



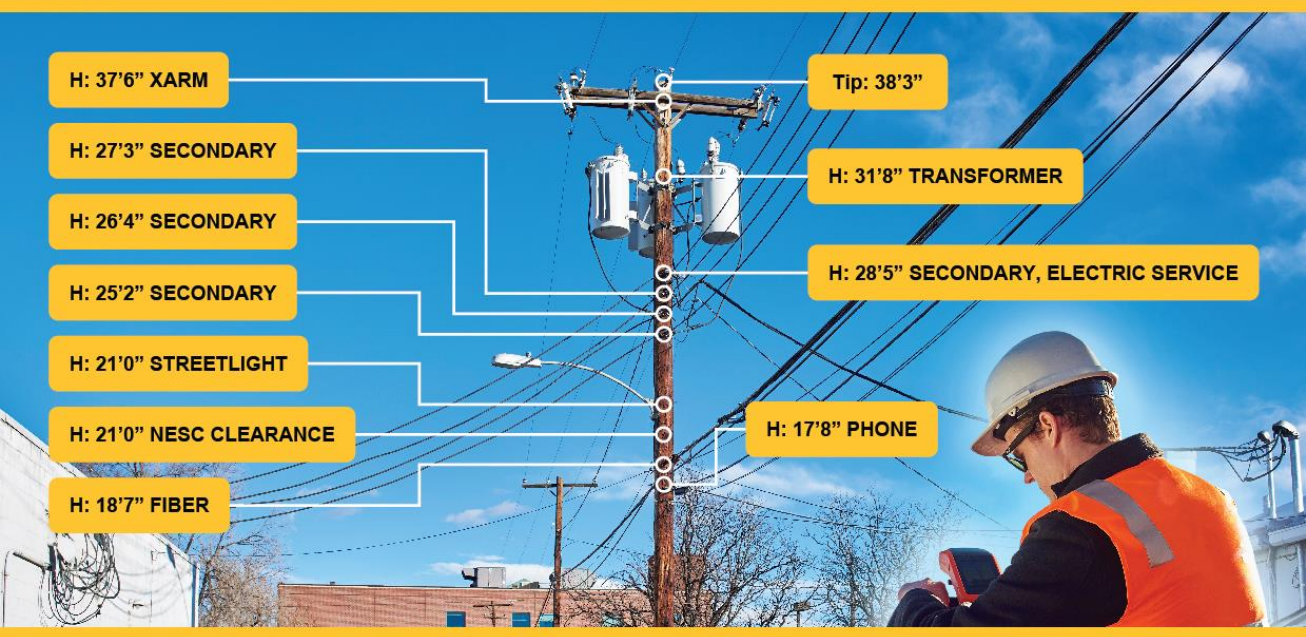
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**Financial Statements** for the  
year ended 31 March 2017

ikeGPS Group Limited

# ikeGPS Products



Bringing measurements within reach





# Financial Statements



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## **Independent Auditor's Report**

To the shareholders of ikeGPS Group Limited

The consolidated financial statements comprise:

- the balance sheet as at 31 March 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### **Our opinion**

In our opinion, the consolidated financial statements of ikeGPS Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs NZ) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

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

Our firm carries out other services for the Group in the areas of assurance services relating to the Company's research and development grant and tax compliance services in respect to annual income tax returns. The provision of these other services has not impaired our independence as auditor of the Group.

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### **Material uncertainty related to going concern**

We draw attention to note 2a) in the financial statements, which indicates that the Group incurred a net loss of \$10,727k for the year ended 31 March 2017 and had an operating cash outflow of \$9,021k, and a further investing outflow of \$1,035k relating to capitalised internal development. The cash balance at 31 March 2017 was \$2,730k. If the Group is unable to achieve forecast cash flows it may not have sufficient cash reserves to meet obligations as they fall due. As stated in note 2a), these conditions, along with other matters as set forth in note 2a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Our audit approach

### Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall group materiality: \$522,900, which represents 5% of loss before tax.

We chose loss before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is currently measured by users, and is a generally accepted benchmark.

Our key audit matter is the initial recognition and valuation of development assets.

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the Company and two subsidiaries, one based in New Zealand and one in the United States of America. The Company and both subsidiaries share one centralised group finance function. We scoped our audit on a group financial statement line item basis and completed audit work on group balances at the materiality level for the Group. All audit procedures were conducted by the Group audit team.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matters

### *Initial recognition and valuation of development assets*

The Group has \$4.0m of development assets related to the internal development of hardware and software products. In the financial year ended 31 March 2017, \$1.0m of development costs were capitalised.

In capitalising development costs management, in accordance with the requirements of the accounting standard, assess if the development will generate future probable economic benefit. Additionally, the carrying value of development assets is supported by the assessed future cash generating potential of those products.

Development assets are initially carried at cost. To determine that the carrying value of the developed assets was reasonable, the Directors assessed whether any impairment indicators existed for each major development asset by considering, among other factors, sales achieved to date and the overall operating and cash performance of the entity. Indicators of impairment were identified and the Group performed an impairment test of the development assets on a value in use basis. This assessment requires judgment when forecasting future sales and the related cash flows, including considering the difficulties in achieving current year budgeted sales levels for the ike4 and Spike products.

The initial recognition of development assets, and subsequent impairment assessments, were key audit matters due to the significant judgments involved in assessing whether forecast future cash flows would be achieved to support the conclusion on whether it is probable that future economic benefit will be generated. The existence of uncertainties in the achievement of forecast future cash flows may impact the value in use calculations and therefore also needs to be considered when initially recognising development assets, and subsequently testing for impairment.

Based on management's assessment, no impairment was recognised.

Refer to notes 2b), 2c) and 14 in the financial statements for disclosures on development assets.

## How our audit addressed the key audit matter

We obtained an understanding and evaluated the Group's processes and controls relating to the capitalisation of development costs and the assessment of impairment indicators of development assets.

We completed the following audit procedures to assess the reasonableness of the capitalisation and impairment assessment:

- We obtained management's assessment as to whether the recognition of development assets complied with the requirements of the accounting standard, specifically on whether it is probable that the assets will generate future economic benefits. We have corroborated this assessment through discussions with members of the sales and development teams, and considered sales forecasts as detailed below.
- We obtained management's impairment test and assessed the level at which the recoverable amount was being determined by management.
- We assessed the mathematical accuracy of the model used by management to assess impairment and used an internal valuation expert to challenge and assess the appropriateness of the impairment model.
- We assessed the reasonableness of the assumptions over forecast sales within the 31 March 2018 Board approved budget and the remaining five year forecast period, related costs and resulting cash flows to support both the initial recognition and impairment assessment. Our assessment included comparing previous forecasts to actual results, those approved in the 31 March 2018 budget, and other relevant supporting documentation such as sales pipelines to evidence the feasibility of the forecasts and to assess the reliability of historical forecasting.
- To consider forecasting risk we performed sensitivity analysis over the forecasted sales volumes, discount rate, and expenses. Under certain circumstances, specifically reduced sales performance, impairment may result.

Whilst recognising that the initial recognition of development assets and subsequent assessment of impairment are inherently judgemental, we did not identify any factors that indicated that management's conclusions were not supportable. However, note that as disclosed in the financial statements, notes 2b and 2c) significant judgment has been exercised and the assessment is sensitive to changes in key assumptions, specifically revenue growth rates.



### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the consolidated financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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### *Responsibilities of the Directors for the consolidated financial statements*

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

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

### *Auditor's responsibilities for the audit of the consolidated financial statements*

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

[https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page1.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx)

This description forms part of our auditor's report.

### *Who we report to*

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which 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.

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

For and on behalf of:

Chartered Accountants  
30 May 2017

Wellington



## Consolidated statement of profit or loss and other comprehensive income

		Year ended 31 March Group	
		2017	2016
		\$'000's	\$'000's
<b>Continuing operations</b>			
Operating revenue	5 (a)	5,655	8,574
Cost of sales		(3,397)	(4,072)
<b>Gross profit</b>		<b>2,258</b>	<b>4,502</b>
Other income	5 (a)	185	640
Operations cost	5 (b)	(860)	(372)
Sales and marketing expenses	5 (b)	(3,229)	(5,010)
Research and engineering expenses	5 (b)	(4,867)	(4,926)
Corporate costs	5 (b)	(4,139)	(4,318)
Foreign exchange (losses)/gains		(135)	280
<b>Expenses</b>		<b>(13,230)</b>	<b>(14,346)</b>
<b>Operating loss</b>		<b>(10,787)</b>	<b>(9,204)</b>
Net finance income		69	361
<b>Net loss before income tax</b>		<b>(10,718)</b>	<b>(8,843)</b>
Income tax (expense)/credit	11	(9)	7
<b>Loss attributable to owners of ikeGPS Group</b>		<b>(10,727)</b>	<b>(8,836)</b>
<b>Other comprehensive loss</b>			
Items that may subsequently be recognised through profit or loss			
Exchange differences on translation of foreign operations		98	(373)
<b>Comprehensive loss</b>		<b>(10,629)</b>	<b>(9,209)</b>
Basic loss per share	20	\$ (0.18)	\$ (0.18)
Diluted loss per share	20	\$ (0.18)	\$ (0.18)

The notes on pages 11 to 33 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

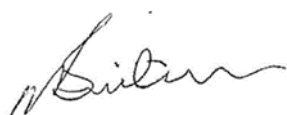
	Share capital	Accumulated losses	Share based payment reserve	Foreign currency translation reserve	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Opening balance at 1 April 2015	37,133	(15,200)	166	23	22,122
Loss for the year	-	(8,836)	-	-	(8,836)
Currency translation differences	-	-	-	(373)	(373)
<b>Total comprehensive (loss)</b>	<b>-</b>	<b>(8,836)</b>	<b>-</b>	<b>(373)</b>	<b>(9,209)</b>
Issue of ordinary shares	900	-	-	-	900
GE share buy-back	(714)	-	-	-	(714)
Recognition of vesting of share-based options	-	-	142	-	142
Share based payment reserve movement	33	-	(33)	-	-
<b>Total transactions with owners</b>	<b>219</b>	<b>-</b>	<b>109</b>	<b>-</b>	<b>328</b>
<b>Balance at 31 March 2016</b>	<b>37,352</b>	<b>(24,036)</b>	<b>275</b>	<b>(350)</b>	<b>13,241</b>

	Share capital	Accumulated losses	Share based payment reserve	Foreign currency translation	Total
	\$'000's	\$'000's	\$'000's	\$'000's	\$'000's
Opening balance at 1 April 2016	37,352	(24,036)	275	(350)	13,241
Loss for the year	-	(10,727)	-	-	(10,727)
Currency translation differences	-	-	-	98	98
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>(10,727)</b>	<b>-</b>	<b>98</b>	<b>(10,629)</b>
Issue of ordinary shares	7,758	-	-	-	7,758
Recognition of vesting of share-based options	-	-	266	-	266
Share based payment reserve movement	142	-	(142)	-	-
<b>Total transactions with owners</b>	<b>7,900</b>	<b>-</b>	<b>124</b>	<b>-</b>	<b>8,024</b>
<b>Balance at 31 March 2017</b>	<b>45,252</b>	<b>(34,763)</b>	<b>399</b>	<b>(252)</b>	<b>10,636</b>

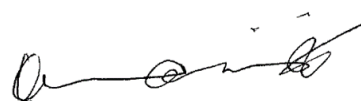
The notes on pages 11 to 33 are an integral part of these consolidated financial statements.

## Consolidated balance sheet

		Year ended 31 March	
		2017	2016
		\$'000's	\$'000's
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	2,730	5,292
Trade and other receivables	8	986	1,931
Prepayments		598	303
Inventory	7	2,513	949
<b>Total current assets</b>		<b>6,827</b>	<b>8,475</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	1,370	1,539
Intangible assets	14	4,048	4,545
Deferred tax asset	11	19	28
<b>Total non-current assets</b>		<b>5,437</b>	<b>6,112</b>
<b>Total assets</b>		<b>12,264</b>	<b>14,587</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	9	1,250	1,048
Employee entitlements		228	208
Deferred revenue		150	90
<b>Total current liabilities</b>		<b>1,628</b>	<b>1,346</b>
<b>Total liabilities</b>		<b>1,628</b>	<b>1,346</b>
<b>Total net assets</b>		<b>10,636</b>	<b>13,241</b>
<b>EQUITY</b>			
Share capital	12	45,252	37,352
Share based payment reserve	21	399	275
Accumulated losses		(34,763)	(24,036)
Foreign currency translation reserve		(252)	(350)
<b>Total equity</b>		<b>10,636</b>	<b>13,241</b>



Director Date: 30<sup>th</sup> May 2017



Director Date: 30<sup>th</sup> May 2017

The notes on pages 11 to 33 are an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Year ended 31 March	
	Group	
	2017	2016
	\$'000's	\$'000's
<b>Cash flows from operating activities</b>		
Cash receipts from customers	6,846	7,453
Cash paid to suppliers and employees	(15,851)	(17,284)
Interest paid	(16)	(19)
<b>Net cash used in operating activities</b>	19	<b>(9,021)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(271)	(1,258)
Additions to intangible assets	(1,035)	(2,112)
Interest received	85	468
<b>Net cash used in investing activities</b>		<b>(1,221)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares on listing	7,758	900
<b>Net cash from financing activities</b>	<b>7,758</b>	<b>900</b>
<b>Net (decrease) in cash and cash equivalents</b>	(2,484)	(11,852)
Cash and cash equivalents at beginning of year	5,292	17,256
Effect of exchange rate fluctuations on cash held	(78)	(112)
<b>Cash and cash equivalents</b>	<b>2,730</b>	<b>5,292</b>

The notes on pages 11 to 33 are an integral part of these consolidated financial statements.

# Notes to the consolidated financial statements

## 1. Reporting Entity

ike GPS Limited (the “Company”) is a limited liability company domiciled and incorporated in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (“NZX”) and Australian Stock Exchange (“ASX”). The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The financial statements for the period ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the “Group”) which include ikeGPS Limited and ikeGPS Inc.

The principal activity of the Group is that of design, marketing and sale of integrated GPS data capture devices and related software.

The financial statements were authorised for issue by the Directors on 30 May 2017.

## 2. Basis of preparation

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

### Statement of compliance

The consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and Financial Reporting Act 2013.

The consolidated financial statements of the Group have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (“NZ IFRS”), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements comply with International Financial Reporting Standards (IFRS).

### Basis of measurement

The financial statements have been prepared on the historical cost basis with the exception of certain financial instruments which are measured in accordance with the specific relevant accounting policy.

### Critical estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### a) Going concern

These financial statements have been prepared based on the Group being a going concern, which assumes the Group has the ability and intention to continue operations for a period of at least 12 months from the date of the financial statements. The following conditions indicate the existence of a material uncertainty that may cast significant doubt on the validity of this assumption.

The Group had cash outflows of \$9,021,000 (2016: \$9,850,000) relating to operations, and \$1,035,000 (2016 : \$2,112,000) relating to capitalised internal development for the twelve months ended 31 March 2017. The cash balance at 31 March 2017 was \$2,730,000. If this level of cash usage continued the Group would not be able to fund its operations without the need to raise additional capital or alternative funding.

# Notes to the consolidated financial statements

## 2. Basis of preparation (continued)

The Directors have approved a base business plan for FY18 that includes the continued prudent management of costs while focusing effort on realizing the significant sales opportunities for the entity's products.

The plan takes into consideration:

- an expectation of increased sales of its IKE4 and Spike products
- increased subscription revenue associated with IKE4 and Spike
- a material reduction in the level of development related costs
- a material reduction in inventories reflecting increased alignment between sales and procurement practices
- the ability of the Group to manage its growth activities and associated costs. The Group is able to readily manage headcount levels downward. For example it has already reduced headcount to 50 employees at month-end March 2017, from 56 employees at the same time previous year.

Stress testing has been performed on the FY18 plan, reducing expected revenue by 28% and making additional operating expense reductions of \$950,000. The cumulative impact being that the Group remains a going concern, albeit with reduced available cash funds.

The Group recently completed a "dual-listing" on the ASX. The dual listing provides the Company with the potential option to pursue capital raise opportunities from a wider market. The Directors believe that additional capital could potentially be raised should circumstances necessitate, such as in the situation where sales are significantly less than budget and if in the same situation that costs are not reduced quickly enough, or should higher levels of growth require higher levels of working capital.

On this basis, the Directors believe that the Group has sufficient funding to continue operations for at least the next 12 months from the date of authorizing the financial statements, and hence consider the use of the going concern basis appropriate.

The Group's ability to improve its financial capacity and cash flow generated from its operations cannot be assured.

These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary if the Group were unable to realize its assets and settle its liabilities in the normal course of operations. Such adjustments could be material.

### *b) Impairment*

The carrying amounts of the Group's assets were reviewed to determine whether there is any indication of impairment. The Directors concluded the Group's operating losses as an indicator of impairment, requiring an estimate of the Cash Generating Unit's (CGU) recoverable amount.

The CGU was determined to be the Group's intangible assets and property, plant & equipment as a whole, on the basis that the business is not of sufficient scale to independently assess assets and related cashflows at a lower level. The useful life of the CGU was determined to be 6 years, reflecting the remaining amortization period of the intangibles core technology platform. Base revenue was as per the business plan for FY18, with a compound growth rate over the full forecast period of 26%. An estimate of the cashflows required to develop, market and sell the Group's products was based on the business plan for FY18 and 3% expense inflation rate assumed for the remaining five year forecast period. Costs associated with corporate activities which did not directly or indirectly support the assets, such as the costs associated with managing the Company's listed status, were excluded from the cashflows. A pre-tax discount rate of 12% was used to establish the net present value.

# Notes to the consolidated financial statements

## 2. Basis of preparation (continued)

Sensitivity analysis was performed on all key assumptions. The value in use assessment is sensitive to changes in each of these assumptions. A likely material impairment would need to be considered if any key assumption did not meet, substantially meet, or exceed that calculated, and if the Company was unable to commensurately reduce its cost base. The most sensitive assumption is that of changes to the base FY18 budget since this is the period of highest growth and any changes compound over the remaining forecast period.

The Directors have determined that no impairment is required as the CGU continues to have a useful life and that the current carrying value of the CGU does not exceed its value in use.

### *c) Intangible assets*

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are the measurement and impairment of intangible assets.

In particular:

- Capitalised development of the core technology platform is amortised over 10 years.
- Capitalised development of the ike & Spike applications and features including mobile and web developments are amortised over 2-5 years.
- Capitalised development of the Stanley Black and Decker – Smart Measure Pro is amortised over 2-3 years.
- Patents are amortised up to a period of 10 years.

The Directors judgment is about the economic life of the development assets based on the fact these intangible assets provide the core technology for all current and future product development and therefore have a life which goes beyond the life of any one product. The core product platform has been developed over a period of 10 years and is considered to have at least 6 years of life remaining. The Spike product platform has at least 2.5 years of life remaining.

Annually the Directors are required to assess the appropriateness of the assets amortisation period. For the current year the Directors have assessed that the amortisation period is appropriate.

The pattern of benefits received from the capitalised development may ultimately differ from the Directors' initial judgment due to risk of obsolescence or other future factors affecting the assets useful life. The table below summarises the impact that a reduction in the amortisation period of the core technology platform would have.

Reduction in years	Increase in annual amortisation expense
1	\$38,549
2	\$96,811
3	\$193,913

# Notes to the consolidated financial statements

## 2. Basis of preparation (continued)

In addition to the above, the Group makes judgments about the amount of costs to capitalise as part of the development asset. The Group's intangible asset capitalization policy is used to assist in making these judgments. The Group capitalises direct labour costs into its development asset. The costs applied are based on judgment as to the nature of work employees performed, and the amount of time spent on the task. This is assessed each month jointly by engineering management and the CFO.

## 3. Significant accounting policies

### Basis of consolidation

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### Transactions eliminated on consolidation

Intra-Group transactions, balances, and any unrealised gains arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### Foreign currency translation

#### a) Functional and presentation currency

Items included in the financial statements of each the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is NZ dollars. The functional currency of the Group's USA subsidiary is US dollars. These financial statements are presented in NZ dollars, which is the Group's presentation currency.

#### b) Transactions and balances

Foreign currency transactions are initially translated to functional currencies at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### c) Group companies

The results and financial position of the US subsidiary are translated into the presentation currency as follows:

- i) assets and liabilities are translated at the closing rate at the date of the balance sheet;
- ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- iii) all resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, such exchange differences are reclassified to profit or loss in the consolidated statement of profit or loss and other comprehensive income.



# Notes to the consolidated financial statements

## 3. Significant accounting policies (continued).

### **Goods and Services Tax**

All amounts are shown exclusive of Goods and Services Tax (GST) and other indirect taxes except for trade receivables and trade payables that are stated inclusive of GST.

### **Financial instruments**

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

### **Non-derivative financial instruments**

Non-derivative financial instruments comprise loans and receivables, including trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits.

### **Trade and other receivables**

Trade and other 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 and services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period which are classified as non-current assets.

### **Trade and other payables**

Trade and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not they are presented as non-current liabilities.

### **Property, plant and equipment**

#### **Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

#### **Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

# Notes to the consolidated financial statements

## 3. Significant accounting policies (continued)

Depreciation methods, useful lives and residual values are reviewed and adjusted, if appropriate, at each reporting date.

Development equipment	14.0% - 33.0%
Office furniture and equipment	13.0% - 48.0%
Plant and equipment	14.0% - 33.0%
Leasehold improvements	9.5% - 33.0%

Gain and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

### Intangible assets

#### Research and development

All research costs are recognised as an expense when they are incurred.

#### Capitalised development costs

The Group capitalises employee and consultants costs directly related to software development. The Group regularly reviews (at least annually) the carrying value of capitalised development costs to ensure they are not impaired. The development costs for all products are amortised over periods up to 10 years (core platform 10 years and subsequent development between 2-5 years), to reflect the expected useful life of the assets.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

#### Patents

Patents developed by the Group, have finite useful lives, and are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight line basis over their remaining estimated useful lives of 0.5 years.

### Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the term of the lease.

# Notes to the consolidated financial statements

## 3. Significant accounting policies (continued)

### Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on a weighted average cost, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Cost comprises direct materials, direct labour and production overhead. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### Government grants

Government grants are assistance by the Government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants include Government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

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

Government grants are recognised at their fair value where there is reasonable assurance that the grants will be received and all attaching conditions will be complied with.

### Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment or objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### Impairment of financial assets

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 where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

# Notes to the consolidated financial statements

## 3. Significant accounting policies (continued)

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

### Share-based payment

The Group operates an employee option scheme (equity-settled) under which employees receive the option to acquire shares at a predetermined exercise price. The options are measured at fair value at grant date using the Black Scholes model with the fair value recognised as an employee benefit expense in profit or loss with a corresponding increase in equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimate of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss with a corresponding adjustment to equity.

### Revenue

The Group derives its revenue from the sale of product and related maintenance services, and subscription revenue. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods or services supplied, stated net of discounts, returns and goods and services tax.

#### a) Sale of product

Revenue from the sale of product is derived from the sale of the Group's photogrammic laser measurement devices, associated software, accessories and warranty support. Revenue is recognised when the products are shipped and significant risks and rewards of ownership have been transferred to the buyer, and recovery of the consideration is probable. Warranty support revenue is recognised in the period the warranty service is provided i.e. evenly over the warranty period. The sale of product often includes other deliverables such as the provision of warranty support and associated software maintenance and upgrade. Warranty support in excess of the standard sales warranty provided under various consumer legislation is recognised as a separate component of revenue as detailed below. Software provided that is essential to the functioning of the hardware is deemed integral to the hardware sale and is not recognised separately.

Revenue relating to services to maintain and upgrade software over the life of the product is recognised at time of product sale due to the immaterial/insignificant cost of delivering these services.

#### b) Subscription revenue

Subscription revenue comprises the recurring monthly fees from customers who subscribe to the Group's software services. Revenue is recognised as the services are provided to the customers. Consideration received in advance (of the service being provided), is recognised in the balance sheet as deferred revenue.

#### c) Other operating revenue

Other operating revenue includes contract revenue from the provision of professional services in relation to project delivery and product development. Revenue is recognised in the accounting period in which service is provided.

Consideration received prior to the service being provided is recognised in the balance sheet as deferred revenue.

# Notes to the consolidated financial statements

## 3. Significant accounting policies (continued)

Revenue associated with the rendering of services is recognised when all the following conditions have been satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

### Finance income and expenses

Interest income is recognised as it accrues, using the effective interest method. Finance expenses comprise interest expense on borrowings, recognized using the effective interest method.

### Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### Earnings per share

The Group presents earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares on issue for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees and convertible preference shares.

### Other reserves

#### Share-based payments reserve:

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

# Notes to the consolidated financial statements

## 3. Significant accounting policies (continued)

### Foreign currency translation reserve:

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in the foreign currency translation accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

### Changes in accounting policy and disclosures

#### New and amended standards adopted by the Group

There are no new standards, amendments and interpretations which are effective for the financial year beginning on 1 April 2016 that are material to the Group.

#### New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been issued, but are not yet effective. These standards have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following:

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 on its effective date and intends to take a structured approach in assessing the impact of the change. Particularly reviewing types of contracts, contract duration, timing of transfer of goods and services and recognition of cloud based revenue. The Group does not expect it will require significant changes to existing systems and processes to comply with NZ IFRS 15. However the detailed impacts are still being assessed.

NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'.

The Group intends to adopt NZ IFRS 16 on its effective date. The Group's lease commitments are substantially real estate / property related and hence expect the adoption to NZ IFRS 16 to be straight forward with minimum changes to existing systems and processes. However, detailed assessment of the impact of the standard has yet to occur.

# Notes to the consolidated financial statements

## 4. Operating segments

The CEO and Senior Management team are the Group's operating decision makers. Previously the Group was considered as a single operating segment for purposes of decision making and reporting. During FY17 the Group's selling activities were focused and organized into two segments namely utilities and new business. New business includes Signage, Architecture Engineering and Construction (AEC) and Geospatial.

The segment reporting format reflects the Group's management and internal reporting structure. "Contribution" represents gross profit after allocating cost of goods sold and selling expenses. Reporting of overheads and balance sheet position is not undertaken at a level lower than the Group as a whole. Geographically, revenue is substantially generated in the United States.

	Utility	New Business	Group
	\$'000's	\$'000's	\$'000's
Operating revenue	2,445	3,210	5,655
Contribution	(124)	(510)	(634)
Net attributable (other corporate income and expenses)			(10,083)
Net loss before tax			(10,718)

Comparative data for the prior year is not presented as this information is not readily available.

## 5. Revenue and expenses

### (a) Revenue

	Group	
	2017	2016
	\$'000's	\$'000's
Sale of product	5,487	8,295
Contracted services	168	279
Operating revenue	5,655	8,574
Government grants	185	640
<b>Total revenue and other income</b>	<b>5,840</b>	<b>9,214</b>

Government grants are in relation to cost subsidies from Callaghan Innovation for research and development. Under the conditions of the Callaghan Innovation grant the Group is required to submit a report from an independent auditor on the eligibility of the costs claimed. This report is outstanding at balance date but does not represent a significant unfulfilled condition.

Revenue from one customer of \$1,923,000 represented more than 10% of revenue (2016: \$2,825,000). This is included under "New Business" segment in note 4 (Operating segments)

### (b) Operating expenses

Operating expenses comprises of operations costs, sales and marketing expenses, engineering and research expenses and corporate costs.

# Notes to the consolidated financial statements

## 5. Revenue and expenses (continued)

	Group	
	2017	2016
	\$'000's	\$'000's
<b>Audit of financial statements</b>		
Audit and review of financial statements <sup>1.</sup>	112	297
<b>Other services</b>		
Regulatory audit work <sup>2.</sup>	-	2
Other assurance services <sup>3.</sup>	6	6
Tax compliance services <sup>4.</sup>	16	27
<b>Total other services</b>	<b>22</b>	<b>35</b>
<b>Total fees paid to auditor</b>	<b>134</b>	<b>332</b>
Amortisation of development asset	1,502	853
Amortisation of patents and software	30	30
Amortisation of trademark	-	181
Depreciation	440	242
<b>Total amortisation and depreciation</b> <sup>5.</sup>	<b>1,972</b>	<b>1,306</b>
Employee benefit expense	8,032	8,247
External contractors and consultants	286	3,135
Employee benefit expense capitalised <sup>6.</sup>	(1,035)	(2,112)
Operating lease expenses	437	299
Direct selling and marketing <sup>7.</sup>	3,229	2,107
Other operating expenses	40	1,312
<b>Total operating expenses</b>	<b>13,095</b>	<b>14,626</b>

### Notes

1. The audit fee includes the fees for the annual audit of the financial statements and the review of the interim financial statements (2016 : \$297,000). In 2016 the fee included procedures to audit the 2015 and 2016 financial statements in accordance with US auditing requirements.
2. Regulatory audit work consists of the audit of the Company's share registry.
3. Other assurance services comprise reporting on grant application requirement.
4. Tax compliance services relates to assistance to review and file the Group's tax return.
5. Amortisation and depreciation expenses are included in engineering and research expenses.
6. Relates to employee benefit expense, external contractors and consultants expenses that are directly attributable to the development of intangible assets and have been capitalised.
7. Direct selling and marketing expenses includes expenses incurred mainly in relation to promotional activities which include travel and other direct marketing expenses.

## 6. Cash and cash equivalents

	2017	2016
	\$'000's	\$'000's
Cash at bank	(270)	292
Call / term deposits	3,000	5000
<b>Total</b>	<b>2,730</b>	<b>5,292</b>

Total of \$5,000,000 term deposits with varying maturity dates were held with BNZ during FY 2017. The last one for \$3,000,000 matured on 18 April 2017. An overdraft facility of \$250,000 with BNZ is in place. This facility was temporarily increased to \$750,000 until 18 April 2017 against the security of the term deposit. BNZ has perfected security interest in all present and after acquired property of ikeGPS Limited.



# Notes to the consolidated financial statements

## 7. Inventory

	2017	2016
	\$'000's	\$'000's
Finished goods	354	146
Components	2,159	803
<b>Total inventory</b>	<b>2,513</b>	<b>949</b>

Included in cost of sales is \$3,315,000 (2016: \$3,817,000) relating to the amount of inventory recognised as an expense in the year.

## 8. Trade and other receivables

	Group	
	2017	2016
	\$'000's	\$'000's
Trade receivables	918	1,628
Other receivables	68	303
<b>Total trade and other receivables</b>	<b>986</b>	<b>1,931</b>

The Group has \$246,858 past due but not impaired trade receivables at balance sheet (2016: \$291,583)

60 - 90 days	90 days +	Total Past due
\$73,972	\$172,886	\$246,858

Other receivables include;

- a) Government grant claim with NZTE for \$42,380 (2016: \$228,401);
- b) GST tax refund of \$16,767 (2016: \$59,767);
- c) Interest receivable \$9,273 (2016: 14,523).

## 9. Trade and other payables

	Group	
	2017	2016
	\$'000's	\$'000's
Trade payables	1,051	803
Accrued expenses	199	245
<b>Total trade and other payables</b>	<b>1,250</b>	<b>1,048</b>

## 10. Subsidiaries

Name of entity	Country of incorporation	Principal activity	Investment	
			2017	2016
			\$'000's	\$'000's
ikeGPS Limited	New Zealand	Product development and business operations	1,000	1,000
ikeGPS Inc.	USA	Business operations	1,000	1,000
			<b>2,000</b>	<b>2,000</b>

ikeGPS Limited and ikeGPS Inc. are 100% (2016: 100%) owned by the Company.

All subsidiaries have 31 March balance dates.

# Notes to the consolidated financial statements

## 11. Current and deferred tax

The Group's tax expense/ (benefit) comprises:

	Group	
	2017	2016
	\$'000's	\$'000's
Current tax	-	-
Deferred tax	9	(7)
<b>Income tax expense / (benefit)</b>	<b>9</b>	<b>(7)</b>

Prima facie income tax expense on pre-tax accounting loss from operations reconciles to the accounting loss from operations and reconciles to the income tax expense/(benefit) in the financial statements as follows:

	Group	
	2017	2016
	\$'000's	\$'000's
Net loss before income tax	(10,718)	(8,843)
Prima facie income tax credit at 28%	(3,001)	(2,476)
Non-deductible expenses	124	47
Prior period adjustment	-	(23)
Unrecorded tax losses	2,886	2,445
<b>Income tax (benefit)/expense</b>	<b>9</b>	<b>(7)</b>

The Group has tax-effected unrecognised tax losses of \$11,880k (2016: \$9,688k), arising from New Zealand operations available for use against future taxable profits subject to meeting the requirements of continuous ownership provision stated in the Income Tax Act 2007.

A tax asset in respect of these losses has not been recognised due to the uncertainty of when the unused tax losses can be utilised.

	Group	
	2017	2016
	\$'000's	\$'000's
Opening balance	28	21
Recognised through profit or loss	(9)	7
<b>Closing balance</b>	<b>19</b>	<b>28</b>

Deferred tax asset relates to employee entitlements.

# Notes to the consolidated financial statements

## 12. Contributed equity

### Share Capital

	2017	2016
	\$'000's	\$'000's
On Issue at beginning of year	37,352	37,133
Issued for cash	-	900
Unvested shares returned from General Electric Company	-	(714)
Issued under ESOP	142	33
Issued under share placement	5,245	-
Issued under share purchase plan	3,000	-
Less listing costs offset against issue proceeds	(487)	-
<b>Total share capital</b>	<b>45,252</b>	<b>37,352</b>

### Share Capital on issue

	2017	2016
Fully paid total shares at beginning of year	50,378,506	50,129,669
Ordinary shares issued on settlement of options	150,000	41,339
New shares offered	13,742,404	1,111,112
Ordinary shares cancelled after share buy-back	-	(903,614)
<b>Fully paid ordinary shares</b>	<b>64,270,910</b>	<b>50,378,506</b>

# Notes to the consolidated financial statements

## 13. Property, plant and equipment

	Plant & equipment \$'000's	Leasehold improvements \$'000's	Office furniture & equipment \$'000's	Development equipment \$'000's	Total \$'000's
<b>Cost</b>					
Balance at 1 April 2015	260	28	513	48	849
Additions	1,117	-	131	10	1,258
Balance at 31 March 2016	1,377	28	644	58	2,107
Balance at 1 April 2016	1,377	28	644	58	2,107
Additions	215	-	56	-	271
<b>Balance at 31 March 2017</b>	<b>1,592</b>	<b>28</b>	<b>700</b>	<b>58</b>	<b>2,378</b>
<b>Depreciation</b>					
Balance at 1 April 2015	159	25	106	36	326
Depreciation for the year	68	3	165	6	242
Balance at 31 March 2016	227	28	271	42	568
Balance at 1 April 2016	227	28	271	42	568
Depreciation for the year	283	-	151	6	440
<b>Balance at 31 March 2017</b>	<b>510</b>	<b>28</b>	<b>422</b>	<b>48</b>	<b>1,008</b>
<b>Carrying amounts</b>					
<b>At 31 March 2016</b>	<b>1,150</b>	<b>-</b>	<b>373</b>	<b>16</b>	<b>1,539</b>
<b>At 31 March 2017</b>	<b>1,082</b>	<b>-</b>	<b>278</b>	<b>10</b>	<b>1,370</b>

# Notes to the consolidated financial statements

## 14. Intangible assets

	Development assets \$'000's	Patents and software \$'000's	Trademark licence \$'000's	Total \$'000's
<b>Cost</b>				
Balance at 1 April 2015	4,422	174	1,205	5,801
Additions	2,112	-	-	2,112
Disposal	-	-	(1,205)	(1,205)
Balance at 31 March 2016	6,534	174	-	6,708
Balance at 1 April 2016	6,534	174	-	6,708
Additions	1,035	-	-	1,035
<b>Balance at 31 March 2017</b>	<b>7,569</b>	<b>174</b>	<b>-</b>	<b>7,743</b>
<b>Amortisation and impairment losses</b>				
Balance at 1 April 2015	1,182	98	309	1,589
Amortisation for the year	853	30	181	1,064
Disposal	-	-	(490)	(490)
Balance at 31 March 2016	2,035	128	-	2,163
Balance at 1 April 2016	2,035	128	-	2,163
Amortisation for the year	1,502	30	-	1,532
<b>Balance at 31 March 2017</b>	<b>3,537</b>	<b>158</b>	<b>-</b>	<b>3,695</b>
<b>Carrying amounts</b>				
At 31 March 2016	4,499	46	-	4,545
<b>At 31 March 2017</b>	<b>4,032</b>	<b>16</b>	<b>-</b>	<b>4,048</b>

Intangible assets are all recognised within and owned by ikeGPS Group Limited, incorporated in New Zealand.

### Development assets

Additions to internally generated development assets for the year relates to the continued development of the platform, features to enhance Spike and ike products including web and mobile applications.

# Notes to the consolidated financial statements

## 15. Financial instruments and financial risk management

**Financial instruments** recognised in the balance sheet include cash balances, trade and other receivables, trade and other payables and employee entitlements.

The following table shows the designation of the Group's financial instruments:

	2017			2016		
	Loans and receivables	\$'000's Financial liabilities at amortised cost	Total carrying value	Loans and receivables	\$'000's Financial liabilities at amortised cost	Total carrying value
<b>Financial assets</b>						
Cash and cash equivalents	2,730	-	2,730	5,292	-	5,292
Trade and other receivables	969	-	969	1,871	-	1,871
<b>Total financial assets</b>	<b>3,699</b>		<b>3,699</b>	<b>7,163</b>		<b>7,163</b>
<b>Financial liabilities</b>						
Employee entitlements	-	228	228	-	208	208
Trade payables	-	1,051	1,051	-	803	803
Accrued expenses	-	199	199	-	245	245
<b>Total financial liabilities</b>	<b>-</b>	<b>1,478</b>	<b>1,478</b>	<b>-</b>	<b>1,256</b>	<b>1,256</b>

**Financial risk factors.** The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risks which arises in the normal course of the Company and Group's business.

### Credit risk

Financial instruments which potentially subject the Group to credit risk principally consist of cash and cash equivalents, and trade and other receivables. All cash and cash equivalents in New Zealand are held with high credit quality counterparties, being trading banks with "AA-" grade or better credit ratings, and "A+ to A++" grade in the USA. The Group does not require collateral or security from its trade receivables. The Group performs credit checks and continuously monitors the credit quality of its larger trade receivables and does not anticipate any non-performance of those customers. There were no impaired trade receivables.

Maximum exposure to credit risk at balance date:

	Group	
	2017	2016
	\$'000's	\$'000's
Cash at bank	2,730	5,292
Trade and other receivables	969	1,871
<b>Total</b>	<b>3,699</b>	<b>7,163</b>

# Notes to the consolidated financial statements

## 15. Financial instruments and financial risk management (continued)

### Liquidity risk

Liquidity risk is the risk that the Group cannot pay contractual liabilities as they fall due. Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration the Group's forward financing plans and commitments. Based on this the Group believes that it has sufficient liquidity to meet its obligations as they fall due for the next 12 months. The following table sets out the undiscounted cash flows for all financial liabilities of the Group:

	2017			2016		
	Contractual cash flows	6 months or less	No stated maturity	Contractual cash flows	6 months or less	No stated maturity
Employee entitlements	228	-	228	208	-	208
Trade payables	1,051	1,051	-	803	803	-
Accrued expenses	199	199	-	245	245	-
<b>Total financial liabilities</b>	<b>1,478</b>	<b>1,250</b>	<b>228</b>	<b>1,256</b>	<b>1,048</b>	<b>208</b>

### Foreign currency risk management

The Group is exposed to foreign currency risk on its sales that are denominated in a currency other than the Group's presentation currency. The foreign currency in which sales transactions are primarily denominated is U.S. dollars (USD). The Group currently does not hedge its exposures arising from its transactions denominated in a foreign currency.

At 31 March 2017, had the local currency strengthened / weakened against the USD by 10% the pretax loss would have been (higher)/lower as follows;

	Carrying value of FX Impacted financial instruments		
	\$'000's	+10%	-10%
Cash and cash equivalents	USD 197	(26)	31
Trade and other receivables	USD 643	(83)	102
Trade and other payables	USD 648	79	(108)
Intercompany balance foreign	USD 14,568	1,890	(2,310)

### Interest rate risk management

The Group's interest rate risk arises from its cash balances. The Group currently has no significant exposure to interest rate risk other than in relation to the amount held at the bank. A reasonably expected movement in the prevailing interest rate would not materially affect the Group's financial statements.

# Notes to the consolidated financial statements

## 16. Capital management

The capital structure of the Group consists of equity raised by the issue of ordinary shares in the Company. The Group manages its capital to ensure the entities in the Group are able to continue as a going concern. The Group is not subject to any externally imposed capital requirements.

The Group's aim is to maintain a sufficient capital base so as to maintain investor and creditor confidence and to sustain future development of the business.

The Group's strategy in respect of capital management is reviewed regularly by the Board of Directors. There have been no material changes in the Group's management of capital during the year.

## 17. Fair value estimation

The fair value of the Group's financial assets and liabilities does not materially differ from their carrying value due to their short maturities.

The Group has no financial instruments measured at fair value.

## 18. Commitments

	Group	
	2017	2016
	\$'000's	\$'000's
Non-cancellable operating leases		
Less than one year	407	435
Between one and five years	263	671
More than five years	-	-
<b>Total</b>	<b>670</b>	<b>1,106</b>

Operating leases are in relation to rented premises, computers and photocopiers.

The Group advises there are no contingencies.



# Notes to the consolidated financial statements

## 19. Cash used in operations

	Year ended 31 March Group	
	2017 \$'000's	2016 \$'000's
<b>Loss for the year</b>	<b>(10,727)</b>	<b>(8,836)</b>
Less Investment interest received	(85)	(468)
<b>Non-cash items included in net loss</b>		
Depreciation	440	243
Amortisation of intangible assets	1,532	1,064
Deferred tax expense	9	(7)
Share option expense	307	161
Foreign exchange (gains)/losses	135	(280)
	<b>2,338</b>	<b>713</b>
<b>Add/(less) movement in working capital items</b>		
Decrease/(Increase) trade and other receivables	945	(1,218)
Decrease/(Increase) in inventories	(1,564)	(122)
Decrease/(Increase) in prepayments	(295)	(236)
Increase/(Decrease) in trade and other payables	202	211
Increase/(Decrease) in deferred revenue	60	(453)
Increase/(Decrease) in employee entitlements	20	91
	(632)	(1,727)
<b>Net cash used in operating activities</b>	<b>(9,021)</b>	<b>(9,850)</b>

## 20. Basic and diluted earnings per share

	2017 \$'000's	2016 \$'000's
Total loss for the year attributable to the owners of the parent	(10,727)	(8,836)
Ordinary shares issued (weighted average)	58,538,899	50,357,352
Loss per share	-\$0.18	-\$0.18

The potential shares are anti-dilutive in nature. The diluted loss per share is therefore the same as the undiluted EPS at (\$0.18) and (\$0.18) for the respective periods.

## Notes to the consolidated financial statements

### 21. Share based payments

Share options are granted to directors and selected employees. Options outstanding at 31 March 2017 have a contractual life from grant date of between 2.5 and 4.25 years. Options can be exercised at any time after vesting and unexercised options expire if the employee leaves the Group. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related average exercise prices are as follows:

	2017		2016	
	Average Exercise Price	Options ('000's)	Average Exercise Price	Options ('000's)
<b>At 1 April</b>	\$1.00	2,435	\$0.94	2,875
<b>Granted</b>	\$0.65	800	\$0.77	490
<b>Forfeited</b>	\$0.90	(570)	\$0.72	(420)
<b>Exercised</b>	\$0.01	(150)	\$0.65	(510)
	<b>\$0.97</b>	<b>2,515</b>	<b>\$1.00</b>	<b>2,435</b>

Out of the 2,515,000 outstanding options (2016: 2,435,000), 1,971,663 (2016: 1,344,004) had vested and were exercisable at 31 March 2017.

#### Options outstanding

Share options outstanding at the end of the year have the following expiry date and exercise price.

Year Granted	Expiry date	2017			2016	
		Options exercise price	Number of options ('000's)	Term remaining (years)	Number of options ('000's)	Term remaining (years)
2013	31 Dec '17	\$0.80	25	0.75	25	1.75
2014	31 Dec '17	\$0.99 - \$1.10	1,610	0.75	1,870	1.75
2014	31 Dec '17	\$0.01	-	-	150	1.75
2015	31 Dec '17	\$0.88 - \$1.10	270	0.75	390	1.75
2016	30 Sep '18	\$0.72	80	1.5	-	-
2016	31 Dec '18	\$0.70	100	1.75	-	-
2016	31 Mar '19	\$0.63	430	2	-	-

# Notes to the consolidated financial statements

## 21. Share based payments (continued)

### Measurement of fair value

The Company determined the fair value of options issued using the Black Scholes valuation model. The significant inputs to the model were:

	2017	2016
Fair value of options issued in the year	\$0.12, \$0.13, \$0.15	\$0.02, \$0.06, \$0.61
Weighted average share price	\$0.64	\$0.63
Exercise price	\$0.63 - \$0.72	\$0.01, \$0.88 - \$1.10
Volatility	30%	30%
Dividend yield	Nil	Nil
Risk free interest rate	2.27%	2.97%

The volatility rate used in the calculation (30%) has been based on the volatility of comparable companies.

## 22. Related parties

### Key management compensation

	Group	
	2017	2016
	\$'000's	\$'000's
Short term benefits to directors and senior management	2,858	2,128
Share option expense; directors and senior management	293	157

Key management are identified as the Chief Executive Officer, Chief Technology Officer, Chief Financial Officer, Chief Marketing Officer, VP Marketing, VP Sales, SVP Utilities, EVP Engineering Operations, Chief Marketing Officer (until Oct 16) and the Directors. In the prior year 6 individuals comprised the key management. This has increased to 8 explaining the increase in compensation.

## 23. Subsequent events

There were no events subsequent to balance date.