

FINANCIAL STATEMENTS

For the six month period ended
30 September 2021

serko

FY22 Interim Report

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Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2021

	Notes	6 months Unaudited 30 Sep 2021 \$(000)	6 months Unaudited 30 Sep 2020 \$(000)	12 months Audited 31 Mar 2021 \$(000)
Revenue	2	9,150	5,061	12,420
Other income	2	728	3,472	4,476
Total income		9,878	8,533	16,896
Operating Expenses				
Selling and marketing expenses		(1,903)	(913)	(2,056)
Hosting expenses		(2,269)	(1,230)	(2,710)
Remuneration and benefits		(14,878)	(11,213)	(29,527)
Administration expenses		(2,588)	(1,875)	(4,928)
Amortisation and depreciation		(3,663)	(2,619)	(5,633)
Total operating expenses	3	(25,301)	(17,850)	(44,854)
Foreign exchange gains/(losses) - net		154	(552)	(1,337)
Finance income		163	157	380
Finance expenses		(57)	(315)	(133)
Loss before income tax		(15,163)	(10,027)	(29,048)
Income tax expense		-	(84)	(341)
Net loss attributable to the shareholders of the company		(15,163)	(10,111)	(29,389)
Movement in foreign currency reserve		(162)	42	43
Total comprehensive loss for the period		(15,325)	(10,069)	(29,346)
Earnings per share				
Basic profit per share	11	(\$0.14)	(\$0.11)	(\$0.30)
Diluted profit per share	11	(\$0.14)	(\$0.11)	(\$0.29)

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

	Notes	Share capital \$(000)	Share-based payment reserve \$(000)	Foreign currency reserve \$(000)	Accumulated losses \$(000)	Total \$(000)
Balance as at 1 April 2021		153,706	4,509	(179)	(55,508)	102,528
Net loss for the period		-	-	-	(15,163)	(15,163)
Other comprehensive income/(loss)*		-	-	(162)	-	(162)
Total comprehensive income/(loss) for the period		-	-	(162)	(15,163)	(15,325)
Transactions with owners						
Shares allocated to employees		901	1,533	-	-	2,434
Shares vested to employees		-	(920)	-	-	(920)
Shares forfeited from employees		-	(18)	-	-	(18)
Share-based payments – employee share options		4	32	-	-	36
Non-executive directors' settlement of non-recourse loan		247	(47)	-	-	200
Balance as at 30 September 2021	10	154,858	5,089	(341)	(70,671)	88,935
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						
Shares allocated to employees		40	1,280	-	-	1,320
Shares forfeited from employees		-	(37)	-	-	(37)
Share-based payments – employee share options		35	22	-	-	57
Shares issued in respect of directors' services		9	-	-	-	9
Balance as at 30 September 2020		87,835	3,639	(180)	(36,230)	55,064
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/(loss)*		-	-	43	-	43
Total comprehensive income/(loss) for the year		-	-	43	(29,389)	(29,346)
Transactions with owners						
Issue of share capital		67,500	-	-	-	67,500
Cost of equity issued		(2,541)	-	-	-	(2,541)
Shares forfeited from employees		-	(13)	-	-	(13)
Shares vested from employees		-	391	-	-	391
Equity-settled share-based payments		684	1,807	-	-	2,491
Non-executive directors' settlement of non-recourse loan		303	(50)	-	-	253
Shares issued in respect of directors' services		9	-	-	-	9
Balance as at 31 March 2021		153,706	4,509	(179)	(55,508)	102,528

*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 2021

	Notes	6 months Unaudited 30 Sep 2021 \$(000)	6 months Unaudited 30 Sep 2020 \$(000)	12 months Audited 31 Mar 2021 \$(000)
Current assets				
Cash at bank and on hand		52,346	31,504	34,919
Short-term deposits		10,000	-	45,000
Receivables	4	6,298	4,017	5,393
Income tax receivable		13	54	7
Derivative financial instruments	5	153	-	-
Total current assets		68,810	35,575	85,319
Non-current assets				
Property, plant and equipment	6	2,360	2,537	2,569
Intangible assets	7	27,343	23,089	23,304
Deferred tax asset		111	241	117
Total non-current assets		29,814	25,867	25,990
Total assets		98,624	61,442	111,309
Current liabilities				
Trade and other payables	8	7,900	4,372	7,142
Interest-bearing loans and borrowings		63	61	62
Lease liabilities	9	894	1,002	1,017
Derivative financial instruments	5	-	236	142
Total current liabilities		8,857	5,671	8,363
Non-current liabilities				
Trade and other payables	8	662	-	-
Interest-bearing loans and borrowings		-	60	28
Lease liabilities	9	170	647	390
Total non-current liabilities		832	707	418
Total liabilities		9,689	6,378	8,781
Equity				
Share capital	10	154,858	87,832	153,706
Share-based payment reserve	10	5,089	3,639	4,509
Foreign currency reserve		(341)	(179)	(179)
Accumulated losses		(70,671)	(36,228)	(55,508)
Total equity		88,935	55,064	102,528
Total equity and liabilities		98,624	61,442	111,309

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 24 November 2021



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 2021

	Notes	6 months Unaudited 30 Sep 2021 \$(000)	6 months Unaudited 30 Sep 2020 \$(000)	12 months Audited 31 Mar 2021 \$(000)
Cash flows from operating activities				
Receipts from customers		9,957	7,878	15,542
Receipts from government grants - Covid-19 subsidies		511	-	3,268
Interest received		188	157	349
Receipts from other grants		795	3,023	1,012
Taxation refunded/(paid)		26	(57)	(253)
Payments to suppliers and employees		(21,673)	(16,603)	(38,406)
Interest payments		(28)	(52)	(87)
Net GST refunded		403	336	533
Net cash flows used in operating activities	12	(9,821)	(5,318)	(18,042)
Cash flows from investing activities				
Purchase of property, plant and equipment		(372)	(64)	(559)
Capitalised development costs and other intangible assets		(6,951)	(4,898)	(7,231)
Short-term deposits		35,000	-	(45,000)
Net cash flows from/(used in) investing activities		27,677	(4,962)	(52,790)
Cash flows from financing activities				
Issue of ordinary shares		3	35	67,544
Cost of new share issue		-	(3)	(2,541)
Payment of lease liabilities		(509)	(646)	(1,266)
Non-executive directors non-recourse loan		200	-	250
Net repayment of loans		(27)	(29)	(60)
Net cash flows (used in)/from financing activities		(333)	(643)	63,927
Net increase/(decrease) in total cash		17,523	(10,923)	(6,905)
Net foreign exchange difference		(96)	36	(567)
Cash and cash equivalents at beginning of period		34,919	42,391	42,391
Cash and cash equivalents at the end of the period		52,346	31,504	34,919
Cash and cash equivalents comprises the following:				
Cash at bank and on hand		52,346	31,504	34,919
		52,346	31,504	34,919

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the six months ended 30 September 2021

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited interim consolidated financial statements ('Interim 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 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 Interim Financial Statements 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 Interim 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 2021.

d) Comparatives

Certain comparative expenses have been reclassified in the prior period Interim Financial Statements to conform to the current interim report presentation which is consistent with the classifications adopted in the audited Financial Statements for the year to 31 March 2021. 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.

2 REVENUE AND OTHER INCOME

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Revenue – transaction and usage fees:			
Travel platform booking revenue	5,826	2,159	6,354
Expense platform revenue	1,966	2,013	3,997
Supplier commissions revenue	408	210	538
Services revenue	791	454	1,145
Other revenue	159	225	386
Total revenue	9,150	5,061	12,420
Government grants – Covid-19 subsidies	614	3,023	3,437
Government grants – other	109	449	945
Other Covid-19 subsidies	5	-	94
Total other income	728	3,472	4,476
Total revenue and other income	9,878	8,533	16,896

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Geographic information			
Australia	5,614	3,359	7,520
New Zealand	1,045	377	2,154
US	1,342	1,231	2,369
Other	1,149	94	377
Total revenue	9,150	5,061	12,420

Government grants and subsidies

Revenue is recognised once the criteria of the grant application is met. 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.

In the current period, the Group recognised \$886,000 of wage subsidies from various governments (30 September 2020: \$3,023,000) of which \$614,000 was included in Other Income (30 September 2020: \$3,023,000) and \$272,000 in Deferred Revenue (30 September 2020: \$nil). The Group also recognised \$720,000 (30 September 2020: \$nil) related to the New Zealand Research & Development Tax Incentive of which \$109,000 has been recognised in Other Income and \$611,000 in Deferred Revenue. In the prior period, the Group recognised \$449,000 of grants from Callaghan Innovation in New Zealand.

3 EXPENSES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Operating profit before taxation includes the following expenses:			
Marketing expenses	638	499	1,054
Third party connection costs	431	150	535
Other selling costs	834	264	467
Total selling and marketing expenses	1,903	913	2,056
Hosting expenses	2,269	1,230	2,710
Employee remuneration	12,725	8,927	25,083
Contributions to pension plans	357	665	880
Share-based payment expenses	1,525	1,420	3,184
Other remuneration and benefits	271	201	380
Total remuneration and benefits	14,878	11,213	29,527
Auditor remuneration	152	83	171
Directors' fees	218	182	402
Movement of expected credit loss allowance on receivables	56	(16)	(19)
Bad debts written off	53	(49)	63
Rental and operating lease expenses	43	2	102
Professional fees	180	346	851
Computer licences	578	455	1,148
Other administration expenses	1,308	872	2,210
Total administration expenses	2,588	1,875	4,928
Amortisation of intangibles	2,852	1,746	3,909
Depreciation	811	873	1,724
Total amortisation and depreciation	3,663	2,619	5,633
Expenses from ordinary activities	25,301	17,850	44,854

4 RECEIVABLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Trade receivables	2,054	1,960	2,852
Expected credit loss provision	(130)	(172)	(215)
Trade receivables (net)	1,924	1,788	2,637
GST receivable	262	139	130
Sundry debtors	36	19	777
Contract assets	2,370	1,333	1,037
Prepayments	1,706	726	800
Funds held in trust	-	12	12
Total receivables	6,298	4,017	5,393

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 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Current:			
Foreign currency forward exchange contracts	153	(236)	(142)
Contractual amounts of forward exchange contracts outstanding were as follows:			
Foreign currency forward exchange contracts	6,607	8,315	5,031

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 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Opening balance	2,568	3,382	3,382
Additions	598	64	921
Depreciation	(811)	(873)	(1,724)
Currency translation	5	(36)	(10)
Closing balance	2,360	2,537	2,569

7 INTANGIBLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Opening balance	23,304	20,110	20,110
Additions	6,951	4,898	7,231
Amortisation	(2,852)	(1,746)	(3,909)
Currency translation	(60)	(173)	(128)
Closing balance	27,343	23,089	23,304

8 TRADE AND OTHER PAYABLES

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Trade payables	1,580	969	1,772
Accrued expenses	3,388	1,761	3,549
Deferred revenue	928	-	-
Annual leave accrual	2,666	1,642	1,821
Total trade and other payables	8,562	4,372	7,142
Disclosed as:			
Current	7,900	4,372	7,142
Non-Current	662	-	-
	8,562	4,372	7,142

9 LEASE LIABILITIES

Recognition and measurement of The Group's leasing activities

The Group 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 The Group 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 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Opening Balance	1,407	2,345	2,345
Leases entered into during the period	226	-	362
Principal repayments	(570)	(669)	(1,266)
Currency translation	1	(27)	(34)
Closing balance	1,064	1,649	1,407
Classified as:			
Current	894	1,002	1,017
Non-current	170	647	390
Closing balance	1,064	1,649	1,407

10 EQUITY

	6 months Unaudited	6 months Unaudited	12 months Audited	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (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	153,706	87,751	87,751	107,822	92,739	92,739
Issue of shares pursuant to institutional capital placement	-	-	47,500	-	-	10,439
Issue of shares pursuant to Share Purchase Plan (SPP) placement	-	-	20,000	-	-	4,396
Transaction costs for issue of new shares	-	(3)	(2,541)	-	-	-
Issue of shares pursuant to Restricted Share Units (RSU) scheme	901	40	627	215	10	229
Issue of shares pursuant to US Options plan	4	35	57	1	13	16
Non-executive directors' settlement of non-recourse loan	247	-	303	-	-	-
Issue of shares in respect of directors' services	-	9	9	-	3	3
Share capital	154,858	87,832	153,706	108,038	92,765	107,822
Share-based payment reserve						
Balance at 1 April	4,509	2,374	2,374			
Shares allocated to employees	1,533	1,287	2,788			
Shares vested from employees	(920)	(7)	(596)			
Shares forfeited from employees	(18)	(37)	(59)			
Share-based payments - employee share options	32	22	52			
Non-executive directors' settlement of non-recourse loan	(47)	-	(50)			
Share-based payment reserve	5,089	3,639	4,509			

11 EARNINGS PER SHARE (EPS)

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Loss attributable to ordinary equity holders of the parent			
Continuing operations	(15,163)	(10,111)	(29,389)
	(15,163)	(10,111)	(29,389)
	Number	Number	Number
Basic earnings per share			
Issued ordinary shares at the end of the period	108,038	92,765	107,822
Weighted average of issued ordinary shares at the end of the period	107,889	91,158	90,820
Adjusted for employee restricted share plan shares	106,599	89,551	98,053
Basic earnings per share (dollars) - weighted average	(0.14)	(0.11)	(0.30)
Diluted earnings per share			
Weighted average of issued ordinary shares at the end of the period	106,599	92,746	98,053
Weighted average of issued ordinary shares for diluted earnings per share	108,630	92,746	99,735
Diluted earnings per share (dollars) - weighted average	(0.14)	(0.11)	(0.29)
	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	Cents	Cents	Cents
Net tangible assets per security	57.68	34.50	74.59

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

	6 months Unaudited	6 months Unaudited	12 months Audited
	30 Sep 2021	30 Sep 2020	31 Mar 2021
	\$ (000)	\$ (000)	\$ (000)
Net loss after tax	(15,163)	(10,111)	(29,389)
Add non-cash items			
Amortisation	2,852	1,746	3,909
Depreciation	811	873	1,724
Deferred tax liability	-	9	133
(Gain) / Loss on foreign exchange transactions	(355)	1,096	1,372
Share-based compensation	1,525	1,265	2,878
	(10,330)	(5,122)	(19,373)
Add/(less) movements in working capital items			
(Increase) / decrease in receivables	(905)	2,561	1,185
Increase / (decrease) in trade and other payables	1,420	(2,702)	77
(Decrease) / increase in income tax	(6)	(55)	69
	509	(196)	1,331
Net cash flows used in operating activities	(9,821)	(5,318)	(18,042)

13 EVENTS AFTER BALANCE SHEET DATE

On 23 November 2021 the Board authorised the launch of a capital raising via a \$75 million fully underwritten placement and a \$10 million offer to retail investors.

14 CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 September 2021 (30 September 2020: \$nil).

Company Directory



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

Claudia Batten (Chairperson)
Simon Botherway (retired 18 August 2021)
Jan Dawson (appointed 18 August 2021)
Robert (Clyde) McConaghy
Darrin Grafton
Robert (Bob) Shaw

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