

TRANSFORMING BUSINESS TRAVEL



serko

SERKO LIMITED
HALF YEAR REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2016



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KEY DATES

30 SEP 2016

HALF-YEAR END

23 NOV 2016HALF-YEAR RESULT
ANNOUNCED**31 MAR 2017**

FINANCIAL YEAR-END

23 MAY 2017FULL YEAR RESULTS
ANNOUNCED**JUN 2017**ANNUAL REPORT
RELEASED**23 AUG 2017**ANNUAL SHAREHOLDERS
MEETING

THIS REPORT IS DATED 23 NOVEMBER 2016 AND IS SIGNED ON BEHALF OF THE BOARD OF SERKO LIMITED BY SIMON BOTHERWAY, CHAIRMAN, AND DARRIN GRAFTON, CHIEF EXECUTIVE OFFICER.



Simon Botherway
Chairman



Darrin Grafton
Chief Executive Officer

KEY HIGHLIGHTS

39 percent

➤ LOSS REDUCTION

17 percent

➤ INCREASE IN ONLINE BOOKINGS

10 percent

➤ INCREASE IN REVENUE

7 percent

➤ DECREASE IN OPERATING COSTS



➤ SERKO.TRAVEL LAUNCHED 25 JULY



MOBILE

➤ BOOKING ON A MOBILE LAUNCHED
21 SEPTEMBER

WE ARE ON TRACK TO ACHIEVE BREAK-EVEN AND PROFITABILITY IN FY18

Dear Shareholder,

We are pleased to report that we have made good progress during the first half (H1) of the 2017 financial year (FY17), towards our target of achieving breakeven in the first quarter of the 2018 financial year (FY18) and we expect to record Serko's first full-year profit in FY18.

Revenue growth along with proactive cost management during H1 FY17 resulted in a 39% reduction in losses from the previous corresponding six-month period ended September 2015 (FY16). With active cost management, the company is on target to achieve a net cash balance of between \$3m-\$4m at 31 March 2017 and to be cash positive thereafter.

These positive financial results have been achieved while continuing to develop new features for our Enterprise customers as well as launching 'serko.travel', our new online and mobile travel booking tool, which targets the small and medium business market in Australia and New Zealand.

FINANCIAL HIGHLIGHTS

Serko's performance in H1 FY17 resulted in a Net Loss before tax of \$2.0m (H1 FY16 loss was \$3.4m). This represented an improvement of 39% (i.e. a decrease in Serko's loss) compared to the prior corresponding period in FY16. We expect to achieve positive cash-flow position early next financial year. Operating costs were down 7% over H1 FY16. Cost saving initiatives activated in late H1 FY17 will continue to provide benefits and a further reduction in the company's loss position in the second half (H2) of FY17. EBITDA¹ loss for H1 FY17 reduced to \$1.8m, a 44% decrease over the same period in FY16.

Total income from all sources, including Grants, was \$7.6m and overall trading revenue was up 10% on the prior corresponding period in FY16. Over 90% of revenue in H1 FY17 was derived from booking transactions and application licensing with the remainder derived mainly from system customisation work. Online bookings grew 17% over the prior corresponding period in FY16, however revenue growth was adversely impacted by the strong NZD vs the AUD, which accounted for over 50% of the difference between transaction growth (17%) and revenue growth (10%).

Cash reserves at 30 September 2016 were \$4.8m.

PERFORMANCE DRIVERS IN THE FIRST HALF OF FY17

During H1 FY17 Serko concentrated on executing its 3-pronged strategy of growing its customer base, increasing average revenue per user (ARPU) and delivering market-leading technological innovations. On all three fronts Serko has made good progress, which further enhanced Serko's position as the leading online travel booking platform for business in the Australasian market.

Key performance drivers for the period include:

- The successful introduction of a wider range of 'content' to our TMC customers, including hotel room providers such as Expedia, to our platform. Serko benefits from additional revenues when these new sources of hotel content are booked by our users and thus assists us to achieve our aim of boosting ARPU. Whilst it's early days, this initiative has resulted in a current 'attachment rate' of 4% of total travel bookings.
- The launch of a brand new predictive booking workflow for Serko Mobile users. This feature addresses the inefficiencies associated with a travel administrator making all travel bookings and puts the power of our predictive software booking technology into the hands of the travellers themselves. This new feature is assisting our channel partners to target new accounts.

¹ EBITDA is a non GAAP measure representing Earnings or Losses before Interest (net Finance income/cost), Tax, Depreciation, Amortisation and Impairments.

■ The launch of serko.travel, unveiled in late July, which gives smaller businesses with less than 150 employees a way to not only book and manage their company travel online but also benefit from many of our cost control, approval and reporting features as well as being Xero integrated. These customers also benefit from the services of a Travel Management Company representative (travel agent) if needed, all with no initial booking fees.

During H1 FY17 we also announced that we had signed an agreement with Sabre Corporation (SABR), to replace their proprietary online booking tool (Sabre Online) with a new tool based on Serko Online (Serko's Enterprise booking platform). Sabre is NASDAQ-listed travel technology company with a market capitalisation of over \$US 7 billion.

Booking transactions generated from our Enterprise customers are the core value driver for the business and these increased by 17% during the period through organic growth, despite some customer attrition that came as a result of our decision to migrate users from our Arnold system to our Serko Online solution. However, as a result of this migration, Serko has been able to fully decommission the Arnold platform and will realise further cost savings and productivity gains in H2 FY17.

serko.travel is a new initiative and these bookings generate commission revenue from suppliers based on the total spend, rather than a flat fee which is the predominant revenue source in the Enterprise product. Importantly these arrangements give Serko access to a share of the value of the entire booking and this assists us with achieving our aim of

increasing ARPU. Our strategy to penetrate the SME market is through partnership arrangements with partners who already have relationships with small and medium businesses across Australia and New Zealand. Partners including Xero and 2degrees Mobile have been activated and are beginning to drive customer acquisition.

Helloworld and Flight Centre provide TMC support to serko.travel customers. Since launch, more than 800 small businesses in New Zealand have signed up. Serko intends to focus on the Australian market over the next six months.

Serko Expense, our expense management solution, experienced 9% growth in revenue largely as a result of the TMC referral program that was put in place at the beginning of the H1 FY17. We continue to make good progress integrating our travel and expense proposition with some significant product launches planned for H2 FY17, including the ability to submit expenses directly from Serko Mobile.

OUTLOOK FOR THE SECOND HALF OF FY17

Serko has been advised by our Travel Management Company (TMC) partners of a pipeline of new customers expected to onboard onto Serko Online in the second half of FY17. We expect to achieve break-even early in FY18 and to record Serko's first profit in FY18. We are targeting a net cash balance of between \$3m-\$4m at 31 March 2017. Based on these projections, Serko does not anticipate any requirement for additional capital.

Serko will achieve this position by focusing on the following six initiatives:

1. Supporting our Enterprise reseller base who drive core revenues by on-boarding new customers and adopting a broader range of Serko products which help to drive up Average Revenue Per Booking.
2. Nurture, grow and seek out new strategic partnerships with companies like Sabre, that are seeking leading edge travel booking and management technologies to replace incumbent solutions that do not have the comprehensive array of features that Serko offers. In doing so, Serko will grow its volume of transactions.
3. Continue to invest in R&D to ensure that Serko stays ahead of the market, which will include the release of a new door-to-door corporate online booking user interface during H2 FY17, which will be offered as a premium solution alongside the existing Serko Online product.
4. Expanding our reach to the small and medium market in Australia and New Zealand through marketing partnerships.
5. Controlling our cost base and ensuring that our resources are applied to those areas of the business that present the most attractive opportunity to generate shareholder value.
6. Build and maintain an exciting, vibrant corporate culture that attracts and retains the very best talent in the market place, creating a working environment that is enjoyed and celebrated by everyone everywhere.

The business remains 100% focused on transforming the way businesses – both large and small - manage travel and expense, enabling their staff to experience stress-free travel so they can always be at their most productive whilst delivering tangible business benefits to the organisations that choose to adopt, support and sell our solutions.



A handwritten signature in dark ink, appearing to read 'S Botherway'.

Simon Botherway
Chairman



A handwritten signature in dark ink, appearing to read 'D Grafton'.

Darrin Grafton
Chief Executive

SERKO.TRAVEL IS A COMPLETELY NEW WAY TO MANAGE BUSINESS TRAVEL



serko
.travel

for businesses going places

- Book and manage complete business trips for FREE
- Allow travellers to book their own travel and win back hours of admin time
- Set rules to control who can book what and gain control on travel spend
- Access to Travel Experts for advice or assistance with special requests
- Share data with Xero automatically for easy reconciliation of travel invoices



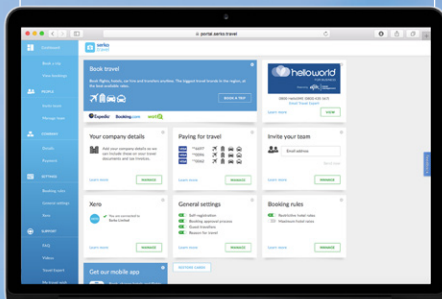
BOOK AND MAKE CHANGES ONLINE FOR FREE

- Air, Hotel, Hire car and Airport Transfers
- Book via mobile or web
- Book for yourself or for others



CONTROL EVERYTHING FROM THE SERKO.TRAVEL DASHBOARD

- Administrator dashboard
- Easy to use, works on mobile
- Access to all controls and settings



GET INSTANT ACCESS TO TRAVEL EXPERTS

- Choice of three industry leading brands
- 'Pay as you use' charging model
- Available 24x7 via phone or email



SET RULES AND APPROVAL WORKFLOWS TO CONTROL SPEND

- Set limits for hotel spend
- Control types of hotels that can be booked
- Optional approvals workflow



PAY FOR TRAVEL CENTRALLY, OR INDIVIDUALLY

- Load up to four central credit cards
- Ability to add cards at profile level
- Or provide card at checkout



MAKE SIMPLE BOOKINGS AND VIEW YOUR ITINERARY ON MOBILE

- Free iOS and Android apps
- Predictive booking
- Full itinerary and Travel Concierge



EASY STAFF SETUP AND SIMPLE ROLE AND PROFILE MANAGEMENT

- Add staff manually or automatically
- Easy adds and changes from dashboard
- Five different roles to control privileges

FLIGHT CENTRE
Business Travel



CORPORATE TRAVELLER™



EASILY SEE WHO IS WHERE IN CASE OF AN EMERGENCY

- Visibility of all bookings
- Assists with Health and Safety compliance
- Share bookings between colleagues



CONNECT TO XERO FOR FASTER RECONCILIATION OF TRAVEL SPEND

- Easy to set up with a few clicks
- Automatic reconciliation of travel spend
- Significant time savings for accountants

INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2016

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|-----------------------------------|----|
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | NOTE | 6 MONTHS UNAUDITED | 6 MONTHS UNAUDITED | 12 MONTHS AUDITED |
|---|------|-----------------------|-----------------------|----------------------|
| | | 30 SEP 2016 | 30 SEP 2015 | 31 MAR 2016 |
| | | \$(000) | \$(000) | \$(000) |
| Revenue | 10 | 7,004 | 6,397 | 13,122 |
| Other income | | 594 | 702 | 1,296 |
| Total revenue & other income | | 7,598 | 7,099 | 14,418 |
| Operating Expenses | | | | |
| Selling and marketing expenses | | (966) | (635) | (1,267) |
| Remuneration & benefits | | (6,423) | (7,144) | (13,941) |
| Administration expenses | | (1,806) | (2,314) | (4,405) |
| Other expenses | | (540) | (499) | (1,122) |
| Total expenses from ordinary activities | | (9,735) | (10,592) | (20,735) |
| Finance income | | 146 | 222 | 430 |
| Finance costs | | (21) | (33) | (56) |
| Loss before income tax | | (2,012) | (3,304) | (5,943) |
| Income tax expense | | (52) | (90) | (291) |
| Net loss attributable to the shareholders of the company | | (2,064) | (3,394) | (6,234) |
| Movement in foreign currency reserve | | (19) | 26 | (42) |
| Total comprehensive loss for the year | | (2,083) | (3,368) | (6,276) |
| Loss per share attributable to ordinary equity holders | | | | |
| Weighted average number of shares | | 69,201 ¹ | 63,256 | 64,738 |
| Basic and diluted earnings per share (dollars per share) | | (0.03) | (0.05) | (0.10) |

The accompanying notes form part of these financial statements.

¹ Number of shares in thousands

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | NOTE | SHARE CAPITAL | SHARE BASED PAYMENT RESERVE | FOREIGN CURRENCY RESERVE | ACCUMULATED LOSSES | TOTAL EQUITY |
|--|------|------------------|-----------------------------------|--------------------------------|-----------------------|-----------------|
| | | \$(000) | \$(000) | \$(000) | \$(000) | \$(000) |
| Balance as at 1 April 2015 | | 17,604 | 371 | 149 | (10,213) | 7,911 |
| Net loss for the period | | - | - | - | (3,394) | (3,394) |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax) | | - | - | 26 | - | 26 |
| Total comprehensive loss for the year | | - | - | 26 | (3,394) | (3,368) |
| Transactions with owners | | | | | | |
| Cancellation of shares | | (10) | | | | (10) |
| Share based payments | | - | 191 | - | - | 191 |
| Balance as at 30 September 2015 | | 17,594 | 562 | 175 | (13,607) | 4,724 |
| Balance as at 1 April 2015 | | 17,604 | 371 | 149 | (10,213) | 7,910 |
| Net loss for the period | | - | - | - | (6,234) | (6,234) |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax) | | - | - | (42) | - | (41) |
| Total comprehensive loss for the year | | - | - | (42) | (6,234) | (6,275) |
| Transactions with owners | | | | | | |
| Issue of share capital | 8 | 8,096 | - | - | - | 8,096 |
| Cancellation of shares in Salary Sacrifice Scheme | | (10) | - | - | - | (10) |
| Cost of equity issued | | (505) | - | - | - | (505) |
| Share based payments | 8 | - | 517 | - | - | 517 |
| Balance as at 31 March 2016 | | 25,185 | 888 | 107 | (16,447) | 9,733 |
| Balance as at 1 April 2016 | | 25,185 | 888 | 107 | (16,447) | 9,733 |
| Net loss for the period | | - | - | - | (2,064) | (2,064) |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax) | | - | - | (19) | - | (19) |
| Total comprehensive loss for the year | | - | - | (19) | (2,064) | (2,083) |
| Transactions with owners | | | | | | |
| Share based payments | | - | (44) | - | - | (44) |
| Balance as at 30 September 2016 | | 25,185 | 844 | 88 | (18,511) | 7,606 |

The accompanying notes form part of these financial statements.

PERFORMANCE

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

| | NOTE | UNAUDITED 30 SEP 2016 \$(000) | UNAUDITED 30 SEP 2015 \$(000) | AUDITED 31 MAR 2016 \$(000) |
|---------------------------------------|------|-------------------------------------|-------------------------------------|-----------------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash at bank and on hand | | 4,771 | 2,478 | 7,118 |
| Receivables | 2 | 3,817 | 3,164 | 3,969 |
| Derivative financial instruments | 3 | 72 | - | 5 |
| Total current assets | | 8,660 | 5,642 | 11,092 |
| Non-current assets | | | | |
| Property, plant and equipment | 4 | 858 | 925 | 613 |
| Intangible assets | 5 | 1,603 | 1,479 | 1,439 |
| Total non-current assets | | 2,461 | 2,404 | 2,052 |
| Total assets | | 11,121 | 8,046 | 13,144 |
| Current liabilities | | | | |
| Trade and other payables | 6 | 2,491 | 2,453 | 2,557 |
| Derivative financial instruments | 3 | - | 6 | - |
| Income tax payable | | 80 | 250 | 315 |
| Interest bearing loans and borrowings | 7 | 333 | 375 | 344 |
| Total current liabilities | | 2,904 | 3,084 | 3,216 |
| Non-current liabilities | | | | |
| Deferred tax liability | | 55 | 98 | 58 |
| Other payables | 6 | 187 | 136 | 137 |
| Interest bearing loans and borrowings | 7 | 369 | 4 | - |
| Total non-current liabilities | | 611 | 238 | 195 |
| Total liabilities | | 3,515 | 3,322 | 3,411 |
| Equity | | | | |
| Contributed equity | 8 | 25,185 | 17,594 | 25,185 |
| Share based payment reserve | 8 | 844 | 562 | 888 |
| Foreign currency reserve | | 88 | 175 | 107 |
| Accumulated losses | | (18,511) | (13,607) | (16,447) |
| Total equity | | 7,606 | 4,724 | 9,733 |
| Total equity and liabilities | | 11,121 | 8,046 | 13,144 |

For and on behalf of the Board who authorised these financial statements for issue on 23 November 2016.



Simon Botherway
Chairman



Darrin Grafton
Chief Executive Officer

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

| | NOTE | 6 MONTHS UNAUDITED | 6 MONTHS UNAUDITED | 12 MONTHS AUDITED |
|--|------|-----------------------|-----------------------|----------------------|
| | | 30 SEP 2016 | 30 SEP 2015 | 31 MAR 2016 |
| | | \$(000) | \$(000) | \$(000) |
| Cash flows from operating activities | | | | |
| Receipts from customers | | 7,464 | 6,981 | 12,464 |
| Interest received | | 70 | 31 | 78 |
| Receipts from grants | | 594 | 711 | 1,382 |
| Taxation (paid)/refund received | | (54) | (36) | (214) |
| Payments to suppliers and employees | | (10,121) | (9,208) | (18,161) |
| Interest payments | | - | (169) | (35) |
| Net GST refunded/(paid) | | 61 | (52) | 34 |
| Net cash flows used in operating activities | 9 | (1,986) | (1,742) | (4,452) |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | (268) | (54) | (65) |
| Purchase of intangibles | | (508) | (405) | (678) |
| Net cash flows used in investing activities | | (776) | (459) | (743) |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | | 369 | - | - |
| Share issue | | - | 32 | 8,096 |
| Cost of new share issue | | - | - | (470) |
| Net cash flows from financing activities | | 369 | 32 | 7,626 |
| Net increase (decrease) in total cash | | (2,393) | (2,169) | 2,431 |
| Net foreign exchange difference | | 46 | 160 | 200 |
| Cash and cash equivalents at beginning of period | | 7,118 | 4,487 | 4,487 |
| Cash and cash equivalents at end of period | | 4,771 | 2,478 | 7,118 |
| Cash and cash equivalents comprises the following: | | | | |
| Cash at bank and on hand | | 4,771 | 2,478 | 7,118 |
| | | 4,771 | 2,478 | 7,118 |

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

1 BASIS OF PRESENTATION & ACCOUNTING POLICIES

These unaudited consolidated condensed interim financial statements of Serko Limited (the company) and its subsidiaries (together "the group") have been prepared in accordance with New Zealand Generally Accepted Accounting Practice and comply with the requirements of International Accounting Standard (IAS) 34 Interim Financial Reporting and with New Zealand Equivalent to International Accounting Standard (IAS) 34 Interim Financial Reporting.

The company is a Tier 1 profit oriented entity and is an issuer for the purposes of the New Zealand Financial Reporting Act 2013.

The unaudited consolidated condensed interim financial statements of the group for the six months ended 30 September 2016 have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the group's Annual Report for the year ended 31 March 2016.

The same significant judgements, estimates and assumptions included in the notes to the financial statements in the group's Annual Report for the year ended 31 March 2016 have been applied to these consolidated condensed interim financial statements.

2 TRADE & OTHER RECEIVABLES

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|--|--------------------------|--------------------------|------------------------|
| | \$(000) | \$(000) | \$(000) |
| Current assets | | | |
| Trade receivables | 2,855 | 2,328 | 3,338 |
| Provision for doubtful debts | (7) | (21) | (7) |
| GST receivable | 91 | - | 54 |
| Prepayments | 548 | 504 | 249 |
| NuTravel Loan receivable - refer note 12 | 330 | 353 | 335 |
| Total trade and other receivables | 3,817 | 3,164 | 3,969 |

3 DERIVATIVE 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:

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|---|--------------------------|--------------------------|------------------------|
| | \$(000) | \$(000) | \$(000) |
| Current: | | | |
| Foreign currency forward exchange contracts | 72 | (6) | 5 |
| Contractual amounts of forward exchange contracts outstanding were as follows: | | | |
| Purchase commitments forward exchange contracts | 1,227 | 1,151 | 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.

4 PROPERTY, PLANT & EQUIPMENT

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|--------------------------------------|--------------------------|--------------------------|------------------------|
| | \$(000) | \$(000) | \$(000) |
| Opening balance | 613 | 997 | 997 |
| Additions | 307 | 54 | 56 |
| Disposals | (34) | - | (198) |
| Depreciation | (28) | (126) | (246) |
| Currency translation | - | - | 4 |
| Closing balance | 858 | 925 | 613 |
| Tangible assets per security (cents) | 1.17 | 1.46 | 0.84 |

The period 31 Mar 2016 has been restated based on issued capital rather than weighted average.

PERFORMANCE

5 INTANGIBLE ASSETS

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|------------------------|--------------------------|--------------------------|------------------------|
| | \$(000) | \$(000) | \$(000) |
| Opening balance | 1,439 | 1,287 | 1,287 |
| Additions | 453 | 379 | 813 |
| Amortisation | (283) | (228) | (486) |
| Impairment | - | - | (220) |
| Currency translation | (6) | 41 | 45 |
| Closing balance | 1,603 | 1,479 | 1,439 |

6 TRADE & OTHER PAYABLES

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|---------------------------------------|--------------------------|--------------------------|------------------------|
| | \$(000) | \$(000) | \$(000) |
| Trade payables | 1,227 | 1,043 | 848 |
| Accrued expenses | 568 | 661 | 1,040 |
| Lease incentive | 252 | 219 | 174 |
| GST payable | - | 32 | - |
| Employee entitlements | 631 | 634 | 632 |
| Total trade and other payables | 2,678 | 2,589 | 2,694 |
| Disclosed as: | | | |
| Current | 2,491 | 2,453 | 2,557 |
| Non-current | 187 | 136 | 137 |
| | 2,678 | 2,589 | 2,694 |

7 INTEREST BEARING LOANS AND BORROWINGS

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|--|--------------------------|--------------------------|------------------------|
| | \$(000) | \$(000) | \$(000) |
| Financial Equities loan payable - refer note 12 | 330 | 353 | 335 |
| Obligations under finance leases | 4 | 15 | 9 |
| Leasehold fitout loan | 368 | 11 | - |
| Total interest bearing loans and borrowings | 702 | 379 | 344 |
| Disclosed as: | | | |
| Current | 333 | 375 | 344 |
| Non-current | 369 | 4 | - |
| | 702 | 379 | 344 |

8 EQUITY

| | NUMBER | VALUE OF EQUITY |
|---|-------------------|-----------------|
| ORDINARY SHARES AND SHARE BASED PAYMENTS | | \$(000) |
| Balance at 1 April 2015 | 62,699,382 | 17,974 |
| Issue of new shares to employees via Restricted Share Scheme | 565,874 | 192 |
| Cancellation of shares under Salary Sacrifice Scheme | (9,000) | (10) |
| Balance as at 30 September 2015 | 63,256,256 | 18,156 |
| Balance at 1 October 2015 | 63,256,256 | 18,156 |
| Issue of shares pursuant to institutional capital placement | 9,523,809 | 8,000 |
| Issue of shares pursuant to Share Purchase Plan (SPP) placement | 114,277 | 96 |
| Issue of new shares to employees via Restricted Share Scheme | - | 325 |
| Transaction costs for issue of new shares | - | (504) |
| Balance as at 31 March 2016 | 72,894,342 | 26,073 |
| Balance at 1 April 2016 | 72,894,342 | 26,073 |
| Issue of new shares to employees via Restricted Share Scheme | 259,651 | 118 |
| Forfeiture of shares from employees via Restricted Share Scheme | - | (162) |
| Balance as at 30 September 2016 | 73,153,993 | 26,029 |

During the period the company issued 259,651 shares under a Restricted Share Scheme (RSS). In respect of the RSS, as at 30 September 2016, 280,514 restricted shares are allocated to key management personnel and 473,791 allocated to other Serko employees. 493,279 restricted shares remain unallocated at 30 September 2016.

9 RECONCILIATION OF OPERATING CASH FLOWS

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|---|--------------------------|--------------------------|------------------------|
| | \$'(000) | \$'(000) | \$'(000) |
| Reconciliation from the net loss after tax to the net cash from operating activities | | | |
| Net loss after tax | (2,064) | (3,394) | (6,234) |
| Adjustments | | | |
| Depreciation | 28 | 126 | 246 |
| Impairment | - | - | 220 |
| Amortisation | 283 | 228 | 486 |
| Deferred tax | (3) | - | (2) |
| Loss on property, plant and equipment disposal | 35 | - | 199 |
| Loss/(gain) on foreign exchange transactions | (20) | (30) | (113) |
| Share-based compensation | (44) | 192 | 517 |
| | 279 | 516 | 1,553 |
| Changes in working capital items | | | |
| (Increase)/decrease in trade receivables & prepayments | 483 | 639 | (550) |
| (Increase)/decrease in derivative financial instruments | (67) | 123 | 111 |
| Increase/(decrease) in trade payables & accruals | (382) | 304 | 534 |
| Increase/(decrease) in current tax payable | (235) | 70 | 134 |
| | (201) | 1,136 | 229 |
| Net cash from operating activities | (1,986) | (1,742) | (4,452) |

10 SEGMENTS

Operating Segment Information

The board of directors and senior management team monitor 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.

Geographical Segment Information

Revenue is allocated to geographical segments on the basis of where the sale is recorded by each operating company within the group:

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|------------------------------------|--------------------------|--------------------------|------------------------|
| | \$(000) | \$(000) | \$(000) |
| Sales to external customers | | | |
| New Zealand | 429 | 353 | 616 |
| Australia | 6,451 | 5,892 | 12,229 |
| India | 72 | 76 | 167 |
| Singapore | 11 | 7 | 24 |
| USA | - | 47 | 47 |
| Other | 41 | 22 | 39 |
| | 7,004 | 6,397 | 13,122 |
| Non current assets | | | |
| New Zealand | 2,325 | 1,782 | 1,767 |
| Australia | 136 | 622 | 285 |
| | 2,461 | 2,404 | 2,052 |

11 COMMITMENTS

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|---|--------------------------|--------------------------|------------------------|
| | \$(000) | \$(000) | \$(000) |
| Operating lease commitments | | | |
| Payable within one year | 495 | 483 | 432 |
| Payable later than one year, but not more than five years | 1,570 | 1,428 | 1,105 |
| Payable later than five years | 312 | - | - |
| | 2,377 | 1,911 | 1,537 |
| Finance lease commitments | | | |
| Payable within one year | 4 | 11 | 8 |
| Payable later than one year, but not more than five years | - | 4 | - |
| | 4 | 15 | 8 |

PERFORMANCE

12 RELATED PARTIES

Subsidiaries

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

| | UNAUDITED 30 SEP 2016 | UNAUDITED 30 SEP 2015 | AUDITED 31 MAR 2016 |
|-----------------------------|--------------------------|--------------------------|------------------------|
| NAME | % EQUITY INTEREST | | |
| Serko Australia Pty Limited | 100% | 100% | 100% |
| Serko Trustee Limited | 100% | 100% | 100% |
| Serko India Private Limited | 99% | 99% | 99% |
| Serko Investments Limited | 100% | 100% | 100% |

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 period ended 30 September 2016.

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 India based operations.

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

Other transactions with key management personnel and directors

In the current year key management personnel received 131,640 issued shares via the Restricted Share Scheme in July 2016 which are held in trust by Serko Trustee Limited until they vest. The shares vest on 7 July 2019.

Key management personnel also received 775,000 issued shares via the Restricted Share Scheme in June 2014 which are held in trust by Serko Trustee Limited until they vest. 477,273 vested on 24 June 2016, 59,091 vest on 1 February 2017 with the remainder of 238,636 allocated back to the trust.

NuTravel Receivable/Financial Equities Loan Payable

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, a notice for repayment has been provided to NuTravel. Financial Equities Limited is a company associated with directors Robert Shaw and Darrin Grafton.

13 CONTINGENCIES

There were no contingent liabilities as at 30 September 2016 (30 September 2015: Nil, 31 March 2016: Nil).

14 EVENTS AFTER BALANCE DATE

There were no material events subsequent to balance date.

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

| | |
|--------------------------|--|
| Registered Office | Saatchi Building Unit 14D 125 The Strand Parnell Auckland New Zealand +64 9 309 4754 |
| Directors | Simon Botherway (Chairman) Claudia Batten Robert (Clyde) McConaghy Darrin Grafton Robert Shaw |
| Share Registrar | Link Market Services Limited Level 11, Deloitte House 80 Queen Street Auckland New Zealand +64 9 375 5998 serko@linkmarketservices.co.nz |
| Auditor | Ernst & Young Auckland |



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