TRANSFORMING BUSINESS TRAVEL

serko

SERKO LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The Board of Directors is pleased to present the consolidated financial statements for Serko Limited and the auditors' report for the year ended 31 March 2017.

The directors present financial statements for each financial year that fairly present the financial position of the Group and its financial performance and cash flows for that period.

The directors consider that the financial statements of the group have been prepared using appropriate accounting policies 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 which enable with reasonable accuracy, the determination of the financial position of the group and facilitate compliance of the financial statements with the Financial Markets Conduct Act 2013.

The Board of Directors of Serko Limited authorised these financial statements for issue on 25 May 2017.

For and on behalf of the Board

Simon Botherway
Director

Darrin Grafton
Director

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Chartered Accountants

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

To the shareholders of Serko Limited

Opinion

We have audited the financial statements of Serko Limited ("the company") and its subsidiaries (together "the group") on pages 8 to 35, which comprise the statement of financial position of the group as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the group, and the notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 8 to 35 present fairly, in all material respects, the financial position of the group as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

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 and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for Opinion

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

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 we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We provide taxation advice and other assurance service to group. We have no other relationship with, or interest in, the company or any of its subsidiaries. Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. ACCOUNTING FOR DEVELOPMENT EXPENDITURES

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
↗ Capitalised software development expenditures are significant to our audit due to the amount of expenditures being capitalised, the rapid technological change in the group's industry, and the specific criteria that have to be met for capitalisation. ↗ During the year ended 31 March 2017 the group capitalised $780,000 of expenditures relating to development of software. ↗ Judgment is required in determining development expenditures that should be capitalised. Such judgments include consideration of matters such as generation of future economic benefits and distinction between development of new software and maintenance and upgrade of existing software. These costs are then amortised over the estimated useful life of the software. ↗ Disclosure regarding capitalised development costs is included in Note 10 to the financial statements.	↗ We performed audit procedures over the accuracy and valuation of amounts capitalised in the current year and the amount expensed relating to software development. Our procedures included assessing the capitalised costs against the recognition criteria in NZ IAS 38: Intangible Assets, assessing the key assumptions used and estimates made in capitalising development costs and testing the accuracy of costs included on a sample basis. ↗ We also assessed the adequacy of the group's disclosure in Note 10 Intangibles.

2. REVENUE RECOGNITION

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
↗ The group's revenue of $14,277,000 is based on contracts with customers which include a variety of arrangements such as the recognition of actual transaction based revenue, minimum contracted transaction based revenue, establishment or licence fees and installation fees, all of which potentially have different revenue recognition triggers. . ↗ There is often a mismatch between cash flows from customer contracts and when revenues can be recognised which is based on performance obligations. ↗ Given the specific nature of individual customer contracts which may bundle together several inter-related or separate services and performance obligations, and the presence of contingent fee arrangements where, for example, a transaction fee is conditional on meeting future transaction volume commitments, there is some complexity and elements of judgment required in recognition of revenue. ↗ Disclosures regarding this item are included in Note 4 to the financial statements.	↗ Our audit procedures over revenue recognition included testing a sample of revenue transactions and reviewing contracts with key customers to assess: - Revenue has been recorded in the correct period; - The amount of revenue recognised is appropriate; and - the impact of any ongoing performance obligations have been included. ↗ We performed data analytical procedures focusing on integrity of revenue data and identification of unusual transactions. ↗ We reviewed key judgments adopted by the group in recognising revenue for individual revenue streams. ↗ We concentrated in particular on contingent revenue arrangements and assessed the group's assumptions applied. ↗ We assessed the adequacy of the group's disclosure in Note 4 to the financial statements.

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3. IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS

WHY SIGNIFICANT	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
↗ The group has intangible assets of $1,603,000 recorded on its statement of financial position. This represents 16% of total assets. Intangibles contain the following components: computer software and development work in progress. ↗ NZ IAS 38 Intangible Assets requires that finite life intangible assets be impairment tested whenever there is an indication that the intangible assets may be impaired and this assessment requires judgment. The assessment as to whether there are any indicators of impairment requires judgment as it involves consideration of both internal and external sources of information. This includes assessing the useful life of the assets. ↗ Relatively small changes in assumptions may significantly affect the outcome of impairment assessments. In addition, recoverability of the group's assets depend on the group's ability to make profits and generate sufficient cash flows from those assets. The group suffered losses of $3,450,000 and generated negative cash flow from operating activities of $1,595,000 for the year ended 31 March 2017, which were indicators of impairment and therefore an impairment test was performed. ↗ Disclosures relating to Intangible Assets are included in Note 10 to the financial statements.	↗ We concentrated our impairment testing audit work on intangible assets developed internally because of the higher uncertainty regarding recoverability of these intangibles given continuing losses and negative operating cash flows reported by the group. ↗ Our procedures included assessing the assumptions and methodologies used by the group in their assets' value-in-use impairment model. We compared the group's assumptions to our own assessments of key inputs such as revenue growth, cost inflation and discount rates and assessed sensitivities, as well as performed a break-even analysis on key assumptions. ↗ We tested the group's procedures related to the preparation of the budget approved by the Board upon which the value-in-use model is based, as well as compared the sum of projected discounted cash flows to the market capitalisation of the group to assess whether the projected cash flows appeared consistent with the market assessment of the group's value. ↗ We assessed the useful lives of finite life assets to determine if they remained appropriate in the context of the expected future period of economic consumption. ↗ We assessed the adequacy of the group's disclosure included in Note 10 to the financial statements.

Information Other than the Financial Statements and Auditor's Report

The directors of the company are responsible for the Annual Report, which includes information other than the financial statements and auditor's report which is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Directors' Responsibilities for the Financial Statements

The directors are responsible, on behalf of the entity, for the preparation and fair presentation of the financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible 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 cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 International Standards on Auditing (New Zealand) 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 the auditor's responsibilities for the audit of the financial statements is located at External Reporting Board's website: https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx. This description forms part of our auditor's report.

Report on the Other Legal and Regulatory Requirements

The engagement partner on the audit resulting in this independent auditor's report is Jon Hooper.

Ernst + Young

25 May 2017

Auckland

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

	NOTES	2017	2016
		$(000)	$(000)
Revenue	4	14,277	13,122
Other Income	4	1,092	1,296
Total revenue and other income		**15,369**	**14,418**
Operating expenses	5		
Selling and marketing expenses		(1,658)	(1,267)
Remuneration and benefits		(12,285)	(13,941)
Administration expenses		(3,880)	(4,405)
Other expenses		(940)	(1,122)
Total operating expenses		**(18,763)**	**(20,735)**
Finance income	5	142	430
Finance costs	5	(54)	(56)
Loss before income tax		**(3,306)**	**(5,943)**
Income tax expense	6	(144)	(291)
Net loss for the year		**(3,450)**	**(6,234)**
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax)			
Movement in foreign currency reserve		(140)	(42)
Total comprehensive loss for the year		**(3,590)**	**(6,276)**
Loss for the year attributable to:			
Equity holders of the parent		**(3,450)**	**(6,234)**
Total comprehensive loss for the year attributable to:			
Equity holders of the parent		**(3,590)**	**(6,276)**
Earnings per share			
Basic and diluted profit (loss) for the year attributable to ordinary equity holders of the parent	21	$(0.05)	$(0.10)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	NOTE	CONTRIBUTED EQUITY	SHARE –BASED PAYMENT RESERVE	FOREIGN CURRENCY RESERVE	ACCUMULATED LOSSES	TOTAL
		$(000)	$(000)	$(000)	$(000)	$(000)
Balance as at 1 April 2016		**25,185**	**888**	**107**	**(16,447)**	**9,733**
Net loss for the period		–	–	–	(3,450)	(3,450)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax)		–	–	(140)	–	(140)
Total comprehensive loss for the year		**–**	**–**	**(140)**	**(3,450)**	**(3,590)**
Transactions with owners						
Allocated shares to employees	15	–	372	–	–	372
Forfeiture of shares from employees	15	–	(239)	–	–	(239)
Interest on convertible notes		–	–	–	–	–
Balance as at 31 March 2017		**25,185**	**1,021**	**(33)**	**(19,897)**	**6,276**
Balance as at 1 April 2015		**17,604**	**371**	**149**	**(10,213)**	**7,911**
Net loss for the period		–	–	–	(6,234)	(6,234)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax)		–	–	(42)	–	(42)
Total comprehensive loss for the year		**–**	**–**	**(42)**	**(6,234)**	**(6,276)**
Transactions with owners						
Issue of share capital	15	8,096	–	–	–	8,096
Cancellation of shares in Salary Sacrifice Scheme	15	(10)	–	–	–	(10)
Cost of equity issued	15	(505)	–	–	–	(505)
Allocated shares to employees	15	–	517	–	–	517
Balance as at 31 March 2016		**25,185**	**888**	**107**	**(16,447)**	**9,733**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	NOTES	2017	2016
		$(000)	$(000)
Current assets			
Cash at bank and on hand	11	4,451	7,118
Receivables	7	3,167	3,969
Derivative financial instruments	8	–	5
		7,618	**11,092**
Non-current assets			
Property, plant and equipment	9	886	613
Intangible assets	10	1,603	1,439
Deferred tax asset	6	112	–
		2,601	**2,052**
Total assets		**10,219**	**13,144**
Current liabilities			
Trade and other payables	12	2,582	2,557
Income tax payable		160	315
Interest-bearing loans and borrowings	14	399	344
Derivative financial instruments	8	245	–
		3,386	**3,216**
Non-current liabilities			
Deferred tax liability	6	–	58
Trade and other payables	12	269	137
Interest-bearing loans and borrowings	14	254	–
Derivative financial instruments	8	34	–
		557	**195**
Total liabilities		**3,943**	**3,411**
Equity			
Contributed equity	15	25,185	25,185
Share-based payment reserve	15	1,021	888
Foreign currency reserve		(33)	107
Retained earnings – accumulated (deficit)		(19,897)	(16,447)
Total equity		**6,276**	**9,733**
Total equity and liabilities		**10,219**	**13,144**

For and on behalf of the Board who authorised these financial statements for issue on 25 May 2017.

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 2017

	NOTE	2017	2016
		$(000)	$(000)
Cash flows from operating activities			
Receipts from customers		15,113	12,464
Interest received		99	78
Receipts from grants		1,075	1,382
Taxation (paid)/refund received		(469)	(214)
Payments to suppliers and employees		(17,349)	(18,161)
Interest payments		(16)	(35)
Net GST refunded (paid)		(48)	34
Net cash flows used in operating activities	18	**(1,595)**	**(4,452)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(247)	(65)
Purchase of intangibles		(791)	(677)
Net cash flows used in investing activities		**(1,038)**	**(742)**
Cash flows from financing activities			
Share issue		–	8,096
Cost of new share issue		–	(470)
Net cash flows from financing activities		**–**	**7,626**
Net increase (decrease) in total cash		**(2,633)**	**2,432**
Net foreign exchange difference		(34)	199
Cash and cash equivalents at beginning of period		7,118	4,487
Cash and cash equivalents at end of period		**4,451**	**7,118**
Cash and cash equivalents comprises the following:			
Cash at bank and on hand	11	4,451	7,118
		4,451	**7,118**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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 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 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 2017 of $4.5 million provides a sufficient level of headroom to help support the business for at least the next twelve months
- The FY18 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 FY18 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 for FY18, 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 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 9 Financial Instruments, effective for accounting periods beginning on or after 1 January 2018 is replacing NZ IAS39 Financial Instruments: Recognition and Measurement.

  NZIFRS 9 includes a revised model for classification and measurement, and will result in changes to financial statement disclosures. Management does not expect a significant change to the way in which the Group measures its financial statements as a result, but has not yet performed a full assessment.
- NZ IFRS 15 Revenue Recognition, effective for accounting periods beginning on or after 1 January 2018. Management does not expect the recognition and measurement of revenue to materially change under the new standard, however, a full assessment has not yet been performed.
- NZ IFRS 16 Leases, effective for accounting periods beginning on or after 1 January 2019.

  The Group has assessed the impact of NZ IFRS 16 Leases. There will be an impact on the statement of financial position where future minimum lease payments per note 16 are discounted back and shown as a lease liability and a 'right-of-use asset' for substantively all lease contracts. The standard will not have any effect on the total amount of cash flows reported but it is expected to have an effect on the presentation of cash flows. This is because, applying NZ IAS17 Leases, cash flows relating to operating leases are presented as cash flows from operating activities while applying NZ IFRS 16 will result in the presentation within financing activities of cash flows relating to the repayment of principal on lease liabilities.

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Serko Limited and subsidiaries as at and for the year ended 31 March 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
- The ability to use its power over the investee to affect its returns.

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

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

The group 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
- 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 the 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.

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.

g) Financial instruments

Financial assets in the scope of NZ IAS 39 Financial Instruments: Recognition and Measurement are classified as either loans and receivables or available-for-sale financial assets. When financial assets are recognised initially they are measured at fair value plus directly attributable transaction costs. The 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.

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

II) FINANCIAL LIABILITIES

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest method.

The effective interest method calculates the amortised cost of a financial liability and allocates the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount of the liability.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

III) IMPAIRMENT OF FINANCIAL ASSETS

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

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 (EIR).

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

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

SIGNIFICANT JUDGEMENTS

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 group measured the fair value of the first tranche of shares granted under the restricted share plan in June 2014 to employees using the listing price (Initial Public Offering on 24 June 2014) of the shares when granted. Management considered this a reasonable basis of fair value, given that the grant date and listing date were concurrent. The fair value applied to subsequent 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.

DEVELOPMENT COSTS

Development costs of a project are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates applied and the expected period of benefits. At 31 March 2017, the carrying amount of capitalised development costs was $204,600 (2016: $407,019).

This amount represents development of a new innovative user booking experience.

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 justifications 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) Research and development grant funding is in NZD

c) NZD is the main currency for labour, operating cost and capital expenditure.

IMPAIRMENT OF INTANGIBLE OR NON-FINANCIAL ASSETS

Management reviews the carrying value of intangible and non-financial assets on an annual basis and in accordance with NZ IAS 36. 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. Further details are disclosed in note 10 of the financial statements in respect of the specific adjustments and entries reflected in the 2016 financial year.

REVENUE RECOGNITION

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

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.

I) 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.

II) 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 the stage of completion at balance date.

III) LICENSE FEE REVENUE

Revenue from license fees is recognised over the term of the license agreement.

III) INTEREST REVENUE

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

IV) GOVERNMENT GRANTS

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

	NOTE	2017	2016
		$(000)	$(000)
Revenue - transaction and usage fees		12,921	11,900
Revenue - services		1,356	1,222
Total operating revenue		**14,277**	**13,122**
Other income			
Government grants	13	1,073	1,296
Sundry income		19	–
		1,092	**1,296**

5 EXPENSES

	NOTES	2017	2016
		$(000)	$(000)
Operating loss before taxation includes the following expenses:			
Auditor remuneration and advisory fees		116	99
Amortisation of intangibles	10	633	486
Impairment of intangibles	10	–	220
Depreciation	9	225	246
Rental and operating lease expenses		686	658
Employee & contractor remuneration		11,462	12,715
Contributions to defined contribution plans		416	496
Share-based payment expenses	15	133	517
Marketing expenses		936	540
Hosting expenses		904	923
Other operating expenses		3,252	3,835
Expenses from ordinary activities		**18,763**	**20,735**
Research expenses (excluding capitalised development costs)		5,056	5,514

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

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

	2017	2016
Finance income and expenses includes:		
Finance income		
Interest received	116	117
Dividends received	1	1
Foreign exchange gains – net	25	312
Total finance income	**142**	**430**
Finance expenses		
Interest expense	(36)	(55)
Other finance expenses	(18)	(1)
Total finance expenses	**(54)**	**(56)**
Total finance income and expenses	**88**	**374**

AUDITOR REMUNERATION

The directors of Serko Limited appointed Ernst & Young as the auditor of the group for the year ended 31 March 2017.

Amounts received or due and receivable by:

	2017	2016
	$(000)	$(000)
Ernst & Young		
Audit of financial statements	82	59
Other assurance-related services (a)	15	11
Total audit fees	**97**	**70**
Tax services (b)	19	29
Total non-audit fees	**19**	**29**

(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 at the reporting date.

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

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

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

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

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The carry-forward of unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) relevant to the appropriate tax jurisdiction that have been enacted or substantively enacted at the balance date.

6 INCOME TAX – CONTINUED

	2017	2016
	$(000)	$(000)
Statement of comprehensive income		
Current income tax		
Current income tax charge/(credit)	308	272
Adjustments in respect of previous years	6	87
	314	**359**
Deferred income tax		
Origination and reversal of temporary differences	(170)	(2)
Adjustments in respect of previous years	–	(66)
	(170)	**(68)**
Income tax expense reported in the statement of comprehensive income	**144**	**291**
The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:		
Accounting profit (loss) before income tax	**(3,306)**	**(5,943)**
At the statutory income tax rate of 28% (2016:28%)	(926)	(1,664)
Non –deductible items	7	83
Adjustments in respect of current income tax of previous years	6	21
Chinese branch tax	61	62
Foreign tax credits not utilised	16	13
Future income tax benefit, not recognised	971	1,768
Effect of tax on overseas subsidiaries at different rate	9	8
	144	**291**
At effective income tax rate of:	-4.4%	-4.9%

Deferred income tax

Deferred income tax at 31 March relates to the following:

	2017		2016	
	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	(71)	29
Unrealised foreign exchange	(51)	15	(66)	(66)
Deferred income tax asset recognised				
Intangibles	87	87	–	–
Employee entitlements	76	(3)	79	39
Net deferred tax asset/(liability) recognised	**112**	**170**	**(58)**	**2**
Deferred income tax asset not recognised				
Employee entitlements	107	3	103	(20)
Bonus Provision	92	92	–	–
Long term incentive fair value adjustment	435	94	341	227
Accruals	–	(28)	28	(11)
Allowance for impairment	2	–	2	(16)
Deferred revenue	(20)	(33)	14	(2)
	616	**128**	**488**	**178**
Tax losses available to be carried forward and offset against future income	4,484		3,779	
Total deferred tax asset not recognised	**5,100**		**4,267**	

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 statement of comprehensive income.

	NOTE	2017	2016
		$(000)	$(000)
Trade receivables		2,544	3,338
Allowance for impairment		(7)	(7)
Trade receivables (net)		2,537	3,331
GST receivable		22	54
Prepayments		255	249
nuTravel Loan receivable	17	353	335
Total receivables		**3,167**	**3,969**
FOREIGN CURRENCY RISK			
The carrying amounts of the group's receivables are denominated in the following currencies:			
New Zealand dollars		1,493	1,760
Australian dollars		1,634	1,745
US dollars		29	459
Indian rupees		11	5
		3,167	**3,969**

ALLOWANCE FOR IMPAIRMENT LOSS

Trade receivables are non-interest bearing and are generally on 30-60-day terms. A provision for impairment loss is recognised where there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised (2016: $nil) by the group in the current year. No individual amount within the impairment allowance is material.

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

	TOTAL	0 – 30 DAYS	31 – 60 DAYS	61 – 90 DAYS	91+ DAYS
	$(000)	$(000)	$(000)	$(000)	$(000)
2017	2,544	2,432	8	11	93
2016	3,338	2,697	247	83	311

Group receivables over 60 days of $103,287 (2016: $394,046) include a provision for impairment of $7,429. The balance of $95,858 is not considered impaired as amounts outstanding are in accordance with agreed payment plans and payment record of the customers concerned.

NUTRAVEL LOAN RECEIVABLE

On 9 April 2014 an interest-bearing loan to nuTravel Technology Solutions LLC of US$200,000 was assigned by Financial Equities Limited to Serko Limited in return for an interest-bearing loan repayable on receipt of the loan receivable. The loan expired on 30 June 2016. The loan is currently outstanding and action is being taken to recover the loan. There is no financial risk to Serko as the loan receivable is back to back with the associated loan payable to Financial Equities Limited (Refer note 14). Financial Equities Limited is a company associated with directors Robert Shaw and Darrin Grafton.

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.

FAIR VALUE HEDGES

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

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

	2017	2016
	$(000)	$(000)
Current:		
Foreign currency forward exchange contracts	(245)	5
Non-Current:		
Foreign currency forward exchange contracts	(34)	-
Contractual amounts of forward exchange contracts outstanding were as follows:		
Purchase commitments forward exchange contracts	13,027	4,163

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. The purchase commitment increase in 2017 from 2016 represents a full hedging position of the Group's forecast net cash flow in Australian dollars for FY18.

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 8.5 – 80.4%
- Computer equipment 17.5 – 67%

I) IMPAIRMENT

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

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

II) DISPOSAL

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

9 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

	LEASEHOLD IMPROVEMENT	FURNITURE & FITTINGS	COMPUTER EQUIPMENT	TOTAL
	$(000)	$(000)	$(000)	$(000)
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**
2016				
Cost or valuation				
Balance at 1 April 2015	529	377	480	1,386
Additions	15	7	35	57
Disposals	(251)	(43)	(131)	(425)
Currency translation	3	2	4	9
Balance at 31 March 2016	**296**	**343**	**388**	**1,027**
Depreciation				
Balance at 1 April 2015	70	100	220	390
Depreciation expense	35	44	167	246
Disposals	(57)	(39)	(130)	(226)
Currency translation	–	1	3	4
Balance at 31 March 2016	**48**	**106**	**260**	**414**
Net carrying amount	**248**	**237**	**128**	**613**

	2017	2016
	CENTS	CENTS
Tangible assets per security	1.18	0.84

Prior year has been restated based on issued capital rather than weighted average.

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
Expense software	– finite, amortised on 3 years straight-line
Customer contracts	– finite, amortised on 3 years straight-line
Key employee retention	– finite, amortised on 3 years straight-line

RESEARCH AND DEVELOPMENT

Research costs are expensed as incurred.

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

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life 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 a definite useful life, the following assumptions were used in the impairment model:

- 5-year forecast period
- Discount rate of 15%
- 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)
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	1,086
Amortisation	–	20	163	–	450	633
Balance at 31 March 2017	**220**	**78**	**443**	**–**	**978**	**1,719**
Net carrying amount	**–**	**–**	**–**	**205**	**1,398**	**1,603**
2016						
Cost						
Balance at 1 April 2015	171	71	305	86	1,013	1,646
Additions	33	–	111	558	110	812
Transfer of cost	–	–	–	(237)	237	–
Currency translation	16	7	27	-	17	67
Balance at 31 March 2016	**220**	**78**	**443**	**407**	**1,377**	**2,525**
Amortisation and impairment						
Balance at 1 April 2015	–	29	126	–	204	359
Amortisation	–	26	143	–	317	486
Impairment	220	–	–	–	–	220
Currency translation	–	3	11	–	7	21
Balance at 31 March 2016	**220**	**58**	**280**	**–**	**528**	**1,086**
Net carrying amount	**–**	**20**	**163**	**407**	**849**	**1,439**

11 CASH AT BANK AND ON HAND

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

	2017	2016
	$(000)	$(000)
Cash at bank - New Zealand dollar balances	3,053	5,813
Cash at bank - foreign currency balances	1,398	1,305
	4,451	**7,118**

FOREIGN CURRENCY RISK

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

New Zealand dollars	3,045	5,810
Australian dollars	1,340	1,266
US dollars	58	40
Indian rupees	8	2
	4,451	**7,118**

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.

	2017	2016
	$(000)	$(000)
Trade payables	532	848
Accrued expenses	1,442	1,040
Lease incentive	227	174
Holiday pay accrual	634	632
GST payable	16	–
Total trade and other payables	**2,851**	**2,694**
Disclosed as:		
Current	2,582	2,557
Non-current	269	137
	2,851	**2,694**

13 GOVERNMENT GRANTS

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

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

14 INTEREST-BEARING LOANS AND BORROWINGS

	NOTE	2017	2016
		$(000)	$(000)
Current			
Financial Equities loan payable	17	353	335
Obligations under finance leases		–	9
Leasehold fitout loan		46	–
		399	**344**
Non-current			
Leasehold fitout loan		254	–
		254	**–**

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

Financial Equities is a loan payable against a loan receivable from nuTravel (refer note 7).

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

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.

	2017	2016	2017	2016
			NUMBER OF SHARES	NUMBER OF SHARES
	$(000)	$(000)	(000)	(000)
Ordinary shares and Share-Based Payments				
Share capital at beginning of year	26,073	17,975	72,894	62,699
Issue of shares pursuant to institutional capital placement	-	8,000	-	9,524
Issue of shares pursuant to Share Purchase Plan (SPP) placement	-	96	-	114
Issue of new shares to employees via Restricted Share Scheme	-	-	2,000	566
Allocated shares to employees via Restricted Share Scheme	372	517	-	-
Forfeiture of shares from employees via Restricted Share Scheme	(239)	-	-	-
Cancellation of shares under Salary Sacrifice Scheme	-	(10)	-	(9)
Transaction costs for issue of new shares	-	(505)	-	-
Share capital at end of year	**26,206**	**26,073**	**74,894**	**72,894**
Total equity at end of year	**26,206**	**26,073**	**74,894**	**72,894**

In the prior year an institutional capital placement was completed in December 2015, which raised an additional $8 million of issued capital. In addition, a SPP placement was completed in February 2016 which raised an additional $96,000 of issued capital.

During the year the group issued 2,000,000 (2016: 565,874) shares under the Restricted Share Scheme (RSS). In respect of the RSS 710,313 restricted shares (2016: 41,662) had been allocated to key management personnel and 228,519 (2016: 229,690) allocated to other Serko employees. Unallocated shares are 1,819,732 (2016: 466,936).

16 COMMITMENTS

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

A distinction is made between finance leases, 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.

I) FINANCE LEASES

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

II) OPERATING LEASES

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

	2017	2016
	$(000)	$(000)
a) Operating lease commitments		
No later than one year	514	432
Later than one year and not later than five years	1,755	1,105
Later than five years	193	–
	2,462	**1,537**
b) Finance lease commitments		
No later than one year	–	8
Total minimum lease payments	**–**	**8**
Present value of minimum lease payments	**–**	**8**

17 RELATED PARTIES

a) Subsidiaries

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

		% EQUITY INTEREST		INVESTMENT $(000)	
NAME	BALANCE DATE	2017	2016	2017	2016
Serko Australia Pty Limited	31 March	100%	100%	1	1
Serko Trustee Limited	31 March	100%	100%	0	0
Serko India Private Limited	31 March	99%	99%	2	2
Serko Investments Limited	31 March	100%	100%	0	0
				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 Scheme and Salary Sacrifice Scheme in trust until vesting.

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

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

b) Transactions with related parties

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

	NOTE		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	2017	–	20	353	–
		2016	–	20	335	–
Simon Botherway - Chairman		2017	70			
		2016	70	–	–	–
Clyde McConaghy - Non-Executive Director		2017	60			
		2016	60	–	–	–
Claudia Batten - Non-Executive Director		2017	60			
		2016	60	–	–	–
Total		**2017**	**190**	**20**	**353**	**–**
		2016	**190**	**20**	**335**	**–**

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

On 9 April 2014 an interest-bearing loan to nuTravel Technology Solutions LLC of US$200,000 was assigned by Financial Equities Limited to Serko Limited in return for an interest-bearing loan repayable on receipt of the loan receivable. The loan expired on 30 June 2016. Financial Equities Limited is a company associated with directors Robert Shaw and Darrin Grafton (refer note 7).

c) Key management remuneration

	2017	2016
	$(000)	$(000)
Short-term benefits employees (*)	2,974	2,125
Post-employment benefits	94	87
Total compensation	**3,068**	**2,212**

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

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 2017, the group has not made any allowance for impairment loss relating to amounts owed by related parties (2016: $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.

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

	2017	2016
	$(000)	$(000)
Net loss after tax	(3,450)	(6,234)
Add non-cash items		
Amortisation	633	486
Impairment	–	220
Depreciation	225	246
Loss on property, plant and equipment disposal	36	199
Increase/(decrease) in deferred tax	(170)	(2)
Loss/(gain) on foreign exchange transactions	(110)	(113)
Share-based compensation	133	517
	(2,703)	**(4,681)**
Add/(less) movements in working capital items		
(Increase)/decrease in receivables excluding loans	820	(550)
Decrease in derivative financial instruments	285	111
Increase/(decrease) in trade and other payables	158	534
Increase/(decrease) in income tax	(155)	134
	1,108	**229**
Net cash flow from operating activities	**(1,595)**	**(4,452)**

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Risk exposures and responses

INTEREST RATE RISK

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

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

LIQUIDITY RISK

Liquidity risk represents the group's ability to meet its financial obligations on time. In terms of managing its liquidity risk, the group generates sufficient cash flows from its operating activities 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 financial liabilities settled on a gross cash flow basis.

	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6-12 MONTHS	1-2 YEARS	2-5 YEARS	MORE THAN 5 YEARS
	$(000)	$(000)	$(000)	$(000)	$(000)	$(000)
GROUP - 2017						
Accounts payable	2,624	2,624	–	–	–	–
Related party loans	353	353	–	–	–	–
Leasehold fitout	300	23	23	20	234	–
	3,277	**3,000**	**23**	**20**	**234**	**–**
GROUP - 2016						
Accounts payable	2,520	2,520	–	–	–	–
Related party loans	335	335	–	–	–	–
Finance leases	9	5	4	–	–	
	2,864	**2,860**	**4**	**–**	**–**	**–**

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

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)
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)**
2016					
Foreign exchange balances					
Cash at bank	1,305	166	166	(123)	(123)
Trade receivables	1,869	244	244	(180)	(180)
Trade payables	(176)	(28)	(28)	21	21
Net exposure	**2,998**	**382**	**382**	**(282)**	**(282)**

CREDIT RISK

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents, trade receivable and other receivables. The group's exposure to credit risk arises from potential default of the 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% (2016: 100%) of the group's cash and cash equivalents was with one bank. The group has no other concentrations of credit risk.

20 SEGMENT INFORMATION

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

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

GEOGRAPHIC INFORMATION	2017	2016
	$(000)	$(000)
New Zealand	672	616
Australia	13,195	12,229
India	136	167
Singapore	18	24
US	158	47
Other	98	39
Total Operating Revenue	**14,277**	**13,122**
Other Income		
Grant Income	1,073	1,296
Sundry Income	19	–
Total Revenue & Other Income	**15,369**	**14,418**

New Zealand and Australia geographic information has been restated in the prior year. The total operating revenue has not changed.

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 2 customers had revenue more than 10% of the revenue for the group. These customers accounted for $7,709,305 of the revenue for the year ended 31 March 2017.

Receivables as part of the segmental revenue above		
New Zealand	81	77
Australia	2,089	2,772
India	19	89
Singapore	1	4
US	10	36
Other	23	6
	2,223	**2,984**
Allowance for impairment as part of trade receivables above		
India	7	7
	7	**7**

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

NON-CURRENT OPERATING ASSETS		
New Zealand	2,464	1,767
Australia	25	285
	2,489	**2,052**

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

21 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss for the year, attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of shares that would be issued on conversion of all of the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	2017	2016
	$(000)	$(000)
Loss attributable to ordinary equity holders of the parent		
Continuing operations	(3,450)	(6,234)
	(3,450)	**(6,234)**

	2017	2016
	NUMBER	NUMBER
Basic and diluted earnings per share		
Issued ordinary shares (refer note 15)	74,894	72,894
Weighted average of issued ordinary shares	73,074	64,738
Basic and diluted earnings per share (dollars)	**(0.05)**	**(0.10)**

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.

22 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 Remuneration Committee of the Board. The weighted average grant date fair value of restricted shares issued during the year was $0.46 (2016: $0.95) 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.

	2017	2016
Unvested shares at 1 April	1,275,502	1,021,650
Granted	938,832	271,352
Forfeited	(264,135)	(13,500)
Vested	(590,973)	(4,000)
Unvested shares at 31 March - allocated to employees	**1,359,226**	**1,275,502**
Plus		
Forfeited shares not yet reallocated - held by trustee	287,590	23,455
Unallocated shares - held by trustee	1,532,142	443,481
Total Shares in Restricted Share Plan	**3,178,958**	**1,742,438**
Percentage of total ordinary shares	4.2%	2.4%
Ageing of unvested shares		
Vest within one year	184,084	536,364
Vest after one year	2,994,874	1,206,074
Total	**3,178,958**	**1,742,438**

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

Share Appreciation Rights

The group's non-executive directors are granted share appreciation rights (SARs), settled by way of a non recourse loan. The SARs vest when the directors continue to be employed as non executive directors at the vesting date. The contractual term of the SARs is three years. The non recourse loan is due for repayment in June 2017.

23 EVENTS AFTER BALANCE SHEET DATE

There have been no significant events occurring after balance date (2016: No significant events).

24 CONTINGENT LIABILITIES

There were no contingent liabilities at balance date (2016: $nil).

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