

FINANCIAL STATEMENTS

For the six month period ended
30 September 2020

serko

FY21 Interim Report

FINANCIAL STATEMENTS

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Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2020

	Notes	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Revenue	2	5,061	14,671	25,869
Other income	2	3,472	541	922
Total income		8,533	15,212	26,791
Operating Expenses				
Selling and marketing expenses		(913)	(1,223)	(2,989)
Hosting expenses		(1,230)	(1,835)	(3,362)
Remuneration and benefits		(11,213)	(7,709)	(19,419)
Administration expenses		(4,494)	(4,299)	(10,266)
Fair value remeasurement on contingent consideration		-	(585)	(1,056)
Total operating expenses	3	(17,850)	(15,651)	(37,092)
Finance income		157	95	1,137
Finance expenses		(867)	(470)	(162)
Loss before income tax		(10,027)	(814)	(9,326)
Income tax expense		(84)	(52)	(38)
Net loss attributable to the shareholders of the company		(10,111)	(866)	(9,364)
Movement in foreign currency reserve		42	232	(11)
Total comprehensive loss for the year		(10,069)	(634)	(9,375)
Earnings per share				
Basic profit per share	11	(\$0.11)	(\$0.01)	(\$0.10)
Diluted profit per share	11	(\$0.11)	(\$0.01)	(\$0.11)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Notes	Share capital \$(000)	Share-based payment reserve \$(000)	Foreign currency reserve \$(000)	Accumulated losses \$(000)	Total \$(000)
Balance as at 1 April 2020		87,751	2,374	(222)	(26,119)	63,784
Net loss for the period		-	-	-	(10,111)	(10,111)
Other comprehensive income/(loss)*		-	-	42	-	42
Total comprehensive income/(loss) for the period		-	-	42	(10,111)	(10,069)
Transactions with owners						
Cost of equity issued	10	(3)	-	-	-	(3)
Shares allocated to employees	10	40	1,280	-	-	1,320
Shares forfeited from employees	10	-	(37)	-	-	(37)
Share-based payments – employee share options	10	35	22	-	-	57
Non-executive directors' shares in lieu of services	10	9	-	-	-	9
Balance as at 30 September 2020		87,832	3,639	(180)	(36,230)	55,061
Balance as at 1 April 2019		40,993	1,885	(211)	(16,432)	26,235
Net loss for the period		-	-	-	(866)	(866)
Adjustment on adoption of new IFRS16		-	-	-	(304)	(304)
Other comprehensive income/(loss)*		-	-	232	-	232
Total comprehensive income/(loss) for the period		-	-	232	(1,170)	(938)
Transactions with owners						
Shares allocated to employees	10	-	208	-	-	208
Shares forfeited from employees	10	-	(3)	-	-	(3)
Share-based payments – employee share options	10	-	37	-	-	37
Balance as at 30 September 2019		40,993	2,127	21	(17,602)	25,539
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 income/(loss)*		-	-	(11)	-	(11)
Total comprehensive income/(loss) for the year		-	-	(11)	(9,687)	(9,698)
Transactions with owners						
Issue of share capital		45,000	-	-	-	45,000
Cost of equity issued	10	(1,793)	-	-	-	(1,793)
Shares allocated to employees	10	353	682	-	-	1,035
Shares forfeited from employees	10	-	(17)	-	-	(17)
Share-based payments – employee share options	10	74	(133)	-	-	(59)
Non-executive directors settlement of non-recourse loan	10	243	(43)	-	-	200
Shares issued in respect of InterplX acquisition	10	2,881	-	-	-	2,881
Balance as at 31 March 2020		87,751	2,374	(222)	(26,119)	63,784

*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 30 September 2020

	Notes	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Current assets				
Cash at bank and on hand		31,504	10,253	42,391
Receivables	4	4,017	6,921	6,578
Income tax receivable		54	-	84
Derivative financial instruments	5	-	-	557
Total current assets		35,575	17,174	49,610
Non-current assets				
Property, plant and equipment	6	2,537	3,189	3,382
Intangible assets	7	23,089	16,457	20,110
Deferred tax asset		241	90	250
Total non-current assets		25,867	19,736	23,742
Total assets		61,442	36,910	73,352
Current liabilities				
Trade and other payables	8	4,372	5,827	7,073
Contingent consideration	15	-	2,410	-
Income tax payable		-	155	-
Interest-bearing loans and borrowings		61	61	58
Lease liabilities	9	1,002	977	1,280
Derivative financial instruments	5	236	328	-
Total current liabilities		5,671	9,758	8,411
Non-current liabilities				
Interest-bearing loans and borrowings		60	121	92
Lease liabilities	9	647	1,492	1,065
Total non-current liabilities		707	1,613	1,157
Total liabilities		6,378	11,371	9,568
Equity				
Share capital	10	87,832	40,993	87,751
Share-based payment reserve	10	3,639	2,127	2,374
Foreign currency reserve		(179)	21	(222)
Accumulated losses		(36,228)	(17,602)	(26,119)
Total equity		55,064	25,539	63,784
Total equity and liabilities		61,442	36,910	73,352

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 18 November 2020



CLAUDIA BATTEN
CHAIRPERSON



DARRIN GRAFTON
CEO

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the six months ended 30 September 2020

	Notes	6 months Unaudited 30 Sep 2020 \$(000)	6 months Unaudited 30 Sep 2019 \$(000)	12 months Audited 31 Mar 2020 \$(000)
Cash flows from operating activities				
Receipts from customers		7,878	14,736	22,318
Interest received		157	95	418
Receipts from grants		3,023	541	649
Taxation (paid)/received		(57)	(135)	(529)
Payments to suppliers and employees		(16,603)	(13,210)	(26,275)
Interest payments		(52)	(69)	(126)
Net GST refunded (paid)		336	(25)	(244)
Net cash flows (used in)/from operating activities	12	(5,318)	1,933	(3,789)
Cash flows from investing activities				
Purchase of property, plant and equipment		(64)	(280)	(794)
Capitalised development costs and other intangible assets		(4,898)	(6,284)	(11,018)
Net cash flows (used in) investing activities		(4,962)	(6,564)	(11,812)
Cash flows from financing activities				
Issue of ordinary shares	10	35	-	45,000
Cost of new share issue	10	(3)	-	(1,793)
Payment of lease liabilities		(646)	(448)	(1,080)
Non-executive directors non-recourse loan		-	-	200
Net repayment of loans		(29)	(26)	(54)
Net cash flows (used in)/from financing activities		(643)	(474)	42,273
Net (decrease)/increase in total cash		(10,923)	(5,105)	26,672
Net foreign exchange difference		36	(374)	(13)
Cash and cash equivalents at beginning of period		42,391	15,732	15,732
Cash and cash equivalents at the end of the period		31,504	10,253	42,391
Cash and cash equivalents comprises the following:				
Cash at bank and on hand		31,504	10,253	42,391
		31,504	10,253	42,391

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the six months ended 30 September 2020

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

a) Corporate Information

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 Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

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

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

b) Basis of preparation

These unaudited interim financial statements of Serko Limited (the Company) and its subsidiaries (together "the Group") have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting and with New Zealand Equivalent to International Accounting Standard (IAS) 34 Interim Financial Reporting. The unaudited interim financial statements have been prepared using the going concern assumption and are presented in thousands of New Zealand Dollars. The Company is a profit-oriented entity.

c) Accounting policies and disclosures

The unaudited interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's annual report for the financial year ended 31 March 2020.

d) Comparatives

Certain comparative amounts have been reclassified to conform to the current interim report presentation.

2 REVENUE AND OTHER INCOME

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Revenue – transaction and usage fees:			
Travel platform booking revenue	2,159	9,243	16,307
Expense platform revenue	2,013	2,991	5,831
Supplier commissions revenue	210	837	1,427
Services revenue	454	1,358	1,819
Other revenue	225	242	485
Total revenue	5,061	14,671	25,869
Government grants - Covid-19 subsidies*	3,023	-	-
Government grants - other	449	541	922
Total other income	3,472	541	922
Total revenue and other income	8,533	15,212	26,791

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Geographic information			
Australia	3,359	10,366	18,218
New Zealand	377	1,376	2,465
US	1,231	2,712	4,823
Other	94	217	363
Total revenue	5,061	14,671	25,869

*The Group received Government Covid-19 subsidies in New Zealand, Australia and the US totalling NZD \$3.0 million of which NZD \$1,584,000 was received from the New Zealand government.

3 EXPENSES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Operating profit before taxation includes the following expenses:			
Marketing expenses	499	736	1,469
Third party connection costs	150	217	885
Other selling costs	264	270	635
Total selling and marketing expenses	913	1,223	2,989
Hosting expenses	1,230	1,835	3,362
Employee remuneration	8,927	6,977	17,161
Contributions to pension plans	665	342	662
Share-based payment expenses	1,420	242	959
Other remuneration and benefits	201	148	637
Total remuneration and benefits	11,213	7,709	19,419
Auditor remuneration and other assurance fees*	83	86	153
Directors' fees	182	161	357
Expected credit loss allowance on receivables	(65)	-	237
Amortisation of intangibles	1,746	631	1,705
Depreciation	873	617	1,451
Rental and operating lease expenses	2	-	83
Professional fees	346	542	1,571
Computer licences	455	333	925
Other administration expenses	872	1,929	3,784
Total administration expenses	4,494	4,299	10,266
Fair value remeasurement of contingent consideration	-	585	1,056
Expenses from ordinary activities	17,850	15,651	37,092

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

4 RECEIVABLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Trade receivables	1,960	3,050	4,049
Expected credit loss provision	(172)	(7)	(237)
Trade receivables (net)	1,788	3,043	3,812
GST receivable	139	254	473
Sundry debtors	19	98	34
Contract assets	1,333	2,374	1,368
Prepayments	726	1,110	845
Funds held in trust	12	42	46
Total receivables	4,017	6,921	6,578

5 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:

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Current:			
Foreign currency forward exchange contracts	(236)	(328)	557
Contractual amounts of forward exchange contracts outstanding were as follows:			
Foreign currency forward exchange contracts	8,315	18,856	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 a rate that reflects the credit risk of the counterparties.

6 PROPERTY, PLANT AND EQUIPMENT

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Opening balance	3,382	3,099	3,099
Additions	64	685	1,740
Disposals	-	-	(50)
Depreciation	(873)	(617)	(1,451)
Currency translation	(36)	22	44
Closing balance	2,537	3,189	3,382

7 INTANGIBLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Opening balance	20,110	10,553	10,553
Additions	4,898	6,284	11,018
Disposals	-	-	(36)
Amortisation	(1,746)	(631)	(1,705)
Currency translation	(173)	251	280
Closing balance	23,089	16,457	20,110

8 TRADE AND OTHER PAYABLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Trade payables	969	428	3,032
Accrued expenses	1,761	4,259	2,743
Annual leave accrual	1,642	1,140	1,298
Total trade and other payables	4,372	5,827	7,073
Disclosed as:			
Current	4,372	5,827	7,073
	4,372	5,827	7,073

9 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.

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.

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$(000)	\$(000)	\$(000)
Opening Balance	2,345	2,479	2,479
Leases entered into during the period	-	403	900
Principal repayments	(669)	(451)	(1,080)
Foreign exchange adjustment	(27)	38	46
Closing balance	1,649	2,469	2,345
Classified as:			
Current	1,002	977	1,280
Non-current	647	1,492	1,065
Closing balance	1,649	2,469	2,345

10 EQUITY

	6 months Unaudited	6 months Unaudited	12 months Audited	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)	NUMBER OF SHARES (000)	NUMBER OF SHARES (000)	NUMBER OF SHARES (000)
Ordinary shares						
Share capital at the beginning of the year	87,751	40,993	40,993	92,739	80,923	80,923
Issue of shares pursuant to institutional capital placement	-	-	40,000	-	-	9,900
Issue of shares pursuant to Share Purchase Plan (SPP) placement	-	-	5,000	-	-	1,238
Transaction costs for issue of new shares	(3)	-	(1,793)	-	-	-
Non-executive directors settlement of non-recourse loan	-	-	243	-	-	-
Shares issued in respect of directors' services	9	-	-	3	-	-
Issue of shares pursuant to US Options plan	35	-	74	13	-	25
Issue of shares pursuant to Restricted Share Units (RSU) scheme	40	-	353	10	-	79
Shares issued in respect of InterplX acquisition	-	-	2,881	-	-	574
Share capital	87,832	40,993	87,751	92,765	80,923	92,739
Share-based payment reserve						
Balance at 1 April	2,374	1,885	1,885	-	-	-
Shares allocated to employees	1,280	208	682	-	-	-
Shares forfeited from employees	(37)	(3)	(17)	-	-	-
Non-executive directors settlement of non-recourse loan	-	-	(43)	-	-	-
Share-based payments - employee share options	22	37	(133)	-	-	-
Share-based payment reserve	3,639	2,127	2,374	-	-	-

Subsequent to 30 September 2020, Serko issued additional shares in a capital raise which will have a material impact on share capital (see note 14).

11 EARNINGS PER SHARE (EPS)

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Loss attributable to ordinary equity holders of the parent Continuing operations			
	(10,111)	(866)	(9,365)
	Number	Number	Number
Basic earnings per share			
Issued ordinary shares at the end of the period	92,765	80,923	92,739
Adjusted for employee restricted share plan shares	(1,607)	(2,587)	(1,919)
Weighted average of issued ordinary shares at the end of the period	91,158	78,336	90,820
Basic earnings per share (dollars) - weighted average	(0.11)	(0.01)	(0.10)
Diluted earnings per share			
Weighted average of issued ordinary shares at the end of the period	92,746	80,923	86,893
Weighted average of issued ordinary shares for diluted earnings per share	92,746	80,923	86,893
Diluted earnings per share (dollars) - weighted average	(0.11)	(0.01)	(0.11)
	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	Cents	Cents	Cents
Net tangible assets per security	34.50	11.22	47.09

12 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2020	30 Sep 2019	31 Mar 2020
	\$ (000)	\$ (000)	\$ (000)
Net loss after tax	(10,111)	(866)	(9,364)
Add non-cash items			
Amortisation	1,746	631	1,705
Depreciation	873	617	1,451
Loss on property, plant and equipment disposal	-	-	50
Fair value remeasurement of contingent consideration	-	585	1,056
Deferred tax liability/(benefit)	9	6	(167)
Loss/(gain) on foreign exchange transactions	1,096	431	(370)
Share-based compensation	1,265	242	959
	(5,122)	1,646	(4,680)
Add/(less) movements in working capital items			
(Increase)/Decrease in receivables	2,561	(1,007)	(1,084)
Increase in trade and other payables	(2,702)	1,364	2,283
(Decrease)/increase in income tax	(55)	(70)	(308)
	(196)	287	891
Net cash flows (used in)/from operating activities	(5,318)	1,933	(3,789)

13 RELATED PARTIES

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

Name	Balance date	% EQUITY INTEREST			INVESTMENT \$(000)		
		Unaudited 30 Sep 2020	Unaudited 30 Sep 2019	Audited 31 Mar 2020	Unaudited 30 Sep 2020	Unaudited 30 Sep 2019	Audited 31 Mar 2020
Serko Australia Pty Limited	31 March	100%	100%	100%	1	1	1
Serko Trustee Limited	31 March	100%	100%	100%	-	-	-
Serko India Private Limited	31 March	99%	99%	99%	2	2	2
Serko Investments Limited	31 March	100%	100%	100%	-	-	-
Foshan Sige Information Technology Limited	31 March	100%	100%	100%	-	-	-
Serko Inc	31 March	100%	100%	100%	-	-	-
InterpIX Inc	31 March	100%	100%	100%	3,076	3,076	3,076
					3,079	3,079	3,079

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 was non-trading.

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

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

Serko Inc was incorporated on 30 October 2007 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.

14 EVENTS AFTER BALANCE SHEET DATE

Subsequent to 30 September 2020, Serko issued 14,835,159 shares in a capital raise for gross proceeds of \$67,500,000. Net proceeds will be subject to finalisation of capital raise costs.

15 CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 September 2020 (30 September 2019: \$2,410,000).

Company Directory



Serko is a company incorporated with limited liability under the New Zealand Companies Act 1993
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