

**Serko Limited**

**Condensed Financial Statements (Unaudited)**

For the year ended 31 March 2015

# Serko Limited

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For the year ended 31 March 2015

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# Serko Limited

## Condensed Statement of comprehensive income (Unaudited)

For the year ended 31 March 2015

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

The accompanying notes form part of the financial statements.

## Serko Limited

### Condensed Statement of changes in equity (Unaudited)

For the year ended 31 March 2015

	Contributed equity	Share based Payment Reserve	Foreign currency reserve	Retained earnings	Total
	\$	\$	\$	\$	\$
<b>Group</b>					
<b>Balance as at 1 April 2014</b>	<b>239,835</b>	-	<b>4,359</b>	<b>(3,661,972)</b>	<b>(3,417,778)</b>
Net profit (loss) for the period	-	-	-	<b>(6,547,335)</b>	<b>(6,547,335)</b>
Other comprehensive income to be reclassified to pro	-	-	<b>144,247</b>	-	<b>144,247</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>144,247</b>	<b>(6,547,335)</b>	<b>(6,403,088)</b>
<b>Transactions with owners</b>					
Convertible notes issued accounted in equity	<b>13 156,644</b>	-	-	-	<b>156,644</b>
Conversion of notes to share capital	<b>(396,479)</b>	-	-	-	<b>(396,479)</b>
Issue of share capital	<b>19,244,848</b>	-	-	-	<b>19,244,848</b>
Cost of equity issued	<b>(1,641,274)</b>	-	-	-	<b>(1,641,274)</b>
Share based payments	-	<b>370,875</b>	-	-	<b>370,875</b>
Interest on convertible notes	-	-	-	<b>(3,356)</b>	<b>(3,356)</b>
<b>Balance as at 31 March 2015</b>	<b>17,603,575</b>	<b>370,875</b>	<b>148,606</b>	<b>(10,212,663)</b>	<b>7,910,393</b>
<b>Balance as at 1 April 2013</b>	<b>239,835</b>	-	-	<b>(1,905,523)</b>	<b>(1,665,688)</b>
Net profit (loss) for the period	-	-	-	<b>(1,741,649)</b>	<b>(1,741,649)</b>
Other comprehensive income to be reclassified to pro	-	-	<b>4,359</b>	-	<b>4,359</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>4,359</b>	<b>(1,741,649)</b>	<b>(1,737,290)</b>
<b>Transactions with owners</b>					
Convertible notes issued accounted in equity	<b>13 -</b>	-	-	-	-
Interest on convertible notes	-	-	-	<b>(14,800)</b>	<b>(14,800)</b>
<b>Balance as at 31 March 2014</b>	<b>239,835</b>	-	<b>4,359</b>	<b>(3,661,972)</b>	<b>(3,417,778)</b>

# Serko Limited

## Condensed Statement of financial position (Unaudited)

As at 31 March 2015

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

# Serko Limited

## Condensed Statement of cash flows (Unaudited)

For the year ended 31 March 2015

	Note	Group 2015 \$	2014 \$	PFI Group 2015 \$
<b>Cash flows from operating activities</b>				
Receipts from customers		9,435,812	6,347,483	10,087,810
Interest received		180,576	334	185,906
Receipts from grants		1,529,836	753,199	1,246,674
Taxation (paid)/refund received		(13,527)	(92)	(201,492)
Payments to suppliers and employees		(17,262,020)	(8,187,026)	(17,363,416)
Interest payments		(392,550)	(122,514)	(44,500)
Net GST refunded (paid)		(49,300)	1,748	181,494
<b>Net cash flows from (used in) operating activities</b>		<b>(6,571,173)</b>	<b>(1,206,868)</b>	<b>(5,907,525)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(655,634)	(148,967)	(736,457)
Purchase of intangibles		(782,695)	(736,322)	(309,200)
<b>Net cash flows from (used in) investing activities</b>		<b>(1,438,329)</b>	<b>(885,289)</b>	<b>(1,045,657)</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowings		-	780,000	(780,000)
Issue of convertible notes		-	1,325,000	-
Share issue		17,399,148	-	17,399,148
Cost of new share issue		(1,361,911)	-	(1,017,627)
Funds advanced - intercompany		-	-	-
Repayment of shareholder loans		(1,819,270)	-	(2,324,937)
Repayment of loans		(780,000)	(27,786)	-
<b>Net cash flows from (used in) financing activities</b>		<b>13,437,967</b>	<b>2,077,214</b>	<b>13,276,584</b>
Net increase (decrease) in total cash		5,428,465	(14,943)	5,928,408
Cash and cash equivalents at beginning of period		(941,513)	(926,570)	(941,513)
Cash and cash equivalents at end of period		<u>4,486,952</u>	<u>(941,513)</u>	<u>4,986,895</u>
Cash and cash equivalents comprises the following:				
Cash at bank and on hand	10	4,486,952	249,508	4,986,895
Bank overdraft		-	(1,191,021)	-
		<u>4,486,952</u>	<u>(941,513)</u>	<u>4,986,895</u>

**Notes to the condensed financial statements (Unaudited)**

For the year ended 31 March 2015

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**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. Its registered office is at Unit 14d, 125 The Strand, Parnell, Auckland.

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

**2 Summary of Significant Accounting Policies**

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

**a) Basis of preparation**

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 2013. The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets and liabilities as identified in specific accounting policies.

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

These financial statements do not include all the information and disclosures required for a complete set of NZ IFRS financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 March 2014. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements as at and for the year ended 31 March 2015.

**b) 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, and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. They also comply with International Financial Reporting Standards.

**c) Foreign currency translation**

*i) Functional and presentation currency*

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

*ii) Transactions and balances*

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

## Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

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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.

### 3 Significant accounting judgements, estimates and assumptions

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

#### *Judgements*

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

#### *Share-based payments*

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

#### *Development costs*

Development costs of a project are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on managements judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates applied and the expected period of benefits. At 31 March 2015, the carrying amount of capitalised development costs was \$613,629 (2014: \$82,650)

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

#### *Functional Currency*

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

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



# Serko Limited

## Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

### 4 Revenue & other income

	Group	
	2015	2014
Revenue - transaction fees	8,145,614	4,723,204
Revenue - installation services	2,065,894	1,783,466
Other	149,695	176,112
Total operating revenue	<u>10,361,202</u>	<u>6,682,782</u>
<i>Other income</i>		
Government grants	<u>1,413,182</u>	<u>895,195</u>
	<u>1,413,182</u>	<u>895,195</u>

### 5 Expenses

Operating surplus before taxation includes the following expenses:

	Group	
	2015	2014
Auditor remuneration	471,813	117,750
Bad and doubtful debts written off	14,867	87,858
Amortisation of intangibles	273,166	64,198
Depreciation	185,044	62,460
Rental and operating lease expenses	427,747	326,755
Employee & contractor remuneration	11,270,807	5,712,229
Contributions to defined contribution plans	342,905	176,617
Share based payment expenses	407,117	-
IPO related costs	482,728	-
Other operating expenses	4,192,658	2,147,965
Expenses from ordinary activities	<u>18,068,852</u>	<u>8,695,832</u>
<i>Research expenses (excluding capitalised development costs)</i>	5,148,637	3,387,097

### 6 Receivables

	Group	
	2015	2014
Trade receivables	2,774,993	1,973,628
Allowance for impairment	<u>(63,733)</u>	<u>(122,790)</u>
Trade receivables (net)	2,711,260	1,850,838
GST receivable	19,745	61,813
Prepayments	352,605	199,920
Related party receivables	-	-
Loan Receivable - Salary Sacrifice Scheme	41,710	-
Nu Travel Loan receivable	292,416	-
Other loans	-	239,835
Total receivables	<u>3,417,736</u>	<u>2,352,406</u>

#### *Foreign currency risk*

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

New Zealand dollars	1,841,823	1,071,874
Australian dollars	1,493,119	1,150,601
Singapore dollars	382	7,185
US dollars	82,412	122,746
	<u>3,417,736</u>	<u>2,352,406</u>

## 7 Financial Instruments

To manage the Group's foreign exchange risk arising from future commercial transactions, the Group employ forward contracts. Management is responsible for managing exposures in each foreign currency (Australian Dollar) by using forward foreign currency exchange contracts.

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

	<b>Group 2015</b>	2014
<b>Current:</b>		
Foreign currency forward exchange contracts	116,828	-
<b>Contractual amounts of forward exchange contracts outstanding were as follows:</b>		
Purchase commitments forward exchange contracts	1,745,638	-

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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.

# Serko Limited

## Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

### 8 Property, plant and equipment

<b>Group 2015</b>	<b>Leasehold improvement</b>	<b>Furniture &amp; fittings</b>	<b>Computer equipment</b>	<b>Total</b>
Opening net carrying amount 1 April 2014	186,220	118,566	67,248	372,034
Additions	302,636	207,140	302,562	812,338
Depreciation	(27,767)	(48,079)	(109,199)	(185,044)
Currency translation	(1,464)	(586)	-	(2,050)
Closing net carrying amount 31 March 2015	<u>459,625</u>	<u>277,042</u>	<u>260,611</u>	<u>997,278</u>

At 31 March 2015

Cost	530,984	377,834	480,132	1,388,950
Accumulated depreciation and impairment	(69,895)	(100,207)	(219,521)	(389,622)
Currency translation	(1,464)	(586)	-	(2,050)
Net carrying amount	<u>459,625</u>	<u>277,042</u>	<u>260,611</u>	<u>997,278</u>

#### Group 2014

Opening net carrying amount 1 April 2013	156,481	104,368	24,678	285,527
Additions	41,992	38,415	68,560	148,967
Depreciation	(12,253)	(24,217)	(25,990)	(62,460)
Closing net carrying amount 31 March 2014	<u>186,220</u>	<u>118,566</u>	<u>67,248</u>	<u>372,034</u>

At 31 March 2014

Cost	228,348	170,694	177,570	576,612
Accumulated depreciation and impairment	(42,128)	(52,128)	(110,322)	(204,578)
Net carrying amount	<u>186,220</u>	<u>118,566</u>	<u>67,248</u>	<u>372,034</u>

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

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
Tangible assets per security	0.02	16.48

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

# Serko Limited

## Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

### 9 Intangibles

	Goodwill	Key employee retention	Customer contracts	Development - work in progress	Computer software	Total
<b>Group 2015</b>						
Opening net carrying amount 1 April 2014	182,529	69,779	299,055	82,650	234,669	868,682
Additions				530,979	207,534	738,513
Transfer of cost	-	-	-	(528,103)	528,103	-
Amortisation	-	(23,516)	(100,783)	-	(148,867)	(273,166)
Currency translation	(11,504)	(4,398)	(18,848)		(11,937)	(46,687)
Closing net carrying amount 31 March 2015	171,025	41,865	179,424	85,526	809,502	1,287,342
<i>At 31 March 2015</i>						
Cost	182,529	76,054	325,945	613,629	498,091	1,696,248
Accumulated amortisation	-	(29,791)	(127,673)	-	(204,755)	(362,219)
Currency translation	(11,504)	(4,398)	(18,848)		(11,937)	(46,687)
Net carrying amount	171,025	41,865	179,424	613,629	281,399	1,287,342
<b>Group 2014</b>						
Opening net carrying amount 1 April 2013	-	-	-	-	14,029	14,029
Additions	182,529	76,054	325,945	82,650	251,673	918,851
Amortisation	-	(6,275)	(26,890)	-	(31,033)	(64,198)
Closing net carrying amount 31 March 2014	182,529	69,779	299,055	82,650	234,669	868,682
<i>At 31 March 2014</i>						
Cost	182,529	76,054	325,945	82,650	290,557	957,735
Accumulated amortisation	-	(6,275)	(26,890)	-	(55,888)	(89,053)
Net carrying amount	182,529	69,779	299,055	82,650	234,669	868,682

# Serko Limited

## Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

### 10 Cash at bank and on hand

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

	Group	
	2015	2014
Cash at bank - New Zealand dollar balances	2,925,176	1,643
Cash at bank - foreign currency balances	1,561,776	247,865
	<u>4,486,952</u>	<u>249,508</u>

#### *Foreign currency risk*

The carrying amounts of the groups cash at bank and on hand are denominated in the following currencies

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

### 11 Trade and other payables

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

### 12 Interest bearing loans and borrowings

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

## Serko Limited

### Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

#### 13 Equity

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

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

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

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

# Serko Limited

## Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

### 14 Related parties

#### Subsidiaries

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

Name	Balance date	% equity interest		Investment (Parent) \$	
		2015	2014	2015	2014
Serko Australia Pty Limited	31 March	100%	100%	1,247	1,247
Travelog World for Windows Pty Limited	31 March	0%	89%	-	-
Serko Trustee Limited	31 March	100%	0%	-	-
Serko India Private Limited	31 March	99%	0%	2,118	-
Serko Investments Limited	31 March	100%	0%	-	-
				<b>3,365</b>	<b>1,247</b>

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

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

Serko Note Limited during the year held the convertible notes which subsequently got converted to shares at IPO. This company was deemed to be a subsidiary by virtue of its ability to control the entity, after conversion of the notes to shares at IPO, this deemed control fell away.

Serko India Private Limited was incorporated on the 18 February 2015.

### 15 Segment information

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

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

#### Geographic information

	Group	
	2015	2014
New Zealand	1,202,676	641,299
Australia	9,055,915	5,931,027
India	72,663	79,890
Singapore	9,498	30,566
USA	20,450	-
<b>Total Operating Revenue</b>	<b>10,361,202</b>	<b>6,682,782</b>

As required under IFRS 8 Serko is required to report on major customers making up more than 10% of the revenue for the year. Under this disclosure Serko advises that Flight Centre Limited made up more than 10% of the revenue for the Group. Flight Centre accounted for \$2,749,847 of the revenue for the year ended 31 March 2015.

**Notes to the condensed financial statements (Unaudited)**

For the year ended 31 March 2015

**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:

	<b>2015</b>	2014
Loss attributable to ordinary equity holders of the parent	<b>\$</b>	<b>\$</b>
Continuing operations	<b>(6,547,335)</b>	(1,741,649)
Discontinued operations	-	-
	<b>(6,547,335)</b>	<b>(1,741,649)</b>
	<b>2015</b>	2014
	<b>Number</b>	<b>Number</b>
<b>Basic earnings per share</b>		
Issued ordinary shares (refer Note 13)	<b>62,699,382</b>	16,660
Weighted average of issued ordinary shares	<b>62,699,382</b>	16,660
Basic earnings per share (dollars)	<b>(0.10)</b>	(104.54)
<b>Diluted earnings per share</b>		
Weighted average of issued ordinary shares	<b>62,699,382</b>	16,660
Adjusted for redeemable preference shares and share options	-	5,914
Weighted average of issued ordinary shares for diluted earnings per share	<b>62,699,382</b>	22,574
Diluted earnings per share (dollars)	<b>(0.10)</b>	(77.15)

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

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

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



## Serko Limited

### Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

#### 17 PFI variance analysis

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

#### Key Variances:

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

## Serko Limited

### Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

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

- Cash is lower than PFI due to a higher receivables position at balance date.
- Receivables are higher than PFI due to delayed settlement and the introduction of a loan receivable from NuTravel during the year.
- Derivative financial instruments are related to forward contracts in place at balance date with a favourable exchange rate.
- Intangible assets are higher than PFI due to increased development spend on Serko Mobile during the year.
- Interest bearing loans and borrowings are higher due to loan payable to Financial Equities Limited in relation to the loan receivable from NuTravel (see note 16)
- Trade and other payables relates to incentives for the leasehold in Auckland and a computer hardware incentive provided as part of a hosting agreement.

**Notes to the condensed financial statements (Unaudited)**

For the year ended 31 March 2015

**18 Share-based payments**

Employees of the group receive remuneration at the Board's discretion in the form of share based payment transactions where services are provided as consideration for the receipt of equity instruments.

The cost of share based payment transactions are recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for share based transactions at each reporting date, until the vesting date, reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit for a period represents the movement in cumulative expenses recognised at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest except where vesting is conditional upon a market condition.

**Share Appreciation Rights**

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

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

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

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

**Movements during the year**

	2015		2014	
	Number	WAEP	Number	WAEP
Outstanding at 1 April 2014	-	-	-	-
Granted during the year	590,909	1.10	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 March 2015	<u>590,909</u>	1.10	<u>-</u>	<u>-</u>
Exercisable at 31 March 2015	<u>590,909</u>	1.10	-	-

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

## Serko Limited

### Notes to the condensed financial statements (Unaudited)

For the year ended 31 March 2015

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#### 19 Events after balance sheet date

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

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

	<b>AU\$</b>
Customer contracts	100,000
	<u>100,000</u>
<b>Consideration transferred:</b>	
Cash paid	100,000
Net cash paid on acquisition	<u>100,000</u>

As part of the acquisition Serko Australia Pty Limited assumed liabilities of \$102,345

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

#### 20 Contingent liabilities

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