serko

Serko Limited Annual Report 2018

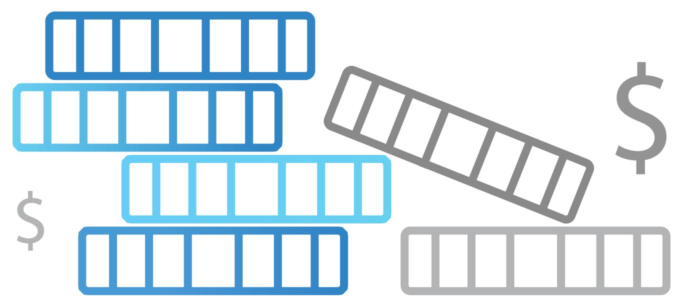
ABOUT SERKO

Our | PURPOSE

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

About | SERKO

Serko is a market-leading travel and expense technology solution, used by over 6,000 corporate entities through 50+ Travel Management Companies that combined book more than A$6b of travel a year through Serko's platforms. Zeno is Serko's next generation travel management application, using intelligent technology, predictive workflows and a global travel marketplace to transform business travel across the entire journey. Listed on the New Zealand Stock Exchange Main Board (NZX:SKO). Serko employs more than 100 people worldwide, with its HQ in New Zealand and offices across Australia, China, India and the United States (US) Visit www.serko.com for more information.



$2.0m
NPBT

Net Profit Before Tax of $2 million
$5.3m turnaround from prior year

$19.3m
Total Income

28%
Operating Revenue Growth
to $18.3m Revenue

20% increase
in booking transactions

Peak ATMR | **$18.4m**
24% increase over same month prior year

$2.2m EBITDA
$4.7m turnaround from prior year
Margin of 12%

$5.2m
Cash balances increased
$0.8m over the year

SERKO DELIVERS MAIDEN FULL YEAR PROFIT

This report is dated 23 May 2018 and is signed on behalf of the Board of Serko Limited by Simon Botherway, Chairman (Chair), and Darrin Grafton, Chief Executive Officer (CEO).

SIMON BOTHERWAY
CHAIRMAN

DARRIN GRAFTON
CHIEF EXECUTIVE OFFICER

CEO AND CHAIRMAN'S LETTER

Dear Fellow Shareholders,

Serko has had a strong year and it is with considerable pleasure that we communicate this report and associated financial results to you. During this pivotal year, we demonstrated the scalability of our cloud-based platform and recorded a dramatic improvement in financial performance as a result.

We have consolidated our position in our core Australasian market as the leading online business travel and expense management platform and we saw strong growth in recurring revenues across all categories. We continue to win new customers, while those already using our suite of cloud-based services are turning to us to meet more of their travel needs.

It is exciting to have embarked on our next phase of growth as we significantly expand our Northern Hemisphere presence. We have made pleasing progress so far. We have recruited highly respected and experienced leaders in the US and we are expanding our support operations to ensure we have 24-hour coverage for customer support.

As the launch of our new premium travel and expense solution Zeno shows, we remain at the forefront of technological innovation in the sector.

Total operating revenue for the year to 31 March 2018 increased 28% to $18.3 million from $14.3 million in the same period a year ago and in line with the guidance we gave in November 2017 of $18 million to $19 million. Total income grew by 25% to $19.3 million.

> Total operating revenue for the year increased 28% to $18.3 million

Increasing the number of services we provide to our customers is a core component of our strategy. In particular, content revenues such as hotels and airport transfers increased 72% to $1.3 million, demonstrating Serko's latent potential to capture an increasing share of our customers' travel spend.

EBITDA for the full year was $2.2 million, representing a $4.7 million turnaround on the prior year's EBITDA loss of $2.5 million. The full-year profit before tax was $2.0 million, representing a turnaround of $5.3 million from the loss last year of $3.3 million.

Peak fourth quarter (February) Annualised Transactional Monthly Revenue (ATMR), an indicator of the company's recurring revenues, stood at $18.4 million, an increase of 24% on the same period a year ago.

> NPBT of $2.0 million, a $5.3 million turnaround from prior year

With the Northern Hemisphere expansion that commenced in the 2018 financial year, Serko expected to be 'break-even' for the second half. The actual results were an additional EBITDA profit of $0.9 million over the first half $1.3 million to a total $2.2 million EBITDA profit for the year. This was primarily attributable to savings associated with timing of new hires as well as some operating efficiencies. The costs associated with new hires is expected to be incurred in the first quarter of the 2019 financial year (FY19).

We have successfully controlled costs, generated positive cash flows and benefited from our platform scaling to serve a larger number of customers. This is best demonstrated by reference to the average revenue per 'full-time equivalent' (FTE) staff member, which increased by $48,000 to $170,000.

Meanwhile, we have continued to invest in the further development of our technology, including Zeno.

At the end of the financial year Serko had net cash-on-hand of $5.2 million, up 18% on the $4.5 million cash-on-hand at the end of the last financial year.

In short, in the 2018 financial year we continued to validate our strategy to transform business travel and expense management by delivering market-leading technological innovations, growing our customer base and increasing average revenue from each booking made on our platform.

Further detail on our financial performance is covered in the management commentary section on pages 18 to 27 of this report.

GROWTH STRATEGY:

A key determinant of Serko's future success in Australasia and in new markets was the take up of the new Zeno platform. We are pleased with the results we achieved this year. We have already signed a number of our existing Travel Management Companies (TMCs) to new contractual terms to resell Zeno as a premium solution. These TMCs are using Zeno to win new business and retain current business by providing the options of both Serko Online and Zeno.

As part of the Air New Zealand partnership, Tandem Travel (Air New Zealand's corporate travel division) is currently onboarding its entire customer base to Zeno, and its previous solution provider is discontinuing its system this month.

> **20% growth in booking transactions for 2018**

Our global growth strategy is based on partnering with leading TMCs to enter new markets. This is the same strategy that has served us well in Australasia, and the success of our relationships in our home market is now creating opportunities in other markets.

Our new international business development team is actively pursuing significant distribution and marquee customer opportunities. As announced in February 2018, we have signed a global agreement with ATPI Group and we will begin to roll out Zeno to its customers in the United Kingdom (UK) in the first quarter of FY19. ATPI intends to extend the roll out to customers in Europe after the UK launch.

OUTLOOK

Serko is in a stronger position than it has ever been. We expect total operating revenue growth of between 15% and 30% in the year to 31 March 2019.

We are excited by the interest we have received in the Northern Hemisphere and we are preparing the business to maximise the return on this interest through into the next financial year. As we undertake this expansion in Europe and North America, we expect sales, marketing, system development and support operation costs to increase. As a result, we do not expect a substantial uplift in EBITDA.

The Board has a policy of maintaining a strong cash reserve position and will monitor Serko's capital requirements in light of the funding needed to execute growth opportunities both organic and inorganic.

We are preparing for a dual-listing by way of a Foreign Exempt Listing on the ASX and are targeting a listing date of 25th June 2018, subject to ASX approval. We believe our strong presence in Australian markets will resonate with the deep pool of investors across the Tasman that understand travel and technology markets. We also believe activating this interest will benefit all shareholders.

Serko, however, intends to remain a New Zealand domiciled business and we are committed to our New Zealand investors.

We are naturally delighted with the rise in the value of our shares over the past year. The Serko Team has worked hard on our market communication to better articulate our growth strategy and long-term prospects.

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

Signed Chair and CEO

SIMON BOTHERWAY
CHAIRMAN

DARRIN GRAFTON
CEO

Industry Recognition

FINALIST OF THE NZ HI-TECH AWARDS 2018

Category: **Most Innovative Hi-Tech Service**
Category: **Company of the Year**

AIR NEW ZEALAND CARGO EXPORTNZ AWARDS 2018 AUCKLAND & WAIKATO — CATEGORY FINALIST

Category: **Excellence in Innovation**

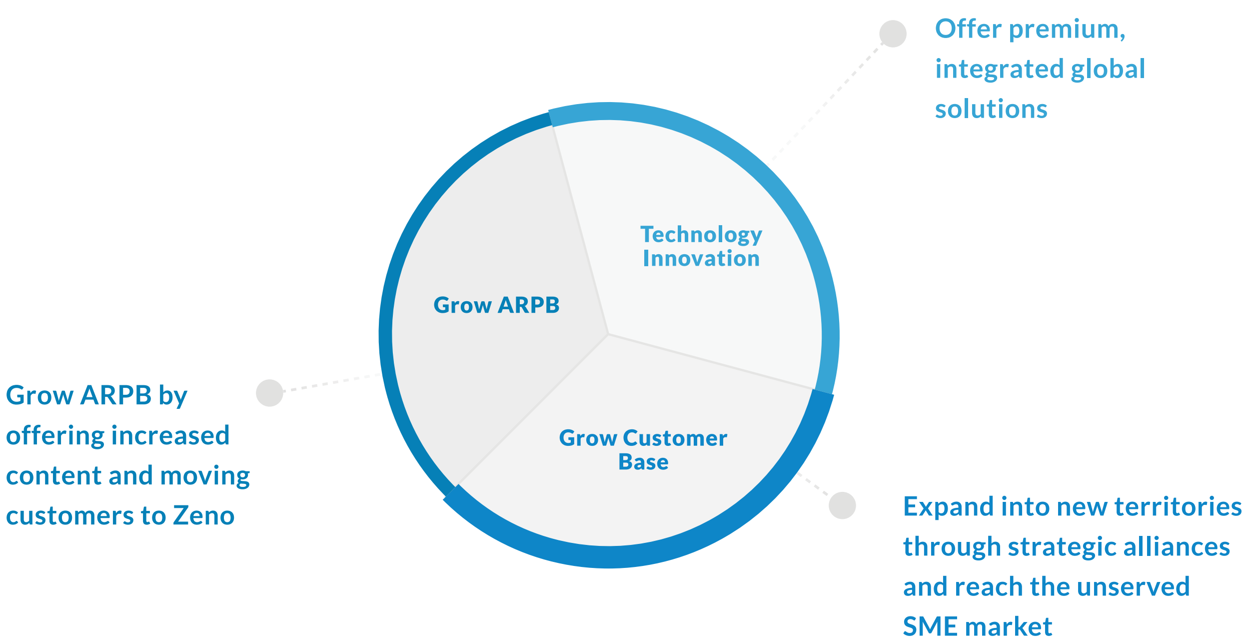
Skift 2018 CORPORATE TRAVEL INNOVATORS LIST

Category: **Top 16 corporate travel innovators**

INFINZ 2018 AWARD FINALIST

Category: **NZX Emerging Leaders Best Investor Relations**

STRATEGIC OVERVIEW



TECHNOLOGY INNOVATION

> *Zeno set a new benchmark in travel & expense management and we can now expand the personalisation and monetisation opportunities of Zeno with NDC**

What we achieved:

- Zeno was successfully deployed into general release and is being used by hundreds of corporate and government organisations to book and manage travel
- Zeno's technology and content were globalised to support customers in new markets, including North America and Europe
- Multiple white labelled self-service travel booking portals launched or are in development by partners (e.g. Corporate Traveller, HelloWorld for Business and Air New Zealand) powered by serko.travel

Our focus for FY19:

- Zeno will achieve NDC Level 3 certification, providing a foundation to integrate directly with airlines to unleash personalisation and monetisation opportunities that have not previously been possible
- We will continue to expand on Zeno's feature set including a 'Right to travel' workflow to streamline business travel approval processes
- A 'Duty of Care' premium module will provide risk assessment, mitigation and management capabilities

GROW CUSTOMER BASE

> *International markets validated demand for Zeno in FY18. We are investing to unlock this growth potential in FY19*

What we achieved:

- ATPI signed agreement to resell Zeno in more than 50 countries, with first UK customer going live Q1 FY19
- Serko Expense was deployed into global enterprise organisations and validated as a competitive solution in Northern Hemisphere with sales expected in FY19
- Tandem Travel, Air New Zealand's TMC, began migrating customers to Zeno from a competitor and is progressing towards 100% customer migration during FY19

Our focus for FY19:

- Expanding on ATPI UK's early success with expansion into its customer base across Europe, North America and Asia
- Supporting Travel Encore, our first reseller in Canada, to build a Zeno customer base across travel & expense
- Extending the relationship with our largest TMC customer, FCM, into new markets, including North America

GROW ARPB

> *We have proven we can lift transaction revenue through customer migration to Zeno and we will continue to expand opportunities for content monetisation with the Zeno Marketplace*

What we achieved:

- Content revenue (derived from bookings that include content in addition to airfare, e.g. hotel, transfer, rental car) increased by 72%
- HRS Hotels, GTA Hotels and Hotel Hub were added and increased available content to three million hotels
- RouteHappy rich content for flight shopping was introduced, which enables differentiated airline merchandising

Our focus for FY19:

- Migration of existing Serko Online customers to our premium offering, Zeno, with associated increase in price per booking
- The Zeno Marketplace serves as a central content hub for global suppliers across every phase of their journey and extends revenue opportunities into content such as ride-sharing services, restaurant bookings, meeting rooms and secure WiFi providers
- Zeno's NDC capability outlined above will facilitate the merchandising of ancillary services, such as in-flight meals, premium seat selection and lounge access, to generate additional content revenue per booking

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

OUR PRODUCTS

Zeno is Serko's next generation travel management application, using intelligent technology, predictive workflows and a global travel marketplace

Serko Online is an end-to-end online booking tool for corporates to book and manage airlines, hotels, rental cars and airport transfers

Serko Expense is an online expense management solution that enables the capture and processing of corporate card and out-of-pocket claims

Serko Mobile is a purpose-built mobile app for making, changing and managing flight and hotel bookings and travel expenses

OUR CUSTOMERS

The majority of Serko's revenue comes from Travel Management Companies (TMCs) that provide our solution to their corporate customers

Until now, corporate travel programs have had to choose who loses.

There was a spectrum with control and compliance at one end and choice and convenience at the other. Someone had to compromise. Not anymore.

Zeno revolutionises the world of online travel and expense management, providing the control that travel managers need with the ease of use that compels travellers to get on board.

We do this with intelligent technology that provides personalised itinerary recommendations, an intuitive interface that makes booking travel super simple and a global marketplace that allows travel managers to connect with preferred suppliers at every stage of the journey.

The outcome is control and visibility over spend that was previously opaque, expense capture and reconciliation that provides confidence in governance and increased user adoption that drives higher levels of compliance with corporate travel policies.

The Connected Traveller

Serko conducted research that identified there are seven phases that cover every aspect of business travel – fly, stay, move, eat, work, play and rest.

Zeno is designed to connect travellers with preferred suppliers across every one of these phases, which means they will be able to turn to a single app to solve every need before and during their trip.

Corporates can customise Zeno to show only approved content providers and will be able to integrate directly with their corporate accounts.

Seamless Compliance

One of the biggest challenges for travel managers is compliance, or rather lack thereof, with their corporate travel policies. This is not normally a significant problem with flights but more of a challenge with things like hotels, when travellers will often book directly with the hotel or through an aggregator, like booking.com or Expedia.

The reasons for this are often down to choice (i.e. I can find a better hotel than the options shown in my corporate booking tool) or user experience (i.e. I don't get the rich information, such as photos, reviews and room types) in their existing corporate booking tool.

Zeno helps to overcome this by providing rich content from aggregators, including Booking.com, Wotif and Expedia, as well as corporate negotiated rates, and with an intuitive user interface that matches the consumer experience travellers are used to.

BOARD OF DIRECTORS

Simon Botherway

Independent Non-Executive Chairman, New Zealand Appointed 30 April 2014, re-elected August 2016

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. Simon is currently also a Director of the Callaghan Innovation Board and Fidelity Life Assurance.

Claudia Batten

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

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 crowd-sourcing. V&S was majority acquired by French holding company Havas Worldwide in 2011. Claudia is based in the United States but remains a strong supporter of the New Zealand start-up scene as an active mentor and adviser. She is also the digital adviser to the Board of Westpac New Zealand and holds an LLB (Hons) and BCA from Victoria University (Wellington).

Clyde McConaghy

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

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

Darrin Grafton

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

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

Robert (Bob) Shaw

Executive Director, Chief Strategy Officer & Co-Founder Appointed 5 April 2007, re-elected August 2016

Bob has more than 25 years' experience creating and commercialising technology for the travel industry. He has held a number of directorships and senior management positions in various high-profile ventures, including Gullivers Travel Group (listed on the Australian and New Zealand Stock Exchanges between 2004 and 2006) and Interactive Technologies.

MANAGEMENT TEAM

Charlie Nowaczek

Chief Operating Officer (COO)

Charlie has over 25 years' experience as an operations executive and management adviser, specialising in business transformation and operational excellence. Over the last decade he has been COO for a number of technology start-ups in the US and Canada.

Susan Putt

Chief Financial Officer (CFO)

Susan has over 25 years' experience working in New Zealand and has also worked in Australia and Canada. She is a Chartered Accountant and Chartered Member of the Institute of Directors. Susan has worked as CFO, Head of Strategy, and Director for a number of New Zealand businesses and specialises in working with high-growth companies.

John Challis

Head of Business Development

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

Murray Warner

Head of Australasian market

Murray has 20 years' experience working with cloud software technology building new sales and revenue operations. He has previously held several senior management positions with Concur Technologies, an SAP company, across Asia-Pacific, Europe and North America.

Tony D'Astolfo

Senior Vice President, NORAM

Tony is a 35-year travel industry veteran, with deep expertise in travel and technology. Most recently he was Chief Commercial Officer at Deem and prior to this Tony was Managing Director of Phocuswright. Tony is a long-time member of GBTA and ACTE, and current Vice Chairman of WINiT (Women In Travel).

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

CORPORATE RESPONSIBILITY

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

We aim to achieve this through:

1) Focusing on long-term growth and business sustainability;
2) Applying best practice governance and risk management procedures;
3) Cultivating an inclusive workplace of diverse and engaged staff; and
4) Enabling environmentally sustainable choices through technology.

Serko is committed to developing long-term value creation and making positive improvements in social, economic and environmental outcomes. This year, we have prepared our first Environmental Social and Governance (ESG) Report and started reporting how the United Nations (UN) Sustainable Development Goals are applicable to our ESG initiatives.

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

The Sustainable Development Goals (SDGs) are a set of global initiatives set by the United Nations for everyone to contribute to. For Serko, the SDGs are a way to see which areas of sustainability we are directly contributing to and how our community initiatives relate to a larger vision for positive change.

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

UN SDGs	People:
3	**Good health and well-being** Health and Safety Policies
4	**Quality education** Training and intern programmes
5	**Gender equality** Diversity and inclusion policies
8	**Decent work and economic growth** Remuneration policies
10	**Reduced inequalities** Diversity and inclusion policies

UN SDGs	Customers:
9	**Industry, innovation and infrastructure** Industry recognition for innovation
12	**Responsible consumption and production** Privacy and security policies

UN SDGs	Community:
11	**Sustainable cities and communities** Sponsorships and donations
13	**Climate action** Environmental practices

MANAGEMENT COMMENTARY

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

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

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

$2.0m NET PROFIT BEFORE TAX

$5.3m ↑TURNAROUND

BUSINESS RESULTS

Year ended 31 March	2018 $ (000)	2017 $ (000)	Change $ (000)	%
Revenue	18,279	14,277	4,002	28%
Other income	994	1,092	(98)	-9%
Total income	19,273	15,369	3,904	25%
Operating expenses	(17,684)	(18,763)	1,079	6%
Percentage of revenue	-97%	-131%		
Net finance income	414	88	326	370%
Net profit (loss) before tax	**2,003**	**(3,306)**	**5,309**	**161%**
Percentage of operating revenue	11%	-23%		
Income tax expense	(171)	(144)	(27)	-19%
Net profit (loss)	1,832	(3,450)	5,282	153%

Annual total operating revenue grew by $4 million to $18.3 million from $14.3 million in the prior year, driven by strong recurring revenue growth across all revenue categories predominantly from our Australian operations. The company recognised $0.96 million in Callaghan Innovation growth grants within other income, leading to total income for the year of $19.3 million up from $15.4 million for the prior year.

Serko became profitable in the financial year in line with guidance as it benefited from the operational efficiencies of a scalable technology platform and from tight cost control. Total operating expenses decreased by $1.1 million to $17.7 million from the prior year $18.8 million. This resulted in a profit after tax of $1.8 million, which represents a turnaround of $5.3 million from a loss of $3.5 million in the prior year.

$2.2m EBITDA

$4.7m ↑TURNAROUND

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

Year ended 31 March	2018 $ (000)	2017 $ (000)	Change $ (000)	%
Net profit (loss)	**1,832**	**(3,450)**	**5,282**	**153%**
Add back: income tax expense	171	144	27	19%
Deduct: net finance income	(414)	(88)	(326)	-370%
Add back: depreciation and amortisation	597	858	(261)	-30%
EBITDA profit/(loss)	**2,186**	**(2,536)**	**4,722**	**186%**
EBITDA margin	12%	-177%		

EBITDA is a Non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation and Amortisation and Impairment. Serko uses this as a useful indicator of cash profitability.

EBITDA improved by $4.7 million from a loss of $2.5 million to a profit of $2.2 million. This was driven by an increase in total income of $3.9 million and decrease in operating costs (excluding depreciation and amortisation) of $0.8 million.

28%
↑INCREASE
TOTAL REVENUE

25%
↑INCREASE
TOTAL INCOME

INCOME

Year ended 31 March	2018	2017	Change	%
	$ (000)	$ (000)	$ (000)	
Travel platform booking revenue	13,283	10,808	2,475	23%
Expense platform revenue	1,539	1,125	414	37%
Supplier commissions revenue	1,288	751	537	72%
Other revenues	334	238	96	40%
Recurring product revenue	**16,444**	**12,921**	**3,522**	**27%**
Percentage of total revenue	90%	91%		
Services revenue	1,835	1,356	479	35%
Total revenue	**18,279**	**14,277**	**4,002**	**28%**
Other income	994	1,092	(98)	-9%
Total income	**19,273**	**15,369**	**3,904**	**25%**

Recurring product revenue (a Non-GAAP measure) is the revenue derived from transactions and usage of Serko products by contracted customers. It excludes services revenue.

Total operating revenue is revenue excluding grants and finance income, while total income includes grants

Travel platform revenue grew by 23% for the year and was primarily related to a 20% increase in booking numbers. The difference between transaction growth and booking volume growth is owing to minimum volume commitments recognised.

Minimum volume commitments contribute to revenue when actual volumes transacted are less than the stated contractual commitments. Revenue from these sources in 2018 was $0.6 million, significantly higher than the contribution in the prior year. The anticipated transactional business related to these minimums is expected to be onboarded onto the Serko platform in the first quarter of 2019.

Expense platform revenue grew 37% to $1.5 million. This growth is a result of the successful reseller program introduced in the prior year with our partner TMCs.

Supplier commissions revenue grew by 72% to $1.3 million. The number of bookings that Serko earned additional commission revenue over the travel platform booking fee increased by 77%. The average attachment rate of commission bookings versus total bookings for the year was 5.4% up from 3.7% for the prior year.

Other revenues grew by 40%.

Total services revenue was up 35% over the prior period. This reflects the increase in payments from content suppliers for the integration of their content to our travel platform, as well as growth in the paid work to configure our platforms for customer needs.

Total recurring product revenues grew by 27% to $16.4 million compared to $12.9 million in the prior year. Recurring revenue as a percentage of total revenue remains steady at 90%.

Serko launched its premium travel booking tool called Zeno during 2018. Some customers have already transitioned to this platform, as commercial negotiations progressively conclude with various TMC partners for the reseller rights. The volumes were not significant and revenues are not material for this year and thus have not been separately disclosed in this report.

HOW SERKO MAKES MONEY

Serko's main source of revenue in 2018 was from its Serko Online travel booking platform. This is predominantly invoiced to TMC resellers on a monthly basis for the total transactions generated from the online travel bookings made by their customers. As Zeno was launched firstly in beta to trial customers during the second half of 2018, booking volumes for 2018 are not material.

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

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

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

Supplier commission revenue is earned when corporates opt to book Serko-sourced hotel and other traveller-related services. Serko is paid directly from the suppliers of those services.

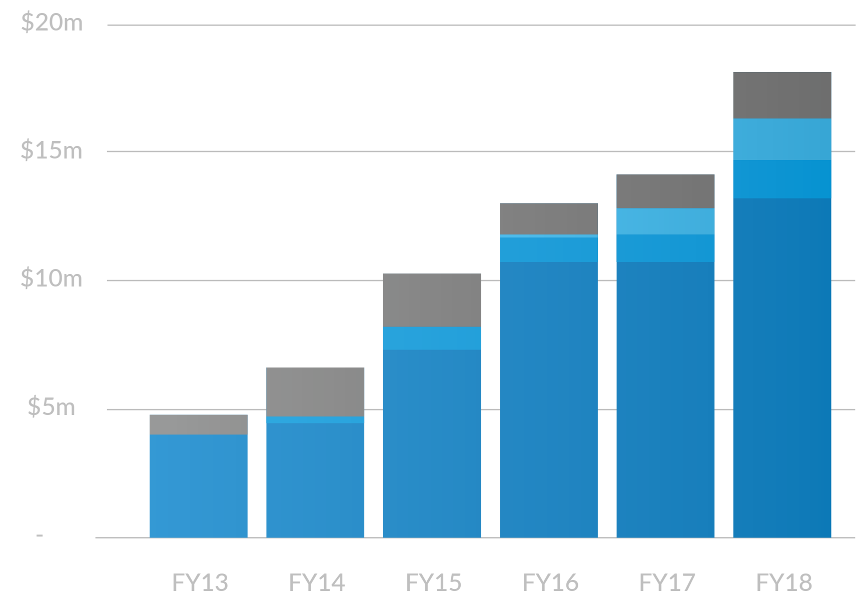
Other income includes income from Serko Mobile licence fees and other miscellaneous revenues.

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

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

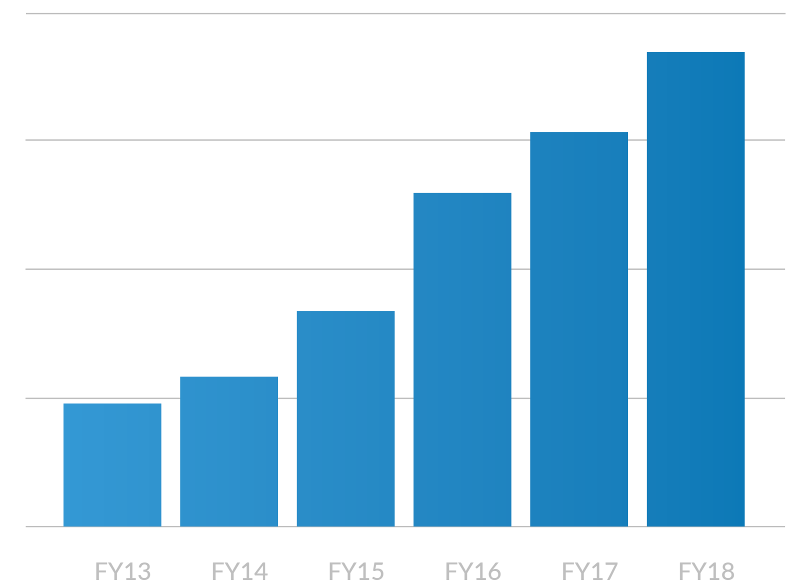
Revenue Trend

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



Booking trend

Online booking trend over the last 6 years*



* Booking volumes not disclosed for commercial reasons

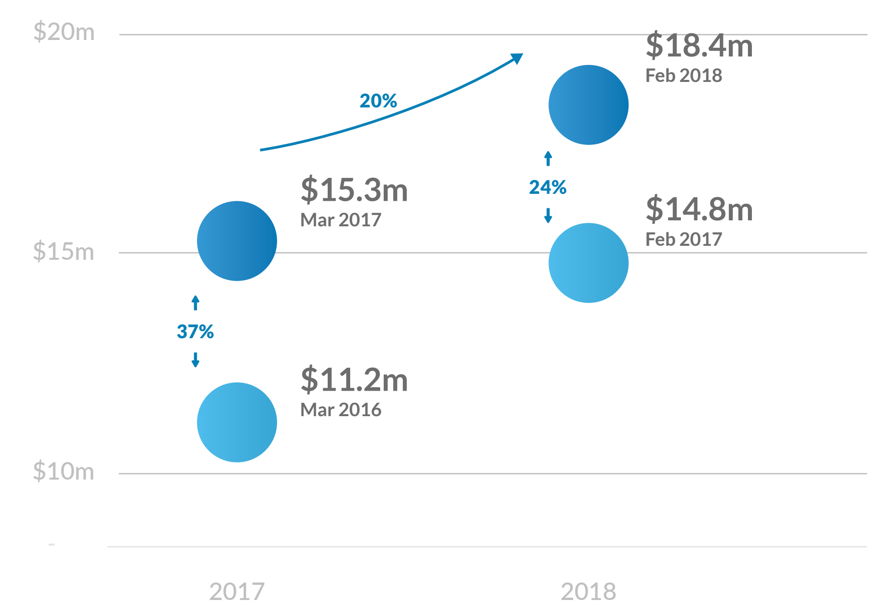
Revenue by Geography

Year ended 31 March	2018	2017	Change	%
	$ (000)	$ (000)	$ (000)	
Australia	16,599	13,195	3,404	26%
New Zealand	1,038	672	366	54%
North America	457	158	299	189%
India	57	136	(79)	-58%
Singapore	42	18	24	133%
Other	86	98	(12)	-12%
Revenue	**18,279**	**14,277**	**4,002**	**28%**

Serko currently earns 91% of revenue from Australia and 6% from New Zealand sources. It is currently undertaking the development required to localise content and integrate its systems with Northern Hemisphere markets and expects these regions to grow during 2019.

Peak ATMR

Year-on-year movement



ATMR is a Non-GAAP measure representing Annualised Transactional Monthly Revenue. Serko uses this as a useful indicator of recurring revenues from Serko products. It is based on the monthly transactions and average revenue per booking (for its travel platform revenue) and monthly active user charges (for its expense platform revenue) annualised on a constant currency basis. Owing to seasonality, Serko uses the latest month that is not affected by seasonality trends.

The period ended March 2018 was affected by Easter falling over the last weekend in March whereas in 2017 Easter fell in April. Thus the peak ATMR month for 2018 was February 2018. Serko's transaction volumes over any month are driven by the number of corporate working days within that month. To aid comparison between months from year to year, Serko now annualises the figures using the weekday average booking transactions for non-seasonal months and multiplies that by 260 days in a year.

20%
↑INCREASE
ONLINE BOOKINGS

24%
↑INCREASE
PEAK ATMR

ACTIVITY

Online bookings increased 20% over the prior year, while transaction volumes also grew strongly, driven entirely by growth in our core Australasian markets. Serko is currently expanding into Northern Hemisphere markets, however, these regions did not make a contribution in 2018.

ARPB increased marginally during the year by 1%, however, additional content revenue at $1.3 million is now contributing significantly to Serko's profit, with a 72% uplift over the prior year.

ATMR, an indicative measure of forward revenue from currently transacting customers, rose 24% for the year to $18.4 million, lifted by increases in ARPB, total bookings and the number of users of our Expense platform. Actual recurring product revenue of $16.4 million for 2018 was ahead of the March 2017 ATMR of $15.3 million.

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

While transaction growth is difficult to forecast, Serko is expecting total operating revenue to grow between 15% and 30%.

Serko is rolling out Zeno to its Australasian customers. Zeno is a premium product that offers a door-to-door booking experience and Marketplace hub that incorporates additional content for hotels and other traveller services. Consequently, supplier content commissions are also expected to grow.

With a healthy pipeline of Serko Expense management customers we expect this product line will continue to grow. Meanwhile, as we expand into Northern Hemisphere markets we are seeing increased interest in customers adopting integrated travel and expense solutions.

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

6%
↓DECREASE
OPERATING EXPENSES

OPERATING EXPENSES

Year ended 31 March	2018	2017	Change	%
	$ (000)	$ (000)	$ (000)	
Remuneration and benefits	11,667	12,285	(618)	-5%
Selling and marketing expenses	1,258	1,658	(400)	-24%
Administration expenses	3,692	3,880	(188)	-5%
Other expenses	1,067	940	127	13%
Total operating expenses	**17,684**	**18,763**	**(1,079)**	**-6%**
Percentage of operating revenue	97%	131%		-34%

Remuneration and benefits are the total costs of employees and contractors engaged within the business during the financial year, including gross salary, additional payroll taxes, superannuation and KiwiSaver, bonuses, commissions and the value of any share-based remuneration or awards.

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

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

Other expenses comprise direct technology costs, including hosting.

Total operating expenses were down 6% or $1.1 million from the prior year to $17.7 million, mainly owing to a decrease in marketing, remuneration and benefit expenses.

Remuneration and benefits (R&B) decreased owing to the integration of the Arnold platform in the first half of 2017 resulting in operating efficiencies owing to the reduced need to maintain two platforms. Included in R&B was $1.3 million related to employee share-based payments and short-term incentive performance payments for 2018, compared to $1.0 million in the prior year.

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

Selling and marketing expenses decreased as a result of a shift in focus from a direct sales and marketing effort towards assisting TMC partners to resell Serko products.

With the launch of Zeno in Australasia, as well as into Northern Hemisphere markets, Serko expects selling costs to increase to drive revenue growth in 2019 by supporting the successful acquisition and onboarding of new customers to the product.

Administration costs were slightly lower than the prior year owing mainly to a decrease in depreciation and amortisation (D&A). For 2018, D&A at $0.6 million was $0.2 million lower than the prior year. Administration costs are expected to increase owing to our growth activities.

Hosting costs increased and generally are expected to increase when revenue increases. However, thanks to efficiencies achieved this year, these costs increased 13%, while revenues increased 28%.

16%
↓DECREASE
R&D COSTS

RESEARCH AND DEVELOPMENT (R&D) COSTS

Year ended 31 March	2018	2017	Change	%
	$ (000)	$ (000)	$ (000)	
Total R&D cost (including amounts capitalised)	4,906	5,836	(930)	-16%
Percentage of operating revenue	27%	41%		
Less: capitalised product development costs	(383)	(780)	397	51%
Percentage R&D costs	8%	13%		
Research costs (excluding amortisation of amounts previously capitalised)	**4,523**	**5,056**	**(533)**	**-11%**
Less: Government grants	(956)	(1,073)	117	11%
Add: Amortisation of capitalised development costs	412	450	(38)	-8%
Net product development costs	**3,979**	**4,433**	**(454)**	**-10%**
Percentage of operating revenue	22%	31%		

Research & Development (R&D) cost is a Non-GAAP measure representing the internal and external costs related to R&D that have been included in operating costs and capitalised as computer software development during the period. Research expenditure includes all reasonable expenditure associated with R&D activities that does not give rise to an intangible asset. R&D expenses include employee and contractor remuneration related to these activities. It also covers research expenditure defined by NZ IAS 38.

R&D costs (capitalised and expensed) have declined $0.9 million during the year with integration of the Arnold platform in the first half of 2017. Software development resources, used to support a higher level of services revenue, has been excluded from R&D. R&D costs represent 27% of operating revenue.

Capitalised development costs have also declined by 51% to $0.4 million. The majority of R&D was research related. Research costs of $4.5 million mostly related to improving the traveller booking experience in Zeno, including work on predictive booking, natural language transactions and chat bots. These were partially funded through $1 million of government grants received from Callaghan Innovations.

Serko expects capitalised development costs to increase with the current developer resources focused on Zeno development for the Northern Hemisphere and new functionality that will further contribute to increases in revenue.

2%
↓DECREASE
FTE

EMPLOYEES AND AVERAGE REVENUE FTE

Year ended 31 March	2018	2017	Change	%
Product development and maintenance	54	59	-5	-8%
Sales and marketing	12	9	3	33%
Customer support	27	27	-	-
Administration	13	13	-	-
Total employee numbers at end of year	**106**	**108**	**-2**	**-2%**
Average revenue per FTE (NZD $000)	**170**	**122**	**48**	**39%**

Serko's staff head count was relatively flat for the year, moving to 106 from 108 full-time equivalent (FTE) staff at the end of 2017, with 58 staff based in New Zealand, 20 in Australia, 26 in China and two based in other countries. Average revenue per FTE increased by $48,000 to $170,000, demonstrating the economies of scale we are achieving from the platform as revenue grows.

18%
↑INCREASE
CASH BALANCES

CASH FLOWS

Year ended 31 March	2018	2017	Change	%
	$(000)	$(000)	$(000)	
Receipts from customers	17,754	15,113	2,641	17%
Grant income receipts	915	1,075	(114)	-11%
Other operating cash flows	(17,253)	(17,783)	484	3%
Total cash flows from operating activities	**1,416**	**(1,595)**	**3,011**	**188%**
Investing and financing cash flows	(565)	(1,038)	473	46%
Total net cash flows	**851**	**(2,633)**	**3,484**	**132%**
Net foreign exchange differences	(70)	(34)	(36)	-106%
Closing cash balances	**5,232**	**4,451**	**781**	**18%**

Receipts from customers increased by 17% over 2018 from $15.1 million to $17.8 million. Other operating cash outflows decreased by $0.5 million resulting in positive operating cash flows for the year of $1.4 million.

Cash outflows for property, plant and equipment and intangibles were $0.5 million lower than prior year resulting in total net inflows of $0.8 million for the year, including foreign exchange differences. Cash balances increased by 18% as at 31 March 2018, from $4.5 million to $5.2 million.

FINANCIAL STATEMENTS

The directors of Serko Limited are pleased to present the financial statements for Serko Limited and its subsidiaries (the group) for the year ended 31 March 2018 to shareholders.

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which fairly present the financial position of the group as at 31 March 2018 and the results of its operations and cash flows for the year ended on that date.

The directors consider the financial statements of the group have been prepared using accounting policies that have been consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

The directors believe that proper accounting records have been kept that enable, with reasonable accuracy, the determination of the financial position of the group and facilitate compliance of the financial statements with the Companies Act 1993, NZX Main Board Listing Rules, Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The directors consider they have taken adequate steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The financial statements are signed on behalf of the Board on 23 May 2018 by:

SIMON BOTHERWAY
CHAIRMAN

DARRIN GRAFTON
CHIEF EXECUTIVE OFFICER

CONTENTS

02 ABOUT SERKO
04 HIGHLIGHTS
06 LETTER
10 STRATEGIC OVERVIEW
12 PRODUCTS
14 LEADERSHIP
16 CORPORATE RESPONSIBILITY
18 MANAGEMENT COMMENTARY
28 FINANCIAL STATEMENTS
66 GOVERNANCE & DISCLOSURES
79 DIRECTORY

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018	2017
		$ (000)	$ (000)
Revenue	4	18,279	14,277
Other income	4	994	1,092
Total revenue and other income		**19,273**	**15,369**
Operating Expenses			
Remuneration and benefits		(11,667)	(12,285)
Selling and marketing expenses		(1,258)	(1,658)
Administration expenses		(3,692)	(3,880)
Other expenses		(1,067)	(940)
Total operating expenses	5	**(17,684)**	**(18,763)**
Finance income	5	475	142
Finance expenses	5	(61)	(54)
Profit/(loss) before income tax		**2,003**	**(3,306)**
Income tax expense	6	(171)	(144)
Net profit/(loss) attributable to the shareholders of the company		**1,832**	**(3,450)**
Movement in foreign currency reserve		(52)	(140)
Total comprehensive income for the year		**1,780**	**(3,590)**
Earnings per share			
Basic profit/(loss) per share	16	$0.03	$(0.05)
Diluted profit/(loss) per share	16	$0.02	$(0.05)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Notes	Share Capital	Share-based Payment Reserve	Foreign Currency Reserve	Accumulated Losses	Total
		$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
Balance as at 1 April 2017		**25,185**	**1,021**	**(33)**	**(19,897)**	**6,276**
Net profit/(loss) for the year		-	-	-	1,832	1,832
Other comprehensive income/(loss)*		-	-	(52)	-	(52)
Total comprehensive income for the year		**-**	**-**	**(52)**	**1,832**	**1,780**
Transactions with owners						
Shares allocated to employees	15	-	252	-	-	252
Shares forfeited from employees	15	-	(23)	-	-	(23)
Share options to non-executive directors	15	-	59	-	-	59
Balance as at 31 March 2018		**25,185**	**1,309**	**(85)**	**(18,065)**	**8,344**
Balance as at 1 April 2016		**25,185**	**888**	**107**	**(16,447)**	**9,733**
Net profit/(loss) for the year		-	-	-	(3,450)	(3,450)
Other comprehensive income/(loss)*		-	-	(140)	-	(140)
Total comprehensive income for the year		**-**	**-**	**(140)**	**(3,450)**	**(3,590)**
Transactions with owners						
Shares allocated to employees	15	-	372	-	-	372
Shares forfeited from employees	15	-	(239)	-	-	(239)
Balance as at 31 March 2017		**25,185**	**1,021**	**(33)**	**(19,897)**	**6,276**

*Items in other comprehensive income may be reclassified to the income statement and are shown net of tax.

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018	2017
		$ (000)	$ (000)
Current assets			
Cash at bank and on hand	11	5,232	4,451
Receivables	7	3,831	3,167
Derivative financial instruments	8	288	-
Total current assets		**9,351**	**7,618**
Non-current assets			
Property, plant and equipment	9	893	886
Intangible assets	10	1,574	1,603
Deferred tax asset	6	155	112
Total non-current assets		**2,622**	**2,601**
Total assets		**11,973**	**10,219**
Current liabilities			
Trade and other payables	12	2,793	2,582
Income tax payable		98	160
Interest-bearing loans and borrowings	14	351	399
Derivative financial instruments	8	-	245
Total current liabilities		**3,242**	**3,386**
Non-current liabilities			
Trade and other payables	12	183	269
Interest-bearing loans and borrowings	14	204	254
Derivative financial instruments	8	-	34
Total non-current liabilities		**387**	**557**
Total liabilities		**3,629**	**3,943**
Equity			
Share capital	15	25,185	25,185
Share-based payment reserve	15	1,309	1,021
Foreign currency reserve		(85)	(33)
Accumulated losses		(18,065)	(19,897)
Total equity		**8,344**	**6,276**
Total equity and liabilities		**11,973**	**10,219**

For and on behalf of the Board of Directors, who authorise these financial statements for issue on 23 May 2018.

SIMON BOTHERWAY
CHAIRMAN

DARRIN GRAFTON
CHIEF EXECUTIVE OFFICER

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018	2017
		$ (000)	$ (000)
Cash flows from operating activities			
Receipts from customers		17,754	15,113
Interest received		93	99
Receipts from grants		915	1,075
Taxation (paid)/refund received		(262)	(469)
Payments to suppliers and employees		(17,065)	(17,349)
Interest payments		(22)	(16)
Net GST refunded (paid)		3	(48)
Net cash flows from/(used in) operating activities	20	**1,416**	**(1,595)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(192)	(247)
Purchase of intangibles		(327)	(791)
Net cash flows from/(used in) investing activities		**(519)**	**(1,038)**
Cash flows from financing activities			
Net repayment of loans		(46)	-
Net cash flows from/(used in) financing activities		**(46)**	**-**
Net increase (decrease) in total cash		851	(2,633)
Net foreign exchange difference		(70)	(34)
Cash and cash equivalents at beginning of period		4,451	7,118
Cash and cash equivalents at end of period		**5,232**	**4,451**
Cash and cash equivalents comprises the following:			
Cash at bank and on hand	11	5,232	4,451
		5,232	**4,451**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2018

1 CORPORATE INFORMATION

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

The company is a limited liability company domiciled and incorporated in New Zealand under the Companies Act 1993 and is listed on the New Zealand Stock Exchange (NZX). Its registered office is at Unit 14d, 125 The Strand, Parnell, Auckland.

The group is involved in the provision of computer software solutions for corporate travel. The group is headquartered in Auckland, New Zealand.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below and within this notes section. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and the requirements of the Financial Market Conduct Act 2013. The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets and liabilities as identified in specific accounting policies.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars unless stated otherwise.

The financial statements provide comparative information in respect of the previous period.

b) Going concern

The directors have carefully considered the ability of the group to continue to operate as a going concern for at least the next 12 months from the date the financial statements are authorised for issue. It is the conclusion of the directors that the group will continue to operate as a going concern and the financial statements have been prepared on that basis.

In reaching their conclusion, the directors have considered the following factors:

- Cash reserves at 31 March 2018 of $5.2 million provides a sufficient level of headroom to help support the business for at least the next 12 months.
- The 2019 financial year budget has been prepared to achieve profitability and positive net cash flow over the year.
- The directors have made due enquiry into the appropriateness of the assumptions underlying the budgetary forecasts.
- In approving the 2019 financial year budget, the directors have considered detailed contingency plans presented by the management, including the ability to adjust resource levels and reduce operating costs, that can be implemented in the event that adverse variances in performance versus budget exceed certain thresholds.

A number of significant judgements have been made in preparing the budget, the most significant relate to the timing and level of uptake of demand for new products and services that are expected to launch or grow significantly during the year. However, in view of the contingencies and risk mitigations that have been identified, the directors consider there is a reasonable expectation that the group can continue to operate as a going concern for the foreseeable future.

c) Statement of compliance

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

d) 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 group are:

NZ IFRS 15 Revenue from Contracts from Customers is effective for accounting periods beginning on or after 1 January 2018. Serko will adopt the standard when required for the year ended 31 March 2019.

The standard requires entities to recognise revenue when control of a good or service transfers to a customer with revenue recognised for the amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods and services. As permitted by the standard, Serko will apply the modified retrospective approach on transition. Consequently, any adjustments required to historic revenues at the date of transition will be recognised against the opening balance of retained earnings at 1 April 2018 and prior year comparatives will not be restated.

To date, a sample of contracts have been analysed, focusing initially on revenue from the Serko Online product, which represents the majority of revenue. Serko Online charges mostly involve transaction and usage fees, which are recorded as revenue at the time the initial booking is processed. Under NZ IFRS 15, we expect that this will continue except where the transaction fee is bundled to include 'changes post booking' where some revenue may need to be deferred until subsequent changes occur, and where there are minimum transaction commitments where a different revenue recognition profile is being considered.

A detailed analysis is ongoing for the remaining bespoke customer contracts and further areas of adjustment may still be identified.

NZ IFRS 9 Financial Instruments is effective for accounting periods beginning on or after 1 January 2018. Serko will adopt the standard when required for the year ended 31 March 2019.

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

The group considers that the standard will not have a significant impact on the financial statements, given the non-complex nature of financial instruments held. The main change expected will be in respect of receivables held at amortised cost where the new impairment model requires the recognition of impairment provisions based on expected credit losses rather than incurred credit losses. While calculation of the opening expected credit loss has not yet been determined, the impact is not expected to be significant, given the short payment terms and low level of past due receivables as disclosed in note 7. The group does not apply hedge accounting and does not propose to change this on transition to NZ IFRS 9.

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

When the standard is adopted Serko's operating leases will be recorded on balance sheet, with the recognition of right-to-use assets and an obligation to make lease payments. The right-to-use assets will be depreciated over the lease term and the liability will be measured at amortised cost. As a result, there will be increased depreciation and interest expense, with a reduction in rental expense.

Until the project is completed and decisions are made, such as the transition method to apply and applicable discount rate to calculate the lease obligation, it is not practicable to quantify the effect of the standard. Existing operating lease commitments are set out in note 18.

Amendments to NZ IFRS 2 Share-based Payment. The following apply prospectively to annual periods beginning on or after 1 January 2018:

- The accounting for the effects of vesting conditions on cash-settled share-based payment transactions;
- The classification of share-based payment transactions with net settlement features for withholding tax obligations; and
- The accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled.

Management will assess the impact of the amendment during the 2019 financial year.

e) Basis of consolidation

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

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

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

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

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

The group reassesses whether or not it controls an investee if facts and circumstances indicate there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the group had directly disposed of the related assets or liabilities.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their acquisition date fair values. Acquisition-related costs are expensed as incurred and recognised in profit or loss.

The difference between the above items and the fair value of the consideration is recorded as either goodwill or gain on bargain purchase. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested annually for impairment, or immediately if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Any gain on bargain purchase is recognised immediately on acquisition to profit and loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Non-controlling interests are allocated their share of comprehensive income after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

f) Foreign currency translation

i) Functional and presentation currency

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

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.

iii) Foreign Currency Translation Reserve

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

g) Financial instruments

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

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 subsequently 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.

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 using 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 have 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.

iv) 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.

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.

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is one that takes 12 months or longer to prepare for its intended use or sale. Other borrowing costs are expensed when incurred.

i) Other taxes

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. All receivables and payables are stated GST inclusive.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

j) Comparative amounts

When the presentation or classification of items is changed, comparative amounts are reclassified unless the reclassification is impracticable.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant judgements

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

Share-based payments

The fair value applied to shares granted under the restricted share plan is the volume weighted average price (VWAP) of shares traded in the previous 20 trading days preceding the date of grant. Vesting of the shares is reviewed periodically to determine that the assumptions around vesting dates and employee churn rate are still valid (refer note 17).

Development costs

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

Functional currency

The group periodically reviews the functional currency for reporting purposes. The group believes, that there are sufficient justifications for the continued use of NZD as the functional currency. The key factors behind this conclusion are:

- Serko is NZX listed and has raised capital in NZD;
- Research and development grant funding is in NZD;
- NZD is the main currency for labour, operating cost and capital expenditure; and
- The group also generates certain revenues in NZD.

Impairment of intangible or non-financial assets

Management reviews the carrying value of intangible and non-financial assets on an annual basis, in particular, computer software and development work in progress. Consideration is placed on a number of factors, depending on the specific asset in question, which may include discounted cash flow forecasts, the ability to continue to generate discrete cash flow and returns, any changes or anticipated changes in the business or product circumstances and the nature of the events that originally gave rise to the recognition of any non-financial assets (refer note 10).

Revenue recognition

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

4 REVENUE & OTHER INCOME

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is disclosed net of credit notes, rebates and discounts.

a) Revenue from transaction and usage fees

Revenue from transaction and usage fees is recorded at the time travel or expense transactions are processed through Serko's platforms. Contracts that have minimum booking volume arrangements are recognised over the period of volume commitment. Revenue from licence fees is recognised over the term of the licence agreement.

b) Revenue from services

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

c) Government grants

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs it is intended to compensate.

	Notes	2018 $ (000)	2017 $ (000)
Revenue – transaction and usage fees:			
Travel platform booking revenue		13,283	10,808
Expense platform booking revenue		1,539	1,125
Supplier commissions revenue		1,288	751
Other revenues		334	238
Revenue – services		1,835	1,356
Total revenue		**18,279**	**14,277**
Government grants	13	956	1,073
Sundry income		38	19
Total other income		**994**	**1,092**
Total revenue and other income		**19,273**	**15,369**

	2018 $ (000)	2017 $ (000)
Geographic information		
Australia	16,599	13,195
New Zealand	1,038	672
US	457	158
India	57	136
Singapore	42	18
Other	86	98
Total revenue	**18,279**	**14,277**

5 EXPENSES

	Notes	2018 $ (000)	2017 $ (000)
Operating profit/(loss) before taxation includes the following expenses:			
Auditor remuneration and advisory fees		79	116
Amortisation of intangibles	10	412	633
Depreciation	9	185	225
Rental and operating lease expenses		729	686
Employee remuneration		10,764	11,462
Contributions to pension plans		480	416
Share-based payment expenses	15	288	133
Marketing expenses		410	936
Hosting expenses		1,067	904
Other operating expenses		3,270	3,252
Expenses from ordinary activities		**17,684**	**18,763**
Research expenses (excluding capitalised development costs)		**4,523**	**5,056**

Research expenditure includes all reasonable expenditure associated with R&D activities that does not give rise to an intangible asset. R&D expenses include employee and contractor remuneration related to these activities.

Research expenditure includes expenditure that meets the definition of research expenditure as defined in NZ IAS 38.

	Notes	2018 $ (000)	2017 $ (000)
Finance income and expenses includes:			
Finance income			
Interest received		111	116
Dividends received		-	1
Foreign exchange gains – net		364	25
Total finance income		**475**	**142**
Finance expenses			
Interest expense		(43)	(36)
Other finance expenses		(18)	(18)
Total finance expenses		**(61)**	**(54)**
Total finance income and expenses		**414**	**88**

Auditor remuneration

The directors of Serko Limited appointed Deloitte Limited as the auditor of the group for the year ended 31 March 2018. Ernst & Young (EY) was the auditor for the year ended 31 March 2017. EY tax services for the year ended 31 March 2018 are excluded from auditor remuneration below.

	Notes	2018 $ (000)	2017 $ (000)
Amounts received or due and receivable by:			
Audit of financial statements – Deloitte Limited		79	-
Audit of financial statements – EY		-	82
Other assurance-related services (a) – EY		-	15
Total audit fees		**79**	**97**
Tax services (b) – EY		-	19
Total non-audit fees		**-**	**19**

(a) Other assurance-related services include services for research and development assurance procedures and half year agreed upon procedures.

(b) Tax services relate to compliance services.

6 INCOME TAX

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

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

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

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

- Except for a deferred income tax liability arising from the initial recognition of goodwill; and
- 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) relevant to the appropriate tax jurisdiction, that have been enacted or substantively enacted at the balance date.

	Notes	2018	2017
		$ (000)	$ (000)
Current income tax			
Current income tax charge/(credit)		225	308
Adjustments in respect of previous years		(12)	6
		213	**314**
Deferred income tax			
Origination and reversal of temporary differences		(42)	(170)
Income tax expense reported in the statement of comprehensive income		**171**	**144**

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

	Notes	2018	2017
		$ (000)	$ (000)
Accounting profit (loss) before income tax		**2,003**	**(3,306)**
At the statutory income tax rate of 28% (2017:28%)		561	(926)
Non-deductible items		7	7
Adjustments in respect of current income tax of previous years		(12)	6
Chinese branch tax		98	61
Foreign tax credits not utilised		-	16
Share-based payments		81	37
Tax losses recognised		(570)	-
Future income tax benefit, not recognised		-	934
Effect of tax on overseas subsidiaries at different rate		6	9
Income tax expense		**171**	**144**
At effective income tax rate of:		8.5%	-4.4%

Deferred income tax at 31 March relates to the following:

	2018		2017	
	Statement of financial position	Statement of comprehensive income	Statement of financial position	Statement of comprehensive income
	$ (000)	$ (000)	$ (000)	$ (000)
Deferred income tax liabilities recognised				
Intangibles	-	-	-	71
Unrealised foreign exchange	(10)	41	(51)	15
Deferred income tax asset recognised				
Intangibles	85	(2)	87	87
Employee entitlements	80	3	76	(3)
Net deferred tax asset/(liability) recognised	**155**	**42**	**112**	**170**
Deferred income tax asset not recognised				
Employee entitlements	112	5	107	3
Bonus provision	195	103	92	92
Accruals	-	-	-	(28)
Allowance for impairment	-	(2)	2	-
Leasehold liabilities	(11)	9	(20)	(33)
	296	**115**	**181**	**34**
Tax losses available to be carried forward and offset against future income	3,785		4,484	
Total deferred tax asset not recognised	**4,081**		**4,665**	

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.

	Notes	2018	2017
		$ (000)	$ (000)
Trade receivables		3,046	2,544
Allowance for impairment		-	(7)
Trade receivables (net)		**3,046**	**2,537**
Loan receivable	19	326	353
Allowance for impairment		(25)	-
Other receivables (net)		**301**	**353**
GST receivable		30	22
Prepayments		454	255
Total receivables		**3,831**	**3,167**

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

	2018	2017
New Zealand dollars	1,918	1,493
Australian dollars	1,846	1,634
US dollars	52	29
Indian rupees	15	11
	3,831	**3,167**

	Total	0-30 days	31-60 days	61-90 days	91+ days
	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
At 31 March, the ageing analysis of receivables is as follows:					
2018					
Trade receivables	3,046	2,922	16	46	62
Other receivables	326	-	-	-	326
2017					
Trade receivables	2,544	2,432	8	11	93
Other receivables	353	-	-	-	353

Allowance for impairment loss

i) Trade receivables

Group trade receivables over 60 days of $108,099 (2017: $103,287). This balance of $108,099 is not considered impaired as amounts outstanding are in accordance with agreed payment plans and payment record of the customers concerned.

Trade receivables are non-interest bearing and are generally on 30 - 60-day terms. A provision for impairment loss is recognised where there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised (2017: $nil) by the group in the current year. No individual amount within the impairment allowance is material.

ii) Other receivables

Other receivables consist of an interest-bearing loan to nuTravel Technology Solutions LLC (nuTravel) of US$200,000, which was assigned by Financial Equities Limited (FEL) to Serko Limited in return for an interest-bearing loan repayable on receipt of the loan receivable. A revised repayment arrangement with nuTravel was entered into and this receivable was reassigned back to FEL subsequent to year end (refer note 23). There is no financial risk to Serko as the loan receivable is back to back with the associated loan payable to FEL (refer note 14). FEL is a company associated with directors Bob Shaw and Darrin Grafton (refer note 19).

8 FINANCIAL INSTRUMENTS

Derivative financial instruments

The group uses derivatives in the form of forward exchange contracts (FECs) to reduce the risk that movements in the exchange rate will affect the group's New Zealand dollar cash flows. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

	Notes	2018 $ (000)	2017 $ (000)
Current:			
Foreign currency forward exchange contracts		288	(245)
Non-current:			
Foreign currency forward exchange contracts		-	(34)
Contractual amounts of forward exchange contracts outstanding were as follows:			
Foreign currency forward exchange contracts		10,763	13,027

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

9 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

The following estimates have been used:

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

a) Impairment

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amounts.

b) Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvement	Furniture & fittings	Computer equipment	Total
	$ (000)	$ (000)	$ (000)	$ (000)
2018				
Cost or valuation				
Balance at 1 April 2017	767	354	398	1,519
Additions	4	13	176	193
Currency translation	(1)	-	-	(1)
Balance at 31 March 2018	**770**	**367**	**574**	**1,711**
Depreciation				
Balance at 1 April 2017	116	139	378	633
Depreciation expense	106	36	43	185
Balance at 31 March 2018	**222**	**175**	**421**	**818**
Net carrying amount	**548**	**192**	**153**	**893**
2017				
Cost or valuation				
Balance at 1 April 2016	296	343	388	1,027
Additions	501	27	10	538
Disposals	(29)	(16)	-	(45)
Currency translation	(1)	-	-	(1)
Balance at 31 March 2017	**767**	**354**	**398**	**1,519**
Depreciation				
Balance at 1 April 2016	48	106	260	414
Depreciation expense	68	39	118	225
Disposals	-	(6)	-	(6)
Balance at 31 March 2017	**116**	**139**	**378**	**633**
Net carrying amount	**651**	**215**	**20**	**886**

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

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

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

- Computer Software
  (finite, amortised on a straight-line basis 40 - 60%).
- Capitalised software development costs
  (finite, amortised on 5 years straight-line basis).

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 group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset. Also how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to reliably measure the expenditure attributable to the intangible asset during its development. Following initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and impairment losses. Any expenditure capitalised is amortised over the period of expected benefit from the related project.

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

Impairment of non-financial assets

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

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

- 5-year forecast period;
- Discount rate of 15%; and
- Discount factor applied using a mid-year convention.

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
	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
2018						
Cost						
Balance at 1 April 2017	220	78	443	205	2,376	3,322
Additions	-	-	-	328	55	383
Transfer of cost	-	-	-	(484)	484	-
Balance at 31 March 2018	**220**	**78**	**443**	**49**	**2,915**	**3,705**
Amortisation and impairment						
Balance at 1 April 2017	220	78	443	-	978	1,719
Amortisation	-	-	-	-	412	412
Balance at 31 March 2018	**220**	**78**	**443**	**-**	**1,390**	**2,131**
Net carrying amount	**-**	**-**	**-**	**49**	**1,525**	**1,574**
2017						
Cost						
Balance at 1 April 2016	220	78	443	407	1,377	2,525
Additions	-	-	-	780	-	780
Transfer of cost	-	-	-	(982)	982	-
Currency translation	-	-	-	-	17	17
Balance at 31 March 2017	**220**	**78**	**443**	**205**	**2,376**	**3,322**
Amortisation and impairment						
Balance at 1 April 2016	220	58	280	-	528	1086
Amortisation	-	20	163	-	450	633
Balance at 31 March 2017	**220**	**78**	**443**	**-**	**978**	**1,719**
Net carrying amount	**-**	**-**	**-**	**205**	**1,398**	**1,603**

11 CASH AT BANK AND ON HAND

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

	2018	2017
	$ (000)	$ (000)
Cash at bank – New Zealand dollar balances	4,529	3,045
Cash at bank – foreign currency balances	703	1,407
	5,232	**4,451**

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

	2018	2017
New Zealand dollars	4,529	3,045
Australian dollars	532	1,340
US dollars	171	58
Indian rupees	-	8
	5,232	**4,451**

12 TRADE AND OTHER PAYABLES

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, long service leave and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for wages and salaries that are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to the reporting date.

Post-employment benefits

Contributions made on behalf of eligible employees to defined contribution funds are recognised in the period they are incurred. The defined contribution funds receive fixed contributions from the group whose legal or constructive obligation is limited to these contributions only.

Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services.

12 TRADE AND OTHER PAYABLES (CONTINUED)

	2018	2017
	$ (000)	$ (000)
Trade payables	428	532
Accrued expenses	1,640	1,442
Lease incentive	223	227
Annual leave accrual	665	634
GST payable	20	16
Total trade and other payables	**2,976**	**2,851**
Disclosed as:		
Current	2,793	2,582
Non-current	183	269
	2,976	**2,851**

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

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

	Notes	2018	2017
		$ (000)	$ (000)
Current			
Loan payable	19	301	353
Leasehold fitout loan		50	46
		351	**399**
Non-current			
Leasehold fitout loan		204	254
		204	**254**

An interest-bearing loan to nuTravel Technology Solutions LLC of US$200,000 was assigned by Financial Equities Limited (FEL) to Serko Limited in return for an interest-bearing loan repayable on receipt of the loan receivable (refer to note 7). FEL is a company associated with directors Bob Shaw and Darrin Grafton (refer note 19). Subsequent to year end, the receivable was reassigned back to FEL (refer to note 23).

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.

	2018	2017	2018	2017
			Number of shares	Number of shares
	$ (000)	$ (000)	(000)	(000)
Ordinary shares				
Share capital at beginning of year	25,185	25,185	74,894	72,894
Issue of new shares to employees via Restricted Share Plan	-	-	-	2,000
Share capital at 31 March	**25,185**	**25,185**	**74,894**	**74,894**

	2018	2017
	$ (000)	$ (000)
Share-based payment reserve		
Balance at beginning of year	1,021	888
Shares allocated to employees via Restricted Share Plan	252	372
Shares forfeited from employees via Restricted Share Plan	(23)	(239)
Share options to non-executive directors (refer note 17)	59	-
Share-based payment reserve at 31 March	**1,309**	**1,021**

In the current year the group issued no shares (2017: 2,000,000) under the Restricted Share Plan (RSP). In respect of the RSP 230,050 restricted shares (2017: 710,313) had been allocated to key management personnel and 116,107 (2017: 228,519) allocated to other Serko employees. Unallocated shares are 1,592,299 (2017: 1,819,732) (refer to note 17).

16 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:

	2018	2017
	$ (000)	$ (000)
Loss attributable to ordinary equity holders of the parent		
Continuing operations	1,832	(3,450)
	1,832	**(3,450)**

	2018	2017
	Number	Number
Basic earnings per share		
Issued ordinary shares (refer note 15)	74,894	74,894
Adjusted for employee restricted share plan shares	(2,991)	-
Weighted average of issued ordinary shares	71,903	73,074
Basic earnings per share (dollars)	**0.03**	**(0.05)**
Diluted earnings per share		
Weighted average of issued ordinary shares	74,894	73,074
Weighted average of issued ordinary shares for diluted earnings per share	74,894	73,074
Diluted earnings per share (dollars)	**0.02**	**(0.05)**

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.

	2018	2017
	Cents	Cents
Net tangible assets per security	**9.04**	**6.24**

17 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 awarded a cash bonus that must be used to repay the loan and shares are then transferred to the employee. The number of shares awarded is determined by the Board. The weighted average grant date fair value of restricted shares issued during the year was $0.49 (2017: $0.46) and was determined by the volume weighted average price (VWAP) of shares traded in the previous 20 trading days preceding the date of grant. The group has no legal or constructive obligation to repurchase the shares or settle the RSP for cash.

	2018	2017
	Number of shares	Number of shares
Unvested shares at beginning of year	1,359,226	1,275,502
Granted	356,066	938,832
Forfeited	(128,633)	(264,135)
Vested	(187,952)	(590,973)
Unvested shares at 31 March – allocated to employees	**1,398,707**	**1,359,226**
Plus		
Unallocated shares – held by trustee	1,592,299	1,819,732
Total shares in Restricted Share Plan	**2,991,006**	**3,178,958**
Percentage of total ordinary shares	4.0%	4.2%
Ageing of unvested shares		
Vest within one year	183,810	184,084
Vest within two to five years	1,214,897	1,175,142
Unallocated shares	1,592,299	1,819,732
Total	**2,991,006**	**3,178,958**

17 SHARE-BASED PAYMENTS (CONTINUED)

Share options

The group's non-executive directors were granted share options, settled by way of a non-recourse loan. The non-recourse loan is due for repayment 30 June 2020, following an extension to the previous loan due 30 June 2017.

The following table lists the inputs to the model used for the share options for the year ended 31 March 2018:

	2018	2017
Dividend yield (%)	0.00	n/a
Expected volatility (%)	60.00	n/a
Risk-free interest rate (%)	3.00	n/a
Expected life of share options (years)	3	n/a
Weighted average share price ($)	1.10	n/a
Model used	Black Scholes	n/a

The expected life of the share options 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.

18 LEASE COMMITMENTS

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

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

a) Operating leases

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

	2018	2017
	$ (000)	$ (000)
Operating lease commitments		
No later than one year	562	514
Later than one year and not later than five years	1,365	1,755
Later than five years	-	193
	1,927	**2,462**

19 RELATED PARTIES

a) Subsidiaries

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

		% Equity interest		Investment $(000)	
Name	Balance date	2018	2017	2018	2017
Serko Australia Pty Limited	31 March	100%	100%	1	1
Serko Trustee Limited	31 March	100%	100%	-	-
Serko India Private Limited	31 March	99%	99%	2	2
Serko Investments Limited	31 March	100%	100%	-	-
Foshan Sige Information Technology Limited	31 March	100%	-	-	-
Serko Inc	31 March	100%	-	-	-
				3	**3**

Serko Australia Pty Limited's principal business is the marketing and support of travel booking software solutions supplied by Serko Limited.

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

Serko India Private Limited was incorporated on 18 February 2015 as a subsidiary for the India-based operations.

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

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

Serko Inc was incorporated on 30 October 2017 as a subsidiary for the US-based operations.

19 RELATED PARTIES (CONTINUED)

b) Transactions with related parties

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

	Notes		Purchases from related parties	Interest to related parties	Amounts owed to related parties	Amounts owed by related parties
			$ (000)	$ (000)	$ (000)	$ (000)
Other related parties						
Financial Equities Limited	14	2018	-	21	301	-
		2017	-	20	353	-
Simon Botherway – Chairman		2018	80	-	-	-
		2017	70	-	-	-
Claudia Batten – Non-executive Director		2018	74	-	-	-
		2017	60	-	-	-
Clyde McConaghy – Non-executive Director		2018	74	-	-	-
		2017	60	-	-	-
Total		**2018**	**228**	**21**	**301**	**-**
		2017	**190**	**20**	**353**	**-**

Non-executive directors provide services to Serko in their capacity as non-executive directors and have service agreements with specified amounts of fees payable per annum. The non-executive directors also hold share options with related non-recourse loan (refer note 17).

Financial Equities Limited (FEL) is a company associated with directors Bob Shaw and Darrin Grafton. Subsequent to year end, the receivable from nuTravel (refer note 7) was assigned back to FEL and the loan payable (note 14) fully extinguished (refer note 23).

c) Key management remuneration

	2018	2017
	$ (000)	$ (000)
Short-term benefits employees (*)	3,294	2,974
Share-based payments	162	92
Post-employment benefits	72	94
Total compensation	**3,528**	**3,160**

d) Terms and conditions of transactions with related parties.

Outstanding balances at year end are unsecured and settlement occurs in cash.

For the year ended 31 March 2018, the group has not made any allowance for impairment loss relating to amounts owed by related parties (2017: $nil). An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the group recognises an allowance for the impairment loss.

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

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

	2018	2017
	$ (000)	$ (000)
Net profit/(loss) after tax	1,832	(3,450)
Add non-cash items		
Amortisation	412	633
Depreciation	185	225
Loss on property, plant and equipment disposal	-	36
Increase/(decrease) in deferred tax	(42)	(170)
Loss/(gain) on foreign exchange transactions	(556)	175
Share-based compensation	288	133
	2,119	**(2,418)**
Add/(less) movements in working capital items		
(Increase)/decrease in receivables excluding loans	(764)	820
Increase/(decrease) in trade and other payables	123	158
Increase/(decrease) in income tax	(62)	(155)
	(703)	**823**
Net cash flow from operating activities	**1,416**	**(1,595)**

21 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 whilst protecting future financial security.

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

The main risks arising from the group's financial instruments are foreign currency, interest, credit and liquidity risk. The group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to foreign exchange risk, and assessments of market forecasts for foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

a) Risk exposures and responses

i) Interest rate risk

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

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

ii) Liquidity and interest rate risk

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

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

	Weighted average effective interest rate %	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
		$ (000)	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
2018							
Accounts payable	0%	2,754	2,754	-	-	-	-
Related party loans	6%	301	301	-	-	-	-
Leasehold fitout	8%	302	34	34	68	166	-
		3,357	**3,089**	**34**	**68**	**166**	-
2017							
Accounts payable	0%	2,624	2,624	-	-	-	-
Related party loans	6%	353	353	-	-	-	-
Leasehold fitout	8%	300	23	23	20	234	-
		3,277	**3,000**	**23**	**20**	**234**	-

b) Currency risk

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

Refer to notes 7 and 11 for further details on the group's foreign currency denominated accounts receivable and cash balances.

The following table summarises the sensitivity to foreign currency exchange rate movements. A sensitivity of +/- 15% (2016: +/- 15%) has been selected owing to exchange rate volatility observed.

		Foreign currency risk			
		-15%		+15%	
	Carrying amount	Post-tax profit	Equity	Post-tax profit	Equity
	$ (000)	$ (000)	$ (000)	$ (000)	$ (000)
2018					
Foreign exchange balances					
Cash at bank	703	89	89	(66)	(66)
Trade receivables	1,913	243	243	(180)	(180)
Trade payables	(110)	(14)	(14)	10	10
Net exposure	**2,506**	**318**	**318**	**(236)**	**(236)**
2017					
Foreign exchange balances					
Cash at bank	1,398	179	179	(132)	(132)
Trade receivables	1,310	223	223	(165)	(165)
Trade payables	(176)	(16)	(16)	12	12
Net exposure	**2,532**	**386**	**386**	**(285)**	**(285)**

c) Credit risk

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

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

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

21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Fair value

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

e) Derivative offsetting

The group does not have financial assets or liabilities subject to an enforceable master netting agreement, hence has not offset or net financial assets or financial liabilities.

22 SEGMENT INFORMATION

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

Serko derives operating revenue from Serko Online, Serko Zeno, Serko Mobile and Serko Expense technology platforms. Serko product and geographical revenue presented in note 4.

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 two customers had revenue more than 10% of the revenue for the group. These customers accounted for $9,219,226 of the revenue for the year ended 31 March 2018 (2017: $7,709,305).

23 EVENTS AFTER BALANCE SHEET DATE

On 8 May 2018 the receivable from nuTravel (refer note 7) was reassigned to Financial Equities Limited (FEL) (a related party refer note 19) and the loan payable to FEL (refer note 14) was fully extinguished (2017: nil events).

In addition to its current listing on the NZX, Serko intends to list on the Australian Securities Exchange (ASX) on 25 June 2018, subject to ASX approval.

24 CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2017: $nil).

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Serko Limited

OPINION

We have audited the consolidated financial statements of Serko Limited ('the company') and its subsidiaries (the 'Group'), which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 30 to 62, present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

BASIS FOR OPINION

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

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

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

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

AUDIT MATERIALITY

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

We determined materiality for the Group financial statements as a whole to be $195,000.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group has reported revenue of $18.3 million, as set out in note 4 'Revenue and other income'. Revenue is based on multiple customer contracts that contain different pricing schedules and varying revenue recognition triggers. Complexity exists because of the specific nature of each customer contract, which can include transactional and usage fees, establishment and installation fees, and chargeable work orders. Management judgment is required to estimate revenue recognition where cash flows do not align to contract performance obligations, in particular when minimum transaction volume commitments have period end dates that do not align to the financial year end. We have included revenue recognition as a key audit matter due to the significance of revenue to the financial statements and the specific nature of individual customer contracts.	We performed walkthroughs of the major revenue processes and evaluated the design and implementation of key controls. We tested a sample of transactions by agreeing invoices to signed customer contracts in order to validate pricing inputs and assess whether revenue has been recorded in the correct period. We used data analytic tools to: • identify revenue transactions that appear unusual and agree that prices have been correctly allocated to customer invoices • agree travel booking transactions recorded in IT systems to the financial ledger • test samples of manual journal entries recorded outside of normal business processes by profiling for revenue impacting journals. We assessed key judgements adopted by the Group in recognising revenue including the timing and disclosure of revenue net of credit notes, rebates and discounts. We have challenged management's revenue recognition based on the likelihood of customers not achieving contractual minimum volume commitments spanning the financial year end.
Accounting for development expenditure	
The Group capitalised $328,000 in relation to software development, as set out in note 10 'Intangibles'. As a Software as a Service ("SaaS") provider, the Group incurs significant expenditure in developing new software products to meet the strategic objectives of the business. Judgement is required to determine if the recognition criteria within NZ IAS 38 Intangible Assets have been met, which include technical feasibility, the likelihood of generating future economic benefits and sufficient funding for completion. NZ IAS 36 also requires the Group to assess whether any indicators of impairment exist as at balance date. We have included accounting for development expenditure as a key audit matter due to the level of judgement required for management to determine whether: • internal staff time or external developer costs incurred meet the criteria to be capitalised; and • information exists as at year end that would indicate the need to impair an intangible asset.	For each product, we have understood the nature of expenditure, the stage of product development, and how the Group distinguishes expenditure between research, development and maintenance costs. We performed audit procedures over development costs capitalised as computer software, by testing a sample of additions and evaluating if the recognition criteria under NZ IAS 38 have been met. We assessed key judgements adopted to determine whether indicators for impairment exist. In particular we considered existing software for technical obsolescence, by ensuring appropriate revenues exist for those products and corroborating with management whether features or product enhancements previously capitalised are still in use.

OTHER INFORMATION

The directors are responsible on behalf of the Group for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1

This description forms part of our auditor's report.

RESTRICTION ON USE

This report is made solely to the Company's shareholders, as a body. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Bryce Henderson, Partner for Deloitte Limited
Auckland, New Zealand
23 May 2018

CORPORATE GOVERNANCE & DISCLOSURES

For the year ended 31 March 2018

INTRODUCTION

The Board and management of Serko Limited (Serko or the company) are very committed to ensuring that Serko maintains corporate governance practices that are in line with or, where possible, exceed best practice and that Serko adheres to the highest ethical standards.

The Board has had regard to the NZX Listing Rules and a number of corporate governance recommendations when establishing its governance framework, including the revised NZX Corporate Governance Code 2017 (NZX Code) and the Third Edition of the Australian Securities Exchange (ASX) Corporate Governance Council Principles and Recommendations.

The NZX Listing Rules require Serko to formally report its compliance against the recommendations contained in the NZX Code. How Serko has implemented these recommendations is set out in Serko's Corporate Governance Statement, which is included in its ESG Report and can be found on the investor centre of the company's website. Go to: www.serko.com/investor-centre/. The Board considers that Serko's corporate governance structures, practices and processes have followed all of the recommendations in the NZX Code during the financial year ended 31 March 2018.

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

STOCK EXCHANGE LISTINGS

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

Serko is incorporated in New Zealand.

OVERVIEW OF SERKO'S GOVERNANCE STRUCTURE

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

The Board currently comprises an independent non-executive Chair, two independent non-executive directors and two executive directors, as detailed on page 14 of this Annual Report.

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

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

DIRECTOR REMUNERATION

Serko's shareholders have approved a total cap of $350,000 per annum for non-executive directors' fees, for the purposes of the NZX Listing Rules. This annual fee pool has not been increased since it was approved by shareholders in 2014. Serko currently pays directors' fees that, in aggregate, amount to approximately $250,000 per annum, subject to exchange rate fluctuations. More information about remuneration payable to directors is set out in Serko's Corporate Governance Statement, which is located on the investor centre of the company's website.

The Board has agreed that the following fixed annual fees will apply to all non-executive directors for the year ending 31 March 2019:

	Position	Fees per annum
Board of Directors	Chair	NZD$90,000
	Non-executive directors	AUD$65,000
Audit & Risk Committee	Committee Chair	AUD$10,000
	Committee Member	-
Remuneration & Nominations Committee	Committee Chair	AUD$10,000
	Committee Member	-

Non-executive directors received the following directors' fees, remuneration and other benefits from the company in the year ended 31 March 2018:

	Remuneration and value of other benefits received[1]				
Name of Director	**Non-Executive Directors' Board fees[2]**	**Audit & Risk Committee fees**	**Remuneration & Nominations Committee fees**	**Shares and other payments or benefits[3]**	**Total remuneration**
Simon Botherway	$80,000 (Chair)	-	-	-	$80,000
Clyde McConaghy	$63,626	$10,604 (Chair)	-	-	$74,230
Claudia Batten	$63,626	-	$10,604 (Chair)	-	$74,230
TOTAL	**$207,252**	**$10,604**	**$10,604**	**-**	**$228,460**

1 The figures shown are gross amounts, which have been converted into NZD and exclude GST (where applicable). Increases in Chair and non-executive Directors fees were effective from 1 October 2017, while Committee Chair fees were introduced effective 1 April 2017.

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

3 In addition to directors fees, Serko meets costs incurred by non-executive directors that are incidental to the performance of their duties. This includes paying the costs of directors' travel. As these costs are incurred by Serko to enable directors to perform their duties, no value is attributable to them as benefits to directors for the purposes of the above table.

The executive directors, Darrin Grafton and Bob Shaw, receive remuneration and other benefits in their respective executive roles as Chief Executive Officer and Chief Strategy Officer and, accordingly, do not receive directors fees.

The table below (and accompanying notes) sets out the total remuneration and value of other benefits earned by, or paid to, each executive director of Serko during, and in respect of, the financial period ended 31 March 2018:

	Base salary[1]	Taxable benefits[2]	Subtotal	Pay for performance			Total remuneration
				STI	LTI[5]	Subtotal	
Darrin Grafton	$282,266	$30,000	$312,266	$85,000[3]	$41,900 in the form of 54,460 restricted shares	$126,900	$439,166
Bob Shaw	$256,694	$30,000	$286,694	$50,000[4]	$20,950 in the form of 25,103 restricted shares	$70,950	$357,644

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

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

3 The short-term incentive stated was earned in FY18 and will be paid in FY19. Darrin Grafton's potential short-term incentive payment for FY18 was $120,000. During the financial period Darrin Grafton also received a short-term incentive of $21,000, which was earned in FY17 and paid in FY18.

4 The short-term incentive stated was earned in FY18 and will be paid in FY19. During the financial period Bob Shaw also received a short-term incentive of $10,500, which was earned in FY17 and paid in FY18.

5 The FY18 long-term incentive was granted in July 2017, following partial achievement of pre-grant performance targets based on FY17 performance. The restricted shares will vest three years after the allocation date. The value stated is the gross amount earned.

EMPLOYEE REMUNERATION

The table below shows the number of employees and former employees of Serko and its subsidiaries, not being directors of Serko, who, in their capacity as employees, received remuneration and other benefits during the period ended 31 March 2018 totalling at least NZ$100,000.

The remuneration of those employees paid outside of New Zealand has been converted into New Zealand dollars. No employee appointed as a director of a subsidiary company of Serko receives any remuneration or other benefits for acting in that capacity.

Remuneration range (NZD)	Total number of employees
$100,000 - $110,000	4
$110,001 - $120,000	7
$120,001 - $130,000	3
$130,001 - $140,000	6
$140,001 - $150,000	7
$150,001 - $160,000	1
$160,001 - $170,000	2
$170,001 - $180,000	3
$180,001- $190,000	2
$190,001 - $200,000	2
$210,001 - $220,000	1
$220,001 - $230,000	1
$240,001 - $250,000	1
$310,001 - $320,000	2
$320,001 - $330,000	1
$360,001 - $370,000	1
Total number of employees and former employees	**44**

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

DIVERSITY

The respective numbers and proportions of men and women at various levels within the Serko workforce as at 31 March 2017 and 31 March 2018 are set out in the table below:

Female	2018		2017	
	no.	%	no.	%
Directors	1	20%	1	20%
Officers[1]	1	20%	1	14%
Senior employees[2]	4	33%	7	47%
Remaining workforce	35	39%	40	44%
Male	**2018**		**2017**	
	no.	%	no.	%
Directors	4	80%	4	80%
Officers[1]	4	80%	6	86%
Senior employees[2]	8	67%	8	53%
Remaining workforce	54	61%	47	56%

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

2 Direct reports to the Executive Team with managerial responsibilities.

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

BOARD AND COMMITTEE ATTENDANCE

The table below shows the Board and Committee meeting attendance during the year ended 31 March 2018:

Director attendance	Board	Audit & Risk Committee	Remuneration & Nominations Committee
Darrin Grafton	12/12	*	*
Bob Shaw	12/12	*	*
Simon Botherway	12/12	5/5	4/4
Clyde McConaghy	12/12	5/5	4/4
Claudia Batten	12/12	5/5	4/4

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

DIRECTOR INDEPENDENCE

The Board currently comprises five directors – being the two co-founders and executive directors, Darrin Grafton and Bob Shaw; and three non-executive directors – Claudia Batten, Simon Botherway and Clyde McConaghy.

The Board has determined, based on information provided by directors regarding their interests, that as at 31 March 2018 and the date of this Annual Report, Simon Botherway, Claudia Batten and Clyde McConaghy are independent directors. The Board has also determined that Darrin Grafton and Bob Shaw are not independent directors owing to also being executives and major shareholders in Serko.

DIRECTOR INTEREST DISCLOSURES

Directors have given notices disclosing interests pursuant to section 140(1) of the Companies Act 1993. Those interests (and any changes to interests) notified and recorded in Serko's Interests Register during the financial year ended 31 March 2018 are set out below:

Date of disclosure	Director	Entity
20-Jun-17	Simon Botherway Claudia Batten Clyde McConaghy	Gave notice that they were interested in a Deed of Amendment to be entered into between each interested director and the company extending the term of the Director Share Loan between the director and the company (originally approved by shareholders at the time of the IPO) for a further three-year term.
22-Nov-17	Darrin Grafton Bob Shaw	Gave notice to the Board that Financial Equities Limited, in which they are shareholders and directors, is interested in a Deed of Assignment to be entered into between Serko Limited and Financial Equities Limited in respect of a loan to nuTravel Technology Solutions.

Directors have given general notices disclosing interests pursuant to section 140(2) of the Companies Act 1993. All of those interests, and any changes to interests notified and recorded in Serko's Interests Register during the financial year ended 31 March 2018, are set out below:

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

1 Claudia Batten ceased to hold this position from 30 April 2018.

2 Serko subsidiary as detailed on page 76.

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 2018:

Name	Date of acquisition/(disposal)	Number of shares acquired/(disposed)	Nature of relevant interest	Consideration paid/received
Claudia Batten	5-Feb-18	2,181.63 ordinary shares[1]	Beneficial interest in ordinary shares held in custody for Claudia Batten pursuant to non-executive Director Fixed Trading Plan	$4,125.00
	5-Mar-18	1,927.57 ordinary shares[1]	Beneficial interest in ordinary shares held in custody for Claudia Batten pursuant to non-executive Director Fixed Trading Plan	$4,125.00
Simon Botherway	5-Feb-18	2,181.63 ordinary shares[1]	Beneficial interest in ordinary shares held in custody for Simon Botherway pursuant to non-executive Director Fixed Trading Plan	$4,125.00
	5-Mar-18	1,927.57 ordinary shares[1]	Beneficial interest in ordinary shares held in custody for Simon Botherway pursuant to non-executive Director Fixed Trading Plan	$4,125.00
Darrin Grafton	6-Jul-17	54,460 restricted shares[2]	Beneficial interest in ordinary shares with restrictive conditions allocated pursuant to the Serko Limited Employee Restricted Share Plan, held in trust until vesting.	$41,900.00[5]
	6-Jul-17	3,469 restricted shares[3]	Indirect interest in restricted shares allocated pursuant to the Serko Limited Employee Restricted Share Plan to Ms Bailey, by virtue of a personal relationship with Ms Bailey.	$2,699.03[5]
	24-Nov-17	(320,000) ordinary shares[4]	Indirect interest in the shares being disposed of by virtue of a personal relationship with the registered holder, Ms Bailey.	$464,000.00
Bob Shaw	6-Jul-17	25,103 restricted shares[2]	Beneficial interest in Ordinary Shares with restrictive conditions allocated pursuant to the Serko Limited Employee Restricted Share Plan, held in trust until vesting.	$20,950.00[5]

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

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

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

4 These shares were disposed of by Ms Bailey. By virtue of Darrin Grafton's personal relationship with Ms Bailey, he is implied to have the power to dispose of or to control the disposal of shares held by Ms Bailey. Darrin Grafton did not dispose of any of his direct interest in Serko shares.

5 Paid in the form of services to Serko.

In accordance with the NZX Listing Rules, as at 31 March 2018, directors had a relevant interest (as defined in the Financial Markets Conduct Act 2013) in Serko ordinary shares as follows:

Name	Relevant interest	Percentage
Darrin Grafton[1]	13,988,491	18.678%
Bob Shaw[2]	12,918,505	17.249%
Simon Botherway[3]	2,323,109.20	3.102%
Claudia Batten[4]	185,927.20	0.248%
Clyde McConaghy[5]	181,818	0.243%

1 12,667,629 shares are held via a trust in which the director is a trustee and beneficiary. This includes an indirect interest in (and by virtue of the indirect interest is considered to have the power to exercise, or to control the exercise of, a right to vote attached to) 1,217,594 shares and 9,296 restricted shares by virtue of a personal relationship with the legal and beneficial holder of these shares. This includes beneficial interest in 93,972 restricted shares allocated pursuant to the Serko Employee Restricted Share Plan and held on trust until vesting.

2 12,884,296 shares are held via a trust in which the director is a trustee and beneficiary. This includes beneficial interest in 34,209 restricted shares allocated pursuant to the Serko Employee Restricted Share Plan and held on trust until vesting.

3 2,034,091 shares are held via a trust in which the director is a trustee and beneficiary. 284,909 shares are held directly. 4,109.20 shares are held in custody pursuant to the Serko non-Executive Director Fixed Trading Plan.

4 4,109.20 shares are held in custody pursuant to the Serko non-Executive Director Fixed Trading Plan.

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

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

Date	Director	Particulars of Board authorisation
20-Jun-17	Bob Shaw Darrin Grafton	The payment of remuneration and the provision of other benefits by the company and the making of the loan by the company under the Restricted Share Plan on the terms set out in the resolution dated 20 June 2017 and in accordance with the terms of the Serko Employee Restricted Share Plan documentation.
20-Jun-17	Simon Botherway Claudia Batten Clyde McConaghy	The extension of loans for a further three-year period to 30 June 2020 (originally authorised on 30 April 2014) by the company to each of the non-executive directors on the terms set out in the relevant Deed of Amendment and Original Loan Agreement.
20-Sep-17	Simon Botherway Claudia Batten Clyde McConaghy	The payment of increased directors fees and the provision of other benefits by the company to the non-executive directors on the terms detailed in the Board minutes dated 20 September 2017 and, on the grounds, set out in the corresponding directors' certificate.
24-Nov-17	Simon Botherway Claudia Batten Clyde McConaghy	Entry into a Fixed Trading Plan for non-executive Directors

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

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

SHAREHOLDING INFORMATION

As at 30 April 2018 there were 74,894,342 Serko ordinary shares on issue, each conferring on the registered holder the right to vote on any resolution at a meeting of shareholders, held as follows:

Size of shareholding	Number of holders[1]	%	Number of ordinary shares	%
1 to 1,000	184	18.44	127,191	0.17
1,001 to 5,000	414	41.48	1,290,780	1.72
5,001 to 10,000	158	15.83	1,295,283	1.73
10,001 to 50,000	165	16.53	3,776,593	5.04
50,001 to 100,000	30	3.01	2,199,773	2.94
100,001 and over	47	4.71	66,204,722	88.40
TOTAL	**998**	**100.00**	**74,894,342**	**100.00**

1 Includes 2,991,006 ordinary shares with restrictive conditions held by Serko Trustee Limited on behalf of 37 beneficial holders pursuant to the Serko Restricted Share Plan. Restricted shares have voting rights attached, which are exercised on behalf of a beneficial holder by the Trustee at the direction of the beneficial holder.

As at 30 April 2018 there were five shareholders holding between 1 and 100 ordinary shares (a minimum holding under the NZX Listing Rules) in respect of 326 shares.

Set out below are details of the 20 largest shareholders of Serko as at 30 April 2018:

	Shareholder[1]	Number of ordinary shares held	%
1	Robert James Shaw & Geoffrey Robertson Ashley Hosking	12,884,296	17.20
2	Darrin Grafton & Geoffrey Robertson Ashley Hosking	12,667,629	16.91
3	National Nominees New Zealand Limited	9,045,214	12.08
4	Serko Trustee Limited	2,991,006	3.99
5	Simon John Botherway & MSH Trustee (Arrow) Limited	2,034,091	2.72
6	JPMORGAN Chase Bank	1,827,835	2.44
7	Public Trust Forte Nominees Limited	1,807,793	2.41
8	Accident Compensation Corporation	1,569,983	2.10
9	Philip Rodger Ball	1,537,594	2.05
10	TEA Custodians Limited	1,255,787	1.68
11	Joanne Maree Phipps	1,240,972	1.66
12	Donna Bailey	1,217,594	1.63
13	Sherie Robyn Hammond	1,200,544	1.60
14	Citibank Nominees (NZ) Ltd	1,031,167	1.38
15	Michael John Thorburn	1,021,711	1.36
16	Robert Alan Hawker & Elizabeth Anne Hawker	999,750	1.33
17	HSBC Nominees (New Zealand) Limited	925,396	1.24
18	Tracey Ann Shorter	823,041	1.10
19	Timothy Mark Bluett	814,404	1.09
20	Cogent Nominees Limited	669,280	0.89

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

According to notices given to Serko under the Financial Markets Conduct Act 2013 (and Securities Markets Act 1978), the following persons were substantial product holders as at 31 March 2018. As at the balance date (31 March 2018) there were 74,894,342 Serko ordinary shares on issue:

Substantial product holder	Number of ordinary shares in which relevant interest is held	% Of class held at date of last notice
Geoffrey Hosking	25,573,925	35.084%
Darrin Grafton	14,209,033	19.493%
Bob Shaw and Sarah Shaw	12,884,296	17.675%
Milford Asset Management Limited	6,095,817	8.380%
Harbour Asset Management	4,611,356	6.157%

SUBSIDIARY COMPANY DIRECTORS

Directors of Serko's subsidiaries do not receive any remuneration or other benefits in respect of their appointments. The remuneration and other benefits of any such directors who are employees of the group totalling $100,000 or more during the year ended 31 March 2018 are included in the relevant bandings for remuneration disclosed on page 69 of this Annual Report.

The following persons held office as directors of subsidiary companies as at 31 March 2018:

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

1 No subsidiary directors retired during the financial year.

2 Serko Inc was incorporated on 30 October 2017.

3 Foshan Sige Information Technology Limited was incorporated on 7 August 2017. Serko also has a representative office in China.

4 Appointed during the financial year.

REGULATORY MATTERS

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

DONATIONS

Serko did not make any donations during the financial year.

CREDIT RATING

Serko does not presently have an external credit rating status.

GLOSSARY

ARPB	Average Revenue Per Booking
Asia Pacific	Vietnam, Thailand, Taiwan, Sri Lanka, South Korea, South Africa, Singapore, Philippines, Pakistan, New Zealand, Malaysia, Japan, Indonesia, India, Hong Kong, China, Bangladesh and Australia for the purposes of this Annual Report
ASX	ASX Limited, also known as the Australian Securities Exchange
ATMR	ATMR (Annualised Transactional Monthly Revenue) is a Non-GAAP measure. Serko uses this as a useful indicator of recurring revenue from Serko products based on the monthly transaction
AUD or A$	Australian dollar
Australasia	New Zealand and Australia for the purposes of this Annual Report
Board or Board of Directors	The board of directors of Serko
Cloud or cloud-based	Cloud computing is when the software and associated data is hosted outside the customer's premises and delivered over a network or the Internet as a service, which allows immediate access to the software
Company or Serko	Serko Limited, a New Zealand incorporated company
EBITDA	EBITDA is a Non-GAAP measure representing Earnings Before the deduction of costs relating to Interest, Taxation, Depreciation and Amortisation
ESG	Environmental Social Governance
FTE	Full-time equivalent
FX	Foreign exchange
FY	Financial year ended, or ending, on 31 March (unless otherwise stated)
GST	Goods and Services Tax
IFRS	International Financial Reporting Standards
Independent Directors	Simon Botherway, Claudia Batten and Clyde McConaghy
IPO	Initial Public Offering
Listing	The date Serko shares started trading on the NZX Main Board, 24 June 2014
NZ	New Zealand
NZD or NZ$	New Zealand 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
R&D	Research and Development expenditure
SAAS	Software-as-a-service
Serko Expense Management business	Serko's online expense management solution that enables the capture and processing of corporate credit cards and out-of-pocket claims
Serko Mobile	Serko's mobile app for iPhones and Android devices that gives users access to information and travel booking functionality on their mobile devices
Serko Online	Serko's cloud-based online travel booking solution for large organisations
serko.travel	Serko's cloud-based online travel booking solution for small to medium enterprises (SMEs)
SME	Small and medium enterprise
TMC, Travel Agency or Travel Management Company	A travel management company that provides specialised travel-related services to corporate customers
USD or US$	United States dollar
Zeno	Serko's premium cloud-based online travel booking solution
$	All figures are in New Zealand dollars, unless otherwise stated

COMPANY DIRECTORY

serko

Serko is a company incorporated with limited liability under the New Zealand Company Act 1993
New Zealand Companies Office registration number **1927488**
Australian Registered Body Number (ARBN) **611 613 980**
For investor relations queries contact: **InvestorRelations@serko.com**

REGISTERED OFFICE	Saatchi Building Unit 14D 125 The Strand Parnell, Auckland New Zealand +64 9 309 4754
SHARE REGISTRAR	Link Market Services Limited Level 11, Deloitte House 80 Queen Street Auckland New Zealand +64 9 375 5998 serko@linkmarketservices.co.nz
DIRECTORS	Simon Botherway (Chairman) Claudia Batten Robert (Clyde) McConaghy Darrin Grafton Robert (Bob) Shaw
AUDITOR	Deloitte Limited

KEY DATES

22 AUGUST 2018	**30 SEPTEMBER 2018**	**20 NOVEMBER 2018**	**31 MARCH 2019**
Annual Shareholders' Meeting	Half-year End	Half-year Results Announced	Financial-year End

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

Serko Limited Annual Report 2018
www.serko.com