ike GPS

Get the measure of your world

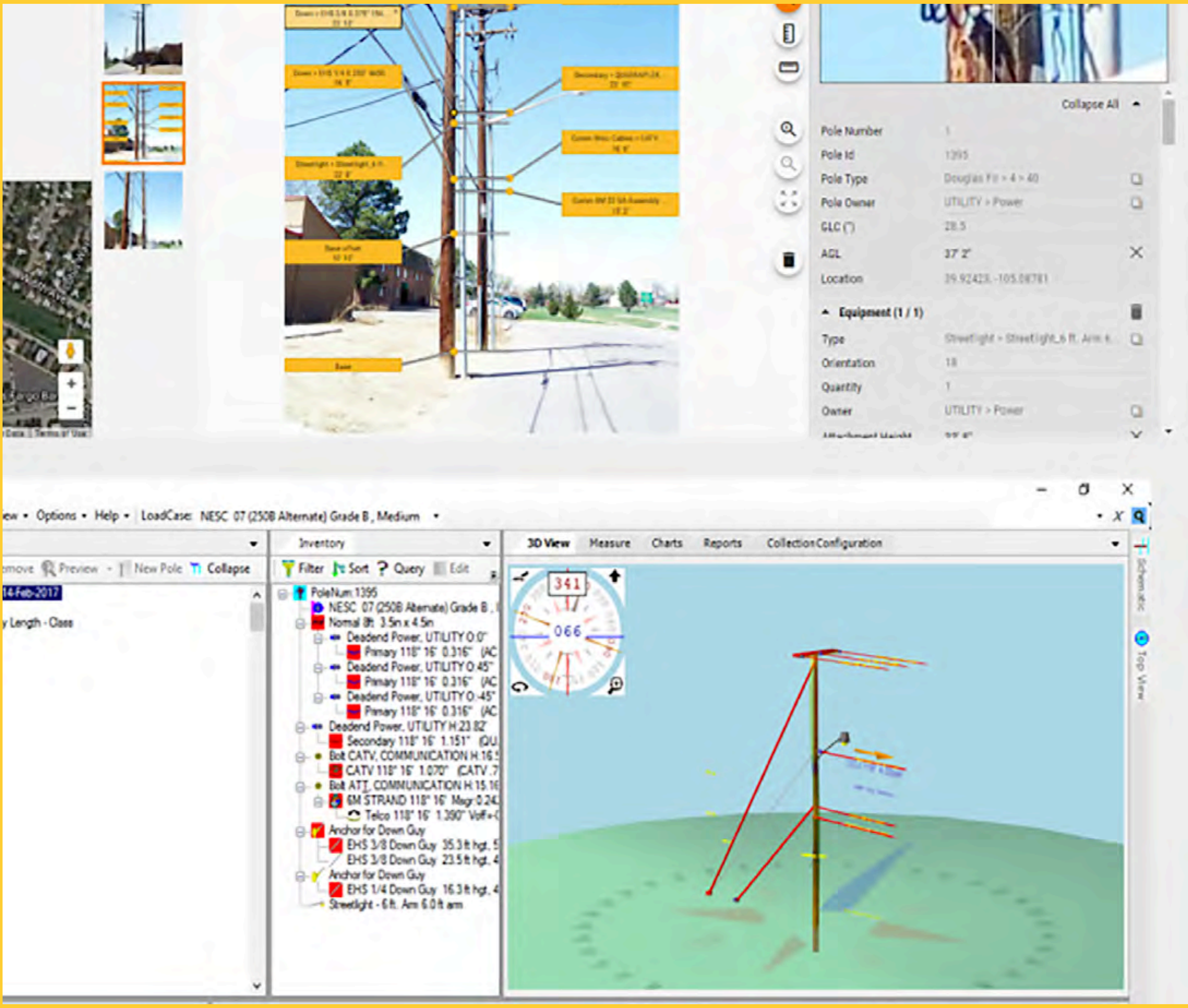
Contents

WE BELIEVE WE CAN CHANGE HOW THE WORLD IS MEASURED.


MINE
1889
DAVIS
THE OLD MINE

"The IKE 4 Cloud today manages more than four million poles captures, and is growing exponentially"

IKE 4 Cloud: converting raw field data into network information



Chairman's & CEO's Report

Rick Christie

Glenn Milnes

Performance

FY18 was a positive year for our business with growth and improvement across all key metrics. As importantly our core target market continued to develop, being tier-1 U.S. communications companies, electric utilities and their engineering service providers. Success with these accounts is a long term value driver for our business.

In terms of financial performance, recognised revenue of $7.7m was approximately 37% higher against the FY17 prior comparative period (PCP) of $5.7m. In addition to this recognized revenue number, there was deferred IKE 4 revenue of $1.2m, relating to IKE 4 subscriptions paid in advance by customers. This revenue element is expected to grow over the coming periods. Operating cash flow targets were met with $2.8m operating cash used in the 12-month period, a 69% or $6.2m improvement against PCP (FY17 $9.0m operating cash used). The company was approximately $1.2m operating cash flow positive for Q4 FY18, impacted by some positive timing differences on receipts and payments, and was approximately $0.25m operating cash flow negative for 2H FY18. We had approximately $2.6m cash on hand at the end of the period. Gross margin in FY18 grew to $4.0m, 76% higher against PCP (FY17 $2.3m), reflecting the shift to increasing sales of our higher margin IKE-branded products. We also note that FY18 gross margin was impacted by non-cash charges of $420k. IKE-branded products consolidated margin (adjusted for these write-offs) was approximately 64%. Operating Expenses for FY18 were $10.8m, a reduction of $2.4m against PCP, reflecting our tight focus on operating cost control at the same time as growing revenue and margin. Our net loss after tax for the period was $6.7m, a 37% improvement against PCP (FY17 $10.7m). In terms of trend, our 2H FY18 net loss of $2.3m was a 48% improvement against 1H FY18, further reflecting the positive momentum of operating performance across the company.

Customers developing positively, and significant market tailwinds for IKE 4

As we have consistently communicated a key value driver for IKE is the development of IKE 4 target accounts, typically the largest communications companies and electric utilities operating in the North American market. Through FY18 we were pleased to close record IKE 4 sales, with $5.0m revenue generated from a total of 476 systems sold (including 46 rental contracts), and with $1.2m additional deferred revenue from IKE 4 subscriptions. This represented 110% system volume growth against PCP (FY17 210 systems) and included a record 243 IKE 4 systems shipped 2H FY18.

Most important however was the in-market progress with these target accounts. This included sales and deployment into AT&T Inc., the largest communications company in the U.S., Verizon Communications Inc., the second largest communications company in the U.S., Cox Communications Inc., a national fiber operator, and some other key communications businesses. The IKE 4 platform has now also been sold into all investor-owned utilities in the States of California and Washington. These large infrastructure owners also typically use external engineering firms to manage some of their network, making this group the third target customer category for IKE 4. FY18 saw the growth of sales into this category, with one engineering services group growing to have approximately 80 IKE 4 systems deployed by the end of the period.

Sales of Spike, our mobile solution, were steady against FY17 with approximately $1.2m revenue from 2,206 total units shipped primarily into the Signage market (against PCP unit volume of 2,077). This was a softer outturn than had been expected at the beginning of the period, mainly due to a two quarter delay getting to market with Esri Inc. as a joint-solution partner to address enterprise customers in the geospatial industry. A positive aspect in this regard was the announcement in Q4 FY18 of Esri Inc., the most dominant GIS software company globally, as our new solution partner and reseller. We believe this new joint-solution and go-to-market approach will help to shift Spike sales from smaller volume deals with signage shops to larger volume sales opportunities to enterprise - type accounts.

As we look ahead to FY19 and beyond, it is notable that market tailwinds have emerged specific to the IKE 4 solution, with US$200B forecast to be invested into competing fiber networks over the coming decade in the U.S. Simplistically the IKE 4 solution allows customers to assess and deploy a network faster, and as such we are seeing heightened interest in the IKE 4 offering as a result, particularly from the communications groups as the project funders. The approximately 3,200 electric utilities in the US market remain the big prize for IKE 4 in long term. While these companies tend to be slower to adopt new technology generally, the joint-use activity from the above fiber network deployments is providing IKE with access into more electric utilities who are sharing their distribution assets with fiber providers.

Product development activity tied closely to market requirements

Through the period the IKE 4 solution was expanded so to solve additional pole-specific engineering problems for our customers and so to increase the potential revenue that we can generate per account. This included the development, sales and deployment of IKE Analyze in 2H FY18. Additional new product features have included new advanced pole structural analysis.

On the Spike side, our engineering focus through the year was on the development of an SDK – to allow Spike to be fully integrated into the software of potential partners. The launch of Spike's SDK has enabled us to explore partnerships with several incumbent software businesses in industries where we believe Spike will add value and where the target customers are large enterprises. The first such partner resulting from this has been Esri Inc. specific to the Geospatial market.

Outlook for growth

On the back of FY18 progress, and in particular the advancement with IKE 4 target accounts operating in the U.S. communications and electric utility market, we are cautiously optimistic that FY19 can be another strong year. Our expectations are for greater than 30% revenue and gross margin growth against FY18 and within this IKE 4 revenue is expected to be driven from the delivery of a fuller solution, including increasing sales of the new IKE Analyze product platform. We expect to be operating cash flow breakeven for FY19, continuing the positive trend of the past two years, and to transition to EBITDA breakeven by Q4 FY19. Management intends to maintain tight control over operating expenditure, which we expect will be similar in absolute dollar terms against FY18. Within overall costs, sales and marketing costs are expected to be higher than FY18, as investment toward growing existing customers and market share continues, whereas engineering and corporate costs will decrease relative to FY18.

Conclusion

We concluded FY18 well, improving all key performance metrics across the business, and this gives us confidence that FY19 can be a stronger period again for both the IKE 4 solution in the U.S. communications and electric utility market and for Spike sales into the signage and geospatial verticals. Our IKE 4 solution has proven that it delivers a compelling ROI when deployed at volume across target enterprise accounts, such as AT&T Inc., and this efficacy should enable us to more quickly win new contracts across several more of the largest communications and electric utility businesses in the U.S. market. The ultimate revenue opportunity within these target accounts is substantial and we believe that the market tailwinds detailed above provides us with the opportunity to take a leading position in pole measurement & pole management. We do continue to face the same market and execution risks as we've outlined in the past – particularly that sales cycles into these very large infrastructure owners can be lumpy and at times it can be difficult to accurately predict the timing for deals and contracts to conclude. Our vision is to put IKE solutions at the centre of every pole transaction and while we operate in defensive and slow-moving industries, typified by very large infrastructure businesses, we have made progress through FY18 by embedding our products into target accounts and in doing so developing a more diversified, recurring revenue stream. Our Spike solution, if successful, provides for additional option value as we focus on sales into the signage and now geospatial markets.

Overall, and we remain focused on delivering value-added growth for our customers and shareholders.

Rick Christie
CHAIRMAN
IKE GPS GROUP
30 JUNE 2018

Glenn Milnes
CEO & MANAGING DIRECTOR
IKE GPS GROUP
30 JUNE 2018

Improvement across all key metrics in FY18

FY18 was a positive period for the company, not only because of our growth and improved operating metrics, but also because of the progress we made in-market with target accounts within our core IKE 4 business.

Our core value-driver is to develop and sell end-to-end solutions into the Communications and Electric Utility markets for the collection, analysis and management of distribution networks. As outlined further in this annual report, we are cautiously optimistic about the potential to continue to grow and establish IKE as a standard for these markets.

Positive Operating Results FY18

Our financial performance showed improvement through the period across all key metrics, alongside the important strategic progress that was made in-market with IKE 4 target accounts. Pleasingly, positive trends continued across each of revenue, gross margin, and operating cash profiles.

	Year ended 31 March Group	
	2018	2017
Continuing operations	$'000's	$'000's
Operating revenue	7,732	5,655
Cost of sales	(3,754)	(3,397)
Gross profit	**3,978**	**2,258**
Other income	125	185
Operations cost	(477)	(860)
Sales and marketing expenses	(3,231)	(3,229)
Research and engineering expenses	(3,019)	(4,867)
Corporate costs	(4,011)	(4,139)
Foreign exchange (losses)/gains	(71)	(135)
Expenses	**(10,809)**	**(13,230)**
Operating loss	**(6,706)**	**(10,787)**
Net finance income	(20)	69
Net loss before income tax	**(6,726)**	**(10,718)**
Income tax (expense)/credit	(6)	(9)
Loss attributable to owners of ikeGPS Group	**(6,732)**	**(10,727)**
Other comprehensive loss		
Items that may subsequently be recognised through profit or loss		
Exchange differences on translation of foreign operations	(31)	98
Comprehensive loss	**(6,763)**	**(10,629)**

37% growth against PCP

Gross Profit Improvement 51% versus PCP 40%; Increased IKE-branded products and services

$2.4m improvement against PCP

37% improvement against PCP

With focused opex and working capital management

We have maintained a strong focus on the management of costs and increasing employee productivity relative to our growth and operating cash objectives. The FY18 period saw a lean operating porfile maintained together with the realization of some balance sheet and working capital efficiencies.

	Year ended 31 March Group	
	2018	2017
	$'000's	$'000's
Cash flows from operating activities		
Cash receipts from customers	8,458	6,846
Cash paid to suppliers and employees	(11,241)	(15,851)
Interest paid	(26)	(16)
Net cash generated from operating activities	**(2,809)**	**(9,021)**
Cash flows from investing activities		
Purchases of property, plant and equipment	(26)	(271)
Additions to intangible assets	(1,224)	(1,035)
Interest received	6	85
Net cash used in investing activities	**(1,244)**	**(1,221)**
Cash flows from financing activities		
Proceeds from issuance of shares on listing	4,011	7,758
Net cash from financing activities	**4,011**	**7,758**
Net (decrease)/increase in cash and cash equivalents	(42)	(2,484)
Cash and cash equivalents at 1 April	2,730	5,292
Effect of exchange rate fluctuations on cash held	(102)	(78)
Cash and cash equivalents	**2,586**	**2,730**

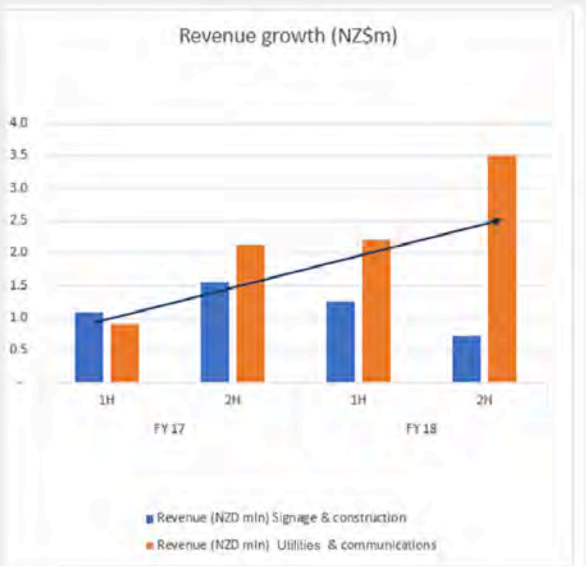
Increased volume of IKE-branded products and services

OPEX reduction combined with Supply Chain efficiencies

Continuing to invest in development

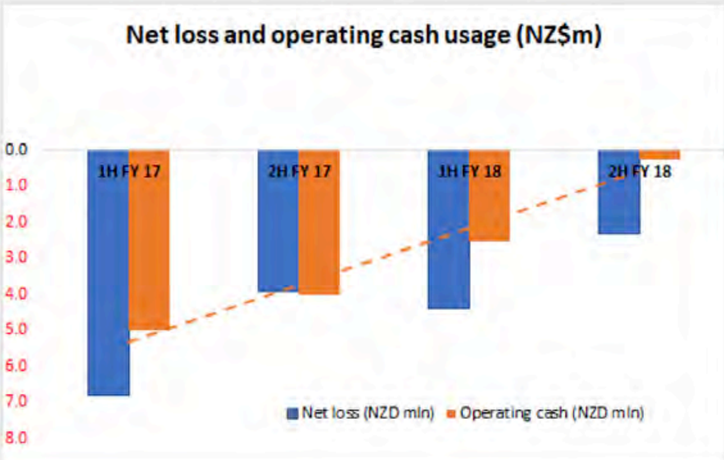
Positive revenue and gross margin momentum

Revenue and gross margin from our core IKE 4 business (labelled as 'Utilities and communication' in the chart below) have continued to grow over the past four reporting periods. Increasing levels of recurring software revenues from IKE 4 subscriptions from this segment (not visible in this chart) is another positive aspect of the development of this market.



And significantly improved net loss and operating cash profile

The combination of increasing revenue and increasing gross margin together with active management of our operating costs has resulted in significantly improved net loss and operating cash profiles. The company is targeting to continue this trend and be operating cash breakeven for FY19.



Outlook and KPI's for FY19

Several KPI's as relate to FY19 are set out below:

Metrics/factor	Expectation at commencement of FY19
Revenue and gross margin growth	Greater than 30% revenue growth against FY18: IKE 4 revenue components to be from the delivery of a fuller solution: New IKE 4 system sales Recurring subscriptions from existing customers IKE Analyze sales Noting that no FY19 revenue is expected from Stanley Smart Measure Pro sales, the OEM mobile product.
Cash	Operating cash flow breakeven for FY19.
EBITDA	EBITDA breakeven by Q4 FY19.
Operating expenditure	Operating costs will be similar in absolute dollar terms against FY18. Sales and marketing costs will be higher than FY18, as investment toward growing existing customers and market share continues. Engineering and corporate costs will decrease relative to FY18.

Metrics/factor	Expectation at commencement of FY19
Maximizing revenue & profit from the opportunity for IKE 4 in the Communications market	A significant opportunity is in front of IKE specific to the U.S. Communications market, addressable over the coming c 48 months with respect to IKE4 sales into the top ten U.S. Communications operators. IKE may have the opportunity to invest in additive growth activities at the appropriate time to: Build or acquire software capability to add further value to the IKE4 solution, that can increase the potential revenue opportunity within target accounts. Accelerate sales and business development processes specific to these ten target accounts. More fully resource IKE 4 deployments, post-sales account management & customer success activities, to de-risk the adoption process and maximize long term account value. Fund working capital growth commensurate with sales growth.
Sales cycle	Operating cash flow breakeven for FY19. Increasing recurring subscription revenues will continue to smooth revenue and gross margin profiles. New business development wins may have some lumpiness, reflecting the sales cycles to onboard target accounts and shift customer work practices away from incumbent methods.
Market communication cadence	IKE will report KPI's and other core metrics to the market quarterly, noting IKE's view that the primary value driver in the medium term will be progress with target IKE 4 accounts rather than a quarterly IKE 4 unit volume.

IKE solutions at a glance:

IKE 4

Our go-to-market approach with IKE 4 is direct sales and direct customer support & deployment services, as a complete solution provider. We are targeting the largest of the approximately

- 200 North American Communications companies:
- 3,200 North American Electric Utility operators
- 1,000 North American engineering businesses performing network maintenance for the above infrastructure owners.

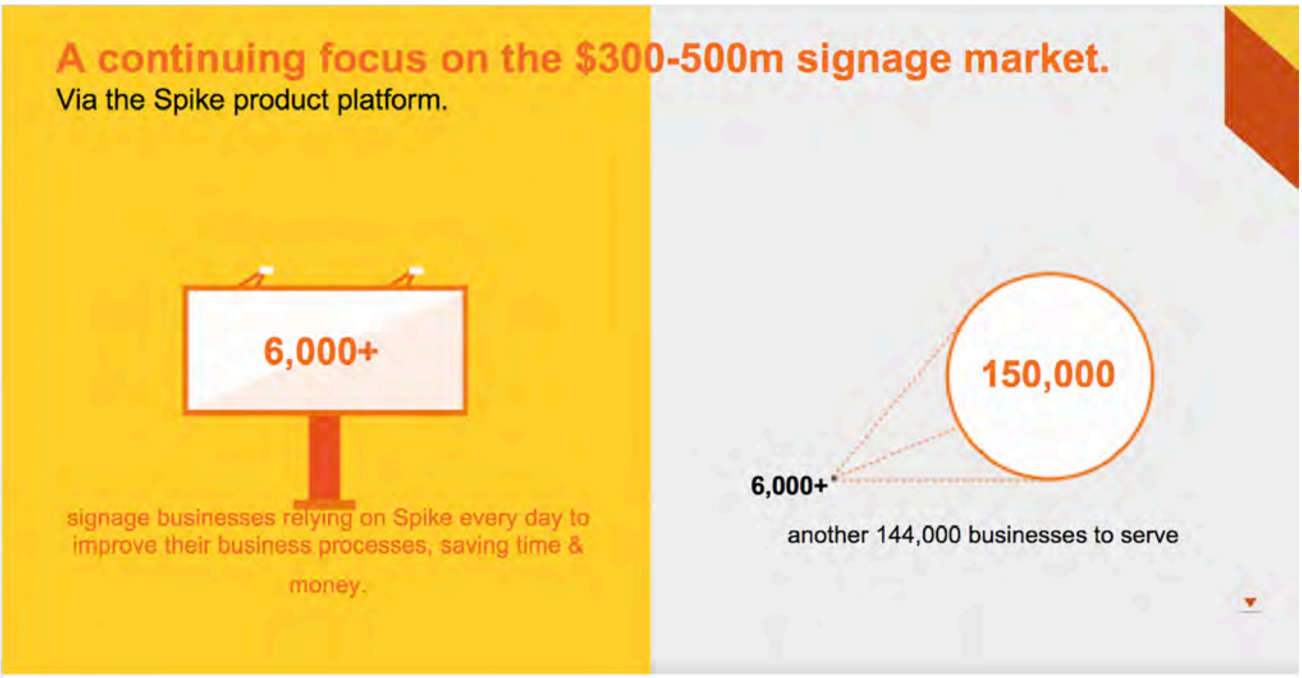
This remains a high touch sales process and, as might be expected with infrastructure-oriented customers, the sales cycles for IKE 4 solutions are longer. But the stickiness of the solution is significant and the overall market is large, growing and underserved. These customers experience compelling return on investment from IKE 4 – efficiency, speed, safety, verification of data, and integration capability.

From a product perspective, IKE 4 is positioned a full solution:

Spike

Our go-to-market approach with Spike differs from IKE 4, with in-direct sales via geographically focused resellers and zero-touch e-commerce sales via the ikegps.com store. With Spike we are currently targeting:

- Approximately 150,000 global Signage businesses
- Geospatial enterprise accounts, that are Esri software users. Initially the focus within this segment is U.S. Department of Transportation groups and Local Governments customers.



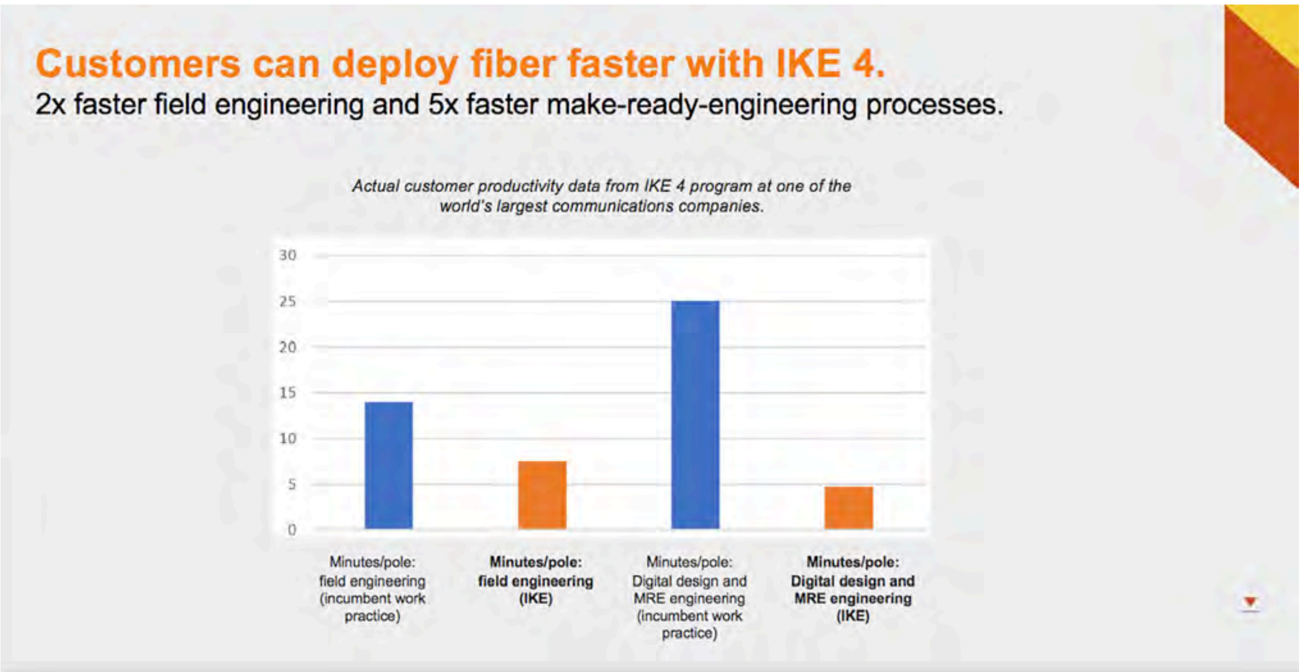
From a product extension perspective, the new joint Spike solution with Esri as released Q4 FY18 consists of an integration between Spike's mobile app and Esri's mobile app, called Survey123.

Momentum and growth opportunities:

A US$200B tailwind for IKE 4 in the U.S. Communications market.

We believe that a significant market opportunity exists for IKE over the next 48 months resulting from the expected US$200B fiber investment super-cycle into largely overhead fiber networks. This provides an extraordinary market tailwind for the IKE 4 solution that simplistically enables Communications companies to deploy their network faster and at higher quality.

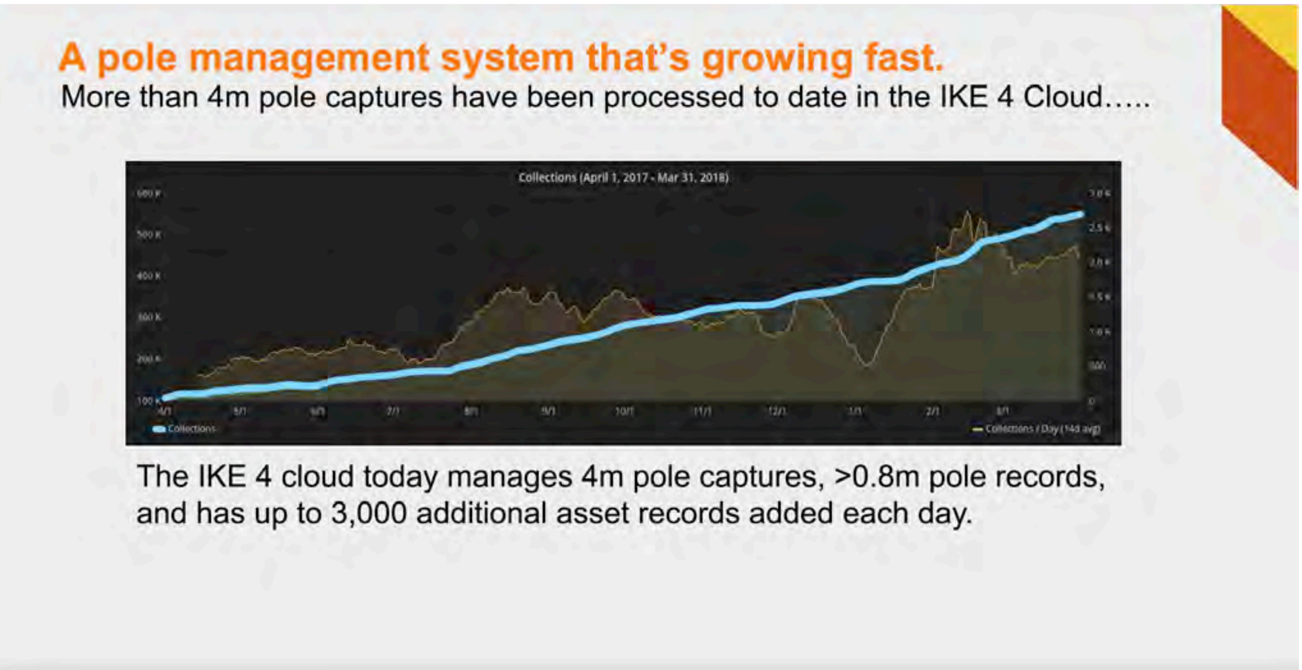
This efficiency gain can be seen in the below chart showing real-world data from 'pre-IKE 4' and 'post-IKE 4' engineering practices.



While IKE is only one part of the overall fiber construction process, speed of make-ready engineering is a primary pain point that provides a clear incentive for market participants to engage with IKE. A bottoms-up view of 10-20 U.S. Communications companies, engaged with IKE either as a customer won in FY18 or as an active sales prospect, indicates a large potential revenue opportunity is directly in front of our business.

And by winning any Communications-type customer, IKE is capturing the asset records of the pole-owner to which they have attached their network. Often this is an Electric Utility, and the approximately 3,200 electric utilities in the U.S. remain the big prize for IKE in the long run. Consequently IKE's near term sales focus, aside from the Communications & Fiber players, are the Joint-Use departments within Electric Utilities - who are under market and regulatory pressure to efficiently process approvals for pole attachment requests from the Communications & Fiber operators.

And we are seeing our pole management system grow exponentially, with more than four million pole captures now processed in the IKE 4 Cloud.



IKE's go-to-market approach is direct-sales, direct services and direct support, as a complete solution provider.

Meet the Management Team

Glenn Milnes
MBA (Dist.), BSc (Hons), B PhD
CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR

Glenn has been alongside ikeGPS from the company's earliest days, where he is responsible for the company's overall strategy and growth. He joined ikeGPS from No 8 Ventures – New Zealand's leading technology investor, where he had executive and board roles for a number of technology companies. Prior to that he held senior strategy and corporate development positions with Cable & Wireless International, in London, U.K.

Leon Toorenburg
BSc, BE
CHIEF TECHNOLOGY OFFICER

The founder and inventor of IKE, Leon brings deep GIS and GPS product and market knowledge, extensive customer relationships and unparalleled industry networks. He has a BSc and BE Honours in electrical engineering from the University of Canterbury and holds several US patents.

Dr. Richard Mander
PhD, MA, BA (Hons)
CHIEF OPERATING OFFICER

Richard has extensive experience turning unique technology into innovative products. His career includes roles as Engineering Group Manager at Apple, CTO at Navman, CEO of HumanWare and VP Product Management at Contour. Richard has a Ph.D. from Stanford University and in 2004 was named World Class New Zealander for achievements in technology.

Chris Birkett
BCA, CA
CHIEF FINANCIAL OFFICER

Chris brings extensive public company and international business experience from financial leadership roles in growth and listed companies. These include as CFO at Nasdaq-listed RockShox Inc., CFO of General Cable Asia Pacific and Managing Director of General Cable Oceania.

Mike McGill
BSc
SENIOR VICE PRESIDENT, UTILITY & COMMUNICATION BUSINESS UNIT

Mike is the senior vice president of ikeGPS' Communications & Utilities business unit. Prior to joining ikeGPS, Mike served as the senior vice president of sales at Navagis and spent six years at DigitalGlobe in director- and vice president-level positions for the spanned commercial and defense segments.

Directors Report

BOARD

Rick Christie

(MSc (Hons) Chemistry)
CHAIRMAN AND INDEPENDENT DIRECTOR

Rick Christie is the former Chairman of Ebos Group. Experience as a director on a number of other major boards, including TVNZ. Previously CEO of investment company Rangatira Ltd. 21 years' management experience in the international oil & gas industry.

Dr Bruce Harker

(PhD Electrical Engineering, BE (Hons))
INDEPENDENT DIRECTOR

Bruce Harker is currently Director of H.R.L. Morrison & Co's Energy Group, and Chairman of ASX listed Tilt Renewables. He is the ex-Chairman of NZX listed TrustPower and Z-Energy.

Alex Knowles

DIRECTOR

Alex Knowles has investing and operating experience with international companies in the information technology and transportation industries. He was formerly Chief Operating Officer of the largest international freight forwarder and small parcel consolidator in the U.S.

Glenn Milnes

(BSc (Hons), MBA (Dist.), B PhD)
MANAGING DIRECTOR AND CHIEF EXECUTIVE

Prior to leading ikeGPS, Glenn Milnes previously held senior investment, strategy and corporate development positions with No 8 Ventures and Cable & Wireless International.

Fred Lax

(MSEE AND BSEE)
INDEPENDENT DIRECTOR

Fred Lax is an executive leader with extensive global experience in the telecommunications industry, as well as related technologies . He is a former director of NASDAQ listed Ikanos Communications Inc. (acquired by Qualcomm Atheros), and former Chief Executive Officer and President of Tekelec Inc.

Corporate Governance

Corporate Governance Information

On IKE's investor relations website (ikegps.com/investors), you will find the following corporate governance documents referred to in this section:

- Constitution
- Corporate Governance Code
- Code of Ethics
- Diversity Policy
- Securities Trading Policy
- Continuous Disclosure Policy
- Nominations and Remuneration Committee Charter
- Audit and Risk Management Committee Charter

Corporate Governance Statement

ikeGPS Group Limited is a New Zealand company. Its shares are quoted on the New Zealand Stock Exchange (NZX) and Australian Securities Exchanges (ASX). IKE became a foreign exempt listed issuer on ASX in September 2016. IKE is reporting against the Principles and Recommendations in the NZX Corporate Governance Code 2017 (the NZX Code).

NZX Code

Principle 1

Code of Ethical Behaviour: Directors should set high standards of ethical behavior, model this behaviour and hold management accountable for delivering these standards throughout the organisation

Code of Ethics

IKE has a Code of Ethics, setting out the ethical and behavioural standards expected of Directors of IKE, and of IKE staff. Directors and staff are also expected to uphold the IKE values.

Whistleblowing

IKE Code of Ethics includes specific direction on action to be taken by a person who suspects a breach of the Code.

Avoiding conflicts of interest

The Board is updated at each meeting on changes in Directors' interests and any potential conflicts. The register records relevant transactions and Directors' disclosures of interests. A current listing of Directors' interests is found on page 22.

Trading in securities

IKE Directors are restricted from trading in IKE shares under New Zealand law and by IKE's Security Trading Policy . This policy applies to both Directors and designated senior employees. The policy details "blackout periods" where trading is forbidden, as well as a process for authorisation at other times.

The Directors current shareholdings are set out on page 23.

Principle 2

Board composition and performance: To ensure an effective Board there should be a balance of independence, skills, knowledge, experience and perspectives.

Board composition

The structure of IKE's Board and its governance arrangements are set out in the Company's Constitution, and in the Board's written Charter setting out the Board's roles and responsibilities. The management and control of the business of IKE is vested in the Board. The Charter sets out the matters reserved for the Board's decision making including (amongst other key matters) the establishment of the Company's overall strategic direction and strategic plans.

Management is responsible for implementing the strategic objectives, operating within the risk appetite the Board has set, and for all other aspects of the day-to-day running of the Company.

The Board delegates the day-to-day leadership and management of the Company to the CEO. The delegations are set out in the Board Charter and in a Delegated Authority framework, which also sets out authority levels for types of commitments that the Company's management can make.

The Board consists of four non-executive Directors and one executive Director.

1. Rick Christie (Independent, Non-executive Chairman),
2. Bruce Harker (Independent, Non-executive Director),
3. Alex Knowles (Non-executive Director),
4. Fred Lax (Independent, Non-executive Director),
5. Glenn Milnes (Not Independent, Chief Executive Officer and Managing Director)

Peter Britnell was a Director until August 2017, resigning after 11 years of excellent service as a Director

Profiles of the Directors can be found on page 15.

The nominations committee identifies and recommends to the Board, individuals for nomination as members of the Board and its committees taking into account such factors as it deems appropriate including experience, qualifications, judgement and the ability to work with other Directors.

Board meetings

Between 1 April 2017 and 31 March 2018, seven Board meetings were held including two strategy meetings. All meetings were attended by all Directors (or committee members) as appropriate.

Board composition

The Board formally considers its composition each year at an annual performance review. The Directors believe the respective skills and experience of individual Directors to be complementary, appropriate for the Company, balanced and reasonably diverse. IKE's Directors have expertise and experience in strategy development, executive leadership, acquisitions and divestment, technology, data, corporate responsibility, governance, legal and regulatory matters, public policy, and finance. One-third of the Directors retire by rotation annually in accordance with the applicable listing rules.

Diversity Policy

The Company fosters an inclusive working environment that promotes employment equity and workforce diversity at all levels, including within the executive team and Board. The Diversity Guidelines are available on the investor relations website.

A gender breakdown of Directors and officers of the Company and its subsidiaries as at 31 March 2017 and 31 March 2018 are detailed below. For the purposes of accurate disclosure Glenn Milnes and Leon Toorenburg are shown both as a Director and an Officer.

	2018	2017
Directors		
Male	6	7
Female	-	-
Officers		
Male	5	5
Female	-	-

Director independence

The Board Charter requires that at least two Directors be independent and sets out circumstances in which a Director will not be regarded as independent.

The Board assesses Director independence against the criteria in the Charter. The Board consider the following Directors to be independent at present, Rick Christie, Bruce Harker, and Fred Lax.

Director training

Each Director undertakes appropriate education to remain current in how to best perform their duties as Directors. Individual Directors may maintain membership of relevant bodies such as the Institute of Directors and receive information independently and from management in relation to specific issues relevant to IKE, the markets in which it operates, or to NZX and ASX listed companies generally.

Board performance

Annually the Board reviews how it is performing. The review process comprises a group self-evaluation relating to Board and committee composition and performance. The Board has found this effective and believe it has helped to refine IKE's strategy setting processes, and the information provided in the Board papers. The Board is satisfied that the Board and its committees are operating well and that the performance process used are both effective and suited to the company.

Principle 3

Board committees: The Board should use committees where this will enhance its effectiveness in key areas while still retaining Board responsibility.

The Board committees review and consider in detail the policies and strategies developed by management. They examine proposals and make recommendations to the Board. They don't take action or make decisions on behalf of the Board unless specifically mandated to do so.

During the FY18 year IKE's standing Board committees were the;

- Audit & risk management committee
- Remuneration committee

Audit & Risk Management committee:

Fred Lax (chair) and Bruce Harker.
The committee members are independent Directors. In accordance with the NZX Code the Audit & Risk Management committee is chaired by an independent Director, Fred Lax, who is not the Chair of the Board.

The committee's Charter is set out on the investor relations website. The committee met three times in the year to 31 March 2018. Management attend meetings only at the invitation of the committee, and at least annually the committee meets with the external auditors with managementexcluded.

Remuneration committee:

Rick Christie (chair) and Bruce Harker.
The committee members are independent Directors. The committee met on four occasions in the year to 31 March 2018. This committee has oversight of matters of recruitment, retention and remuneration.

Other committee matters

The Board will occasionally appoint a committee of Directors to consider or approve a specific proposal or action, if the timing of meetings or availability of Directors means the matter cannot be considered by the full Board. Their deliberations and decisions are reported back to the Board not later than the next meeting following.

The Board considered in FY18 the required protocols that would apply in the event IKE received notice of a takeover offer, including the establishment of a committee of independent Directors to oversee the offer, takeover specialist advice and ensure compliance with all the company's obligations under the Takeovers Code. IKE has not formally documented those protocols but proposes to do so.

Principle 4

Reporting and disclosure: The Board should demand integrity in financial reporting, non-financial reporting and in the timeliness and balance of corporate disclosures.

Financial reporting

The Board is responsible for ensuring the integrity of the Company's reporting to shareholders, including for financial statements that comply with generally accepted accounting practice. The Board's Audit & Risk Management committee oversees the quality, reliability and accuracy of the financial statements and related documents (the Audit & Risk Management committee's role is described fully in its Charter). In doing so the committee makes enquiries of management and external auditors (including requiring management representations) so that the committee can be satisfied as to the validity and accuracy of all aspects of IKE's financial reporting.

The CEO and CFO certify to the Board in relation to IKE's financial statements, including certifying that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control.

Non-financial reporting

IKE has not adopted a formal environmental, social and governance (ESG) reporting framework at this time. IKE's assessment of exposure to non-financial risks, including economic, environmental and social sustainability risks, is incorporated into the Comprehensive and Key Risk assessments that is referred to under Principle 6.

Disclosure to the market

IKE has a written disclosure policy – the Continuous Disclosure Policy, found on IKE's investor relations site. It sets out requirements for full and timely disclosure to the market of material issues, so all stakeholders have equal access to information. The Board reviews and approves material announcements. The Board also specifically consider with management at each Board meeting whether there are any issues which might require disclosure to the market under the NZX and ASX continuous disclosure requirements.

Information for investors

IKE's investor relations website includes the Company's presentations, reports, announcements, and media releases, as well as the Charters and Policies referred to in this section. The Annual Report is available in electronic and hard copy format. IKE's annual meeting will be held on 4 September 2018 in Wellington. The external auditors, PWC, will be available at this meeting to answer questions about the audit and the audit report.

Principle 5

Remuneration: The remuneration of Directors and executives should be transparent, fair and reasonable.

Remuneration of Directors

The total remuneration pool for IKE's Directors is set at $320,000 per annum. For the financial year the annual fees paid to Directors were:

- Chairman $75,000 (including all committee responsibilities)
- All other Directors $127,500

The last increase in Directors' fees was made with effect from 1 May 2018. The Directors' fees for FY18 are set out on page 23.

Remuneration of employees

IKE aims to have remuneration framework and policies to attract and retain talented and motivated people. The Company wants to:

- Be recognised as a great place to work, and attract, retain and motivate high-performing individuals.
- Align employee incentives with the achievement of good business performance and shareholder return.
- Recognise and reward individual success, while encouraging teamwork and a high- performance culture.
- Be competitive in the labour market.
- Be fair, consistent and easy to understand.

IKE employee remuneration principles

IKE uses market data to determine competitive salary and total remuneration levels for all staff. IKE makes allowance for individual performance, scarcity of skills, internal relativities and specific business needs. IKE is operating in a growth industry and has a skilled and mobile workforce. All employees have fixed remuneration. Selected employees have the potential to earn a Short Term Incentive (STI) and Long Term Incentive (LTI).

CEO remuneration

Glenn Milnes's employment agreement for his role as CEO commenced on July 2010. His agreement reflects appropriate standard conditions for a chief executive of a listed company. Glenn's remuneration is a combination of fixed salary and incentive arrangements. The incentives are an STI component set at up to 50% of base salary, linked to specific financial and non-financial targets set annually by the Board, and an LTI component, in employee stock options.

Glenn's fixed salary for the year to 31 March 2018 was US$300,000. Performance for the purposes of the STI component has not yet been assessed and will be paid in August 2018. Glenn had 350,000 employee stock options at 31 March 2018. Those employee stock options have vesting dates from 2016 to 2020. Vesting at each date is dependent on him remaining an employee at the applicable vesting date.

Principle 6

Risk management: Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

IKE has a risk management framework in place to identify, oversee, manage and control risk. That framework includes a risk management policy and an implementation structure. Directors are provided with specific and detailed presentations from management in particular risk areas. IKE doesn't have an internal audit function.

Health and Safety Risk

IKE is a relatively low-risk office based business. Its most common risk is of trips or falls in the office. Lost time injury in the business has historically been a very rare occurrence. The Board is conscious though that stress may affect some employees and we provide access to an entirely confidential counselling service outside IKE, which is free to employees. The frequency of incidents has been very low so the Board has not required LTIFR reporting to date.

Principle 7

Auditors: The Board should ensure the quality and independence of the external audit process.

IKE has an external Auditor Policy that requires the external auditor to be independent and to be seen as independent. The Board is satisfied that there is no relationship between the auditor and IKE or any related person at this time, that could compromise the auditor's independence. The Board also obtained confirmation of independence formally from the auditor. To ensure full and frank dialogue amongst the Audit & Risk Management committee and the auditors, the auditor's senior representatives meet separately with the Audit & Risk Management committee (without management present) at least once a year.

Non-audit work

The Audit Independence Policy sets out restrictions on non-audit work that can be performed by the auditor.

Principle 8

Shareholder rights and relations: The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

IKE's investor relations website is the key place for IKE's financial and operational information, and for its important corporate governance documents. IKE keeps shareholders informed through periodic reporting to NZX and ASX, and through its continuous disclosure. IKE provides briefings and presentations to media and analysts (which are made immediately available on the investor relations website) and communicate with shareholders through annual and half-year reports and annual shareholder meeting, as well as through a range of releases to media on matters which the company believes will interest shareholders and members. IKE encourages shareholders to refer to the investor relations website, and to receive annual and half-year reports electronically but hard copies of the reports can readily be obtained from the share registrar, Link Market Services Limited. IKE takes care to write all shareholder communications in a clear and straightforward way and to limit use of jargon. IKE's results presentations are published immediately on company's investor relations site. The company's annual meeting of shareholders will be held in Wellington in September 2018. A notice of the meeting and proxy form will be circulated to shareholders closer to the time.

Disclosures

Introduction
The directors of ikeGPS Group Limited (the Company) present their report on the consolidated entity (the Group), consisting of ikeGPS Group Limited and the entities it controlled during the year ended 31 March 2018.

Audit Fees
The amounts payable to PwC as auditor of the Group are as set out in Note 5(b) to the financial statements.

Subsidiary company Directors
The following people held office as Directors of subsidiary companies of the Company at 31 March 2018:
- ikeGPS Inc: Glenn Milnes, Leon Toorenburg and Alex Knowles.
- ikeGPS Limited: Leon Toorenburg, Rick Christie and Bruce Harker

Dividends
As part of the Group's growth plans, dividends are not currently paid and the Board did not declare a dividend in respect of the period ending 31 March 2018 nor does it expect to declare any dividends during the period ending 31 March 2019.

Net Tangible Assets
The Net Tangible Assets per security at 31 March 2018 was $0.05 (31 March 2017: $0.10).

NZX Waivers
There were no waivers obtained or relied upon during the period to 31 March 2018.

Entries recorded in interests register
The following are particulars of entries made in the Company's interests register pursuant to section 140 of the Companies Act 1993 up to the period 31 March 2018 (including in respect of those Directors who are Directors of the Company's subsidiaries).

Director	Interest	Declaration
Rick Christie - Chairman		No conflicting interests
NZX:SPN Southport NZ Limited	Director	
Solnet Group (Private)	Director	
Powerhouse Ventures Limited	Director	
National e-Science Infrastructure (NeSI)	Chairman	
Service IQ	Chairman	
Victoria University Foundation	Trustee	
Dr Bruce Harker - Non Executive Director		No conflicting interests
Tilt Renewables Ltd	Chairman	
Glenn Milnes - CEO and Managing Director		No conflicting interests,
Ohakuri Weekends Limited	Director	
Alex Knowles - Non Executive Director		No conflicting interests
Pure Fresh	Director	
Alphian Investments Ltd	Director	
A Way To Move Inc	Director	
Trinium Technologies LLC / QED LLC	Board Member	
Xenon FS LLC	Board Member	
AWA Shipping / Intelligent SCM LLC	Board Member	
Epe Frame Metal Spa	Director	
Framemax Systems Inc	Director	
Infrastructure Solutions Group LLC	Board Member	
Climate Coatings Ltd	Director	

Directors remuneration and other benefits

Directors' fees are currently set at a maximum of $320,000 for the non-executive Directors. The actual amount of fees paid in the year to 31 March 2018 was $202,500 (2017: $251,000).

Directors fees and other remuneration and benefits (including share option expense) from the Company recognized in profit or loss during the accounting period ended 31 March 2018 are as follows:

Director	2018 Remuneration and other benefits	Nature of remuneration
Richard Christie	75,000	Director fees & share option expense
Bruce Harker	45,000	Director fees & share option expense
Peter Britnell	7,500	Director fees & share option expense
Alex Knowles	30,000	Director fees & share option expense
Frederick Lax	45,000	Director fees & share option expense
Glenn Milnes*	626,283	Salary and entitlements
Leon Toorenburg*#	324,252	Salary and entitlements
Total	$ 1,153,035	

* Glenn Milnes and Leon Toorenburg received salary and entitlements in US$ as employees of ikeGPS Limited. Remuneration shown above, has been converted to NZ$ at the rate prevailed at the month end the transaction took place. Neither received any remuneration in their capacity as a Director of any Group company. Entitlements include the share option expense.
Each Director is separately entitled to be reimbursed for reasonable travelling, accommodation and other expenses incurred in performing their role as a Director. No Director of either of the Company's subsidiaries receives any remuneration in that capacity. Options granted to Directors are stated below in Directors' relevant interests.

Statement of Directors' relevant interests

Directors (including Directors of subsidiary companies) held the following relevant interests in equity securities of the Company as at 31 March 2018.

Quoted shares	With beneficial interest	As trustee or associated person of registered holder	Total number of ordinary shares 31 March 2018	Unlisted options to acquire ordinary share
Richard Christie	124,541	-	124,541	-
Bruce Harker	-	316,196	316,196	-
Alex Knowles	-	5,774,263	5,774,263	-
Glenn Milnes	807,531	57,700	865,231	350,000
Frederick Lax	172,414	-	172,414	-
Leon Toorenburg	-	1,179,539	1,179,539	150,000
Total	1,104,486	7,327,698	8,432,184	500,000

Spread of security holders

Security holders as at 12 June 2018

Size of shareholding	Number of holders	% of holders	Total shares held	% of shares
1-1,000	38	5.68%	30,639	0.04%
1,001-5,000	203	30.34%	637,462	0.81%
5,001-10,000	139	20.78%	1,153,343	1.52%
10,001-50,000	179	26.76%	4,283,242	5.47%
50,001-100,000	39	5.83%	2,739,965	3.43%
Greater than 100,000	71	10.61%	69,605,604	88.72%
Total	669	100%	78,450,255	100%

Twenty largest shareholders

Analysis of shareholding on a disaggregated basis as at 12 June 2018:

Shareholder rank and name	Holding	% total shares on issue
1. Nicola Jane Wilson & David Jonathan Wilson	10,373,143	13.2%
2. Forsyth Barr Custodians Limited	7,418,491	9.5%
3. Tanza Elizabeth Knowles & Veronica Pauline Lawrie	5,774,263	7.4%
4. Forsyth Barr Custodians Limited	4,589,445	5.9%
5. Nzvif Investments Limited	3,535,029	4.5%
6. FNZ Custodians Limited	2,981,565	3.8%
7. Accident Compensation Corporation	2,671,000	3.4%
8. Hector Rex Nicholls & Kerry Leigh Prendergast	2,657,812	3.4%
9. Leveraged Equities Finance Limited	2,564,373	3.3%
10. J P Morgan Nominees Australia Limited	1,896,552	2.4%
11. Kevin Glen Douglas & Michelle Mckenney Douglas	1,457,612	1.9%
12. Dongwen Xiong	1,426,238	1.8%
13. Leon Mathieu Lammers Van Toorenburg & Fanny Emmanuelle Lammers Van Toorenburg	1,179,539	1.5%
14. New Zealand Permanent Trustees Limited	1,148,425	1.5%
15. HSBC Nominees (New Zealand) Limited	926,216	1.2%
16. 48 Investments Limited	907,343	1.2%
17. Margot Jean Ainsworth	900,000	1.2%
18. Glenn Stefan Milnes	807,531	1.0%
19. Nikau Nominees Limited	739,000	0.9%
20. Kevin Douglas & Michelle Douglas	728,805	0.9%
20. James Douglas Jr & Jean Ann Douglas	728,805	0.9%
Total	55,411,187	70.64%

Substantial product holders

According to notices given under the Securities Markets Act 1988 and the Financial Markets Conduct Act 2013 as at 31 March 2018, the following were substantial product holders in respect of the 78,450,255 ordinary shares of the Company on issue as at 31 March 2018 (being the Company's only class of quoted voting securities):

Name	Shareholding	%	Nature of relevant interest
David Jonathan Wilson and Nicola Jane Wilson	9,893,143	12.61%	Registered holder and beneficial owner of financial products
Tanza Elizabeth Knowles & Veronica Pauline Lawrie	5,774,263	7.36%	Registered holder and beneficial owner of financial products
Scobie Ward	4,332,284	5.52%	Registered holder and beneficial owner of financial products

Employee Remuneration

The following table shows the number of current or former employees (excluding employees holding office as Directors of the parent or a subsidiary) who received remuneration and other benefits in excess of $100,000 from the subsidiary companies of the Group during the year ended 31 March 2018:

Band	Number of employees
$100,000 to $109,999	1
$110,000 to $119,999	1
$120,000 to $129,999	1
$130,000 to $139,999	6
$140,000 to $149,999	2
$150,000 to $159,999	1
$160,000 to $169,999	1
$170,000 to $179,999	-
$180,000 to $189,999	-
$190,000 to $199,999	2
$200,000 to $209,999	-
$210,000 to $219,999	-
$220,000 to $229,999	1
$230,000 to $239,999	-
$240,000 to $249,999	-
$250,000 to $259,999	1
$260,000 to $269,999	-
$270,000 to $279,999	1
$280,000 to $289,999	-
$290,000 to $299,999	1
$300,000 to $309,999	-
$320,000 to $329,999	-
$330,000 to $339,999	-
$340,000 to $349,999	-
$350,000 to $ 359,999	-
$360,000 to $ 369,999	-
$370,000 to $ 379,999	-
$380,000 to $ 389,999	-
$390,000 to $ 399,999	1
Total	20

Donations

No member of the Group made any significant donation the financial year. The Group undertakes regular promotional sponsorships activity through a variety of channels.

Financial Statements for year to 31 March 2018

Independent auditor's report

To the shareholders of ikeGPS Group Limited

The financial statements comprise:

- the consolidated balance sheet as at 31 March 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include the significant accounting policies.

Our opinion

In our opinion, the 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 2018, 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).

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 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.

Material uncertainty related to going concern

We draw attention to note 2a) in the financial statements, which indicates that the Group incurred an operating cash outflow of $2.8m for the year ended 31 March 2018, and a further investing outflow of $1.2m relating to capitalised internal development. The Group also incurred a net loss of $6.7m for the year. The cash balance at 31 March 2018 was $2.6m. If the Group fails to achieve its FY19 business plan (particularly forecast sales growth), manage costs or obtain alternative sources of financing it may not be able to meet its 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: $400,000, which represents approximately 5% of the 3-year average loss before tax.

We chose 3-year average loss before tax as the benchmark because, in our view, the level of ongoing losses is the benchmark against which the performance of the Group is most commonly measured by users, and utilisation of a 3-year average addresses the historical volatility of the benchmark.

Our key audit matter is the valuation of development assets.

Materiality

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

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the 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 financial statements as a whole.

Audit scope

We designed our audit by assessing the risks of material misstatement in the 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 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 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 judgment, were of most significance in our audit of the 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 matter described below to be the key audit matter to be communicated in our report. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

pwc

Key audit matter	How our audit addressed the key audit matter
Valuation of development assets As disclosed in note 14, the Group has \$3.9m of development assets related to the internal development of hardware and software products. Development assets are initially carried at cost. To determine whether the carrying value of the developed assets is reasonable, the Directors assessed whether any impairment indicators existed for each major development asset by considering, among other factors, sales achieved to date for the asset's relevant product line(s) and the overall operating and cash performance of the entity. The Directors concluded the Group's overall operating losses and difficulty in meeting budgeted sales levels for the Spike Business were indicators of impairment. Management performed an impairment assessment of the overall business and the Spike development assets on a value in use basis. These assessments require significant judgment when forecasting future sales and the related cash flows. The impairment assessments were a key audit matter 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 and whether the carrying value was impaired. Based on management's assessments, no impairment was recognised. Refer to notes 2b), 2c) and 14 in the financial statements for disclosures on development assets.	We obtained an understanding and evaluated the Group's processes and controls relating to the assessment of impairment indicators of development assets, the preparation and approval process of forecasts and the execution of the impairment assessment. We completed the following audit procedures to assess the reasonableness of the impairment assessment: • We obtained management's assessment of impairment indicators and assessed whether the indicators identified were consistent with our understanding of the operations and environment of the business. • We obtained management's impairment test and considered our knowledge of the Group's operations and reporting systems to determine whether cash inflows are largely independent of those from other assets to assess management's identification of cash-generating units. • We assessed the mathematical accuracy of the impairment model and used our internal valuation expert to challenge and assess the appropriateness of the assumptions underlying the impairment model, including the discount rates adopted by the Group by calculating an independent rate. • We assessed the reasonableness of the forecast sales, expenses and working capital movements within the Board-approved budget for the year ending 31 March 2019 and the remaining forecast period. Our assessment included comparing previous forecasts to actual results to assess the reliability of historical forecasting, assessing expenses and working capital movements in relation to operational requirements, and considering factors influencing forecast revenue growth, such as sales pipelines, previous growth achievements and the Group's strategic objectives. • To consider forecasting risk we performed our own sensitivity analysis based on independent assumptions over the forecast sales volumes, expenses, and discount rate, among other factors. Whilst recognising that the impairment assessment is inherently judgmental, we did not identify any matters from our procedures.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the 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 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 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.

Responsibilities of the Directors for the financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

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.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants — Wellington
30 May 2018

Consolidated statement of profit or loss and other comprehensive income

		Year ended 31 March Group	
		2018	2017
Continuing operations		**$'000's**	**$'000's**
Operating revenue	5 (a)	7,732	5,655
Cost of sales		(3,754)	(3,397)
Gross profit		**3,978**	**2,258**
Other income	5 (a)	125	185
Operations cost	5 (b)	(477)	(860)
Sales and marketing expenses	5 (b)	(3,231)	(3,229)
Research and engineering expenses	5 (b)	(3,019)	(4,867)
Corporate costs	5 (b)	(4,011)	(4,139)
Foreign exchange (losses)/gains		(71)	(135)
Expenses		**(10,809)**	**(13,230)**
Operating loss		**(6,706)**	**(10,787)**
Net finance income		(20)	69
Net loss before income tax		**(6,726)**	**(10,718)**
Income tax (expense)/credit	11	(6)	(9)
Loss attributable to owners of ikeGPS Group		**(6,732)**	**(10,727)**
Other comprehensive loss			
Items that may subsequently be recognised through profit or loss			
Exchange differences on translation of foreign operations		(31)	98
Comprehensive loss		**(6,763)**	**(10,629)**
Basic loss per share	20	$ (0.09)	$ (0.18)
Diluted loss per share	20	$ (0.09)	$ (0.18)

The notes on pages 35 to 58 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital $'000's	Accumulated losses $'000's	Share based payment reserve $'000's	Foreign currency translation reserve $'000's	Total $'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
Total comprehensive income/(loss)	**-**	**(10,727)**	**-**	**98**	**(10,629)**
Issue of ordinary shares	7,758	-	-	-	7,758
Recognition of vesting of share-based options	-	-	266	-	266
Share based payment reserve movement	142	-	(142)	-	
Total transactions with owners	**7,900**	**-**	**124**	**-**	**8,024**
Balance at 31 March 2017	**45,252**	**(34,763)**	**399**	**(252)**	**10,636**

	Share capital $'000's	Accumulated losses $'000's	Share based payment reserve $'000's	Foreign currency translation reserve $'000's	Total $'000's
Opening balance at 1 April 2017	**45,252**	**(34,763)**	**399**	**(252)**	**10,636**
Loss for the year	-	(6,732)	-	-	(6,732)
Currency translation differences	-	-	-	(31)	(31)
Total comprehensive income/(loss)	**-**	**(6,732)**	**-**	**(31)**	**(6,763)**
Issue of ordinary shares	4,011	-	-	-	4,011
Recognition of vesting of share-based options	-	-	68	-	68
Share based payment reserve movement	-	407	(407)	-	-
Total transactions with owners	**4,011**	**407**	**(339)**	**-**	**4,079**
Balance at 31 March 2018	**49,263**	**(41,088)**	**60**	**(283)**	**7,952**

The notes on pages 35 to 58 are an integral part of these consolidated financial statements.

Consolidated balance sheet

		Year ended 31 March Group	
		2018	2017
ASSETS		**$'000's**	**$'000's**
Current assets			
Cash and cash equivalents	6	2,586	2,730
Trade and other receivables	8	1,358	986
Prepayments		273	598
Inventory	7	1,220	2,513
Total current assets		**5,437**	**6,827**
Non-current assets			
Property, plant and equipment	13	842	1,370
Intangible assets	14	3,928	4,048
Deferred tax asset	11	13	19
Total non-current assets		**4,783**	**5,437**
Total assets		**10,220**	**12,264**
LIABILITIES			
Current liabilities			
Trade and other payables	9	699	1,250
Employee entitlements		364	228
Deferred revenue		1,205	150
Total current liabilities		**2,268**	**1,628**
Total liabilities		**2,268**	**1,628**
Total net assets		**7,952**	**10,636**
EQUITY			
Share capital	12	49,263	45,252
Share based payment reserve		60	399
Accumulated losses		(41,088)	(34,763)
Foreign currency translation reserve		(283)	(252)
Total equity		**7,952**	**10,636**

Director Date:30th May 2018

Director Date: 30th May 2018

The notes on pages 35 to 58 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 March Group 2018 $'000's	2017 $'000's
Cash flows from operating activities			
Cash receipts from customers		8,458	6,846
Cash paid to suppliers and employees		(11,241)	(15,851)
Interest paid		(26)	(16)
Net cash used in operating activities	19	**(2,809)**	**(9,021)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(26)	(271)
Additions to intangible assets		(1,224)	(1,035)
Interest received		6	85
Net cash used in investing activities		**(1,244)**	**(1,221)**
Cash flows from financing activities			
Proceeds from issuance of shares on listing		4,011	7,758
Net cash from financing activities		**4,011**	**7,758**
Net (decrease)/increase in cash and cash equivalents		(42)	(2,484)
Cash and cash equivalents at 1 April		2,730	5,292
Effect of exchange rate fluctuations on cash held		(102)	(78)
Cash and cash equivalents		**2,586**	**2,730**

The notes on pages 35 to 58 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Reporting Entity

ikeGPS Group 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 year ended 31 March 2018 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 2018.

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.

During the Group's current growth phase, investment continues into increasing revenue by developing and expanding the Group's product and service offerings. The Group has continued to reduce, but still incur, net cash outflows from operating and investing activities during this phase. During FY18, the Group had cash outflows of $2,809,000 (2017: $9,021,000) relating to operations, and $1,224,000 (2017: $1,035,000) relating to capitalised internal development for the twelve months ended 31 March 2018. The cash balance at 31 March 2018 was $2,586,000 (2017: $2,730,000). While making material improvement on prior years cash outflows, if the current level of cash outflows 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 FY19 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:

- forecast sales increases of its ike4, focused on sales into telecommunications companies within the United States that are deploying fibre
- increased subscription revenue associated with ike4
- forecast sales increases of its Spike product
- continued prudent operational cost management
- continued focus on optimizing working capital, focusing on inventory
- the ability of the Group to manage its growth activities and associated costs.

Further cost-cutting measures are available to the Group if one or more components of the plan are not realized. To assess the degree of sensitivity, stress testing has been performed on the FY19 plan, reducing forecast receipts from customers by 15% and making additional operating expense reductions of $428,000. The cumulative impact being that the Group remains a going concern, albeit with reduced available cash funds.

In FY18 the Group completed a Private Placement and Share Purchase Plan raising $4,011,000. 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 or should higher levels of growth require higher levels of working capital.

In FY18 ike4 sales overperformed relative to guidance while Spike sales underperformed. The Directors acknowledge the difficulty of predicting certainty of sales due to long sales cycles associated with Enterprise level customer, however the Directors believe that the group now has a closer understanding of the process requirements of Enterprise level sales cycles and the timing of forecasted revenue.

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. Should the Group fail to achieve its FY19 business plan (particularly forecast sales growth), manage costs or obtain alternative sources of financing, then this represents a material uncertainty that may cast significant doubt on the validity of the going concern assumption.

The existence of this material uncertainty may result in the Group's inability to realize its assets and settle its liabilities in the normal course of operations. 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 continue as a going concern.

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 for the overall business, requiring an estimate of the Cash Generating Unit's (CGU1 – Group's total intangible assets plus total property, plant & equipment) recoverable amount. Additionally, it determined that due to the underperformance of the Spike Business, an indicator of

Notes to the consolidated financial statements

2. Basis of preparation (continued)

impairment existed requiring an estimate of the Cash Generating Unit's (CGU2) recoverable amount of the intangibles assets directly associated with the Spike Business. The CGU1 was determined to be the Group's total intangible assets plus total property, plant & equipment. The useful life of the CGU was determined to be 6 years, reflecting the view on the remaining life of the current software and core technology platform. For impairment purposes, it is assumed that base revenue for FY19 will increase 28% over FY18 and then conservatively no further growth over the ensuring years. An estimate of the cashflows required to market and sell the Group's products was based on the business plan for FY19. 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.

Sensitivity analysis for CGU1 was performed on all key assumptions. The value in use assessment is sensitive to changes in each of these assumptions. For there to be an impairment, FY19 growth in base revenue would have to fall below 23% and stay at this level over the remaining useful life. Growth in FY18 for ike branded products was 86%, albeit from a lower base.

The Directors have determined that no impairment is required as CGU1 continues to have a useful life and that the current carrying value of the CGU1 does not exceed its value in use.

The CGU2 was determined to be the intangible assets associated with the Spike Business. The useful life of the CGU2 was determined to be 3 years, reflecting the view on the remaining life of the current Spike hardware platform (the core technology platform having an assessed longer life). For impairment purposes, FY19 unit volume sales were forecasted to increase 10% per annum on FY18 as the Group fully develops opportunities focussed on Signage and Geospatial markets. An estimate of the cashflows required to market and sell the Group's products was based on the business plan for FY19. A pre-tax discount rate of 12% was used to establish the net present value.

Sensitivity analysis for CGU2 was performed on all key assumptions. The value in use assessment is sensitive to changes in each of these assumptions. The most sensitive assumption is that of changes to the FY19 unit volume sales since any changes compound over the remaining forecast period. For there to be an impairment budgeted revenue growth would have to fall below the FY18 growth rate of 6%.

The Directors have determined that no impairment is required as CGU2 continues to have a useful life and that the current carrying value of the CGU2 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.

The development costs for all products were initially amortised over periods up to 10 years (core platform 10 years and subsequent development between 2-5 years) which reflected the expected useful life of the assets at the time.

Annually the Directors are required to assess the appropriateness of the assets amortisation period. For the current year the Directors have assessed the amortisation period and have concluded that:

- the core technology platform underpinning ike & Spike devices extends beyond the life of the current hardware product offering and supports multiple future product releases. Management has reviewed and reassessed the useful life of the core platform to be valid for 6 years.
- the period over which the economic benefits to accrue from ike & Spike applications and features result from emerging business opportunities with large enterprise customers where

Notes to the consolidated financial statements

2. Basis of preparation (continued)

management expects full commercialization to occur. On that basis the useful life is reassessed to be valid for 3 years for hardware and 5-6 years for software.

- investment in SDK (software development kit) technology enabling third parties to develop mobile applications which underpin multiple product releases across both ike & Spike products. The economic benefits of this technology are expected to accrue in line with ike & Spike applications. On that basis the useful life reassessed to be valid for 3 years for hardware and 6 years for software.

The amortisation rates reflecting the change in useful lives of asset were reset effective from 01 October 2017. The table below summarises the impact of this change.

Reduction in amortisation expense due to rate change		
	FY18	Annualised impact
	$'000's	$'000's
ikeGPS platform	(8)	(16)
ike application & features	(136)	(312)
Spike application & features	(119)	(231)
Total	**(263)**	**(559)**

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 $'000's
1	33
2	82
3	164

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 judgements. 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.

Notes to the consolidated financial statements

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 revaluation 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.

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

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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 trade and other payables, and employee entitlements.

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.

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

Office furniture and equipment	20% - 33%
Plant and equipment	20% - 50%
IT equipment	33% - 50%

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

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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 development. The Group regularly reviews (at least annually) the carrying value of capitalised development costs to ensure they are not impaired. Management has reviewed the expected remaining useful life of assets and concluded that the development costs for all products are amortised over periods of up to 6 years (core platform 6 years; Ike and Spike applications and features between 3-6 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.

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,

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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.

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.

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 relate to assistance by Callaghan Innovation who manage the Business Research and Development (R&D) Grants scheme on behalf of the New Zealand Government.

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.

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.

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 share based payment reserve with a corresponding adjustment to retained earnings.

Revenue

The Group derives its revenue from the sale of product and related services, and subscription revenue. Revenue is measured at the fair value of the consideration received or receivable, and

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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.

b) Subscription revenue

Subscription revenue comprises 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 consulting and training revenue.

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

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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

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 shares that would be issued on conversion of all of the dilutive potential ordinary shares into ordinary 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.

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 2017 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.

Notes to the consolidated financial statements

3. Significant accounting policies (continued)

The Group intends to adopt NZ IFRS 15 effective from 1 April 2018 and is taking a structured approach in assessing the impact of the change. Particularly reviewing type 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 from 1 April 2019. 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.

NZ IFRS 9, 'Financial Instruments', replaces the current guidance in NZ IAS 39. The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting for financial instruments. The Group intends to adopt IFRS 9 from 1 April 2018. The Group has reviewed the instruments that fall within the scope of IFRS 9 that are applicable to the business and expects the adoption to NZ IFRS 9 to be straight forward with minimum changes to existing systems and processes. However the detailed impacts are still being assessed.

4. Operating segments

The CEO and Senior management team are the Group's operating decision makers. During FY18 the Group's selling activities were focused and organized into two segments namely Utility & Communications and New Business. The Utility and Communications segment includes sales to companies involved in the broadband fiber roll out in the United States. 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 is 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.

	2018			2017		
	Utility & Communication	New Business	Group	Utility & Communication	New Business	Group
Sale of product and services	4,969	1,970	6,939	2,038	3,210	5,248
Subscription	793	-	793	407	-	407
Contribution	1,323	(291)	1,032	(124)	(510)	(634)
Net attributable (other corporate income and expenses)			(7,758)			(10,083)
Net loss before tax			(6,726)			(10,718)

Notes to the consolidated financial statements

5. Revenue and expenses

(a) Revenue

	Group	
	2018	2017
	$'000's	$'000's
Sale of product	6,620	4,854
Services	397	394
Subscription	715	407
Operating revenue	7,732	5,655
Government grants	125	185
Total revenue and other income	7,857	5,840

Revenue from sale of products to two customers totaling to $1,838,000 ($1,045,000 in Utility & Communication segment, and $793,000 in New Business segment) represented more than 10% of revenue each (2017: $1,923,000 in New Business segment).

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 an independent review report on the eligibility of the costs claimed. This report is outstanding at balance date but does not represent a significant unfulfilled condition.

(b) Operating expenses

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

	2018	2017
	$'000's	$'000's
Audit of financial statements		
Audit and review of financial statements[1].	146	112
Other services		
Other assurance services[2]	8	6
Tax compliance services[3]	28	16
Total other services	**36**	**22**
Total fees paid to auditor	**182**	**134**
Amortisation of development asset	1,204	1,502
Amortisation of patents and software	16	30
Depreciation	171	440
Total amortisation and depreciation[4]	**1,391**	**1,972**
Employee benefit expense	6,503	8,032
External contractors and consultants	243	286
Employee benefit expense capitalised[5]	(1,224)	(1,035)
Operating lease expenses	395	437
Direct selling and marketing[6]	906	833
Impairment of assets[7]	166	-
Bad debt expense	91	-
Other operating expenses[8]	2,085	2,436
Total operating expenses	**10,738**	**13,095**

Notes to the consolidated financial statements

5. Revenue and expenses (continued)

Notes

1. The audit fee includes the fees for the annual audit of the financial statements (2017: $112,000).
2. Other assurance services comprise the review of government grant claims.
3. Tax compliance services relates to assistance to review and file the Group's tax return.
4. All of amortisation and $171,000 of depreciation are included in engineering and research expenses. The balance of depreciation totaling to $216,000 is included in Cost of sales.
5. Relates to employee benefit expense, external contractors and consultants expenses that are directly attributable to the development of intangible assets and have been capitalised.
6. Selling and marketing expenses includes expenses incurred mainly in relation to promotional activities which include travel, commissions and other direct marketing expenses
7. Impairment of assets include ike3 intangible assets of $83,000, Smart Measure Pro intangible assets of $42,000 and other fixed assets of $41,000. The remaining asset impairment of $125,000 is included in Cost of sales.
8. Other operating expenses include corporate advisory, travel, engineering expenses, facilities, IT expenses and employee share option expense.

6. Cash and cash equivalents

	2018	2017
	$'000's	$'000's
Cash at bank	2,235	(270)
Call / term deposits	351	3,000
Total	**2,586**	**2,730**

An overdraft facility of NZ$250,000 with BNZ and a factoring facility of US$250,000 with Bluevine is in place. BNZ has perfected security interest in all present and after acquired property of ikeGPS Limited.

7. Inventory

	2018	2017
	$'000's	$'000's
Finished goods	450	354
Components	770	2,159
Total inventory	**1,220**	**2,513**

Included in cost of sales is $2,956,000 (2017: $3,315,000) relating to the amount of inventory recognised as an expense in the year.

Notes to the consolidated financial statements

8. Trade and other receivables

	Group	
	2018	2017
	$'000's	$'000's
Trade receivables	1,151	918
Other receivables	207	68
Total trade and other receivables	**1,358**	**986**

The Group has $299,580 of trade receivables past due but not impaired at balance date. (2017: $246,858)

30 – 90 days	90 days +	Total past due
239,471	60,109	299,580

Trade receivables is net of provision for doubtful debts of $87,605

Other receivables include;

a) Government grant claim with Callaghan Innovation $85,267 (2017: $42,380);

b) GST tax refund of $73,993 (2017: $16,767);

c) Claims receivable from W&Y Taiwan Co Ltd $48,098 (2017: Nil)

9. Trade and other payables

	Group	
	2018	2017
	$'000's	$'000's
Trade payables	302	1,051
Accrued expenses	397	199
Total trade and other payables	**699**	**1,250**

10. Subsidiaries

Name of entity	Country of incorporation	Principal activity	Investment	
			2018	2017
ikeGPS Limited	New Zealand	Product development and business operations	1,000	1,000
ikeGPS Inc.	USA	Business operations	1,000	1,000
			2,000	**2,000**

ikeGPS Limited and ikeGPS Inc. are 100% (2017: 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	
	2018	2017
	$'000's	$'000's
Deferred tax	6	9
Income tax expense /(credit)	**6**	**9**

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	
	2018	2017
	$'000's	$'000's
Net loss before income tax	(6,726)	(10,718)
Prima facie income tax credit at 28%	(1,883)	(3,001)
Non-deductible expenses	37	124
Unrecorded tax losses	1,852	2,886
Income tax expense /(credit)	**6**	**9**

The Group has unrecognised tax losses of $16,046,000 (2017: $11,880,000), 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	
	2018	2017
	$'000's	$'000's
Deferred tax opening balance	19	28
Recognised through profit or loss	(6)	(9)
Deferred tax closing balance	**13**	**19**

Deferred tax asset relates to employee entitlements.

Notes to the consolidated financial statements

12. Contributed equity

Share Capital

	2018 $'000's	2017 $'000's
On issue at beginning of year	45,252	37,352
Issued under ESOP	-	142
Issued under share placement	3,725	5,245
Issued under share purchase plan	387	3,000
Less listing costs offset against issue proceeds	(101)	(487)
Total share capital	**49,263**	**45,252**

Share Capital on issue

	2018	2017
Fully paid total shares at beginning of year	64,270,910	50,378,506
Ordinary shares issued on settlement of options	-	150,000
New shares offered	14,179,345	13,742,404
Fully paid ordinary shares	**78,450,255**	**64,270,910**

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
Cost					
Balance at 1 April 2016	1,377	28	644	58	2,107
Additions	215	-	56	-	271
Balance at 31 March 2017	1,592	28	700	58	2,378
Balance at 1 April 2017	1,592	28	700	58	2,378
Additions	10	-	16	-	26
Disposals	(383)	-	(135)	(48)	(566)
Balance at 31 March 2018	1,219	28	581	10	1,838
Depreciation					
Balance at 1 April 2016	227	28	271	42	568
Depreciation for the year	283	-	151	6	440
Balance at 31 March 2017	510	28	422	48	1,008
Balance at 1 April 2017	510	28	422	48	1,008
Depreciation for the year	229	-	156	2	387
Impairment	121	-	43	3	167
Disposals	(383)	-	(135)	(48)	(566)
Balance at 31 March 2018	477	28	486	5	996
Carrying amounts					
At 31 March 2017	1,082	-	278	10	1,370
At 31 March 2018	742	-	95	5	842

Notes to the consolidated financial statements

14. Intangible assets

	Development assets $'000's	Patents and software $'000's	Total $'000's
Cost			
Balance at 1 April 2016	6,534	174	6,708
Additions	1,035	-	1,035
Balance at 31 March 2017	**7,569**	**174**	**7,743**
Balance at 1 April 2017	7,569	174	7,743
Additions	1,224	-	1,224
Disposals	(324)	-	(324)
Balance at 31 March 2018	**8,469**	**174**	**8,643**
Amortisation and impairment losses			
Balance at 1 April 2016	2,035	128	2,163
Amortisation for the year	1,502	30	1,532
Balance at 31 March 2017	**3,537**	**158**	**3,695**
Balance at 1 April 2017	3,537	158	3,695
Amortisation for the year	1,204	16	1,220
Impairment	124	-	124
Disposals	(324)	-	(324)
Balance at 31 March 2018	**4,541**	**174**	**4,715**
Carrying amounts			
At 31 March 2017	4,032	16	4,048
At 31 March 2018	**3,928**	-	**3,928**

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 and the development of SDK (software development kit) technology.

Notes to the consolidated financial statements

15. Financial instruments and financial risk management

Financial instruments

The Group's principal financial instruments comprise 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:

	2018 $'000's Loans and receivables	2018 $'000's Financial liabilities at amortised cost	2018 $'000's Total carrying value	2017 $'000's Loans and receivables	2017 $'000's Financial liabilities at amortised cost	2017 $'000's Total carrying value
Financial assets						
Cash and cash equivalents	2,586	-	2,586	2,730	-	2,730
Trade and other receivables	1,285	-	1,285	969	-	969
Total financial assets	**3,871**	**-**	**3,871**	**3,699**		**3,699**
Financial liabilities						
Employee entitlements	-	364	364	-	228	228
Trade payables	-	302	302	-	1,051	1,051
Accrued expenses	-	397	397	-	199	199
Total financial liabilities	**-**	**1,063**	**1,063**	**-**	**1,478**	**1,478**

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 arise in the normal course of the Company and Group's business. The group uses different methods to measure and manage different types of risks to which it is exposed. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Credit risk

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. 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 Moody's A3 rating in the USA. The Group does not require collateral or security from its trade receivables. The Group performs credit checks and ageing analyses and monitoring of specific credit allowances. The Group does not anticipate any material non-performance of those customers. The total impaired trade receivables as at balance date is US$63,760.

At balance date date 85% (2017:90%) of the Group's cash and cash equivalents were with one bank. The Group has no other concentrations of credit risk.

Notes to the consolidated financial statements

15. Financial instruments and financial risk management (continued)

Maximum exposure to credit risk at balance date:

	Group	
	2018	2017
	$'000's	$'000's
Cash at bank	2,586	2,730
Trade and other receivables	1,285	969
Total	**3,871**	**3,699**

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 Group has an overdraft facility of NZ$250,000 and access to a US$250,000 factoring facility in place to cover potential shortfalls.

The following table sets out the undiscounted cash flows for all financial liabilities of the Group:

	2018 $'000's			2017 $'000's		
	Contractual cash flows	6 months or less	No stated maturity	Contractual cash flows	6 months or less	No stated maturity
Employee entitlements	364	-	364	228	-	228
Trade payables	302	302	-	1,051	1,051	-
Accrued expenses	397	397	-	199	199	-
Total financial liabilities	**1,063**	**699**	**364**	**1,478**	**1,250**	**228**

Foreign currency risk management

The Group is exposed to foreign currency risk on its sales and a significant portion of its expenses that are denominated in USD which is different to the Group's presentation currency. The Group currently does not hedge its exposures arising from its transactions denominated in a foreign currency.

At 31 March 2018, 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	+10%	-10%
	$'000's	$'000's	$'000's
Cash and cash equivalents	USD 1,610	(163)	288
Trade and other receivables	USD 893	(94)	156
Trade and other payables	USD 61	10	(7)
Intercompany balance foreign	USD 18,804	2,373	(2,901)

Notes to the consolidated financial statements

15. Financial instruments and financial risk management (continued)

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.

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.

In FY18 the Group completed a Private Placement and Share Purchase Plan raising $4,011,000. 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 capital requirements are regularly reviewed by the Board of Directors. There have been no material changes in the Group's management of capital from the previous year.

This note should be read in conjunction with note 2; Going Concern which outlines the material uncertainty around the Group's Going Concern assumption and the FY19 Plan that Directors believe will enable the Group to continue operations.

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	
	2018	**2017**
	$'000's	**$'000's**
Non-cancellable operating leases		
Less than one year	340	407
Between one and five years	95	263
Total	**435**	**670**

Operating leases are in relation to rented premises 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	
	2018	2017
	$'000's	$'000's
Loss for the year	**(6,732)**	**(10,727)**
Less Investment interest received	(6)	(85)
Non-cash items included in net loss		
Depreciation	387	440
Amortisation of intangible assets	1,220	1,532
Asset impairment	291	-
Materials write off	296	-
Debtors write off	91	-
Deferred tax expense	6	9
Share option expense	68	307
Foreign exchange (gains)/losses	71	135
	2,424	**2,338**
Add/(less) movement in working capital items		
Decrease/(Increase) trade and other receivables	(463)	945
Decrease/(Increase) in inventories	997	(1,564)
Decrease/(Increase) in prepayments	325	(295)
Increase/(Decrease) in trade and other payables	(551)	202
Increase/(Decrease) in deferred revenue	1,055	60
Increase/(Decrease) in employee entitlements	136	20
	1,499	(632)
Net cash used in operating activities	**(2,809)**	**(9,021)**

20. Basic and diluted earnings per share

	2018	2017
	$'000's	$'000's
Total loss for the year attributable to the owners of the parent	(6,732)	(10,727)
Ordinary shares issued (weighted average)	72,707,662	58,538,899
Basic loss per share	$(0.09)	$(0.18)

The potential shares are anti-dilutive in nature. The diluted loss per share is therefore the same as the undiluted EPS at ($0.09) 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 2018 have a contractual life from grant date of between 2.5 and 3 years. Options can be exercised at any time after vesting and unexercised options expire at the end of the contract or 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:

	2018		2017	
	Average Exercise Price	Options ('000's)	Average Exercise Price	Options ('000's)
At 1 April	$0.97	2,515	$1.00	2,435
Granted	$0.36	600	$0.65	800
Forfeited	$0.98	(285)	$0.90	(570)
Expired	$1.08	(1,675)	-	-
Exercised	-	-	$0.01	(150)
	$0.50	**1,155**	**$0.97**	**2,515**

Out of the 1,155,000 outstanding options (2017: 2,515,000), 574,993 (2017: 1,971,663) had vested and were exercisable at 31 March 2018.

Options vested

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

			2018		2017	
Year Granted	Expiry date	Exercise price	Number of options	Term remaining (years)	Number of options	Term remaining (years)
2013	31-Dec-17	$ 0.80			25,000	0.75
2014	31-Dec-17	$ 0.99 - $ 1.10			1,610,000	0.75
2015	31-Dec-17	$ 0.88 - $ 1.10			270,000	0.75
2016	30-Sep-18	$ 0.72	80,000	0.5	80,000	1.5
2016	31-Dec-18	$ 0.70	100,000	0.75	100,000	1.75
2016	31-Mar-19	$ 0.63	375,000	1.0	430,000	2.0
2017	31-Mar-20	$ 0.40	400,000	2.00		
2017	30-Jun-20	$ 0.29	200,000	2.25		

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:

	2018	2017
Fair value of options issued in the year	$0.01, $0.05	$0.12, $0.13, $0.15
Weighted average share price	$0.40	$0.64
Exercise price	$0.29 - $0.40	$0.63 - $0.72
Volatility	30%	30%
Dividend yield	Nil	Nil
Risk free interest rate	2.54%	2.27%

22. Related parties

Key management compensation

	Group	
	2018	2017
	$'000's	$'000's
Short term benefits to directors and senior management	2,100	2,858
Share option expense directors and senior management	24	293

Key management are identified as the Chief Executive Officer, Chief Technology Officer, Chief Financial Officer, Chief Operating Officer, SVP Utilities & Communication, and Directors. In the prior year 13 individuals comprised the key management. This has reduced to 10 (including one Director for part of the year) explaining the reduction in compensation.

23. Subsequent events

There were no events subsequent to balance date.

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