Annual Report

2019

ikeGPS Group Limited

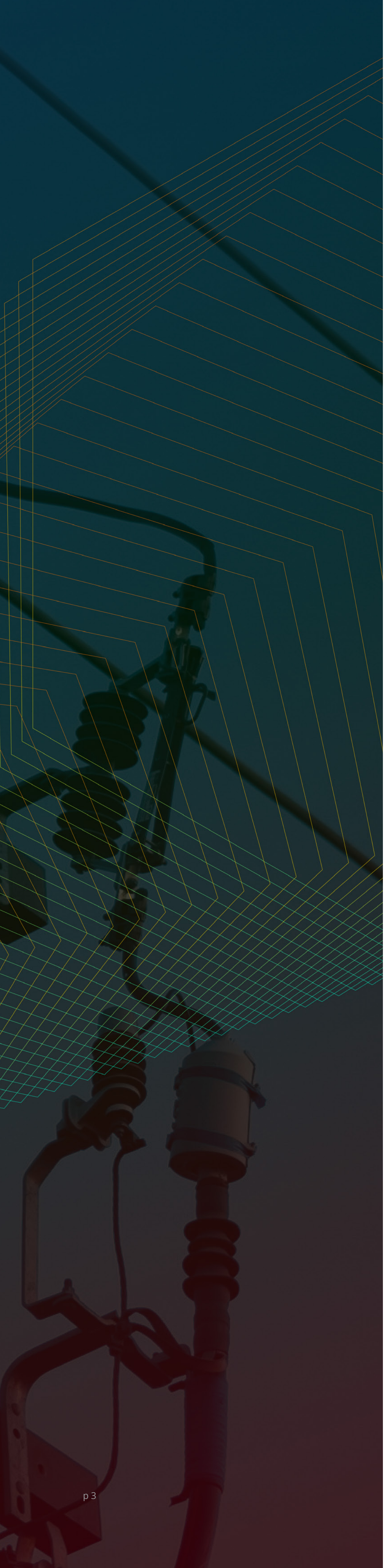


TABLE OF CONTENTS

Chairman's & CEO's Report

FY19
Year in Review

Performance

FY19 was a positive year for our business with growth and improvement across key metrics. Our core target market has continued to develop positively, being tier-1 U.S. communications companies, electric utilities and their engineering service providers. Success within this market is the long term value driver for our business.

In terms of financial performance, recognised revenue of $8.0m was approximately 4% higher against the FY18 prior comparative period (PCP) of $7.7m. Gross margin in FY19 grew to $5.4m, 34% higher against PCP (FY18 $4.0m), reflecting the shift to increasing sales of our higher margin IKE solution including IKE Analyze. Consolidated gross margin percentage was approximately 67%, an improvement against PCP of 51%. Operating expenses for FY19 were $10.6m, a reduction of $0.2m against PCP, reflecting our tight focus on operating cost control at the same time as growing revenue and gross margin. Operating cash flow performance improved as the business continues to trend towards targeted breakeven. We had approximately $3.5m cash on hand and $1.4m receivable at the end of the period. Our net loss after tax for the period was $5.1m, a 24% improvement against PCP of $6.7m.

Market tailwinds

As we have consistently communicated the key value driver for IKE is the development of IKE solution sales, including IKE Analyze, across target accounts, typically the largest communications companies and electric utilities operating in the North American market. From a market timing perspective, the pace of investment into fiber networks and 5G continues to increase. The U.S. fiber market is estimated to be at year-two of a seven-year investment super-cycle exceeding $300B, and with more than 200 entities competing to deploy networks. An additional large market tailwind emerging relates to 5G, the next generation mobile technology. IKE has recently been involved in aerial make-ready engineering projects specific to 5G network deployments. Usage of the IKE solution, in particular IKE Analyze, materially improves productivity for fiber network development and 5G site assessment workflow processes, and we are pleased to be in positioned in front in these very large macro market factors.

IKE Analyze, materially improves productivity for fiber network development and 5G site assessment workflow processes

Product development milestones

Transition to the IKE Analyze platform and business model was completed in FY19. Adding to our historical model of selling field tools and software subscriptions, IKE Analyze leverages our cloud-based pole software platform so that IKE can deliver significantly more value to customers via asset analysis & make ready engineering. The depth and specificity of the IKE Analyze offering for distribution asset projects is important and provides an opportunity to access materially larger customer contracts.

As a result of this product transition, we expect that approximately 80% of FY20 revenue will be derived from either recurring subscription or transaction sources. The ultimate revenue opportunity per IKE Analyze customer is significant, representing the potential for hundreds of thousands, and eventually, millions of dollars of revenue per annum.

Chairman & CEO's Report

Brand development

Through FY19 we completed important work establishing our brand and the IKE story within the Communications and Utility segment. IKE is a poles business; focused on people, process and technology to deliver network projects faster and at a higher quality data standard. Our brand objective is to create a deep customer engagement by evangelizing, teaching and celebrating the often under-recognised people & entities that we serve.

We are setting the Pole Record Standard via the IKE Record. In creating 'the news channel for poles' by natural extension we are exhibiting our inside-out culture and our values of Simplicity, Clarity, Ingenuity, Be Yourself, and Never (ever) give up. Examples of this re-branding can be seen at https://ike4.ikegps.com/.

Sales proof points

We were pleased to close record IKE solution sales in FY19, with $7.3m revenue representing 27% growth against PCP. Most important however was the in-market progress with the sales & delivery of IKE Analyze to target accounts. Today, seven of the largest 15 Communications & Cable companies operating in the U.S. market are engaged in deployments or pilots of IKE Analyze. Entities within this category include Charter Communications Inc. - the largest cable company in the U.S., Crown Castle Inc. - the largest provider of shared communications infrastructure in the U.S., and Cox Communications Inc.- the 6th largest cable company in the U.S. Additional customer progress included at AT&T Inc., the largest communications company operating across North America, who has written the 'IKE Standard' into its Articles for aerial make-ready-engineering. We are confident that additional tier-1 customers will added through FY20.

Our mobile product, Spike, is not expected to materially contribute to overall revenue in FY20 given the very large opportunity and our subsequent focus on the North American Communications and Electric Utility market, however we consider that it has some notable upside potential. The strategy for Spike continues to focus on partnerships so to tie directly into leading enterprise software platforms and established enterprise workflows, with some success. This has included with ESRI Inc, the largest global GIS software business (see https://www.esri.com/en-us/about/esri-partner-network/our-partners/hardware-partners/ikegps-esri) and also with HP Inc, via integration with their HP WorkExpert for Field Services product (see https://www8.hp.com/us/en/solutions/fieldservices.html). These types of partnerships provide an opportunity for Spike to access a larger volume, enterprise-type, user base. Some positive sales signs have emerged via ESRI in particular - with Spike also recently being awarded ESRI's Global Partner of the Year for Field Efficiency at their worldwide partner conference.

Team development milestones

From a team perspective, we were pleased to welcome Bill Morrow onto IKE's Board at the beginning of Q4 FY19. Bill brings leadership experience from positions across our targeted industries and geographical markets. He has consequently 'hit the ground running' with respect to contributions to the business. Bill's past roles include as CEO of Pacific Gas & Electric Co, CEO of Vodafone Europe, President of Vodafone KK Japan, CEO of Clearwire Corporation Inc., and most recently CEO of Australia's national fiber network, nbn co. His considerable governance experience includes as non-executive director at Broadcom Inc, one of the world's largest semiconductor companies, and as a non-executive director at Openwave Inc, a pioneer of the Mobile Internet.

Outlook

Our vision is to put IKE Analyze at the centre of every pole transaction. Looking to FY20 our focus remains squarely on the North American Communications & Electric Utility sector. As detailed above we believe that market timing is optimal. The pace of investment into fiber networks and 5G mobile networks is continuing to increase and usage of the IKE solution shows that against existing work practices IKE increases efficiency for field engineering by approximately two times and increases efficiency for back-office engineering by approximately five times.

We are in the early phases of serving numerous national infrastructure groups. Our focus on these very large businesses will continue to bring some timing uncertainty and associated risk but we are optimistic about the potential to deliver a strong FY20 performance, including new tier-1 customer wins. We feel IKE is as well positioned as it has been, noting that the first quarter of FY20 has been positive in terms of revenue and customer development.

Rick Christie
Chairman
IKE GPS Group

30 June 2019

Glenn Milnes
CEO & Managing Director
IKE GPS Group

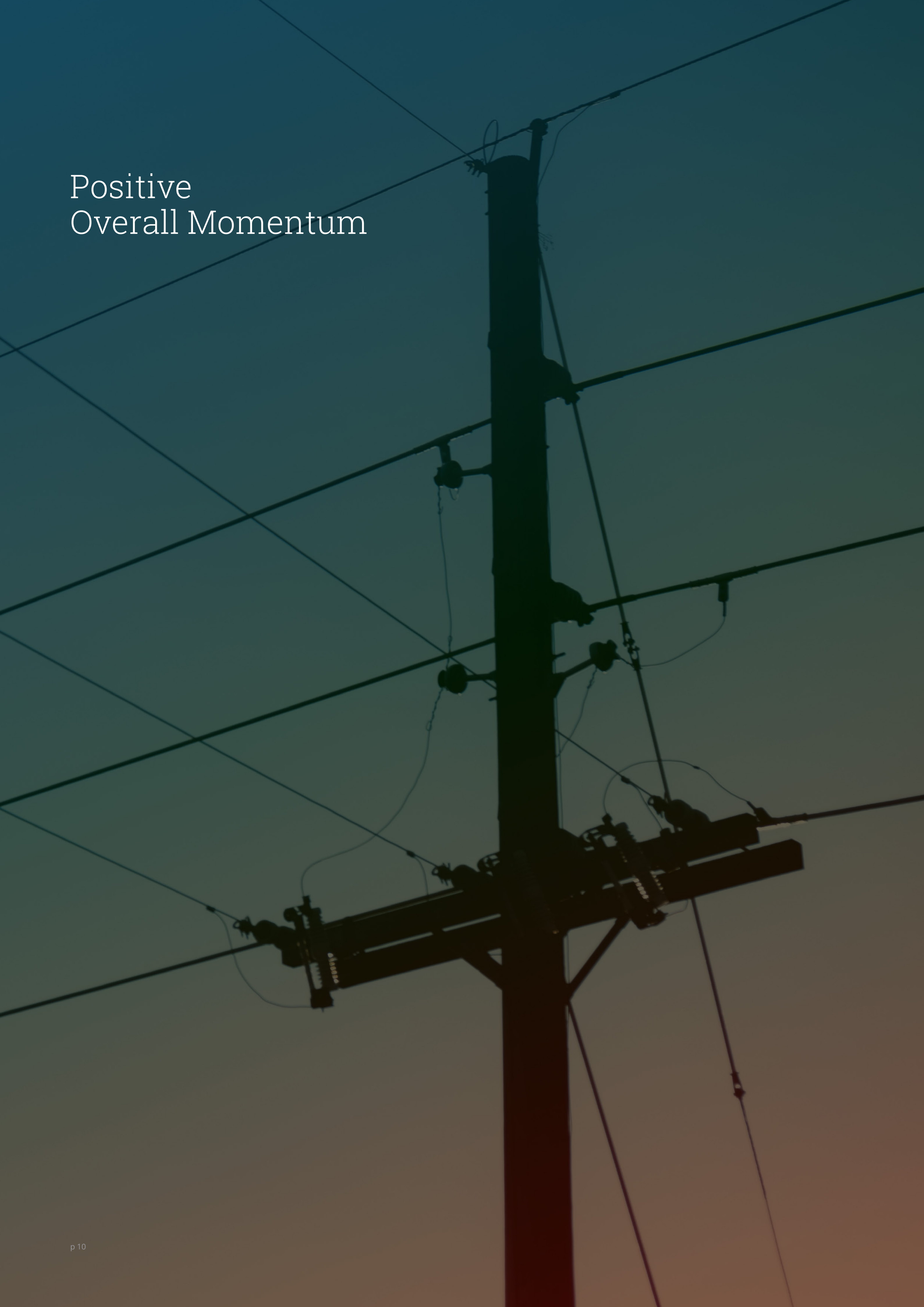
30 June 2019

FY19 Results Highlights

+ Revenue growth in the core Communications & Electric Utility segment:
  + Total recognised revenue of $8.0m, 4% higher than PCP of $7.7m.
  + Revenue in IKE's core Communications and Electric Utilities segment grew 27% against PCP, to approximately $7.3m.
+ Gross margin growth:
  + Gross margin in the period of $5.4m, 34% higher than PCP of $4.0m.
  + Gross Margin percentage improved to 67%, an increase against PCP of 51%.
+ Lower operating expenses:
  + Operating expenses were $10.6m (PCP of $10.8m), reflecting continued investment into Sales & Marketing and Research & Engineering, and a lower Corporate expense profile.
+ Reduced Net Loss
  + Net loss after tax was $5.1m, a 24% improvement against PCP of $6.7m.
+ Record sales into the U.S. Communications and Electric Utility market, with approximately $7.3m revenue including;
  + $1.8m revenue generated from annual software subscriptions, with subscription renewal rates of approximately 91%.
  + $1.4m revenue generated from the new 'IKE Analyze' solution.
+ Cash and receivables:
  + IKE ended the period with cash of $3.5m and receivables of $1.4m.
+ Transition to the IKE Analyze business model was completed in FY19
  + As a result IKE expects that approximately 80% of FY20 revenue will be derived from either recurring subscription or transaction sources.

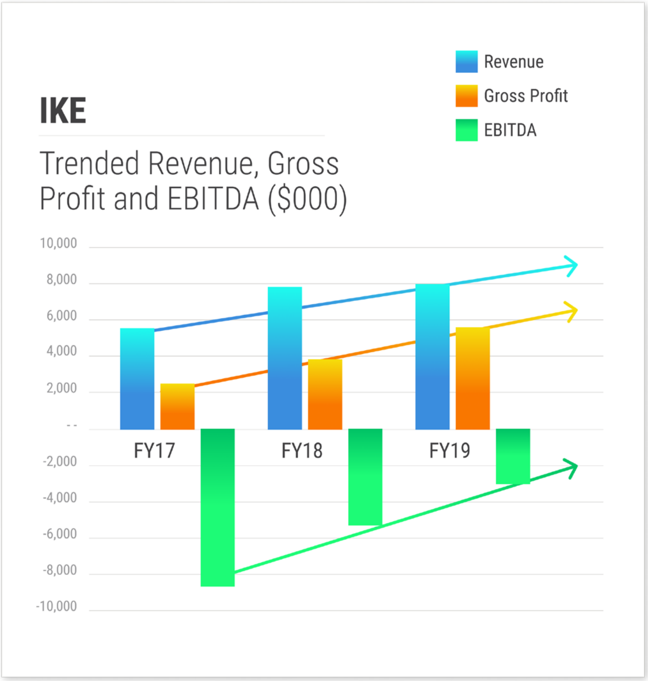
    + Ultimate revenue opportunity per IKE Analyze customer is significant, representing the potential for hundreds of thousands, and eventually, millions of dollars of revenue per annum.

+ Progress with Target Accounts included:
    + AT&T Inc., the largest communications company operating across North America, has written the 'IKE Standard' into its Articles for aerial make-ready-engineering.
    + Seven of the largest 15 Communications & Cable companies operating in the U.S. market are engaged in deployments or pilots of IKE Analyze. Entities include:
        + Charter Communications Inc. - the largest cable company in the U.S.
        + Crown Castle Inc. - the largest provider of shared communications infrastructure in the U.S.
        + Cox Communications Inc.- the 6th largest cable company in the U.S.
+ The platform to deliver a strong FY20 performance.
+ Considered that IKE is as well positioned as it has been with respect to customer engagement and market offering.

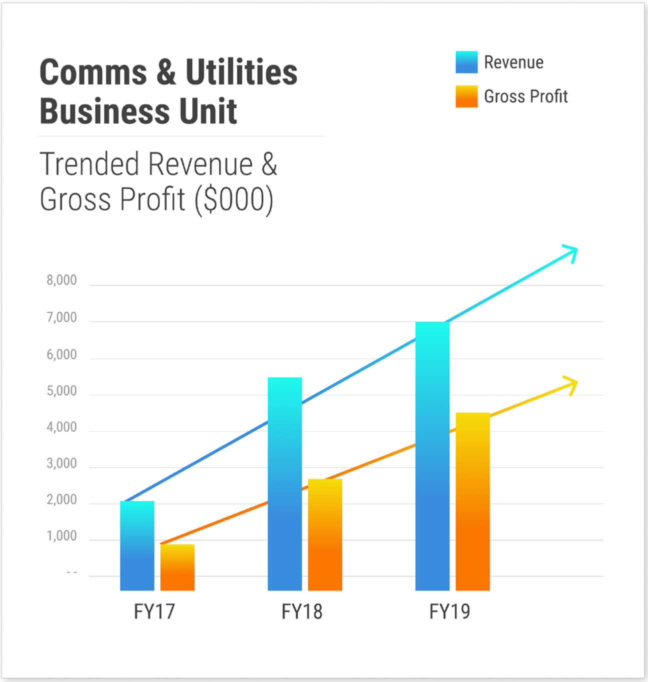


Positive
Overall Momentum

Positive Trending of Revenue, Gross Profit, and EBITDA



Particularly within the Core Communications and Utility Segment



A key development in FY19 was the introduction of IKE Analyze. Several drivers supported this transition.

There has been exponential growth in usage of the the IKE platform over the past four years;

>450 organizations have processed >9M aerial asset records on the platform…..

1.8MM	**9.4MM**	**5,219**	**450**
New Collections	New Captures	New Users	New Companies

Several Drivers supported the transition to IKE Analyze.

Users of the IKE 4 Solution are achieving dramatic productivity and quality improvements....

9.4 Million

Photos
of poles to date

1.7 Million

Poles
in IKE Office

75%

Reduce
personnel requiring field visit

0

Zero
revisits to the pole

2x Faster

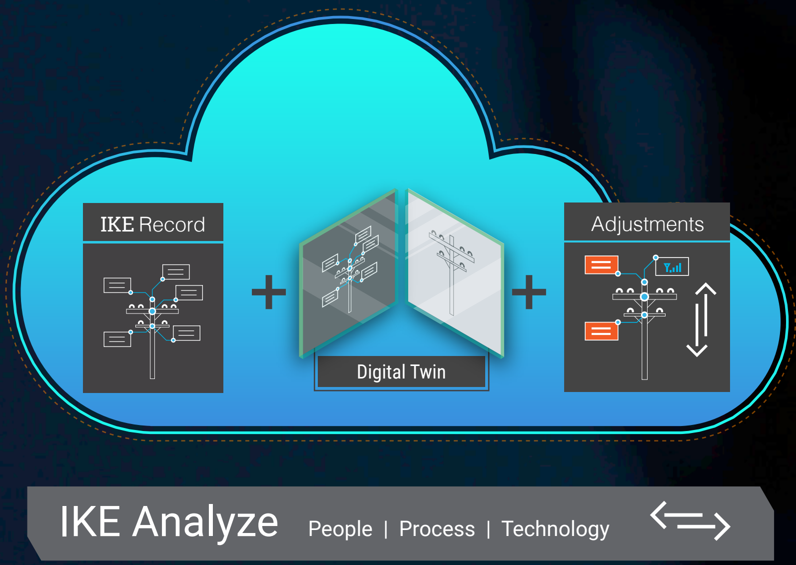
Improve
workflows from end to end

8x

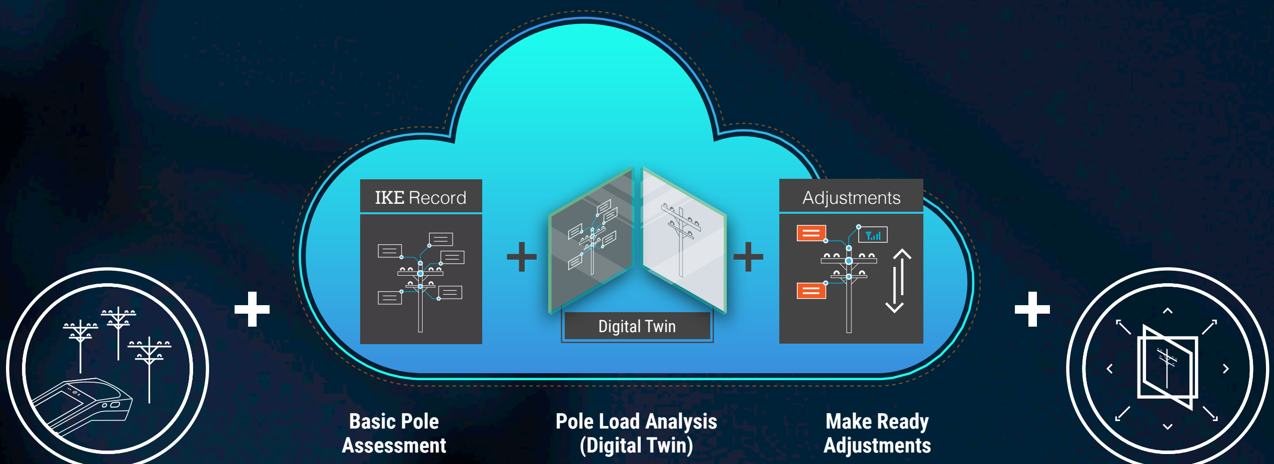
Reduce
permit request rejections

Customer demand, and market timing factors.

Communication Infrastructure Providers (CIPs)	Engineering Service Providers	Electric Utilities
Pain point IKE solves;	**Pain point IKE solves;**	**Pain point IKE solves;**
+ Need to bring networks and services online faster while standardizing costs and data quality across multiple geographic markets.	+ Need to maximize efficiency and profits. Typically doing >50% of the network development work required by the CIPs and Electric Utilities.	+ Need to meet the demands of sharply increasing pole attachment permit requests. + Need a faster and standardized way to assess and ensure poles are not compromised.
Applications;	**Applications;**	**Applications;**
+ Fiber network deployments + 5G network deployments	+ Fiber network deployments + 5G network deployments	+ Joint-use requests from CIPs + Network hardening requirements to protect against storm and fire risk. + In some cases, building their own fiber network.
Market opportunity for IKE;	**Market opportunity for IKE;**	**Market opportunity for IKE;**
+ Bottom up; + >$225m revenue opportunity over 5 years from the largest 15 players in the U.S. + >200 CIPs in the North American market. + Top down; + >$300B forecast investment into fiber networks in the U.S over next 5+ years. + 5G network investment forecast to grow to >$50B per annum by 2025.	+ >1,000 groups in the U.S. + An IKE Analyze force multiplier; using IKE tools for field engineering, driving asset data back to the IKE Analyze platform.	+ The largest potential market for IKE in the longer term; + >3,200 electric utilities in North America + >$750M per annum Total Addressable Market + IKE expects that this segment will develop more slowly than the CIP and Engineering Service Provider market



IKE Analyze increases the value of IKE's offering to customers; and substantially extends IKE's revenue model.



IKE Analyze People | Process | Technology

Annual Subscription

+ IKE Device
+ IKE Field s/w
+ IKE Integration (Any module)
+ Software updates & maintenance
+ Technical Support
+ Hot Swap*
+ Training*
+ Joint Use Coordinator Support

Per Pole Transaction Pricing

+ Analyze Level
+ Volume
+ Time
+ Timing
+ Turnaround
+ Deliverables

IKE Analyze adds further Analysis & Reporting layers.

Translating to >10-20x more revenue per system deployed than a historical sale of device & subscription software.

IKE Analyze Deliverables

+ IKE Device
+ IKE Report (pdf)
+ Excel File
+ KML
+ PLA Report
+ MRA Improvements
+ Pass/Fail Maps
+ IKE Office Cloud Database
+ IKE Photo Records
+ Permitting

Analysis Levels Explained

IKE Analyze offers three levels of analysisto support a fiber or 5G mobile network deployment.

HOA

Height of Attachment

PLA

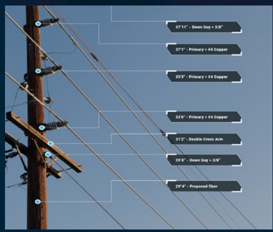
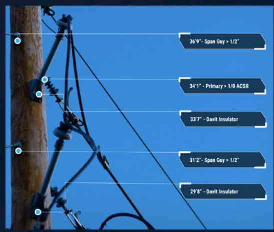
Pole Loading Analysis

MRA

Make-Ready Assessment

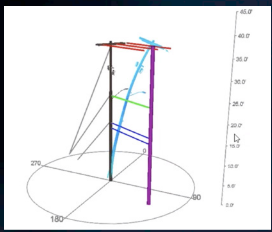
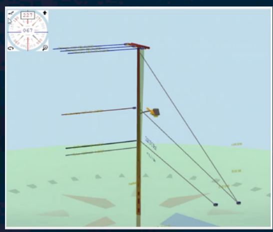
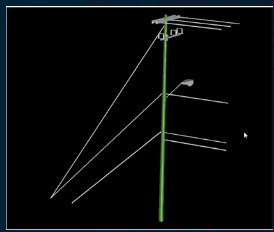
HOA

+ Height of Attachment
+ Route Surveys
+ Pole locates
+ Joint Use
+ Billing compliance
+ Network confirmation

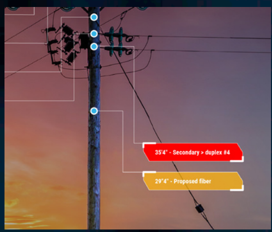
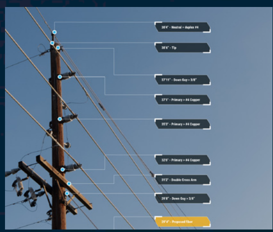
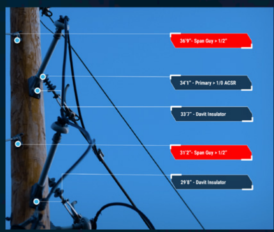
PLA

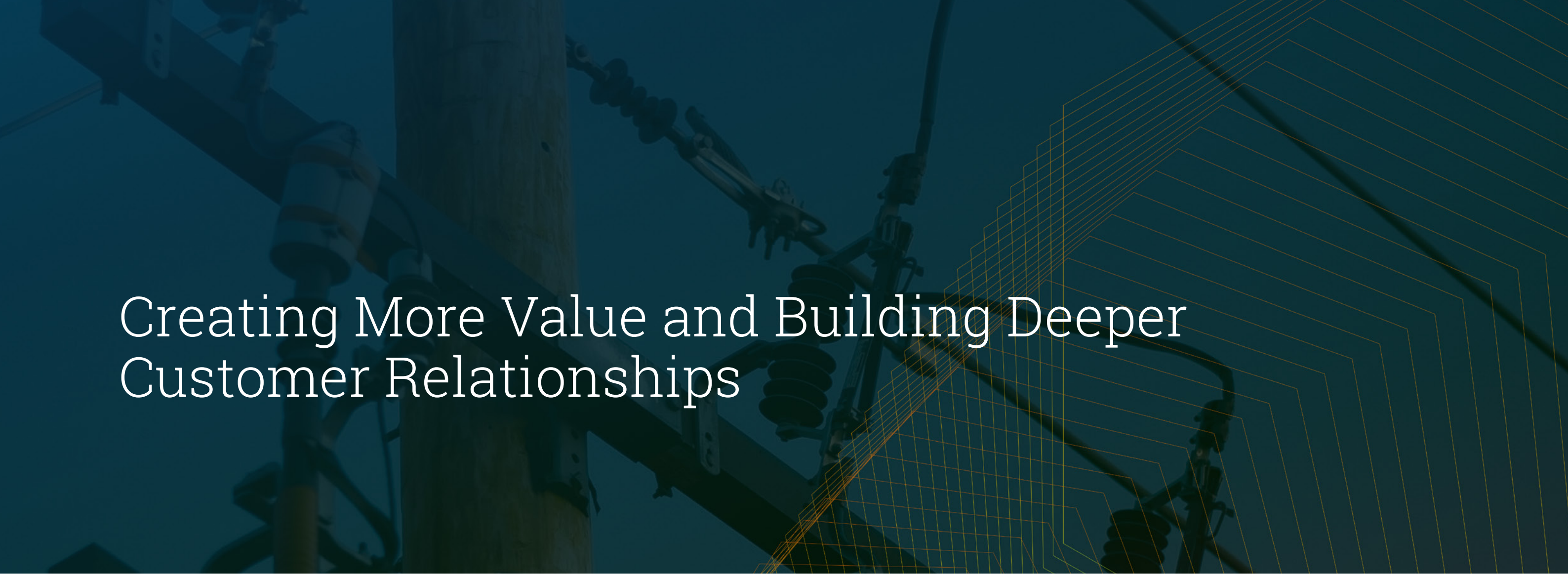
+ Pole Loading
+ Pole integrity
+ Clearance Analysis
+ NESC compliance

MRA

+ Make-Ready Adjustments
+ Fiber deployments
+ Design Suggestions
+ Network hardening



Creating More Value and Building Deeper Customer Relationships

- IKE now delivers **more value to every customer;**
  - speeding multiple aspects of the network assessment & make-ready-engineering process.
  - an IKE Analyze customer represents the potential for hundreds of thousands, and eventually, millions of dollars of revenue per annum.
- IKE Analyze demands **deeper, longer term customer (& revenue) relationships;**
  - with the IKE platform becoming embedded in customer workflows.
- IKE Analyze realizes lower upfront revenue but is expected to facilitate **10-20x greater revenue from every IKE solution in use** vs. IKE’s historical business model;
- IKE’s revenue mix evolves favorably;
  - becoming substantially weighted towards ongoing **transaction & subscription revenue.**
- **Market timing is optimal;**
  - with the potential to play a role in speeding up network deployment processes in markets experiencing investment super-cycles;
    - **Fiber network deployment;**
      - >$300B expected investment in the U.S. over the next 5+ years.
    - **Utilities network hardening** initiatives.
      - >$10B per annum expected investment in coming years.
  - **5G mobile network deployment;**
      - Expected to grow to a market investment size >$50B per annum by 2025.

Working with the Biggest Names in the Business

AT&T
SDGE
verizon
CROWN CASTLE
COX COMMUNICATIONS
DQE
Charter Spectrum
CABLE ONE
SOUTHERN CALIFORNIA EDISON
comcast
verizon wireless
AVISTA Corp.
PG&E
ComEd An Exelon Company
LA DWP

The IKE Analyze Method

Evidencing the depth of IKE's market offering.

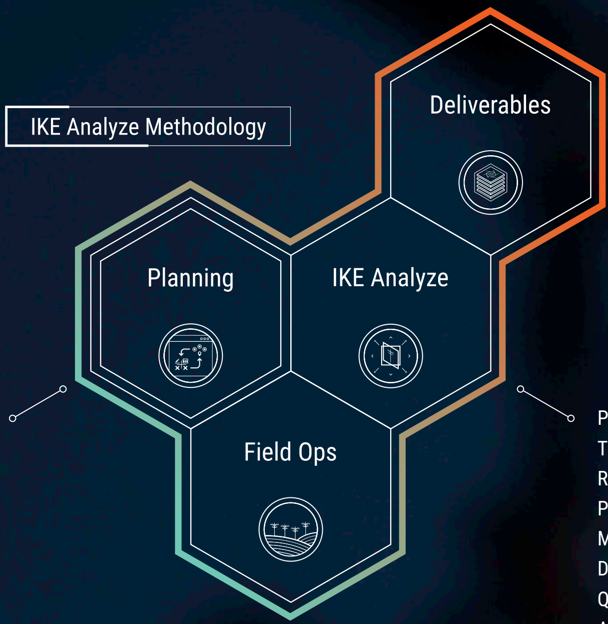


Photo Verifiable IKE Record
Excel, KML, CAD, GIS, JSON Outputs
JSON REST API
IKE Report
PLA Report (existing & proposed)
MRA Adjustments & Recommendations
Pass/Fail Maps
IKE Office Database
- Incl. Access to IKE Photos
Permitting

Intake
Functional specifications
Planning & Routing
Project / Deployment Plan
Onboarding & Alignment
Resource Scalability -
Field data collection forms
Scripting -
Form creation & integration -
Workflow Design
Workflow Optimization -
Process Recommendations -

Project/Status Tracking
Tuned Scalability
Resource Management
Pole Loading Analysis
Make-Ready Assessments
Design Remedies
Quality Control (3 levels)
Asset Identification
Accurate Height of Attachments

Field Logistics
Site Acquisition
Data Capture
Candidate Selection
Analysis of surrounding node assets
Data Feedback
Field Coaching
Support / Customer Success
Project Management

People, Processes, and Technology

The people at IKE bring forward unparalleled experience and depth in the science of utility poles. The processes through which the team engages from planning through delivery have been long-term practiced. The technology bringing IKE Analyze to our markets bears the hallmarks, and real-world implementation, of a scalable, repeatable, flexible, and robust solution for Communication Infrastructure Providers, Engineering Service Providers, and Electric Utilities.

Our methodology, the whole, guides our team and those we serve, more than the sum of the parts.

Planning

Field Ops

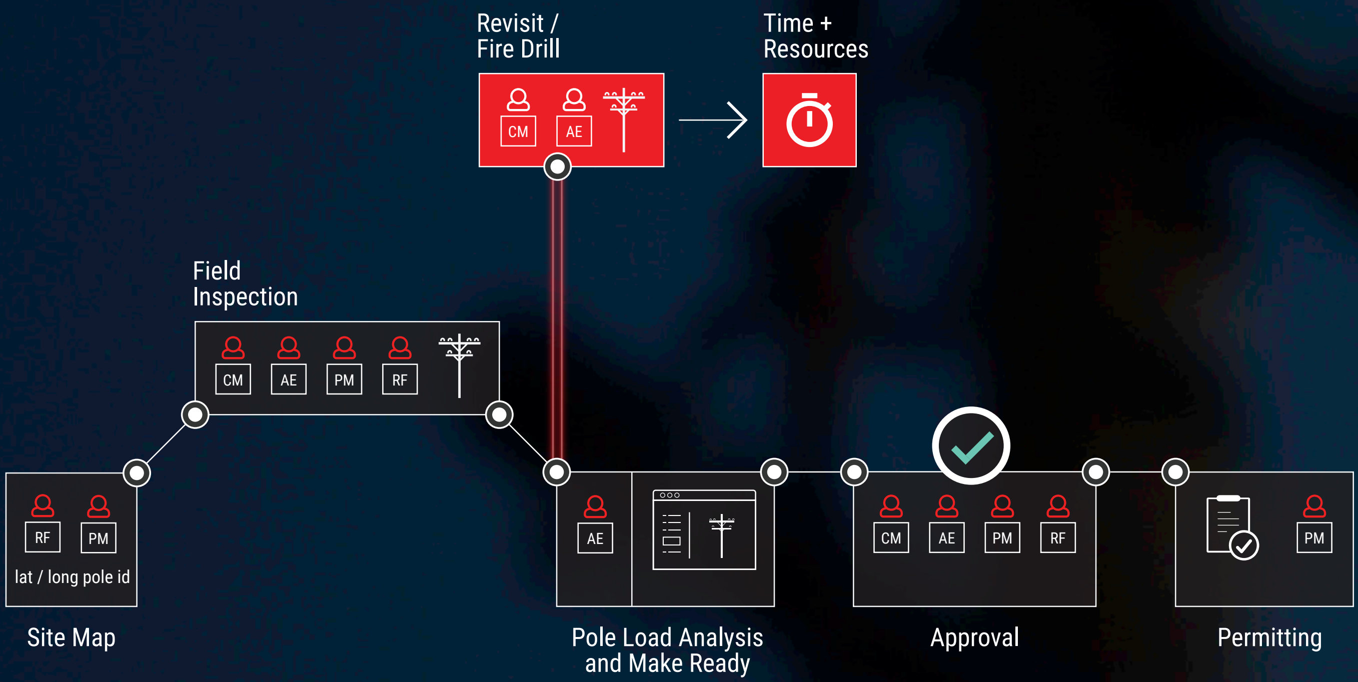
IKE Analyze

Deliverables

Success Stories

5G Application; National shared-communications infrastructure group. IKE Analyze Process // Reduced Time & Cost + Accuracy & Quality

Before applying the IKE Analyze Methodology

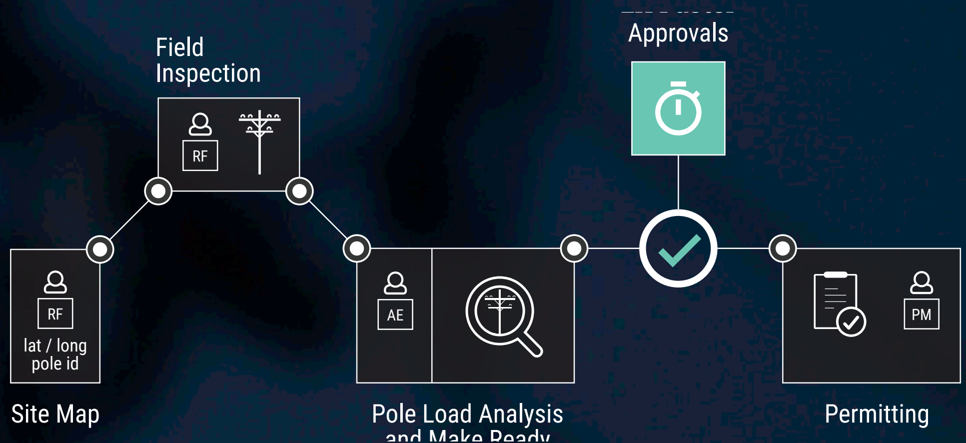


Applying the IKE Analyze Approach // Faster

2x
More Data Fielded

3x
Faster End-to-End Delivery

75%
Fewer People in the Field



Success Stories

Annual Revenue	$1.1B
Subscribers:	1MM
States	21

Metrics	Before	After (IKE Analyze)
Make Ready Engineering Completion	30 Days	5 Days
Approval times to attach	30 Days	10 Days

Success Stories

AT&T

Annual Revenue	$133B
Subscribers:	143MM (mobility)
States	22

Metrics	Before	After (IKE Analyze)
5G (field visits)	3	1
Fiber deployment completion times	30 Days	10 Days

Management Team

Glenn Milnes

Chief Executive Officer & Managing Director

Glenn Milnes is the CEO and managing director at ikeGPS, where he is accountable for the company's overall strategy, performance, and growth. Glenn joined ikeGPS after more than a decade of leadership roles at international communications group, Cable and Wireless International, London, and at venture capital firm No 8 Ventures.

Before entering the business world, Glenn played professional cricket in New Zealand, England, and The Netherlands, representing New Zealand at various levels. Glenn holds an MBA with distinction from Imperial College London, a Bachelor of Science with first-class honors from Oxford Brookes University and a Bachelor of physical education from the University of Otago.

Leon Toorenburg

Chief Technology Officer

Leon Toorenburg is the Chief Technology Officer at ikeGPS, where he leads the research department to investigate how to leverage new technologies to simplify and speed up ikeGPS customers' workflow.

Leon is the founder of ikeGPS and has been instrumental in the development of all ikeGPS' products. He holds numerous U.S. and international patents on measurement technologies. Leon holds a Bachelor of Science from Victoria University and Bachelor of Engineering with honors from Canterbury University.

Mike McGill

Senior Vice President, Utility & Communication Business Unit

Mike McGill is the Senior Vice President of the Utilities & Communication business unit at ikeGPS, where he is responsible for delivering collection, analysis, and management solutions for customers focused on distribution assets.

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. After leaving DigitalGlobe, Mike leveraged his intelligence, surveillance and reconnaissance experience by co-founding a drone company, now known as Silent Falcon UAS. Mike earned his degree in economics from the University of Utah.

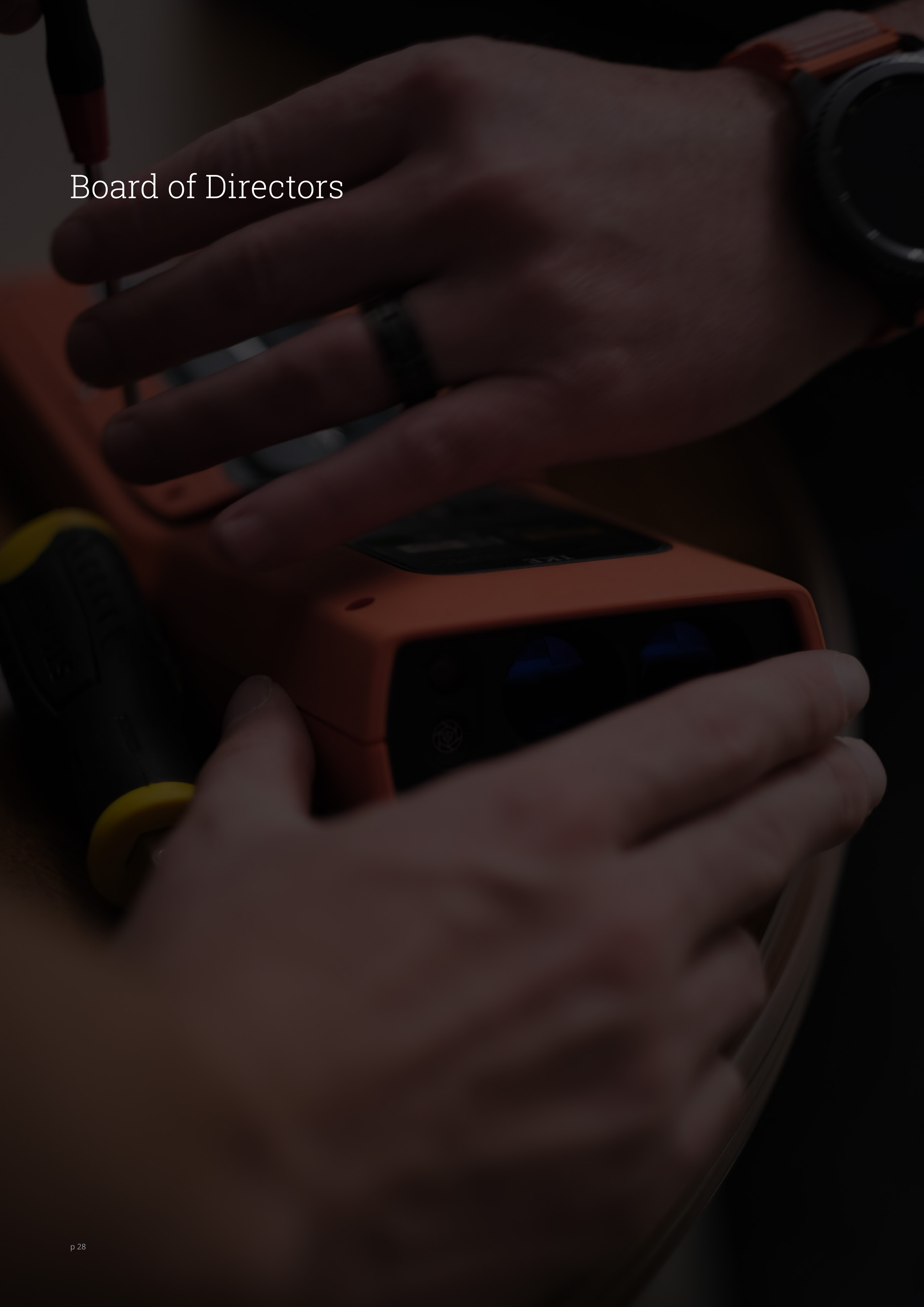
Chris Birkett

Chief Financial Officer

Chris Birkett is the Chief Finance Officer at ikeGPS, where he is responsible for ensuring the company has the correct settings for growth and profitability. A key part of his role is supporting other team members to unleash the value of our products for our customers.

Prior to joining ikeGPS, Chris held CFO and Managing Director roles at General Cable New Zealand Limited, General Cable Asia Pacific, and Rock Shox (US). Chris is a Chartered Accountant (CAANZ). Chris received his degree from Victoria University of Wellington.

Board of Directors



Rick Christie / (MSc (Hons) Chemistry)

Chairman and Independent Director

Rick Christie is the former Chairman of Ebos Group, where he was Chair through much of its growth to become a >$3B business today. He has experience on a number of other major boards, including TVNZ. Rick was previously CEO of investment company Rangatira Ltd and had 20 years' executive management experience in the international oil & gas industry.

Glenn Milnes (MBA (Dist.), BSc (Hons), B PhD)

CEO & Managing Director

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

Bill Morrow

Non-Executive Director

Bill was most recently CEO of NBN co., where he led the build of Australia's $40B universal broadband network that has connected more than 6.5 million homes and businesses. Prior to that, he has held positions including CEO of Vodafone Europe, President of Vodafone KK Japan, and CEO of Pacific Gas and Electric. Bill has considerable governance experience, serving as a board member for eight years at Broadcom Inc. and Openwave Inc. among other directorships.

Dr. Bruce Harker / (PhD Electrical Engineering, BE (Hons))

Independent Director

Bruce is currently Director of H.R.L. Morrison & Co's Energy Group and is also Chairman of ASX listed Tilt Renewables. Among other directorships, he was previously Chairman of NZX listed TrustPower and also Z-Energy.

Alex Knowles

Director

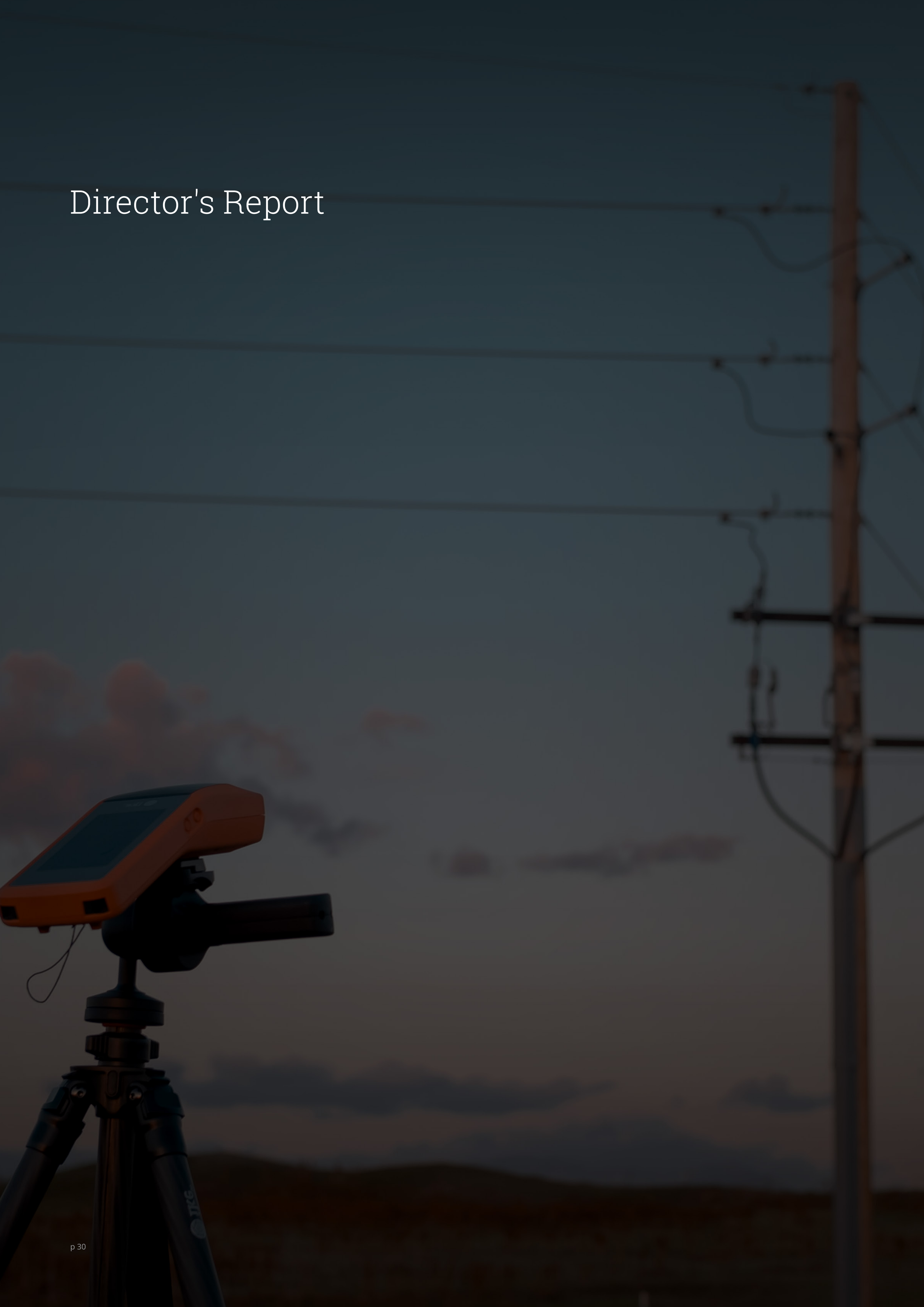
Alex has investing and operating experience with international companies in the information technology and transportation industries. Based in Los Angeles, He was formerly Chief Operating Officer of the largest international freight forwarder and small parcel consolidator in the U.S.

Fred Lax / (MSEE AND BSEE)

Independent Director

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

Director's Report



Corporate **Governance**

Corporate Governance Information

On the IKE website under the investors section (ike4.ikegps.com/governance/), 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 updated Principles and Recommendations in the NZX Corporate Governance Code 1 January 2019 (the NZX Code).

NZX Code

Principle 1

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

Director's Report

Code of conduct

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.

Whistle blowing

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 our disclosures of interests. A current listing of Directors' interests is found on page 39.

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.

Our Directors current shareholdings are set out on page 40.

Principle 2

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

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 our 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 five non-executive Directors and one executive Director.

1. **Rick Christie** (Independent, Non-executive Chairman, Remuneration Committee),
2. **Bruce Harker** (Independent, Non-executive Director, Audit and Risk Management Committee, Remuneration Committee),
3. **Alex Knowles** (Non-executive Director),
4. **Bill Morrow** (Independent, Non-executive Director),
5. **Fred Lax** (Independent, Non-executive Director, Audit and Risk Management Committee Chairman),
6. **Glenn Milnes** (Not Independent, Audit and Risk Management Committee, Chief Executive Officer and Managing Director)

Bill Morrow was appointed as a Director on 1 January 2019.

Profiles of the Directors can be found on page 29.

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 2018 and 31 March 2019, seven Board meetings were held including two strategy meetings.

All meetings were attended by all Directors (or committee members) as appropriate.

Board composition

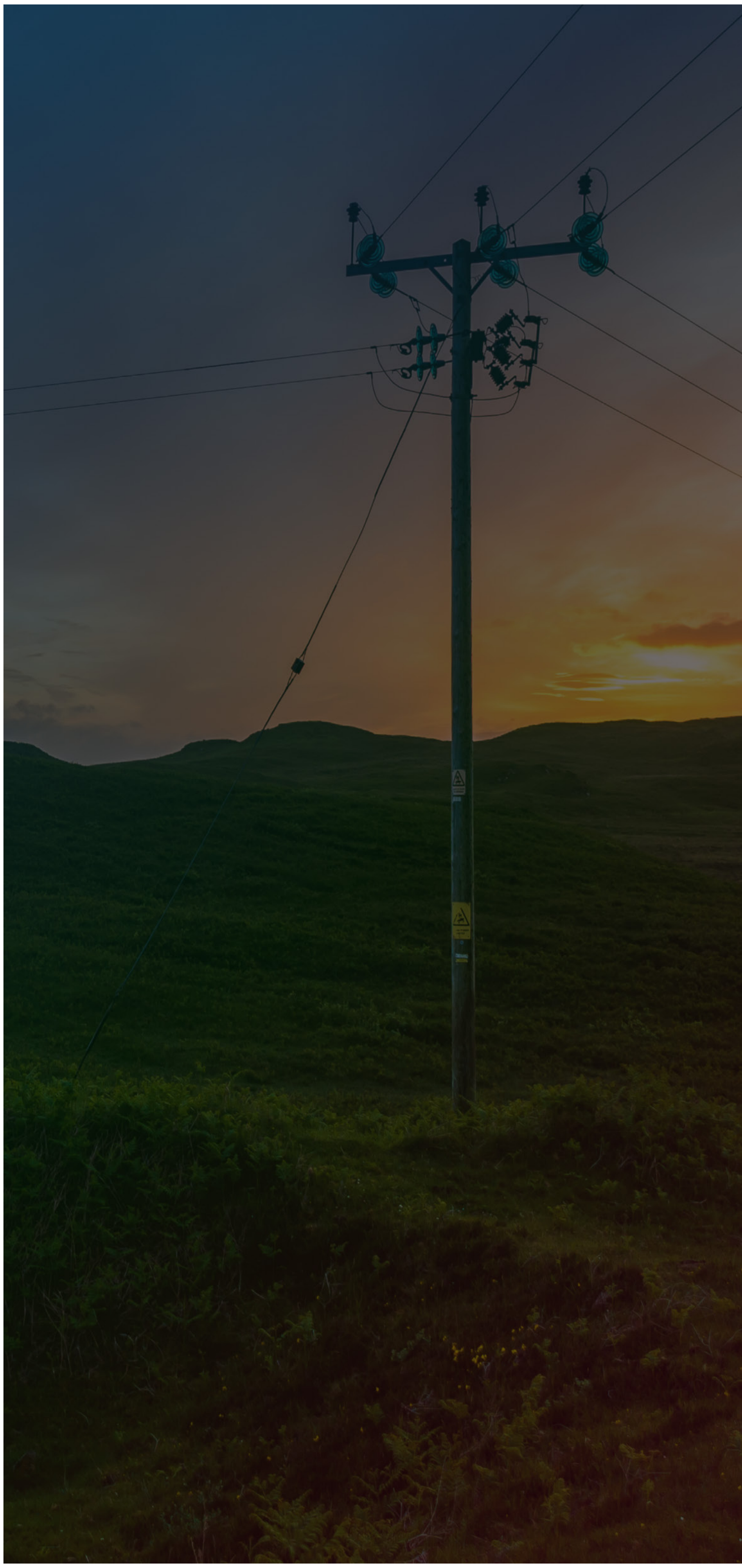
The Board formally considers its composition each year at an annual performance review. The Directors believe the respective skills and experience of individual Directors to be complementary, appropriate for the Company, balanced and reasonably diverse. IKE's Directors have expertise and experience in strategy development, executive leadership, acquisitions and divestment, technology, data, corporate responsibility, governance, legal and regulatory matters, public policy, and finance (including the assessment of financial controls). 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 2018 and 31 March 2019 are detailed below. For the purposes of accurate disclosure Glenn Milnes and Leon Toorenburg are shown both as a Director and an officer.

	2019	2018
Directors		
Male	7	6
Female	-	-
Officers		
Male	3	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, Bill Morrow and Fred Lax.

Director's Report

Director training

Each Director maintains membership of relevant bodies and undertakes appropriate education to remain current in how to best perform their duties as Directors. In addition, the Directors will 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 believes it has helped to refine IKE's strategy setting processes, and the information provided in 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 FY19 IKE's standing Board committees were the:

+ Audit & Risk Management Committee
+ Remuneration Committee

Audit & Risk Management Committee:

Fred Lax (chair), Bruce Harker, Glenn Milnes.

The majority of 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 2019. Management attend meetings only at the invitation of the committee and at least annually the committee meets with the external auditors with management excluded.

Remuneration Committee:

Rick Christie (chair), Bruce Harker.

The committee members are independent Directors. The committee met on four occasions in the year to 31 March 2019. 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.

Takeover protocol

The Board has elected not to establish a takeover committee or protocols documenting the procedure to be followed in the event it receives a takeover offer. The Board has determined that due to the current size and make-up of the Board, it is sufficiently independent and can manage the takeover process and any additional issues, effectively as a whole Board.

Principle 4

Reporting and disclosure: The Board should demand integrity in 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 we refer to under Principle 6. IKE is predominantly an office based software company with minimal impact on financial risks.

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 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 guidelines referred to in this section. The Annual Report is available in electronic and hard copy format. IKE's annual meeting will be held on 6 September 2019 in Wellington. The external auditors, PWC, will be at this meeting and will be available to answer questions about the audit and the audit report.

Director's 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 $88,750 (including all committee responsibilities)
+ All other Directors $190,250

The last increase in Directors' fees was made with effect from 01 May 2019. The Directors' fees for FY19 are set out on page 40.

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, 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' 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 2019 was US$306,000. Performance for the purposes of the STI component has not yet been assessed and will be paid in August 2019. Glenn had 600,000 employee stock options at 31 March 2019. 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 an enterprise risk management framework in place to identify, quantify, prioritise, exploit, monitor and review risks. That framework categorises the enterprise risks and sets out specific principles to effectively manage these. Directors have reviewed the enterprise risk register of IKE which includes particular risk areas identified by management. IKE doesn't have an internal audit function.

Health and Safety Risk

IKE values the health, safety and wellness of our people and we believe that everyone should be able to work in an environment where risks are managed and controlled. We have a health, safety and wellness plan for FY20 that identifies our risks and the current procedures to mitigate these from occurring.

IKE's a relatively low-risk office-based business. However, we do have employees performing training and in some instances field work for customers. The Board is conscious of these risks to employees and have reviewed the actions currently in place to mitigate these. 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

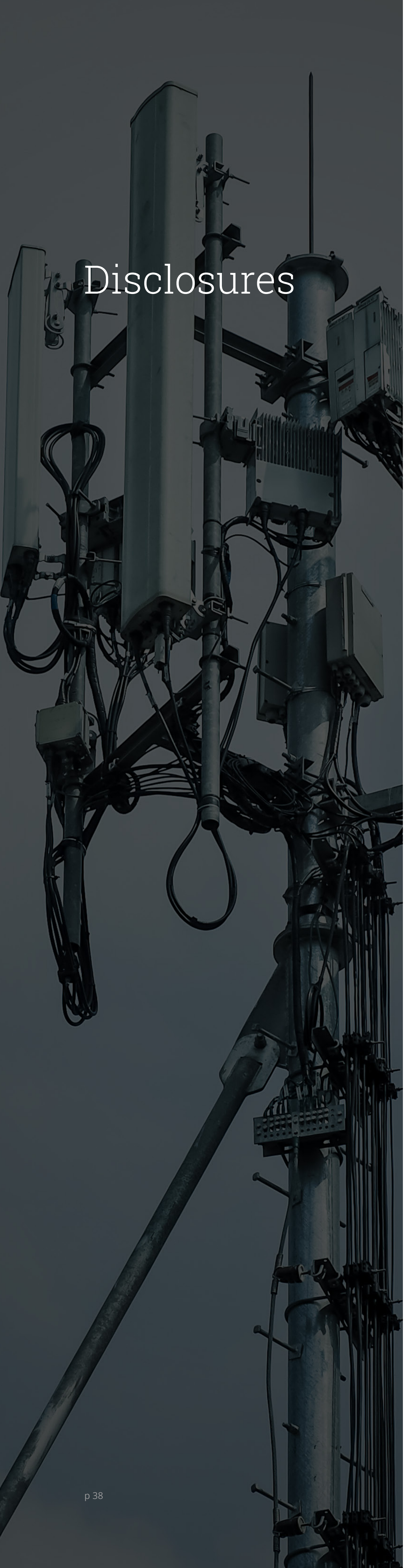
The Audit Independence Policy sets out restrictions on non-audit work that can be performed by the auditor.

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 2019. 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 2019.

Audit Fees

The amounts payable to PwC as auditor of the Group are as set out in Note 6 to the financial statements.

Subsidiary company Directors

The following people held office as Directors of subsidiary companies of the Company at 31 March 2019:

1. ikeGPS Inc: Glenn Milnes, Leon Toorenburg and Alex Knowles.
2. 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 2019 nor does it expect to declare any dividends during the period ending 31 March 2020.

Net Tangible Assets

The Net Tangible Assets per security at 31 March 2019 was $0.06 (31 March 2018: $0.05).

NZX Waivers

There were no waivers obtained or relied upon during the period to 31 March 2019.

The Company's officers as at 31 March 2019, and their respective roles, were as follows:

Glenn Milnes	Chief Executive Officer
Chris Birkett	Chief Financial Officer
Leon Toorenburg	Chief Technology Officer
Michael McGill	SVP Sales Utilities & Communications
Richard Mander	Chief Operating Officer

Annual Meeting

The Company's Annual Meeting of shareholders will be held in Wellington on 6 September 2019. A notice of Meeting and Proxy Form will be circulated to shareholders closer to the time.

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 for the period 1 April 2018 to 31 March 2019 (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 (Resigned in February. 2019)	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	
Alex Knowles - Non Executive Director		**No conflicting interests**
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	

Disclosures

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 2019 was $279,000 (2018: $202,500).

Directors fees and other remuneration and benefits (including share option expense) from the Company recognised in profit or loss during the accounting period ended 31 March 2019 are as follows:

Director	Interest	Declaration
Richard Christie	116,990	Director fees & share option expense
Bruce Harker	94,324	Director fees & share option expense
Bill Morrow	24,071	Director fees & share option expense
Alex Knowles	76,574	Director fees & share option expense
Frederick Lax	91,574	Director fees & share option expense
Glenn Milnes*	658,413	Salary and entitlements
Leon Toorenburg*	333,390	Salary and entitlements
Total	**$ 1,395,335**	

*Glenn Milnes and Leon Toorenburg received salary and entitlements in US$ as employees of ikeGPS Inc. Remuneration shown above, has been converted to NZ$ at the average rate for the month each 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 travel, 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 on the next page 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 2019.

Quoted Shares	With beneficial interest	As trustee or associated person of registered holder	Total number of ordinary shares 31 March 2019	Unlisted options to acquire ordinary share
Richard Christie	143,696	-	143,696	250,000
Bruce Harker	-	408,895	408,895	250,000
Bill Morrow	-	-	-	250,000
Alex Knowles	-	7,190,117	7,190,117	250,000
Glenn Milnes	890,614	102,900	993,514	600,000
Frederick Lax	236,266	-	236,266	250,000
Leon Toorenburg	-	1,179,539	1,179,539	200,000
Total	**1,270,576**	**8,881,451**	**10,152,027**	**2,050,000**

Spread of security holders

Security holders as at 12 June 2019

Size of shareholding	Number of holders	% of holders	Total shares held	% of shares
1-1,000	84	10.57%	67,890	0.08%
1,001-5,000	244	30.69%	764,374	0.84%
5,001-10,000	147	18.49%	1,225,847	1.35%
10,001-50,000	207	26.04%	5,252,378	5.80%
50,001-100,000	39	4.91%	2,805,651	3.10%
Greater than 100,000	74	9.31%	80,365,165	88.82%
Total	**795**	**100%**	**90,481,305**	**100%**

Disclosures

Twenty largest shareholders

Analysis of shareholding on a disaggregated basis as at 12 June 2019:

Shareholder rank and name	Holding	% Total shares on issue
1 Nicola Jane Wilson & David Jonathan Wilson	17,798,211	19.7%
2 Forsyth Barr Custodians Limited	8,568,984	9.5%
3 Tanza Elizabeth Knowles & Veronica Pauline Lawrie	7,190,117	8.0%
4 New Zealand Central Securities Depository Limited	6,597,867	7.3%
5 Forsyth Barr Custodians Limited	4,424,253	4.9%
6 Kevin Glen Douglas & Michelle Mckenney Douglas	3,000,000	3.3%
7 FNZ Custodians Limited	2,745,781	3.0%
8 Hector Rex Nicholls & Kerry Leigh Prendergast	2,657,812	2.9%
9 Leveraged Equities Finance Limited	2,164,791	2.4%
10 Nzvif Investments Limited	1,685,029	1.9%
11 James Douglas Jr & Jean Ann Douglas	1,500,000	1.7%
11 Kevin Douglas & Michelle Douglas	1,500,000	1.7%
12 Dongwen Xiong	1,362,000	1.5%
13 Leon Mathieu Lammers Van Toorenburg & Fanny Emmanuelle Lammers Van Toorenburg	1,179,539	1.3%
14 48 Investments Limited	907,343	1.0%
15 Glenn Stefan Milnes	890,614	1.0%
16 Watt Land Company Limited	694,930	0.8%
17 Nikau Nominees Limited	679,000	0.8%
18 Susan Iorns	610,388	0.7%
19 Roger John Williams	610,000	0.7%
20 Ronald James Diack	567,110	0.6%
Total	**67,333,769**	**74.4%**

Substantial product holders

According to notices given under the Securities Markets Act 1988 and the Financial Markets Conduct Act 2013 as at 31 March 2019, the following were substantial product holders in respect of the 78,450,255 ordinary shares of the Company on issue as at 31 March 2019 (being the Company's only class of quoted voting securities):

Name	Shareholding	%	Nature of relevant interest
David Jonathan Wilson and Nicola Jane Wilson	17,798,211	19.7%	Registered holder and beneficial owner of financial products
Tanza Elizabeth Knowles & Veronica Pauline Lawrie	7,190,117	7.9%	Registered holder and beneficial owner of financial products
Douglas Irrevocable Descendants Trust, Douglas Family Trust, K&M Douglas Trust	5,291,864	6.0%	Registered holder and beneficial owner of financial products
Scobie Ward	6,918,491	9.0%	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 2019:

Band	# of Employees
$100,000 to $109,999	4
$110,000 to $119,999	2
$120,000 to $129,999	-
$130,000 to $139,999	2
$140,000 to $149,999	1
$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	-
$200,000 to $209,999	1
$210,000 to $219,999	-
$220,000 to $229,999	-
$230,000 to $239,999	-
$240,000 to $249,999	1
$250,000 to $259,999	-
$260,000 to $269,999	-
$270,000 to $279,999	1
$280,000 to $289,999	-
$290,000 to $299,999	-
$300,000 to $309,999	1
$320,000 to $329,999	1
$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	1
$390,000 to $ 399,999	-
Total	**17**

Donations

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

Financial Statements

Independent auditor's report

To the shareholders of ikeGPS Group Limited

We have audited the financial statements which comprise:

- the consolidated balance sheet as at 31 March 2019;
- 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 significant accounting policies.

Our opinion

In our opinion, the accompanying 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 2019, 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 2 in the financial statements, which indicates that the Group incurred an operating cash outflow of $4.0 million for the year ended 31 March 2019, and a further investing outflow of $1.1 million relating to capitalised internal development and the purchase of property, plant and equipment. The Group also incurred a net loss of $5.1 million for the year. The cash balance at 31 March 2019 was $3.5 million. If the Group fails to achieve its FY20 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 2, these conditions, along with other matters as set forth in note 2, 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.

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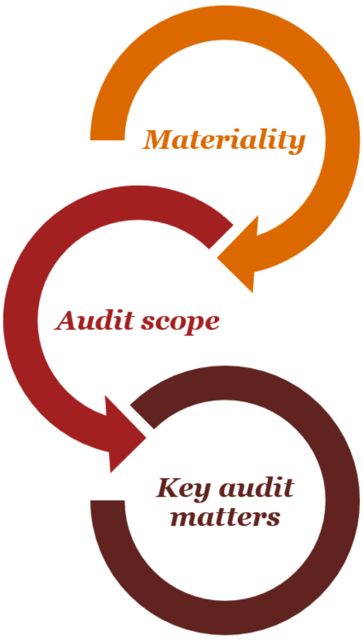
Our audit approach

Overview



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

Overall Group materiality: $363,000, which represents 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 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 judgement, 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.

Key audit matter	How our audit addressed the key audit matter
Valuation of development assets As disclosed in note 15, Intangible assets, the Group has $3.6 million 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 are reasonable, the Directors assessed whether any impairment indicators existed for each development asset Cash Generating Unit (CGUs) 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 on a value in use basis and the Spike development assets on a value in use and fair value less costs of disposal basis. These assessments require significant judgement when identifying appropriate assumptions upon which to base the model, particularly forecasting future sales volumes . The impairment assessments were a key audit matter due to the significant judgement involved in assessing whether forecast future sales volumes 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 2 and 15 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 performed procedures to evaluate and challenge the Group's determination of CGUs. This included reviewing internal management reporting to assess the level at which the Group monitors performance, comparing CGU's to our knowledge of the Group's operations and reporting systems, and reconciling assets allocated to CGU's to those totals within the general ledger. • 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 assessments and tested the mathematical accuracy of the impairment models, and used our internal valuation expert to challenge and assess the appropriateness of the assumptions underlying the impairment models. • We assessed the reasonableness of the forecast sales volumes within the Board-approved budget for the years ending 31 March 2020 to March 2023. Our assessment included completing look back procedures to evaluate the forecasting accuracy of previous forecasts against actual results to assess the reliability of historical forecasting. We also considered factors influencing forecast revenue growth, such as sales pipelines, previous growth achievements, and the Group's strategic objectives and we performed a sensitivity analysis based on our independent determination of forecast sales volumes assumptions.

Financial Statements

Key audit matter	How our audit addressed the key audit matter
Valuation of development assets	• We assessed management's valuation basis for determining the fair value less costs of disposal of the Spike Business, and used our internal valuation expert to challenge and assess the appropriateness of the assumptions underlying the fair value calculation, including independently determining a valuation range for the Spike Business. Whilst recognising that the impairment assessment is inherently judgemental and there is a level of subjectivity involved in valuing CGUs, there is a range of values which can be considered reasonable when evaluating the carrying value of a CGU. Based on the above procedures there were no matters to report.

Information other than the financial statements and auditor's report

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not, and will not, express any form of assurance conclusion on other information. The directors have advised that no other information will be included in the annual report.

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

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 Christopher Ussher.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
30 May 2019

Wellington

Financial Statements

Consolidated statement of profit or loss and other comprehensive income

Year ended 31 March Group

	Note	2019	2018
Continuing operations		**$'000's**	**$'000's**
Operating revenue	6	7,996	7,732
Cost of sales		(2,646)	(3,754)
Gross profit		**5,350**	**3,978**
Other income	6	102	125
Operations cost	6	(643)	(477)
Sales and marketing expenses	6	(3,226)	(3,231)
Research and engineering expenses	6	(3,210)	(3,019)
Corporate costs	6	(3,443)	(4,011)
Foreign exchange (losses)/gains		(39)	(71)
Expenses		**(10,561)**	**(10,809)**
Operating loss		**(5,109)**	**(6,706)**
Net finance income		17	(20)
Net loss before income tax		**(5,092)**	**(6,726)**
Income tax (expense)/credit	12	4	(6)
Loss attributable to owners of ikeGPS Group		**(5,088)**	**(6,732)**
Other comprehensive loss			
Items that may subsequently be recognised through profit or loss			
Exchange differences on translation of foreign operations		168	(31)
Comprehensive loss		**(4,920)**	**(6,763)**
Basic and diluted loss per share	21	$(0.06)	$(0.09)

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of changes in equity

	Share capital	Accumulated loses	Share based payment reserve	Foreign currency translation reserve	Total
	$'000's	**$'000's**	**$'000's**	**$'000's**	**$'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**

	Share Capital	Accumulated loses	Share based payment reserve	Foreign Currency Translation reserve	Total
Opening balance at 1 April 2018	**49,263**	**(41,088)**	**60**	**(283)**	**7,952**
Change in accounting policy	-	274	-	-	274
Restated balance at 1 April 2018	**49,263**	**(40,814)**	**60**	**(283)**	**8,226**
Loss for the year	-	(5,088)	-	-	(5,088)
Currency translation differences	-	-	-	168	168
Total comprehensive income/(loss)	**-**	**(5,088)**	**-**	**168**	**(4,920)**
Issue of ordinary shares	5,869	-	-	-	5,869
Recognition of vesting of share-based options	-	-	188	-	188
Share based payment reserve movement	-	56	(56)	-	-
Total transactions with owners	**5,869**	**56**	**132**	**-**	**6,057**
Balance at 31 March 2019	**55,132**	**(45,846)**	**192**	**(115)**	**9,363**

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Financial Statements

Consolidated balance sheet

Year ended 31 March Group

	Note	2019	2018
ASSETS		**$'000's**	**$'000's**
Current assets			
Cash and cash equivalents	7	3,475	2,586
Trade and other receivables	9	1,370	1,358
Prepayments		294	273
Inventory	8	1,691	1,220
Total current assets		**6,830**	**5,437**
Non-current assets			
Property, plant and equipment	14	944	842
Intangible assets	15	3,604	3,928
Deferred tax asset	12	17	13
Total non-current assets		**4,565**	**4,783**
Total assets		**11,395**	**10,220**
LIABILITIES			
Current liabilities			
Trade and other payables	10	505	699
Employee entitlements		226	364
Contract liabilities	6	1,246	1,205
Total current liabilities		**1,977**	**2,268**
Non-current liabilities			
Non-current contract liabilities	6	55	-
Total non-current liabilities		**55**	**-**
Total liabilities		**2,032**	**2,268**
Total net assets		**9,363**	**7,952**
EQUITY			
Share capital	13	55,132	49,263
Share based payment reserve		192	60
Accumulated losses		(45,846)	(41,088)
Foreign currency translation reserve		(115)	(283)
Total equity		**9,363**	**7,952**

Director Date: 30 May 2019
NZ (New Zealand Time)

Director Date: 30 May 2019
NZ (New Zealand Time)

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

Consolidated statement of cash flows

Year ended 31 March Group

	Note	2019	2018
		$'000's	$'000's
Cash flows from operating activities			
Cash receipts from customers		8,401	8,458
Cash paid to suppliers and employees		(12,422)	(11,241)
Interest paid		(14)	(26)
Net cash used in operating activities	20	**(4,035)**	**(2,809)**
Cash flows from investing activities			
Purchases of property, plant and equipment		(477)	(26)
Additions to intangible assets		(603)	(1,224)
Interest received		31	6
Net cash used in investing activities		**(1,048)**	**(1,244)**
Cash flows from financing activities			
Proceeds from issuance of shares on listing		5,869	4,011
Net cash from financing activities		**5,869**	**4,011**
Net (decrease)/increase in cash and cash equivalents		**785**	**(42)**
Cash and cash equivalents at 1 April		2,586	2,730
Effect of exchange rate fluctuations on cash held		104	(102)
Cash and cash equivalents		**3,475**	**2,586**

The accompanying notes form part of, and should be read in conjunction with, these 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 Securities 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 2019 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, related software and consulting solutions.

The financial statements were authorised for issue by the Directors on 30 May 2019.

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.

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 incur net cash outflows from operating and investing activities during this phase. During fiscal year 2019 (FY19), the Group had cash outflows of $4,035,000 (2018: $2,809,000) relating to operations, and $1,048,000 (2018: $1,224,000) relating to capitalised internal development intangible assets and purchase of property plant and equipment for the 12 months ended 31 March 2019. The cash balance at 31 March 2019 was $3,475,000 (2018: $2,586,000). 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.

The approved base business plan for fiscal year 2020 (FY20) includes the prudent management of costs while focusing effort on realising the significant sales opportunities for the entity's products and services.

The plan takes into consideration:

+ forecast sales increases of IKE Solution, focused on sales into the utilities and telecommunications companies within the United States that are deploying fiber
+ continued subscription revenue associated with the IKE cloud platform
+ transaction revenue from the new IKE Analyze solution
+ continued prudent operational cost management
+ continued focus on optimising working capital
+ the ability of the Group to manage its growth activities and associated costs.

If one or more components of the plan are not realised further cost-cutting measures are available to the Group. To assess the degree of sensitivity, stress testing has been performed on the FY20 plan, reducing forecast receipts from customers by 17%. The impact being that the Group remains a going concern, albeit with reduced available cash funds. In FY19 the Group completed a Private Placement and Share Purchase Plan raising $5,869,000. The dual listing on the NZX and ASX provides the Company with the potential option to pursue capital raise opportunities from a wider market in order to among other things; expand existing business, access additional working capital, and acquire or establish new businesses. The Directors believe that additional capital could be raised should circumstances necessitate.

In FY19 sales by the core Utility & Communications business unit grew. The Directors acknowledge the difficulty of predicting certainty of sales due to long sales cycles associated with Enterprise level customers, 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 tocontinue operations for at least the next 12 months from the date of authorising 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 FY20 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 realise 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.

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) recoverable amount. Additionally, it determined that due to the low relative revenue from the Spike Business, an indicator of impairment existed requiring an estimate of the Cash Generating Unit's (CGU2) recoverable amount of the intangible assets directly associated with the Spike Business.

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. A pre-tax discount rate of 12% was used to establish the net present value.

Sensitivity analysis was performed on key assumptions; Spike revenue is assumed at FY18 levels, Utilities & Communications average revenue growth rate is conservatively assumed to be 20%. Operating expenses reflect the FY20 business plan. The value in use assessment is sensitive to changes in each of these assumptions. This 'downside scenario' would result in the recoverable amount being in excess of the carrying value. A likely material impairment would need to be considered if any key assumption did not meet, substantially meet, or exceed that calculated.

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 totalling $1,381,000. The basis upon which CGU2 was determined has changed from that used in FY18. The assets relating to the software development kit were added to CGU2 on the basis that these assets now relate predominantly to the Spike Business.

Sensitivity analysis was performed on key assumptions; Spike revenue is assumed at FY18 levels as the Group more fully develops partner opportunities focused on the Geospatial and Enterprise application markets. An estimate of the cashflows required to market and sell the Group's products was based on the business plan for FY20. A pre-tax discount rate of 12% was used to establish the net present value. This value in use assessment is sensitive to changes in each of these assumptions. A fair value approach, using revenue multiples to value CGU2, was also used to corroborate the output of the value in use assessment. A likely material impairment would need to be considered if any key assumption in the value in use or fair value assessments did not meet, substantially meet, or exceed that calculated.

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.

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.

Annually the Directors are required to assess the appropriateness of the asset's amortisation period.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is recognised in the profit and loss.

For the current year the Directors have assessed the useful economic lives and determined that no change is required. The current estimated useful lives:

+ ikeGPS platform – 6 years
+ IKE application and features – 6 years
+ Spike application and features - 6 years

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 capitalisation 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 jointly by the engineering and finance functions. 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.

3. New and amended standards adopted by the Group

NZ IFRS 15 Revenue from Contracts with Customers

NZ IFRS 15 supersedes NZ IAS 11 Construction Contracts, NZ IAS 18 Revenue and Related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under NZ IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The five-step model for recognising revenue from contracts with customers requires consideration of the following steps:

+ Identifying the contract
+ Identifying the individual performance obligations within the contract
+ Determining the transaction price
+ Allocating the transaction price to distinct performance obligations
+ Recognising revenue

NZ IFRS 15 Revenue

We have provided the table below that provides the key judgements made on the application of NZ IFRS 15 across each revenue type with standardised terms and conditions. The Group has applied a practical expedient permitted by the standard; therefore, no significant financing component exists on contract liabilities less than one year.

New Business

Revenue Type	Description	Key Judgements	Outcome	Timing of revenue
Hardware Device	ikeGPS sells Spike devices through direct orders and online software.	No major judgement required.	N/A	**Point in time** Recognised when the unit is received by the customer.

Utility and Communication

Revenue Type	Description	Key Judgements	Outcome	Timing of revenue
IKE4 Solution	The IKE4 Solution is marketed to the utility & communications market as an all-in-one package which includes the IKE4 device, preconfigured IKE Field Android mobile application and online access to IKE Office - a cloud-based software platform that enables customers to measure and analyse assets captured with the IKE4 device.	The contract for an IKE4 Device, IKE Field and IKE Office is generally sold as a packaged solution. Management has determined the individual performance obligations within the contract. The total contract price is allocated to each performance obligation. Where possible management uses external comparatives to identify standalone performance obligations and respective price. Where an external comparative is not available, management's judgement was applied.	Management has determined that the IKE4 Device, Software licence (IKE Field) and Subscription (IKE Office) are distinct performance obligations of the IKE4 Solution. In determining this management has relied on market comparables to establish standalone performance obligations.	**Point in Time** Both the IKE4 device and IKE Field mobile application are recognised at the point in time when the device is sent to the customer **Over time** IKE Office is recognised over the term of the contract.
Subscription	Customers are required to renew software subscriptions to allow continued access to the IKE Office online cloud functionality and the ability to customise and add new forms onto the IKE4 device.	Determining when each performance obligation is fulfilled.	Customers use the IKE Field and IKE Office solution to store and analyse data, customise and add new forms, for project management and to access to additional tools. Along with integration capability these performance obligations can be described as 'stand ready' services which can be recognised over time.	**Over time** Subscription software recognised over time.
IKE Analyze Solution	Providing an end to end technical solution for customers; performing pole loading analysis and make ready engineering assessments.	Determining when each performance obligation is fulfilled. Initially the customer performs data collection, the customer also receives an annual subscription to access IKE Field and Office. Once customer data is collected it is uploaded into IKE Office where IKE performs the analysis and completes requested reports.	The business is required to perform certain activities as per the scoping document for each customer. Once the activity is complete the Group will recognise the revenue.	**Point in time** Each transaction (completed record) is recognised when the performance obligation has been completed.

Financial Statements

Impact of adoption

The Group has adopted the NZ IFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in NZ IFRS 15, the Group has elected to use themodified retrospective method and has recognised the cumulative effect of applying NZ IFRS 15 as an adjustment to the opening balance of retained earnings on 1 April 2018.

The impact on the Group's retained earnings as at 1 April 2018		2018
		$'000's
Closing retained earnings 31 March 2018		(41,088)
IKE Field decrease in contract liabilities	(ref. "a." below)	274
Opening retained earnings 1 April 2018		**(40,814)**

(a) On adoption of NZ IFRS 15 the IKE Field portion of IKE4 transactions are recognised at a point in time. The adjustment made to retained earnings reflects the amount of revenue deferred at 31 March 2018 related to IKE Field.

NZ IFRS 9 Financial Instruments

The new NZ IFRS 9 replaces the provisions of NZ IAS 39 that relate to the recognition, classification, measurement and impairment of financial assets. The Group has applied NZ IFRS 9 retrospectively and has chosen not to restate comparatives as there was no material impact.

Classification and measurement

The classification and measurement of the Group's financial assets and liabilities upon adoption of NZ IFRS 9 is outlined below:

	NZ IAS 39 Classification	NZ IAS 39 Measurement	NZ IFRS 9 classification and measurement
Financial Assets			
Cash and cash equivalents	Loans and receivables	Amortised cost	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost	Amortised cost
Financial Liabilities			
Trade and other payables	Other financial liabilities at amortised cost	Amortised cost	Amortised cost

Impact of adoption

For trade receivables the Group has recognised expected credit losses by applying the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Group has reviewed the ageing analysis of trade receivables, historical credit loss experience, individual customer characteristics, customer market segment and economic environment to determine the expected credit loss rate. This rate is applied to outstanding gross trade receivables as at 31 March 2019 to calculate the allowance for expected credit losses.

New standards not yet adopted

The following standard has been published but is not yet effective and has not been adopted by the Group.

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 Group is in the process of performing a detailed assessment of the financial impact of the standard. The application of the standard requires the Group to make several judgments. These include determining the lease term, the discount rate applicable and the underlying foreign exchange rate. We note that the Groups current lease commitments are included in note 19 Commitments and Contingencies.

The standard is effective for accounting periods beginning on or after 1 January 2019. The Group intends to adopt NZ IFRS 16 from 1 April 2019.

4. 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

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.

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.

Group companies

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

+ assets and liabilities are translated at the closing rate at the date of the balance sheet;
+ 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
+ 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

From 1 April 2018, the group classifies its financial assets as measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Amortised cost assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost.

Interest income from these financial assets is included in finance income using the effective interest rate method.

Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

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

Financial assets are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. They include trade and other receivables, cash and cash equivalents. They are included in current assets, except for loans and receivables greater than 12 months which are included in non-current assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Trade and other receivables

Trade and other receivables 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 12 months after the end of the reporting period which are classified as non-current assets.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method

Financial liabilities

Financial liabilities measured at amortised cost are non-derivative financial liabilities, including trade and other payables.

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.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

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.

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 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

Intangible assets under development are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The carrying amount of the Group's other 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.

Financial Statements

Impairment of financial assets

From 1 April 2018 the Group assesses impairment on a forward-looking basis, the expected credit loss associated with its financial assets carried at amortised cost. The Group will assess if there has been a significant increase in credit risk by assessing market conditions, forward looking estimates and previous financial history of counterparts.

For trade receivables the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected credit losses on these financial assets are assessed using a provision matrix, adjusted for factors that are specific to the receivables including customers historical credit loss experience, individual customer characteristics, customer market segment and economic environment.

The Group write's off a financial asset when there is information indicating default or delinquency in payments, the probability that they will enter bankruptcy, liquidation or other financial reorganisation and there is no real prospect of recovery.

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 realisable 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 realisable 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.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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 change to share based compensation reserve in equity.

Revenue

The Group derives its revenue from the sale of product and related services, subscription revenue and end to end technical pole data analysis. Revenue is recognised when performance obligations have been satisfied. A performance obligation has been satisfied when control of the good or service associated with the performance obligation has been transferred to the customer.

Effective from 1 April 2018 the Group adopted NZ IFRS 15 Revenue from contracts with Customers. The change in accounting policies and key judgements are set out in section 3 above.

The Group has applied the modified retrospective method of adopting NZ IFRS 15. Therefore, prior year revenue is measured at fair value of the consideration received or receivable. Sale of product revenue is recognised when the products are shipped, and significant risks and rewards of ownership have been transferred or when the services are provided to the customer.

Sale of product

Revenue from the sale of product is derived from the sale of the Group's laser measurement devices, associated software, accessories and warranty support. Revenue is recognised when the products are shipped to the customer being the point at which control is considered to have transferred to the customer.

IKE4 rental revenue

IKE 4 rental revenue is derived from fees charged to customer on a monthly basis for the use of an IKE4 unit and for access to IKE Field and Office.

Leases of the IKE 4 unit are considered operating leases as the Group retains the significant portion of the risks and rewards of ownership Rental payments received (net of any incentives) are recognised as lease revenue in profit or loss on a straight-line basis over the period of the lease.

Subscription revenue for access to IKE Field and Office is recognised in accordance with the policy below on subscription revenue.

Subscription 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 contract liabilities.

IKE Analyze solution revenue

IKE Solution revenue is derived from our end to end pole and wire analysis solution. The complete solution offering provides mobile field devices to capture data, software to support the collection of fast standardised data, completion of pole annotation analysis, completion of pole loading analysis and performing make ready engineering analysis. Revenue is recognised when the data has been analysed and the customer requirements outlined in the engagement statement of work have been completed.

Other operating revenue

Other operating revenue includes consulting and training revenue. Revenue is recognised when the services are performed.

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

Finance income and expenses

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

Financial Statements

Current and deferred income tax

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

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

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

Earnings per share

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

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

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of 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.

5. Operating segments

The CEO and senior management team are the Group's operating decision makers. During FY19 the Group's selling activities were focused and organised into two customer segments namely Utility & Communications and New Business. The Utility & 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.

Within the Utilities & Communications segment the Group sold the IKE4 device and corresponding annual subscription revenue. The Group also offered an end to end technical solution to customers performing make ready engineering (MRE) projects. Revenue related to this solution has increased during the period and is now reported on separately to management.

The segment reporting format reflects the Group's management and internal reporting structure. Contribution is after allocating cost of goods sold. 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.

			2019			2018
	Utility & Communication	New Business	Group	Utility & Communication	New Business	Group
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's
Sale of product and services (Point in Time)	3,587	640	4,227	4,607	1,970	6,577
IKE4 rental	466	-	466	116	-	116
Subscription (Overtime)	1,825	36	1,862	793	-	793
Contribution	**4,228**	**575**	**4,803**	**2,894**	**1,027**	**3,921**
IKE Analyze solution (Point in Time)	1,441	-	1,441	246	-	246
Contribution	**547**	**-**	**547**	**57**	**-**	**57**
Gross Profit			**5,350**			**3,978**
Sales and marketing costs			(3,226)			(3,231)
Net attributable (other corporate income and expenses)			(7,216)			(7,473)
Net loss before tax			**(5,092)**			**(6,726)**

Financial Statements

6. Revenue and expenses

Revenue	2019	2018
	$'000's	**$'000's**
Sale of product	4,058	6,504
IKE4 rental	466	116
IKE Analyze Solution	1,441	246
Subscription	1,862	715
Services	169	151
Operating revenue	**7,996**	**7,732**
Government grants	102	125
Total revenue and other income	**8,098**	**7,857**

2019 revenue restated based on the prior year revenue accounting policy	2019
	$'000's
Subscription revenue	**1,862**
Adjustment to retained earnings on adoption of IFRS 15	274
Adjustment for subscription revenue recognised under prior year accounting policy	81
Subscription revenue restated under prior year accounting policy	2,217
Sale of product	**4,058**
Adjustment for sale of product revenue recognised under prior year accounting policy	(155)
Sale of product revenue restated under prior year accounting policy	**3,903**

In the current year, no customer within a particular operating segment represented more than 10% of revenue (FY18: $1,838,000 in total, $1,045,000 in Utility & Communication segment, and $793,000 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.

Reconciliation of contract liability balances	2019	2018
	$'000's	**$'000's**
Opening contract liabilities balance	1,205	150
Revenue recognised that was included in contract liabilities at the beginning of the period		
Decrease on adoption of IFRS 15	(274)	-
Subscription revenue recognised	(861)	(150)
Unsatisfied performance obligations for the current year	1,231	1,205
Closing contract liabilities balance	**1,301**	**1,205**

Operating expenses

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

Operating Expenses	Note Below	2019	2018
		$'000's	$'000's
Audit of financial statements			
Audit and review of financial statements		141	146
Other services			
Other assurance services.	1	6	8
Tax compliance services.	2	20	28
Total other services		**26**	**36**
Total fees paid to auditor		**167**	**182**
Amortisation of development asset		975	1,204
Amortisation of patents and software		-	16
Depreciation		117	171
Total amortisation and depreciation	3	**1,092**	**1,391**
Employee benefit expense		6,158	6,503
Share-based payment		188	68
External contractors and consultants		360	243
Employee benefit expense capitalised.	4	(603)	(1,224)
Operating lease expenses		370	395
Direct selling and marketingt.	5	1,160	906
Impairment of assets.	6	-	166
Bad debt and write off expense		26	91
Other operating expenses.	7	1,604	2,017
Total operating expenses		**10,522**	**10,738**

Notes

1. Other assurance services comprise the review of government grant claims.
2. Tax compliance services relates to assistance to review and file the Group's tax return.
3. All of amortisation and $117,000 of depreciation are included in engineering and research expenses. The balance of depreciation totalling to $248,000 is included in cost of sales (2018: $216,000).
4. Relates to employee benefit expense, external contractors and consultants' expenses that are directly attributable to the development of intangible assets and have been capitalised.
5. Selling and marketing expenses includes expenses incurred mainly in relation to promotional activities which include travel, commissions and other direct marketing expenses
6. Impairment of assets in 2018 Financial Statements 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.
7. Other operating expenses include corporate advisory, travel, engineering expenses, facilities and IT expenses.

7. Cash and cash equivalents

	2019	2018
	$'000's	$'000's
Cash at bank	1,675	2,235
Call / term deposits	1,800	351
Total	**3,475**	**2,586**

An overdraft facility of NZ$250,000 with BNZ and a factoring facility of US$300,000 with Bluevine is in place. BNZ has perfected security interest in all present and after acquired property of ikeGPS Limited. On the BNZ facility there is an outstanding guarantee to another party of $75,000.

8. Inventory

	2019	2018
	$'000's	$'000's
Finished goods	777	450
Components	914	770
Total inventory	**1,691**	**1,220**

Included in cost of sales is $1,139,000 (2018: $2,956,000) relating to the amount of inventory recognised as an expense in the year.

9. Trade and other receivables

	2019	2018
	$'000's	$'000's
Trade receivables	1,268	1,151
GST receivable	45	74
Grants receivable	46	85
Other receivables	11	48
Total trade and other receivables	**1,370**	**1,358**

The Group has $791,988 of trade receivables past due but not impaired at balance date. (2018: $299,580)

30 - 90 Days	90 days +	Total past due
$207,697	**$584,291**	**$791,988**

Trade receivables is net of provision for doubtful debts of $17,559.

10. Trade and other payables

	2019	2018
	$'000's	$'000's
Trade payables	252	302
Accrued expenses	253	397
Total trade and other payables	**505**	**699**

11. Subsidiaries

			Investment	
Name of entity	**Country of incorporation**	**Principal activity**	**2019**	**2018**
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% (2018: 100%) owned by the Company.

All subsidiaries have 31 March balance dates.

12. Current and deferred tax

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

	2019	2018
	$'000's	$'000's
Deferred tax	(4)	6
Income tax expense /(credit)	**(4)**	**6**

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

	2019	2018
	$'000's	$'000's
Net loss before income tax	(5,092)	(6,726)
Prima facie income tax credit at 28%	(1,425)	(1,883)
Non-deductible expenses	198	37
Unrecorded tax losses	1,223	1,852
Income tax expense /(credit)	**(4)**	**6**

Financial Statements

The Group has unrecognised tax losses of $18,682,000 (2018: $16,046,000), 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.

	2019	2018
	$'000's	$'000's
Deferred tax opening balance	13	19
Recognised through profit or loss	4	(6)
Deferred tax closing balance	**17**	**13**

Deferred tax asset relates to employee entitlements.

13. Contributed equity

Share capital

	2019	2018
	$'000's	$'000's
On issue at beginning of year	49,263	45,252
Issued under share placement	5,000	3,725
Issued under share purchase plan	1,250	387
Less listing costs offset against issue proceeds	(381)	(101)
Total share capital	**55,132**	**49,263**

Share capital on issue

	2019	2018
Fully paid total shares at beginning of year	78,450,255	64,270,910
Ordinary shares issued on settlement of options	-	-
New shares offered	12,019,312	14,179,345
Fully paid ordinary shares	**90,469,567**	**78,450,255**

14. Property, plant and equipment

	Plant & equipment	Leasehold improvements	Office furniture & equipment	Development equipment	Total
Cost	**$'000's**	**$'000's**	**$'000's**	**$'000's**	**$'000's**
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**
Balance at 1 April 2018	1,219	28	581	10	1,838
Additions	183	-	287	10	480
Disposals	-	-	(156)	(7)	(163)
Balance at 31 March 2019	**1,402**	**28**	**712**	**13**	**2,155**
Depreciation					
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**
Balance at 1 April 2018	477	28	486	5	996
Depreciation for the year	253	-	105	7	365
Disposals	-	-	(143)	(7)	(150)
Balance at 31 March 2019	**730**	**28**	**448**	**5**	**1,211**
Carrying amounts					
At 31 March 2018	**742**	**-**	**95**	**5**	**842**
At 31 March 2019	**672**	**-**	**264**	**8**	**944**

Financial Statements

15. Intangible assets

	Development assets	Patents and software	Total
Cost	**$'000's**	**$'000's**	**$'000's**
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**
Balance at 1 April 2018	8,469	174	8,643
Additions	651	-	651
Disposals	-	-	-
Balance at 31 March 2019	**9,120**	**174**	**9,294**
Amortisation and impairment losses			
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**
Balance at 1 April 2018	4,541	174	4,715
Amortisation for the year	975	-	975
Impairment	-	-	-
Disposals	-	-	-
Balance at 31 March 2019	**5,516**	**174**	**5,690**
Carrying amounts			
At 31 March 2018	**3,928**	**-**	**3,928**
At 31 March 2019	**3,604**	**-**	**3,604**

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.

16. 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:

			2019			2018
	Financial Assets at amortised cost	Financial liabilities at amortised cost	Total carrying value	Loans and receivables	Financial liabilities at amortised cost	Total carrying value
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's
Financial assets						
Cash and cash equivalents	3,475	-	3,475	2,586	-	2,586
Trade and other receivables	1,370	-	1,370	1,285	-	1,285
Total financial assets	**4,845**	**-**	**4,845**	**3,871**	**-**	**3,871**
Financial liabilities						
Employee entitlements	-	226	226	-	364	364
Trade payables	-	252	252	-	302	302
Accrued expenses	-	253	253	-	397	397
Total financial liabilities	**-**	**731**	**731**	**-**	**1,063**	**1,063**

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 A1 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 $17,559.

At balance date 65% (2018: 85%) of the Group's cash and cash equivalents were with one bank. The Group has no other concentrations of credit risk.

Maximum exposure to credit risk at balance date	2019	2018
	$'000's	$'000's
Cash at bank	3,475	2,586
Trade and other receivables	1,370	1,285
Total	**4,845**	**3,871**

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$300,000 factoring facility in place to cover potential shortfalls.

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

			2019			2018
	Contractual cash flows	6 months or less	No stated maturity	Contractual cash flows	6 months or less	No stated maturity
	$'000's	$'000's	$'000's	$'000's	$'000's	$'000's
Employee entitlements	226	-	226	364	-	364
Trade payables	252	252	-	302	302	-
Accrued expenses	253	253	-	397	397	-
Total financial liabilities	**731**	**505**	**226**	**1,063**	**699**	**364**

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 2019, had the local currency strengthened / weakened against the USD by 10% the pre-tax 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 839	(110)	140
Trade and other receivables	USD 869	(114)	145
Trade and other payables	USD 118	7	(28)
Intercompany balance foreign	USD 20,257	2,714	(3,317)

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.

17. 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 the current financial year, the Group completed a Private Placement and Share Purchase Plan raising $5,869,000. 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 FY20 plan that Directors believe will enable the Group to continue operations.

18. 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's financial instruments are measured at amortised cost.

Financial Statements

19. Commitments and contingencies

	2019	2018
	$'000's	**$'000's**
Non-cancellable operating leases		
Less than one year	307	340
Between one and five years	621	95
Total	**928**	**435**

Operating leases are in relation to rented premises and photocopiers.

The Group advises there are no contingencies.

20. Cash used in operations

	2019	2018
	$'000's	**$'000's**
Loss for the year	**(5,088)**	**(6,732)**
Less investment interest received	(31)	(6)
Non-cash items included in net loss		
Depreciation	365	387
Amortisation of intangible assets	975	1,220
Asset impairment	-	291
Materials write off	-	296
Debtor write off	26	91
Deferred tax expense	(4)	6
Share option expense	188	68
Write off of obsolete materials and assets	13	-
Foreign exchange (gains)/losses	26	71
	1,558	**2,424**
Add/(less) movement in working capital items		
Decrease/(Increase) in trade and other receivables	(65)	(463)
Decrease/(Increase) in inventories	(470)	997
Decrease/(Increase) in prepayments	(22)	325
Increase/(Decrease) in trade and other payables	(182)	(551)
Increase/(Decrease) in deferred revenue	369	1,055
Increase/(Decrease) in employee entitlements	(135)	136
	(505)	**1,499**
Net cash used in operating activities	**(4,035)**	**(2,809)**

21. Basic and diluted earnings per share

	2019	2018
	$'000's	**$'000's**
Total loss for the year attributable to the owners of the parent	(5,088)	(6,732)
Ordinary shares issued	90,469,567	72,707,662
Basic loss per share	$(0.06)	$(0.09)

The potential shares are anti-dilutive in nature. The diluted loss per share is therefore the same as the undiluted EPS at ($0.06) and ($0.09) for the respective periods.

22. Share based payments

Share options are granted to directors and selected employees to retain, reward and motivate such individuals to contribute to the growth and profitability of the Group.

Options outstanding at 31 March 2019 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. Any share to be issued on the exercise of the option will be issued on the same terms and will rank equally in all respects with the ordinary shares in the company on issue.

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

		2019		2018
	Average Exercise Price	Options ('000's)	Average Exercise Price	Options ('000's)
At 1 April	0.50	1,155	$0.97	2,515
Granted	0.55	2,775	$0.36	600
Forfeited	0.59	(50)	$0.98	(285)
Expired	0.66	(530)	$1.08	(1,675)
	$0.52	**3,350**	**$0.50**	**1,155**

Out of the 3,350,000 outstanding options (2017: 1,155,000), 1,950,840 (2018: 574,993) had vested and were exercisable at 31 March 2019.

Financial Statements

Options outstanding

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

				2019		2018
Year Granted	**Expiry date**	**Exercise price**	**Number of options**	**Term remaining (years)**	**Number of options**	**Term remaining (years)**
2016	30-Sep-18	$0.72			80,000	0.50
2016	31-Dec-18	$0.70			100,000	0.75
2016	31-Mar-19	$0.63			375,000	1.00
2017	31-Mar-20	$0.40	400,000	1.00	400,000	2.00
2017	30-Jun-20	$0.29	200,000	1.25	200,000	2.25
2018	31-Mar-21	$0.54	1,100,000	2.00		
2018	31-Mar-21	$0.54	1,400,000	2.00		
2019	31-Dec-21	$0.64	250,000	2.75		

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:

	2019	2018
Fair value of options issued in the year	$0.11, $0.12, $0.13, $0.19	$0.01, $0.05
Weighted average share price	$0.55	$0.40
Exercise price	$0.54 - $0.64	$0.29 - $0.40
Volatility	30%	30%
Dividend yield	Nil	Nil
Risk free interest rate	1.79% - 2.15%	2.54%

23. Related parties

	2019	2018
	$'000's	**$'000's**
Short term benefits to directors and senior management	2,238	2,100
Share option expense directors and senior management	172	24

Key management are identified as the Chief Executive Officer, Chief Technology Officer, Chief Financial Officer, Chief Operating Officer, SVP Utilities & Communication, and Directors.

24. Subsequent events

There are no subsequent events.

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