2019 ANNUAL REPORT

serko

ABOUT SERKO

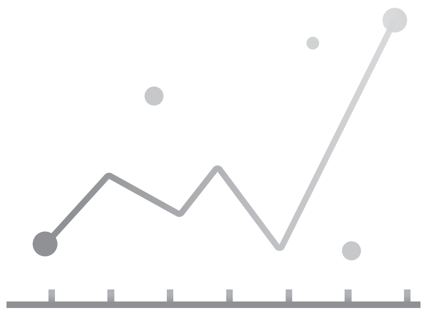
OUR **PURPOSE**

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

ABOUT **SERKO**

Serko is a market-leading travel and expense technology solution, used by over 6,000 corporate entities through 50+ Travel Management Companies that combined book more than AUD $6 billion of travel a year through Serko's platforms. 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 employs more than 170 people worldwide, with its HQ in New Zealand and offices across Australia, China, India and the United States (US).

Visit www.serko.com for more information.



28%

Operating Revenue Growth to $23.4m

$24.6m
Total Income

17%
Increase in booking transactions

$26m
Peak ATMR, 41% increase over same month prior year

$1.6m
Net Profit After Tax

$2.6m
EBITDAF 19% increase over prior year, margin of 11%

$15.7m
Cash balances increased from $5.2m with net capital raise of $14.3m

BUILDING FOUNDATIONS FOR THE NEXT PHASE OF GROWTH

This annual report is dated 22 May 2019 and is signed on behalf of the Board of Directors (Board) Serko Limited by Simon Botherway, Chairman (Chair), and Darrin Grafton, Chief Executive Officer (CEO).

SIMON BOTHERWAY
CHAIRMAN

DARRIN GRAFTON
CHIEF EXECUTIVE OFFICER

CEO AND CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Serko has continued to deliver to strategy, with revenue growth and profitability at the upper end of guidance. We continued to enjoy strong growth in our maturing Australasian business and made good progress laying the foundations for our next phase of development – growing into new Northern Hemisphere markets.

In the Australasian business we have benefited from growing transactions and increasing Average Revenue per Booking (ARPB) as we both gain new customers and more customers transfer to our premium Zeno travel and expense management solution.

In the new North American and United Kingdom (UK) markets it is very pleasing to note the number, and market presence, of those Travel Management Companies (TMCs) who have signed agreements to roll out Zeno to their customers, including Carlson Wagonlit Travel in the US, one of the world's largest TMC's.

Operating Revenue up 28% to $23.4 million

Demand for Zeno in North America has exceeded our in-house capacity to deliver. In response, we have boosted our resourcing and prioritised development as we configure Zeno to meet the operational and marketing needs of these customers. This includes integrating complex travel content and associated services, as well as customised TMC integration work. Our expanded team and the use of contractors will result in the progressive delivery of the commercial Zeno roll out in the US commencing early in the second half of the 2020 financial year.

This investment will result in another year of cash burn, however this is an extraordinary level of investment, which is subsequently expected to normalise in the 2021 financial year. We expect to accommodate this investment within our existing balance sheet resources. We anticipate that the customer agreements we have signed to date will generate strong revenue and EBITDAF growth in years to come.

Meanwhile, we have improved our ability to service these customers with the acquisition of InterplX effective January 2019, which enhances our suite of expense management solutions and gives us a US-based software development capability close to our North American TMC partners.

We remain well funded following the completion of an oversubscribed $15.0 million ($14.3 million net of costs) capital raising in August 2018. Serko ended the financial year with a net $15.7 million of cash on hand, having invested a net $3.8 million of our cash reserves primarily into system development for international growth.

EBITDAF up 19% to $2.6 million

FINANCIAL RESULTS

Total Operating Revenue for the year to 31 March 2019 rose 28% to $23.4 million from $18.3 million in the same period a year ago, a result that is at the upper end of guidance. Recurring revenue rose 26% to $20.7 million from $16.4 million in the same period a year ago. Within this result there is a three-month contribution ($0.9 million) from InterplX.

Peak fourth quarter ATMR (excluding the contribution from InterplX), an indicator of future recurring product revenue, rose 23% to $22.5 million from $18.4 million at the same time a year ago. Including InterplX, peak ATMR rose 41% to $26.0 million.

Earnings before interest, tax, depreciation, amortisation and fair value remeasurement of contingent consideration (EBITDAF) was 19% up at $2.6 million compared to the prior year at $2.2 million, ahead of guidance. Operating expenses were up 32% reflecting the investment into personnel, premises and development for global expansion as well as one-off costs associated with Serko's ASX foreign-exempt listing completed in June 2018 and professional fees related to the purchase of InterplX.

Serko transitioned from a research and discovery phase in the Northern Hemisphere to development and delivery phase. This required considerable Zeno development work, including porting a broad range of new content (including rail) onto the Zeno platform.

Reflecting this development work, we have capitalised more development costs than we did in the 2018 financial year. Total Research and Development (R&D) expenses were up 87% to $9.2 million, with $6.7 million capitalised compared to the prior year of $0.4 million. While this is a considerable investment, we are building to deliver on signed agreements with Northern Hemisphere TMCs and there are a number of corporates we expect to take up Zeno once the development work is completed.

Net profit after tax (NPAT) at $1.6 million was marginally down on the prior year's $1.8 million affected by the non-cash fair value remeasurement adjustment for the deferred consideration relating to the InterplX acquisition. The result reflects Serko's determination to deliver a positive bottom line result, while still investing to take advantage of the significant growth opportunities it sees around the world.

GROWTH STRATEGY

The first thing we had to do in Europe and North America was validate Zeno and we are delighted with the response we have received over the last year. Zeno resonates in these markets and the pipeline of customers continues to grow. The demand for Zeno demonstrates that Serko is leading technological innovation in the sector.

Investment for these markets has seen our headcount increase to 173 from 106 at the same time a year ago. We have made new hires at all levels of the company to increase the speed of development and ensure readiness for global deployment, configuration and support.

The Board has been impressed by the resilience of our people in not only adapting to this fast rate of growth but also for their generosity in welcoming and integrating new people into the team. On behalf of shareholders we thank them for their efforts.

We are currently in the development phase of Zeno as a global platform for the future. We are evolving the product, recognising the differing systems and processes used within each new market and, of course, porting the relevant content to Zeno. Over the 2020 year the benefits of that ongoing investment will become apparent as we move from start-up to scale-up in those markets.

AUSTRALASIA

Thanks largely to the Australasian market, where Serko enjoys a sizable market share of all corporate travel bookings, we lifted recurring revenues in the 12 months to 31 March 2019. This included a 20% lift in travel platform revenues and a 19% increase in content revenues. Expense platform revenues rose by 76%, including the contribution from InterplX.

In excess of 85% of our TMCs in the Australasian region have signed agreements to make Zeno available to their customers and are actively promoting the benefits of Zeno. We have seen a steady migration of customers to Zeno from Serko Online.

With Tandem (Air New Zealand's TMC) signing last year and now Orbit (House of Travel's corporate travel arm) signing this year and choosing Zeno as their preferred booking tool, we have gained blanket coverage of the Australasian corporate travel and expense management market for all the medium and large TMCs.

We migrated Tandem's customers to our platform during the first quarter of the financial year and have started to roll out our solutions to Orbit's customers in New Zealand and Australia. In addition, Serko and Flight Centre have agreed a four-year extension of services, which resulted in an uplift to revenue from October 2018 onwards.

These agreements give us confidence that we can continue to extend our share of what is now a maturing market in Australasia and grow Average Revenue Per Booking, while continuing to benefit from growth in the market as a whole.

NORTH AMERICA AND EUROPE

In the US we signed Flight Centre USA, CWT and Direct Travel as new TMC reseller partners for the Zeno platform, and we expect these TMCs to be able to progressively extend the offering beyond 'beta' customers in the second half.

In Canada we signed the Custom Travel Solutions and Voyages Encore Travel TMCs and we are working to complete content integration, language features and system optimisation for both clients.

> **We are delighted with the response to Zeno in Europe and North America**

In the UK, we integrated UK rail content to Zeno for these customers, which is essential for UK corporates as they compare travel itinerary alternatives.

The intensive development program underway is key to setting the foundations for scale for both our TMCs' operational needs and the corporations that will use our software.

TECHNOLOGICAL INNOVATION

Our efforts to grow average revenue per booking and customer numbers have been supported by the third leg of our strategy: continued technological innovation.

We achieved a world first when Zeno received IATA certification of its connection to the Qantas Distribution Platform (QDP). Qantas, via QDP, is among the first airlines making use of the New Distribution Capability (NDC) data transmission standard, which allows Zeno customers to access key Qantas travel-related content, such as frequent flyer information and seat and meal select.

Similarly, we also connected Zeno to the NDC Exchange, a distribution service developed by APTCO and SITA based on the NDC standard. Through this relationship, Zeno gained access to Air Canada and British Airways travel-related content.

NDC is becoming the new platform for distribution in the sector and we have demonstrated a market-leading capability to link to this content through NDC direct connections or via legacy platforms. These partnerships provide blueprints for how we can link with other airlines using the NDC standard in the future and deliver new opportunities to grow travel content-related revenues.

Zeno is also assisting our TMCs to stay ahead of competing technological innovations in the sector. In the prior year we assisted Flight Centre with its migration to the Sabre global distribution system and this year developed and launched Flight Centre's Savi platform. We have also integrated ride sharing service Uber with our expense management tools. This allows trip information to be sent directly from an Uber for Business account to a Zeno user's expense report. Finally, we have continued to invest in the resilience of the platform to ensure it can accommodate the growing demands on our infrastructure.

OUTLOOK

Serko is in an exciting transitionary phase as we invest in the development of our global travel and expense management platform for the future. Over the year we expect to make significant progress in completing development and the commercial rollout of Zeno for each new international market.

We expect Northern Hemisphere revenues to ramp up particulary in the second half of the 2020 financial year.

Internationalisation and the integration of new content and services are critical to delivery of the three pillars of our strategy – growing our customer base; making more revenue from each travel booking made through our platform; and continuing to innovate and drive the development and adoption of our technology.

It is still too early to be definitive about the outcome for the 2020 financial year. However, at this stage we expect Total Operating Revenue growth of between 20% and 40% in the year to 31 March 2020. As we remain in the build phase and have a significant development workload ahead of us, we will prioritise delivery to the markets and customers that represent the best opportunity for Serko.

Further guidance will be provided at our Annual Shareholders Meeting in August.

Signed Chair and CEO

SIMON BOTHERWAY
CHAIRMAN

DARRIN GRAFTON
CEO

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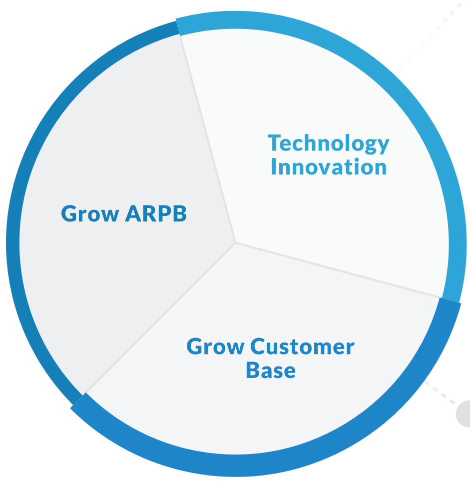
STRATEGIC OVERVIEW

Offer premium, integrated global solutions



Grow ARPB by offering increased content and moving customers to Zeno

Expand into new territories through strategic alliances and reach the unserved SME market

TECHNOLOGY INNOVATION

Zeno grew from a concept to a complete product and was deployed globally across hundreds of customers

What we achieved:

- Zeno was the first online travel and expense solution globally to be certified NDC* Level 3 by IATA, with NDC solutions rolled out with ATPCO NDC Exchange and a strategic alliance with Qantas
- We built and launched SAVI, a unique solution customised for Flight Centre, and secured an ongoing technology development fund for customing SAVI features
- We built and launched the AskZeno chatbot, rolled out a product integration and partnership with Uber for Business and we scaled our product architecture globally

Our focus for FY20:

- Leverage opportunities in our software development and engineering practices to establish a competitive advantage in performance and reliability globally
- Continue to develop usability and feature enhancements that extend our product leadership
- Build on our current products to launch a new generation of expense management solutions

GROW CUSTOMER BASE

We extended our market leadership in Australia & New Zealand and established reseller partnerships in North America and Europe

What we achieved:

- Tandem Travel (Air New Zealand corporate travel management division) migrated its customer base to Zeno, and Orbit Travel (House of Travel's corporate travel arm) began to roll out Zeno to its customers across Australia and New Zealand
- In the US and Canada we signed reseller partnerships with CWT, Direct Travel, FCM USA, Vision, Voyages Encore and Custom Travel Solutions
- ATPI deployed Zeno to it's first customers in the UK

Our focus for FY20:

- Develop the content and systems integration with our reseller partners to enable large-scale deployment of Zeno in North America
- Activate our reseller sales channels in North America to gain market share in their existing customer base
- Develop a best-in-class sales enablement program to support our partners globally to win and retain more customers with Zeno

GROW ARPB

The first resellers and customers began migrating to Zeno at a premium transaction cost and we laid the foundations for more widespread adoption

What we achieved:

- We signed ~85%** of our existing reseller partners to offer Zeno to their customer bases
- Existing customers, including Flight Centre and Queensland State Government, signed agreements to upgrade from our legacy products to premium solutions, with associated transaction price uplift
- We expanded our content offerings with the option to book rail content in relevant markets and we added regional airlines in Australia and New Zealand

Our focus for FY20:

- Commercialise our NDC-enabled solutions through airline and GDS partnerships globally
- Extend our Marketplace framework to incorporate content from suppliers in new categories of travel spend
- Capitalise on the opportunity to offer an integrated expense management offering into our existing travel customer base

*NDC (New Distribution Capability) is a travel-industry supported program launched by IATA for the development and market adoption of a new XML-based data transmission standard that enhances the communications between airlines, travel agents and aggregators. Learn all about NDC at www.zeno.travel/NDC.

**As measured by share of transaction volume for FY19

OUR PRODUCTS

Serko's core product, Zeno, is an integrated travel and expense solution that is revolutionising the world of corporate travel and expense management in the Australasian, UK and North America markets.

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

Zeno Travel

Zeno Travel is an Online Booking Tool (OBT) that corporate travellers use 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 spend is effectively managed, with the ease of use and personalised experience that compels corporate travellers to use the OBT and avoid travel program 'leakage'.

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

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

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

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, approvers and finance teams with a full suite of analysis tools that help them to run their Travel and expense (T&E) budgets more effectively, identify problem areas and optimise expense policies.

The result is less time wasted preparing, approving and processing expense reports and less wastage on duplicate, out-of-policy or fraudulent expense items.

OUR CUSTOMERS

The majority of Serko's revenue comes from Travel Management Companies (TMCs) that act as reseller partners, providing our solutions to their corporate customers as part of their overall managed travel service.

TMCs

American Express Global Business Travel
Sabre
CWT
FCM Travel Solutions
BCD travel
Orbit World Travel – Travel that inspires
ctm
Corporate Traveller
Air New Zealand Tandem Travel
ATPI Voyager
helloworld

Example corporates

FMG Fortescue
Spark
New Zealand Trade & Enterprise
nab
PwC
Siemens
KPMG
Fonterra – Dairy for life
NSW Government
Queensland Government
ANZ
UNSW Sydney
Suncorp
iag

INDUSTRY RECOGNITION

New Zealand

New Zealand International Business Awards 2018

Winner

Business Travel Innovator 2018 – People's Choice

Skift

Finalist of the NZ Hi-Tech Awards 2019

BOARD OF DIRECTORS

Simon Botherway

Independent Non-executive Chairman, New Zealand Appointed 30 April 2014, re-elected August 2018

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

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

Claudia Batten

Independent Non-executive Chairman, United States Appointed 30 April 2014, re-elected August 2017

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

Clyde McConaghy

Independent Non-executive Chairman, Australia Appointed 30 April 2014, re-elected August 2017

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

Darrin Grafton

Executive Director, Chief Executive Officer & Co-Founder Appointed 5 April 2007

Darrin has more than 25 years' experience in travel technology and is highly experienced in technology commercialisation. He previously held senior management positions with Gullivers Travel Group (listed on the Australian and New Zealand Stock Exchanges 2004-2006) and Interactive Technologies.

Robert (Bob) Shaw

Executive Director, Chief Strategy Officer & Co-Founder Appointed 5 April 2007, re-elected August 2018

Bob has more than 25 years' experience creating and commercialising technology for the travel industry. 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.

MANAGEMENT TEAM

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.

Susan Putt
Chief Financial Officer (CFO)

Susan has over 25 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.

John Challis
Head of Business Development

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

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.

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.

Darrin Grafton and Bob Shaw are also part of the executive team, see facing page for their details

CORPORATE RESPONSIBILITY

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

Further information and our full ESG report can be found online at www.serko.com/investor-centre/. Serko's ESG framework remains under development and will continue to be progressed over time.

The Sustainable Development Goals (SDGs) are a set of global initiatives set by the United Nations 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 community initiatives relate to a larger vision for positive change.

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

People:

3 Good health and well-being
Health and safety policies

4 Quality education
Training and intern programmes

5 Gender equality
Diversity and inclusion policies

8 Decent work and economic growth
Remuneration policies

10 Reduced inequalities
Diversity and inclusion policies

Customers:

9 Industry, innovation and infrastructure
Industry recognition for innovation

12 Responsible consumption and production
Privacy and security policies

Community:

11 Sustainable cities and communities
Sponsorships and donations

13 Climate action
Environmental practices

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS
SUSTAINABLE DEVELOPMENT GOALS

MANAGEMENT COMMENTARY

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

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

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

$1.6m

NET PROFIT AFTER TAX

$2.6m

EBITDAF

19%

INCREASE

BUSINESS RESULTS

Year ended 31 March	2019 $ (000)	2018 $ (000)	Change $ (000)	%
Revenue	23,361	18,279	5,082	28%
Other income	1,215	994	221	22%
Total income	24,576	19,273	5,303	28%
Operating expenses	(23,320)	(17,684)	(5,636)	-32%
Percentage of operating revenue	-100%	-97%		
Net finance income	290	414	(124)	-30%
Net profit before tax	**1,546**	**2,003**	**(457)**	**-23%**
Percentage of operating revenue	7%	11%		
Income tax benefit (expense)	87	(171)	258	151%
Net profit after tax	**1,633**	**1,832**	**(199)**	**-11%**
Percentage of operating revenue	7%	10%		

Operating revenue excludes other income, which is primarily grants.

Serko remained profitable in the financial year with a net profit after tax of $1.6 million against prior year $1.8 million. The result included increased non-cash elements which affected net profit after tax. Refer below for EBITDAF analysis which excludes these non-cash elements.

Annual total operating revenue grew by $5.1 million (28%) to $23.4 million from $18.3 million in the prior year, driven by strong recurring revenue growth across all revenue categories predominantly from our Australasian operations. The company recognised $1.2 million in grants from Callaghan Innovation and New Zealand Trade and Enterprise (NZTE) within other income, leading to total income for the year of $24.6 million up 28% from $19.3 million for the prior year.

Total operating expenses increased by $5.6 million to $23.3 million from $17.7 million in the prior year with the planned expansion into Northern Hemisphere markets.

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

Year ended 31 March	2019 $ (000)	2018 $ (000)	Change $ (000)	%
Net profit after tax	**1,633**	**1,832**	**(199)**	**-11%**
Add back /(deduct): income tax	(87)	171	(258)	-151%
Deduct: net finance income	(290)	(414)	124	30%
Add back: depreciation and amortisation	1,048	597	451	76%
Add back: Fair value remeasurement of contingent consideration	287	-	287	n/a
EBITDAF profit	**2,591**	**2,186**	**405**	**19%**
EBITDAF margin	11%	12%		

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

EBITDAF improved by $0.4 million (19%) from $2.2 million to $2.6 million. This was driven by an increase in total income of $5.3 million offset by an increase in operating costs (excluding depreciation, amortisation and fair value remeasurement of contingent consideration) of $4.9 million.

28%
INCREASE
TOTAL REVENUE

28%
INCREASE
TOTAL INCOME

INCOME

Year ended 31 March	2019 $ (000)	2018 $ (000)	Change $ (000)	%
Travel platform booking revenue	15,948	13,283	2,665	20%
Expense platform revenue	2,710	1,539	1,171	76%
Supplier commissions revenue	1,538	1,288	250	19%
Other revenues	467	334	133	40%
Recurring product revenue	**20,663**	**16,444**	**4,219**	**26%**
Percentage of total revenue	89%	90%		
Services revenue	2,698	1,835	863	47%
Total revenue	**23,361**	**18,279**	**5,082**	**28%**
Other income	1,215	994	221	22%
Total income	**24,576**	**19,273**	**5,303**	**28%**

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.

Recurring product revenue was up 26% to $20.7 million from $16.4 million on the prior year. Recurring revenue as a percentage of total revenue remains comparable to the prior year at 89%. Unfavourable exchange rate movements in the second half negatively impacted revenue by approximately -1%. Total revenue and Total Income including grants was up 28%.

Travel platform revenue grew by 20% for the year and was primarily related to a 17% increase in booking numbers. The difference between transaction growth and booking volume growth is owing to minimum volume commitments recognised over the period of the contract term, as well as an increase in average revenue per booking (ARPB).

Minimum volume commitments contribute to revenue when actual volumes transacted are less than the stated contractual commitments. Revenue from these sources in FY19 was $0.7 million and is comparable to $0.6 million in the prior year. The anticipated transactional business related to these minimums is expected to be onboarded onto the Serko platform over FY20.

ARPB increased marginally by 3% for the year owing to increased Zeno pricing. With further uptake of Zeno expected in FY20, ARPB is expected to increase.

Serko launched its premium travel booking tool called Zeno during 2018 and now 85%* of Australasian TMCs have signed contracts and can offer Zeno to their customers. Tandem, Air New Zealand's TMC, fully onboarded during FY19. New Zealand's largest corporate travel TMC, Orbit, is now commencing onboarding its customers. In the UK, ATPI has completed beta testing and has onboarded initial customers. Development is under way for NORAM markets, and beta trials continue with wider customer launches expected during FY20.

*As measured by FY19 booking volumes

Expense platform revenue grew 76% to $2.7 million. This includes three months of revenue from the InterplX acquisition of $0.9 million. Without the acquisition, growth of Serko Expense was 19% for the year.

Supplier commissions revenue grew by 19% to $1.5 million. The number of bookings that Serko earned additional commission revenue over the travel platform booking fee increased by 25%. The average attachment rate of commission bookings versus total bookings for the year was 6.2% up from 5.4% for the prior year.

Other revenues grew by 40%.

Total services revenue was up 47% over the prior period. This primarily reflects revenue associated with customising Serko's travel platform as white-label solutions for its TMCs, as well as payments from content suppliers for the integration of their content to our travel platform. These developments will add to recurring revenue increases for FY20.

HOW SERKO MAKES MONEY

Serko's main source of revenue is Travel platform revenue from Serko Online and Zeno, launched in 2018 in Australasia. Zeno is currently being tailored for Northern Hemisphere markets. It launched exclusively with ATPI in the UK in December 2018. It is now being developed to suit North America and is being trialed with beta customers for launch in the second half of FY20.

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

The serko.travel platform for small and medium enterprises is a free booking service and Serko earns commission income on those bookings direct from suppliers, therefore income from this platform is included in supplier commissions.

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. During the year Serko acquired US based InterplX, which has an expense management solution called Expensenet.

Supplier commission revenue is earned when corporates opt to book Serko-sourced hotel and other traveller-related services. Serko is paid directly from the suppliers of those services. Other income includes income from Serko Mobile licence fees and other miscellaneous revenues.

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

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

Revenue by Geography

Year ended 31 March	2019 $ (000)	2018 $ (000)	Change $ (000)	%
Australia	18,238	16,599	1,639	10%
New Zealand	3,440	1,038	2,402	231%
North America	1,471	457	1,014	222%
Other	212	185	27	15%
Revenue	**23,361**	**18,279**	**5,082**	**28%**

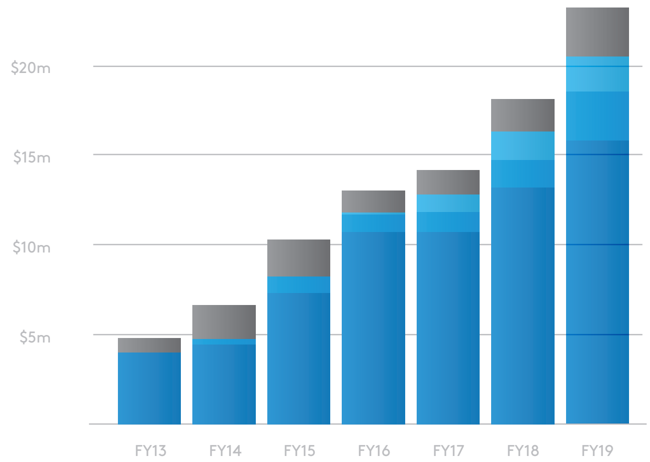
Serko currently earns 78% (FY18 : 91%) of revenue from Australia and 15% (FY18 : 6%) from New Zealand sources, with New Zealand sourced income up 231% over the prior year. The portion of income from New Zealand has increased with the onboarding of Tandem customers during the year. New Zealand-sourced income will continue to grow with the continued onboarding of Orbit signed in July 2018 and commenced in October 2018.

The portion of North America income has grown however, this currently relates to content income and Expense income from the InterplX acquisition. Serko is currently undertaking the development required to localise content and integrate its systems with North American markets and expects these regions to grow during FY20.

Income related to the UK is included in Other. ATPI UK was in trial phase for most of the year and completed approximately 5,000 bookings during FY19. It is expected that the volumes for this market will increase with the introduction of integrated rail, expected to go live in the first quarter of FY20, and the continued roll out to its UK customer base.

Revenue Trend

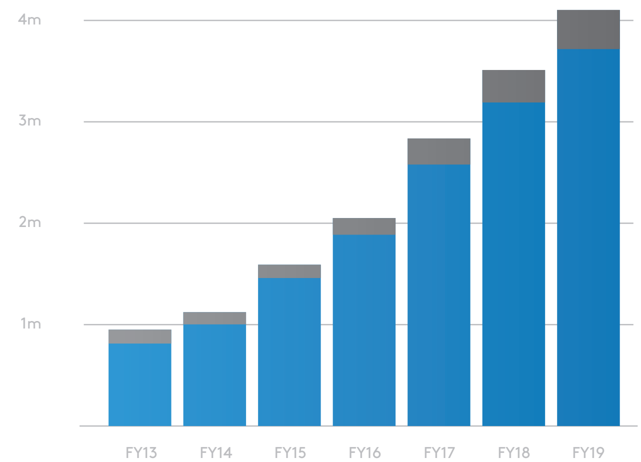
- Travel platform
- Expense platform
- Supplier commissions & other
- Services



Booking Trend[1]

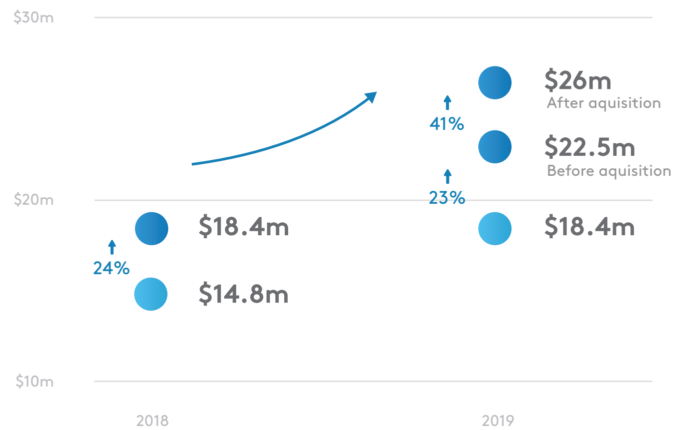
Travel platform booking trend over the last 7 years

- Online bookings
- Other and custom bookings



Peak ATMR[2]

Year-on-year movement



1 Peak ATMR is a Non-GAAP measure representing Annualised Transactional Monthly Revenue. 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 active user charges (for its expense platform revenue) annualised on a constant currency basis. Peak ATMR was February for both 2018 and 2019.

2 Booking volumes are total volumes and include Offline and 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.

17%
INCREASE
TRAVEL PLATFORM BOOKINGS

41%
INCREASE
PEAK ATMR

ACTIVITY

Travel platform bookings increased 17% over the prior year, while expense transaction volumes also grew strongly, driven mainly by growth in our core Australasian markets.

Total travel bookings during FY19 were 4.14 million, representing 58% of an estimated addressable market of 7.2 million corporate travel bookings in Australia and New Zealand. Total travel bookings include 0.4 million offline bookings (system automated bookings) which don't contribute significantly to revenue or are bundled into the 'Online' booking rate. Online bookings for the year were 3.74 million and were also up 17% over the prior year.

Serko is currently expanding into Northern Hemisphere markets, however, these regions did not make a significant contribution to volumes in 2019 owing to being in development and trial stages.

Serko Expense transactions increased by 33% to 273,000 for FY19 from 206,000 in the prior year.

ARPB for travel-related revenue (travel platform and supplier commissions) increased marginally during the year by 3% to $4.67 based on Online bookings and was largely related to increases in pricing for the Zeno platform. However, additional content revenue at $1.5 million is contributing significantly to Serko's profit with a 19% uplift over the prior year.

Peak ATMR, an indicative measure of forward revenue from currently transacting customers, rose 23% before the InterplX acquisition for the year to $22.5 million, lifted by increases in ARPB, total bookings and the number of users of our Expense platform. Actual recurring product revenue of $20.7 million for 2019 was ahead of the 2018 Peak ATMR of $18.4 million. ATMR, including InterplX, is $26 million (41% increase).

Serko's TMC partners have indicated they expect additional Australasian corporate customers, that are not currently using an online booking tool, to transition to Serko products over the next year. Therefore, we expect transaction growth in Australia and New Zealand to continue. In addition, Serko is expanding into Northern Hemisphere territories and this segment is also expected to grow over the next financial year.

While transaction growth is difficult to forecast, Serko is expecting total operating revenue to grow between 20% and 40% for the 2020 financial year.

Continued transition to Zeno at a price uplift and onboarding of new corporates within the Australasian market as well as Northern Hemisphere markets, will contribute to expected revenue uplifts for FY20. Also, with a healthy pipeline of Serko Expense management customers and a full year of InterplX revenue, we expect Expense revenue will also grow.

Serko uses Online bookings, Annualised Transactional Monthly Revenue (ATMR) and Average Revenue per Booking (ARPB) as indicators of strategic achievement.

32%
INCREASE
OPERATING EXPENSES

OPERATING EXPENSES

Year ended 31 March	2019 $ (000)	2018 $ (000)	Change $ (000)	%
Remuneration and benefits	13,135	11,667	1,468	13%
Selling and marketing expenses	1,691	1,258	433	34%
Administration expenses	6,563	3,692	2,871	78%
Other expenses	1,931	1,067	864	81%
Total operating expenses	**23,320**	**17,684**	**5,636**	**32%**
Percentage of operating revenue	100%	97%		

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.

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

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

Other expenses comprise direct technology costs, including hosting.

Total operating expenses were up 32% or $5.6 million from the prior year to $23.3 million, owing to increases across all categories of expenses as Serko expands its operations.

Remuneration and benefits (R&B) increased owing to the increased head count from 106 FTE to 173 FTE as at 31 March. Included in R&B was $2.0 million related to employee share-based payments and options (long-term incentives) and short-term incentive performance payments for 2019, compared to $1.3 million in the prior year.

As Serko continues to expand in the Northern Hemisphere, R&B costs will increase, as additional resources are hired to support growth into new territories. This will be offset partially by capitalisation of internal staff time spent on development of revenue-earning modules for the Serko platforms.

Selling and marketing expenses increased as expected with the launch of Zeno in Australasia, as well as into Northern Hemisphere markets, which will drive revenue growth in 2020 by supporting the successful acquisition and onboarding of new customers to the product.

Administration costs were higher than the prior year owing mainly to recruitment fees for increased head count and professional fees for advice to support international growth. Administration costs also included non-cash costs as well as one-off costs related to capital activities. For 2019, depreciation and amortisation at $1.0 million was $0.5 million higher than the prior year. During the year Serko listed on the ASX as a foreign-exempt listing and acquired InterplX. The one-off cash costs included in net profit related to these items amounted to $0.4 million. The fair value measurement adjustment on contingent consideration (non-cash), related to the InterplX acquisition, included a fair value remeasurement charge of $0.3 million.

The InterplX acquisition consideration was by way of issuance of Serko shares, half of which is deferred and contingent on InterplX achieving key milestones. As a result, the liability for the deferred component of this acquisition will vary according to the trading price of the shares at balance date and up until the shares are issued. An increase in the Serko price therfore results in an accounting entry that reduces Serko's profit and increases the contingent consideration liability which is then extinguished on share issue. The final number of shares issued is subject to InterplX meeting the revenue targets as set out in the purchase agreement.

Other expenses are primarily hosting costs. Hosting costs increased with the volume increases and set-up costs associated with new data centres for new territories.

87%
↑INCREASE
R&D COSTS

RESEARCH AND DEVELOPMENT (R&D) COSTS

Year ended 31 March	2019 $ (000)	2018 $ (000)	Change $ (000)	%
Total R&D cost (including amounts capitalised)	9,165	4,906	4,259	87%
Percentage of operating revenue	39%	27%		
Less: capitalised product development costs	(6,740)	(383)	(6,357)	1660%
Percentage R&D costs	74%	8%		
Research costs (excluding amortisation of amounts previously capitalised)	**2,425**	**4,523**	**(2,098)**	**-46%**
Less: Government grants	(876)	(956)	80	8%
Add: Amortisation of capitalised development costs	754	412	342	83%
Net product development costs	**2,303**	**3,979**	**(1,676)**	**-42%**
Percentage of operating revenue	10%	22%		

Research & Development (R&D) cost 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 an intangible asset. R&D expenses include employee and contractor remuneration related to these activities. It also covers research expenditure defined by NZ IAS 38.

Serko has capitalised more development costs for FY19 than in FY18.

During 2018 we undertook a research and market discovery and trial programme and established what was required for Zeno to be successful in these new markets. Accordingly, we capitalised only a small proportion of development costs and recorded higher research-related expenditure.

By contrast, 2019 was a year of development to add content and enhance the functionality and features of Zeno to address these markets. We also signed new Zeno contracts with large TMCs. As such a portion of employee development costs have been capitalised during the year and this resulted in additions of $6.7 million to intangible assets related to internally produced software. We remain in the build phase and have a significant development workload ahead of us as we prioritise development to deliver to those markets and customers that represent the best opportunity for Serko. We are confident that this investment will generate strong revenue growth in years to come.

63%
INCREASE
FTE

EMPLOYEES AND AVERAGE REVENUE FTE

Year ended 31 March	2019	2018	Change	%
Product development and maintenance	100	54	46	85%
Sales and marketing	16	12	4	33%
Customer support	40	27	13	48%
Administration	17	13	4	31%
Total employee numbers at end of year (FTE)	**173**	**106**	**67**	**63%**
Average revenue per FTE (NZD $000)	**167**	**170**	**-3**	**-2%**

Serko's staff head count increased during the year, moving to 173 from 106 full-time equivalent (FTE) staff at the end of 2018. Head count was 176 with 87 staff based in New Zealand, 24 in Australia, 38 in China, 26 in the US and one based in India. The increase in staff is primarily in product development and reflects the investment Serko is making in its product to service the Northern Hemisphere. The acquisition of expense management company InterplX in December 2018 added 21 staff to the US operations.

Average revenue per FTE decreased by $3,000 to $167,000, reflecting the investment into additional staff as Serko expands.

201%
INCREASE
CASH BALANCES

CASH FLOWS

Year ended 31 March	2019 $(000)	2018 $(000)	Change $(000)	%
Receipts from customers	21,855	17,754	4,101	23%
Grant income receipts	1,264	915	349	38%
Other operating cash flows	(19,472)	(17,253)	(2,219)	-13%
Total cash flows from operating activities	**3,647**	**1,416**	**2,231**	**158%**
Investing cash flows	(7,279)	(519)	(6,760)	1303%
Financing cash flows	14,220	(46)	14,266	n/a
Total net cash flows	**10,588**	**851**	**9,737**	**1144%**
Net foreign exchange differences	(88)	(70)	(18)	-26%
Closing cash balances	**15,732**	**5,232**	**10,500**	**201%**

Receipts from customers increased by 23% over the year from $17.8 million to $21.9 million. Other operating cash outflows increased by $2.2 million to $19.5 million. Positive operating cash flows for the year of $3.6 million were up 158% over the prior year's $1.4 million.

Cash outflows for property, plant and equipment and intangibles, reflecting capitalised internal development, were $7.3 million. A capital raise to fund expansion and related acquisitions resulted in a net $14.3 million contribution to cash balances.

Cash balances increased by 201% as at 31 March 2019, from $5.2 million to $15.7 million.

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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 2019 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 2019 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 Main Board 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 22 May 2019 by:

SIMON BOTHERWAY
CHAIRMAN

DARRIN GRAFTON
CHIEF EXECUTIVE OFFICER

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019	2018
		$ (000)	$ (000)
Revenue	4	23,361	18,279
Other income	4	1,215	994
Total revenue and other income		**24,576**	**19,273**
Operating Expenses			
Selling and marketing expenses		(1,691)	(1,258)
Remuneration and benefits		(13,135)	(11,667)
Administration expenses		(6,563)	(3,692)
Other expenses		(1,931)	(1,067)
Total operating expenses	5	**(23,320)**	**(17,684)**
Finance income	5	360	475
Finance expenses	5	(70)	(61)
Profit before income tax		**1,546**	**2,003**
Income tax benefit/(expense)	6	87	(171)
Net profit attributable to the shareholders of the company		**1,633**	**1,832**
Movement in foreign currency reserve		(126)	(52)
Total comprehensive income for the year		**1,507**	**1,780**
Earnings per share			
Basic profit per share	17	$0.02	$0.03
Diluted profit per share	17	$0.02	$0.02

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Notes	Share Capital	Share-based Payment Reserve	Foreign Currency Reserve	Accumulated Losses	Total
		$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
Balance as at 1 April 2018		**25,185**	**1,309**	**(85)**	**(18,065)**	**8,344**
Net profit for the year		-	-	-	1,633	1,633
Other comprehensive income/(loss)*		-	-	(126)	-	(126)
Total comprehensive income for the year		**-**	**-**	**(126)**	**1,633**	**1,507**
Transactions with owners						
Issue of share capital	16	15,048	-	-	-	15,048
Cost of equity issued	16	(778)	-	-	-	(778)
Shares allocated to employees	16	-	406	-	-	406
Shares forfeited from employees	16	-	(24)	-	-	(24)
Share-based payments — employee share options	16	-	194	-	-	194
Shares issued in respect of InterpIX acquisition	16	1,538	-	-	-	1,538
Balance as at 31 March 2019		**40,993**	**1,885**	**(211)**	**(16,432)**	**26,235**
Balance as at 1 April 2017		**25,185**	**1,021**	**(33)**	**(19,897)**	**6,276**
Net profit for the year		-	-	-	1,832	1,832
Other comprehensive income/(loss)*		-	-	(52)	-	(52)
Total comprehensive income for the year		**-**	**-**	**(52)**	**1,832**	**1,780**
Transactions with owners						
Shares allocated to employees	16	-	252	-	-	252
Shares allocated to employees	16	-	(23)	-	-	(23)
Shares forfeited from employees	16	-	59	-	-	59
Balance as at 31 March 2018		**25,185**	**1,309**	**(85)**	**(18,065)**	**8,344**

*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 2019

	Notes	2019 $ (000)	2018 $ (000)
Current assets			
Cash at bank and on hand	11	15,732	5,232
Receivables	7	5,493	3,831
Derivative financial instruments	8	421	288
Total current assets		**21,646**	**9,351**
Non-current assets			
Property, plant and equipment	9	1,129	893
Intangible assets	10	10,553	1,574
Deferred tax asset	6	84	155
Total non-current assets		**11,766**	**2,622**
Total assets		**33,412**	**11,973**
Current liabilities			
Trade and other payables	12	4,791	2,793
Contingent consideration	13	1,825	-
Income tax payable		224	98
Interest-bearing loans and borrowings	15	54	351
Total current liabilities		**6,894**	**3,242**
Non-current liabilities			
Trade and other payables	12	134	183
Interest-bearing loans and borrowings	15	149	204
Total non-current liabilities		**283**	**387**
Total liabilities		**7,177**	**3,629**
Equity			
Share capital	16	40,993	25,185
Share-based payment reserve	16	1,885	1,309
Foreign currency reserve		(211)	(85)
Accumulated losses		(16,432)	(18,065)
Total equity		**26,235**	**8,344**
Total equity and liabilities		**33,412**	**11,973**

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 22 May 2019.

SIMON BOTHERWAY
CHAIRMAN

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 2019

	Notes	2019	2017
		$ (000)	$ (000)
Cash flows from operating activities			
Receipts from customers		21,855	17,754
Interest received		304	93
Receipts from grants		1,264	915
Taxation (paid)/refund received		(142)	(262)
Payments to suppliers and employees		(19,395)	(17,065)
Interest payments		(20)	(22)
Net GST refunded (paid)		(219)	3
Net cash flows from operating activities	21	**3,647**	**1,416**
Cash flows from investing activities			
Purchase of property, plant and equipment		(466)	(192)
Capitalised development costs and other intangible assets		(6,813)	(327)
Net cash flows (used in) investing activities		**(7,279)**	**(519)**
Cash flows from financing activities			
Issue of ordinary shares	16	15,048	-
Cost of new share issue	16	(778)	-
Net repayment of loans		(50)	(46)
Net cash flows from/(used in)financing activities		**14,220**	**(46)**
Net increase (decrease) in total cash		10,588	851
Net foreign exchange difference		(88)	(70)
Cash and cash equivalents at beginning of period		5,232	4,451
Cash and cash equivalents at end of period		**15,732**	**5,232**
Cash and cash equivalents comprises the following:			
Cash at bank and on hand	11	15,732	5,232
		15,732	**5,232**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1 CORPORATE INFORMATION

The financial statements of Serko Limited ('the company') and subsidiaries ('the group') were authorised for issue in accordance with a resolution of directors.

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). 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 below and within this notes section. 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 directors have 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 directors 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 directors have considered the following factors:

- Cash reserves at 31 March 2019 of $15.7 million provides a sufficient level of headroom to help support the business for at least the next twelve months; and
- The directors have 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) Adoption of new accounting standards and interpretations

New accounting standards adopted by Serko Group:

A number of new or amended standards become applicable for the current reporting period and Serko has had to change its accounting policies as a result of adopting the following standards:

- NZ IFRS 15 Revenue from Contracts with Customers
- NZ IFRS 9 Financial Instruments

The impact of the adoption of these new standards is disclosed below.

NZ IFRS 15 Revenue from Contracts with Customers

Impact of adoption

The group adopted NZ IFRS 15 Revenue from Contracts with Customers from 1 April 2018, which resulted in changes in accounting policies relating to the recognition of revenue.

Following a detailed review of the group's portfolio of contracts, management concluded that the implementation of NZ IFRS 15 had no material impact on the way Serko recognises revenue for opening balances. Therefore, there is no requirement to restate revenue reported in prior periods. The details of the review process, including current year impact of the adoption of NZ IFRS 15, are outlined below. Accounting policies have been amended to ensure that the five-step method, as outlined in NZ IFRS 15, is applied consistently to revenue recognition processes across the group.

Process and policy

To quantify the impact of NZ IFRS 15 contracts across the travel platform were assessed and compared to revenue recognition under IAS 18. An assessment was made on each contract to evaluate the service benefits over time, which requires allocations to be made to each service obligation. As the revenue is usage based (depending on the volume of travel bookings), fixed and variable consideration was allocated over the performance period depending on contract minimum volume requirements and estimates of variable volume. For each contract the five-step method was applied to assess the impact on revenue recognition.

The five-step method for recognising revenue from contracts with customers involves consideration of the following:

- Identifying the contract with the customer;
- Identifying performance obligations;
- Determining the transaction price;
- Allocating the transaction price to distinct performance obligations; and
- Recognising revenue

During the current period, a number of new contracts were signed with contracted minimum revenue commitments, resulting in a $477,000 increase to revenue based on NZ IFRS 15 treatment. The current recognition of non-travel platform revenue is consistent with NZ IFRS 15 treatment, as it relates to revenue recognised 'as invoiced', such as customisation work. Under certain contracts, transaction fees are bundled to include the 'changes post ticketing' where some revenue may need to be deferred until subsequent changes occur. This is consistent with the prior year where management have determined this adjustement to be immaterial.

NZ IFRS 9 Financial Instruments

Impact of adoption

NZ IFRS 9 Financial Instruments includes a revised model for classification and measurement of financial instruments, including a new expected credit loss model for the calculation of impairment on financial assets and changes to general hedge accounting requirements.

The adoption of NZ IFRS 9 Financial Instruments from 1 January 2018 resulted in no significant changes in accounting policies or adjustments to the amounts recognised in the financial statements.

Serko does not currently hold any complex financial instruments. Cash is either held on call or on term deposit and forward contracts (hedging item) held are recognised at fair value through Profit and Loss. Trade receivables are assessed for impairment and an expected credit loss (ECL) provision made based on 'lifetime expected credit losses'. An ECL provision of $7,000 has been assessed based on an ECL model that considers various aspects of credit risk within a risk matrix, considering history of debtor write off, ageing of invoices, country, market and product risk. The low ECL allowance reflects the low levels of bad debt write off and low value of aged invoices.

e) Standards on issue not yet adopted

NZ IFRS 16 Leases

Impact of adoption

NZ IFRS 16 Leases, effective for accounting periods beginning on or after 1 January 2019. Serko has elected not to apply the standard early.

Under NZ IFRS 16 a contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Adopting NZ IFRS 16 will require Serko to recognise a lease liability reflecting the future lease payments and a 'right-of-use', asset which will be depreciated over the lease term. The statement of comprehensive income will be impacted by the recognition of an interest expense and a depreciation expense with premise rental expense removed altogether.

Until the project is completed and decisions are made, such as the transition method to apply and applicable discount rate to calculate the lease obligation, it is not practicable to quantify the effect of the standard.

The standard will not have any effect on the total amount of cash flows reported but it is expected to have an effect on the presentation of cash flows. This is because applying NZ IAS 17 Leases, cash flows relating to operating leases are presented as cash flows from operating activities while applying NZ IFRS 16 will result in the presentation within financial activities of cash flows relating to the repayment of principal on lease liabilities. Existing operating lease commitments are set out in note 19.

f) Basis of consolidation

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

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

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

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

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

The group reassesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses 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 loss of control, is accounted for as an equity transaction. If the group loses 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.

g) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

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

iii) Foreign Currency Translation Reserve

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

h) Financial instruments

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

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

i) Amortised cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. Such assets are subsequently carried at amortised cost using the effective interest method. Gains and losses 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 on investments in debt instruments that are measured at amortised cost or at FVTOCI, 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.

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.

i) 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.

j) 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant judgements and estimates

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

Share-based payments

The fair value applied to shares granted under the restricted share plan is the volume weighted average price (VWAP) of shares traded in the previous 20 trading days preceding the date of grant. Vesting of the shares is reviewed periodically to determine that the assumptions around vesting dates and employee churn rate are still valid (refer note 18).

Development costs

Development costs of a project are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits (refer note 10).

Functional currency

The group periodically reviews the functional currency for reporting purposes. The group believes that there are sufficient justifications 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.

Impairment of intangible or non-financial assets

Management reviews the carrying value of intangible and non-financial assets on an annual basis, in particular, 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 (refer note 10).

Revenue recognition

Serko has customer agreements that contain annual minimum transaction volume commitments that span financial reporting periods. Based on this management needs to make a judgement about estimated future transaction volumes to determine related revenue for the specific financial reporting period (refer note 4).

4 REVENUE & OTHER INCOME

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

a) Revenue from transaction and usage fees

Revenue from transaction and usage fees is recorded at the time travel or expense transactions are processed through Serko's platforms. Contracts that have fixed minimum booking volume arrangements are recognised over the period of volume commitment. For contracts without fixed consideration we have applied the 'as invoiced' practical expedient. Expense revenue is invoiced monthly on an active user basis and revenue recognised at a point in time. Supplier commission revenue, predominantly from hotel bookings, is recognised at a point in time, once the performance obligation is fulfilled.

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.

b) Contract assets

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

c) 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 reognised once the criteria of the grant application is met.

	Notes	2019	2018
		$ (000)	$ (000)
Revenue – transaction and usage fees:			
Travel platform booking revenue		15,948	13,283
Expense platform booking revenue		2,710	1,539
Supplier commissions revenue		1,538	1,288
Services revenue		2,698	1,835
Other revenue		467	334
Total revenue		**23,361**	**18,279**
Government grants	14	1,208	956
Sundry income		7	38
Total other income		**1,215**	**994**
Total revenue and other income		**24,576**	**19,273**

	2019	2018
	$ (000)	$ (000)
Geographic information		
Australia	18,238	16,599
New Zealand	3,440	1,038
US	1,471	457
Other	212	185
Total revenue	**23,361**	**18,279**

5 EXPENSES

	Notes	2019 $ (000)	2018 $ (000)
Operating profit before taxation includes the following expenses:			
Auditor remuneration and other assurance fees		86	79
Expected credit loss allowance on receivables	7	(7)	-
Amortisation of intangibles	10	754	412
Depreciation	9	294	185
Fair value remeasurement of contingent consideration		287	-
Rental and operating lease expenses		804	729
Employee remuneration		11,924	10,764
Contributions to pension plans		433	480
Share-based payment expenses	16	576	288
Marketing expenses		1,171	410
Hosting expenses		1,931	1,067
Other operating expenses		5,067	3,270
Expenses from ordinary activities		**23,320**	**17,684**
Research expenses (excluding capitalised development costs)		**2,425**	**4,523**

Research & Development (R&D) cost 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 an intangible asset. R&D expenses include employee and contractor remuneration related to these activities. It also covers research expenditure defined by NZ IAS 38.

	Notes	2019 $ (000)	2018 $ (000)
Finance income and expenses includes:			
Finance income			
Interest received		305	111
Dividends received		1	-
Foreign exchange gains – net		54	364
Total finance income		**360**	**475**
Finance expenses			
Interest expense		(20)	(43)
Other finance expenses		(50)	(18)
Total finance expenses		**(70)**	**(61)**
Total finance income and expenses		**290**	**414**

Auditor remuneration

The directors of Serko Limited appointed Deloitte Limited as the auditor of the group from the year ended 31 March 2018.

	Notes	2019	2018
		$ (000)	$ (000)
Amounts received or due and receivable by:			
Audit of financial statements – Deloitte Limited		79	79
Other assurance-related services (a)		7	-
Total audit fees		**86**	**79**

(a) Other assurance-related services include services for research and development assurance procedures.

6 INCOME TAX

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

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

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carry forward of unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference 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.

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.

	2019 $ (000)	2018 $ (000)
Current income tax		
Current income tax charge	493	225
Adjustments in respect of previous years	(225)	(12)
	268	**213**
Deferred income tax		
Origination and reversal of temporary differences	(355)	(42)
Income tax (benefit)/expense reported in the statement of comprehensive income	**(87)**	**171**

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

	Notes	2019 $ (000)	2018 $ (000)
Accounting profit (loss) before income tax		**1,546**	**2,003**
At the statutory income tax rate of 28% (2017:28%)		433	561
Non-deductible items		143	7
Adjustments in respect of current income tax of previous years		(225)	(12)
Chinese branch tax		18	98
Share-based payments		170	81
Tax losses recognised		(545)	(570)
Effect of tax on overseas subsidiaries at different rate		(81)	6
Income tax (benefit)/expense		**(87)**	**171**
At effective income tax rate of:		-5.6%	8.5%

Deferred income tax at 31 March relates to the following:

	2019		2018	
	Statement of financial position $ (000)	Statement of comprehensive income $ (000)	Statement of financial position $ (000)	Statement of comprehensive income $ (000)
Deferred income tax liabilities recognised				
Intangibles	(406)	20	-	-
Unrealised foreign exchange	13	22	(10)	41
Deferred income tax asset recognised				
Intangibles and non-current assets	72	(13)	85	(2)
Allowance for impairment	2	2	-	-
Employee entitlements	248	169	80	3
Bonus provision	172	172	-	-
Leasehold liabilities	(17)	(17)	-	-
Net deferred tax asset recognised	**84**	**355**	**155**	**42**
Deferred income tax asset not recognised				
Employee entitlements	-	(112)	112	5
Bonus provision	-	(195)	195	103
Allowance for impairment	-	-	-	(2)
Leasehold liabilities	-	11	(11)	9
	-	**(296)**	**296**	**115**
Tax losses available to be carried forward and offset against future income	3,240	-	3,785	-
Total deferred tax asset not recognised	**3,240**	**-**	**4,081**	**-**

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.

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

	Notes	2019	2018
		$ (000)	$ (000)
Trade receivables		3,040	2,247
Expected credit loss provision		(7)	-
Trade receivables (net)		**3,033**	**2,247**
Loan receivable		-	326
Allowance for impairment		-	(25)
Other receivables (net)	15	**-**	**301**
GST receivable		229	30
Sundry debtors		58	21
Contract assets		1,593	777
Prepayments		551	454
Funds held in trust		29	-
Total receivables		**5,493**	**3,831**

Foreign currency risk

The carrying amounts of the group's receivables are denominated in the following currencies:

	2019	2018
New Zealand dollars	2,981	1,918
Australian dollars	1,841	1,846
US dollars	666	52
British pounds	5	-
Indian rupees	-	15
	5,493	**3,831**

7 RECEIVABLES (CONTINUED)

	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:					
2019					
Trade receivables	3,040	2,252	630	48	110
2018					
Trade receivables	2,247	2,124	15	46	62
Other receivables	326	-	-	-	326

Allowance for impairment loss

i) Trade receivables

Group trade receivables over 60 days were $158,153 (2018: $108,099). This balance of $158,153 is not considered impaired as amounts outstanding are in accordance with agreed payment plans and payment record of the customers concerned.

Trade receivables are non-interest bearing and are generally on 30 - 60-day terms. Serko has historically low levels of impairment on trade receivables. A general ECL provision of $7,000 (2018: $nil) has been made as required under NZ IFRS 9.

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:

	Notes	2019	2018
		$ (000)	$ (000)
Current:			
Foreign currency forward exchange contracts		421	288
Contractual amounts of forward exchange contracts outstanding were as follows:			
Foreign currency forward exchange contracts		11,016	10,763

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

9 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

The following estimates have been used:

- Leasehold improvements 7%
- Furniture and fittings 6 - 36%
- Computer equipment 17.5 - 48%

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)

	Notes	Leasehold improvement	Furniture & fittings	Computer equipment	Total
		$ (000)	$ (000)	$ (000)	$ (000)
2019					
Cost or valuation					
Balance at 1 April 2018		770	367	574	1,711
Additions		28	166	270	464
Acquisition through business combinations	13	14	24	30	68
Currency translation		-	(1)	(1)	(2)
Balance at 31 March 2019		**812**	**556**	**873**	**2,241**
Depreciation					
Balance at 1 April 2018		222	175	421	818
Depreciation expense		111	48	135	294
Balance at 31 March 2019		**333**	**223**	**556**	**1,112**
Net carrying amount		**479**	**333**	**317**	**1,129**
2018					
Cost or valuation					
Balance at 1 April 2017		767	354	398	1,519
Additions		4	13	176	193
Currency translation		(1)	-	-	(1)
Balance at 31 March 2018		**770**	**367**	**574**	**1,711**
Depreciation					
Balance at 1 April 2017		116	139	378	633
Depreciation expense		106	36	43	185
Balance at 31 March 2018		**222**	**175**	**421**	**818**
Net carrying amount		**548**	**192**	**153**	**893**

10 INTANGIBLES

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

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

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

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

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

- Computer Software
  (finite, amortised on a straight-line basis 40 - 60%); and
- Capitalised software development costs
  (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 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 a 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.

In undertaking an impairment review of non-financial assets that have definite useful lives the following assumptions were used in the impairment model;

- Cash flow projections across a five-year forecast period;
- Discount rate of between 11.5% to 15.0% (FY18: 15.0%);
- Discount factor applied using a mid-year convention; and
- Terminal growth rates of between 0% to 2.4%.

10 INTANGIBLES (CONTINUED)

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 ('CGU's'). Non-financial assets, including development work in progress and computer software are assessed for impairment at a group level under one reporting segment. InterplX has been assessed as a seperate CGU and an impairment assessment has been performed for goodwill and indefinite intangible assets.

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.

	Goodwill	Intellectual property	Key employee retention	Customer contracts	Other intangible assets	Development work in progress	Computer software	Total
	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
2019								
Cost								
Balance at 1 April 2018	220	-	78	443	-	49	2,915	3,705
Additions	-	-	-	-	73	6,740	-	6,813
Assets no longer in use	(220)	-	(78)	(443)	-	-	(201)	(942)
Transfer of cost	-	-	-	-	-	(2,023)	2,023	-
Acquisition through business combinations (refer note 13)	1,444	1,523	-	-	-	-	39	3,006
Currency translation	(39)	(46)	-	-	-	-	(1)	(86)
Balance at 31 March 2019	**1,405**	**1,477**	**-**	**-**	**73**	**4,766**	**4,775**	**12,496**
Amortisation and impairment								
Balance at 1 April 2018	220	-	78	443	-	-	1,390	2,131
Amortisation	-	76	-	-	-	-	678	754
Assets no longer in use	(220)	-	(78)	(443)	-	-	(201)	(942)
Balance at 31 March 2019	**-**	**76**	**-**	**-**	**-**	**-**	**1,867**	**1,943**
Net carrying amount	**1,405**	**1,401**	**-**	**-**	**73**	**4,766**	**2,908**	**10,553**
2018								
Cost								
Balance at 1 April 2017	220	-	78	443	-	205	2,376	3,322
Additions	-	-	-	-	-	328	55	383
Transfer of cost	-	-	-	-	-	(484)	484	-
Balance at 31 March 2018	**220**	**-**	**78**	**443**	**-**	**49**	**2,915**	**3,705**
Amortisation and impairment								
Balance at 1 April 2017	220	-	78	443	-	-	978	1,719
Amortisation	-	-	-	-	-	-	412	412
Balance at 31 March 2018	**220**	**-**	**78**	**443**	**-**	**-**	**1,390**	**2,131**
Net carrying amount	**-**	**-**	**-**	**-**	**-**	**49**	**1,525**	**1,574**

11 CASH AT BANK AND ON HAND

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

	2019	2018
	$ (000)	$ (000)
Cash at bank – New Zealand dollar balances	8,945	4,529
Cash at bank – foreign currency balances	6,787	703
	15,732	**5,232**

The carrying amounts of the group's cash at bank and on hand are denominated in the following currencies:

New Zealand dollars	8,945	4,529
Australian dollars	6,356	532
Chinese Yuan	290	-
US dollars	119	171
Indian rupees	22	-
	15,732	**5,232**

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 payables 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.

12 TRADE AND OTHER PAYABLES (CONTINUED)

	2019 $ (000)	2018 $ (000)
Trade payables	1,144	428
Accrued expenses	2,701	1,640
Lease incentive	193	223
Annual leave accrual	887	665
GST payable	-	20
Total trade and other payables	**4,925**	**2,976**
Disclosed as:		
Current	4,791	2,793
Non-current	134	183
	4,925	**2,976**

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

13 BUSINESS COMBINATIONS — INTERPLX INC.

Transaction description

On 20 December 2018 Serko announced the acquisition of 100% shareholding in InterplX Inc. (InterplX) based in Minneapolis, US for consideration totalling USD$2,500,000 (in exchange for Serko Limited shares). InterplX is a provider of SaaS expense software in the United States. The company provides business expense management solutions, including expense audit, payment processing and receipt processing to a range of organisations, including Fortune 500 clients.

Serko Limited has a 100% shareholding in InterplX and on that basis has achieved control. Serko has consolidated InterplX from 1 January 2019 and included it as a separate cash-generating unit for management reporting purposes.

13 BUSINESS COMBINATIONS — INTERPLX INC. (CONTINUED)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Notes	2019
		$ (000)
Shares — Serko Limited		1,538
Contingent consideration		1,538
Total purchase consideration		**3,076**

Fair value assets and liabilities recognised as a result of the acquisition are as follows:

Property, plant and equipment	9	68
Intangible assets	10	39
Cash on hand		20
Trade and other receivables		628
Other assets		56
Trade and other payables		(236)
Other liabilities		(40)
Intellectual property	10	1,523
Deferred tax		(426)
Net identifiable assets acquired		**1,632**
Goodwill	10	1,444
Total purchase consideration		**3,076**

Consideration

Consideration for the acquisition was part-settled in shares at the market price on 20 December 2018, with the purchase agreement including contingent consideration to be issued in further Serko shares, to be issued 31 January 2020. Contingent consideration is calculated based on achievement of InterplX revenue performance over the period 1 January 2019 to 31 December 2019. For the purposes of quantifying the amount payable, an estimate has been made based on the expected performance of InterplX in 2019 and the fair value of the shares to be issued.

Contingent consideration is measured at fair value at each reporting date and remeasurement changes are reognised in profit and loss (fair value at reporting date was $1,825,000).

Intangible assets

The fair value attributable to intellectual property (IP) is calculated using a royalty valuation method (15% royalty rate) which represents the 'arms length' cost to license or sell the IP from a third party.

Goodwill

Goodwill is attributable to the strength of InterplX business experience and capability in the US market.

Serko has recognised revenue included in the statement of comprehensive income from 1 January 2019 to 31 March 2019 of $883,000. InterplX contributed net loss after tax of $59,000 for the same period. Had InterplX been consolidated from 1 April 2018 the impact on the statement of comprehensive income for the full year period ended 31 March 2019 would have been an increase in revenue of $3,678,000 and decrease in net profit after tax of $525,000.

14 GOVERNMENT GRANTS

Government grants are received for direct reimbursement of expenses to assist with research and development of software solutions to improve service delivery and develop new enhancements to existing platforms.

There are no unfulfilled conditions or contingencies attached to these grants.

15 INTEREST-BEARING LOANS AND BORROWINGS

	Notes	2019 $ (000)	2018 $ (000)
Current			
Loan payable	20	-	301
Leasehold fitout loan		54	50
		54	**351**
Non-current			
Leasehold fitout loan		149	204
		149	**204**

In 2018, an interest bearing receivable from nuTravel Technology was reassigned back to Financial Equities Limited (FEL), reversing the original assignment to Serko Limited in 2014. FEL is a company associated with directors Bob Shaw and Darrin Grafton.

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.

In the current year the group issued no shares (2018: 2,000,000) under the Restricted Share Plan (RSP). In respect of the RSP 230,050 restricted shares (2018: 710,313) had been allocated to key management personnel and 116,107 (2018: 228,519) allocated to other Serko employees. Unallocated shares are 1,592,299 (2018: 1,819,732) (refer to note 18).

	2019	2018	2019	2018
			Number of shares	Number of shares
	$ (000)	$ (000)	(000)	(000)
Ordinary shares				
Share capital at beginning of year	25,185	25,185	74,894	74,894
Issue of shares pursuant to institutional capital placement	15,048	-	5,455	-
Transaction costs for issue of new shares	(778)	-	-	-
Shares issued in respect of InterplX acquisition	1,538	-	574	-
Share capital at 31 March	**40,993**	**25,185**	**80,923**	**74,894**
Share-based payment reserve				
Balance at 1 April	1,309	1,021	-	-
Shares allocated to employees via Restricted Share Plan	406	252	-	-
Shares forfeited from employees via Restricted Share Plan	(24)	(23)	-	-
Share options to non-exec directors	-	59	-	-
Share-based payments — employee share options	194	-	-	-
Share-based payment reserve at 31 March	**1,885**	**1,309**	**-**	**-**

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:

	Notes	2019	2018
		$ (000)	$ (000)
Profit attributable to ordinary equity holders of the parent			
Continuing operations		1,633	1,832
		1,633	**1,832**

	Notes	2019	2018
		Number	Number
Basic earnings per share			
Issued ordinary shares (refer note 16)	16	80,923	74,894
Adjusted for employee restricted share plan shares		(2,769)	(2,991)
Weighted average of issued ordinary shares		78,154	71,903
Basic earnings per share (dollars)		**0.02**	**0.03**
Diluted earnings per share			
Weighted average of issued ordinary shares		77,584	74,894
Weighted average of issued ordinary shares for diluted earnings per share		77,584	74,894
Diluted earnings per share (dollars)		**0.02**	**0.02**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

	Notes	2019	2018
		Cents	Cents
Net tangible assets per security		**19.38**	**9.04**

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 expense is recognised for awards that do not ultimately vest except where vesting is conditional upon a market condition.

Employee Restricted Share Plan

The Serko Limited Employee Restricted Share Plan (RSP) was introduced for selected executives and employees of the group. Under the RSP ordinary shares in Serko Limited are issued to a trustee, Serko Trustee Limited, a wholly-owned subsidiary, and allocated to participants, on grant date, using funds lent to them by the company.

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

Under the RSP shares are beneficially owned by the participants. The length of retention period before the shares vest is between one and three years. If the individual is still employed by the group at the end of this specific period, the employee is awarded a cash bonus that must be used to repay the loan and shares are then transferred to the employee. The number of shares awarded is determined by the Remuneration Committee of the Board. The weighted average grant date fair value of restricted shares issued during the year was $2.96 (2018: $0.49) and was determined by the volume weighted average price (VWAP) of shares traded in the previous 20 trading days preceding the date of grant. The group has no legal or constructive obligation to repurchase the shares or settle the RSP for cash.

	2019 Number of shares	2018 Number of shares
Unvested shares at 1 April	1,398,707	1,359,226
Granted	345,890	356,066
Forfeited	(22,219)	(128,633)
Vested	(222,435)	(187,952)
Unvested shares at 31 March — allocated to employees	**1,499,943**	**1,398,707**
Ageing of unvested shares		
Vest within one year	842,911	183,810
Vest within two to five years	657,032	1,214,897
Ageing of unvested shares at 31 March — allocated to employees	**1,499,943**	**1,398,707**
Unallocated shares – held by trustee	1,268,628	1,592,299

18 SHARE-BASED PAYMENTS (CONTINUED)

Employee share options scheme

Options are granted to selected employees. The exercise price of the granted options is equal to the volume weighted average share price of Serko Limited shares for the 20 trading days preceding the grant date.

Options are conditional on the completion of the necessary years of service (the vesting period) as appropriate to that tranche. The options' tranches vest over two to five years from the grant date. No options can be exercised later than five years from grant date. There were 14 holders of options at 31 March 2019 (2018: nil)

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:

	2019 Weighted average exercise price	2019 Options	2018 Weighted average exercise price	2018 Options
	($)	(000)	($)	(000)
Outstanding at 1 April	-	-	-	-
Granted	2.90	287	-	-
Outstanding at 31 March	**2.90**	**287**	**-**	**-**

Options outstanding at the end of the year have the following expiry dates and exercise prices:

Granted	Expiry date	Grant price	2019 Options	2018 Options
		$	(000)	(000)
2018-19	2020-21	2.68	29	-
2018-19	2021-22	2.68	15	-
2018-19	2022-23	2.68	15	-
2018-19	2023-24	2.68	15	-
2018-19	2023-24	2.97	199	-
2018-19	2023-24	2.84	4	-
2018-19	2023-24	3.32	2	-
2018-19	2023-24	3.19	8	-
			287	**-**

The weighted average fair value of options granted during the year, determined using the Black-Scholes valuation model, was $1.64 per option (2018: nil).

The significant inputs into the model were the market share price at grant date, the grant price as shown above, expected annualised volatility of between 55% and 66% (FY18: nil), a dividend yield of 0%, an expected option life of between two and five years (FY18: nil) and an annual risk-free interest rate of 3%.

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

Non-executive director shares

The group's non-executive directors were granted shares in 2014 and are to be settled by way of a non-recourse loan. The non-recourse loan is due for repayment 30 June 2020, following an extension to the previous loan due 30 June 2017. These were valued using Black-Scholes model at the time of loan extention. No change of value recognised for the current year.

19 LEASE COMMITMENTS

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

a) Operating leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability (refer note 12). These lease commitments primarily relate to property leases.

	2019 $ (000)	2018 $ (000)
Operating lease commitments		
No later than one year	601	562
Later than one year and not later than five years	1,087	1,365
	1,688	**1,927**

20 RELATED PARTIES

a) Subsidiaries

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

		% Equity interest		Investment $(000)	
Name	**Balance date**	**2019**	**2018**	**2019**	**2018**
Serko Australia Pty Limited	31 March	100%	100%	1	1
Serko Trustee Limited	31 March	100%	100%	-	-
Serko India Private Limited	31 March	99%	99%	2	2
Serko Investments Limited	31 March	100%	100%	-	-
Foshan Sige Information Technology Limited	31 March	100%	100%	-	-
Serko Inc	31 March	100%	100%	-	-
InterplX Inc	31 December	100%	0%	3,076	-
				3,079	**3**

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.

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.

InterplX Inc was acquired on 20 December 2018 as a subsidiary of the group. InterplX Inc is an Expense solution based in the US. The current balance date for InterplX is 31 December however, this will be changed to align with the balance date of the group.

20 RELATED PARTIES (CONTINUED)

b) Transactions with related parties

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

	Notes		Purchases from related parties	Interest to related parties	Amounts owed to related parties	Amounts owed by related parties
			$ (000)	$ (000)	$ (000)	$ (000)
Other related parties						
Financial Equities Limited		2019	-	-	-	-
	15	2018	-	21	301	-
Simon Botherway – Chairman		2019	108	-	-	-
		2018	80	-	-	-
Clyde McConaghy – Non-executive Director		2019	83	-	-	-
		2018	74	-	-	-
Claudia Batten – Non-executive Director		2019	83	-	-	-
		2018	74	-	-	-
Total		**2019**	**274**	**-**	**-**	**-**
		2018	**228**	**21**	**301**	**-**

Non-executive directors provide services to Serko in their capacity as non-executive directors and have service agreements with specified amounts of fees payable per annum. The non-executive directors also hold share options with related non-recourse loans (refer note 18).

c) Key management remuneration

	2019	2018
	$ (000)	$ (000)
Short-term benefits employees (*)	3,800	3,294
Share-based payments	427	162
Post-employment benefits	121	72
Total compensation	**4,348**	**3,528**

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 2019, the group has not made any allowance for impairment loss relating to amounts owed by related parties (2018: $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.

* 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.

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

	2019 $ (000)	2018 $ (000)
Net profit after tax	1,633	1,832
Add non-cash items		
Amortisation	754	412
Depreciation	294	185
Fair value remeasurement of contingent consideration	287	-
Increase/(decrease) in deferred tax	(72)	(42)
Loss/(gain) on foreign exchange transactions	(153)	(556)
Share-based compensation	576	288
	3,319	**2,119**
Add/(less) movements in working capital items		
(Increase)/decrease in receivables excluding loans	(1,795)	(764)
Increase/(decrease) in trade and other payables	1,998	123
Increase/(decrease) in income tax payable	125	(62)
	328	**(703)**
Net cash flow from operating activities	**3,647**	**1,416**

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

The main risks arising from the group's financial instruments are foreign currency, interest, credit and liquidity risk. The group uses different methods to measure and manage 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.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

a) Risk exposures and responses

i) Interest rate risk

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

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

ii) Liquidity and interest rate risk

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

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

	Weighted average effective interest rate %	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
		$ (000)	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
Group — 2019							
Accounts payable	0%	4,732	4,732	-	-	-	-
Leasehold fitout loan	8%	233	34	34	68	97	-
		4,965	**4,766**	**34**	**68**	**97**	-
Group — 2018							
Accounts payable	0%	2,754	2,754	-	-	-	-
Related party loans	6%	301	301	-	-	-	-
Leasehold fitout loan	8%	302	34	34	68	166	-
		3,357	**3,089**	**34**	**68**	**166**	-

b) Currency risk

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

Refer to notes 7 (receivables), 11 (cash at bank and on hand), 12 (trade and other payables) and 13 (business combinations) for further details on the group's foreign currency denominated accounts receivable and cash balances.

22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following table summarises the sensitivity to foreign currency exchange rate movements. A sensitivity of +/- 15% (2018: +/- 15%) has been selected owing to exchange rate volatility observed.

		Foreign currency risk			
		-15%		+15%	
	Carrying amount	Post-tax profit	Equity	Post-tax profit	Equity
	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
2019					
Foreign exchange balances					
Cash at bank	6,787	862	862	(637)	(637)
Trade receivables	2,507	315	315	(239)	(239)
Trade payables	(173)	(22)	(22)	16	16
Net exposure	**9,121**	**1,155**	**1,155**	**(860)**	**(860)**
2018					
Foreign exchange balances					
Cash at bank	703	89	89	(66)	(66)
Trade receivables	1,913	243	243	(180)	(180)
Trade payables	(110)	(14)	(14)	10	10
Net exposure	**2,506**	**318**	**318**	**(236)**	**(236)**

c) Credit risk

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

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

The expected credit loss provision is monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

At reporting date 99% (2017: 100%) of the group's cash and cash equivalents were with one bank. The group has no other concentrations of credit risk.

d) Fair value

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

23 SEGMENT INFORMATION

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

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

As required under NZ IFRS 8 Serko is required to report on major customers making up more than 10% of the revenue for the year. Under this disclosure Serko advises that two customers had revenue more than 10% of the revenue for the group. These customers accounted for $10,721,614 of the revenue for the year ended 31 March 2019 (2018: $9,219,226).

24 EVENTS AFTER BALANCE SHEET DATE

There have been no events subsquent to 31 March 2019 which materially impact the results reported (2018: nil).

25 CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2018: $nil).

Deloitte.

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 2019, 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 30 to 65, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

BASIS FOR OPINION

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

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

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

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

AUDIT MATERIALITY

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

We determined materiality for the Group financial statements as a whole to be $260,000

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group has reported revenue of $23.4 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 judgment 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. This is also the year of adopting the new revenue standard NZ IFRS 15: Revenue from Contracts with Customers'.	We considered the application of NZ IFRS 15: Revenue from Contracts with Customers to Serko's key revenue streams, and challenged the Group's transition assessments. We performed walkthroughs of the major revenue processes and evaluated the design and implementation of key controls. We tested a sample of transactions by agreeing invoices to signed customer contracts in order to validate pricing inputs and assess whether revenue has been recorded in the correct period. We used data analytic tools to: • identify outlying revenue transactions and ensure they were supported by contractual arrangements or trasactional data • agree travel booking transactions recorded in IT systems to the financial ledger • test samples of manual journal entries recorded outside of normal business processes by profiling for outlying 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.
Acquisition of InterplX Business Combination	
As discussed in note 13, at 20 December 2018, Serko acquired InterplX Inc ('InterplX') for a total fair value consideration of NZ$3.1m, of which NZ$1.5m has been deferred as contingent consideration based on the achievement of InterplX's future revenue performance. On acquisition, the Group is required to identify the assets and liabilities acquired in a business combination, including intangible assets, and to measure them at fair value at the date of acquisition. Goodwill arising is the excess of consideration paid over the fair value of the assets and liabilities acquired. Intellectual property totaling $1.5m has been valued using the relief from royalty method. The key assumptions applied in this model were forecast sales volumes and profitability and the royalty rate. The acquisition of InterplX is included as a key audit matter due to the size of the acquisition and because significant judgement is required to determine the fair value of assets and liabilities acquired, especially in relation to the fair value of intangible assets acquired representing intellectual property.	We read the sale and purchase agreement (the 'agreement and plan of merger') and other key documents related to the acquisition in order to identify whether all identifiable intangible assets were recognised. We worked with our internal valuation specialists to challenge the fair value measurement of contingent consideration. We challenged key assumptions used in the royalties from relief valuation model, including: • revenue and expense growth rates; • comparing forecast sales and profitability to Board approved forecasts; and • utilised our internal valuation specialists to conclude on the appropriateness of the use of the relief from royalty valuation model and rates applied.

Key audit matter	How our audit addressed the key audit matter
Capitalisation and impairment considerations of software development	
The Group capitalised $6.7 million in relation to software development, as set out in note 10 'Intangibles', of which $4.8 million relates to development work in progress at balance date. As a Software as a Service ('SaaS') provider, the Group incurs significant expenditure in developing new software products. Judgement is required to determine if the recognition criteria under NZ IAS 38 Intangible Assets have been met in order to capitalise the applicable costs of development, which include technical feasibility, likelihood of generating future economic benefits and sufficient funding for completion. 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. We have included capitalisation and impairment considerations of software development as a key audit matter due to the level of judgement required for management to determine whether: • internal staff time incurred meet the criteria to be capitalised; and • information exists as at year end that would indicate the need to impair an intangible asset.	For each product, we have understood the nature of expenditure, the stage of product development, and how the group distinguishes expenditure between research, development and maintenance costs. We performed audit procedures over development costs capitalised as computer software, by testing a sample of additions and evaluating if the recognition criteria under NZ IAS 38 have been met. For development work in progress, 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 as at 31 March 2019 of computer software including that which is in development. We assessed key judgements adopted by management to determine whether indicators for impairment exist. In particular 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.

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
22 May 2019

CORPORATE GOVERNANCE & DISCLOSURES

For the year ended 31 March 2019

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 or, where possible, exceed best practice and that Serko adheres to the highest ethical standards.

The Board has considered the NZX Listing Rules and a number of corporate governance recommendations when establishing its governance framework, including the revised NZX Corporate Governance Code 1 January 2019 (NZX Code) and the Third 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. How Serko has implemented these recommendations is set out in Serko's Corporate Governance Statement, which is included in its ESG Report and can be found on the investor centre of the company's website. Go to: www.serko.com/investor-centre/. 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 2019.

Serko's Corporate Governance Statement and governance charters and policies can be found on the investor centre of the company's website. Go to: www.serko.com/investor-centre/. Serko's corporate governance charters and policies have been approved by the Board and are regularly reviewed by the Board and amended (as appropriate) to reflect developments in corporate governance practices.

STOCK EXCHANGE LISTINGS

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

Serko is incorporated in New Zealand.

OVERVIEW OF SERKO'S GOVERNANCE STRUCTURE

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

The Board currently comprises an independent non-executive Chair, two independent non-executive directors and two executive directors, as detailed on page 14 of this Annual Report. These directors held office through out the financial year ended 31 March 2019.

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

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

DIRECTOR REMUNERATION

Serko's shareholders have approved a total cap of $350,000 per annum for non-executive directors' fees for the purposes of the NZX Listing Rules. This annual fee pool has not been increased since it was approved by shareholders in 2014 but will be reviewed this calendar year with a view to providing flexibility for Serko to appoint an additional non-executive director in the future. Serko currently pays directors' fees that, in aggregate, amount to AUD$300,000[1] per annum. More information about remuneration payable to directors is set out in Serko's Corporate Governance Statement, which is located on the investor centre of the company's website.

1 Approximately NZ$320,000 subject to exchange rate fluctuations

The Board has agreed that the following fixed annual fees will apply to all non-executive directors for the year ending 31 March 2020:

	Position	Fees per annum
Board of Directors	Chair	AUD$120,000
	Non-executive directors	AUD$75,000[1]
Audit & Risk Committee	Committee Chair	AUD$15,000
	Committee Member	-
Remuneration & Nominations Committee	Committee Chair	AUD$15,000
	Committee Member	-

Non-executive directors received the following directors' fees, remuneration and other benefits from the company in the year ended 31 March 2019:

	Remuneration and value of other benefits received[1]				
Name of director	**Non-executive directors' Board fees[2]**	**Audit & Risk Committee fees**	**Remuneration & Nominations Committee fees**	**Shares and other payments or benefits[3]**	**Total remuneration**
Simon Botherway	$57,829 (Chair)	-	-	$50,000	$107,829
Clyde McConaghy	$70,398[4]	$13,037 (Chair)	-	-	$83,435
Claudia Batten	$20,398	-	$13,037 (Chair)	$50,000	$83,435
TOTAL	**$148,625**	**$13,037**	**$13,037**	**$100,000**	**$274,699**

1 The figures shown are gross amounts, which have been converted into NZD and exclude GST (where applicable).

2 Board fees includes the amount of base fees payable to Mr Botherway and Ms Batten, which are used to acquire shares in the company under the Non-executive Director Fixed Trading Plan (refer to the Corporate Governance Statement on the investor centre of Serko's website for more information on the Plan).

3 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.

4 Includes Australian superannuation payable.

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.

The table below (and accompanying notes) sets 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 2019:

	Base salary[1]	Taxable benefits[2]	Subtotal	Pay for performance			Total remuneration
				STI	LTI[5]	Subtotal	
Darrin Grafton	$350,334	$30,000	$380,334	$50,400[3]	$200,000 in the form of 43,252 restricted shares	$250,400	$630,734
Bob Shaw	$254,229	$30,000	$284,229	$21,600[4]	$125,000 in the form of 24,921 restricted shares	$146,600	$430,829

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

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

3 The short-term incentive stated was earned in FY19 and will be paid in FY20. Darrin Grafton's potential short-term incentive payment for FY19 was $140,000. During the financial period Darrin Grafton also received a short-term incentive of $85,000, which was earned in FY18 and paid in FY19.

4 The short-term incentive stated was earned in FY19 and will be paid in FY20. During the financial period Bob Shaw also received a short-term incentive of $50,000, which was earned in FY18 and paid in FY19.

5 The FY19 long-term incentive was granted in July 2018, following partial achievement of pre-grant performance targets based on FY18 performance. The restricted shares will vest three years after the allocation date. The value stated is the gross amount earned.

EMPLOYEE REMUNERATION

The table below shows the number of employees and former employees of Serko and its subsidiaries, not being directors of Serko, who, in their capacity as employees, received remuneration and other benefits during the period ended 31 March 2019 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.

Remuneration range (NZD)	Total number of employees
$100,000 - $110,000	7
$110,001 - $120,000	5
$120,001 - $130,000	9
$130,001 - $140,000	3
$140,001 - $150,000	7
$150,001 - $160,000	2
$170,001 - $180,000	2
$190,001 - $200,000	2
$200,001 - $210,000	2
$210,001 - $220,000	1
$220,001 - $230,000	2
$230,001 - $240,000	1
$250,001 - $260,000	1
$270,001 - $280,000	1
$290,001 - $300,000	1
$300,001 - $310,000	1
$320,001 - $330,000	2
$350,001 - $360,000	1
$430,001 - $440,000	1
Total number of employees and former employees	**51**

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

DIVERSITY

The respective numbers and proportions of men and women at various levels within the Serko workforce as at 31 March 2018 and 31 March 2019 are set out in the table below:

Female	2019		2018	
	no.	%	no.	%
All directors	1	20%	1	20%
Non-executive directors	*1*	*33%*	*1*	*33%*
Officers[1]	1	14%	1	20%
Senior employees[2]	4	29%	4	33%
Remaining workforce	61	39%	35	39%
Male	**2019**		**2018**	
	no.	%	no.	%
All directors	4	80%	4	80%
Non-executive directors	*2*	*66%*	*2*	*66%*
Officers[1]	6	86%	4	80%
Senior employees[2]	10	71%	8	67%
Remaining workforce	94	61%	54	61%

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

2 Direct reports to the Executive Team with managerial responsibilities.

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

BOARD AND COMMITTEE ATTENDANCE

The table below shows the Board and Committee meeting attendance during the year ended 31 March 2019:

Director attendance	Board	Special meetings	Sub-committee meetings	Audit & Risk Committee	Remuneration & Nominations Committee
Darrin Grafton	12/12	6/8	3/3	*	*
Bob Shaw	11/12	6/8	-	*	*
Simon Botherway	12/12	8/8	3/3	5/5	4/4
Clyde McConaghy	11/12	6/8	1/1	5/5	3/4
Claudia Batten	12/12	7/8	-	5/5	4/4

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

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 2019 and the date of this Annual Report, Simon Botherway, Claudia Batten 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 2019 are set out below:

Date of disclosure	Director	Entity
8 May 2018	Darrin Grafton	Gave notice to the Board that Financial Equities Limited, in which they are shareholders and directors, is interested in an Assignment Agreement to be entered into between Serko Limited and Financial Equities Limited in respect of a loan to nuTravel Technology Solutions.

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 2019 and subsequently, are set out below:

Director	Entity	Relationship
Claudia Batten	AIDER International Limited Broadli Inc New Zealand Trade & Enterprises Serko Inc[1] Westpac New Zealand Limited	Appointed Adviser Director Ceased to be Regional Director Director Board Adviser
Simon Botherway	Arrow Trust Callaghan Innovation Board EBT Capital Limited Fidelity Life Insurance Guardians of NZ Super Fund Landcorp Board MSH Trustee (Arrow Limited)	Trustee Ceased to be a Board member[2] Ceased to be Director Director Appointed Guardian Ceased to be Board Adviser Trustee
Darrin Grafton	Financial Equities Limited Grafton-Howe No.2 Trust InterplX Inc.[1] Serko Australia Pty Limited[1] Serko Inc[1] Serko India Private Limited[1] Serko Investments Limited[1] Travelog World for Windows Pty. Limited	Director Trustee Appointed Director Director Director Director Director Director
Clyde McConaghy	Chapman Eastway Pty Limited Infomedia Limited Optima Boards	Chairman (Advisory Board) Director Director
Bob Shaw	Financial Equities Limited Ripon Trust Serko Australia Pty Limited[1] Serko India Private Limited[1] Serko Investments Limited[1] Travelog World for Windows Pty. Limited	Director Trustee Director Director Director Director

1 Serko subsidiary as detailed on page 81.

2 Simon Botherway ceased to hold this position from 9 May 2019

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 2019:

Name	Nature of relevant interest	Date of acquisition/ (disposal)	Number of shares acquired/(disposed)	Consideration paid/received[5]
Claudia Batten	On-market acquisition of beneficial interest in ordinary shares (held in custody for Claudia Batten pursuant to Non-executive Director Fixed Trading Plan)[1]	10-Apr-18 7-May-18 5-Jun-18 5-Jul-18 6-Aug-18 5-Sep-18 5-Oct-18 14-Nov-18 4-Dec-18 8-Jan-19 5-Feb-19 5-Mar-19	1,668.42 ordinary shares 1,339.29 ordinary shares 1,370.43 ordinary shares 1,367.66 ordinary shares 1,452.46 ordinary shares 1,422.41 ordinary shares 1,166.71 ordinary shares 1,195.29 ordinary shares 1,328.57 ordinary shares 1,482.97 ordinary shares 1,246.50 ordinary shares 1,201.13 ordinary shares	$4,104.98 $4,125.00 $4,125.00 $4,062.58 $4,125.00 $4,125.00 $4,000.86 $3,871.58 $4,038.85 $4,078.17 $4,016.94 $4,035.79
Simon Botherway	On-market acquisition of beneficial interest in ordinary shares (held in custody for Simon Botherway pursuant to Non-executive Director Fixed Trading Plan)[1]	10-Apr-18 7-May-18 5-Jun-18 5-Jul-18 6-Aug-18 5-Sep-18 5-Oct-18 14-Nov-18 4-Dec-18 8-Jan-19 5-Feb-19 5-Mar-19	1,668.42 ordinary shares 1,339.29 ordinary shares 1,370.43 ordinary shares 1,367.66 ordinary shares 1,452.46 ordinary shares 1,422.41 ordinary shares 1,166.71 ordinary shares 1,195.29 ordinary shares 1,328.57 ordinary shares 1,482.97 ordinary shares 1,246.39 ordinary shares 1,201.03 ordinary shares	$4,104.98 $4,125.00 $4,125.00 $4,062.58 $4,125.00 $4,125.00 $4,000.87 $3,871.58 $4,038.85 $4,078.17 $4,016.58 $4,035.46
Darrin Grafton	Beneficial interest in ordinary shares with restrictive conditions allocated pursuant to the Serko Limited Employee Restricted Share Plan, held in trust until vesting.	6-Jul-18	43,252 restricted shares[2]	$128,000.00[4]
	Indirect interest in restricted shares allocated pursuant to the Serko Limited Employee Restricted Share Plan to Ms Bailey, by virtue of a personal relationship with Ms Bailey.	6-Jul-18	1,125 restricted shares[2, 3]	$3,328.00[4]

Bob Shaw	Change in nature of relevant interest by virtue of a change in the registered holder (via change of trustee) of shares in which Mr Shaw holds a beneficial interest.	13-Apr-18	-	-
	Beneficial interest in ordinary shares with restrictive conditions allocated pursuant to the Serko Limited Employee Restricted Share Plan, held in trust until vesting.	6-Jul-18	24,921 restricted shares[2]	$73,750.00[4]

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

2 These shares are subject to a deed restricting exercise of voting rights attached to the shares.

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

4 Paid in the form of services to Serko.

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

In accordance with the NZX Listing Rules, as at 31 March 2019, directors had a relevant interest (as defined in the Financial Markets Conduct Act 2013) in Serko ordinary shares as follows:

Name	Relevant interest	Percentage
Darrin Grafton[1]	14,032,868	17.341%
Bob Shaw[2]	12,943,426	15.995%
Simon Botherway[3]	2,339,350.84	2.891%
Claudia Batten[4]	202,169.25	0.250%
Clyde McConaghy[5]	181,818	0.225%

1 12,667,629 shares are held via a trust in which the director is a trustee and beneficiary. This includes an indirect interest in (and by virtue of the indirect interest is considered to have the power to exercise, or to control the exercise of, a right to vote attached to) 1,221,404 shares and 6,611 restricted shares by virtue of a personal relationship with the legal and beneficial holder of these shares. This includes beneficial interest in 137,224 restricted shares allocated pursuant to the Serko Employee Restricted Share Plan and held on trust until vesting.

2 12,884,296 shares are held via a trust in which the director is a trustee and beneficiary. This includes beneficial interest in 59,130 restricted shares allocated pursuant to the Serko Employee Restricted Share Plan and held on trust until vesting.

3 2,034,091 shares are held via a trust in which the director is a trustee and beneficiary. 284,909 shares are held directly. 20,350.84 ordinary shares are held in custody pursuant to the Serko Non-executive Director Fixed Trading Plan.

4 20,351.25 ordinary shares are held in custody pursuant to the Serko Non-executive Director Fixed Trading Plan.

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

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	Director	Particulars of Board authorisation
6 Jul 18	Bob Shaw Darrin Grafton	The payment of remuneration and the provision of other benefits by the company and making of the loan by the company under the Restricted Share Plan on the terms set out in the resolution dated 6 July 2018 and in accordance with the terms of the Serko Employee Restricted Share Plan documentation.
23 Oct 18	Simon Botherway Claudia Batten Clyde McConaghy	The payment of increased directors' fees and the provision of other benefits by the company to the non-executive directors on the terms detailed in the Board minutes dated 23 October 2018 and on the grounds set out in the corresponding directors' certificate.

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

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

SHAREHOLDING INFORMATION

As at 30 April 2019 there were 80,922,809 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[1]	%	Number of ordinary shares	%
1 to 1,000	659	34.32	377,228	0.47
1,001 to 5,000	700	36.46	1,990,790	2.46
5,001 to 10,000	256	13.33	2,012,546	2.49
10,001 to 100,000	255	13.28	6,892,091	8.52
100,001 and over	50	2.60	69,650,154	86.07
TOTAL	**1,920**	**100**	**80,922,809**	**100**

1 Includes 2,768,571 ordinary shares with restrictive conditions held by Serko Trustee Limited on behalf of 42 beneficial holders (with 1,268,628 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.

As at 30 April 2019 there were 42 beneficial holders holding a total of 1,499,943 ordinary shares with restrictive conditions pursuant to the Serko Restricted Share Plan and 14 participants holding a total of 286,901 options pursuant to the Serko US Share Incentive Plan. Further information on these incentive plans is contained in note 18 to the financial statements and in Serko's ESG Report, which can be found on the investor centre of the company's website. Go to: www.serko.com/investor-centre/.

Set out below are details of the 20 largest shareholders of Serko as at 30 April 2019:

	Shareholder[1]	Number of ordinary shares held	%
1	Robert James Shaw & Geoffrey Robertson Ashley Hosking	12,884,296	15.92
2	Darrin Grafton & Geoffrey Robertson Ashley Hosking	12,667,629	15.65
3	National Nominees New Zealand Limited	8,168,404	10.09
4	TEA Custodians Limited	2,827,274	3.49
5	Serko Trustee Limited	2,768,571	3.42
6	HSBC Nominees (New Zealand) Limited	2,702,878	3.34
7	Citibank Nominees (NZ) Ltd	2,298,076	2.84
8	Simon John Botherway & MSH Trustee (Arrow) Limited	2,034,091	2.51
9	Philip Rodger Ball	1,476,411	1.82
10	JPMORGAN Chase Bank	1,379,882	1.71
11	Donna Bailey	1,221,404	1.51
12	Joanne Maree Phipps	1,219,031	1.51
13	Sherie Robyn Hammond	1,193,512	1.47
14	Public Trust Forte Nominees Limited	1,073,406	1.33
15	Cogent Nominees Limited	987,166	1.22
16	Robert Alan Hawker & Elizabeth Anne Hawker	957,100	1.18
17	Accident Compensation Corporation	930,000	1.15
18	Michael John Thorburn	760,897	0.94
19	John S Challis & AH Trustees (Challis Holdings) Ltd	665,762	0.82
20	J P Morgan Nominees Australia Pty Limited	635,281	0.79

1 The shareholding of New Zealand Central Securities Depository Limited (custodian for members trading through NZClear) has been re-allocated to the applicable members.

According to notices given to Serko under the Financial Markets Conduct Act 2013 (and Securities Markets Act 1978), the following persons were substantial product holders as at 31 March 2019. As at the balance date (31 March 2019) there were 80,922,809 Serko ordinary shares on issue:

Substantial product holder	Number of ordinary shares in which relevant interest is held[2]	% of class held at date of last notice[3]
Geoffrey Hosking	25,573,925	31.603%
Darrin Grafton	14,032,868	17.341%
Robert Shaw	12,943,426	15.995%
First NZ Capital Group Limited[1]	7,475,876	9.238%
Milford Asset Management Limited	6,095,817	7.533%

1 First NZ Capital Group Limited files substantial product holder notices on behalf of First NZ Capital Group Limited's and Harbour Asset Management Limited's aggregated relevant interests. As at 31 March 2019 First NZ Group Limited held an interest in 10,688 ordinary shares (0.013% of class at the date of last notice filed) and Harbour Asset Management Limited held an interest in 7,465,188 (9.291% of the class at the date of the last notice filed).

2 Based on last substantial product holder notice filed.

3 Based on issued share capital of 80,922,809 as at 31 March 2019.

SUBSIDIARY COMPANY DIRECTORS

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 2019 are included in the relevant bandings for remuneration disclosed on page 73 of this Annual Report.

The following persons held office as directors of subsidiary companies as at 31 March 2019:

Subsidiary	Directors[1]
Serko Australia Pty Limited (Australia)	Darrin Grafton Bob Shaw John Challis
Serko Investments Limited (New Zealand)	Darrin Grafton Bob Shaw
Serko India Private Limited (India)	Darrin Grafton Bob Shaw Yogita Chadha
Serko Inc (US)	Darrin Grafton Claudia Batten
Serko Trustee Limited (New Zealand)	Susan Putt Fiona Rockel
Foshan Sige Information Technology Limited (China)[2]	Gerard Neilsen
InterplX Inc. (US)[3]	Darrin Grafton[4] Tony D'Astolfo[4]

1 No subsidiary directors retired during the financial year, other than Chuck Buckner on the acquisition of InterplX Inc.[3].

2 Serko also has a representative office in China.

3 InterplX Inc. was acquired on 20 December 2018.

4 Appointed during the year.

REGULATORY MATTERS

On 22 July 2015, NZX regulation granted Serko a waiver from NZX Listing Rule 7.6.4(b)(iii) to the extent required to allow Serko to provide financial assistance to executive directors, and an associated person of one of the executive directors, to enable them to participate in Serko's Restricted Share Plan. The full waiver is available on Serko's website. Go to: www.serko.com/investor-centre/.

DONATIONS

Serko did not make any donations during the financial year.

CREDIT RATING

Serko does not presently have an external credit rating status.

GLOSSARY

ARPB	Average Revenue Per Booking
Asia Pacific	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
ASX	ASX Limited, also known as the Australian Securities Exchange
ATMR	ATMR (Annualised Transactional Monthly Revenue) is a Non-GAAP measure. Serko uses this as a useful indicator of recurring revenue from Serko products based on the monthly transaction
AUD or A$	Australian dollars
Australasia	New Zealand and Australia for the purposes of this Annual Report
Board or Board of Directors	The board of directors of Serko
Cloud or cloud-based	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
Company or Serko	Serko Limited, a New Zealand incorporated company
EBITDA (refer page 19)	EBITDA is a Non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation and Amortisation
ESG	Environmental Social Governance
FTE	Full-time equivalent
FX	Foreign exchange
FY	Financial year ended, or ending, on 31 March (unless otherwise stated)
GST	Goods and Services Tax
IFRS	International Financial Reporting Standards
Independent Directors	Simon Botherway, Claudia Batten and Clyde McConaghy
IPO	Initial Public Offering
Listing	The date Serko shares started trading on the NZX Main Board, 24 June 2014
NZ	New Zealand
NZD or NZ$	New Zealand dollars
NZ GAAP or GAAP	New Zealand Generally Accepted Accounting Practice
NZ IAS	New Zealand equivalents to International Accounting Standards
NZ IFRS or IFRS	New Zealand equivalents to International Financial Reporting Standards
NZX	NZX Limited, also known as the New Zealand Stock Exchange
NZX Listing Rules or Listing Rules	The Listing Rules applying to the NZX Main Board as amended from time to time
NZX Main Board	The New Zealand main board equity security market operated by NZX
R&D	Research and Development expenditure
SAAS	Software-as-a-service
Serko Expense Management business	Serko's online expense management solution that enables the capture and processing of corporate credit cards and out-of-pocket claims
Serko Mobile	Serko's mobile app for iPhones and Android devices that gives users access to information and travel booking functionality on their mobile devices
Serko Online	Serko's cloud-based online travel booking solution for large organisations
serko.travel	Serko's cloud-based online travel booking solution for small to medium enterprises (SMEs)
SME	Small and medium enterprise
TMC, Travel Agency or Travel Management Company	A travel management company that provides specialised travel-related services to corporate customers
USD or US$	United States dollars
Zeno	Serko's premium cloud-based online travel booking solution
$	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: **InvestorRelations@serko.com**

REGISTERED OFFICE

New Zealand

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Australia

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Nominees Pty Ltd
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NSW, Australia

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SHARE REGISTRAR

New Zealand

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Australia

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DIRECTORS

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

AUDITOR

Deloitte Limited
Deloitte Centre
80 Queen Street
Auckland 1040, New Zealand
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KEY DATES

21 AUGUST 2019
Annual Shareholders' Meeting

30 SEPTEMBER 2019
Half-year End

20 NOVEMBER 2019
Half-year Results Announced

31 MARCH 2020
Financial-year End

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

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www.serko.com