TRANSFORMING BUSINESS TRAVEL

serko

SERKO LIMITED
ANNUAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2015

CONTENTS

Key Highlights	1
CEO and Chairman's Letter	2
About Serko	4
Overview of Performance	8
Financial Statements and Notes to the Financial Statements	10
Governance, Remuneration and Statutory Disclosures	46
Glossary	59
Corporate Directory	60

KEY DATES

19 AUG 2015
ANNUAL MEETING

30 SEP 2015
HALF YEAR END

20 NOV 2015
HALF YEAR RESULT ANNOUNCED

31 MAR 2016
FINANCIAL YEAR END

THIS REPORT IS DATED 5 JUNE 2015 AND IS SIGNED ON BEHALF OF THE BOARD OF SERKO LIMITED BY SIMON BOTHERWAY, CHAIRMAN, AND DARRIN GRAFTON, CHIEF EXECUTIVE OFFICER.

Simon Botherway
Chairman

Darrin Grafton
Chief Executive Officer

INVESTOR CENTRE: You can access our annual report online at www.serko.com/investor-centre/

KEY HIGHLIGHTS

INVESTMENT IN R&D $5.7M

REVENUE GROWTH 55% - $10.4M

TRANSACTION GROWTH 45%

DEVELOPED KEY NEW PRODUCTS

GREW STAFF NUMBERS BY 53%

FINALIST HI-TECH COMPANY OF THE YEAR 2015

CEO AND CHAIRMAN'S LETTER

↗ Simon Botherway

↗ Darrin Grafton

WE ARE FOCUSED ON MAXIMISING THE VALUE OF YOUR INVESTMENT

Dear Shareholder

For the year ended 31 March 2015 we set out to build a strong business-wide platform to support our growth ambitions in the Australasian market, Asia Pacific and beyond. Our IPO in June 2014 allowed us to raise sufficient capital to properly invest in our internal capabilities, develop a range of innovative new products and establish a scalable operating model that will deliver value to our shareholders.

We have increased employees by 46 and ended the year with 133 Serkodians spread between Auckland, Sydney, Brisbane, Melbourne, Perth, X'ian (China), Gurgaon and Mumbai in India. The cost associated with our Research and Development (R&D) programmes amounted to $5.7m, which is a significant investment for a business of our size. We anticipate that our investment in new product innovations will drive our success in the new financial year.

Our business has grown significantly, with revenues increasing by 55% over the prior year, despite the challenges presented by the volatile AUD/NZD exchange rate.

Financial Highlights

The company delivered top-line revenue growth of 55% compared to the previous trading period. Revenue and losses after tax were $10.4 million and ($6.4 million) respectively. The bottom line result was in line with the prospective financial information (PFI) contained in the IPO Prospectus, despite revenue being 5.8% lower than PFI[1].

Cash and working capital balances were strong. Cash held at 31 March 2015 was $4.5 million, $0.5 million below PFI forecasts but offset by higher net receivables.

Serko's core product Serko Online experienced growth in transaction volume in line with forecasts. In the second half of the year, transactions increased by 57% compared to the second half of FY14 and the 32% growth reported in the first half of FY15. Serko Online revenues increased by 62% in total for the year.

Serko's online expense management platform, Incharge, contributed revenue in its first full year since acquisition of $0.9 million, an increase of 15% on a like for like basis. Billable Service Revenue from client funded software development totalled $2.1 million, an increase of 9% year on year.

[1] Prospective Financial Information contained in the Prospectus dated 26 May 2014.

Expenses from ordinary activities (excluding finance expenses) totalled $18.1 million for the year, which was $0.4 million lower than PFI.

R&D costs that were expensed through the profit and loss account amounted to $5.1 million, with an additional $0.6 million that was capitalized in the year. The total R&D investment of $5.7 million increased 70% from the previous year and was 10% higher than PFI.

Other income from R&D and Business Development Grants totalled $1.4 million, which was an increase of 58% from the prior year and 30% higher than PFI.

Business Outlook

The last year has been a significant and exciting period of transformation and growth for Serko. There have been some disappointments along the way, such as the late launch of our Mobile solution and extended sales lead times, however, overall we are very pleased with the growth and progress we have delivered as a business.

The acquisition of Arnold Travel Technology from Expedia on 1 May 2015 increases our traveller base by approximately 500,000, which is significant, particularly given the nominal cost of the transaction. The Arnold acquisition also strengthens our strategic relationship with Expedia Inc for the distribution of their extensive content through our platforms, putting us in a strong position to evolve our business model and drive supply-side income.

Mobile is a key initiative and has been well received by the Travel Agency reseller network, with several resellers progressing with their own white label versions. In the US, nuTravel, our Mundi partner, has also licensed a white label of the technology for the North American market.

Over the last year Serko Incharge has been integrated into the Serko portfolio. Serko Mobile, our mobile app now includes the ability to capture receipts and deliver them to Incharge where they are auto-matched to credit card data flowing in from the banks. Further enhancements in the 2016 financial year will see us move towards a zero-touch expense processing solution.

The objectives for the year ahead to March 2016 build on the foundations laid last year and can be broken into three discrete strategy streams:

- Growing our user base by driving organic growth through our travel agent partners across the region, while also looking for inorganic opportunities to acquire a broader and more extensive user base that we can monetize over time
- Continuing to evolve our business model, introducing other revenue lines such as subscriptions and supply-side revenue streams
- Maintaining investment in our core products so that we retain our competitive advantage in the market and develop a content proposition that allows us to extend our business model to new markets.

Your Board and management team considers that Serko is well placed to serve the increasingly sophisticated and integrated travel management needs of both our Travel Agency reseller partners and our corporate users, and we are focused on maximising the value of your investment over the years to come.

Yours sincerely

Simon Botherway
Chairman

Darrin Grafton
Chief Executive

MANAGED TRAVEL 3.0

MAKING BUSINESS TRAVEL PERSONAL

Travel is an essential part of doing business, but for businesses it's expensive and hard to control, and for those travelling it can be a hassle. Serko's mission is to help corporations give employees a safer, more personal travel experience and unlock the next wave of budget savings through better application of technology. What Serko calls – 'Managed Travel 3.0'. Managed Travel 3.0 is built on five core pillars:

TRAVELLER FIRST:

Enabling travellers to book their own travel allows corporates to reduce their dependency on travel administrators and unlock the next wave of productivity gains within their Managed Travel programs

PREFERENCE DRIVEN:

Using a traveller's booking history to predict what they are likely to book before they start helps to build a more compelling and intuitive booking experience for travellers

FREEDOM TO CHOOSE:

Letting travellers book accommodation with the suppliers they prefer, like Expedia, within the confines of the managed portal, helps to reduce program leakage, improve compliance and improve traveller engagement

MOBILITY FIRST:

Putting the tools to book and manage business travel into the hands of the traveller via well thought through mobile applications helps to drive user engagement and improve the traveller experience

EXPENSE INTEGRATION:

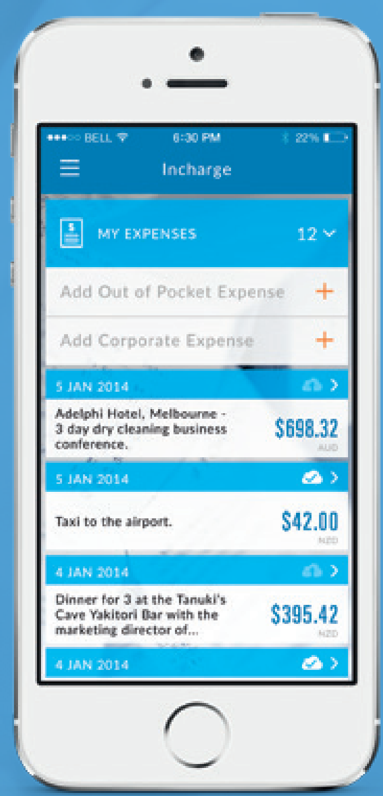
Integrating expense management into the travel experience helps to reduce the post-trip expense processing burden on the traveller and helps give customers near real-time visibility into their spending

SERKO INCHARGE, YOUR PERSONAL EXPENSE MANAGER

Expense management is an essential business process that's misunderstood by many organisations. The productivity gains and cost savings that can be unlocked by organisations through the use of a properly integrated expense management solution are significant.

Serko Incharge is an enterprise-grade Expense Management Solution that brings all categories of expense into one easy to use, easy to learn solution. Supporting cash expenses, mileage allowances, daily allowances but excelling in corporate card management, Serko Incharge is the most powerful expense management solution on the market today.

- SUPPORT FOR ALL MAJOR TYPES OF EXPENSE
- INTEGRATED TRAVEL AND EXPENSE MOBILE APP
- AUTOMATED MATCHING OF CORPORATE CARD RECEIPTS TO TRANSACTIONS
- TIGHT INTEGRATION WITH SERKO ONLINE
- SOPHISTICATED REPORTING AND FRAUD DETECTION



BOARD OF DIRECTORS

// SIMON BOTHERWAY

INDEPENDENT NON-EXECUTIVE CHAIRMAN, NEW ZEALAND

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 was appointed by the New Zealand Government to chair the Financial Markets Authority Establishment Board in 2010.

//CLAUDIA BATTEN

INDEPENDENT NON-EXECUTIVE DIRECTOR, UNITED STATES

Claudia is based in the United States. She holds an LLB (Hons) and BCA. Claudia has been a founding member of two highly successful entrepreneurial ventures. Starting with Massive Incorporated, a network for advertising in video games, she helped pioneer "digital" as a media buy. Massive was sold to Microsoft in 2006. In 2009 she co-founded Victors & Spoils ("V&S"), the first advertising agency built on the principles of crowdsourcing. V&S was majority acquired by French holding company Havas Worldwide in 2011. Claudia has achieved great success in the US market, but remains a strong supporter of the New Zealand start-up scene.

//CLYDE MCCONAGHY

INDEPENDENT NON-EXECUTIVE DIRECTOR, AUSTRALIA

Clyde is based in Australia. He holds a BBus, and MBA from Cranfield University (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 a former director of Integrated Research Limited.

//DARRIN GRAFTON

CO-FOUNDER, CEO & EXECUTIVE DIRECTOR, NEW ZEALAND

Darrin has 25 years' experience in the travel technology industry and is highly experienced in technology commercialisation. Darrin had previously held senior management positions with Gullivers Travel Group (listed on the Australian and New Zealand Stock Exchanges between 2004 and 2006) and Interactive Technologies. Darrin was awarded the NZX Hi-Tech Entrepreneur Award in 2007 and was a finalist for the NZ Hi-Tech Company Leader Award in 2007. In 2008, Darrin was also a finalist for EY Entrepreneur of the Year Award. Darrin is a member of the Institute of IT Professionals NZ, the Institute of Directors NZ and NZCDP.

//ROBERT SHAW

CO-FOUNDER, CHIEF STRATEGY OFFICER & EXECUTIVE DIRECTOR, NEW ZEALAND

Robert (Bob) has 26 years' experience creating and commercialising technology for the travel industry. Bob has held a number of directorships and senior management positions in various companies including Gullivers Travel Group (listed on the Australian and New Zealand Stock Exchanges between 2004 and 2006) and Interactive Technologies. Bob's strengths lie in his ability to translate opportunities into successful commercial ventures and build the relationships necessary to see them through to fruition. In 2008, Bob was a finalist for EY Entrepreneur of the Year Award. He is a member of the Institute of IT Professionals NZ, the Institute of Directors NZ and NZCDP.

//TIM BLUETT

CHIEF FINANCIAL OFFICER, NEW ZEALAND

Tim is a Chartered Accountant and has a strong international background in ICT and telecommunications from working in the UK, the US, France, the Caribbean and New Zealand with publicly listed companies, including British Telecom, Equant, Cable & Wireless and Telecom New Zealand. Prior to joining Serko, Tim served in a number of senior leadership roles at Telecom New Zealand as CFO Technology & Shared Services, CFO Telecom Retail, and Acting Group CFO.

//PHIL BALL

CHIEF TECHNOLOGY OFFICER, NEW ZEALAND

Philip has been a cornerstone of the Serko technology story for nearly 16 years. He graduated with a Bachelor of Information Systems degree in 1999 and joined Serko immediately, starting as junior developer before moving up through the development ranks to become a senior developer. He was appointed CTO in 2013. Philip wrote much of the original Serko Online codebase, having started on the product in 2000. Since then he has guided the company's technology strategy and now provides leadership across the technology function. He was also a finalist for the New Zealand Software Developer of the Year Award in 2011.

//JOHN CHALLIS

CHIEF REVENUE OFFICER, SYDNEY, AUSTRALIA

John has 15 years' experience in the Australian corporate travel industry with operational, technology implementation and sales experience. John has been with Serko for seven years and in that time has managed the sales team to meet the demands of Serko's growth. John specialises in market activation and technical sales for Asia Pacific businesses. Prior to Serko, John worked at Carlson Wagonlit Travel for seven years in various roles and was primarily responsible for technical online booking platform sales to Carlson Wagonlit Travel's existing and prospective clients in Asia Pacific, as well as managing a team of software implementation specialists with a strong focus on Serko's solution.

//TIM NICHOLS

CHIEF PRODUCT OFFICER, NEW ZEALAND

Tim has more than 16 years' experience helping technology companies grow and succeed in a variety of international markets. Most recently, Tim spent two years in San Francisco as Vice President of Corporate for Endace, one of New Zealand's technology success stories. Prior to his time in the US, Tim worked at 2degrees mobile where he was instrumental in defining the brand and market positioning. Tim has also spent time with Vodafone New Zealand, British Telecom and '3' in the UK.

//TONY STANLEY

CHIEF CLIENT OFFICER, NEW ZEALAND

Tony has more than 20 years' experience managing teams and leading profit centres in technology companies (10 years with the Serko product) and travel-related organisations. Tony is responsible for the Client Services Team at Serko where he manages Professional Services and the Customer Support Centre. Tony spent nearly five years at Datacom Group establishing a solid client base with multimillion dollar accounts. Prior to that, Tony's travel industry experience included Branch Manager of United Holidays and Operations Manager of Travelplan Holidays.

DARRIN GRAFTON AND ROBERT (BOB) SHAW are also part of the executive team.
See facing page for their details.

OVERVIEW OF PERFORMANCE

FULL YEAR REVENUE $10.4M UP 55% FROM PREVIOUS YEAR

- Serko Online Revenue $7.3m up 62%
- Incharge Revenue $0.9m up 15%
- Billable Services Revenue $2.1m up 9%

TRANSACTION GROWTH UP 45% FROM PREVIOUS YEAR

- First Half growth 32%
- Second Half Growth 57%

EXPENSES FROM ORDINARY ACTIVITIES $18.1M UP 108% FROM PREVIOUS YEAR

- Salaries/Remuneration $12.0m
- Includes IPO costs $0.5m in line with PFI

RESEARCH AND DEVELOPMENT EXPENDITURE $5.7M

- Internal (operating expenses) $5.1m
- External (capital expenditure) $0.6m

EMPLOYEES 133 INCREASE OF 46 IN THE YEAR

CASH RESERVES $4.5M

NET LOSS BEFORE TAX $6.4M INCREASED FROM $1.7M IN LINE WITH EXPECTATIONS

SUMMARY OF PERFORMANCE VS PFI

- Revenue $0.6m less than PFI
  - Serko Online $0.1m – mainly FX currency impacts
  - Incharge $0.2m – delayed new customer implementations
  - Services $0.3m – customer orders delayed to FY16
- Other income $0.3m higher than PFI (R&D grants)
- Operating Costs $0.4m lower than PFI
  - Operating costs $0.5m lower than PFI
  - Depreciation & Amortisations $0.1m increase
- FX losses $0.2m (vs PFI at AUD/NZD 0.93)
- Net loss before tax in line with PFI at $6.4m

OPERATING REVENUE

Serko Online is the main source of revenue. This is predominantly invoiced to Travel Agent resellers on a monthly basis for the total transactions generated from the online travel bookings made by their end user customer base. Revenue is made up of per transaction fees, ancillary services fees, includes contracted minimum payments where applicable and is stated net of volume related rebates and discounts.

Serko Incharge is an Expense Management application 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.

Billable service revenues are derived from customised software development undertaken on behalf of customers. The basis of charging can vary depending on the contractual terms with the customer which may specify time and materials, capped or fixed pricing.

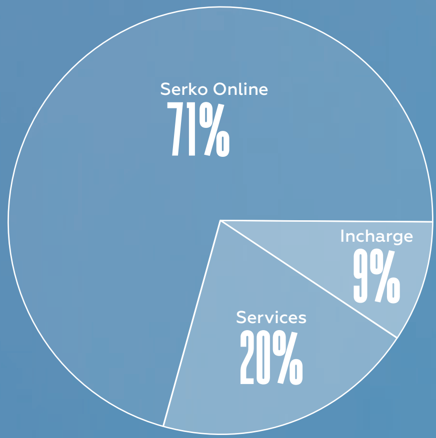
EXPENSES FROM ORDINARY ACTIVITIES

The classifications of Expenses included in the Statement of Comprehensive Income are as follows:

- Selling and Marketing Expenses comprise all direct costs of sale that are not people or salary related.
- Remuneration and Benefits are the total costs of employees and contractors engaged within the business during the financial year including gross salary, additional payroll taxes, superannuation and KiwiSaver, bonuses, commissions and the value of any share-based remuneration or awards.
- Administration Expenses are other general overheads and operating costs, including depreciation and amortisation charges.
- Other Expenses comprise direct technology costs including hosting.

SELECTED OPERATIONAL METRICS	FY15 PFI	FY15	FY14	FY13
Total Revenue Growth (%)	65%	55%	39%	27%
Revenue Growth – Serko Online (%)	65%	62%	12%	41%
No. of transactions (indexed, where FY13=100)	212	179	123	100
Services revenue as % of total revenue	22%	20%	29%	16%
FTE Employees (number at end of year)	138	133	87	47
Average Revenue per FTE (NZ$'000)	98	94	100	119
Research and Development Costs – Expense and Capex (NZ $000)	5,236	5,762	3,387	2,340

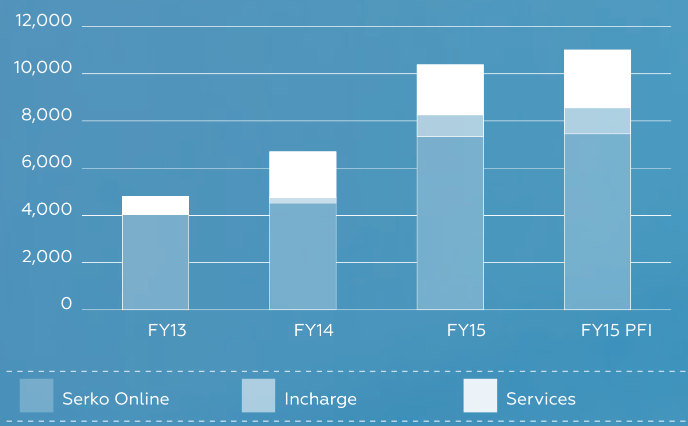
FY15 REVENUE MIX



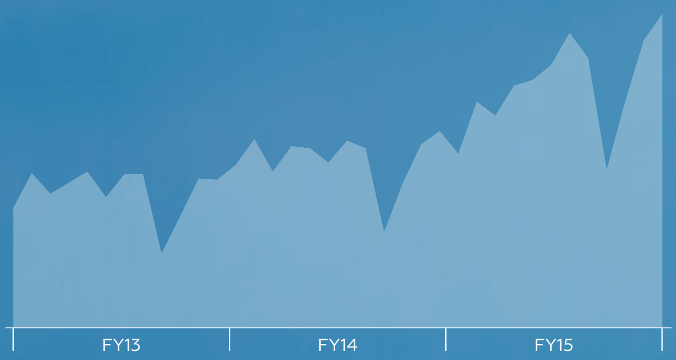
"71% OF REVENUE FROM SERKO ONLINE IN FY15"

"55% YEAR-ON-YEAR REVENUE GROWTH FY14 TO FY15"

REVENUE TREND



ONLINE BOOKING TRENDS FY13-FY15



"EXPONENTIAL GROWTH IN SERKO ONLINE BOOKING TRANSACTIONS FROM FY14"

FINANCIAL STATEMENTS

Independent auditor's report	12
Statement of comprehensive income	13
Statement of changes in equity	14
Statement of financial position	15
Statement of cash flows	16
Notes to the financial statements	17–45

Building a better working world

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Serko Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Serko Limited and its subsidiaries on pages 13 to 45, which comprise the statement of financial position of Serko Limited and the group as at 31 March 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the company and group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 461G(1) of the Financial Markets Conduct Act 2013. 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 and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

We provide taxation advice and other assurance services to the company and group. Ernst & Young Transaction Advisory Services Limited has also acted as the Investigating Accountant in respect of the company's public offer. We have no other relationship with, or interest in, Serko Limited or any of its subsidiaries.

Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

OPINION

In our opinion, the financial statements on pages 13 to 45:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards; and
- present fairly, in all material respects, the financial position of Serko Limited and the group as at 31 March 2015 and the financial performance and cash flows of the company and group for the year then ended.

Ernst + Young

29 May 2015
Auckland

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	NOTES	GROUP		PFI GROUP
		2015	2014	2015
		$	$	$
Revenue	4	10,361,202	6,682,782	11,002,428
Other Income	4	1,413,182	895,195	1,089,283
Total revenue & other income		**11,774,384**	**7,577,977**	**12,091,711**
Expenses from ordinary activities*	5			
Selling and marketing expenses		(988,848)	(420,597)	(941,900)
Remuneration & benefits		(12,020,829)	(5,888,846)	(12,130,993)
Administration expenses		(4,690,503)	(2,116,717)	(4,956,714)
Other expenses		(368,672)	(269,672)	(433,435)
Total expenses from ordinary activities		**(18,068,852)**	**(8,695,832)**	**(18,463,042)**
Finance income		209,382	15,134	185,906
Finance costs		(348,218)	(622,453)	(149,496)
Profit (loss) before income tax		**(6,433,304)**	**(1,725,174)**	**(6,334,921)**
Income tax (expense)/benefit	6	(114,031)	(16,475)	(216,855)
Net profit (loss) for the period		**(6,547,335)**	**(1,741,649)**	**(6,551,776)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)				
Movement in foreign currency reserve		144,247	4,359	–
Total comprehensive income for the year		**(6,403,088)**	**(1,737,290)**	**(6,551,776)**
Profit (loss) for the year attributable to: Equity holders of the parent		**(6,547,335)**	**(1,741,649)**	**(6,551,776)**
Total comprehensive income for the year attributable to: Equity holders of the parent		**(6,403,088)**	**(1,737,290)**	**(6,551,776)**
* Expenses from ordinary activities have been reclassified in the prior year, there has been no impact on reported profit (loss).				
Earnings per share				
↗ Basic, profit (loss) for the year attributable to ordinary equity holders of the parent	21	(0.10)	(104.54)	
↗ Diluted, profit (loss) for the year attributable to ordinary equity holders of the parent	21	(0.10)	(77.15)	

The accompanying notes form part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	NOTE	CONTRIBUTED EQUITY	SHARE-BASED PAYMENT RESERVE	FOREIGN CURRENCY RESERVE	RETAINED EARNINGS	TOTAL
		$	$	$	$	$
GROUP						
Balance as at 1 April 2014		**239,835**	–	**4,359**	**(3,661,972)**	**(3,417,778)**
Net profit (loss) for the period		–	–	–	(6,547,335)	(6,547,335)
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)		–	–	144,247	–	144,247
Total comprehensive income for the year		**–**	**–**	**144,247**	**(6,547,335)**	**(6,403,088)**
Transactions with owners						
Convertible notes issued accounted in equity	15	156,644	–	–	–	156,644
Transfer of notes to share capital		(396,479)	–	–	–	(396,479)
Issue of share capital		19,244,848	–	–	–	19,244,848
Cost of equity issued		(1,641,274)	–	–	–	(1,641,274)
Share-based payments		–	370,875	–	–	370,875
Interest on convertible notes		–	–	–	(3,356)	(3,356)
Balance as at 31 March 2015		**17,603,575**	**370,875**	**148,606**	**(10,212,663)**	**7,910,393**
Balance as at 1 April 2013		**239,835**	**–**	**–**	**(1,905,523)**	**(1,665,688)**
Net profit (loss) for the period		–	–	–	(1,741,649)	(1,741,649)
Other comprehensive income (net of tax)		–	–	4,359	–	4,359
Total comprehensive income for the year		**–**	**–**	**4,359**	**(1,741,649)**	**(1,737,290)**
Transactions with owners						
Convertible notes issued accounted in equity	15	–	–	–	–	–
Interest on convertible notes		–	–	–	(14,800)	(14,800)
Balance as at 31 March 2014		**239,835**	**–**	**4,359**	**(3,661,972)**	**(3,417,778)**

The accompanying notes form part of the financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

	NOTES	GROUP		PFI GROUP
		2015	2014	2015
		$	$	$
Current assets				
Cash at bank and on hand	11	4,486,952	249,508	4,986,895
Receivables	7	3,417,736	2,352,406	2,672,449
Derivative financial instruments	8	116,828	–	–
		8,021,516	**2,601,914**	**7,659,344**
Non-current assets				
Property, plant and equipment	9	997,278	372,034	934,004
Intangible assets	10	1,287,342	868,682	940,495
		2,284,621	**1,240,716**	**1,874,499**
Total assets		**10,306,137**	**3,842,630**	**9,533,843**
Current liabilities				
Trade and other payables	12	1,662,352	1,511,707	1,788,141
Income tax payable		180,737	50,127	–
Interest bearing loans and borrowings	14	314,038	5,508,040	–
		2,157,127	**7,069,874**	**1,788,141**
Non-current liabilities				
Deferred tax liability	6	60,311	145,122	84,800
Trade and other payables	12	174,202	13,432	–
Interest bearing loans and borrowings	14	4,104	31,980	–
		238,617	**190,534**	**84,800**
Total liabilities		**2,395,745**	**7,260,408**	**1,872,941**
Equity				
Contributed equity	15	17,603,575	239,835	17,469,237
Share based payment reserve		370,875	–	401,053
Foreign currency reserve		148,606	4,359	4,359
Retained earnings accumulated (deficit)		(10,212,663)	(3,661,972)	(10,213,747)
Total equity		**7,910,393**	**(3,417,778)**	**7,660,902**
Total equity and liabilities		**10,306,137**	**3,842,630**	**9,533,843**

For and on behalf of the Board who authorised these financial statements for issue on 29 May 2015.

Simon Botherway
Chairman

Darrin Grafton
Chief Executive Officer

The accompanying notes form part of the financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	NOTES	GROUP		PFI GROUP
		2015	2014	2015
		$	$	$
Cash flows from operating activities				
Receipts from customers		9,435,812	6,347,483	10,087,810
Interest received		180,576	334	185,906
Receipts from grants		1,529,836	753,199	1,246,674
Taxation (paid)/refund received		(59,436)	(92)	(201,492)
Payments to suppliers and employees		(17,282,736)	(8,187,026)	(17,363,416)
Interest payments		(392,550)	(122,514)	(44,500)
Net GST refunded (paid)		(49,300)	1,748	181,494
Net cash flows from (used in) operating activities		**(6,637,798)**	**(1,206,868)**	**(5,907,525)**
Cash flows from investing activities				
Purchase of property, plant and equipment		(655,634)	(148,967)	(736,457)
Purchase of intangibles		(782,695)	(736,322)	(309,200)
Net cash flows from (used in) investing activities		**(1,438,329)**	**(885,289)**	**(1,045,657)**
Cash flows from financing activities				
Proceeds from bank borrowings		–	780,000	–
Issue of convertible notes		–	1,325,000	–
Share issue		17,514,738	–	17,399,148
Cost of new share issue		(1,361,911)	–	(1,017,627)
Repayment of shareholder loans		(1,819,270)	–	(2,324,937)
Repayment of loans		(780,000)	(27,786)	(780,000)
Net cash flows from (used in) financing activities		**13,553,557**	**2,077,214**	**13,276,584**
Net increase (decrease) in total cash		5,477,430	(14,943)	5,928,408
Net foreign exchange difference		(48,966)	–	–
Cash and cash equivalents at beginning of period		(941,513)	(926,570)	(941,513)
Cash and cash equivalents at end of period		**4,486,952**	**(941,513)**	**4,986,895**
Cash and cash equivalents comprises the following:				
Cash at bank and on hand	11	4,486,952	249,508	4,986,895
Bank overdraft	14	–	(1,191,021)	–
		4,486,952	**(941,513)**	**4,986,895**

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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.

The company and group are 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 the 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 and the requirements of the Companies Act 1993 and the Financial Reporting 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 company and group are required to report in accordance with Tier 1 for-profit accounting standards. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar unless stated otherwise.

The considered view of the directors of Serko Limited is that, after making due enquiry, there is a reasonable expectation the group has adequate resources to continue operations at existing levels for at least the next 12 months from the date the financial statements are authorised for issue. The company has issued market guidance indicating a continuation of current revenue growth rates and an expectation of break even in early FY17 within existing cash resources. There is a high proportion of variable controllable costs which allows the business to control cash consumption in line with performance. Accordingly the financial statements have been prepared on a going concern basis.

b) Statement of compliance

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

c) New accounting standards and interpretations

NZ IFRS standards that have recently been issued or amended but are not yet effective and have not been adopted by the company and group are:

NZ IFRS 9 Financial instruments, effective for accounting periods beginning on or after 1 January 2017 is replacing NZ IAS39 Financial instruments: recognition and measurement.

NZ IFRS 15 Revenue Recognition, effective for accounting periods beginning on or after 1 January 2017.

The group is still assessing the impact of the above standards issued and not yet effective and the current impact is not known.

d) Basis of consolidation

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

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 (ie 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
- 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
- The group's voting rights and potential voting rights.

The group re-assesses 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
- 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.

Intercompany 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.

e) Foreign currency translation

I) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in these financial statements are measured using the currency of the primary economic environment in which the company and group operates ('the functional currency'). These financial statements are presented in New Zealand dollars which is the company and group's presentation and 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 exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

f) Financial instruments

Financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are classified as either loans and receivables, or available for sale financial assets. When financial assets are recognised initially they are measured at fair value plus directly attributable transaction costs. The company determines the classification of its financial assets on initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year end.

(I) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of selling the receivable. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The group's loans and receivables comprise trade receivables, loans and GST receivable.

The group has no financial assets classified as available for sale.

(II) FINANCIAL LIABILITIES

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities, including 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, with interest expense recognised on an 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 assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

FINANCIAL ASSETS CARRIED AT AMORTISED COST

For financial assets carried at amortised cost, the group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate (EIR).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the income statement. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write off is later recovered, the recovery is credited to finance costs in the income statement.

g) 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 six months or longer to prepare for its intended use or sale. Other borrowing costs are expensed when incurred.

h) Other taxes

Revenues, expenses and assets are recognised net of the amount of 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.

Judgements

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

SHARE-BASED PAYMENTS

The group measured the fair value of the shares granted under the restricted share plan to employees using the listing price of the shares when granted. Management considered this a reasonable basis of fair value, given that the grant date and listing date were concurrent. Vesting of the shares is reviewed periodically to determine that the assumptions around vesting dates and employees that have left or joined the company are still valid.

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, discount rates applied and the expected period of benefits. At 31 March 2015 the carrying amount of capitalised development costs was $85,526 (2014: $82,650)

This amount includes significant investment in the development of an innovative mobile application for Serko's corporate travel platform.

FUNCTIONAL CURRENCY

The group periodically reviews the functional currency for reporting purposes. Based on the assessment of NZ IAS21 criteria, management believe that there is sufficient justification for the continued use of NZD as the functional currency. The key factors behind this conclusion are:

a) Serko is NZX listed and has raised capital in NZD
b) R&D grant funding is in NZD
c) NZD is the main currency for labour, operating costs and capital expenditure
d) Serko's foreign operations are extensions of the reporting entity and largely operate as sales functions selling the product created in New Zealand.

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 economic benefits will flow to the company and the revenue can be reliably measured. Revenue is disclosed net of credit notes, rebates and discounts.

I) REVENUE FROM TRANSACTION AND USAGE FEES

Revenue from transaction and usage fees is recorded at the time travel or expenses are processed through Serko's platforms.

II) REVENUE FROM INSTALLATION SERVICES

Revenue from a contract to provide installation services is recognised by reference to the stage of completion of the contract at balance date. When the contract outcome cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable.

III) INTEREST REVENUE

Revenue is recognised as interest accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

IV) 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 that it is intended to compensate. When the grant relates to an asset, the fair value is credited to deferred income and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

	NOTE	GROUP	
		2015	2014
Revenue – transaction & usage fees		8,145,614	4,723,204
Revenue – installation services		2,065,894	1,783,466
Other		149,694	176,112
Total operating revenue		**10,361,202**	**6,682,782**
Other income			
Government grants	13	1,413,182	895,195
		1,413,182	**895,195**

5. EXPENSES

	NOTES	GROUP	
		2015	2014
Operating surplus before taxation includes the following expenses:			
Auditor remuneration		471,813	117,750
Bad and doubtful debts written off	7	14,867	87,858
Amortisation of intangibles	10	273,166	64,198
Depreciation	9	185,044	62,460
Rental and operating lease expenses		427,747	326,755
Employee & contractor remuneration		11,270,807	5,712,229
Contributions to defined contribution plans		342,905	176,617
Share based payment expenses		370,875	–
IPO related costs		482,728	–
Other operating expenses		4,228,900	2,147,965
Expenses from ordinary activities		18,068,852	8,695,832
Research expenses (excluding capitalised development costs)		5,148,637	3,387,097

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 & contractor remuneration related to these activities.

Research expenditure includes expenditure that meets the definition of research expenditure as defined in NZ IAS 38 and is therefore eligible expenditure in accordance with the Callaghan Growth Grant requirements.

	GROUP	
	2015	2014
Finance income and expenses includes:		
Finance income		
– Interest received	(208,712)	(15,134)
– Dividends received	(670)	–
Foreign exchange (gains)/losses – net	196,046	176,265
Finance expenses		
– Interest expense	121,320	346,446
– Other finance expenses	30,852	99,742
	138,836	**607,319**

AUDITOR REMUNERATION

The directors of Serko Limited appointed Ernst & Young as the auditor of the company for the year ended 31 March 2015.

Amounts received or due and receivable by:		
Ernst & Young		
– Audit of financial statements	53,350	59,500
– Other assurance-related services (a)	106,000	9,500
Total audit fees	**159,350**	**69,000**
– Tax services	82,213	33,750
– Advisory services (b)	230,250	15,000
Total non–audit fees	**312,463**	**48,750**

(a) Other assurance-related services include services for IPO statutory audit fees and research and development assurance procedures (2014: services for compilation of statutory financial statements).

(b) Advisory services include transaction advisory services around the IPO (2014: Initial cost of transaction advisory services around the IPO).

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 current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted 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
- except 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) that have been enacted or substantively enacted at the balance date.

	GROUP	
	2015	2014
Statement of comprehensive income		
Current income tax		
Current income tax charge/(credit)	198,842	13,058
Adjustments in respect of previous years	–	–
	198,842	**13,058**
Deferred income tax		
Origination and reversal of temporary differences	(84,811)	3,417
Adjustments in respect of previous years	–	–
	(84,811)	**3,417**
Income tax expense reported in the statement of comprehensive income	**114,031**	**16,475**
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Accounting profit (loss) before income tax	(6,433,304)	(1,725,174)
At the statutory income tax rate of 28% (2014:28%)	(1,801,325)	(483,049)
– Non-deductible items	17,250	11,200
– Chinese branch tax	22,739	–
– Foreign tax credits not utilised	11,155	–
– Future income tax benefit, not recognised	1,859,076	478,144
– Effect of tax on overseas subsidiaries at different rate	5,136	10,180
	114,031	**16,475**
At effective income tax rate of:	-1.77%	-0.95%

Deferred income tax

Deferred income tax at 31 March relates to the following:

	2015		2014	
	STATEMENT OF FINANCIAL POSITION	STATEMENT OF COMPREHENSIVE INCOME	STATEMENT OF FINANCIAL POSITION	STATEMENT OF COMPREHENSIVE INCOME
GROUP				
Deferred income tax liabilities recognised				
Intangibles	(100,477)	63,833	(164,310)	14,775
Deferred income tax asset recognised				
Employee entitlements	40,166	20,978	19,188	19,188
Net deferred tax asset/(liability) recognised	**(60,311)**	**84,811**	**(145,122)**	**33,963**
Deferred income tax asset not recognised				
Employee entitlements	123,245	47,603	75,642	44,970
Long term incentive (LTI) fair value adjustment	113,993	113,993	–	–
Accruals	39,204	4	39,200	36,070
Allowance for impairment	17,845	(16,536)	34,381	11,026
Deferred revenue	15,467	23,673	(8,206)	(5,813)
	309,754	**168,737**	**141,017**	**86,253**
Tax losses available to be carried forward and offset against future income	2,591,362		969,282	
Total deferred tax asset not recognised	2,901,116		1,110,299	

The ability to carry losses forward is subject to confirmation by taxation authorities.

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. A provision for impairment of receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivable, changes in credit quality and past default experience.

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

	NOTE	GROUP	
		2015	2014
Trade receivables		2,774,993	1,973,628
Allowance for impairment		(63,733)	(122,790)
Trade receivables (net)		2,711,260	1,850,838
GST receivable		19,745	61,813
Prepayments		352,605	199,920
nuTravel Loan receivable	17	292,416	–
Other loans		41,710	239,835
Total receivables		**3,417,736**	**2,352,406**

FOREIGN CURRENCY RISK

The carrying amounts of the groups receivables are denominated in the following currencies:

New Zealand dollars	1,549,407	1,071,874
Australian dollars	1,493,119	1,150,601
Singapore dollars	382	7,185
US dollars	374,828	122,746
	3,417,736	**2,352,406**

ALLOWANCE FOR IMPAIRMENT LOSS

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised where there is objective evidence that an individual trade receivable is impaired. An impairment loss of $14,867 (2014: $87,858) has been recognised by the group and company in the current year. No individual amount within the impairment allowance is material.

At 31 March the ageing analysis of trade receivables is as follows:

	TOTAL	0 - 30 DAYS	31 - 60 DAYS	61 - 90 DAYS	91+ DAYS
2015 group	2,774,993	2,236,358	228,182	204,744	105,708
2014 group	1,973,628	1,216,475	422,682	45,622	288,849

Group receivables over 60 days of $310,452 (2014: $334,471) include a provision for impairment of $63,733, the balance of $246,719 is not considered impaired.

NU TRAVEL LOAN RECEIVABLE

On 9 April 2014 a loan to nuTravel Technology Solutions LLC of US$200,000 was assigned by Financial Equities Limited to Serko Limited in return for an interest bearing loan repayable on receipt of the loan receivable. The loan expires on 30 June 2015. Financial Equities Limited is a company associated with directors, Robert Shaw and Darrin Grafton.

8. FINANCIAL INSTRUMENTS

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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.

FAIR VALUE HEDGES

The change in fair value of a hedging derivative is recognised in the statement of profit or loss as finance costs. The change in fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as finance costs.

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

	GROUP	
	2015	2014
Current:		
Foreign currency forward exchange contracts	116,828	–
Contractual amounts of forward exchange contracts outstanding were as follows:		
Purchase commitments forward exchange contracts	1,745,638	–

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.

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. This is a change in basis from the prior year where diminishing value was used. 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 8.5 – 80.4%
- Computer equipment 17.5 – 67%

I) 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 amount.

9. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

II) 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.

	LEASEHOLD IMPROVEMENT	FURNITURE & FITTINGS	COMPUTER EQUIPMENT	TOTAL
GROUP 2015				
Opening net carrying amount 1 April 2014	186,220	118,566	67,248	372,034
Additions	302,636	207,140	302,562	812,338
Depreciation	(27,767)	(48,078)	(109,199)	(185,044)
Currency translation	(1,464)	(586)	–	(2,050)
Closing net carrying amount 31 March 2015	**459,625**	**277,042**	**260,611**	**997,278**
At 31 March 2015				
Cost	530,984	377,834	480,132	1,388,950
Accumulated depreciation and impairment	(69,895)	(100,206)	(219,521)	(389,622)
Currency translation	(1,464)	(586)	–	(2,050)
Net carrying amount	**459,625**	**277,042**	**260,611**	**997,278**
GROUP 2014				
Opening net carrying amount 1 April 2013	156,481	104,368	24,678	285,527
Additions	41,992	38,415	68,560	148,967
Depreciation	(12,253)	(24,217)	(25,990)	(62,460)
Closing net carrying amount 31 March 2014	**186,220**	**118,566**	**67,248**	**372,034**
At 31 March 2014				
Cost	228,348	170,694	177,570	576,612
Accumulated depreciation and impairment	(42,128)	(52,128)	(110,322)	(204,578)
Net carrying amount	**186,220**	**118,566**	**67,248**	**372,034**

The net book value of assets held under finance leases is $10,877 (2014: $19,035).

	GROUP	
	2015	2014
Tangible assets per security	0.02	16.48

In the comparative period of 31 March 2014 the securities held at that time have not been adjusted for the share split and new issue of shares that occurred at IPO on 24 June 2014.

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 life 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. Intangible assets with indefinite useful lives are reviewed at each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

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

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

Software	–	finite, amortised on a straight line basis 40 – 60%
Incharge software	–	finite, amortised on 3 years straight line
Customer contracts	–	finite, amortised on 3 years straight line
Key employee retentions	–	finite, amortised on 3 years straight line

RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the company and 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, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and impairment losses. Any expenditure capitalised is amortised over the period of expected benefit from the related project.

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

Impairment of non-financial assets

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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

10. INTANGIBLES – CONTINUED

	GOODWILL	KEY EMPLOYEE RETENTION	CUSTOMER CONTRACTS	DEVELOPMENT – WORK IN PROGRESS	COMPUTER SOFTWARE	TOTAL
GROUP 2015						
Opening net carrying amount 1 April 2014	182,529	69,779	299,055	82,650	234,669	868,682
Additions				530,979	207,534	738,513
Transfer of cost	–	–	–	(528,103)	528,103	–
Amortisation	–	(23,516)	(100,783)	–	(148,867)	(273,166)
Currency translation	(11,504)	(4,398)	(18,848)	–	(11,937)	(46,687)
Closing net carrying amount 31 March 2015	**171,025**	**41,865**	**179,424**	**85,526**	**809,502**	**1,287,342**
At 31 March 2015						
Cost	182,529	76,054	325,945	613,629	498,091	1,696,248
Accumulated amortisation	–	(29,791)	(127,673)	–	(204,755)	(362,219)
Transfer of cost	–	–	–	(528,103)	528,103	–
Currency translation	(11,504)	(4,398)	(18,848)	–	(11,937)	(46,687)
Net carrying amount	**171,025**	**41,865**	**179,424**	**85,526**	**809,502**	**1,287,342**
GROUP 2014						
Opening net carrying amount 1 April 2013	–	–	–	–	14,029	14,029
Additions	182,529	76,054	325,945	82,650	251,673	918,851
Amortisation	–	(6,275)	(26,890)	–	(31,033)	(64,198)
Closing net carrying amount 31 March 2014	**182,529**	**69,779**	**299,055**	**82,650**	**234,669**	**868,682**
At 31 March 2014						
Cost	182,529	76,054	325,945	82,650	290,557	957,735
Accumulated amortisation	–	(6,275)	(26,890)	–	(55,888)	(89,053)
Net carrying amount	**182,529**	**69,779**	**299,055**	**82,650**	**234,669**	**868,682**

11. CASH AT BANK AND ON HAND

Cash and short-term deposits in the statement of financial position comprise cash at bank, and in hand, and short-term highly liquid investments with an original maturity of three months or less. Bank overdrafts are shown within interest bearing borrowings.

	GROUP	
	2015	2014
Cash at bank – New Zealand dollar balances	2,925,176	1,643
Cash at bank – foreign currency balances	1,561,776	247,865
	4,486,952	**249,508**

FOREIGN CURRENCY RISK

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

New Zealand dollars	2,925,176	1,643
Australian dollars	1,561,679	247,742
US dollars	97	123
	4,486,952	**249,508**

12. TRADE AND OTHER PAYABLES

EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits, 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 reporting date.

POST-EMPLOYMENT

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 company 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.

	GROUP	
	2015	2014
Trade payables	565,076	1,005,935
Accrued expenses	565,244	260,308
Lease incentive	266,076	57,394
Holiday pay accrual	440,159	201,502
Total trade and other payables	**1,836,555**	**1,525,139**
Disclosed as:		
Current	1,662,353	1,511,707
Non-current	174,202	13,432
	1,836,555	**1,525,139**

13. 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.

14. INTEREST BEARING LOANS AND BORROWINGS

	NOTE	GROUP	
		2015	2014
Current			
Bank overdrafts		–	1,191,021
Bank loans		–	780,000
Financial Equities loan payable	17	292,416	–
Obligations under finance leases		6,451	5,976
Related party loans	17	–	2,193,298
Convertible notes	17	–	1,325,000
Leasehold fitout loan		15,171	12,745
		314,038	**5,508,040**
Non-current			
Obligations under finance leases		–	16,809
Leasehold fitout loan		4,104	15,171
		4,104	**31,980**

During the current and prior years, there were no defaults or breaches on any of the loans.

During the year the bank loan of $780,000 to finance the acquisition of assets of Incharge Pty Limited was fully repaid.

Related party loans from shareholders were repaid in the year. Shareholders issued a demand for interest during the year of $40,841 (2014: $233,649). The loans were unsecured.

The leasehold fitout loan is personally guaranteed by the directors.

Finance leases are secured over the assets specified in the lease.

Convertible notes

The company issued 1,325,000 convertible notes in March 2014 each with a face value of $1 to key management personnel and a director appointed post balance date. The notes were fully paid up prior to balance date. The convertible notes were converted to shares at IPO per note 15.

15. 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.

	GROUP		GROUP	
	2015	2014	2015	2014
	$	$	NUMBER OF SHARES	NUMBER OF SHARES
Ordinary shares and share based payments				
Share capital at beginning of year	–	–	16,660	16,660
Shares issued for the benefit of convertible note holders	156,644	–	217	–
Shares issued to management paid up prior to IPO	1,000	–	–	–
Subdivision of shares prior to IPO	241,505	–	43,492,498	–
Issue of shares pursuant to IPO	17,000,000	–	15,454,545	–
Issue of new shares in lieu of advisory fees	363,400	–	330,364	–
Issue of share options to non-exec directors	80,758	–	590,909	–
Convertible notes converted to shares at IPO	1,325,000	–	1,490,625	–
Issue of new shares to staff via Salary Sacrifice Scheme	157,300	–	143,000	–
Issue of new shares to employees via Restricted Share Scheme	290,117	–	1,180,564	–
Transaction costs for issue of new shares	(1,641,274)	–	–	–
Share capital at end of year	**17,974,450**	**–**	**62,699,382**	**16,660**
Convertible notes				
Convertible notes at beginning of year	239,835	239,835	5,902	5,902
Convertible notes issued during the year	156,644	–	217	–
Convertible notes converted to shares	(396,479)	–	(6,119)	–
Convertible notes at end of year	**–**	**239,835**	**–**	**5,902**
Total equity at end of year	**17,974,450**	**239,835**	**62,699,382**	**22,562**

The company raised $17 million of issued capital via an Initial Public Offering and concurrent listing on the NZX Main Board on 24 June 2014.

During the period the company issued 143,000 shares under a Salary Sacrifice Scheme (SSS), and 1,180,564 under a Restricted Share Scheme (RSS). In respect of the SSS, as at 31 March, 140,000 shares had been allocated and 3,000 shares remain unallocated. In respect of the RSS, as at 31 March, 775,000 restricted shares had been allocated to key management personnel and 246,650 allocated to other Serko employees, each at an issue price of $1.10 per share. 158,914 restricted shares remain unallocated at 31 March 2015.

In April 2014 the company issued 67 convertible notes each with a face value of $40.63 and 150 convertible notes to key management personnel each with a face value of $1,026.14. These were converted to shares at IPO.

16. 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 fulfilment 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 that 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.

I) FINANCE LEASES

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

II) 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.

	GROUP	
	2015	2014
a) Operating lease commitments		
No later than one year	426,825	227,851
Later than one year and not later than five years	1,529,367	156,493
Later than five years	–	–
	1,956,192	**384,344**
b) Finance lease commitments		
No later than one year	9,837	9,837
Later than one year and not later than five years	12,690	22,527
Later than five years	–	–
Total minimum lease payments	**22,527**	**32,364**
Less amounts representing finance charges	**(2,810)**	**(2,810)**
Present value of minimum lease payments	**19,717**	**29,554**

Prior year comparitives for 31 March 2014 have been restated to correct for an overstatement of operating lease commitments in the annual report note disclosure. Current year includes an operating lease commitment related to the sales office in Sydney signed after balance date.

17. 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 (PARENT) $	
NAME	BALANCE DATE	2015	2014	2015	2014
Serko Australia Pty Limited	31 March	100%	100%	1,247	1,247
Travelog World for Windows Pty Limited	31 March	0%	89%	–	–
Serko Trustee Limited	31 March	100%	0%	–	–
Serko India Private Limited	31 March	99%	0%	2,118	–
Serko Investments Limited	31 March	100%	0%	–	–
				3,365	**1,247**

Serko Australia Pty Limited's principal business is the marketing and support of travel booking software solutions supplied by Serko Limited. This entity has been consolidated based on management accounts for the year ended 31 March each year. On 17 April 2014 the company sold its shares in Travelog World for Windows Pty Limited for consideration of $10 to Empeiria Limited. Empeiria is a company associated with directors Robert Shaw and Darrin Grafton.

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

Serko India Private Limited was incorporated on 18 February 2015.

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

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 director remuneration.

	NOTES		PURCHASES FROM RELATED PARTIES	INTEREST FROM/ (TO) FROM RELATED PARTIES	AMOUNTS OWED TO RELATED PARTIES	AMOUNTS OWED BY RELATED PARTIES
			$	$	$	$
Other related parties						
nuTravel	7	2015	–	(24,780)	–	292,416
		2014	–	–	–	–
Financial Equities Limited	14	2015	–	24,780	292,416	–
		2014	–	–	–	–
Simon Botherway – Chairman		2015	64,167	–	–	–
		2014	–	–	–	–
Clyde McConaghy – Non-exec Director		2015	54,252	–	–	–
		2014	–	–	–	–
Claudia Batten – Non-exec Director		2015	54,252	–	–	–
		2014	–	–	–	–
Parent						
Subsidiaries		2015	3,335,738	–	–	915,138
		2014	1,905,460	–	–	404,189
Total		**2015**	**2,663,195**	**–**	**292,416**	**1,207,554**
		2014	**1,905,460**	**–**	**–**	**404,189**

Non-executive directors provide services to Serko in their capacity as non-executive directors and have a service agreement with a specified amount per annum.

The non-executive directors also provided consultancy services during the IPO period before being appointed as non-executive directors on 30 April 2014. Simon Botherway received shares in lieu of consultancy services for the amount of $33,400.00 during the year. Simon Botherway also received shares in lieu for consultancy services provided in the prior year for $30,000. Claudia Batten received payment for consultancy services of $22,516 during the year. Claudia Batten also received payment for consultancy services provided in the prior year of $21,302. Clyde McConaghy received payment for consultancy services of $10,835 during the year. Clyde McConaghy also received payment for consultancy services provided in the prior year of $21,302.

17. RELATED PARTIES – CONTINUED

c) Key management and director remuneration

	GROUP	
	2015	2014
Short-term benefits employees (*)	1,706,825	736,916
Post-employment benefits	54,594	32,348
Total compensation	**1,761,419**	**769,264**

(*) Key management personnel includes the executive management team, sales management team and the directors in their capacity as Chief Executive Officer and Chief Strategy Officer.

d) Other transactions with key management personnel and directors

The directors received remuneration as contractors for services, in their capacity as Chief Executive Officer and Chief Strategy Officer, provided to the group as follows:

	2015	2014
Robert Shaw	–	86,100
Darrin Grafton	–	97,282

Key management personnel were issued nil (2014: nil) convertible notes at face value during the year, recognised in equity. The group advanced a loan for the purchase of notes and no loans were outstanding at year end (2014: $21,984). Interest was accrued at nil (2014: $1,835). Refer to notes 7 and 15 for terms of issue.

Key management personnel were issued nil (2014: 325,000) convertible notes at face value during the year, recognised in interest bearing loans. Refer to note 14 for terms of issue.

e) 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 2015, the company has not made any allowance for impairment loss relating to amounts owed by related parties (2014: $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 company recognises an allowance for the impairment loss.

f) Loans with shareholders

The terms of loans entered into with shareholders are disclosed in note 14. There are no loans in existence at balance date.

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP	
	2015	2014
Net profit/(loss) after tax	(6,547,335)	(1,741,649)
Add non-cash items		
Amortisation	273,166	64,198
Impairment	–	–
Depreciation	185,044	62,460
Interest on shareholder loans	–	233,649
Increase/(decrease) in deferred tax	(84,812)	(33,962)
Loss/(gain) on foreign exchange transactions	97,417	–
Shares taken in lieu of advisory fees	82,591	–
Share-based compensation	370,875	–
	(5,623,054)	**(1,415,304)**
Add/(less) movements in working capital items		
(Increase)/decrease in receivables excl loans	(1,076,199)	(807,379)
(Increase)/decrease in derivative financial instruments	(116,828)	–
Increase/(decrease) in trade and other payables	51,028	980,270
Increase/(decrease) in income tax	130,610	50,345
	(1,011,388)	**223,236**
Less items classified as financing activity		
Interest on convertible notes	(3,356)	(14,800)
Net cash flow from operating activities	**(6,637,798)**	**(1,206,868)**

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's principal financial instruments comprise cash at bank, bank overdrafts, 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 while protecting future financial security.

Group capital consists of share capital, convertible notes 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.

Risk exposures and responses

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, the group had the following mix of financial liabilities exposed to New Zealand variable interest rate risk that are not designated in cash flow hedges. Sensitivity analysis has been performed based on an interest rate sensitivity of +/- 1% (2014: +/- 1%). The impact on post-tax profit and equity, with all other variables remaining constant, has also been disclosed.

	INTEREST RATE RISK				
	-1%			+1%	
	CARRYING AMOUNT	POST-TAX PROFIT	EQUITY	POST-TAX PROFIT	EQUITY
	$	$	$	$	$
GROUP AND PARENT – 2015					
Bank overdraft	–	–	–	–	–
Bank loans	–	–	–	–	–
Related party loans	–	–	–	–	–
Net exposure	**–**	**–**	**–**	**–**	**–**
GROUP AND PARENT – 2014					
Bank overdraft	1,191,021	8,575	8,575	(8,575)	(8,575)
Bank loans	780,000	5,616	5,616	(5,616)	(5,616)
Related party loans	2,193,298	15,792	15,792	(15,792)	(15,792)
Net exposure	**4,164,319**	**29,983**	**29,983**	**(29,983)**	**(29,983)**

LIQUIDITY 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 to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

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

	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
GROUP – 2015						
Accounts payable	1,570,479	1,570,479	–	–	–	–
Overdraft	–	–	–	–	–	–
Bank loans	–	–	–	–	–	–
Related party loans	292,416	292,416	–	–	–	–
Convertible notes	–	–	–	–	–	–
Leasehold fitout	19,275	7,586	7,586	4,104	–	–
Finance leases	6,451	3,226	3,226	–	–	–
	1,888,621	**1,873,706**	**10,811**	**4,104**	**–**	**–**
GROUP – 2014						
Accounts payable	1,467,745	1,467,745	–	–	–	–
Overdraft	1,191,021	1,191,021	–	–	–	–
Bank loans	780,000	780,000	–	–	–	–
Related party loans	2,193,298	2,193,298	–	–	–	–
Convertible notes	1,325,000	–	1,325,000	–	–	–
Leasehold fitout	27,916	6,373	6,373	15,171	–	–
Finance leases	22,785	4,919	4,919	9,837	3,110	–
	7,007,765	**5,643,356**	**1,336,292**	**25,008**	**3,110**	**–**

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 and 10 for further details on the group's foreign currency denominated accounts receivable and cash balances.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

The following table summarises the sensitivity to foreign currency exchange rate movements.
A sensitivity of +/- 15% (2014: +/- 15%) has been selected due to exchange rate volatility observed.

		FOREIGN CURRENCY RISK			
		-15%		+15%	
	CARRYING AMOUNT	POST-TAX PROFIT	EQUITY	POST-TAX PROFIT	EQUITY
	$	$	$	$	$
GROUP – 2015					
Foreign exchange balances					
Cash at bank	1,561,776	198,437	198,437	(146,671)	(146,671)
Trade receivables	1,575,913	199,713	199,713	(147,614)	(147,614)
Trade payables	(175,726)	(22,328)	(22,328)	16,503	16,503
Net exposure	**2,961,963**	**375,822**	**375,822**	**(277,782)**	**(277,782)**
GROUP – 2014					
Foreign exchange balances					
Cash at bank	247,865	31,494	31,494	(23,278)	(23,278)
Trade receivables	1,273,347	161,291	161,291	(119,215)	(119,215)
Trade payables	(218,225)	(27,727)	(27,727)	20,494	20,494
Net exposure	**1,302,987**	**165,058**	**165,058**	**(121,999)**	**(121,999)**

CREDIT RISK

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

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

The group trades only with recognised, creditworthy third parties and as such collateral is not requested. Receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

At reporting date 100% (2014: 100%) of the group's cash and cash equivalents was with one bank. The group has no other concentrations of credit risk.

20. SEGMENT INFORMATION

The board of directors 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 segment.

Revenues are derived from installation and configuration projects and through the provision of support and maintenance, however, these activities are not independent of the principal activity of the group, being the provision of software solutions for the management and administration of corporate travel bookings.

GEOGRAPHIC INFORMATION	GROUP	
	2015	2014
New Zealand	1,202,676	641,299
Australia	8,973,601	5,931,027
India	116,951	79,890
Singapore	14,593	30,566
US	20,450	–
Other	32,931	–
Total operating revenue	**10,361,202**	**6,682,782**
Other income		
Grant income	1,413,182	895,195
Total Revenue and other income	**11,774,384**	**7,577,977**

As required under 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 Flight Centre Limited made up more than 10% of the revenue for the group. Flight Centre Limited accounted for $2,749,847 of the revenue for the year ended 31 March 2015.

Receivables as part of the segmental revenue above	
New Zealand	215,946
Australia	2,130,848
India	62,114
Singapore	3,496
US	–
Other	3,715
	2,416,119

Allowance for impairment as part of trade receivables above	
New Zealand	26,937
Australia	2,988
India	12,406
Singapore	–
US	–
Other	–
	42,331

The revenue information above is based on the locations of the customers.

NON-CURRENT OPERATING ASSETS		
New Zealand	1,731,537	454,378
Australia	553,083	786,338
	2,284,620	**1,240,716**

Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

21. EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss 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 loss 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:

	2015	2014
	$	$
Loss attributable to ordinary equity holders of the parent		
Continuing operations	(6,547,335)	(1,741,649)
Discontinued operations	–	–
	(6,547,335)	**(1,741,649)**

	2015	2014
	NUMBER	NUMBER
Basic earnings per share		
Issued ordinary shares (refer Note 15)	62,699,382	16,660
Weighted average of issued ordinary shares*	62,699,382	16,660
Basic earnings per share (dollars)	**(0.10)**	**(104.54)**
Diluted earnings per share		
Weighted average of issued ordinary shares	62,699,382	16,660
Adjusted for redeemable preference shares and share options	–	5,914
Weighted average of issued ordinary shares for diluted earnings per share	62,699,382	22,574
Diluted earnings per share (dollars)	**(0.10)**	**(77.15)**

* The weighted average number of shares takes into account the weighted average effect of convertible notes issued during the year.

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.

Prior year includes an adjustment to net loss after tax (the prior year in the annual report used net loss after comprehensive income rather than net loss before comprehensive income) affecting basic earnings and diluted earnings per share.

22. PFI VARIANCE ANALYSIS

	GROUP	PFI	VARIANCE	VARIANCE
	$	$	$	%
Statement of comprehensive income				
Revenue	10,361,202	11,002,428	(641,226)	-6%
Other Income	1,413,182	1,089,283	323,899	23%
Total revenue and other income	**11,774,384**	**12,091,711**	**(317,327)**	-3%
Expenses from ordinary activities				
Selling and marketing expenses	(988,848)	(941,900)	(46,948)	-5%
Remuneration & benefits	(12,020,829)	(12,130,993)	110,164	1%
Administration expenses	(4,690,503)	(4,956,714)	266,211	6%
Other expenses	(368,672)	(433,435)	64,763	18%
Total expenses from ordinary activities	**(18,068,852)**	**(18,463,042)**	**394,190**	2%
Finance income	209,382	185,906	23,476	11%
Finance costs	(348,218)	(149,496)	(198,722)	-57%
Profit (loss) before income tax	**(6,433,304)**	**(6,334,921)**	**(98,383)**	-2%
Income tax (expense)/benefit	(114,031)	(216,855)	102,824	90%
Net profit (loss) for the period	**(6,547,335)**	**(6,551,776)**	**4,441**	0%
Other comprehensive income (net of tax)				
Movement in foreign currency reserve	144,247	–	144,247	n/a
Total comprehensive income for the year	**(6,403,088)**	**(6,551,776)**	**148,688**	2%

Key Variances:

- Revenue is down 6% to PFI owing to the late delivery of Serko Mobile and the Incharge product refresh, coupled with a change in demand for software customisation.
- Other income is up 23%. Grant income received was higher than forecast in PFI.
- Finance income is up 11%. This relates mainly to interest accrued on the nuTravel loan receivable (see note 7).
- Finance costs are up 57%. This relates mainly to an unfavourable exchange rate movement during the year.
- Income tax (expense)/benefit. The PFI period assumed a higher tax expense relating to transfer pricing arrangements for Serko Australia Pty Limited.
- Movement in foreign currency reserve is owing to the exchange adjustment on subsidiary reserves during the period.

22. PFI VARIANCE ANALYSIS – CONTINUED

	GROUP	PFI	VARIANCE
	$	$	$
Statement of Financial Position			
Current assets			
Cash at bank and on hand	4,486,952	4,986,895	(499,943)
Receivables	3,417,736	2,672,449	745,287
Derivative financial instruments	116,828	–	116,828
	8,021,516	**7,659,344**	**362,172**
Non-current assets			
Property, plant and equipment	997,278	934,004	63,274
Intangible assets	1,287,342	940,495	346,848
	2,284,621	1,874,499	410,122
Total assets	**10,306,137**	**9,533,843**	**772,293**
Current liabilities			
Trade and other payables	1,662,352	1,788,141	(125,789)
Income tax payable	180,737	–	180,737
Interest bearing loans and borrowings	314,038	–	314,038
	2,157,127	**1,788,141**	**368,987**
Non-current liabilities			
Deferred tax liability	60,311	84,800	(24,489)
Trade and other payables	174,202	–	174,202
Interest bearing loans and borrowings	4,104	–	4,104
	238,617	**84,800**	**153,817**
Total liabilities	**2,395,745**	**1,872,941**	**522,803**
Equity			
Contributed equity	17,603,575	17,469,237	134,338
Share-based payment reserve	370,875	401,053	(30,178)
Foreign currency reserve	148,606	4,359	144,247
Retained earnings accumulated (deficit)	(10,212,663)	(10,213,747)	1,084
Total equity	**7,910,393**	**7,660,902**	**249,491**
Total equity and liabilities	**10,306,137**	**9,533,843**	**772,294**

- Cash is lower than PFI owing to a higher receivables position at balance date.
- Receivables are higher than PFI owing to delayed settlement and the introduction of a loan receivable from nuTravel during the period.
- Derivative financial instruments are related to forward contracts in place at balance date, with a favourable exchange rate valuation.
- Intangible assets are higher than PFI owing to increased development spend on Serko Mobile during the year.
- Interest bearing loans and borrowings are higher owing to a loan payable to Financial Equities Limited in relation to the loan receivable from nuTravel (see note 17).
- Trade and other payables relates to incentives for the leasehold in Auckland and a computer hardware incentive provided as part of a hosting agreement.

23. 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 issued 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 invitation 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 given 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 $1.10 (2014: n/a) and was determined by the share price on grant date. The group has no legal or constructive obligation to repurchase the shares or settle the RSP for cash.

	2015	2014
Unvested shares at 1 April	–	n/a
Granted	1,031,605	n/a
Forfeited	(9,955)	n/a
Vested	–	n/a
Unvested shares at 31 March – allocated to employees	**1,021,650**	**n/a**
Forfeited shares not yet reallocated – held by trustee	–	n/a
Unallocated shares – held by trustee	158,914	n/a
Total	**1,180,564**	**n/a**
Percentage of total ordinary shares	1.9%	n/a
Ageing of unvested shares		
Vest within one year	–	n/a
Vest after one year	1,180,564	n/a
Total	**1,180,564**	**n/a**

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

23. SHARE-BASED PAYMENTS – CONTINUED

Share Appreciation Rights

The group's non-executive directors are granted share appreciation rights (SARs), settled by way of a non-recourse loan. The SARs vest when the directors continue to be employed as non-executive directors at the vesting date. The contractual term of the SARs is three years.

The following table lists the inputs to the model used for the SAR plan for the year ended 31 March 2015:

	2015	2014
Dividend yield (%)	0.00	n/a
Expected volatility (%)	20.00	n/a
Risk-free interest rate (%)	3.50	n/a
Expected life of share options/SARs (years)	2.5	n/a
Weighted average share price ($)	1.10	n/a
Model used	Black Scholes	n/a

The expected life of the SARs is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

Movements during the year

	2015		2014	
	NUMBER	WAEP	NUMBER	WAEP
Outstanding at 1 April 2014	–	–	–	–
Granted during the year	590,909	1.10	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Expired during the year	–	–	–	–
Outstanding at 31 March 2015	**590,909**	**1.10**	–	–
Exercisable at 31 March 2015	**590,909**	**1.10**	–	–

24. EVENTS AFTER BALANCE SHEET DATE

On 1 May 2015 Serko Australia Pty Limited acquired the assets of Arnold Travel Technology Pty Limited from the Expedia Group, an Australian online corporate travel booking business.

The provisional fair values of the identifiable assets of Arnold Travel Technology Pty Limited as at the date of acquisition, denominated in Australian dollars, were:

	AU$
Customer contracts	100,000
	100,000
Consideration transferred:	
Cash paid	100,000
Net cash paid on acquisition	100,000

As part of the acquisition Serko Australia Pty Limited had related redundancy costs for some existing Arnold Travel Technology Pty Limited employees of $102,345.

There have been no other significant events occurring after balance date.

25. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2014: $nil).

GOVERNANCE, REMUNERATION AND STATUTORY DISCLOSURES

GOVERNANCE

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

The Board considers that its policies and practices comply with the corporate governance requirements of the listing rules applying to the NZX Main Board (NZX Listing Rules) and are consistent with the principles contained in the NZX Corporate Governance Best Practice Code except to the extent referred to below. The Board also considers that the governance practices Serko has in place are consistent with the Financial Markets Authority handbook '*Corporate Governance in New Zealand Principles and Guidelines*'.

The NZX Corporate Governance Best Practice Code encourages directors to take a portion of their remuneration under a performance-based equity security plan, or to otherwise invest a portion of their cash directors' remuneration in purchasing the company's equity securities. Serko does not consider such a plan or formal encouragement of investment is necessary, as all directors either hold shares directly or indirectly, including by way of Director Loan Shares (refer Remuneration – Non-executive Director Remuneration below for more details).

This governance statement outlines the main corporate governance practices adopted by Serko. Serko's constitution and principal governance documents are available on Serko's website. Go to: www.serko.com/investor-centre/.

ETHICAL STANDARDS

The Board recognises that high ethical standards and behaviours are central to good corporate governance and has implemented a Code of Ethics to guide the behaviour of its directors and employees. Serko's Code of Ethics establishes the framework by which directors and staff of Serko are expected to conduct their professional lives by facilitating behaviour and decision-making that meets Serko's business goals and is consistent with Serko's values, policies and legal obligations. Serko's Code of Ethics is available on Serko's intranet and forms part of the induction process for new employees. There have been no instances raised with either the Board or management around any alleged breaches of the Code of Ethics. Serko encourages staff to report any concerns they have about compliance with the Code of Ethics, Serko policies or legal obligations.

The Code of Ethics addresses:

- Conflicts of interest
- Receipt of gifts
- Proper use of Serko property and information
- Confidentiality
- Expected behaviours
- Compliance with laws and Serko policies
- Additional director responsibilities
- Delegated Authority
- Reporting issues regarding breaches of the Code, legal obligations or other Serko policies.

BOARD OF DIRECTORS

Role of the Board

The Board of Directors (the Board) is elected by shareholders to govern Serko in the interests of shareholders and to protect and enhance the value of Serko's assets. The Board is responsible for corporate governance and Serko's overall strategic direction and is the overall and final body responsible for all decision-making within Serko. The Board Charter describes the Board's role and responsibilities and regulates internal Board procedure.

The Board has delegated a number of its responsibilities to Board committees. The role of each committee is described below.

To enhance efficiency, the Board has also delegated to the Chief Executive Officer and subsidiary company boards the day-to-day leadership and management of Serko. The Chief Executive Officer has, in some cases, formally delegated certain authorities to his direct reports within set limits. The Board regularly monitors and reviews management's performance in the execution of its delegated responsibilities.

The Board met for 12 regularly scheduled meetings during the financial year and six special meetings. There were also separate meetings of the Board Committees during the year. The Board intends to meet 11 times during FY16.

Board Membership, Size and Composition

The NZX Listing Rules state that the number of directors must not be fewer than three and a Board must have at least two independent directors. Subject to this limitation, and in accordance with the provisions of Serko's constitution and the Board Charter, the size of the Board is determined by the Board from time to time.

As at 31 March 2015, (and the date of this annual report), the Board comprised five directors being the two co-founders Darrin Grafton and Robert Shaw and three independent non-executive directors Simon Botherway, Claudia Batten and Clyde McConaghy. For biographical details of individual directors see About Serko - Board of Directors above.

The Remuneration and Nominations Committee is responsible for making recommendations to the Board regarding the Board's size and composition. The Board's broader commitment to diversity includes building diversity of thought within the Board of Directors. The current Board has a broad range of experience and skills, both locally and internationally, that are appropriate to meet its objectives.

The Board supports the separation of the role of chairman and chief executive officer. The chairman is elected by the Board from the non-executive directors. The chairman's role is to manage and provide leadership to the Board and to facilitate the Board's interface with the chief executive officer. The current chairman, Simon Botherway, was appointed on 30 April 2014 and is an independent director.

Board Appointment, Training and Evaluation

At the time of appointment, each new director signs a comprehensive letter of appointment setting out the terms of their appointment, including their duties and expectations in the role. Each director also receives a copy of Serko's Corporate Governance Manual (comprising all of Serko's core governance documents) and is introduced to the business through a specifically tailored induction programme. All directors are regularly updated on relevant industry and company issues and are expected to undertake training to remain current on how to best perform their duties as directors of Serko.

All directors have access to senior management to discuss issues or obtain information on specific areas or items to be considered at the board meeting or other areas they consider appropriate.

The Board, Board committees and each director have the right to seek independent professional advice at Serko's expense to assist them in carrying out their responsibilities.

The Board intends to undertake a regular review of its own and its committees' performance. This is to ensure it has the right composition and appropriate skills, qualifications, experience and background to effectively govern Serko and monitor Serko's performance in the interests of shareholders. The non-executive directors were appointed by Serko's shareholders on 30 April 2014 and the first annual review of the Board and committees' performance was undertaken in May 2015.

Every director appointed by the Board must submit himself or herself for reappointment by shareholders at the next annual meeting following his or her appointment. Directors are subject to the rotation requirements set out in the NZX Listing Rules.

Independence of Directors

A director is considered to be independent if that director is not an executive of Serko and if the director has no direct or indirect interest or relationship that could reasonably influence, in a material way, the director's decisions in relation to Serko.

The Board has determined that each non-executive director is an independent director for the purposes of the NZX Listing Rules and in accordance with the Board Charter. As at 31 March 2015, Serko had two non-independent directors and three independent directors.

The Board will review any determination it makes on a director's independence on becoming aware of any new information that may affect that director's independence. For this purpose, directors are required to ensure they immediately advise Serko of any new or changed relationship that may affect their independence or result in a conflict of interest.

Conflicts of Interest

The Board is conscious of its obligations to ensure that directors avoid conflicts of interest (both real and perceived) between their duty to Serko and their own interests. The Board Charter outlines the Board's policy on conflicts of interest. Serko maintains an interests register in which relevant disclosures of interest and securities dealings by the directors are recorded.

BOARD COMMITTEES

The Board uses committees to deal with issues requiring detailed consideration, thereby enhancing the efficiency and effectiveness of the Board. However, the Board retains ultimate responsibility for the functions of its committees and determines each committee's roles and responsibilities.

The current committees of the Board and their members are:

- Audit and Risk Committee
  Clyde McConaghy (Chair), Simon Botherway and Claudia Batten
- Remuneration and Nominations Committee
  Claudia Batten (Chair), Simon Botherway and Clyde McConaghy
- Disclosure Committee
  Simon Botherway (Chair), Clyde McConaghy, Darrin Grafton and Tim Bluett.

Details of the roles and responsibilities of these committees are described in their respective charters (or in the case of the Disclosure Committee, in the Market Disclosure Policy). The Board has determined that Clyde McConaghy and Simon Botherway each meet the criteria for being a "financial expert" in accordance with the Audit and Risk Committee's Charter.

From time to time, the Board may constitute an ad-hoc committee to deal with a particular issue that requires specialised knowledge and experience.

DIVERSITY

The Board recognises that building diversity across Serko will deliver enhanced business performance. Serko has adopted a Diversity Policy and is committed to achieving diversity in the skills, attributes and experience of its Board members, management and staff across a broad range of criteria (including, but not limited to, culture, gender and age).

Diversity Objectives

The Board's evaluation of Serko's performance during the financial period with respect to the objectives contained in its Diversity Policy are set out below:

- **Objective**: Facilitate and promote equal employment opportunities including (but not limited to) diversity of culture, gender and age when considering opportunities for new and existing Serko people.

  Progress: The Company has made a change this year to carry out the majority of its recruiting efforts internally, giving Serko the ability to ensure diversity is encouraged from the commencement of any recruitment campaign through to hiring. As part of this change Serko undertook a programme of work to refresh our Serko Careers site, with particular emphasis on reflecting the diversity that exists within our organisation to encourage people from any culture, gender or age to consider applying to Serko as an employer.

GOVERNANCE, REMUNERATION AND STATUTORY DISCLOSURES

- **Objective**: Promote a merit-based environment in which employees have the opportunity to develop and perform to their full potential in alignment with the Company's commitment to the ongoing training and wellbeing of its employees.

  Progress: All employees are encouraged to participate in development activity with a focus on who they are, what is important to them and where they wish to take their career. In addition, in FY15 Serko established an internal 'Thrive' programme, which aims to encourage peak performance through education, activity, and employee benefits. The programme focuses on four elements – Wellbeing, Wisdom, Wonder, and Giving.

- **Objective**: Reward excellence and ensure employees are treated fairly, evaluated objectively and promoted on the basis of their performance.

  Progress: The composition of Serko's workforce (refer below for details) demonstrates that it is an equal opportunity employer that does not discriminate on any of the prohibited grounds of discrimination. Serko's annual salary reviews are merit-based and reflect the responsibilities of each position and the employment market. These reviews provide visibility to management in relation to parity of working conditions and pay across its workforce.

Diversity at Serko

At the end of FY15 Serko employees represented 22 different nationalities (up from 12 different nationalities at the end of FY14). Serko believes this diversity is critical for encouraging awareness of cultural experiences as we expand into different markets. Serko's employees range in age from early 20s to mid 60s, with the spread peaking in their early 30s.

The proportions of men and women at various levels within the Serko workforce as at 31 March 2014 and 31 March 2015 are set out in the table below:

	% FEMALE 2014	% FEMALE 2015	% MALE 2014	% MALE 2015
Serko Limited Board of Directors	0%	20%	100%	80%
Officers[a]	0%	0%	100%	100%
Senior Employees[b]	55%	57%	45%	43%
Overall workforce	43%	42%	57%	58%

a. The Executive Team (CEO and his direct reports)

b. Direct reports to the Executive Team with managerial responsibilities

HEALTH AND SAFETY

Serko has adopted a Health and Safety Policy and both the Board and management are committed to promoting a safe and healthy working environment for everyone working in or interacting with Serko's business. The Health and Safety Policy requires Serko people to endeavour to take all practicable steps to provide a working environment that promotes health and wellbeing, while minimising the potential for any risk, personal injury, ill health or damage. The Board has agreed a detailed programme of work, which aims to ensure Serko remains compliant with its health and safety obligations.

FINANCIAL REPORTING

The Board is responsible for ensuring the integrity of its financial reporting.

Part of the role of the Audit and Risk Committee is to assist the Board in fulfilling its responsibilities for financial statements and external financial reporting, and ensuring the quality and independence of Serko's external audit process. This role is described in detail in the Audit and Risk Committee Charter.

The Audit and Risk Committee and the Board undertake appropriate inquiry of management and the auditor. The Chief Executive Officer and Chief Financial Officer are required to certify to the Board that Serko's financial report presents a true and fair view, in all material respects, of Serko's financial position for the relevant financial period and that operational results are in accordance with relevant accounting standards.

AUDITORS

Serko has adopted an External Audit Independence Policy that requires, and sets out the criteria for, the external auditor to be independent. The Policy recognises the importance of the Board's role in facilitating frank dialogue among the Audit and Risk Committee, the auditor and management.

The Policy requires that the lead and engagement audit partners be rotated after a maximum of five years so that no such persons shall be engaged in an audit of Serko for more than five consecutive years.

The Audit and Risk Committee Charter requires the Committee to facilitate the continuing independence of the external auditor by assessing the external auditor's independence and qualifications, and overseeing and monitoring its performance. This involves monitoring all aspects of the external audit, including the appointment of the auditor, the nature and scope of its audit, and reviewing the auditor's service delivery plan.

In carrying out these responsibilities the Audit and Risk Committee meets regularly with the auditor without executive directors or management present.

Non-Audit Work

The auditor is restricted in the non-audit work it may perform. In the last financial year the audit firm has undertaken specific non-audit work. None of that non-audit work is considered to have compromised (or be seen to have compromised) the independence of the auditor. For further details on the audit and non-audit fees paid and work undertaken during the period, refer to Note 5 of the Financial Statements above.

RISK MANAGEMENT

Serko has designed and implemented a risk and compliance framework that sets out the policies and standards by which all Serko businesses will operate. In addition, Serko has established a monitoring and reporting process that registers Serko's key compliance and operational risks, rates their potential impact and likelihood of occurring, and describes the mitigations and controls Serko has in place in respect of each risk.

The Audit and Risk Committee monitors compliance with the risk and compliance framework and assists the Board in discharging its responsibilities in overseeing Serko's risk management and internal control processes.

TRADING IN SERKO SECURITIES

Serko's Share Trading Policy and Guidelines applies to all directors, officers, employees and contractors of Serko and its subsidiaries who intend to trade in Serko's listed securities. This Policy seeks to ensure that those subject to the Policy do not trade in Serko securities if they hold undisclosed price-sensitive information. The Policy sets out additional rules, which includes the requirement to seek company consent before trading and prescribes certain periods during which trading is permitted.

Compliance with the Share Trading Policy will be monitored through the consent process, through education and via notification by Serko's share registrar when any director or senior manager trades in Serko securities. All trading by directors and senior managers (as defined by the Financial Markets Conduct Act 2013) is required to be reported to NZX and recorded in Serko's securities trading registers.

In addition to the restrictions outlined above, each director has entered into a deed of embargo with Serko such that they are restricted from disposing of any of their shares until the date falling two business days after Serko makes a preliminary announcement for the financial year ending 31 March 2016, except with the prior approval of the directors that are not "interested" for the purposes of the Companies Act 1993 (the "Non-Interested Directors"). Some senior employees are also embargoed from selling any shares during this period, except with the prior approval of the Non-Interested Directors.

SHAREHOLDER RELATIONS

The Board is committed to maintaining a full and open dialogue with its shareholders.

Disclosure to the Market

Serko is committed to ensuring that all of its shareholders have timely access to full and accurate material information about Serko and its prospects, and to ensure that Serko, its employees and its directors comply with the requirements for full and timely disclosure to the market of material information, thus ensuring equal access to information.

Serko has established a Disclosure Committee whose role it is to determine whether information is "material information" and whether the material information is required to be released to the NZX. The Disclosure Committee comprises the Board Chairman, the Audit and Risk Committee Chairman, the Chief Executive Officer and the Chief Financial Officer (the Disclosure Officer).

Further information on Serko's procedures for dealing with information disclosure is set out in Serko's Market Disclosure Policy. In addition to the procedures set out in that Policy, directors and management consider at each meeting whether there are any issues that require disclosure to the market.

Information for shareholders

The Investor Centre section of Serko's website includes copies of Serko's key governance documents, reports, announcements and media releases.

Serko's Annual Meeting will be held in Auckland on 19 August 2015. Shareholders will be given an opportunity at the meeting to ask questions and comment on relevant matters. In addition, the auditor, Ernst & Young, will be available to answer any questions about its audit report. A Notice of Meeting will be sent to shareholders in advance of the meeting.

INTEREST REGISTER DISCLOSURES

In accordance with Section 140(1) of the Companies Act 1993, directors disclosed the following interests in transactions with Serko during the financial year ending 31 March 2015:

DATE OF ENTRY	NAME OF DIRECTOR	NATURE OF DIRECTOR'S INTEREST IN TRANSACTION
30-Apr-14	Darrin Grafton	Gave notice to the Board that: (a) he is a trustee and beneficiary of the Grafton-Howe Family No. 2 Trust (the Grafton-Howe Trust) and accordingly is to be regarded as interested in any transaction that may be entered with the Grafton-Howe Trust (b) he is a director of Serko Note Limited (Serko Note), and accordingly is to be regarded as interested in any transaction that may be entered with Serko Note (c) he is interested in an Executive Employment Agreement dated 30 April 2014 (d) he is interested in the Restricted Share Scheme documentation dated 30 April 2014 (e) he is interested in an Agreement for sale and purchase of shares in Serko Limited between the Company, Serko Note, the Grafton-Howe Trust, the Ripon Trust, and noteholders dated 30 April 2014 (f) he is interested in a Deed of Embargo dated 30 April 2014.

DATE OF ENTRY	NAME OF DIRECTOR	NATURE OF DIRECTOR'S INTEREST IN TRANSACTION
30-Apr-14	Robert Shaw	Gave notice to the Board that: (a) he is a trustee and beneficiary of the Ripon Trust (the Ripon Trust) and accordingly is to be regarded as interested in any transaction that may be entered with the Ripon Trust; (b) he is a director of Serko Note Limited (Serko Note), and accordingly is to be regarded as interested in any transaction that may be entered with Serko Note; (c) he is interested in an Executive Employment Agreement dated 30 April; (d) he is interested in the Restricted Share Scheme documentation dated 30 April 2014 (e) he is interested in an Agreement for sale and purchase of shares in Serko Limited between the Company, Serko Note, the Grafton-Howe Trust, the Ripon Trust, and noteholders dated 30 April 2014 (f) he is interested in a Deed of Embargo dated 30 April 2014.
30-Apr-14	Simon Botherway	Gave notice that he is interested in a Deed of Embargo dated 30 April 2014.
30-Apr-14	Claudia Batten	Gave notice that she is interested in a Deed of Embargo dated 30 April 2014.
30-Apr-14	Clyde McConaghy	Gave notice that he is interested in a Deed of Embargo dated 30 April 2014.

Directors have given general notices disclosing interests pursuant to section 140(2) of the Companies Act 1993. Those interests (or changes to interests) notified and recorded in Serko's Interests Register during the financial year ended 31 March 2015 are set out below:

DIRECTOR	ENTITY	RELATIONSHIP
Claudia Batten	Podscape Holdings Limited	Director[a]
	Broadli Inc	Director[a]
	Icehouse Limited	Director[a]
	Vend Limited	Appointed Director
	New Zealand Trade and Enterprise	Appointed Regional Director (North America)
Simon Botherway	Arrow Trustee	Trustee[a]
	MSH Trustee (Arrow) Limited	Trustee[a]
Darrin Grafton	Serko Trustee Limited	Appointed Director
	Serko Investments Limited	Appointed Director
	Serko India Private Limited	Appointed Director
Clyde McConaghy	Infomedia Limited	Director[a]
	Integrated Research Limited	Director[a] and ceased to be a Director
Robert Shaw	Serko Trustee Limited	Appointed Director
	Serko Investments Limited	Appointed Director
	Serko India Private Limited	Appointed Director

a. Interest held at time of appointment

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 2015:

NAME	DATE OF ACQUISITION/ DISPOSAL	NUMBER OF SHARES ACQUIRED/ (DISPOSED)	NATURE OF RELEVANT INTEREST	CONSIDERATION PAID/RECEIVED
Claudia Batten	23 June 2014	181,818[a]	Registered holder and beneficial owner of shares	$200,000
Simon Botherway	23 June 2014	1,125,000	Registered holder and beneficial owner of shares and having the power to exercise a right to vote attached to, and to dispose of, the shares[d]	Consideration for shares previously provided through subscription of underlying convertible notes
	23 June 2014	57,636[b]	Registered holder and beneficial owner of shares	$63,400
	23 June 2014	227,273[a]	Registered holder and beneficial owner of shares	$250,000
	23 June 2014	909,091[c]	Registered holder and beneficial owner of shares and having the power to exercise a right to vote attached to, and to dispose of, the shares[d]	$1,000,000
Darrin Grafton	29 April 2014	109[e]	Registered holder of ordinary shares[j]	Consideration for shares previously provided through subscription of the underlying convertible notes
	29 April 2014	21,747,538[f]	Registered holder and beneficial owner of 13,813,071 ordinary shares Registered holder of 7,942,906 ordinary shares	$Nil
	23 June 2014	(7,942,906)[g]	Registered holder of ordinary shares	Consideration for shares previously provided through subscription of the underlying convertible notes
	23 June 2014	(1,443,061)[h]	Registered holder and beneficial owner of ordinary shares	$1,587,367
	24 June 2014	1,537,594[i]	The power to exercise, or to control the exercise of, a right to vote attached to ordinary shares	$Nil

NOTES:

a. Director Loan Shares issued pursuant to a Loan Agreement

b. Shares issued in lieu of director fees

c. Subscribed for as part of IPO process

d. Partially held via a trust in which the director is a trustee

e. Shares issued to correspond with the number of convertible notes then on issue and were held as nominee for the benefit of the relevant holders of those convertible notes. They were transferred to those holders upon conversion of the convertible notes as part of the IPO process.

f. Share sub-division undertaken at time of IPO

g. Shares held as nominee for convertible note holders transferred to convertible note holders upon conversion of convertible notes as part of the IPO process.

h. Shares sold-down as part of founder sell-down of shares into IPO offer

i. The director has 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 legal and beneficial holder of these shares.

j. Held via a trust in which the director is a trustee.

NAME	DATE OF ACQUISITION/ DISPOSAL	NUMBER OF SHARES ACQUIRED/ (DISPOSED)	NATURE OF RELEVANT INTEREST	CONSIDERATION PAID/RECEIVED
Clyde McConaghy	23 June 2014	181,818[a]	Registered holder and beneficial owner and the power to exercise a right to vote attached to, and to dispose of, the shares.[j]	$200,000
Robert Shaw	29 April 2014	109[e]	Registered holder of ordinary shares[j]	Consideration for shares previously provided through subscription of the underlying convertible notes
	29 April 2014	21,747,538[f]	Registered holder and beneficial owner of 13,813,071 ordinary shares Registered holder of 7,942,906 ordinary shares	$Nil
	23 June 2014	(7,942,906)[g]	Registered holder of ordinary shares	Consideration for shares previously provided through subscription of the underlying convertible notes
	23 June 2014	(1,443,061)[h]	Registered holder and beneficial owner of ordinary shares	$1,587,367

NOTES:

a. Director Loan Shares issued pursuant to a Loan Agreement
b. Shares issued in lieu of director fees
c. Subscribed for as part of IPO process
d. Partially held via a trust in which the director is a trustee
e. Shares issued to correspond with the number of convertible notes then on issue and were held as nominee for the benefit of the relevant holders of those convertible notes. They were transferred to those holders upon conversion of the convertible notes as part of the IPO process.
f. Share sub-division undertaken at time of IPO
g. Shares held as nominee for convertible note holders transferred to convertible note holders upon conversion of convertible notes as part of the IPO process.
h. Shares sold-down as part of founder sell-down of shares into IPO offer
i. The director has 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 legal and beneficial holder of these shares.
j. Held via a trust in which the director is a trustee.

In accordance with the Listing Rules, as at 31 March 2015, directors had a relevant interest in Serko ordinary shares as follows:

NAME	RELEVANT INTEREST	PERCENTAGE
Claudia Batten	181,818[a]	0.29%
Simon Botherway	2,319,000[a,b]	3.70%
Darrin Grafton	13,907,604[c,d]	22.18%
Clyde McConaghy	181,818[a,c]	0.29%
Robert Shaw	12,370,010[c]	19.75%

NOTES:

a. Of the shares held by Simon Botherway, 227,273 are Director Loan Shares and 57,636 shares have been issued in lieu of advisory fees. The 181,818 shares held by Clyde McConaghy and Claudia Batten respectively are Director Loan Shares. For more information on the Director Loan Shares, see Non-Executive Director Remuneration below.

b. Partially held via a trust in which the director is a trustee.

c. Held via a trust in which the director is a trustee.

d. Includes the power to exercise, or to control the exercise of, a right to vote attached to 1,537,594 shares by virtue of a personal relationship with the legal and beneficial holder of these shares.

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

DATE OF ENTRY	NAME OF DIRECTOR	PARTICULARS OF BOARD AUTHORISATION
30 June 2014	Simon Botherway Claudia Batten Clyde McConaghy	The payment of remuneration and the provision of other benefits by the Company to each non-executive director on the terms set out in the relevant Director Appointment Letter.
30 June 2014	Simon Botherway Claudia Batten Clyde McConaghy	The making of loans by the Company to each non-executive director on the terms set out in the relevant Director Loan Agreement.
30 June 2014	Simon Botherway Claudia Batten Clyde McConaghy	The payment of advisory fees (and issue of shares in lieu of advisory fees) in recognition of services provided to the Company relating to the IPO, in anticipation of becoming a director on the terms set out in the Director Appointment Letter.
30 June 2014	Bob Shaw Darrin Grafton	The payment of remuneration and the provision of other benefits by the Company to each executive director in their capacity as executives of Serko on the terms set out in the relevant Executive Employment Agreement.

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 of Serko, in relation to any act or omission in their capacity as directors and in respect of prospectus liability insurance. Deeds of indemnity were also granted to each director during the year and particulars were entered in the Interests Register.

REMUNERATION

NON-EXECUTIVE DIRECTOR REMUNERATION

Prior to listing, Serko's shareholders approved a total cap of $350,000 per annum for non-executive director fees, for the purposes of the NZX Listing Rules. Serko does not currently intend to pay directors' fees exceeding, in aggregate, approximately $190,000[6] per annum, comprising $70,000 per annum for Simon Botherway, as Chairman, and A$55,000 per annum for each other non-executive director. The additional level of directors' fees is intended to provide flexibility for Serko to appoint additional non-executive directors in the future and allow for an increase in directors' fees in future years.

The non-executive directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings or otherwise in connection with Serko's business. No retirement benefits will be paid to the non-executive directors on their retirement.

In addition to the remuneration detailed above, the Board has, with the approval of Serko's existing shareholders, introduced a loan facility for the independent directors, which enabled them to acquire a specified number of Serko shares at the time of the IPO (Director Loan Shares). The loans are interest-free and repayable after three years, or earlier at the discretion of the independent director or upon the independent director ceasing to be a Serko director. Further details are set out in the IPO Prospectus dated 26 May 2014. For details of restrictions applying to the sale of shares held by directors, see *Trading in Serko Securities* above.

EXECUTIVE DIRECTOR REMUNERATION

Darrin Grafton and Robert Shaw, the executive directors on the Board for the period ended 31 March 2015, did not receive any remuneration in their capacity as directors. They were, however, remunerated for services as Chief Executive Officer and Chief Strategy Officer of Serko.

FY15 DIRECTOR REMUNERATION

Details of the total remuneration of, and the value of other benefits received by, each Director of Serko during the financial year ended 31 March 2015 were as follows:

	FEES	REMUNERATION
Darrin Grafton[a]	–	280,061
Robert Shaw[a]	–	280,000
Simon Botherway[b]	64,167	33,400
Clyde McConaghy[c]	54,252	10,835
Claudia Batten[d]	54,252	22,516
	172,671	**626,812**

a. Darrin Grafton and Robert Shaw are executive directors and receive remuneration from Serko in the form of a salary and short-term incentives. They did not participate in the Serko Employee Restricted Share Scheme this year or receive remuneration in their capacity as Directors. Darrin and Robert also received Kiwisaver contributions of $3,797 and $10,000 respectively.

b. Simon Botherway was issued shares in lieu of advisory fees during the year of $63,400. $33,400 related to advisory fees for this year and $30,000 in the prior year. The advisory fees were provided before being appointed as a non-executive director and chairman.

c. Clyde McConaghy provided advisory services during the year before being appointed as a non-executive director of $10,835 and $21,302 in the prior year.

d. Claudia Batten provided advisory services during the year before being appointed as a non-executive director of $22,516 and $21,302 in the prior year.

6. Subject to exchange rate fluctuations.

EMPLOYEE REMUNERATION

Remuneration Framework

At the beginning of the financial period, Serko introduced a new remuneration framework that aims to support and reward execution of its strategy; create a performance-focused culture; and attract, develop and retain talented employees. Serko's remuneration framework is designed to encourage and reward behaviour consistent with achievement of these objectives. Serko adopts a total remuneration policy, where an employee's total remuneration may include, but is not limited to, their base salary and a short-term incentive or sales plan incentive in the form of a cash bonus upon achievement of pre-determined targets. The base salary aims to reflect the mid-point in the employment market when considering the position's requirements pertaining to skills, level of responsibility and complexity, while the short-term incentive and sales incentive schemes reward superior performance and enable employees to earn at the upper end of the employment market.

In addition, Serko has introduced a long-term incentive, in the form of restricted shares. This is designed to attract and retain key people within the business, to align senior managers' remuneration with shareholder value and to reward the achievement of Serko's strategies and business plans. At the time of the IPO, restricted shares were granted to eligible Australian- and New Zealand-resident employees by way of a one-off grant under the restricted share scheme. The grant was made to reward employees' contributions to the listing and align their interests with shareholder value.

At the time of the IPO, Serko also offered employees resident in Australia and New Zealand the opportunity to participate in a salary sacrifice scheme (Salary Sacrifice Scheme) enabling the participant to acquire up to 4,000 shares at the IPO price and pay those shares off in equal instalments over a 12 month period.

Remuneration Range

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 2015 totalling at least NZ$100,000. The table does include the remuneration paid to Darrin Grafton and Robert Shaw in their capacity as executive officers of Serko.

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)[a]	TOTAL NUMBER OF EMPLOYEES
$100,000–$109,999	7
$110,000–$119,999	5
$120,000–$129,999	1
$130,000–$139,999	4
$140,000–$149,999	1
$150,000–$159,999	4
$160,000–$169,999	1
$170,000–$179,999	–
$180,000–$189,999	1
$190,000–$199,999	1
$200,000–$209,999	1
$210,000–$219,999	–
$220,000–$229,999	–
$230,000–$239,999	–
$240,000–$249,999	1
$250,000–$259,999	2

a. The table 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; and doesn't include any repayable loan made to employees under the Salary Sacrifice Scheme. 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.

SHAREHOLDER INFORMATION

The total number of issued ordinary voting securities of Serko as at 31 March 2015 was 62,699,382.

SUBSTANTIAL PRODUCT HOLDERS

According to notices given to Serko under the Financial Markets Conduct Act 2013 (and Securities Markets Act), the following persons were substantial product holders as at 31 March 2015:

SUBSTANTIAL PRODUCT HOLDER	NUMBER OF ORDINARY SHARES IN WHICH 'RELEVANT INTEREST' IS HELD	% OF CLASS HELD AT DATE OF LAST NOTICE
Serko Limited	42,012,181	68.451%
Geoffrey Hosking	24,762,020	39.493%
Darrin Grafton	13,907,604	22.660%
Robert Shaw and Sarah Shaw	12,370,010	20.155%

SPREAD OF SHARES

Set out below are details of the spread of shareholders of Serko as at 1 May 2015:

RANGE	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES	% ISSUED SHARES
1 to 1,000	99	81,524	0.13
1,001 to 5,000	337	1,104,784	1.76
5,001 to 10,000	132	1,114,696	1.78
10,001 to 50,000	174	4,165,480	6.64
50,001 to 100,000	28	2,066,917	3.3
100,001 and over	39	54,165,981	86.39

TWENTY LARGEST SHAREHOLDERS

Set out below are details of the 20 largest shareholders of Serko as at 1 May 2015:

RANK	HOLDER NAME	HOLDING	%
1	Robert James Shaw & Sarah Elizabeth Shaw	12,370,010	19.73
2	Darrin Grafton & Geoffrey Robertson Ashley Hosking	12,370,010	19.73
3	New Zealand Central Securities Depository Limited	8,434,543	13.45
4	Simon John Botherway & MSH Trustee (Arrow) Limited	2,034,091	3.24
5	Michael Thorburn	1,537,594	2.45
6	Robert Alan Hawker & Elizabeth Anne Hawker	1,537,594	2.45
7	Sherie Robyn Hammond	1,537,594	2.45
8	Donna Bailey	1,537,594	2.45
9	Philip Rodger Ball	1,537,594	2.45
10	Joanne Phipps	1,345,972	2.15
11	Serko Trustee Limited	1,323,564	2.11
12	Tracey Ann Shorter	1,152,041	1.84
13	FNZ Custodians Limited	876,408	1.40
14	John S Challis & AH Trustees (Challis Holdings) Ltd	865,762	1.38
15	Thomas Anthony Stanley	480,210	0.77
16	Investment Custodial Services Limited	479,971	0.77
17	Public Trust	401,882	0.64
18	Adam James De Baugh	383,244	0.61
19	Timothy Mark Bluett	365,625	0.58
20	Carolyn P Colbey & Geoffrey Robertson Ashley Hosking	346,305	0.55

SUBSIDIARY COMPANY DIRECTORS

The following persons held office as directors of subsidiary companies as at 31 March 2015:

Serko Australia Pty Limited

Darrin Grafton
Robert Shaw
John Challis

Serko Trustee Limited

Timothy Bluett
Fiona Rockel

Serko Investments Limited

Darrin Grafton
Robert Shaw

Serko India Private Limited

Darrin Grafton
Robert Shaw
Yogita Chadha

As at 1 May 2015, Serko also has a representative office in China.

Except as stated below, there were no entries made in the subsidiary company Interest Registers during the financial reporting period:

COMPANY	DIRECTOR	INTEREST DISCLOSURE (s140)
Serko Trustee Limited	Timothy Bluett Fiona Rockel	Is interested in the Serko Limited Restricted Share Scheme for which Serko Trustee Limited is the registered holder of shares held on trust for employees.

NZX WAIVERS

No waivers have been sought from NZX Limited, or relied upon by Serko, during the 12-month period preceding the date two months before the publication of this Annual Report.

DONATIONS

Serko made no donations during the financial reporting period.

GLOSSARY

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
AUD or A$	Australian dollar
Australasia	New Zealand and Australia for the purposes of this Annual Report
Board or Board of Directors	The board of directors of Serko
CEO	Chief Executive Officer
CFO	Chief Financial Officer
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 that owns a wholly-owned subsidiary in Australia
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
Incharge or Incharge Expense Management business	The Australian based travel management expense business, Incharge Group Pty Limited, that Serko acquired on 20 December 2013
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 dollar
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
PFI	Prospective Financial Information
Prospectus or IPO Prospectus	The prospectus in respect of Serko's IPO dated 26 May 2014
R&D	Research and Development expenditure
Serko or the Company	Serko Limited
Serko Mobile	Serko's mobile app, to be introduced in FY15, 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
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 dollar
$	All figures are in New Zealand dollars, unless otherwise stated

CORPORATE DIRECTORY AND SHAREHOLDER ENQUIRIES

Serko is a company incorporated with limited liability under the New Zealand Company Act 1993 (Companies Office registration number 1927488).

Registered Office	Saatchi Building Unit 14D 125 The Strand Parnell Auckland 1010 New Zealand +64 9 309 4754 www.serko.com
Directors (as at date of this annual report)	Simon Botherway (Chairman) Claudia Batten Robert (Clyde) McConaghy Darrin Grafton Robert Shaw
Share Registrar	Link Market Services Limited Level 7, Zurich House 21 Queen Street Auckland 1010 New Zealand +64 9 375 5998 serko@linkmarketservices.co.nz
Auditor	Ernst & Young Auckland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