1,885	1,309	-	-
Shares allocated to employees via Restricted Unit Scheme	659	-	-	-
Shares allocated to employees via Restricted Share Plan	23	406	-	-
Shares forfeited from employees via Restricted Share Plan	(17)	(24)	-	-
Non-executive directors settlement of non-recourse loan	(43)	-	-	-
Share-based payments - employee share options	(133)	194	-	-
<b>Share-based payment reserve at 31 March</b>	<b>2,374</b>	<b>1,885</b>	<b>-</b>	<b>-</b>

## 18 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of shares that would be issued on conversion of all of the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2020	2019
	\$ (000)	\$ (000)
(Loss)/profit attributable to ordinary equity holders of the parent		
Continuing operations	(9,365)	1,633
	<b>(9,365)</b>	<b>1,633</b>

	Notes	2020	2019
		Number	Number
		(000)	(000)
Basic earnings per share			
Issued ordinary shares	17	92,739	80,923
Adjusted for employee restricted share plan shares		(1,919)	(2,769)
Weighted average of issued ordinary shares		90,820	78,154
<b>Basic earnings per share (dollars)</b>		<b>(0.10)</b>	<b>(0.02)</b>
Diluted earnings per share			
Weighted average of issued ordinary shares		86,893	77,584
Weighted average of issued ordinary shares for diluted earnings per share		86,893	77,584
<b>Diluted earnings per share (dollars)</b>		<b>(0.11)</b>	<b>0.02</b>

Subsequent to the reporting date but prior to the date of authorisation of these financial statements, Serko issued a total of 472,243 RSUs.

	2020	2019
	Cents	Cents
Net tangible assets per security	47.09	19.38



## 19 SHARE-BASED PAYMENTS

Employees of the Group receive remuneration at the Board's discretion in the form of share-based payment transactions, where services are provided as consideration for the receipt of equity instruments.

The cost of share-based payment transactions are recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for share-based transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expenses recognised at the beginning and end of that period.

No cumulative expense is recognised for awards that do not ultimately vest except where vesting is conditional upon a market condition.

### Employee Restricted Share Plan

The Serko Limited Employee Restricted Share Plan (RSP) was introduced for selected executives and employees of

the Group. Under the RSP ordinary shares in Serko Limited are issued to a trustee, Serko Trustee Limited, a wholly-owned subsidiary, and allocated to participants, on grant date, using funds lent to them by the Company.

The price for each share vested during the year under the RSP is the higher of the market price of the share on the date on which the shares are allocated or the grant price.

Under the RSP shares are beneficially owned by the participants. The length of retention period before the shares vest is between one and three years. If the individual is still employed by the Group at the end of this specific period, the employee is awarded a cash bonus that must be used to repay the loan and shares are then transferred to the employee. The number of shares awarded is determined by the Remuneration Committee of the Board. The weighted average grant date fair value of restricted shares issued during the year was \$3.17 (2019: \$2.96) and was determined by the volume weighted average price (VWAP) of shares traded in the previous 20 trading days preceding the date of grant. The Group has no legal or constructive obligation to repurchase the shares or settle the RSP for cash.

	2020	2019
	Number of shares	Number of shares
Unvested shares at 1 April	1,499,943	1,398,707
Granted	25,000	345,890
Forfeited	(13,218)	(22,219)
Vested	(849,433)	(222,435)
<b>Unvested shares at 31 March - allocated to employees</b>	<b>662,292</b>	<b>1,499,943</b>
Ageing of unvested shares		
Vest within one year	312,475	842,911
Vest within two to five years	349,817	657,032
<b>Ageing of unvested shares at 31 March - allocated to employees</b>	<b>662,292</b>	<b>1,499,943</b>
Unallocated shares - held by trustee	1,256,846	1,268,628

The number of shares awarded pursuant to the RSP does not equal the number of shares created for the scheme, as the scheme had an allocated pool of shares upon set up and forfeited shares are held in the trust and reissued.

## 19 SHARE-BASED PAYMENTS CONTINUED

### Employee Restricted Share Units scheme (RSUs)

The Serko Limited Employee Restricted Share Units scheme (RSU) was introduced during the year to replace the RSP. Under the RSU scheme, ordinary shares in Serko Limited are allocated to employees at grant date with a zero-exercise price and will be taxable to the employee in the income year when the awards vest.

Vesting conditions are based on:

- Period of continuous employment (usually three years, however, it can be up to five years) and/or;
- Performance hurdles, such as performance against revenue targets.

The weighted average grant date fair value of RSUs issued during the year was determined by either the volume weighted average price (VWAP) of shares traded in the previous 20 trading days preceding the date of grant or closing price the day before issue.

		2020	2019
	Weighted average price NZ\$	Number of RSUs	Number of RSUs
Allocated to employees during the year	4.31	671,117	-
Cancelled during the year	3.95	(1,979)	-
Vested during the year	4.49	(78,521)	-
<b>Total RSUs granted</b>		<b>590,617</b>	<b>-</b>

### Employee incentive share options scheme

Options are granted to selected employees. The exercise price of the granted options is set at the closing price the day before issue.

Options are conditional on the completion of the necessary years of service (the vesting period) as appropriate to that tranche. The options are considered graded equity instruments that vest in tranches over two to five years from the grant date. No options can be exercised later than five years from grant date. There were 14 holders of options at 31 March 2020 (2019: 14).

The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	2020	2020	2019	2019
	Weighted average exercise price (\$)	Options	Weighted average exercise price (\$)	Options
Outstanding at 1 April	2.90	286,901	-	-
Granted	4.45	44,169	2.90	286,901
Cancelled	2.90	(177,783)	-	-
Exercised	2.97	(25,000)	-	-
<b>Outstanding at 31 March</b>		<b>128,287</b>		<b>286,901</b>

## 19 SHARE-BASED PAYMENTS CONTINUED

During the year a further 32,394 options were granted, however, these were subsequently cancelled or forfeited prior to 31 March 2020.

Options outstanding at 31 March fall within the following ranges:

	Granted	Expiry date	Grant price (NZ\$)	2020 Options	2019 Options
2018-19		2020-21	2.68 - 3.32	84,118	286,901
2019-20		2021-22	3.95 - 4.49	44,169	-
				<b>128,287</b>	<b>286,901</b>

The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, was \$1.84 per option (2019: \$1.64).

The significant inputs into the valuation model were the market share price at grant date, the grant price as shown above, expected annualised volatility of between 50% and 56% (FY19: 55% and 66%), a dividend yield of 0%, an expected option life of between two and five years (FY19: two and five) and an annual risk-free interest rate of between 0.7% and 1.2% (FY19: 3%).

The volatility input measured is the standard deviation of continuously compounded share returns and is based on a statistical analysis of daily share prices in the past one to five years.

### Non-executive director shares

The Group's non-executive directors were granted shares in 2014 that are to be settled by way of a non-recourse loan. The non-recourse loans were due for repayment on 30 June 2020, following an extension to the previous loan due 30 June 2017. These were valued using Black-Scholes model at the time of loan extension. During the year Ms Batten settled her loan in full. Subsequent to year end Mr Botherway's and Mr McConaghy's loans were extended to 30 January 2021 and 30 June 2021 respectively. Post balance date these have been valued using the Black-Scholes model, with the incremental fair value recognised in the profit and loss.

## 20 RELATED PARTIES

### a) Subsidiaries

The consolidated financial statements include the financial statements of Serko Limited and subsidiaries as listed in the following table:

	Balance date	% Equity interest		Investment \$(000)	
		2020	2019	2020	2019
Serko Australia Pty Limited	31 March	100%	100%	1	1
Serko Trustee Limited	31 March	100%	100%	-	-
Serko India Private Limited	31 March	99%	99%	2	2
Serko Investments Limited	31 March	100%	100%	-	-
Foshan Sige Information Technology Limited	31 March	100%	100%	-	-
Serko Inc	31 March	100%	100%	-	-
InterpIX Inc	31 March	100%	100%	3,076	3,076
				<b>3,079</b>	<b>3,079</b>

Serko Australia Pty Limited's principal business is the marketing and support of travel booking software solutions supplied by Serko Limited.

Serko Trustee Limited was incorporated on 4 June 2014 to hold the shares issued to key management and staff in the Restricted Share Scheme in trust until vesting.

Serko India Private Limited was incorporated on 18 February 2015 as a subsidiary for the India-based operations. As of 1 January 2020 Serko India Private Limited was non-trading.

Serko Investments Limited was incorporated on 5 November 2014 as a holding company. It holds 1% of the shares in Serko India Private Limited.

Foshan Sige Information Technology Limited was incorporated on 7 August 2017 as a subsidiary for the China-based operations.

Serko Inc was incorporated on 30 October 2017 as a subsidiary for the US-based operations.

InterpIX Inc was acquired on 20 December 2018 and its principal business is the sale of expense management solutions.

## 20 RELATED PARTIES CONTINUED

### b) Transactions with related parties

The following table provides the total amount of transactions that have been entered into with related parties, excluding key management and executive director remuneration.

	2020	2019
	\$ (000)	\$ (000)
Purchases from related parties		
Simon Botherway - Chair (to 12 March*)	121	108
Clyde McConaghy - Non-executive Director	110	83
Claudia Batten - Acting Chair (from 12 March*)	113	83
<b>Total</b>	<b>344</b>	<b>274</b>

\*Mr Botherway continues as a director of Serko (attending all Board & Committee meetings) but took a leave of absence from the Chair role on 12 March 2020 for medical reasons. Ms Batten assumed the role of Acting Chair from this date.

### c) Key management remuneration

	2020	2019
	\$ (000)	\$ (000)
Short-term benefits employees (*)	5,779	3,800
Share-based payments	733	427
Post-employment benefits	201	121
<b>Total compensation</b>	<b>6,713</b>	<b>4,348</b>

\*Key management personnel includes the executive directors in their capacity as Chief Executive Officer and Chief Strategy Officer, the executive management team and their direct reports. Short-term benefits include salaries, short-term incentives related to FY19 paid in FY20 and the bonus payments related to Restricted Share Plan (RSP) long-term incentives granted in previous years and vested during the financial year to 31 March 2020.

### d) Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured and settlement occurs in cash.

For the year ended 31 March 2020 the Group has not made any allowance for impairment loss relating to amounts owed by related parties (2019: \$nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates, to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

## 21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<b>2020</b>	<b>2019</b>
	\$ (000)	\$ (000)
Net (loss)/profit after tax	(9,364)	1,633
<b>Add non-cash items</b>		
Amortisation	1,705	754
Depreciation	1,451	294
Loss on property, plant and equipment disposal	50	-
Fair value remeasurement of contingent consideration	1,056	287
Deferred tax benefit	(167)	(72)
Gain on foreign exchange transactions	(370)	(153)
Share-based compensation	959	576
	<b>(4,680)</b>	<b>3,319</b>
<b>Add/(less) movements in working capital items</b>		
(Increase) in receivables	(1,084)	(1,795)
Increase in trade and other payables	2,283	1,998
(Decrease)/increase in income tax	(308)	125
	<b>891</b>	<b>328</b>
<b>Net cash flow from operating activities</b>	<b>(3,789)</b>	<b>3,647</b>

## 22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash at bank, derivatives, receivables, payables and loans.

The Group manages its exposure to key financial risks, including currency risk, in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Group capital consists of share capital and retained earnings. To maintain or adjust the capital structure, the Group may adjust amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or amend capital spending plans.

The main risks arising from the Group's financial instruments are foreign currency, interest, credit and liquidity risk. The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring levels of exposure to foreign exchange risk and assessments of market forecasts for foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

## 21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES CONTINUED

The Board reviews and agrees policies for managing each of these risks as summarised below.

### a) Risk exposures and responses

#### i) Interest rate risk

The Group has exposure to interest rate risk to the extent it borrows funds at fixed and floating interest rates. The risk specifically relates to the variability of interest rates and the impact this will have on the Group's financial results. The Group manages its cost of borrowing by placing limits on the proportion of borrowings at floating rate and the proportion of fixed rate borrowing repriced in any year.

At balance date this year and prior year, the Group did not have any financial liabilities exposed to variable interest rate risk.

#### ii) Liquidity and interest rate risk

Liquidity risk represents the Group's ability to meet its financial obligations on time. In terms of managing its liquidity risk, the Group generates sufficient cash flows from its operating activities and holds sufficient cash reserves to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

The following table sets out the contractual cash flows for all non-derivative financial liabilities settled on a gross cash flow basis.

	Weighted average effective interest rate %	Contractual cash flows \$(000)	6 months or less \$(000)	6-12 months \$(000)	1-2 years \$(000)	2-5 years \$(000)	More than 5 years \$(000)
Group - 2020							
Trade and other payables	0%	7,074	7,074	-	-	-	-
Leasehold fitout loan	8%	165	34	34	68	29	-
		<b>7,239</b>	<b>7,108</b>	<b>34</b>	<b>68</b>	<b>29</b>	<b>-</b>
Group - 2019							
Trade and other payables	0%	4,732	4,732	-	-	-	-
Leasehold fitout loan	8%	233	27	27	82	97	-
		<b>4,965</b>	<b>4,759</b>	<b>27</b>	<b>82</b>	<b>97</b>	<b>-</b>

## 21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES CONTINUED

### b) Currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign companies. The risk specifically relates to the variability of foreign exchange rates for the currencies the Group trades in and the impact this has on the Group's financial results. The majority of the Group's trading activities occur in New Zealand dollars, however, sales to overseas customers are transacted in United States and Australian dollars.

Refer to notes 7 (receivables), 11 (cash at bank and on hand) and 12 (trade and other payables) for further details on the Group's foreign currency denominated accounts receivable and cash balances.

The following table summarises the sensitivity to foreign currency exchange rate movements. A sensitivity of +/- 15% (2019: +/- 15%) has been selected owing to exchange rate volatility observed.

	Carrying amount	Foreign currency risk			Equity
		-15% Post-tax profit	Equity	+15% Post-tax profit	
	\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
<b>2020</b>					
Foreign exchange balances					
Cash at bank	7,615	968	968	(715)	(715)
Trade receivables	3,480	430	430	(337)	(337)
Trade payables	(1,178)	(150)	(150)	111	111
<b>Net exposure</b>	<b>9,917</b>	<b>1,248</b>	<b>1,248</b>	<b>(941)</b>	<b>(941)</b>
<b>2019</b>					
Foreign exchange balances					
Cash at bank	6,787	862	862	(637)	(637)
Trade receivables	2,507	315	315	(239)	(239)
Trade payables	(173)	(22)	(22)	16	16
<b>Net exposure</b>	<b>9,121</b>	<b>1,155</b>	<b>1,155</b>	<b>(860)</b>	<b>(860)</b>

### c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, receivables and contract assets. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group monitors and manages the exposure to credit risk by ensuring customers have an appropriate credit history. The credit risk associated with Expense customers is small owing to the inherently low transaction value and the distribution over a large number of customers.

At reporting date 99% (2019: 99%) of the Group's cash and cash equivalents were with one bank. The Group has no other concentrations of credit risk.

### d) Fair value

The Board considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair value.



## 23 SEGMENT INFORMATION

The Board and senior management team monitors the results of the Group's operations as a whole for the purpose of making decisions about resource allocation and performance assessment and therefore the Board has determined the Group is a single reportable operating segment.

This reporting segment is predominantly made up of revenue generated from Travel platform bookings and Expense revenue. Revenues have been disaggregated at note 4.

As required under NZ IFRS 8 Serko is required to report on major customers making up more than 10% of the revenue for the year. Under this disclosure Serko advises that two customers had revenue more than 10% of the revenue for the Group. These customers accounted for \$10,814,032 of the revenue for the year ended 31 March 2020 (2019: \$10,721,614).

## 24 EVENTS AFTER BALANCE SHEET DATE

The non-recourse loans for directors have been extended in May 2020. These have been valued using the Black-Scholes model with the incremental fair value recognised in the profit and loss for the FY21 (refer to note 19).

In May 2020 Serko issued a total of 472,243 RSUs (refer to note 18).

The Group has applied for Government Covid-19 wage subsidy schemes in New Zealand, Australia and the US (refer to note 2b)) and received \$1.6 million post year end of which \$871,670 was received from the New Zealand government.

There have been no other events subsequent to 31 March 2020 that materially impact the results reported (2019: nil).

## 25 CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2019: \$nil).



## Independent Auditor's Report

### To the Shareholders of Serko Limited

#### OPINION

We have audited the consolidated financial statements of Serko Limited and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 34 to 73, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

#### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of assurance services, we have no relationship with or interests in the Company or any of its subsidiaries, except that partners and employees of our firm deal with the Company and its subsidiaries on normal terms within the ordinary course of trading activities of the business of the Company and its subsidiaries.

#### AUDIT MATERIALITY

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements of the Group that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group financial statements as a whole to be \$450,000.

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key audit matter**

**How our audit addressed the key audit matter**

**REVENUE RECOGNITION**

The Group has reported revenue of \$25.9 million, as set out in note 4 'Revenue and other income'.

Revenue is based on multiple customer contracts that contain different pricing schedules and varying revenue recognition triggers. Complexity exists because of the specific nature of each customer contract, which can include transactional and usage fees, establishment and installation fees, and chargeable work orders.

Management judgement is required to estimate revenue recognition where cash flows do not align to contract performance obligations, in particular when minimum transaction volume commitments have period end dates that do not align to the financial year end.

The recognition of revenue is a key audit matter due to the significance of revenue to the financial statements and the specific nature of individual customer contracts.

We considered the application of NZ IFRS 15: Revenue from Contracts with Customers for new contracts entered into in the year.

We evaluated the systems, processes and controls in place over the major operating revenue streams.

We engaged our Information Technology specialists to test the IT environment in which bookings occur and interface with the general ledger.

We recalculated revenue recognised for a sample of customers by reconciling transactions recorded in the relevant IT systems to the financial ledger, and validating pricing inputs to invoices and signed customer contracts.

We tested samples of manual journal entries recorded outside of normal business processes by profiling for unusual revenue impacting journals.

We assessed key judgements adopted by the Group in recognising revenue including the timing and disclosure of revenue net of credit notes, rebates and discounts and the extent that forecast volumes are impacted by Covid-19.

## CAPITALISATION OF SOFTWARE DEVELOPMENT INCLUDING IMPAIRMENT CONSIDERATIONS

The Group capitalised \$11.0 million in relation to software development, as set out in note 10 'Intangibles', of which \$4.6 million relates to development work in progress at balance date.

### Capitalisation of software development costs

As a Software as a Service ('SaaS') provider, the Group incurs significant expenditure in developing and enhancing software products.

Judgement is required to determine if the recognition criteria under NZ IAS 38: Intangible Assets have been met in order to capitalise the applicable costs of development. This includes considering whether the costs are directly attributable to the development of an asset, and whether the Group can demonstrate that the asset is in the development stage. This includes demonstrating the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset development and the ability of the Group to reliably measure the expenditure attributable to the intangible asset.

### Impairment assessment due to Covid-19

The Group must also assess each period whether there are any indications that the software development assets are impaired and must perform impairment testing on any capitalised development costs for which there are indicators of impairment or which relate to software that is not yet available for use. Serko has done an impairment test because there is uncertainty around forecasts for travel bookings and Serko Expense platform use, as a result of Covid-19, particularly around domestic and international air travel assumptions.

The Group has performed an impairment assessment using a discounted cash flow analysis for its cash-generating unit. Expected cash flows were adjusted with reference to Covid-19, with three distinct scenarios used to factor in the uncertainty involved in determining the timing of return to domestic travel, border controls for international travel and public demand and behaviour with respect to travel and airline scheduling.

Other key assumptions include the discount rates and growth rates.

We have included capitalisation and impairment considerations of software development as a key audit matter due to the level of judgement required.

### Capitalisation of software development costs

We evaluated the nature of expenditure, the stage of product development, and how the group distinguishes expenditure between research, development and maintenance costs.

We assessed the Group processes and controls for recording time spent on products and the allocation between research or software development to be capitalised under NZ IAS 38.

We tested a sample of additions to evaluate if the recognition criteria under NZ IAS 38 have been met.

### Impairment assessment due to Covid-19

We considered existing software for technical obsolescence, by ensuring appropriate revenues exist for those products and corroborating with management whether features or product enhancements previously capitalised are still in use.

We challenged the key assumptions within the cash flow forecasts by considering historical cash flows, our understanding of the business strategy and other relevant external information. This included considering the three scenarios used due to Covid-19 uncertainties.

We used our internal valuation specialists to assist in evaluating the assumptions used in the Group's discounted cash flow model, specifically the discount rate and terminal growth rates used, to support the carrying value of assets as at 31 March 2020.

We performed sensitivity analysis over key drivers in the Group's impairment model, particularly forecast travel bookings and Serko Expense platform use.

## OTHER INFORMATION

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

## DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1>

This description forms part of our auditor's report.

## RESTRICTION ON USE

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

*Deloitte Limited*

**Bryce Henderson, Partner for Deloitte Limited**  
 Auckland, New Zealand  
 24 June 2020

# Corporate Governance & Disclosures

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For the year ended 31 March 2020

## INTRODUCTION

The Board and management of Serko Limited (Serko or the Company) are very committed to ensuring that Serko maintains corporate governance practices that are in line with best practice and that Serko adheres to the highest ethical standards.

The Board has considered the NZX Listing Rules and a number of corporate governance recommendations when establishing its governance framework, including the revised NZX Corporate Governance Code dated 1 January 2020 (NZX Code) and the Third and Fourth Editions of the Australian Securities Exchange (ASX) Corporate Governance Council Principles and Recommendations.

The NZX Listing Rules require Serko to formally report its compliance against the recommendations contained in the NZX Code. How Serko has implemented these recommendations is set out in Serko's Corporate Governance Statement, which is included in its ESG Report and can be found on the investor centre of the Company's website. Go to: [www.serko.com/investor-centre/](http://www.serko.com/investor-centre/). The Board considers that Serko's corporate governance structures, practices and processes have followed all of the recommendations in the NZX Code during the financial year ended 31 March 2020.

Serko's governance charters and policies can also be found on the investor centre of the Company's website. Serko's corporate governance charters and policies have been approved by the Board and are regularly reviewed by the Board and amended (as appropriate) to reflect developments in corporate governance practices.

## STOCK EXCHANGE LISTINGS

Serko is listed on the New Zealand Stock Exchange (NZX Main Board) and on the Australian Securities Exchange (ASX) as an ASX Foreign Exempt Listing. As an ASX Foreign Exempt Listing, Serko needs to comply with the NZX Listing Rules (other than as waived by NZX) but does not need to comply with the vast majority of the ASX Listing Rule obligations.

Serko is incorporated in New Zealand.

## OVERVIEW OF SERKO'S GOVERNANCE STRUCTURE

The Serko Board has been appointed by shareholders to protect and enhance the long-term value of Serko and to act in the best interests of Serko and its shareholders. The Board is the ultimate decision-making body of the Company and is responsible for the corporate governance of the Company. The role and responsibilities of the Board are set out in the Board Charter, which can be found on the investor centre of the Company's website.

The Board currently comprises an independent non-executive Chair, two independent non-executive directors and two executive directors, as detailed on page 16 of this Annual Report. These directors held office throughout the financial year ended 31 March 2020.

The Board has established two standing Board Committees to assist in the execution of the Board's responsibilities:

- Audit and Risk Committee – The current members of the Committee are Clyde McConaghy (Chair), Simon Botherway and Claudia Batten. All members are independent, non-executive directors. Their qualifications and experience are set out under Board of Directors in this Annual Report; and
- Remuneration and Nominations Committee – The current members of the Committee are Claudia Batten (Chair), Simon Botherway and Clyde McConaghy. All members are independent, non-executive directors. Their qualifications and experience are set out under Board of Directors in this Annual Report.

## NON-EXECUTIVE DIRECTOR REMUNERATION

In 2019 Serko's shareholders approved a total cap of \$450,000 per annum for non-executive directors' fees for the purposes of the NZX Listing Rules.

The Board has agreed that the following fixed annual fees will apply to all non-executive directors for the year ending 31 March 2021:

	Position	Fees per annum
<b>Board of Directors</b>	Chair	AUD\$120,000
	Non-executive directors	AUD\$75,000
<b>Audit &amp; Risk Committee</b>	Committee Chair	AUD\$15,000
	Committee Member	-
<b>Remuneration &amp; Nominations Committee</b>	Committee Chair	AUD\$15,000
	Committee Member	-

In light of the challenging operating environment caused by Covid-19 and related travel restrictions (which have materially impacted Serko's revenues), the non-executive directors have either agreed to take a reduction in their directors' fees or receive a portion of their directors' fees in shares for the first three months of FY21. This is to assist Serko to manage expenditure during this challenging period.

Non-executive directors received the following directors' fees, remuneration and other benefits from the Company in the year ended 31 March 2020:

Name of director	Remuneration and value of other benefits received <sup>1</sup>				Total remuneration
	Non-executive directors' Board fees <sup>2</sup>	Audit & Risk Committee fees	Remuneration & Nominations Committee fees	Shares and other payments or benefits <sup>3</sup>	
Simon Botherway	\$71,533*	-	-	\$50,000	\$121,533
Clyde McConaghy	\$94,465 <sup>4,5</sup>	\$15,625*	-	-	\$110,090
Claudia Batten	\$47,493 <sup>5</sup>	-	\$15,625*	\$50,000	\$113,118
<b>TOTAL</b>	<b>\$213,491</b>	<b>\$15,625</b>	<b>\$15,625</b>	<b>\$100,000</b>	<b>\$344,741</b>

\* Indicates Chair of the Board/Committee. Mr Botherway continues as a director of Serko (attending all Board and Committee meetings) but took a leave of absence from the Board Chair role on 12 March 2020 for medical reasons. Ms Batten assumed the role of Acting Chair from this date.

- The figures shown are gross amounts, which have been converted into NZD and exclude GST (where applicable).
- Board fees includes the amount of base fees payable to Mr Botherway and Ms Batten, which are used to acquire shares in the Company under the Non-executive Director Fixed Trading Plan (refer to the ESG Report on the investor centre of Serko's website for more information on the Plan).
- In addition to directors' fees, Serko meets costs incurred by non-executive directors that are incidental to the performance of their duties. This includes paying the costs of directors' travel. As these costs are incurred by Serko to enable directors to perform their duties, no value is attributable to them as benefits to directors for the purposes of the above table.
- Includes Australian superannuation payable.
- Fees include special fees of NZ\$15,000 paid to Mr McConaghy and Ms Batten respectively for ad hoc committee meetings held during the year in respect of a capital raising and merger & acquisition (M&A) transaction.

More information about remuneration payable to directors is set out in Serko's Corporate Governance Statement, which is included in the ESG Report located on the investor centre of the Company's website.

## EXECUTIVE DIRECTOR REMUNERATION

The executive directors, Darrin Grafton and Bob Shaw, receive remuneration and other benefits in their respective executive roles as Chief Executive Officer and Chief Strategy Officer and, accordingly, do not receive directors' fees. Their remuneration packages are set by the Board to reflect the scope and complexity of each role, with reference to comparative market data.

Mr Grafton and Mr Shaw's remuneration comprises a fixed base salary, a short-term incentive up to a maximum target value of 40% of their base salary; and a long-term incentive up to a maximum target value of 100% of their base salary. This remuneration composition will carry forward into FY21.

During the period ended 31 March 2020, both Darrin Grafton's and Bob Shaw's variable remuneration components were based on key performance indicators (KPIs) relating to:

- Delivery of operational value drivers linked to Serko's strategy;
- Delivering shareholder value;
- Meeting performance targets in respect of customer satisfaction and retention; and
- Maintaining a positive culture and safe working environment.

Delivery of these KPIs is used to assess whether pre-performance hurdles are met in relation to the granting of long-term incentives for the upcoming financial year and determining the individual component of any short-term incentive payable for the current financial year. In addition, pay out of any short-term incentive is dependent on meeting pre-determined revenue and EBITDA targets during the financial period. Owing to Covid-19 related cost savings initiatives that were implemented at the beginning of FY21, no short-term incentive was paid out in respect of FY20.

Similar criteria will be applied for assessing the performance of the executive directors in FY21.



The tables below (and accompanying notes) set out the total remuneration and value of other benefits earned by, or paid to, each executive director of Serko during, and in respect of, the financial period ended 31 March 2020:

	Base salary <sup>1</sup>	Taxable benefits <sup>2</sup>	Subtotal	Pay for performance			Total remuneration
				STI	LTI <sup>5</sup>	Subtotal	
Darrin Grafton	\$370,564	\$30,000	\$400,564	- <sup>3</sup>	\$126,000 in the form of 31,899 restricted share units	\$126,000	\$526,564
Bob Shaw	\$256,652	\$30,000	\$286,652	- <sup>4</sup>	\$54,000 in the form of 13,671 restricted share units	\$54,000	\$340,652

1 Base salary includes employer contributions towards KiwiSaver at 3%.

2 Taxable benefits include a car allowance, carpark and medical insurance.

3 For FY20 no short-term incentive was allocated owing to Covid-19 cost saving initiatives. Darrin Grafton's potential short-term incentive payment for FY20 was \$140,000. During the financial period Darrin Grafton received a short-term incentive of \$50,400, which was earned in FY19 and paid in FY20.

4 For FY20 no short-term incentive was allocated owing to Covid-19 cost saving initiatives. During the financial period Bob Shaw received a short-term incentive of \$21,600, which was earned in FY19 and paid in FY20.

5 The FY20 long-term incentive was granted in July 2019, following partial achievement of pre-grant performance targets based on FY19 performance. The restricted share units will vest three years after the allocation date. The value stated is the gross amount earned.

The following long-term incentives previously granted to the executive directors vested during the financial period ended 31 March 2020:

Director	Grant year	Securities	Performance period	Shares vested	Value on vesting <sup>1</sup>
Darrin Grafton	Financial Year 2017	Restricted shares	July 2016 - July 2019	39,512	\$167,926.00
Bob Shaw	Financial Year 2017	Restricted shares	July 2016 - July 2019	9,106	\$38,700.50

1 Represents the NZX closing price of SKO ordinary shares on the vesting date multiplied by the number of securities vested.

## EMPLOYEE REMUNERATION

The table below shows the number of employees and former employees of Serko and its subsidiaries, not being directors (including executive directors) of Serko, who, in their capacity as employees, received remuneration and other benefits during the period ended 31 March 2020 totalling at least NZ\$100,000.

The remuneration of those employees paid outside of New Zealand has been converted into New Zealand dollars. No employee appointed as a director of a subsidiary company of Serko receives any remuneration or other benefits for acting in that capacity.

The table below includes base salaries, short-term incentives and vested or exercised long-term incentives. The table does not include long-term incentives that have been granted and have not yet vested. Where the individual is a KiwiSaver member, contributions of 3% of gross earnings towards that individual's KiwiSaver scheme are included in the below table. Where the individual works in Australia, contributions of 9.5% of gross earnings towards Australian Superannuation are included in the below table.

Remuneration range (NZD)	Number of employees whose remuneration includes vested LTI <sup>1</sup>	Total number of employees in range
\$100,000 - \$110,000	2	12
\$110,001 - \$120,000	1	14
\$120,001 - \$130,000	1	15
\$130,001 - \$140,000	5	8
\$140,001 - \$150,000	3	8
\$150,001 - \$160,000	-	9
\$160,001 - \$170,000	2	6
\$170,001 - \$180,000	2	2
\$180,001 - \$190,000	1	1
\$190,001 - \$200,000	1	5
\$200,001 - \$210,000	-	1
\$210,001 - \$220,000	3	3
\$220,001 - \$230,000	-	2
\$230,001 - \$240,000	1	2
\$240,001 - \$250,000	-	1
\$250,001 - \$260,000	1	2
\$260,001 - \$270,000	-	1
\$290,001 - \$300,000	1	1
\$410,001 - \$420,000	-	1
\$420,001 - \$430,000	1	1
\$580,001 - \$590,000	1	1
<b>Total number of employees and former employees</b>	<b>26</b>	<b>96</b>

<sup>1</sup> Specifies total number of employees within the range whose remuneration includes long-term incentives that have vested during the period.

## DIVERSITY

The respective numbers and proportions of men and women at various levels within the Serko workforce as at 31 March 2019 and 31 March 2020 are set out in the table below:

Female	2020		2019	
	no.	%	no.	%
All directors	1	20%	1	20%
Non-executive directors	1	33%	1	33%
Officers <sup>1</sup>	1	13%	1	14%
Senior employees <sup>2</sup>	3	20%	4	29%
Remaining workforce	86	40%	61	39%
Male	2020		2019	
	no.	%	no.	%
All directors	4	80%	4	80%
Non-executive directors	2	66%	2	66%
Officers <sup>1</sup>	7	87%	6	86%
Senior employees <sup>2</sup>	10	80%	10	71%
Remaining workforce	128	60%	94	61%

1 Officers are considered to be the Chief Executive Officer and his direct reports (the Executive Team). Note that Chief Executive Officer, Darrin Grafton and Chief of Strategy, Bob Shaw, are included in both the number of directors and officers reported.

2 Direct reports to the Executive Team with managerial responsibilities.

The Board's assessment of Serko's performance against its Diversity and Inclusion Policy is set out in the latest ESG report, which can be found on the investor centre of the Company's website.

## BOARD AND COMMITTEE ATTENDANCE

The table below shows the Board and Committee meeting attendance during the year ended 31 March 2020:

Director attendance	Board	Audit & Risk Committee	Remuneration & Nominations Committee
Darrin Grafton	12/12	*	*
Bob Shaw	12/12	*	*
Simon Botherway	11/12	6/6	4/4
Clyde McConaghy	12/12	6/6	4/4
Claudia Batten	12/12	6/6	4/4

\* Indicates the director is not a member of the Committee (although they may have been in attendance for these meetings).

In addition, during the year directors participated in 22 additional Special Board Meetings and Board Sub-Committee meetings primarily associated with M&A activity, the 2019 capital raising and managing risks associated with the Covid-19 pandemic.

## DIRECTOR INDEPENDENCE

The Board currently comprises five directors – being the two co-founders and executive directors, Darrin Grafton and Bob Shaw, and three non-executive directors – Claudia Batten, Simon Botherway and Clyde McConaghy.

The Board has determined, based on information provided by directors regarding their interests, which has been evaluated against the criteria in the Board Charter, that as at 31 March 2020 and the date of this Annual Report, Claudia Batten, Simon Botherway and Clyde McConaghy are independent directors. The Board has also determined that Darrin Grafton and Bob Shaw are not independent directors owing to also being executives and major shareholders in Serko.

## DIRECTOR INTEREST DISCLOSURES

Directors have given notices disclosing interests pursuant to section 140(1) of the Companies Act 1993. Those interests (and any changes to interests) notified and recorded in Serko's Interests Register during the financial year ended 31 March 2020 are set out below:

Date of disclosure	Director	Entity
22 October 2019	Darrin Grafton Simon Botherway	Gave notice that they intend to participate in an offer of existing shares by certain shareholders and, accordingly, were to be considered as interested in the transaction and entry into the associated Underwriting Agreement.

Directors have given general notices disclosing interests pursuant to section 140(2) of the Companies Act 1993. All of those interests, and any changes to interests notified and recorded in Serko's Interests Register during the financial year ended 31 March 2020 and subsequently, are set out below:

Director	Entity	Relationship
Claudia Batten	AIDER International Limited Broadli Inc Serko Inc <sup>1</sup> Westpac New Zealand Limited	Adviser Director Director Board Adviser
Simon Botherway	Arrow Trust Fidelity Life Assurance Company Limited Guardians of NZ Super Fund MSH Trustee (Arrow Limited)	Trustee Director Guardian Trustee
Darrin Grafton	Financial Equities Limited Grafton-Howe No.2 Trust InterplX Inc. <sup>1</sup> Serko Australia Pty Limited <sup>1</sup> Serko Inc <sup>1</sup> Serko India Private Limited <sup>1</sup> Serko Investments Limited <sup>1</sup> Travelog World for Windows Pty. Limited	Director Trustee Director Director Director Director Director
Clyde McConaghy	Chapman Eastway Pty Limited Infomedia Limited Optima Boards	Chairman (Advisory Board) Director Director
Bob Shaw	Financial Equities Limited Ripon Trust Serko Australia Pty Limited <sup>1</sup> Serko India Private Limited <sup>1</sup> Serko Investments Limited <sup>1</sup> Travelog World for Windows Pty. Limited	Director Trustee Director Director Director Director

<sup>1</sup> Serko subsidiary as detailed on page 92.

## DIRECTOR INTEREST DISCLOSURES CONTINUED

In accordance with Section 148(2) of the Companies Act 1993, directors disclosed the following acquisitions or disposals of relevant interests in Serko ordinary shares during the financial year ended 31 March 2020:

Name	Nature of relevant interest	Number of securities acquired/(disposed)	Consideration paid/received <sup>5</sup>	Date of acquisition/disposal
<b>Claudia Batten</b>	On-market acquisition of beneficial interest in ordinary shares (held in custody for Claudia Batten pursuant to Non-executive Director Fixed Trading Plan) <sup>1</sup>	1,283.10	\$4,041.77	2-Apr-19
		1,108.61	\$3,990.79	2-May-19
		993.63	\$3,984.44	6-Jun-19
		909.44	\$3,976.07	2-Jul-19
		1,088.69	\$4,093.46	6-Aug-19
		862.67	\$3,916.54	3-Sep-19
		77.06	\$323.65	19-Sep-19
		1,001.03	\$4,014.13	3-Oct-19
		821.05	\$3,965.65	5-Nov-19
		801.34	\$3,995.70	3-Dec-19
		799.22	\$3,994.98	7-Jan-20
		783.28	\$3,994.71	4-Feb-20
		995.82	\$4,082.85	4-Mar-20
108.57	\$184.57	17-Mar-20		
	On-market disposal of registered and beneficial interest in ordinary shares held pursuant to the Serko Non-executive Director Loan Facility	(100,000)	\$523,755.50	31-Jan-20
<b>Simon Botherway</b>	On-market acquisition of beneficial interest in ordinary shares (held in custody for Simon Botherway pursuant to Non-executive Director Fixed Trading Plan) <sup>1</sup>	1,283.00	\$4,041.45	2-Apr-19
		1,108.55	\$3,990.79	2-May-19
		993.56	\$3,984.16	6-Jun-19
		909.37	\$3,975.76	2-Jul-19
		1,088.63	\$4,093.24	6-Aug-19
		862.62	\$3,916.31	3-Sep-19
		77.06	\$323.64	19-Sep-19
		1,001.00	\$4,014.02	3-Oct-19
		821.01	\$3,965.49	5-Nov-19
		801.74	\$3,997.66	3-Dec-19
		798.78	\$3,992.79	7-Jan-20
		783.23	\$3,994.47	4-Feb-20
		995.78	\$4,082.69	4-Mar-20
110.88	\$188.50	17-Mar-20		
	Off-market disposal of beneficial interest in ordinary shares pursuant to an underwritten primary placement by Serko Limited and secondary sell down by various existing shareholders of Serko Limited	(1,150,000)	\$4,646,000.00	30-Oct-19

## DIRECTOR INTEREST DISCLOSURES CONTINUED

<b>Darrin Grafton</b>	Registered holder and beneficial interest in ordinary shares issued upon vesting of restricted shares pursuant to the Serko Limited Employee Restricted Share Plan	39,512 <sup>2</sup>	\$167,926.00 <sup>4</sup>	29-Jul-19
	Indirect interest in ordinary shares issued upon vesting of restricted shares pursuant to the Serko Limited Employee Restricted Share Plan, by virtue of a personal relationship with the registered holder	2,017 <sup>2,3</sup>	\$8,572.25 <sup>4</sup>	29-Jul-19
	Beneficial interest in unlisted restricted share units granted under the Serko Limited Employee Long Term Incentive Scheme (ANZ)	31,899 <sup>2</sup>	Nil / Services	30-Jul-19
	Indirect interest in unlisted restricted share units granted under the Serko Limited Employee Long Term Incentive Scheme (ANZ), by virtue of a personal relationship with the registered holder	762 <sup>2,3</sup>	Nil / Services	30-Jul-19
	Off-market disposal of beneficial interest in ordinary shares pursuant to an underwritten primary placement by Serko Limited and secondary sell down by various existing shareholders of Serko Limited	(1,800,000)	\$7,272,000.00	30-Oct-19
<b>Bob Shaw</b>	Registered holder and beneficial interest in ordinary shares issued upon vesting of restricted shares pursuant to the Serko Limited Employee Restricted Share Plan	9,106 <sup>2</sup>	\$38,700.50 <sup>4</sup>	29-Jul-19
	Beneficial interest in unlisted restricted share units granted pursuant to the Serko Limited Employee Long Term Incentive Scheme (ANZ)	13,671 <sup>2</sup>	Nil / Services	30-Jul-19

1 Shares are acquired automatically, on a monthly basis, by an independent broker pursuant to the Non-executive Director Fixed Trading Plan. For more details refer to Serko's Corporate Governance Statement on the investor centre of Serko's website. These shares may not be disposed of while the holder remains a director of Serko and, in any event, for three years from the commencement of the Plan.

2 These shares are subject to a deed restricting exercise of any voting rights attached to the shares/any shares issued upon vesting.

3 By virtue of Darrin Grafton's personal relationship, he is implied to have the power to exercise, or to control the exercise of, any right to vote attached to these shares by virtue of a personal relationship with the beneficial holder of these shares. These shares are subject to a deed restricting exercise of voting rights attached to the shares.

4 Paid in the form of services to Serko. Represents the NZX closing price of SKO ordinary shares on the vesting date multiplied by the number of securities vested.

5 The consideration for on-market trades is stated as the market price paid, excluding fees and taxes.

## DIRECTOR INTEREST DISCLOSURES CONTINUED

In accordance with the NZX Listing Rules, as at 31 March 2020, directors had a relevant interest (as defined in the Financial Markets Conduct Act 2013) in Serko shares as follows:

Name	Relevant interest	Percentage
Bob Shaw <sup>1</sup>	12,943,426	13.957%
Darrin Grafton <sup>2</sup>	12,232,868	13.191%
Simon Botherway <sup>3</sup>	1,200,986.06	1.295%
Clyde McConaghy <sup>4</sup>	181,818	0.196%
Claudia Batten <sup>5</sup>	113,802.76	0.123%

1 The relevant interest includes: 12,884,296 shares are held via a trust in which the director is a trustee and beneficiary; 9,106 ordinary shares held directly; and a beneficial interest in 50,024 restricted shares allocated pursuant to the Serko Employee Restricted Share Plan and held on trust until vesting.

Mr Shaw is also the registered holder and beneficial owner of 13,671 unlisted restricted share units allocated pursuant to the Serko Employee Long Term Incentive Scheme.

2 The relevant interest includes: 10,867,629 ordinary shares are held via a trust in which the director is a trustee and beneficiary; 39,512 ordinary shares held directly; 97,712 restricted shares allocated pursuant to the Serko Employee Restricted Share Plan and held on trust until vesting; and an indirect interest in 1,223,421 ordinary shares and 4,594 restricted shares by virtue of a personal relationship with the beneficial holder of these shares. The 12,232,868 shares are subject to a 12-month contractual lock up on sale or disposition expiring in October 2020.

Mr Grafton is also the registered holder and beneficial owner of 31,899 unlisted restricted share units allocated pursuant to the Serko Employee Long Term Incentive Scheme and has an indirect interest in 762 unlisted restricted share units by virtue of a personal relationship with the beneficial owner.

3 884,091 ordinary shares are held via a trust in which the director is a trustee and beneficiary, 284,909 ordinary shares are held directly, 31,986.06 ordinary shares are held in custody pursuant to the Serko Non-executive Director Fixed Trading Plan. These shares are subject to a 12-month contractual lock up on sale or disposition expiring in October 2020.

4 Held via a trust in which the director is a trustee and beneficiary.

5 31,876.19 ordinary shares are held in custody pursuant to the Serko Non-executive Director Fixed Trading Plan.



## DIRECTOR INTEREST DISCLOSURES CONTINUED

For the purposes of section 161 of the Companies Act 1993, the following entries were made in the Interests Register in relation to the payment of remuneration and other benefits to directors:

Date of disclosure	Director	Particulars of Board authorisation
21-May-19	Bob Shaw Darrin Grafton	The payment of remuneration and the provision of other benefits (annual remuneration review) by the Company to the executive directors on the terms detailed in the Board minutes dated 21 May 2019 and on the grounds set out in the corresponding directors' certificate.
23-Jul-19	Bob Shaw Darrin Grafton	The payment of remuneration and the provision of other benefits (the granting of long-term incentives) by the Company to the executive directors on the terms detailed in the Board minutes dated 23 July 2019 and on the grounds set out in the corresponding directors' certificate.
22-Oct-19	Darrin Grafton Simon Botherway	The provision of benefits to the directors who were participating in the sell down in the form of entry into the Underwriting Agreement pursuant to the capital raising being undertaken on or about the date of the certificate.
11-Nov-19	Claudia Batten Clyde McConaghy	The payment of remuneration (in the form of Special Fees) by the Company to the non-executive directors on the terms detailed in the resolution dated the same date as this certificate and on the grounds set out in the corresponding directors' certificate.

For the purposes of section 162 of the Companies Act 1993, an entry was made in the Interests Register in relation to insurance effected for directors and officers of Serko in relation to any act or omission in their capacity as directors.

There were no entries made in the subsidiary company Interests Register during the financial reporting period.

## SHAREHOLDING INFORMATION

As at 30 April 2020 there were 92,738,865 Serko ordinary shares on issue, each conferring on the registered holder the right to vote on any resolution at a meeting of shareholders, held as follows:

Size of shareholding	Number of holders <sup>1</sup>	%	Number of ordinary shares	%
1 - 1,000	2,141	48.12	1,080,725	1.17
1,001 - 5,000	1,612	36.23	3,826,164	4.13
5,001 - 10,000	334	7.51	2,436,609	2.63
10,001 - 50,000	269	6.05	5,439,768	5.87
50,001 - 100,000	37	0.83	2,451,010	2.64
100,001 and over	56	1.26	77,504,589	83.57
<b>TOTAL</b>	<b>4,449</b>	<b>100</b>	<b>92,738,865</b>	<b>100</b>

<sup>1</sup> Includes 1,919,138 ordinary shares with restrictive conditions held by Serko Trustee Limited on behalf of 40 individual beneficial holders (with 662,292 of those ordinary shares allocated) pursuant to the Serko Restricted Share Plan. Restricted shares have voting rights attached, which are exercised on behalf of a beneficial holder by the Trustee at the direction of the beneficial holder.

## SHAREHOLDING INFORMATION CONTINUED

As at 30 April 2020, 1,919,138 ordinary shares with restrictive conditions held by Serko Trustee Limited on behalf of 40 individual beneficial holders (with 662,292 of those ordinary shares allocated) pursuant to the Serko Restricted Share Plan; 14 participants holding a total of 128,287 options pursuant to the Serko (US) Share Incentive Plan and 53 participants holding a total of 590,617 restricted share units pursuant to the Serko Employee Long Term Incentive Scheme (ANZ) and Serko Employee Share Incentive Plan (US). Further information on these incentive plans is contained in note 19 to the financial statements and in Serko's ESG Report, which can be found on the investor centre of the Company's website. Go to: [www.serko.com/investor-centre](http://www.serko.com/investor-centre).

Set out below are details of the 20 largest shareholders of Serko as at 30 April 2020:

	<b>Shareholder<sup>1</sup></b>	<b>Number of ordinary shares held</b>	<b>%</b>
1	Robert James Shaw & Geoffrey Robertson Ashley Hosking	12,884,296	13.89
2	Darrin Grafton & Geoffrey Robertson Ashley Hosking	10,867,629	11.72
3	TEA Custodians Limited	8,490,874	9.16
4	National Nominees New Zealand Limited	5,128,273	5.53
5	Coronado Pte Limited	4,331,683	4.67
6	Citibank Nominees (NZ) Ltd	3,276,738	3.53
7	HSBC Nominees (New Zealand) Limited	3,007,745	3.24
8	HSBC Custody Nominees (Australia) Limited	2,268,826	2.45
9	Serko Trustee Limited	1,919,138	2.07
10	PT Booster Investments Nominees Limited	1,218,334	1.31
11	Donna Bailey	1,217,594	1.31
12	Philip Rodger Ball	1,162,517	1.25
13	Chuck Buckner	1,035,014	1.12
14	Investment Custodial Services Limited	1,007,360	1.09
15	Skip Enterprises Pty Limited	1,000,000	1.08
16	Accident Compensation Corporation	954,931	1.03
17	Simon John Botherway & MSH Trustee (Arrow) Limited	884,091	0.95
18	JPMORGAN Chase Bank	830,198	0.9
19	Robert Alan Hawker & Elizabeth Anne Hawker	822,812	0.89
20	Cogent Nominees (NZ) Limited	784,819	0.85

<sup>1</sup> The shareholding of New Zealand Central Securities Depository Limited (custodian for members trading through NZClear) has been reallocated to the applicable members.

## SHAREHOLDING INFORMATION CONTINUED

According to notices given to Serko under the Financial Markets Conduct Act 2013, the following persons were substantial product holders as at 31 March 2020. As at the balance date (31 March 2020) there were 92,738,865 Serko ordinary shares on issue:

Substantial product holder	Number of ordinary shares in which relevant interest is held <sup>2</sup>	% of class held at balance date <sup>3</sup>
Geoffrey Hosking	23,751,925	25.612
Robert Shaw	12,943,426	13.957
Darrin Grafton	12,232,868	13.191
Harbour Asset Management Limited <sup>1</sup>	8,223,424	8.867
Milford Asset Management Limited	5,773,273	6.225
Jarden Securities Limited <sup>1</sup>	40,015	0.043

1 Jarden Securities Limited (formerly First NZ Capital Group Limited) and Harbour Asset Management Limited file joint substantial product holder notices.

2 Based on last substantial product holder notice filed prior to 31 March 2020.

3 Based on issued share capital of 92,738,865 as at 31 March 2020.

## SUBSIDIARY COMPANY DIRECTORS

With the following exception, directors of Serko's subsidiaries do not receive any remuneration or other benefits in respect of their appointments. The remuneration and other benefits of any such directors who are employees of the group totalling \$100,000 or more during the year ended 31 March 2020 are included in the relevant bandings for remuneration disclosed on page 82 of this Annual Report.

Serko has agreed to pay Ms Chadha NZ\$30,000 per year in relation to acting as a director of Serko India Private Limited. During the financial year ended 31 March 2020, she earned NZ\$12,500 (of which \$7,500 was paid during FY20) in her capacity as a director of this entity, representing a pro rating of director fees for five months of the financial year. Prior to that time, she was an employee and did not receive any directors' fees for this role.

The following persons held office as directors of subsidiary companies as at 31 March 2020:

<b>Subsidiary</b>	<b>Directors<sup>1</sup></b>
Foshan Sige Information Technology Limited (China)	Gerard Neilsen
InterplX Inc. (US)	Darrin Grafton Tony D'Astolfo
Serko Australia Pty Limited (Australia)	Darrin Grafton Bob Shaw John Challis
Serko Inc (US)	Darrin Grafton Claudia Batten
Serko India Private Limited (India)	Darrin Grafton Bob Shaw Yogita Chadha
Serko Investments Limited (New Zealand)	Darrin Grafton Bob Shaw
Serko Trustee Limited (New Zealand)	Susan Putt Fiona Rockel

<sup>1</sup> No subsidiary directors retired during the financial year.

## REGULATORY MATTERS

On 22 July 2015, NZX regulation granted Serko a waiver from NZX Listing Rule 7.6.4(b)(iii) to the extent required to allow Serko to provide financial assistance to executive directors, and an associated person of one of the executive directors, to enable them to participate in Serko's Restricted Share Plan. The full waiver is available on Serko's website. Go to: [www.serko.com/investors/](http://www.serko.com/investors/). The Restricted Share Plan has now been grandfathered and there is no intention to grant the executive directors (and their associates) any further restricted shares in reliance on this waiver.

For completeness it is noted that post-year end, Serko has relied on the NZX class waiver dated 3 April 2020, which provides listed companies with an additional 30 days to prepare and release their full-year FY20 results in acknowledgement of the challenges caused by Covid-19.

## DONATIONS

Serko did not make any donations during the financial year.

## CREDIT RATING

Serko does not presently have an external credit rating status.

## DISTRIBUTIONS / DIVIDENDS

There were no dividends or distributions paid to shareholders during the financial period.

Dividends and other distributions with respect to the Shares are only made at the discretion of the Serko Board. Serko is a growth technology company and is not intending to pay a dividend for FY21.

# Glossary

<b>ARPB</b>	Average Revenue Per Booking	<b>Listing</b>	The date Serko shares started trading on the NZX Main Board, 24 June 2014
<b>Asia Pacific</b>	Vietnam, Thailand, Taiwan, Sri Lanka, South Korea, South Africa, Singapore, Philippines, Pakistan, New Zealand, Malaysia, Japan, Indonesia, India, Hong Kong, China, Bangladesh and Australia for the purposes of this Annual Report	<b>NZ</b>	New Zealand
<b>ASX</b>	ASX Limited, also known as the Australian Securities Exchange	<b>NZD or NZ\$</b>	New Zealand dollars
<b>ATMR</b>	ATMR (Annualised Transactional Monthly Revenue) is a Non-GAAP measure. It is based on the monthly transactions and average revenue per booking (for its Travel platform revenue) and monthly user charges (for its Expense platform revenue) annualised on a constant currency basis.	<b>NZ GAAP or GAAP</b>	New Zealand Generally Accepted Accounting Practice
<b>AUD or A\$</b>	Australian dollars	<b>NZ IFRS or IFRS</b>	New Zealand equivalents to International Financial Reporting Standards
<b>Australasia</b>	New Zealand and Australia for the purposes of this Annual Report	<b>NZX</b>	NZX Limited, also known as the New Zealand Stock Exchange
<b>Board or Board of Directors</b>	The board of directors of Serko	<b>NZX Listing Rules or Listing Rules</b>	The Listing Rules applying to the NZX Main Board as amended from time to time
<b>Cloud or cloud-based</b>	Cloud computing is when the software and associated data is hosted outside the customer's premises and delivered over a network or the Internet as a service, which allows immediate access to the software	<b>NZX Main Board</b>	The New Zealand main board equity security market operated by NZX
<b>Company or Serko</b>	Serko Limited, a New Zealand incorporated company	<b>R&amp;D</b>	Research and Development expenditure
<b>EBITDAF (refer page 22)</b>	EBITDAF is a Non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation, Amortisation and Fair value remeasurement	<b>SAAS</b>	Software-as-a-service
<b>ESG</b>	Environmental Social Governance	<b>Serko Expense Management business</b>	Serko's online expense management solutions that enables the capture and processing of corporate credit cards and out-of-pocket claims
<b>FTE</b>	Full-time equivalent	<b>Serko Mobile</b>	Serko's mobile app for iPhones and Android devices that gives users access to information and travel booking functionality on their mobile devices
<b>FX</b>	Foreign exchange	<b>Serko Online</b>	Serko's cloud-based online travel booking solution for large organisations
<b>FY</b>	Financial year ended, or ending, on 31 March (unless otherwise stated)	<b>serko.travel</b>	Serko's cloud-based online travel booking solution for small to medium enterprises (SMEs)
<b>GST</b>	Goods and Services Tax	<b>SME</b>	Small and medium enterprise
<b>IFRS</b>	International Financial Reporting Standards	<b>TMC, Travel Agency or Travel Management Company</b>	A travel management company that provides specialised travel-related services to corporate customers
<b>Independent Directors</b>	Simon Botherway, Claudia Batten and Clyde McConaghy	<b>USD or US\$</b>	United States dollars
<b>IPO</b>	Initial Public Offering	<b>Zeno</b>	Serko's premium cloud-based online travel booking solution
		<b>Zeno Expense</b>	Serko's Expense management solutions
		<b>\$</b>	All figures are in New Zealand dollars, unless otherwise stated

# Company Directory



Serko is a company incorporated with limited liability under the New Zealand Companies Act 1993  
 New Zealand Companies Office registration number 1927488  
 Australian Registered Body Number (ARBN) 611 613 980  
 For investor relations queries contact: [investor.relations@serko.com](mailto:investor.relations@serko.com)

## REGISTERED OFFICE

### New Zealand

Saatchi Building  
 Unit 14D  
 125 The Strand  
 Parnell, 1010  
 +64 9 309 4754

### Australia

c/- Sly & Russell Legal  
 Nominees Pty Ltd  
 Level 18  
 225 George Street  
 Sydney 2000  
 NSW, Australia

## PRINCIPAL ADMINISTRATION OFFICE

### New Zealand

Saatchi Building  
 Unit 14D  
 125 The Strand  
 Parnell, 1010  
 +64 9 309 4754

### Australia

Level 8  
 75 Elizabeth Street  
 Sydney 2000  
 NSW, Australia  
 +61 2 9435 0380

## SHARE REGISTRAR

### New Zealand

Link Market Services Limited  
 Level 11, Deloitte House  
 80 Queen Street  
 Auckland 1140, New Zealand  
 +64 9 375 5998  
[serko@linkmarketservices.co.nz](mailto:serko@linkmarketservices.co.nz)

### Australia

Link Market Services Limited  
 Level 12  
 680 George Street  
 Sydney 2000  
 NSW, Australia  
 +61 1300 554 474

## DIRECTORS

Simon Botherway (Chairman)  
 Claudia Batten (Acting Chair from 12 March 2020)  
 Robert (Clyde) McConaghy  
 Darrin Grafton  
 Robert (Bob) Shaw

## AUDITOR

Deloitte Limited  
 Deloitte Centre  
 80 Queen Street  
 Auckland 1040, New Zealand  
 +64 9 303 0700

# Key Dates

### 19 AUGUST 2020

Annual Shareholders' Meeting

### 30 SEPTEMBER 2020

Half-Year End

### 18 NOVEMBER 2020

Half-year Results Announced

### 31 MARCH 2021

Financial-Year End

Serko's ESG Report, which includes its Corporate Governance Statement, can be found at [www.serko.com/investor-centre](http://www.serko.com/investor-centre).

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Serko Limited Annual Report 2020

[www.serko.com](http://www.serko.com)