



# serko

2021 Annual Report

# SERKO 2021 ANNUAL REPORT

This Annual Report is dated 19 May 2021 and is signed on behalf of the Board of Directors (Board) of Serko Limited by Claudia Batten, Chair, and Darrin Grafton, Chief Executive Officer (CEO).



**CLAUDIA BATTEN**  
CHAIR



**DARRIN GRAFTON**  
CHIEF EXECUTIVE OFFICER

# Our Purpose

We have a vision to reinvent business travel retailing with the world's first business travel marketplace.

To achieve this we're on a mission to connect the world's business travellers with the universe of travel content, providing travel buyers with the content, information and services they need at every stage of the journey to create a connected trip.

# About Serko

Serko is a leader in online travel booking and expense management for the business travel market. 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. Listed on the New Zealand Stock Exchange Main Board (NZX:SKO) and Australian Securities Exchange (ASX:SKO). Serko is headquartered in New Zealand, with offices across Australia, China and the United States.

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



WINNER OF THE  
**NZ HI-TECH AWARDS 2020**

The Covid-19 pandemic has caused enormous disruption to international travel markets and Serko's business, with revenue from all regions falling sharply during the 2021 financial year.

**\$16.9m**

Total Income

**\$80m**

Cash and short-term deposits increase from \$42.4m post net capital raise of \$65m

**\$12.4m**

Operating Revenue

**(\$29.4m)**

Net Loss After Tax

**-63%**

Decrease in booking transactions

**(\$22.3m)**

EBITDAF\* loss

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

# CEO and Chair's letter

## Dear Fellow Shareholders,

The Covid-19 pandemic has caused enormous disruption to international travel markets and Serko's business, with revenue from all regions falling sharply during the 2021 financial year. However, by the end of the year Serko had experienced improving travel booking volumes across its core Australasian business and made good progress positioning the company for an expected recovery in its Northern Hemisphere markets.

Despite this uncertainty – and thanks to the support of shareholders who took part in an oversubscribed \$67.5 million capital raise in October 2020 – Serko has strategically chosen to retain resources and capacity to invest in key growth initiatives. Consequently, the company is well positioned and is participating in the recovery of corporate travel markets around the world.

We occupy a strong market position in Australasia, with most of our transactions being domestic. As the pandemic has been contained, these markets have recovered from the near standstill experienced at the beginning of the financial year.

In April 2020 booking volumes reached a trough, representing just 11% of the volumes recorded in the same month of 2019 – a year unaffected by Covid-19 and the benchmark Serko is using to assess the progress of the recovery.

By the last month of the financial year (March 2021) volumes had recovered to 73% of the March 2019 volumes and by April 2021 had risen further to represent 84% of the April 2019 volumes. Importantly, the March result was ahead of market guidance that our core Australasian markets would be operating at 40-70% of their pre-Covid-19 activity levels by the end of our 2021 financial year.

We are pleased with the recovery in booking volumes. But we recognise the unpredictable nature of this recovery and the potential for public health conditions in our core markets to reverse the gains.

Serko has been investing to grow in new markets outside of its Australasian markets to become a significant global business. Serko's business plans in these markets 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 even in recovery remains significant.

Recovery in these Northern Hemisphere markets has been subdued. Persistent travel restrictions have limited bookings, while ongoing staff furloughs at our Travel Management Company (TMC) partners has limited the onboarding of new

customers. However, just as we have seen in Australasia, we believe these domestic and intra-regional markets will lead a broader recovery in travel activity, particularly as mass vaccination programmes are completed.

A key project to participate in the recovery and begin to realise our potential in new markets has been the partnership with Booking Holdings, which includes the supply of the Zeno platform for Booking.com's small and medium enterprise (SME) solution, 'Booking.com for Business'. As we announced in late March, we have begun to transition existing Booking.com for Business customers to the new platform, a process that is due to finish by the end of July 2021.

The new Booking.com for Business platform is now being rolled out globally as additional languages and regional content are added. As previously announced, subject to the recovery in relevant markets, the partnership is expected to make a material contribution to revenues in the 2022 financial year.

We are delighted with the progress we have made and the potential for the company as we transition to a future when freedom of movement is less constrained.

## SUMMARY FINANCIAL RESULTS

The Serko Board has exercised judgement on a number of important areas in the Statement of Comprehensive Income 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.

Covid-19 disruptions to international travel markets saw Total Income from all sources for the year to 31 March 2021 fall 37% to \$16.9 million from \$26.8 million in the prior year.

A 52% fall in Total Operating Revenue to \$12.4 million from \$25.9 million in the prior year – due largely to a 53% fall in Recurring Product Revenues – was partially offset by \$3.4 million of Covid-19 subsidies from governments across the territories in which Serko operates and \$1.0 million in Research and Development grants.

Peak Annualised Transactional Monthly Revenue (ATMR) for March 2021, a forward-looking indicator of recurring revenue, was \$17.2 million. This was down 37% from \$27.5 million in February 2020 (the pre Covid-19 peak) and up 202% from the low of \$5.7 million in April 2020.

Total Operating Expenses increased by 21% to \$44.9 million from \$37.1 million in the prior year. This investment included a net increase of 54 people to 287 full-time equivalent staff (FTE). Research & Development (R&D) expenditure was \$10.6 million, down 22% from the prior year, reflecting the reprioritisation of development resources with the onset of Covid-19. However, the figure still represents a significant investment into platform development for expansion into new markets and the delivery of white-label platforms.

The net loss after tax for the year was \$29.4 million, wider than the prior year's net loss after tax of \$9.4 million, with the fall reflecting the Covid-19 travel disruptions and increased expenditure. Accordingly, EBITDAF losses increased to \$22.3 million from a loss of \$6.1 million in the prior year.

Serko is well funded. Cash balances and short-term deposits at 31 March 2021 were \$79.9 million, up from \$42.4 million in the prior year, thanks to the capital raise and careful management of our costs and investment programmes. Net funds received after capital raising costs were \$65 million. Over the 2021 financial year we averaged a monthly cash burn of \$2.3 million, a figure well within the \$2 million to \$4 million guidance given in October 2020 during the capital raise. This was revised from a first half target of less than \$2 million average cash burn per month following Board approval to continue to invest for growth opportunities, assuming an eventual recovery in corporate travel.

## AUSTRALASIAN MARKET UPDATE

The Covid-19 pandemic and related travel restrictions resulted in booking volumes beginning to soften in February 2020 with the trend accelerating precipitously through the following month to reach a floor in April 2020. However, we have been encouraged by the steady recovery in recent months.

The recovery in volumes through our New Zealand TMC channel has outperformed Australia's, with travel volumes in New Zealand rebounding strongly in the final month of the financial year to 138% of March 2019 volumes. This increase was due to the onboarding of new customers by our TMC partners, while New Zealand also endured less widespread lockdowns than Australia.

Reflecting these trends, revenue from New Zealand sources for the 2021 financial year fell less than Australian revenues. New Zealand revenue fell 13% to \$2.2 million from \$2.5 million in the same period a year ago, while Australian sourced revenues fell by 59% to \$7.5 million from \$18.2 million.

By the end of the financial year, Australian TMC volumes had recovered to 56% of March 2019 travel volumes from a low in April 2020 when travel volumes were just 11% of the same month in 2019. With the recent formation of the trans-Tasman bubble from the end of April 2021 we expect this trend to

continue, although it is reasonable to expect further periodic short-term lockdowns.

We made further progress in the transition of customers to the premium Zeno product from Serko Online during the financial period. Zeno was carrying approximately 45% of transactions across our platforms for March 2021, up from approximately 25% of transactions for March 2020. Zeno was being used by 58% of corporate customers in Australia and New Zealand for March 2021, up from 42% for March 2020.

We have been working proactively with our TMC partners to support their recovery. In some instances, this has required the amendment of contractual terms and this has adversely impacted our ability to recognise revenue from contractual minimums.

The region has made good progress on travel recovery and with the planned vaccination programme we expect that corporate travel in the region will make a progressive recovery throughout the current financial year. Our best estimate is for a full recovery in the 2023 financial year, although this outlook is still subject to considerable uncertainty.

What is clear, however, is that risk and cost management are the key priorities for organisations as they return to travel. We have introduced a number of product capabilities in Zeno to address the challenges of post-pandemic business travel, including detailed airline and hotel safety information, Covid-19 testing and vaccination requirements and supporting government contact tracing requirements for new bookings.

## GLOBAL EXPANSION UPDATE

### Booking.com For Business Update

During the financial year we have invested to scale our Zeno platform to accommodate the accelerated migration of Booking.com business customers onto the upgraded 'Booking.com for Business' platform, following successful pilots conducted throughout 2020.

We have localised the language and user interface to enable roll out in more than 90 countries and integrated new flight and rail providers that support a connected trip offering in select markets.

We are currently seeing an average of over 1,300 SME business customers activate on the new platform each weekday. Serko expects this rate of activation to significantly increase as we progress through the final phases of the migration, which is due to complete in July 2021.

The migration provides Serko with the opportunity to access a much larger addressable market as travel activity recovers over time.

## North America Update

North American-sourced income, primarily Expense platform revenue and US sourced supplier commissions, declined 51% to \$2.4 million from \$4.8 million largely due to Covid-19 impacts.

During the 2020 financial year we invested in our Zeno platform to position us for our continued expansion into North America. Booking revenue from this market was not significant in the 2021 financial year as TMC onboarding of customers onto the platform slowed materially and transactions have effectively ceased due to the lockdown restrictions and corporate imposed travel restrictions in this market.

We have a clear strategy to grow this market and it rests on the pillars of building awareness and support among TMC resellers, lifting our brand profile, reaching out directly to corporates to use our solutions and the launching of the Zeno expense platform to broaden the product offer.

Serko has signed an additional five TMC resellers during the financial year, and post-year end signed an additional reseller Frosch Travel Group in April 2021. We continue to assist our resellers to be ready for the return to travel by supporting the integrations and the migration of additional corporates onto our platform.

## SERKO EXPENSE PLATFORM INITIATIVES

The Serko Expense platform has delivered a more resilient performance than the travel management platform. It represents an important diversification from travel revenues for Serko. Expense revenue, benefitting from fixed components to pricing, fell 31% to \$4 million from \$5.8 million, less sharply than the 52% fall in travel booking revenue.

A key development milestone in the year was the completion of work to align the user experience of Interplix's expense management platform with that of Zeno Expense. We launched this new Zeno Expense offering in October 2020.

We continue to develop this product to enable integration within the travel platform offering.

## FY22 OUTLOOK

A year on from the widespread imposition of global travel restrictions, the timing and extent of the travel recovery remains uncertain. The rate of return to business travel will vary by region, the type of traveller (SME versus enterprise) and the type of trip (i.e. domestic, regional, long-haul international). These multiple factors make predicting the rate

of travel recovery difficult.

Nevertheless, we are seeing trends that favour the adoption of Serko's travel and expense management solutions.

TMC resellers are operating with fewer people and this is creating opportunities for automation and technology solutions. Corporations are increasingly focused on the costs and administration of their travel and expense budgets and at the same time are focused on traveller wellbeing and their 'duty of care' obligations. We are actively assessing these changes to ensure that we can support the market, our customers and our growth as the industry recovers.

We are cautiously optimistic that the global vaccination programmes will enable widespread travel to resume, and we are continuously looking for new ways to lead the industry in this recovery. Indeed, we believe our target of achieving \$100 million revenue in the mid-term remains achievable but has been delayed during this Covid-19-affected year.

As noted above, the Booking.com for Business customer migration is anticipated to have a materially positive impact on our revenue for the FY22 financial year. However, as we are only part way through the migration process, and in light of the uncertainty that remains around global travel trends, it is not possible to guide the market with any certainty as to the expected revenue uplift at this time.

As at 30 April 2021, Serko had cash and short-term deposits of \$77.7 million. We are still planning to increase the number of employees as we scale to capture growth opportunities, but we continue to target an average monthly cash burn of between \$2 million and \$4 million per month, to conserve cash reserves.

We believe these cash reserves, at the current rate of cash burn, will be sufficient to see the company through to cash flow break even, based on our current strategy. However, we will maintain our rigorous focus on cash flow throughout the remainder of the year with ongoing investment continuously assessed alongside developments in international travel markets.

We will consider acquisitions and/or investments to assist Serko to accelerate execution of our strategic priorities, where it makes sense to do so.

We will also keep investors apprised of material developments in the market and their impact on Serko, including when we complete the migration of 'Booking.com for Business' customers.



## EXECUTIVE UPDATE

As announced at the time of the interim earnings announcement, Chief Financial Officer, Susan Putt will transition out of her permanent role at the end of May 2021, following completion of the full-year earnings announcement and audit process. We wish to take this opportunity to sincerely thank Susan for her contribution during her time with us. Our process for identifying Susan's replacement is progressing well. In the meantime, we have appointed an interim CFO, Susan Nemeth, to oversee the finance function during the transitional period.

As a company with strong growth ambitions, we have been continuing to strengthen our executive leadership team appointing Sarah Miller as General Counsel and appointing Rachael Satherley as Chief People Officer during the year.

## THANK YOU FOR YOUR SUPPORT

Serko is grateful for the support we have received through this challenging period. We acknowledge and thank the governments in the territories we operate for the programmes and subsidy schemes that have assisted us to retain our people and continue to invest for the future.

We also thank our dedicated employees who supported the company and agreed to take a small salary reduction for three months from May 2020. The team has continued to rise to the challenges we've faced this year, while continuing to make a huge effort for the company. Their efforts have been nothing short of exemplary.

The dedication of the Serko team this year has been inspiring. Despite the significant personal and professional challenges of Covid-19, the team has chosen to look through the current travel market turmoil and dedicated themselves to Serko's vision of transforming business travel and expense management.

It is this spirit that saw Serko named the PwC Hi-Tech Company of the Year where we were praised for the company's ethos, culture and diversity. It is this same commitment that has underpinned shareholder support for the company and our inclusion in the benchmark NZX50 index in June 2020.

Signed

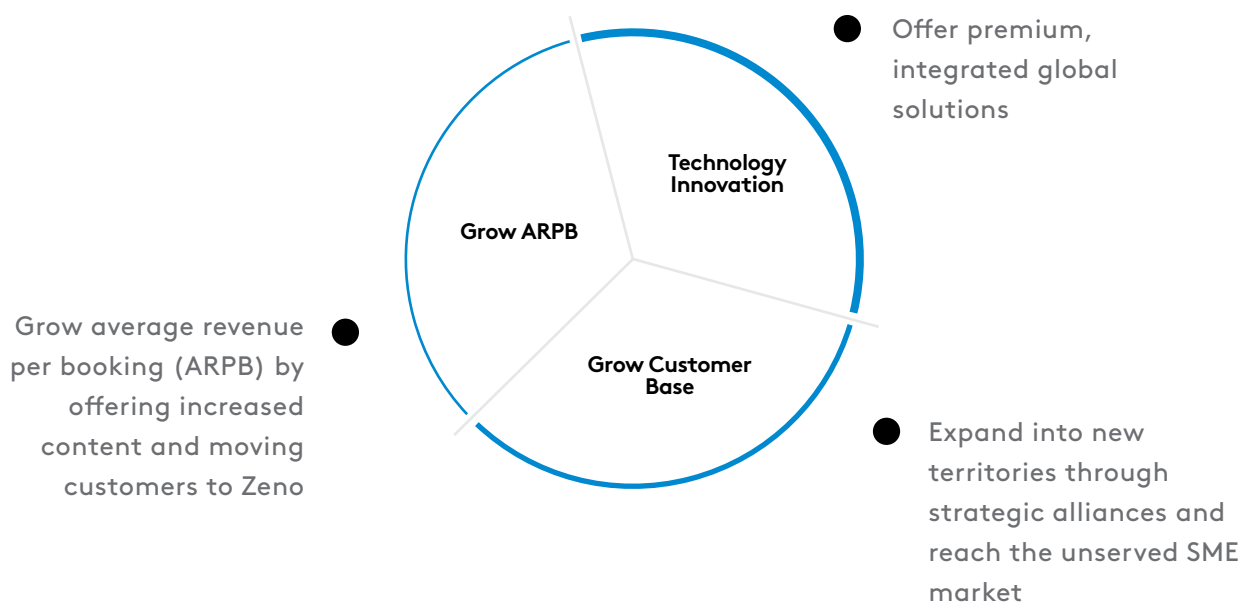


**CLAUDIA BATTEN**  
CHAIR



**DARRIN GRAFTON**  
CHIEF EXECUTIVE OFFICER

# STRATEGIC OVERVIEW



**TECHNOLOGY INNOVATION**

We introduced new capabilities to address the needs of post-pandemic business travel to make travel programs safer, leaner and smarter

- Integrated airline and hotel safety and cleanliness information at point of sale to support safer choices for travellers in response to increased customer demand in a Covid 19-affected world
- Developed the capability to compare and book complex multi-stop international trips without requiring agent support
- Committed to and commenced a multi-year program to transform our core technology platform into a highly scalable, global and open framework

**Our focus for FY22:**

- Begin the development of a new Zeno mobile experience to support a frictionless in-trip experience incorporating payment, expense and itinerary management
- Introduce environmental impact insights at point of purchase and the ability to carbon offset to drive more sustainable business travel
- Engage with partners to build the foundations of the program for 3rd party content and service providers to build onto the Zeno platform

**GROW CUSTOMER BASE**

The Zeno-powered Booking.com for Business platform began a roll out program in multiple languages across international markets

- Accelerated our development of Zeno as a white-label platform under the Booking.com for Business brand to launch ahead of the initial program schedule
- Commenced an upgrade program that will see existing Booking.com for Business customers transitioned to the new Zeno-powered platform
- Completed the wholesale migration of customers onto Zeno from a competitor platform at Travel Management Company partners in Australia and New Zealand

**Our focus for FY22:**

- Extend the roll out of the Zeno-powered white-label Booking.com for Business platform into additional regional markets with localised content and language and optimise the product offering to drive new customer acquisition
- Develop our pipeline of direct commercial relationships with large, global enterprise customers
- Increase the scale of our partnership network in North America and drive adoption and market share of Zeno as business travel resumes

**GROW ARPB**

We integrated new supply channels that enable us to offer a connected trip offering to the global SME market on a revenue share basis

- Progressed our vision of a connected trip experience, adding the ability for SME customers to book and manage air travel in a self-service workflow that does not require agent fulfillment
- Accelerated the adoption of Zeno across the Serko customer base to approximately 45% of transactions (up from 25% at the beginning of the Financial Year)
- Implemented the learnings from our partnership with Booking.com to enhance the customer experience to optimise conversion

**Our focus for FY22:**

- Bring to market new pre-trip authorisation capability to support the return to travel
- Explore new ways to commercialise payments and expense reconciliation and pilot channels that open up new market segments for our expense management solutions
- Implement new models that enable us to commercialise our investment in airline supply connectivity

## Our Products

# zeno

Zeno is an integrated travel and expense platform that is revolutionising 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 encourages corporate travellers to use the OBT and avoid travel program 'leakage' to supplier websites or leisure travel retailers.

Zeno achieves 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.

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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, preventing expense claim fraud and dramatically streamlining the expense administration function.

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

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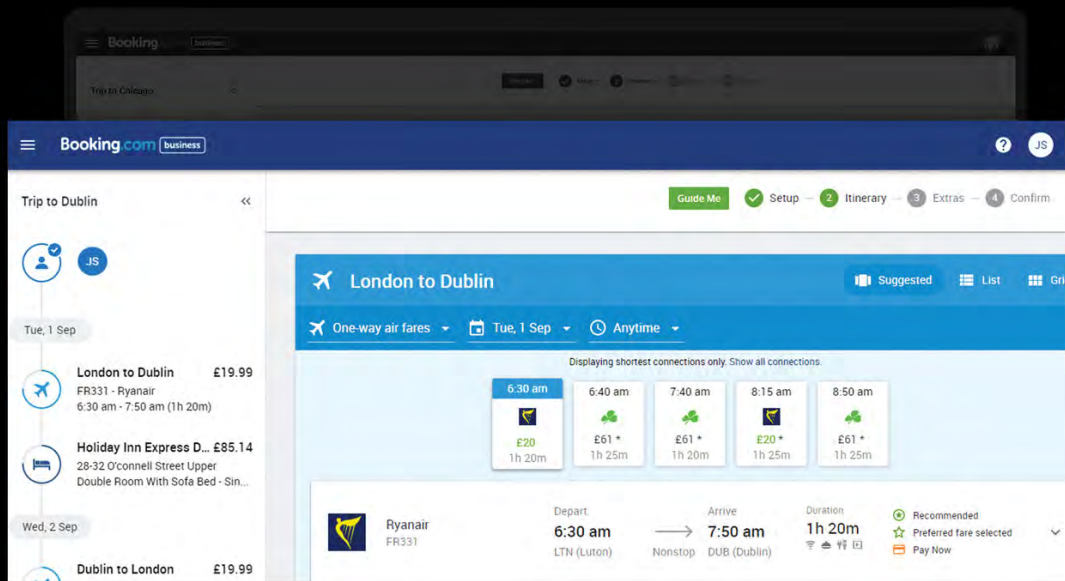
*Serko earns revenue through corporate customers paying a fee per active user or per expense report submitted.*

## BOOKING.COM FOR BUSINESS powered by Zeno

In 2019 Booking Holdings extended its partnership with Serko to enable Booking.com to resell the Zeno platform white-labelled under the Booking.com for Business brand, with a commercial partnership based on a revenue share model between Booking.com and Serko.

Dedicated teams at both companies worked together to bring to market an initial product that went live in the UK and Ireland in May 2020 ahead of a global roll out that began in early 2021. The platform is now available in local language versions across more than 90 countries.

The new Booking.com for Business platform powered by Zeno aims to provide a one-stop-shop for all business travel needs, helping save time and money and making life easier for business travellers and their administration teams alike. In addition to Booking.com accommodation content, we are continuing to build a global connected trip offer including flights and rail content in selected countries.





# DON'T JUST RETURN TO TRAVEL

**Come back Safer. Leaner. Smarter.**

Zeno is empowering the business travel world to seize the re-set opportunity to transform travel programs with an intelligent travel management platform built around the priorities of the new world of travel.

Zeno is now even safer, leaner and smarter than before.

## Come back Safer

*Zeno helps to prioritise travellers' safety and supports an organisation's duty-of-care requirements*

- 1 Book safe flight and hotel options with confidence.**  
Zeno visually highlights airline and hotel safety measures within the booking flow, making it easy for travellers to select the safest choice while ensuring alignment with their travel policy.
- 2 Track travellers at a glance.**  
The Zeno dashboard visually tracks all current and upcoming trips for a company's travellers, making it easy to identify and manage potential risks.
- 3 Intelligent approval levels.**  
Zeno supports multi-tier approval workflows that can be dynamically assigned based on trip parameters. While low-risk travel (e.g. domestic) can follow standard authorisation process, high-risk or international travel can be configured to automatically require multiple approvers, such as regional leaders or Human Resource (HR) to minimize risk and ensure the right people are informed.

## Come back Leaner

*Zeno empowers organisations with an efficient travel program that delivers heightened cost control without sacrificing travellers' preferences.*

- 1 Mitigate lost fares with flexible online booking and smart credit management.**  
Zeno makes it easy to change individual itinerary elements before or after tickets are issued\* and stores qualifying cancelled flight purchases as unused ticket credits\*\* that are surfaced within the booking flow, automatically applying unused tickets and credits for the next booking – reducing the risk of lost fares.
- 2 Get enhanced control and visibility of travel spend.**  
Pre-approval of air, hotel and rental car spend gives enhanced visibility and control over total travel spend and allows a more efficient mode of managing expenses by exception.
- 3 Connect travellers with a greater selection of booking choices.**  
Zeno's multi-source content engine gives travellers greater choice\*\*\*, pulling content from suppliers directly, as well as from NDC, GDS and multiple content aggregators. Travellers and bookers can review flights, including ancillary content, accommodation and transport details the same way they appear on supplier websites, to help make more informed travel decisions on the spot.

## Come back Smarter

*Zeno supports a more effective travel program that drives adoption and responds to today's rapidly changing environment.*

- 1 Personalised travel booking that gets to know travellers' preferences.**  
Zeno learns traveller preferences and recommends tailored end-to-end itineraries, with a user-friendly, intuitive interface and conversational booking flow.
- 2 Frictionless booking experience.**  
With Zeno, travellers can easily compare different flight options with rich content that displays options in the same format as airline sites. This eliminates the need to check information across multiple sites, leading to more streamlined bookings.
- 3 Stay up to date with regulatory requirements.**  
In a rapidly changing environment, Zeno is continually innovating to support regulatory mandates, such as airline passenger contact tracing requirements.

\*Changes and cancellations to bookings are subject to supplier and fare conditions and are only available where supported by the travel management company.

\*\*Flight credit availability is subject to supplier and fare conditions.

\*\*\*By sourcing content from multiple sources, Zeno provides a greater content selection than online booking tools that source content from the GDS only.

# Board of Directors



## Claudia Batten

**Independent Non-executive Director, Chair, United States/New Zealand**

*Appointed 30 April 2014, re-elected August 2020*

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, where 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 a director of Vista Group and is also the digital adviser to the Board of Westpac New Zealand.



## Simon Botherway CFA

**Independent Non-executive Director, 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 Guardian of the New Zealand Superannuation Fund.



## Clyde McConaghy

**Independent Non-executive Director, Australia**

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

Clyde is based in Australia. He holds a BBus (University of South Australia), and an MBA from Cranfield University (UK). Clyde is a Fellow of the Australian Institute of Company Directors. 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 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 30 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.



# Management Team



## 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.



## 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. Susan is leaving Serko on 31 May 2021.



## Sarah Miller

General Counsel & Company Secretary

Sarah has over 20 years' experience leading in-house legal functions for dual-listed entities, consulting to a range of companies on capital markets and M&A transactions, providing governance advice, and working for major law firms in New Zealand and the UK. She has been Serko's Company Secretary since 2014.



## Rachael Satherley

Chief People Officer

Rachael has 20 years of experience in people leadership roles across Europe, North America and Asia-Pacific most recently with Expedia Group. She has a passion for unlocking individual, team and organisational potential through transformation.



## 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.



## 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.



## 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.



## 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 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 practice) 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.

(\$29.4m)  
**NET LOSS AFTER TAX**

## BUSINESS RESULTS

Year ended 31 March	2021	2020	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Revenue	12,420	25,869	(13,449)	-52%
Other income	4,476	922	3,554	385%
<b>Total income</b>	<b>16,896</b>	<b>26,791</b>	<b>(9,895)</b>	<b>-37%</b>
Operating expenses (excluding foreign exchange)	(44,854)	(37,092)	(7,762)	-21%
Percentage of operating revenue	-361%	-143%		
Foreign exchange gains/(losses)	(1,337)	718	(2,055)	-286%
Net finance (expense)/income	247	257	(10)	-4%
<b>Net (loss) before tax</b>	<b>(29,048)</b>	<b>(9,326)</b>	<b>(19,722)</b>	<b>-211%</b>
Percentage of operating revenue	-234%	-36%		
Income tax benefit (expense)	(341)	(38)	(303)	-797%
<b>Net (loss) after tax</b>	<b>(29,389)</b>	<b>(9,364)</b>	<b>(20,025)</b>	<b>-214%</b>
Percentage of operating revenue	-237%	-36%		

Operating revenue excludes other income, which is primarily grants (refer Note 14 on page 61).

Total income from all sources for the year to 31 March 2021 was down 37% to \$16.9 million from \$26.8 million in the prior year due to the effects of Covid-19. Also, operating costs increased, from the Company continuing to scale for future growth opportunities. Serko recorded a net loss result after tax of (\$29.4 million) against prior year net loss of (\$9.4 million). The result includes non-cash elements of \$10.0 million including depreciation, amortisation and share-based payments up from \$4.7 million in the previous year.

Annual total operating revenue fell by \$13.5 million (52%) to \$12.4 million from \$25.9 million in the prior year, primarily related to Travel platform revenue affected by the Covid-19 pandemic. Refer to further analysis under Income on page 23.

The Company recognised \$4.5 million in other income (primarily grants), including \$3.4 million in Covid-19-related subsidies.

Total operating expenses increased by \$7.8 million to \$44.9 million from \$37.1 million in the prior year. Refer to further analysis under Operating Expenses on page 30.

Foreign exchange gains/(losses) moved from a gain of \$0.7 million in the prior year to a loss of (\$1.3 million).

(\$22.3m)  
**EBITDAF LOSS**

## EBITDAF

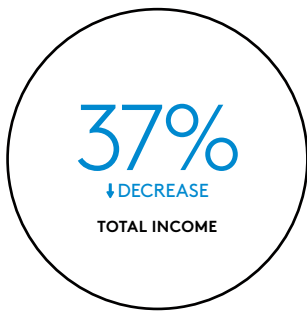
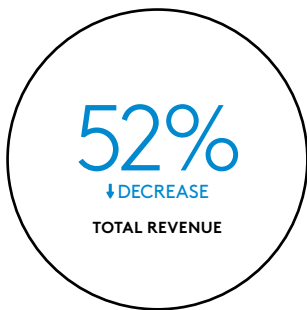
Year ended 31 March	2021	2020	Change	%
	\$ (000)	\$ (000)	\$ (000)	
<b>Net (loss) after tax</b>	(29,389)	(9,364)	(20,025)	-214%
Deduct: net interest and dividend income	(247)	(257)	10	-4%
Add back: income tax	341	38	303	797%
Add back: depreciation and amortisation	5,633	3,156	2,477	78%
Add back: net foreign exchange (gains)/ losses	1,337	(718)	2,055	-286%
Add back: Fair value remeasurement of contingent consideration	-	1,056	(1,056)	-100%
<b>EBITDAF (loss)</b>	<b>(22,325)</b>	<b>(6,089)</b>	<b>(16,236)</b>	<b>-267%</b>
Percentage of operating revenue	-180%	-24%		

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

EBITDAF declined by \$16.2 million from a loss of (\$6.1 million) to a loss of (\$22.3 million).

Depreciation and amortisation increased by \$2.5 million over the prior year. Depreciation includes of right-of-use assets (leased premises) under IFRS-16 (*Leases*) adoption of \$1.1 million (FY20 \$1 million).

Movements from foreign exchange rates resulted in losses of \$1.3 million for the year compared to gains of \$0.7 million in the prior year. No fair value adjustments affected profit for the current year.



## INCOME

Year ended 31 March	2021	2020	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Travel platform booking revenue	6,354	16,307	(9,953)	-61%
Expense platform revenue	3,997	5,831	(1,834)	-31%
Supplier commissions revenue	538	1,427	(889)	-62%
Other revenues	386	485	(99)	-20%
<b>Recurring product revenue</b>	<b>11,275</b>	<b>24,050</b>	<b>(12,775)</b>	<b>-53%</b>
Percentage of operating revenue	91%	93%		
Services revenue	1,145	1,819	(674)	-37%
<b>Total revenue</b>	<b>12,420</b>	<b>25,869</b>	<b>(13,449)</b>	<b>-52%</b>
Other income	4,476	922	3,554	385%
<b>Total income</b>	<b>16,896</b>	<b>26,791</b>	<b>(9,895)</b>	<b>-37%</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.

Other income includes grants of \$4.4 million, of which \$3.4 million related to Covid-19 subsidies in New Zealand, Australia and the US.

Travel platform revenue fell by 61% for the year to \$6.4 million from \$16.3 million.

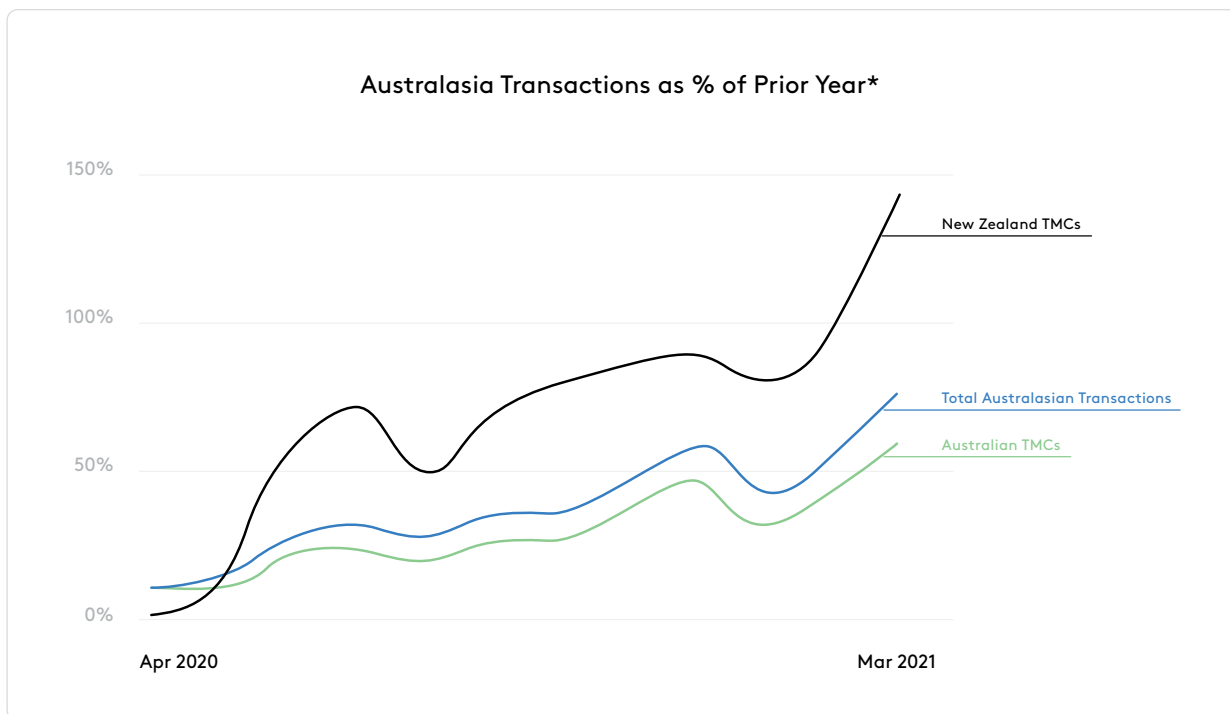
Serko Expense revenue, benefitting from fixed components to pricing, fell 31% to \$4.0 million from \$5.8 million, less sharply than the 61% fall in travel platform revenue.

Supplier commissions revenue declined by \$0.9 million (62%) to \$0.5 million from \$1.4 million. Services revenue declined to \$1.1 million from \$1.8 million in the prior year due to the prioritisation of the launch of the Booking.com for Business platform. Other revenues declined marginally to \$0.4 million, compared to \$0.5m for the prior year.

Recurring product revenue was down 53% to \$11.3 million from \$24 million on the prior year, due to Covid-19. Recurring revenue as a percentage of total revenue declined to 91%, from the prior year comparative of 93%. Total income including grants was down 37% to \$16.9 million, from \$26.8 million in the prior year.

In the fourth quarter of the 2020 financial year, the Covid-19 pandemic became widespread, significantly affecting booking volumes and materially impacting Serko’s performance over the 2021 financial year. 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. Travel volumes have slowly recovered over the year. From the lowest point during the financial year in April 2020 at 11% of the prior year month, monthly booking volumes have recovered to 73% in the month of March 2021. The majority of the booking volumes have come from the Australasian region, with different recovery rates between New Zealand and Australia due to timing and resumption of travel, as well as continued onboarding of new TMC customers (refer to graph below). As a comparator New Zealand bookings are 149% versus 62% for Australia in March 2021. Total travel booking transactions for the 2021 financial year fell 63% against the 2020 financial year.\*



\*As of March 2021, Serko has begun benchmarking current transaction volumes to 2019 volumes (in addition to 2020 volumes) as we believe this provides a more meaningful indication of the resumption of travel by business travellers. This is as a result of Covid-19-related travel restrictions beginning to materially impact Serko’s transaction volumes from mid-March 2020. For completeness, total Australasian transaction volumes exceeded 131% of March 2020 volumes (NZ: 211%, AUS: 116%), when Covid-19-related border closures started materially impacting Serko’s transaction bookings.

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. With 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 recorded in the current year.

Serko had 72 Travel Management resellers using the platform during the year, including Booking.com. The number of business customers using the travel booking platforms fell with Covid-19 from 7,759 in FY20 to a low of 1,725 for the month of April 2020. Total business customers using the platform during the year has grown to 9,104 for FY21, including SMEs that had commenced the migration process with the Booking.com platform since this was opened up on 24 March 2021, eight days before year end.



While the number of Booking.com businesses that have used the platform is rapidly increasing, the number of business customers that completed a booking during that period was lower at 6,904 of the 9,104, due to these businesses using the search functionality without yet completing a booking. Thus revenue will lag the migration phases. The migration process is expected to be completed in July 2021. Serko anticipates significant volumes of SMEs to migrate during the remaining phases of the migration and for the related income to be material.

We continue to have customers transition to Zeno, Serko's premium travel booking tool launched in 2018. As of 31 March 2021, Zeno was carrying approximately 45% of transactions across our platforms at the end of the financial year, up from approximately 25% of transactions at the beginning of the year. Zeno is being used by 58% of the corporate TMC customers, up from 42% at the beginning of the financial year.

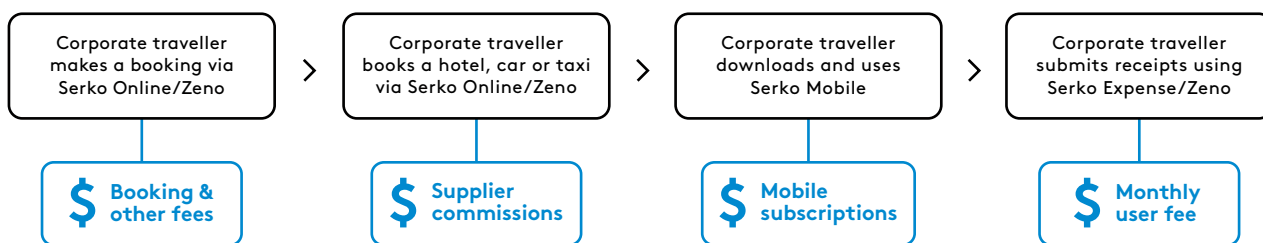
## REVENUE BY GEOGRAPHY

Year ended 31 March	2021	2020	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Australia	7,520	18,218	(10,698)	-59%
New Zealand	2,154	2,465	(311)	-13%
North America	2,369	4,823	(2,454)	-51%
Other	377	363	14	4%
<b>Revenue</b>	<b>12,420</b>	<b>25,869</b>	<b>(13,449)</b>	<b>-52%</b>

Serko earned 61% (FY20: 70%) of revenue from Australia and 17% (FY20: 10%) from New Zealand sources, with New Zealand-sourced income down 13% and Australian-sourced income down 59% over the prior year. The portion of income from New Zealand has increased primarily with the onboarding of new TMC customers. 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 period, Serko expects the Australasian domestic and trans-Tasman market to recover progressively to reach pre-Covid levels by the end of FY23 with vaccine programmes currently rolling out.

The portion of North American income has also declined, and primarily represents Expense platform revenue and North American-based supplier commissions. 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 with lockdown restrictions in this market. Serko has signed five new TMCs in FY21 with another large group, Frosch Travel Group signed in April 2021. As this market returns to travel, with vaccination programmes currently rolling out across North America, Serko expects revenue from this market through TMCs to increase.

## HOW SERKO MAKES MONEY



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.

Serko also earns commission income on a portion of bookings direct when corporates opt to book Serko-sourced hotel and other traveller-related services. Serko is paid directly from the suppliers of these services, therefore income from this source through its platforms is included in supplier commissions. The Booking.com for Business platform provided in partnership with Booking.com is a free service with Booking.com receiving commissions from suppliers. The commissions earned through this platform will be split and recognised under supplier commissions.

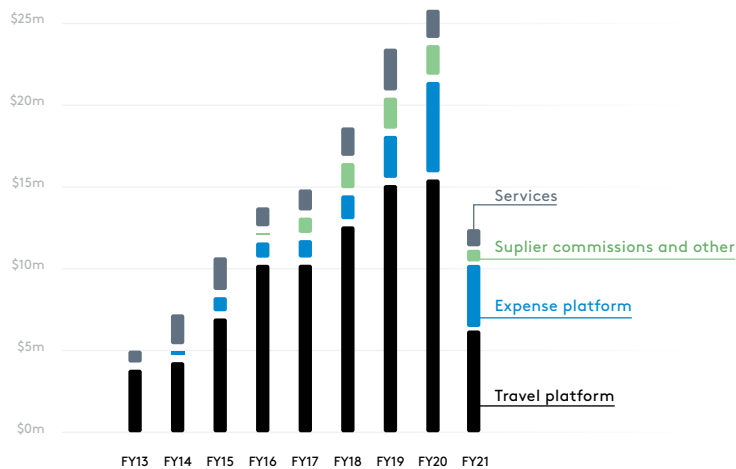
Serko also earns income from its expense management platform Serko Expense, which allows registered users of corporate customers to process travel and expense claims for accounting and reimbursement. Revenues are derived from a combination of fees for active users, registered users and reports processed.

Other revenue 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.

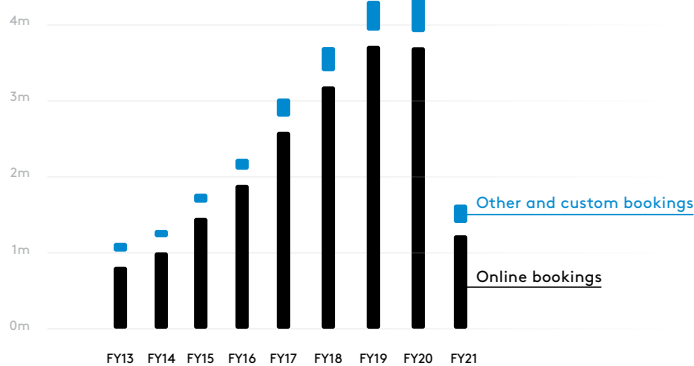
Other income historically has been primarily government grants for research and development projects and international growth grants. However, for FY21, Serko has received government grants related to Covid-19 subsidies amounting to \$3.4 million. With the change of R&D grants to a tax credit regime, Serko will no longer receive R&D grants in future years.

## Revenue trend



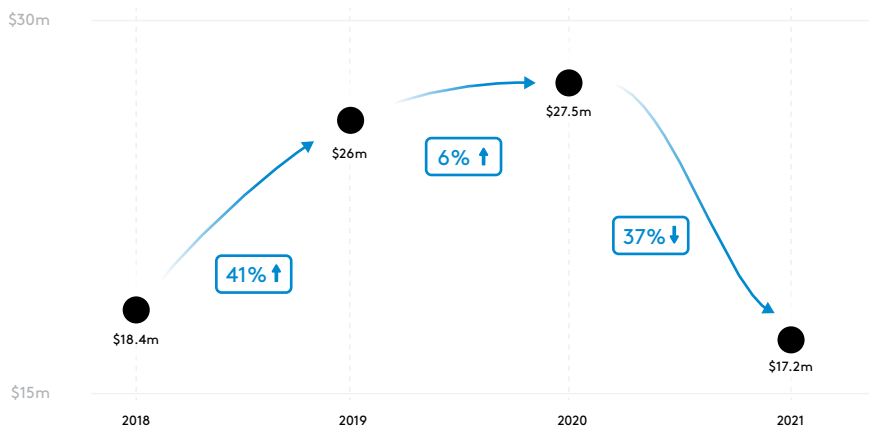
## Booking trend<sup>1</sup>

Travel platform booking trend over the last 9 years



## Peak ATMR<sup>2</sup>

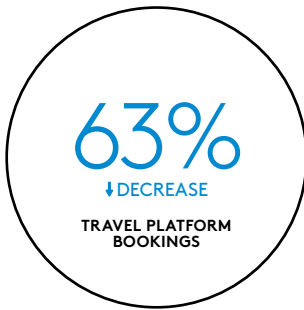
Year-on-year movement



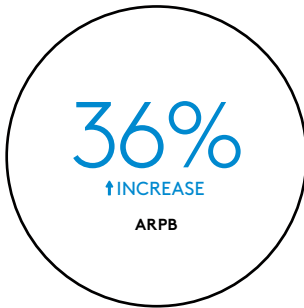
1 Booking volumes are total volumes and include Offline and Custom Bookings, which can be either bundled into a price per Online booking or at a reduced rate, as these are primarily automated bookings but processed through the booking tool.

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. Peak ATMR occurred in February 2020 and in March 2021 for FY21.

## ACTIVITY

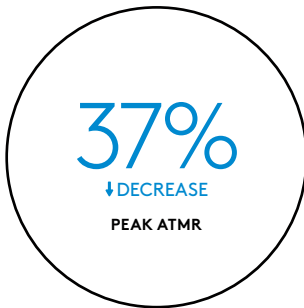


Travel platform bookings decreased 63% over the prior year and were Covid-19 impacted. Total travel bookings during FY21 were 1.57 million, down from 4.22million. Total travel bookings include 0.28 million Offline bookings (system automated bookings) that don't contribute significantly to revenue or are bundled into the 'Online' booking rate. Online bookings for the year were 1.29 million with a 65% decline.



Serko is currently expanding into Northern Hemisphere markets. However, these regions did not make a significant contribution to volumes in FY21 while these markets were in market development and trial stages and Covid-19 had a major effect on the overall market. 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.

ARPB for recurring revenue (total recurring revenue divided by Online bookings) at \$8.76 improved by 36% from \$6.46 in the prior year as Expense platform revenue was not as adversely affected as Travel platform revenue. Average Revenue Per Booking (ARPB) for travel-related revenue (Travel platform and supplier commissions) increased during the year by 12% to \$5.36 from \$4.76 based on Online bookings and was largely related to increases in pricing for the Zeno platform.



Peak Annualised Transactional Monthly Revenue (ATMR), a useful indicator of recurring revenue from Serko products, fell from a preCovid-19 peak of \$27.5 million in February 2020 to \$17.2 million as of March 2021. However, this improved compared to the beginning of the year with ATMR at the end of March 2020 of \$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	2021	2020	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Marketing expenses	1,054	1,469	(415)	-28%
Third party connection costs	535	885	(350)	-40%
Other selling costs	467	635	(168)	-26%
<b>Total selling and marketing expenses</b>	<b>2,056</b>	<b>2,989</b>	<b>(933)</b>	<b>-31%</b>
<b>Hosting expenses</b>	<b>2,710</b>	<b>3,362</b>	<b>(652)</b>	<b>-19%</b>
Employee remuneration	25,083	17,161	7,922	46%
Contribution to pension plans	880	662	218	33%
Share-based payment expenses	3,184	959	2,225	232%
Other remuneration and benefits	380	637	(257)	-40%
<b>Total remuneration and benefits</b>	<b>29,527</b>	<b>19,419</b>	<b>10,108</b>	<b>52%</b>
Auditor remuneration and other assurance fees	171	153	18	12%
Directors' fees	402	357	45	13%
Movement of expected credit loss allowance on receivables	(19)	229	(248)	-108%
Bad debts written off	63	8	55	688%
Rental and operating lease expenses	102	83	19	23%
Professional fees	851	1,571	(720)	-46%
Computer licences	1,148	925	223	24%
Other administration expenses	2,210	3,784	(1,574)	-42%
<b>Total administration expenses</b>	<b>4,928</b>	<b>7,110</b>	<b>(2,182)</b>	<b>-31%</b>
Amortisation of intangibles	3,909	1,705	2,204	129%
Depreciation	1,724	1,451	273	19%
<b>Total amortisation and depreciation</b>	<b>5,633</b>	<b>3,156</b>	<b>2,477</b>	<b>78%</b>
<b>Fair value remeasurement on contingent consideration</b>	<b>-</b>	<b>1,056</b>	<b>(1,056)</b>	<b>-100%</b>
<b>Total operating expenses excluding foreign exchange gains/(losses)</b>	<b>44,854</b>	<b>37,092</b>	<b>7,762</b>	<b>21%</b>
Percentage of operating revenue	361%	143%		

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.

Other administration expenses include insurance, listed market costs, recruitment, training, travel and other miscellaneous office costs.

Total operating expenses were up 21%, or \$7.8 million, from the prior year to \$44.9 million, primarily owing to increases in remuneration and benefits as Serko expands its operations, as well as increased amortisation and depreciation.

Selling and marketing expenses declined to \$2.1 million from \$3.0 million in the prior year primarily owing to declining volumes and cost saving initiatives.

Hosting costs at \$2.7 million decreased 19% primarily with the booking volume decreases of 63% during the year. However, there is a base level of costs to support the business, as well as investment into infrastructure improvements to increase speed and ensure stability of the product in advance of increased volumes expected with the Booking.com customer transition.

Remuneration and benefits (R&B) increased by \$10.1 million to \$29.5 million owing to the increased head count of 54 from 233 full-time equivalent (FTE) to 287 FTE as at 31 March 2021. No short-term incentives were included in the prior year. For FY21 an accrual has been made for \$1.9 million. Share-based payments of \$3.2 million related to employee share-based payments and options (long-term incentives) for 2021, compared to \$1 million in the prior year. This increase in non-cash share-based payments was primarily due to expanding the long-term incentive scheme to more people to retain staff while the organisation undertook cost saving measures, including temporarily reducing salaries and not paying FY20 short-term incentives. Serko is planning on hiring additional staff as it expands, however, owing to Covid-19 uncertainty, the rate of additional hiring will be subject to a recovery in travel revenues.

Administration costs at \$4.9 million were down from \$7.1 million on the prior year due to decreased discretionary spend as part of cost saving initiatives.



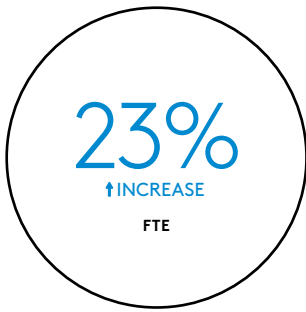
## RESEARCH AND DEVELOPMENT (R&D) COSTS

Year ended 31 March	2021	2020	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Total R&D costs (including amounts capitalised)	10,633	13,606	(2,973)	-22%
Percentage of operating revenue	86%	53%		
Less: capitalised product development costs	(7,231)	(11,013)	3,782	-34%
Percentage R&D costs	68%	81%		
<b>Research costs (excluding amortisation of amounts previously capitalised)</b>	<b>3,402</b>	<b>2,593</b>	<b>809</b>	<b>31%</b>
Less: Government grants for R&D	(930)	(683)	(247)	36%
Add: Amortisation of capitalised development costs and intellectual property	3,909	1,705	2,204	129%
<b>Net product development costs</b>	<b>6,381</b>	<b>3,615</b>	<b>2,766</b>	<b>77%</b>
Percentage of operating revenue	51%	14%		

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 less development costs for FY21 than in FY20, at \$7.2 million compared to \$11.0 million in FY20. Total R&D at \$10.6 million was 86% of net operating income compared to 53% in the prior year. With the onset of Covid-19, development resources were deployed into managing the platform costs due to reduced booking volumes and then the management of the platform as transactions continued to scale up. While there remains considerable uncertainty as to the future operating environment, Serko remains of the view that the capitalised portions for the current year and the remaining prior year intangibles 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.

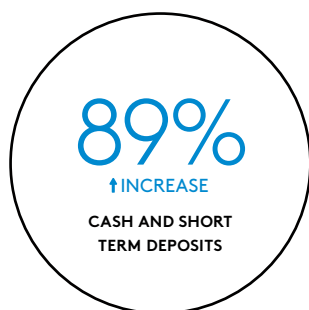


## EMPLOYEES AND AVERAGE REVENUE PER FTE

Year ended 31 March	2021	2020	Change	%
Product development and maintenance	193	146	47	32%
Sales and marketing	16	18	(2)	-11%
Customer support	48	52	(4)	-8%
Administration	30	17	13	76%
<b>Total employee numbers at end of the year (FTE)</b>	<b>287</b>	<b>233</b>	<b>54</b>	<b>23%</b>
<b>Average revenue per FTE (NZD \$000)</b>	<b>67</b>	<b>121</b>	<b>(54)</b>	<b>-45%</b>

Serko's staff numbers increased by a net 54 during the year moving to 287 from 233 full-time equivalent (FTE) staff at the end of 2020. Head count was 289 with 172 staff based in New Zealand, 20 in Australia, 54 in China and 43 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 292.





## CASH FLOWS

Year ended 31 March	2021	2020	Change	%
	\$ (000)	\$ (000)	\$ (000)	
Receipts from customers	15,542	22,318	(6,776)	-30%
Grant income receipts	4,280	649	3,631	559%
Other operating cash flows	(37,864)	(26,756)	(11,108)	42%
<b>Total cash flows from operating activities</b>	<b>(18,042)</b>	<b>(3,789)</b>	<b>(14,253)</b>	<b>376%</b>
Investing cash flows	(52,790)	(11,812)	(40,978)	347%
Financing cash flows	63,927	42,273	21,654	51%
<b>Total net cash flows</b>	<b>(6,905)</b>	<b>26,672</b>	<b>(33,577)</b>	<b>-126%</b>
Net foreign exchange differences	(567)	(13)	(554)	4262%
<b>Closing cash and cash equivalents balances</b>	<b>34,919</b>	<b>42,391</b>	<b>(7,472)</b>	<b>-18%</b>
Short-term deposits	45,000	-	45,000	n/a
<b>Cash and short-term deposits</b>	<b>79,919</b>	<b>42,391</b>	<b>37,528</b>	<b>89%</b>

Receipts from customers decreased by 30% over the year from \$22.3 million to \$15.5 million. Other operating cash outflows increased by \$11.1 million to \$37.9 million mainly owing to increased payments to employees and suppliers. Net operating cash outflows for the year were \$18.0 million.

Investing cash flows, which include cash outflows for property, plant and equipment and intangibles, reflecting capitalised internal development, were \$7.8 million. Also included in investing cash flows are the short-term deposits of \$45 million as at 31 March 2021.

Financing cash flows, which include a capital raise to fund expansion, resulted in a net \$65 million contribution to cash balances. Lease liabilities recorded under finance activities were \$1.3 million.

Cash balances and short-term deposits increased to 89% as at 31 March 2021, from \$42.4 million to \$79.9 million. Excluding funds from the capital raise, net cash burn for the year was \$27.4 million, an average of \$2.3 million per month.

Prior to the capital raise, Serko targeted an average cash burn of \$2 million per month. The first-half cash burn was \$1.8 million average per month. Following the capital raise, the Board determined to continue to invest in scaling the business and the targeted cash burn was increased to between \$2 million and \$4 million per month on average. The second-half cash burn, excluding net funds from the capital raise, was \$2.8 million average per month.

# 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 2021 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 2021 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 19 May 2021 by:



**CLAUDIA BATTEN**  
CHAIR



**DARRIN GRAFTON**  
CHIEF EXECUTIVE OFFICER

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# Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021	2020
		\$ (000)	\$ (000)
			(Restated)
Revenue	4	12,420	25,869
Other income	4	4,476	922
<b>Total income</b>		<b>16,896</b>	<b>26,791</b>
Operating Expenses			
Selling and marketing expenses		(2,056)	(2,989)
Hosting expenses		(2,710)	(3,362)
Remuneration and benefits		(29,527)	(19,419)
Administration expenses		(4,928)	(7,110)
Amortisation and depreciation		(5,633)	(3,156)
Fair value remeasurement on contingent consideration		-	(1,056)
<b>Total operating expenses before foreign exchange gains/(losses)</b>	<b>5</b>	<b>(44,854)</b>	<b>(37,092)</b>
Foreign exchange (losses)/gains - net		(1,337)	718
Finance income	5	380	419
Finance expenses	5	(133)	(162)
<b>Loss before income tax</b>		<b>(29,048)</b>	<b>(9,326)</b>
Income tax expense	6	(341)	(38)
<b>Net loss attributable to the shareholders of the company</b>		<b>(29,389)</b>	<b>(9,364)</b>
Movement in foreign currency reserve		43	(11)
<b>Total comprehensive loss for the year</b>		<b>(29,346)</b>	<b>(9,375)</b>
Earnings per share			
Basic profit per share	17	(0.30)	(0.11)
Diluted profit per share	17	(0.29)	(0.11)

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Notes	Share capital	Share-based payment reserve	Foreign currency reserve	Accumulated losses	Total
		\$(000)	\$(000)	\$(000)	\$(000)	\$(000)
Balance as at 1 April 2020		87,751	2,374	(222)	(26,119)	63,784
Net loss for the year		-	-	-	(29,389)	(29,389)
Other comprehensive income*		-	-	43	-	43
<b>Total comprehensive income/(loss) for the year</b>		<b>-</b>	<b>-</b>	<b>43</b>	<b>(29,389)</b>	<b>(29,346)</b>
Transactions with owners						
Issue of share capital	16	67,500	-	-	-	67,500
Cost of equity issued	16	(2,541)	-	-	-	(2,541)
Equity-settled share-based payments	16	684	1,807	-	-	2,491
Shares vested from employees via Restricted Share Plan	16	-	391	-	-	391
Shares forfeited from employees via Restricted Share Plan	16	-	(13)	-	-	(13)
Non-executive directors settlement of non-recourse loan	16	303	(50)	-	-	253
Issue of shares in respect of director services	16	9	-	-	-	9
<b>Balance as at 31 March 2021</b>		<b>153,706</b>	<b>4,509</b>	<b>(179)</b>	<b>(55,508)</b>	<b>102,528</b>
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		-	-	-	(323)	(323)
Other comprehensive loss*		-	-	(11)	-	(11)
<b>Total comprehensive loss for the year</b>		<b>-</b>	<b>-</b>	<b>(11)</b>	<b>(9,687)</b>	<b>(9,698)</b>
Transactions with owners						
Issue of share capital		45,000	-	-	-	45,000
Cost of equity issued	16	(1,793)	-	-	-	(1,793)
Equity-settled share-based payments	16	427	526	-	-	953
Shares allocated to employees via Restricted Share Plan	16	-	23	-	-	23
Shares forfeited from employees via Restricted Share Plan	16	-	(17)	-	-	(17)
Shares issued in respect of InterplX acquisition	16	2,881	-	-	-	2,881
Non-executive directors settlement of non-recourse loan	16	243	(43)	-	-	200
<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>

\*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 2021

	Notes	2021 \$(000)	2020 \$(000)
<b>Current assets</b>			
Cash at bank and on hand	11	34,919	42,391
Short-term deposits	11	45,000	-
Receivables	7	5,393	6,578
Income tax receivable		7	84
Derivative financial instruments	8	-	557
<b>Total current assets</b>		<b>85,319</b>	<b>49,610</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	2,569	3,382
Intangible assets	10	23,304	20,110
Deferred tax asset	6	117	250
<b>Total non-current assets</b>		<b>25,990</b>	<b>23,742</b>
<b>Total assets</b>		<b>111,309</b>	<b>73,352</b>
<b>Current liabilities</b>			
Trade and other payables	12	7,142	7,073
Interest-bearing loans and borrowings	15	62	58
Lease liabilities	13	1,017	1,280
Derivative financial instruments	8	142	-
<b>Total current liabilities</b>		<b>8,363</b>	<b>8,411</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	15	28	92
Lease liabilities	13	390	1,065
<b>Total non-current liabilities</b>		<b>418</b>	<b>1,157</b>
<b>Total liabilities</b>		<b>8,781</b>	<b>9,568</b>
<b>Equity</b>			
Share capital	16	153,706	87,751
Share-based payment reserve	16	4,509	2,374
Foreign currency reserve		(179)	(222)
Accumulated losses		(55,508)	(26,119)
<b>Total equity</b>		<b>102,528</b>	<b>63,784</b>
<b>Total equity and liabilities</b>		<b>111,309</b>	<b>73,352</b>

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 19 May 2021

 **CLAUDIA BATTEN**  
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 2021

	Notes	2021	2020
		\$ (000)	\$ (000)
Cash flows from operating activities			
Receipts from customers		15,542	22,318
Interest received		349	418
Receipts from government grants - Covid-19 subsidies		3,268	-
Receipts from grants		1,012	649
Taxation paid		(253)	(529)
Payments to suppliers and employees		(38,406)	(26,275)
Interest payments		(87)	(126)
Net GST refunded /(paid)		533	(244)
<b>Net cash flows used in operating activities</b>	<b>20</b>	<b>(18,042)</b>	<b>(3,789)</b>
Cash flows from investing activities			
Purchase of property, plant and equipment		(559)	(794)
Capitalised development costs and other intangible assets		(7,231)	(11,018)
Short-term deposits		(45,000)	-
<b>Net cash flows used in investing activities</b>		<b>(52,790)</b>	<b>(11,812)</b>
Cash flows from financing activities			
Issue of ordinary shares		67,544	45,000
Cost of new share issue		(2,541)	(1,793)
Payment of lease liabilities		(1,266)	(1,080)
Non-executive directors non-recourse loan		250	200
Net repayment of loans		(60)	(54)
<b>Net cash flows from financing activities</b>		<b>63,927</b>	<b>42,273</b>
Net (decrease)/increase in total cash		(6,905)	26,672
Net foreign exchange difference		(567)	(13)
Cash and cash equivalents at beginning of period		42,391	15,732
<b>Cash and cash equivalents at the end of the period</b>		<b>34,919</b>	<b>42,391</b>
Cash and cash equivalents comprises the following:			
Cash at bank and on hand	11	34,919	42,391
		<b>34,919</b>	<b>42,391</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 March 2021

## 1 CORPORATE INFORMATION

The financial statements of Serko Limited ('the Company' or 'Serko') 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 reaching their conclusion the Board has considered the following factors:

- Cash reserves (Cash at bank and Term Deposits) at 31 March 2021 of \$79.9 million provides a sufficient level of headroom to help support the business for at least the next 12 months;
- Serko completed an oversubscribed capital raise in October 2020 of \$67.5 million (\$65 million net of costs) to continue to invest for future growth opportunities and is targeting an average cash burn between \$2 million and \$4 million per month for FY22;
- Serko has identified cost saving initiatives to manage its cash burn should revenue be less than forecast for FY22;
- Four-year forecasts have been prepared that forecast a return to profitability within its cash reserves for the current planned and approved investments; and
- 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

There are no new revised or amended IFRS Standards that are applicable to the Group for the year. The accounting policies adopted are consistent with the prior year.

### 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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

### 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 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

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. Depreciation and Amortisation has been reclassified from Administration expenses and shown separately in the statement of comprehensive income. Foreign exchange gains/losses are shown separately in the statement of comprehensive income rather than included in Finance income/expenses.

### 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires the Group 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, the following judgements have been applied, which have an effect on the amounts recognised in the consolidated financial statements.

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

From early 2020, as a result of the outbreak and global spread of Covid-19, there has been an adverse effect on travel bookings.

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

The global governmental and corporate policy responses included lockdowns and the suspension of all non-essential travel resulting in a severe adverse effect on booking volumes for the entire travel industry.

Serko has taken actions to manage its cash flows during this period by reducing discretionary spending, staff taking salary reductions for a three-month period, rewarding staff through share-based payments rather than cash incentives, as well as costs reducing in line with the decline in volumes. As previously communicated to the market, Serko has carefully chosen to increase resource and capacity to ensure it is positioned to participate in the eventual recovery of corporate travel and prepare for growth opportunities.

The Group 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 the Group'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 of Covid-19 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, and is expecting growth in other revenues such as United States dollars (USD) and Euros (EUR) as a result of expansion plans.

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

The Group 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. The Group has considered reduced travel owing to Covid-19 and made various assumptions and estimates relating to the expected recovery profile of travel in various geographies and its impact on Serko's activities.

Serko has updated its expected credit loss assumptions and the provision was decreased to \$215,000 (2020: \$237,000) with the provision primarily relating to the impacts of Covid-19.

#### **Revenue recognition (note 4)**

Some of Serko's customer agreements contain annual minimum transaction volume commitments. These are normally for the period of the agreement and span financial reporting periods. Based on this the Company needs to make a judgement about estimated future transaction volumes to determine forecast 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 of travel or expense transactions 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 is 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 primarily relate to accrued revenue for contractual minimum guarantees (refer note 7). Contract modifications arising from changes in pricing minimum guaranteed volumes are assessed on an individual basis and are accounted for prospectively, rather than adjusting the revenue for already satisfied performance obligations.

### 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 & OTHER INCOME Continued

	Notes	2021 \$(000)	2020 \$(000)
Revenue – transaction and usage fees:			
Travel platform booking revenue		6,354	16,307
Expense platform revenue		3,997	5,831
Supplier commissions revenue		538	1,427
Services revenue		1,145	1,819
Other revenue		386	485
<b>Total revenue</b>		<b>12,420</b>	<b>25,869</b>
Government grants - Covid-19 subsidies*		3,437	-
Government grants - other		945	922
Other		94	-
<b>Total other income</b>	<b>14</b>	<b>4,476</b>	<b>922</b>
<b>Total revenue and other income</b>		<b>16,896</b>	<b>26,791</b>
		<b>2021</b>	<b>2020</b>
		\$(000)	\$(000)
Geographic information			
Australia		7,520	18,218
New Zealand		2,154	2,465
US		2,369	4,823
Other		377	363
<b>Total revenue</b>		<b>12,420</b>	<b>25,869</b>

\*The Group received government Covid-19 subsidies in New Zealand, Australia and the US totalling NZD \$3.4 million.

## 5 EXPENSES

	2021	2020
	\$ (000)	\$ (000)
Operating loss before taxation includes the following expenses:		
Marketing expenses	1,054	1,469
Third party connection costs	535	885
Other selling costs	467	635
<b>Total selling and marketing expenses</b>	<b>2,056</b>	<b>2,989</b>
<b>Hosting expenses</b>	<b>2,710</b>	<b>3,362</b>
Employee remuneration	25,083	17,161
Contributions to pension plans	880	662
Share-based payment expenses	3,184	959
Other remuneration and benefits	380	637
<b>Total remuneration and benefits</b>	<b>29,527</b>	<b>19,419</b>
Auditor remuneration and other assurance fees	171	153
Directors' fees*	402	357
Movement of expected credit loss allowance on receivables	(19)	229
Bad debts written off	63	8
Rental and operating lease expenses	102	83
Professional fees	851	1,571
Computer licences	1,148	925
Other administration expenses	2,210	3,784
<b>Total administration expenses</b>	<b>4,928</b>	<b>7,110</b>
Amortisation on intangibles	3,909	1,705
Depreciation	1,724	1,451
<b>Total amortisation and depreciation</b>	<b>5,633</b>	<b>3,156</b>
<b>Fair value remeasurement of contingent consideration</b>	<b>-</b>	<b>1,056</b>
<b>Expenses from ordinary activities</b>	<b>44,854</b>	<b>37,092</b>

\*Directors' fees include \$35,000 earned by a director of subsidiary, Serko India Private Limited (\$30,000 for the current year and \$5,000 related to the prior year).

## 5 EXPENSES Continued

	2021	2020
	\$ (000)	\$ (000)
Finance income and expenses includes:		
Finance income		
Interest received	379	418
Dividends received	1	1
<b>Total finance income</b>	<b>380</b>	<b>419</b>
Finance expenses		
Interest expense on lease liabilities	(87)	(111)
Other finance expenses	(46)	(51)
<b>Total finance expenses</b>	<b>(133)</b>	<b>(162)</b>
<b>Total finance income and expenses</b>	<b>247</b>	<b>257</b>

### Auditor remuneration

	2021	2020
	\$ (000)	\$ (000)
Amounts for services performed by Deloitte Limited:		
Audit of financial statements	147	146
Tax services	17	-
Other assurance services*	7	7
<b>Total audit fees</b>	<b>171</b>	<b>153</b>

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



## 6 INCOME TAX

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 amounts are those that are enacted or substantively enacted in the jurisdictions in 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.

	2021 \$ (000)	2020 \$ (000)
Current income tax		
Current income tax charge	225	318
Adjustments in respect of income tax	(17)	(113)
	<b>208</b>	<b>205</b>
Deferred income tax		
Origination and reversal of temporary differences	133	(167)
<b>Income tax expense/(benefit) reported in the statement of comprehensive income</b>	<b>341</b>	<b>38</b>

## 6 INCOME TAX Continued

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

	2021	2020
	\$ (000)	\$ (000)
Accounting loss before income tax	(29,048)	(9,326)
At the statutory income tax rate of 28% (2020:28%)	(8,133)	(2,611)
Non-deductible items	3,108	456
Adjustments in respect of income tax	(17)	(113)
Foreign taxes	358	72
Share-based payments	-	182
Tax losses and temporary differences unrecognised	5,174	2,132
Effect of tax on overseas subsidiaries at different rate	(149)	(80)
<b>Income tax expense</b>	<b>341</b>	<b>38</b>
At effective income tax rate of:	-1.2%	-0.4%

Deferred income tax at 31 March relates to the following:

	2021		2020	
	Statement of financial position	Statement of comprehensive income	Statement of financial position	Statement of comprehensive income
	\$ (000)	\$ (000)	\$ (000)	\$ (000)
Deferred income tax liabilities recognised				
Intangibles	(53)	267	(320)	86
Unrealised foreign exchange	-	-	-	(13)
Deferred income tax asset recognised				
Intangibles and non-current assets*	-	(106)	106	51
Provision for expected credit loss (ECL)	-	-	65	63
Employee entitlements	170	(180)	350	102
Bonus provision	-	(8)	8	(163)
Share-based payments	-	(41)	41	41
<b>Net deferred tax asset recognised</b>	<b>117</b>	<b>(68)</b>	<b>250</b>	<b>167</b>
<b>Deferred income tax asset not recognised</b>	<b>1,688</b>	<b>483</b>	<b>-</b>	<b>-</b>

\*Net of lease liabilities.

Unrecognised tax losses carried forward are attributable to those generated in New Zealand of \$44 million, subject to the business continuity and shareholder requirements being met. Tax losses carried forward that are attributable to foreign jurisdictions and are not recognised amount to \$3.6 million.

The New Zealand group has a history of tax losses. Given the current uncertainty that exists relating to Covid-19, no recognition of New Zealand temporary or tax loss assets has occurred.

## 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 ECL 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.

	2021	2020
	\$ (000)	\$ (000)
Trade receivables	2,852	4,049
Expected credit loss provision	(215)	(237)
<b>Trade receivables (net)</b>	<b>2,637</b>	<b>3,812</b>
GST receivable	130	473
Sundry debtors	777	34
Contract assets	1,037	1,368
Prepayments	800	845
Funds held in trust	12	46
<b>Total receivables</b>	<b>5,393</b>	<b>6,578</b>
<b>Foreign currency risk</b>		
The carrying amounts of the group's receivables are denominated in the following currencies:		
New Zealand dollars	2,082	2,338
Australian dollars	2,091	2,727
US dollars	402	657
Other	18	11
	<b>4,593</b>	<b>5,733</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>2021</b>					
Trade receivables	2,852	1,641	803	68	340
<b>2020</b>					
Trade receivables	4,049	1,996	1,726	173	154

## 7 RECEIVABLES Continued

### Allowance for impairment loss – Trade receivables

Group trade receivables over 60 days were \$408,000 (2020: \$327,000). This balance of \$408,000 has been assessed as part of Covid-19's impact on the recovery of trade receivables. An ECL provision of \$215,000 (2020: \$237,000) 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:

	2021 \$(000)	2020 \$(000)
Current:		
Foreign currency forward exchange contracts	(142)	557
Contractual amounts of forward exchange contracts outstanding were as follows:		
Foreign currency forward exchange contracts	5,031	18,819

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 rates that reflect 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 - 10% - 13.5%
- Computer equipment - 17.5% - 48%
- Right-of-use asset - Term of lease (16.7% - 50%)

### 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>2021</b>					
Cost or valuation					
Balance at 1 April 2020	610	814	1,390	2,901	5,715
Additions	-	31	528	362	921
Disposals	-	-	(13)	(117)	(130)
Currency translation	(2)	(18)	(59)	(55)	(134)
<b>Balance at 31 March 2021</b>	<b>608</b>	<b>827</b>	<b>1,846</b>	<b>3,091</b>	<b>6,372</b>
Depreciation					
Balance at 1 April 2020	218	298	838	979	2,333
Depreciation expense	122	76	388	1,138	1,724
Disposals	-	-	(13)	(117)	(130)
Currency translation	5	(37)	(50)	(42)	(124)
<b>Balance at 31 March 2021</b>	<b>345</b>	<b>337</b>	<b>1,163</b>	<b>1,958</b>	<b>3,803</b>
<b>Net carrying amount</b>	<b>263</b>	<b>490</b>	<b>683</b>	<b>1,133</b>	<b>2,569</b>
<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>

\*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 useful lives and tested for their 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 at 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); and
- Computer software (finite, amortised on 5 years straight-line basis).

## 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.

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.

## 10 INTANGIBLES Continued

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.

Domestic and international air travel is susceptible to travel restrictions owing to Covid-19. Consequently, there is uncertainty relating to Serko's forecast cash flows, which is an indicator of possible impairment. Serko experienced a significant reduction in travel bookings and Serko Expense platform system use for the year ending 31 March 2021. The ongoing impacts will continue to affect travel. Serko's 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 TMC 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 FY23 and to achieve its Northern Hemisphere growth plans over the four-year period. The longer-term effects of Covid-19 on Serko's business remain uncertain as 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 four-year forecast period;
- The approved assumptions with the greatest impact on impairment testing are as follows:
  - The Australian and New Zealand travel industry maintains a recovery of at least 60% to pre-Covid-19 levels and recovers fully in FY23
  - Migration of the Booking.com business customer base to the new Booking for Business platform, powered by Zeno is completed during FY22
  - Northern Hemisphere travel markets are assumed to return to pre-Covid-19 levels in FY23
  - Serko Expense platform revenue, supplier commissions and other revenues are assumed to recover consistent relative to Travel activity recovery and growth in each territory
- A Discount rate of 13.8% (FY20: 11.7%);
- The Discount factor applied using a mid-year convention; and
- Terminal growth rate of 2% (FY20: 2%).

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	Other intangible assets	Development work in progress	Computer software	Total
	\$ (000)	\$ (000)	\$ (000)	\$ (000)	\$ (000)	\$ (000)
<b>2021</b>						
Cost						
Balance at 1 April 2020	1,522	1,714	78	4,564	15,954	23,832
Additions	-	-	-	7,231	-	7,231
Transfer of cost	-	-	-	(10,408)	10,408	-
Currency translation	(77)	(190)	-	(42)	6	(303)
<b>Balance at 31 March 2021</b>	<b>1,445</b>	<b>1,524</b>	<b>78</b>	<b>1,345</b>	<b>26,368</b>	<b>30,760</b>
Amortisation and impairment						
Balance at 1 April 2020	-	482	-	-	3,240	3,722
Amortisation	-	301	-	-	3,608	3,909
Currency translation	-	(115)	-	-	(60)	(175)
<b>Balance at 31 March 2021</b>	<b>-</b>	<b>668</b>	<b>-</b>	<b>-</b>	<b>6,788</b>	<b>7,456</b>
<b>Net carrying amount</b>	<b>1,445</b>	<b>856</b>	<b>78</b>	<b>1,345</b>	<b>19,580</b>	<b>23,304</b>
<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>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
Assets no longer in use	-	74	-	-	-	74
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>482</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>78</b>	<b>4,564</b>	<b>12,714</b>	<b>20,110</b>

## 11 CASH AT BANK AND ON HAND AND SHORT-TERM DEPOSITS

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.

	<b>2021</b>	<b>2020</b>
	\$(000)	\$(000)
Cash at bank – New Zealand dollar balances	28,842	34,776
Cash at bank – foreign currency balances*	6,077	7,615
<b>Cash at bank and on hand</b>	<b>34,919</b>	<b>42,391</b>
The carrying amounts of the group's cash at bank and on hand are denominated in the following currencies:		
New Zealand dollars	28,842	34,776
Australian dollars	3,224	6,751
Chinese Yuan	523	429
US dollars	2,330	412
Indian rupees	-	23
	<b>34,919</b>	<b>42,391</b>
<b>Short term deposits</b>	<b>45,000</b>	<b>-</b>

\*Includes USD\$1.5 million of restricted cash owing to minimum bank balances required in the US to provide same-day clearance for expense reimbursement services.

Short-term deposits of \$45 million (2020:nil) represent term deposits with a maturity period of more than 90 days that, however, are less than one year. Short-term deposits are all New Zealand dollars denominated.

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.

	2021	2020
	\$ (000)	\$ (000)
Trade payables	1,772	3,032
Accrued expenses	3,549	2,743
Annual leave accrual	1,821	1,298
<b>Total trade and other payables</b>	<b>7,142</b>	<b>7,073</b>
Disclosed as:		
Current	7,142	7,073
Non-current	-	-
	<b>7,142</b>	<b>7,073</b>

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.

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. 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:

	2021	2020
	\$ (000)	\$ (000)
Balance at 1 April 2020	2,345	2,479
Leases entered into during the period	362	900
Principal repayments	(1,266)	(1,080)
Foreign exchange adjustment	(34)	46
<b>Closing balance</b>	<b>1,407</b>	<b>2,345</b>
Classified as:		
Current	1,017	1,280
Non-current	390	1,065
<b>Closing balance</b>	<b>1,407</b>	<b>2,345</b>
Maturity analysis - contractual undiscounted cash flows:		
Less than 1 year	1,061	1,423
Later than 1 year and not later than 2 years	410	848
Later than 2 years and not later than 5 years	-	347
<b>Total undiscounted lease liabilities at 31 March</b>	<b>1,471</b>	<b>2,618</b>

## 14 GOVERNMENT GRANTS

Income relating to grants and Covid-19-related relief is presented in the table below:

	2021 \$ (000)	2020 \$ (000)
Covid-19 government subsidies*	3,437	-
Covid-19 relief on leases	94	-
Callaghan R&D grant	930	683
Callaghan student experience grant	15	34
NZTE international growth grant	-	205
<b>Total compensation</b>	<b>4,476</b>	<b>922</b>

\*The Group received government Covid-19 subsidies in New Zealand, Australia and the US totalling NZD \$3.4 million.

## 15 INTEREST-BEARING LOANS AND BORROWINGS

	2021 \$ (000)	2020 \$ (000)
Current		
Leasehold fitout loan	62	58
	<b>62</b>	<b>58</b>
Non-current		
Leasehold fitout loan	28	92
	<b>28</b>	<b>92</b>
<b>Total Interest-bearing loans and borrowings</b>	<b>90</b>	<b>150</b>

## 16 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 18):

- In respect of the Restricted Share Plan (RSP), the Group allocated nil shares (2020: 25,000). Unallocated shares are 1,262,784 (2020: 1,256,846); and
- In respect of Restricted Share Units (RSU), the Group allocated 1,220,061 (2020: 671,117).

	2021	2020	2021	2020
	\$ (000)	\$ (000)	Number of shares (000)	Number of shares (000)
<b>Ordinary shares</b>				
Balance at 1 April	87,751	40,993	92,739	80,923
Issue of shares pursuant to institutional capital placement	47,500	40,000	10,439	9,900
Issue of shares pursuant to Share Purchase Plan (SPP) placement	20,000	5,000	4,396	1,238
Transaction costs for issue of new shares	(2,541)	(1,793)	-	-
Non-executive directors settlement of non-recourse loan	303	243	-	-
Issue of shares pursuant to US Options plan	57	74	16	25
Issue of shares pursuant to Restricted Share Units (RSUs) scheme	627	353	229	79
Issue of shares in respect of director services	9	-	3	-
Shares issued in respect of InterplX acquisition	-	2,881	-	574
<b>Share capital at 31 March</b>	<b>153,706</b>	<b>87,751</b>	<b>107,822</b>	<b>92,739</b>
<b>Share-based payment reserve</b>				
Balance at 1 April	2,374	1,885		
Shares allocated to employees via Restricted Unit Scheme	2,397	659		
Shares vested from employees via Restricted Unit Scheme	(596)	-		
Shares forfeited from employees via Restricted Unit Scheme	(46)	-		
Shares allocated to employees via Restricted Share Plan	391	23		
Shares forfeited from employees via Restricted Share Plan	(13)	(17)		
Non-executive directors settlement of non-recourse loan	(50)	(43)		
Share-based payments - employee share options	52	(133)		
<b>Share-based payment reserve at 31 March</b>	<b>4,509</b>	<b>2,374</b>		

## 17 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:

	2021	2020
	\$ (000)	\$ (000)
Loss attributable to ordinary equity holders of the parent		
Continuing operations	(29,389)	(9,365)
	<b>(29,389)</b>	<b>(9,365)</b>

	Notes	2021	2020
		Number	Number
		(000)	(000)
Basic earnings per share			Restated
Issued ordinary shares	16	107,822	92,739
Weighted average of issued ordinary shares		99,659	85,599
Adjusted for employee restricted share plan shares		98,053	83,680
<b>Basic earnings per share (dollars)</b>		<b>(0.30)</b>	<b>(0.11)</b>
Diluted earnings per share			
Weighted average of issued ordinary shares		98,053	83,680
Weighted average of issued ordinary shares for diluted earnings per share		99,735	84,399
<b>Diluted earnings per share (dollars)</b>		<b>(0.29)</b>	<b>(0.11)</b>

	2021	2020
	Cents	Cents
Net tangible assets per security*	74.59	47.09

\*Net tangible assets per security is a non-GAAP measure and is provided for NZX reporting purposes. Net tangible assets per security is calculated as Total assets less Total liabilities less Intangible assets divided by the issued ordinary shares (excluding treasury shares) as at 31 March.

## 18 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 but has been superseded by the Restricted Share Units scheme (RSUs). There were no new shares granted under the RSP during the year. 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.

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 Group has no legal or constructive obligation to repurchase the shares or settle the RSP for cash.

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.

	2021	2020
	Number of shares	Number of shares
Unvested shares at 1 April	662,292	1,499,943
Granted to employees during the year	-	25,000
Forfeited during the year	(5,937)	(13,218)
Vested during the year	(312,475)	(849,433)
<b>Unvested shares at 31 March - allocated to employees</b>	<b>343,880</b>	<b>662,292</b>
Ageing of unvested shares		
Vest within one year	343,880	312,475
Vest within two to five years	-	349,817
<b>Ageing of unvested shares at 31 March - allocated to employees</b>	<b>343,880</b>	<b>662,292</b>
<b>Unallocated shares - held by trustee</b>	<b>1,262,784</b>	<b>1,256,846</b>



## 18 SHARE-BASED PAYMENTS Continued

### Employee Restricted Share Units scheme (RSUs)

The Serko Limited Employee Restricted Share Units scheme (RSUs) was introduced to replace the RSP. Under the RSUs, 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.

	2021	2021	2020	2020
	Weighted average price NZ\$	Number of RSUs	Weighted average price NZ\$	Number of RSUs
Outstanding at 1 April		590,617		-
Allocated to employees during the year	3.99	1,220,061	4.31	671,117
Cancelled during the year	3.08	(67,764)	3.95	(1,979)
Vested during the year	2.74	(228,623)	4.49	(78,521)
<b>Outstanding at 31 March</b>		<b>1,514,291</b>		<b>590,617</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 41 holders of options at 31 March 2021 (2020: 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:

	2021	2021	2020	2020
	Weighted average exercise price (\$)	Options	Weighted average exercise price (\$)	Options
Outstanding at 1 April	-	128,287	2.90	286,901
Granted to employees during the year	4.80	59,619	4.45	44,169
Cancelled during the year	4.80	(3,109)	2.90	(177,783)
Exercised during the year	2.68	(16,130)	2.97	(25,000)
<b>Outstanding at 31 March</b>		<b>168,667</b>		<b>128,287</b>

## 18 SHARE-BASED PAYMENTS Continued

Options outstanding at 31 March fall within the following ranges:

			2021	2020
	Granted	Expiry date	Grant price (NZ\$)	Options
2018-19		2020-21	2.68-3.32	67,988
2019-20		2021-22	3.95-4.49	43,707
2020-21		2022-23	4.80	56,973
			<b>168,667</b>	<b>128,287</b>

The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, was \$2.60 per option (2020: \$1.84).

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 65% (2020: between 50% and 56%), a dividend yield of 0%, an expected option life of between two and five years (2020: two and five) and an annual risk-free interest rate of 0.01% (2020: between 0.7% and 1.2%).

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. Ms Batten settled her loan in full in the prior year. During the current year, Mr Botherway's loan was settled following an extension to 31 January 2021. Mr McConaghy's loan was extended to 30 June 2021 and remains outstanding. The loan extensions have been valued using the Black-Scholes model, with the incremental fair value recognised in the profit and loss.

## 19 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)	
		2021	2020	2021	2020
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
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>3,077</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 while the investment has now been written off and is in the process of being deregistered.

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.

## 19 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:

	2021	2020
	\$ (000)	\$ (000)
<b>Directors' fees</b>		
Claudia Batten - Chair *	159	113
Simon Botherway - non-executive director	92	121
Clyde McConaghy - non-executive director	116	110
<b>Total</b>	<b>367</b>	<b>344</b>

\*Ms Batten was appointed as Chair on the 15 September 2020, having been in the acting role since 12 March 2020.

All directors agreed to reduced their fees by 15% for the 3-month period April 2020 to 30 June 2020. Ms Batten received 1,636 shares at a value of \$5,381.63 and Mr McConaghy received 1,091 shares at a value of \$3,587.75 in lieu of these directors' fees.

### c) Key management remuneration\*

	2021	2020
	\$ (000)	\$ (000)
Short-term benefits to employees	6,758	5,779
Share-based payments	2,474	733
Post-employment benefits	314	201
<b>Total compensation</b>	<b>9,546</b>	<b>6,713</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 and short-term incentives. Share-based payments represent the value movement in the unvested share-based payments granted that will vest in future years. Post-employment benefits includes pension payments made during the year.

### 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 2021 the Group has not made any allowance for impairment loss relating to amounts owed by related parties (2020: \$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.

## 20 RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2021	2020
	\$ (000)	\$ (000)
Net loss after tax	(29,389)	(9,364)
<b>Add non-cash items</b>		
Amortisation	3,909	1,705
Depreciation	1,724	1,451
Loss on property, plant and equipment disposal	-	50
Fair value remeasurement of contingent consideration	-	1,056
Deferred tax loss/(benefit)	133	(167)
Loss/(gain) on foreign exchange transactions	1,372	(370)
Share-based compensation - directors' fees	9	-
Share-based compensation	2,869	959
	<b>(19,373)</b>	<b>(4,680)</b>
<b>Add/(less) movements in working capital items</b>		
Decrease/(increase) in receivables	1,185	(1,084)
Decrease/(increase) in income tax receivable	77	(308)
Increase in trade and other payables	69	2,283
	<b>1,331</b>	<b>891</b>
<b>Net cash flow used in operating activities</b>	<b>(18,042)</b>	<b>(3,789)</b>

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash at bank and on hand, short-term deposits, 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.

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. Excess funds over the forecasted requirements for the 12-month period following year end are invested in short-term deposits with a mixture of maturity dates to manage interest rate risk and liquidity risks.

#### 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 - 2021							
Trade and other payables	0%	7,142	7,142	-	-	-	-
Leasehold fitout loan	8%	90	31	31	28	-	-
Lease liability	7%	1,471	531	531	409	-	-
		<b>8,703</b>	<b>7,704</b>	<b>562</b>	<b>437</b>	<b>-</b>	<b>-</b>
Group - 2020							
Trade and other payables	0%	7,074	7,074	-	-	-	-
Leasehold fitout loan	8%	165	34	34	68	29	-
Lease liability	11%	2,345	676	592	760	317	-
		<b>9,584</b>	<b>7,784</b>	<b>626</b>	<b>828</b>	<b>346</b>	<b>-</b>

## b) Currency risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies. 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 either United States and Australian dollars.

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

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES Continued

The following table summarises the sensitivity to foreign currency exchange rate movements. A sensitivity of +/- 15% (2020: +/- 15%) has been selected owing to exchange rate volatility observed:

The sensitivity table below is excluding the impact of foreign exchange contracts:

	Foreign currency risk				
	Carrying amount	+15%	-15%		Equity
		Post-tax profit	Equity	Post-tax profit	
	\$ (000)	\$ (000)	\$ (000)	\$ (000)	\$ (000)
<b>2021</b>					
Foreign exchange balances					
Cash at bank	6,077	571	571	(772)	(772)
Trade receivables	2,511	252	252	(341)	(341)
Trade payables	(1,467)	(138)	(138)	186	186
<b>Net exposure</b>	<b>7,121</b>	<b>685</b>	<b>685</b>	<b>(927)</b>	<b>(927)</b>
<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>

### c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash at bank and on hand, short-term deposits, 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 96% (2020: 99%) of the Group's cash at bank and short-term deposits 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.



## 22 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 \$5,076,192 of the revenue for the year ended 31 March 2021 (2020: \$10,814,032).

## 23 EVENTS AFTER BALANCE SHEET DATE

There were no significant events between the balance sheet date and the date these financial statements were authorised for issue.

## 24 CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2020: \$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 2021, 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 36 to 73, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2021, 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*, 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 and taxation 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 total revenue of \$12.4 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 ongoing impact of NZ IFRS 15: Revenue from Contracts with Customers for new and material contracts or significant variations entered into during 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 interfaces with the general ledger.

We recalculated revenue recognised for a sample of material customers by reconciling transactions recorded in the relevant IT systems to the general 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 \$7.2 million in relation to software development, as set out in note 10 'Intangibles', of which \$1.3 million relates to development work in progress at balance date.

#### Capitalisation of software development

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

Judgement is required to determine whether 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, the Group's intention to complete the asset, how the asset will generate future economic benefits, the viability 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

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'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.

Cashflows are sensitive to the ability of the Group to return to pre-Covid 19 revenue by the end of FY23 and to achieve its Northern Hemisphere growth plans over the four-year period.

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

#### Capitalisation of software development

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's 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 whether the recognition criteria under NZ IAS 38 have been met.

#### Impairment assessment

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 cashflows, our understanding of the business strategy and other relevant external information.

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 2021.

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

## 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  
 19 May 2021

# Corporate Governance & Disclosures

For the year ended 31 March 2021

## 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 current NZX Corporate Governance Code dated 10 December 2020 (NZX Code) and the Fourth Edition 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. Serko's implementation of 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/investors](http://www.serko.com/investors).

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 2021, except that it chose to undertake a capital raising via a placement and share purchase plan (refer to NZX Code recommendation 8.4) during the financial year ended 31 March 2021 (refer to the ESG Report located on the investor centre of the Company's website for more information on the capital raising structure utilised during the financial year).

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 and/or changes to relevant recommendations.

## 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 2021.

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. It is intended that Simon Botherway will temporarily assume the role of Committee Chair following completion of the full-year audit process (in June 2021) until such time as a new non-executive director is appointed. 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. It is intended that Clyde McConaghy will assume the role of Committee Chair in June 2021. 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 NZD\$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 2022. The fees payable have been increased to reflect the ongoing time commitment required by non-executive directors to oversee the rapid scaling and internationalisation of the business and to attract new directors to the Board:

	Position	Fees per annum (AUD)
<b>Board of Directors</b>	Chair	140,000
	Non-executive directors	95,000
<b>Audit &amp; Risk Committee</b>	Committee Chair	20,000
	Committee Member	9,000
<b>Remuneration &amp; Nominations Committee</b>	Committee Chair	20,000
	Committee Member	9,000

Non-executive directors received the following directors' fees, remuneration and other benefits from the Company in the year ended 31 March 2021:

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>	
Claudia Batten	\$100,629*	-	\$15,708*	\$42,913	\$159,251
Simon Botherway	\$54,690	-	-	\$37,500	\$92,190
Clyde McConaghy	\$96,671 <sup>4</sup>	\$15,708*	-	\$3,636	\$116,016
<b>TOTAL</b>	<b>\$251,990</b>	<b>\$15,708</b>	<b>\$15,708</b>	<b>\$84,050</b>	<b>\$367,456</b>

\* Indicates Chair of the Board/Committee. Claudia Batten assumed the role of Board Chair from 15 September 2020 (and prior to this was Acting Chair from 12 March 2020).

- The figures shown are gross amounts, which have been converted into NZD from AUD and exclude GST (where applicable).
- Fees include special fees of NZ\$15,000 paid to each non-executive director for ad hoc committee meetings held during the year in respect of the capital raising undertaken and to manage Covid-19-related risks.
- Shares and other payments or benefits includes the amount of base fees payable to Simon Botherway and Claudia Batten, which were used to acquire shares in the Company under the Non-executive Director Fixed Trading Plan from 1 April 2020 to 1 January 2021 (refer to the ESG Report on the investor centre of Serko's website for more information on the Plan). Additionally, in light of the challenging operating environment caused by Covid-19, the non-executive directors agreed to take a reduction in their directors' fees (Simon Botherway) or receive a portion of their directors' fees in shares (Claudia Batten and Clyde McConaghy) for the first three months of FY21. The values of the shares received by Claudia Batten and Clyde McConaghy are reflected in this column.
- Includes Australian superannuation payable by Serko in accordance with Australian law.

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.

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.

Darrin Grafton and Bob Shaw's remuneration comprises a fixed base salary, a short-term incentive up to a maximum target value of 50% 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 FY22.

During the period ended 31 March 2021, both Darrin Grafton's and Bob Shaw's variable remuneration components were based on a scorecard of measures, taking into consideration both financial and strategic OKR (Objective and Key Result) measures relating to:

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

Delivery of these objectives 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 any short-term incentive payable for the current financial year.

A scorecard based on similar criteria will be applied for assessing the performance of the executive directors in FY22.



## EXECUTIVE DIRECTOR REMUNERATION Continued

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 2021:

	Base salary <sup>1</sup>	Taxable benefits <sup>2</sup>	Subtotal	Pay for performance			Total remuneration
				STI	LTI	Subtotal	
Darrin Grafton	\$358,648	\$30,000	\$388,648	\$90,125 <sup>3</sup>	\$198,277.20 in the form of 45,063 restricted share units <sup>5</sup> \$13,518.12 in the form of 5,082 restricted share units <sup>6</sup>	\$301,920	\$690,568
Bob Shaw	\$247,844	\$30,000	\$277,844	\$35,406 <sup>4</sup>	\$128,748.40 in the form of 29,261 restricted share units <sup>5</sup> \$9,655.80 in the form of 3,630 restricted share units <sup>6</sup>	\$173,810	\$451,654

- 1 Base salary includes employer contributions towards KiwiSaver at 3% (if applicable).
- 2 Taxable benefit includes a car allowance. The executive directors also receive carparks and life insurance, which do not have individually allocated values. It is intended this car allowance will be moved into base salary moving forward.
- 3 The short-term incentive stated was earned in FY21 and will be paid in FY22. Darrin Grafton's potential short-term incentive payment for FY21 was \$180,250. Maximum target STI was increased from 40% to 50%. No short-term incentive was earned in FY20 (which would typically be paid in FY21) owing to Covid-19 cost saving initiatives.
- 4 The short-term incentive stated was earned in FY21 and will be paid in FY22. Bob Shaw's potential short-term incentive payment for FY21 was \$128,750. Maximum target STI was increased from 40% to 50%. No short-term incentive was earned in FY20 (which would typically be paid in FY21) owing to Covid-19 cost saving initiatives.
- 5 The FY21 long-term incentive was granted in September 2020 for non-cash consideration, following partial achievement of pre-grant performance targets based on FY20 performance. The restricted share units will vest three years after the allocation date. The value stated is the gross amount earned and is calculated based on the 20-day volume weighted average price of Serko (SKO) shares on NZX at the time of grant.
- 6 During the period, Darrin Grafton and Bob Shaw opted to voluntarily accept a small salary reduction for 3 months to reduce Serko's cash burn rate at a time when Covid-19 was materially impacting revenues. At this time, they opted in to acquire restricted share units under the Serko Long Term Incentive Plan to mitigate some of the financial impact. These restricted share units were allotted for non-cash consideration on 22 May 2020 and converted into ordinary shares on 3 December 2020. The value stated is calculated as at the closing price of Serko (SKO) ordinary shares on NZX on the date preceding the vesting date.

The following long-term incentives previously granted to the executive directors vested during the financial period ended 31 March 2021:

Director	Grant year	Securities	Performance period	Shares vested	Value on vesting <sup>1</sup>
Darrin Grafton	Financial Year 2018	Restricted shares	July 2017 - July 2020	54,460	\$188,431.60
	Financial Year 2021	Restricted share units <sup>2</sup>	May 2020 - Dec 2020	5,082	\$27,595.26
Bob Shaw	Financial Year 2018	Restricted shares	July 2017 - July 2020	25,103	\$86,856.38
	Financial Year 2021	Restricted share units <sup>2</sup>	May 2020 - Dec 2020	3,630	\$19,710.90

- 1 Represents the NZX closing price of SKO (Serko) ordinary shares on the day prior to the vesting date multiplied by the number of securities vested.
- 2 During the period, Darrin Grafton and Bob Shaw opted to voluntarily accept a small salary reduction for 3 months to reduce Serko's cash burn rate at a time when Covid-19 was materially impacting revenues. At this time, they opted in to acquire restricted share units under the Serko Long Term Incentive Plan to mitigate some of the financial impact. These restricted share units converted into ordinary shares on 3 December 2020.

## 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 2021 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, contributions to pension plans and vested or exercised share-based payments. The table does not include long-term incentives that have been granted and have not yet vested.

Remuneration range (NZD)	Number of employees whose remuneration includes vested share-based payments <sup>1,2</sup>	Total number of employees in range
\$100,000 - \$110,000	14	18
\$110,001 - \$120,000	9	11
\$120,001 - \$130,000	14	16
\$130,001 - \$140,000	15	17
\$140,001 - \$150,000	18	19
\$150,001 - \$160,000	8	8
\$160,001 - \$170,000	4	6
\$170,001 - \$180,000	4	5
\$180,001 - \$190,000	5	7
\$190,001 - \$200,000	1	1
\$200,001 - \$210,000	3	3
\$210,001 - \$220,000	5	5
\$220,001 - \$230,000	1	1
\$230,001 - \$240,000	2	2
\$240,001 - \$250,000	4	5
\$320,001 - \$330,000	2	2
\$330,001 - \$340,000	1	1
\$350,001 - \$360,000	1	1
\$360,001 - \$370,000	1	1
\$400,001 - \$410,000	1	1
<b>Total number of employees and former employees</b>	<b>113</b>	<b>130</b>

1 Specifies total number of employees within the range whose remuneration includes share-based payments that have vested during the period.

2 During the period, certain employees voluntarily accepted a small salary reduction for 3 months to reduce Serko's cash burn rate at a time when Covid-19 was materially impacting revenues. At this time, these employees had the option to opt-in to acquire restricted share units under the Serko Long Term Incentive Plan to mitigate some of the financial impact of the salary reduction. These restricted share units converted into ordinary shares on 3 December 2020 and are included as share-based payments in the table.

## DIVERSITY

The respective numbers and proportions of men and women at various levels within the Serko workforce as at 31 March 2020 and 31 March 2021 are set out in the table below:

Female	2021		2020	
	no.	%	no.	%
All directors	1	20%	1	20%
Non-executive directors	1	33%	1	33%
Officers <sup>1</sup>	3	30%	1	13%
Senior employees <sup>2</sup>	4	19%	3	20%
Remaining workforce	99	38%	86	40%

Male	2021		2020	
	no.	%	no.	%
All directors	4	80%	4	80%
Non-executive directors	2	67%	2	66%
Officers <sup>1</sup>	7	70%	7	87%
Senior employees <sup>2</sup>	17	81%	10	80%
Remaining workforce	159	62%	128	60%

- 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 2021:

Director attendance	Board	Audit & Risk Committee	Remuneration & Nominations Committee
Bob Shaw	11/12	*	*
Claudia Batten	12/12	7/7	4/4
Clyde McConaghy	12/12	7/7	4/4
Simon Botherway	12/12	7/7	4/4
Darrin Grafton	12/12	*	*

\*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 10 additional Special Board Meetings and Board Sub-Committee meetings primarily associated with the 2020 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 2021 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 2021 are set out below:

Date of disclosure	Director	Entity
19 May 2020	Simon Botherway Clyde McConaghy	Gave notice that they were interested in a Deed of Amendment to be entered into between each interested director and the Company extending the term of the Director Share Loan between the director and the Company.
25 May 2020	Darrin Grafton Bob Shaw	Gave notice to the Board that they had entered into a Deed whereby they agreed to restrict their voting rights in any shares acquired pursuant to the Restricted Share Unit Scheme (Relevant Shares) so that the Relevant Share is not a voting security under the Takeovers Code.

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 2021 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 Vista Group Limited	Ceased to be Adviser Director Director Board Adviser Appointed Director
Simon Botherway	Arrow Trust Fidelity Life Assurance Company Limited Guardians of NZ Super Fund MSH Trustee (Arrow Limited) Origin Capital Partners Management Limited	Trustee Ceased to be Director Guardian Trustee Appointed Chair
Darrin Grafton	Financial Equities Limited Grafton-Howe No.2 Trust InterpIX 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 / Shareholder Trustee / Beneficiary Director Director Director Director Director
Clyde McConaghy	Chapman Eastway Pty Limited Infomedia Limited Optima Boards	Chair (Advisory Board) Ceased to be 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 / Shareholder Trustee / Beneficiary 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 2021:

Name	Nature of relevant interest	Number of securities acquired/(disposed)	Consideration paid/received <sup>4</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>	1,829.33	\$3,475.72	2-Apr-20
		274.12	\$507.12	2-Apr-20
		16.01	\$29.94	2-Apr-20
		12.53	\$28.82	5-May-20
		1,726.32	\$3,970.54	5-May-20
		569.08	1,838.11	4-Jun-20
		654.42	2,107.23	4-Jun-20
		1,178	\$4,003.58	2-Jul-20
		1,194.42	\$4,001.32	4-Aug-20
		770.55	\$2,982.03	3-Sep-20
		258.44	\$987.24	3-Sep-20
		799.12	\$3,883.74	6-Oct-20
		804.30	\$3,956.39	3-Nov-20
		703.45	\$3,903.93	3-Dec-20
	Issuance of ordinary shares in part consideration for services provided in the role as non-executive director for the period 1 April 2020 to 30 June 2020 <sup>6</sup>	1,636	Nil / Services	1-Jul-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>	1,827.50	\$3,472.25	2-Apr-20
		273.84	\$506.60	2-Apr-20
		15.99	\$29.90	2-Apr-20
		12.53	\$28.82	5-May-20
		1,726.32	\$3,970.54	5-May-20
		569.08	\$1,838.12	4-Jun-20
		654.42	\$2,107.22	4-Jun-20
		1,177.25	\$4,002.66	2-Jul-20
		1,194.70	\$4,002.23	4-Aug-20
		770.55	\$2,982.04	3-Sep-20
		258.44	\$987.24	3-Sep-20
		799.12	\$3,883.74	6-Oct-20
		804.30	\$3,956.39	3-Nov-20
		703.45	\$3,903.93	3-Dec-20
	On-market sale of ordinary shares	(50,000) (884,091)	\$264,000.00 \$4,644,660.48	20-Nov-20 20-Nov-20
<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	54,460 <sup>2</sup>	Nil / Services	7-Jul-20
	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	3,469 <sup>2,3</sup>	Nil / Services	7-Jul-20
	Beneficial interest in unlisted restricted share units granted under the Serko Long Term Incentive Plan	5,082 <sup>2,5</sup> 45,063	Nil / Services Nil / Services	15-May-20 18-Sep-20

**DIRECTOR INTEREST DISCLOSURES Continued**

	Indirect interest in unlisted restricted share units granted under the Serko Long Term Incentive Plan, by virtue of a personal relationship with the registered holder	795 <sup>2,3</sup> 962 <sup>2</sup>	Nil / Services Nil / Services	15-May-20 18-Sep-20
	Registered holder and beneficial interest in ordinary shares issued upon vesting of restricted share units pursuant to the Serko Long Term Incentive Plan	5,082 <sup>2</sup>	Nil / Services	3-Dec-20
	Indirect interest in ordinary shares issued upon vesting of restricted share units pursuant to the Serko Long Term Incentive Plan, by virtue of a personal relationship with the registered holder	795 <sup>2,3</sup>	Nil / Services	3-Dec-20
<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	25,103 <sup>2</sup>	Nil / Services	7-Jul-20
	Beneficial interest in unlisted restricted share units granted pursuant to the Serko Long Term Incentive Plan	3,630 <sup>2,5</sup> 29,261 <sup>2</sup>	Nil / Services Nil / Services	15-May-20 18-Sep-20
	Off-market disposal of ordinary shares pursuant to an Order of the High Court of New Zealand	(2,884,296)	Nil	18-Nov-20
	Registered holder and beneficial interest in ordinary shares issued upon vesting of restricted share units pursuant to the Serko Long Term Incentive Plan	3,630 <sup>2,5</sup>	Nil / Services	3-Dec-20
	On-market sale of ordinary shares	(870,000)	\$4,872,000.00	20-Jan-21
<b>Clyde McConaghy</b>	Issuance of ordinary shares in part consideration for services provided in the role as non-executive director for the period 1 April 2020 to 30 June 2020 <sup>6</sup>	1,091	Nil / Services	1-Jul-20

- 1 During the term of the Non-executive Director Fixed Trading Plan, (which ended on 1 January 2020, three years after it was established) shares were 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 in the ESG Report on the investor centre of Serko's website. These shares may not be disposed of while the holder remains a director of Serko.
- 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 (Donna Bailey). These shares are subject to a deed restricting exercise of voting rights attached to the shares.
- 4 The consideration for on-market trades is stated as the market price paid, excluding fees and taxes.
- 5 During the period, Darrin Grafton, Donna Bailey and Bob Shaw opted to voluntarily accept a small salary reduction for 3 months to reduce Serko's cash burn rate at a time when Covid-19 was materially impacting revenues. At this time, they opted in to acquire restricted share units under the Serko Long Term Incentive Plan to mitigate some of the financial impact. These restricted share units converted into ordinary shares on 3 December 2020.
- 6 During the period, in light of the challenging operating environment caused by Covid-19, Claudia Batten and Clyde McConaghy agreed to receive a portion of their directors' fees in shares for the first 3 months of FY21.

## DIRECTOR INTEREST DISCLOSURES Continued

In accordance with the NZX Listing Rules, as at 31 March 2021, directors had a relevant interest (as defined in the Financial Markets Conduct Act 2013) in Serko shares as follows:

Name	Relevant interest	Percentage
Darrin Grafton <sup>1</sup>	12,238,745	11.35%
Bob Shaw <sup>2</sup>	9,192,760	8.53%
Simon Botherway <sup>3</sup>	277,682.56	0.26%
Clyde McConaghy <sup>4</sup>	182,909	0.17%
Claudia Batten <sup>5</sup>	126,228.36	0.12%

1 The relevant interest includes: 10,867,629 ordinary shares held via a trust in which the director is a trustee and beneficiary; 99,054 ordinary shares held directly; 43,252 restricted shares allocated pursuant to the Serko Employee Restricted Share Plan and held on trust until vesting; and an indirect interest in 1,227,685 ordinary shares and 1,125 restricted shares by virtue of a personal relationship with the beneficial holder of these shares.

Darrin Grafton is also the registered holder and beneficial owner of 76,962 unlisted restricted share units allocated pursuant to the Serko Long Term Incentive Plan and has an indirect interest in 1,724 unlisted restricted share units by virtue of a personal relationship with the beneficial owner.

2 The relevant interest includes: 9,130,000 shares held via a trust in which the director is a trustee and beneficiary; 37,839 ordinary shares held directly; and a beneficial interest in 24,921 restricted shares allocated pursuant to the Serko Employee Restricted Share Plan and held on trust until vesting.

Bob Shaw is also the registered holder and beneficial owner of 42,932 unlisted restricted share units allocated pursuant to the Serko Employee Long Term Incentive Scheme.

3 42,773.56 ordinary shares are held in custody pursuant to the Serko Non-executive Director Fixed Trading Plan.

4 182,909 ordinary shares are held via a trust in which the director is a trustee and beneficiary.

5 42,774.36 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
15-May-20	Bob Shaw Darrin Grafton	The payment of remuneration and the provision of other benefits by the Company to the executive directors on the terms detailed in the Board minutes dated 15 May 2020 and on the grounds set out in the corresponding directors' certificate.
19-May-20	Simon Botherway Clyde McConaghy	The extension of loans authorised originally on 30 April 2014 by the Company on the terms set out in the relevant Deeds of Amendment and Original Loan Agreement, for the value of: <ul style="list-style-type: none"> <li>• Simon Botherway - \$250,000</li> <li>• Clyde McConaghy - \$200,000</li> </ul>
18-Sep-20	Bob Shaw Darrin Grafton	The payment of remuneration and the provision of other benefits by the Company to the executive directors on the terms detailed in the Board minutes dated 14 September 2020 and on the grounds set out in the corresponding directors' certificate.
20-Oct-20	Simon Botherway Claudia Batten, Clyde McConaghy	The payment of remuneration and the provision of other benefits by the Company to the non-executive directors on the terms detailed in the Board minutes dated 20 October 2020 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 Registers during the financial reporting period.

## SHAREHOLDING INFORMATION

As at 30 April 2021 there were 107,822,497 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	%	Number of ordinary shares	%
1 - 1,000	1,592	48.40	732,166	0.68
1,001 - 5,000	1,147	34.87	2,741,409	2.54
5,001 - 10,000	264	8.03	1,935,518	1.8
10,001 - 50,000	202	6.14	4,037,749	3.75
50,001 - 100,000	29	0.88	2,032,202	1.89
100,001 and over	55	1.67	96,343,453	89.35
<b>TOTAL<sup>1</sup></b>	<b>3,289</b>	<b>100</b>	<b>107,822,497</b>	<b>100</b>

<sup>1</sup> Includes 1,506,664 ordinary shares with restrictive conditions held by Serko Trustee Limited on behalf of 35 individual beneficial holders (with 243,880 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 2021, the following securities were on issue:

- 1,506,664 ordinary shares with restrictive conditions held by Serko Trustee Limited on behalf of 35 individual beneficial holders (with 243,880 of those ordinary shares allocated) pursuant to the Serko Restricted Share Plan;
- 41 participants holding a total of 167,674 options pursuant to the Serko (US) Share Incentive Plan; and
- 132 participants holding a total of 1,514,291 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/investors](http://www.serko.com/investors).

Set out below are details of the 20 largest shareholders of Serko as at 30 April 2021:

	Shareholder <sup>1</sup>	Number of ordinary shares held	%
1	Darrin Grafton & Geoffrey Robertson Ashley Hosking	10,867,629	10.08
2	TEA Custodians Limited	9,288,845	8.61
3	Robert James Shaw & Michael John Moore	9,130,000	8.47
4	HSBC Custody Nominees (Australia) Limited	6,659,771	6.18
5	Citibank Nominees (NZ) Ltd	5,606,126	5.2
6	Coronado PTE Limited	4,921,789	4.56
7	Hobson Wealth Custodian Limited	3,815,251	3.54
8	National Nominees New Zealand Limited	3,319,641	3.08
9	HSBC Nominees (New Zealand) Limited	3,281,710	3.04
10	Citicorp Nominees Pty Limited	2,776,379	2.57
11	Accident Compensation Corporation	2,772,408	2.57
12	Investment Custodial Services Limited	2,752,693	2.55
13	J P Morgan Nominees Australia Pty Limited	2,004,392	1.86
14	New Zealand Depository Nominee	1,612,802	1.5
15	Serko Trustee Limited	1,506,664	1.4
16	PT Booster Investments Nominees Limited	1,288,014	1.19
17	FNZ Custodians Limited	1,234,838	1.15
18	Donna Bailey	1,217,594	1.13
19	Custodial Services Limited	1,196,932	1.11
20	BNP Paribas Nominees NZ Limited Bpss40	1,167,772	1.08

<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

According to Serko records and notices given to Serko under the Financial Markets Conduct Act 2013, the following persons were substantial product holders as at 31 March 2021. As at the balance date (31 March 2021) there were 107,821,504 Serko ordinary shares on issue:

Substantial product holder	Number of ordinary shares in which relevant interest is held	% of class held at balance date <sup>4</sup>
Darrin Grafton	12,238,745 <sup>2</sup>	11.35%
Geoffrey Hosking	10,867,629 <sup>2</sup>	10.08%
Robert Shaw	9,192,760 <sup>2</sup>	8.53%
Michael Moore	9,130,000 <sup>2</sup>	8.47%
Harbour Asset Management Limited <sup>1</sup>	8,482,898 <sup>3</sup>	7.87%
Fisher Funds Management Limited	5,256,333 <sup>3</sup>	4.88%
Jarden Securities Limited <sup>1</sup>	608,470 <sup>3</sup>	0.56%

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

2 Based on Serko's records and on the last substantial product holder notice filed prior to 31 March 2021.

3 Based on last substantial product holder notice filed prior to 31 March 2021.

4 Based on issued share capital of 107,821,504 as at 31 March 2021.

## SUBSIDIARY COMPANY DIRECTORS

With the below 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 2021 are included in the relevant bandings for remuneration disclosed on page 82 of this Annual Report.

Serko has agreed to pay Yogita 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 2021, she earned NZ\$30,000 and was paid NZ\$35,000 during the year (\$5,000 related to the prior year).

The following persons held office as directors of subsidiary companies as at 31 March 2021:

<b>Subsidiary</b>	<b>Directors<sup>1</sup></b>
Foshan Sige Information Technology Limited (China)	Gerard Neilsen
InterpIX 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

### NZX waivers

In October 2020, Serko undertook a placement to raise approximately \$47.5 million by the issue of new shares in Serko (the Placement). On 30 September 2020, NZX Regulation issued a class waiver and ruling in relation to Rule 4 of the NZX Listing Rules (the Class Waiver). Under the Class Waiver, the placement capacity under NZX Listing Rule 4.5.1 was increased to 25%. Serko relied on that increased placement capacity to undertake the Placement.

The Placement was followed by a non-underwritten Share Purchase Plan (SPP) of up to approximately \$10 million of new shares to existing shareholders (although Serko subsequently elected to accept \$10 million of oversubscriptions, bringing the total amount of capital raised under the SPP to \$20 million). On 30 September 2020, NZX Regulation also issued a waiver in favour of Serko (the Serko Waiver). The combined effect of the Class Waiver and the Serko Waiver in the context of the offer of the SPP in New Zealand was to amend, on a temporary basis, the definition of Share Purchase Plan under the NZX Listing Rules to permit eligible shareholders to subscribe for up to NZ\$50,000 worth of Shares under the SPP despite having participated in Serko's share purchase plan conducted in October 2019. Serko relied on similar relief granted by ASIC in the context of the offer of the SPP in Australia.

A copy of the Serko Waiver can be found on the investor centre of the Company's website at [www.serko.com/investors](http://www.serko.com/investors).

### 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 FY22.

# 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	<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, Impairment, Foreign Exchange gains/losses and Fair value remeasurements	<b>SaaS</b>	Software-as-a-service
<b>ESG</b>	Environmental Social Governance	<b>Serko Expense Management business</b>	Serko's online expense management solution 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

## DIRECTORS

Claudia Batten (Chair)  
 Simon Botherway  
 Robert (Clyde) McConaghy  
 Darrin Grafton  
 Robert (Bob) Shaw

## PRINCIPAL ADMINISTRATION OFFICE

### New Zealand

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

### Australia

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 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

## AUDITOR

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

# Key Dates

### 18 AUGUST 2021

Annual Shareholders' Meeting

### 30 SEPTEMBER 2021

Half-Year End

### 17 NOVEMBER 2021

Half-year Results Announced

### 31 MARCH 2022

Financial-Year End

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



serko

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