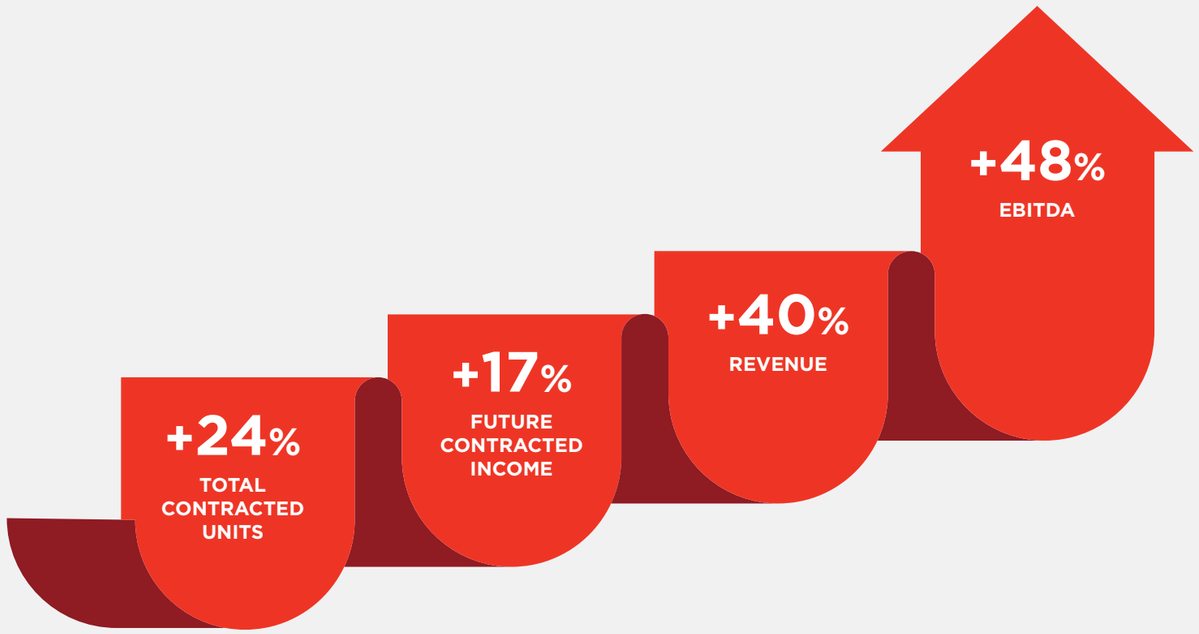
EROAD ANNUAL REPORT 2019

2018

2014 2018

2010 2018



FY19 Key Results

1 **ANZ**
Momentum continues in New Zealand

- Solid growth continues for the run-rate business in small-medium (SMB) fleets, via both new customers and upgrades.
- Health & safety offering continues to drive growth into lighter vehicle segment.

2 **ANZ**
Australia re-launch

- Re-launch plan successfully implemented.
- Launched specific products to address Australian regulations leading to encouraging pipeline and inclusion in funding trials.

3 **NA**
Focussed plan for run-rate business, first major enterprise rolling out

- Moved to geo-vertical strategy to build a highly focussed and sustainable run-rate business in SMB space.
- Targeting enterprise customers on a selective basis.
- Contracted largest customer to date, one of the largest privately owned fleets in NA.

4 **Global**
Major investment in leadership

- EROAD made a major investment in leadership during FY19.
- The executive team is now fully established and positions EROAD for continued growth across all markets.

5 **Global**
Investing for next growth phase

- Substantial investments to enable scalable systems, processes, improved customer service and operating leverage.
- The established growth incubators for regulatory trials, data insights and new ventures are gaining traction across all markets.

EROAD believes that **every community deserves safer roads** and the people who use the roads should influence the design, management and funding of transport networks.

This is why EROAD develops technology solutions (products and services) that manage vehicle fleets, support regulatory compliance, improve driver safety and reduce the costs associated with driving. These are delivered through a single platform, making our products and services really easy to use.

EROAD also provides valuable insights and data analytics to universities, government agencies and others for the research, trial and evaluation of future transport networks.

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Graham Stuart
Chairman

A year of good progress

I am pleased to present EROAD's 2019 annual report and financial statements.

This has been a year of good progress. Your company has maintained double-digit growth in revenue (40%), EBITDA (48%) and total contracted units (24%); while simultaneously progressing with an investment programme that ensures EROAD has solid foundations for profitable future growth.

In the pages that follow, you will read of our solid operational result and business achievements in the 2019 Financial Year. The Board are pleased that Steven and his team have been able to pursue significant strategic initiatives, while at the same time maintaining solid operational momentum.

Last year EROAD achieved several significant milestones in our journey from a start-up to an established market leader, and we are now positioning ourselves for the next phase of growth.

The addressable market for our services is large, growing quickly and global. EROAD's strategy is to operate in two key geographies, Australasia and North America, focussing on a specific set of customer needs: regulatory compliance, health and safety and reliability. We believe that by pursuing this focussed strategy EROAD can achieve leadership in these markets.

Being high growth, this market is also well contested and subject to near constant disruption. Securing a leadership position will require ongoing investment in innovation and development, firstly to retain our existing customers and then to attract new customers. Our highly capable engineering resources retain this focus.

The key challenge for the business in this next phase is to make the most of our organic growth opportunities, by growing revenues faster than the overall market for commercial vehicle telematic solutions. We will also consider non-organic growth initiatives when and where appropriate.

This past year has been one of refining our focus and investing to ensure that EROAD's business model is scalable to manage our next phase of growth.

In the 2020 Financial Year we are looking to successfully complete the initiatives started last year and to continue building strong growth.

The team at EROAD share a passion for making our roads safer and more productive. We believe that decisions affecting our roads should be well informed through the masses of data that we can now access and analyse. EROAD believes it has a role to play in making our roads safer and this is why we are establishing growth incubators that will make a difference to our business and our communities. Dynamic Risk, an innovative research methodology that uses real data to identify high risk areas on our roads, is a good example of how we are doing this. Dynamic Risk is already receiving high interest from academia and transport authorities.

BOARD UPDATE

Your Board has worked diligently this past year and I want to thank my colleagues for their support and their insights. Over the past 12 months the Board has undergone several changes.

In August Michael Bushby stepped down as Chairman and remains on the Board. Having chaired the Board for six years Michael felt it an opportune time for the leadership to transition now that the company has progressed from start-up mode to generating self-sustaining cash flows.

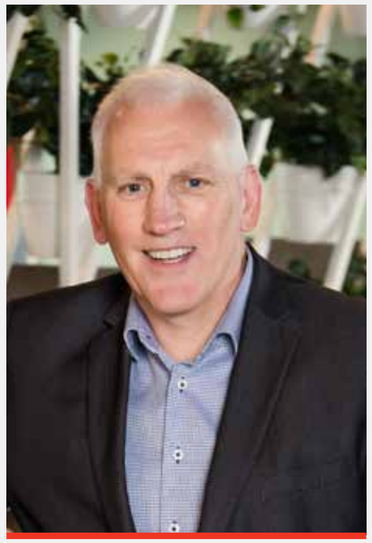
In March Gregg Dal Ponte signalled his intention to retire from the Board at the end of April 2019. I want to thank Gregg for his service to EROAD. During his tenure the foundations for the future success of our North American business were laid; we exceeded 20,000 installed Ehubo units, won our first major enterprise client and reached the important financial milestone of being EBITDA positive.

In March we welcomed Susan Paterson to the Board. Susan brings a wealth of experience in business and governance.

I would like to thank the leadership team and most importantly our people for their diligent work over the past year. The Board is acutely aware that the upward trajectory of the business is underpinned by the commitment of EROADers and is deeply appreciative of their contribution.

Our annual meeting this year will again be held at the QBE Events Centre in Albany on 1 August at 4:45pm, I look forward to seeing you there.

Graham Stuart, *Chairman*



GRAHAM STUART

Chairman, Member of Remuneration, Talent and Nomination Committee.

Graham joined the EROAD Board in January 2018 and was appointed Chairman in August of the same year. He was previously CEO of Sealord Group, CFO then Director of Strategy & Growth at Fonterra and has had extensive business experience in South East Asia, Europe, the UK and Latin America.

MICHAEL BUSHBY

Independent Director, Member of Remuneration, Talent and Nomination Committee and Finance, Risk and Audit Committee.

Michael stepped down as Chairman in August 2018, having led the Board since 2012. Michael is based in Australia where he is a consultant at WSP Australia and previously held roles as General Manager of the Ventia Asset and Infrastructure Services division and CEO at the Roads and Traffic Authority in New South Wales.

TONY GIBSON

Independent Director, Chairman of the Remuneration, Talent and Nomination Committee and Member of Finance, Risk and Audit Committee.

Tony is the Chief Executive of Ports of Auckland and one of New Zealand's most experienced transport professionals. He has worked in various senior management roles in Africa, Asia and Europe. In 2008 the Minister of Transport appointed him to the Road User Review Group. Tony joined the Board in October 2009.

BOARD OF DIRECTORS

CANDACE KINSER

Independent Director, Member of Remuneration, Talent and Nomination Committee and Finance, Risk and Audit Committee.

Candace is an experienced director, CEO and Tech entrepreneur. She was previously the CEO of the NZ Technology Industry Association and the CEO of science software company Biomatters. She is a Director of companies including Talent International, Livestock Improvement Corporation, WEL Network Limited and Ultrafast Fibre Limited. Candace joined the Board in April 2014.

SUSAN PATERSON

Independent Director, Chair of the Finance, Risk and Audit Committee, Member of Remuneration, Talent and Nomination Committee.

Susan joined the Board in March 2019. She is an appointed Officer of New Zealand Order of Merit (services to governance) and currently chairs Steel and Tube Holdings and IT consultancy Theta Systems. She is a director of the boards of the Electricity Authority, Arvida Group, Goodman New Zealand, Les Mills Holdings and Sky Network Television.

STEVEN NEWMAN

Executive Director / CEO

Steven has been EROAD's chief executive and a member of the EROAD Board since 2007. He co-founded Navman where his COO and CEO roles provided the opportunity for him to establish Navman as a leading international brand delivering annual sales in excess of NZ $500m.

GREGG DAL PONTE

Independent Director, Member of Remuneration, Talent and Nomination Committee.

US-based Gregg joined the EROAD Board in July 2016, resigning effective 30 April 2019. Gregg was previously the Administrator for the Oregon Department of Transports Motor Carrier Transportation Division and a Director of Regulatory Compliance for the Oregon Trucking Association.

Steven Newman
CEO

To drive on our roads should not require spinning the roulette wheel of life.

It is heart-warming indeed to know that what we do, what our products and services enable for our customers, also helps get more people home safely, every night.

Steven Newman
CEO, EROAD

Continued innovation, exemplary service and sustained reliability

This year we've built a solid platform for future growth. We've made significant progress implementing the investment program set out in the strategic plan approved at the time of capital raise (Dec '17- Feb '18), ensuring we can scale efficiently, improve our customer experience and provide greater operating leverage.

And here's why:

- Ten years ago, we introduced the world's first nationwide electronic road user charging (ERUC) system. Now, more than 46% of New Zealand's heavy vehicle RUC dollars are collected through EROAD attracting interest from those researching or trialling funding options for transport networks.
- Ten years ago, we were a domestic company with one product and less than 50 staff. Now, we have customers and staff across three markets, expanding our offerings in compliance, fleet management and health and safety.
- Over the past year, EROAD has supported journeys of more than 3.2 billion kilometres travelled by trucks and light vehicles in New Zealand, Australia and the United States of America. More customers, more journeys, more data, more knowledge for informed decision making. We must continually evolve the business to remain relevant in this constantly changing environment.

It was Andy Warhol who said: "They always say time changes things, but you actually have to change them yourself". Over time, our customers have grown - some exponentially increasing their fleet sizes, some new to the value of telematics. A range of new regulatory requirements have also been expanded or introduced. That's why we must adapt/evolve our business, so that we can scale efficiently to address the needs of our customers, communities and stakeholders.

We are improving safety on our roads because our products and services support better driving. I believe we can state that because we have customers who are seeing impressive reductions in the number of incidents occurring: "Our over-speed incidents have reduced by 83%", "Our incident rate reduced by almost 90% immediately after installation" are just a couple of examples that we hear from our customers. To drive on our roads should not require spinning the roulette wheel of life. It is heart-warming indeed to know that what we do, what our products and services enable for our customers, also helps get more people home safely, every night.

While we invest for the future, we continue to grow. In the past year our revenue rose to NZ$61.4m, EBITDA was up 48%, our total contracted units grew to 71,446 (ANZ) and 24,944 (NA) and our pipelines remain encouragingly strong within all three markets.

Our growth continues through regulatory disruption, because fuel taxation revenues are under pressure and safety on our roads needs to get better. EROAD has significant gravitas in this field, having pioneered the world's first nationwide electronic Road User Charging system (NZ), the first electronic Weight Mile Tax service (USA) and the first independently verified Electronic Logging Device (USA) to manage driver fatigue.

In summary, maintaining this momentum requires continued innovation, exemplary service and sustained reliability. Preserving these factors has required the programme of investment commenced during this past year.

EROAD is more robust and well positioned for sustained growth across all markets, validating your continued support.

Steven Newman, *CEO*

The investment we have been implementing during 2019 has already delivered:

- New staff with strong track records in their respective fields. Our leadership team has been strengthened and other key appointments have been made to deepen marketing, sales, finance, product and R&D capability, as well as establish leadership teams for each country. This investment ensures excellent bench strength to deliver our future growth.
- A refresh of our in-vehicle hardware design to decrease the cost of manufacturing, increase scaleability, and enable 4G capability. This investment is key to delivering on our future growth plans in all markets.
- We have commenced implementation of scalable business systems and processes that ensure we can scale efficiently, improve the customer experience and provide greater operating leverage. With continued strong growth rates planned, these improvements are essential.
- A major refurbishment of our global headquarters, located in Albany, Auckland, to ensure a modern and effective space that supports a range of flexible working styles, enhancing collaboration and allows EROADers to work their magic.
- A successful re-launch into the Australian market. We have recruited a strong, core sales team in key states, operationally leveraging off our New Zealand business. The suite of new regulatory requirements within Australia has unlocked opportunities for telematics within industries that have previously not had cause to invest.
- The strategic refresh for North America during the first half of FY19 created a geo-vertical sales strategy. This enables higher ROI as efforts are prioritised within the product suites and US states where our regulatory telematic reliability provides a competitive advantage. We continue to take advantage of the evolving market post the ELD deadline, with our ELD being rated number one by users on ELDratings.com. We have engaged third party telemarketing for commencement in May 2019.

In addition to those investments, our strong business momentum continued as evidenced through these achievements:

- We welcomed a wealth of new customers that have included St John Ambulance Services, Linfox, Fliway, Coca Cola Amatil NZ Ltd, and our first enterprise customer in North America.
- Our existing customers remained loyal, giving us an industry-leading customer retention rate of 98%, due to the benefits our system delivers to their business. Benefits that enable them to improve service to their own customers, as well as improve the safety of those driving on our roads.
- We continued to receive international recognition. In the past year we appeared in the Deloitte Fast 50 Master of Growth and the Fast 500 for Asia Pacific. We received the prestigious Brake Fleet Safety Award acknowledging EROAD's positive impact in creating safer drivers, vehicles and roads. We collected the Exporter of the Year to the USA ($1m to $10m category) at the American Chamber of Commerce in New Zealand AmCham DHL Express Success & Innovation Awards. We are a finalist in the EXPORTNZ Company of the Year, recognizing success by net return to the New Zealand economy, as well as a finalist for EXPORTNZ Intellectual Property Excellence in Innovation, recognizing success in developing and commercializing innovation in international markets. Winners of those two awards will be announced in June.

There is an increasing deficit in infrastructure funding with the shift to more fuel efficient and alternate fuel source vehicles. By March 2019, EROAD technology had collected NZ$2.5B on behalf of NZTA for the sustainability of the NZ transport network.

- Our relationships with those researching or trialling road funding or safety regulations have continued to expand throughout the year. EROAD is now represented on two of North America's Transportation Research Board committees. These draw on international research expertise to solve complex transport problems, and accordingly membership is only extended to those considered top in their fields. Our analytical data research is circulated by the Australian Research Institute.
- Our staff (affectionately referred to as EROADers) are welcomed into the US Senate, Australian State and Federal government as well as both local and central government departments in NZ for discussions on how our technology can enable safer roads as well as the sustainable funding of transport networks.
- EROADers have been invited to present at transport, infrastructure, technology and safety conferences across all three of our markets. These are all testament to the depth of talent that exists within our staff, and I am so very proud of what they collectively achieve.

TOP (left to right) Matt Dalton, Norm Ellis, Tony Warwood, Steven Newman, Alex Ball, Pip Gilbert

BOTTOM (left to right) Mike Sweet, Jarred Clayton, Mark Heine, Genevieve Tearle

EXECUTIVE TEAM

STEVEN NEWMAN • CEO / Director
Steven has led and inspired the organisation since 2007. Previously Steven co-founded Navman where his COO and CEO roles provided the opportunity for him to establish Navman as a leading international brand within the Marine Electronics, Fleet Tracking, Precision GPS Modules and Consumer Car Navigation sectors.

ALEX BALL • Chief Financial Officer
Alex joined EROAD in January 2019 and is responsible for delivering a competitive business that delivers shareholder value. His previous roles include CFO at some of NZ's largest companies including Transpower, TelstraClear and Vector as well as working for a leading accountancy firm here and overseas.

JARRED CLAYTON • Chief Technology Officer
Jarred leads product, design and engineering at EROAD and is responsible for ensuring that our technology strategy is future-focused and solves customer problems. He has held several leadership roles since joining EROAD back in 2008, bringing extensive leadership experience gained in product and consulting companies in the UK, America and Australia.

MATT DALTON • EVP Operations
Matt joined EROAD in March 2019 to focus on delivering cohesive operational procedures across EROAD's global markets for both supply chain and business systems. Matt was previously at Yellow New Zealand.

NORM ELLIS • President North America
Norm joined EROAD in 2017 to lead our North American business. He was previously COO at ID Systems, Inc., a producer of wireless asset management systems for the transport sector. Prior to that he led sales, services and marketing for Omnitracs in the US and Canada for nearly 17 years.

PIP GILBERT • EVP Strategy
Pip is responsible for framing the strategic choices and challenging the status-quo to drive EROAD's long term success. She has held both strategy and product leadership roles since joining EROAD in 2016. Previously, Pip led innovation, partnerships and strategy at The Icehouse and brings a strong background in customer insight and market research.

MARK HEINE • EVP General Counsel and Company Secretary
As General Counsel and Company Secretary, Mark works with the team on all aspects of company and product legal compliance and data privacy. Mark joined EROAD in 2015 after a legal career working at Bell Gully in Auckland and Allens in Sydney.

MIKE SWEET • Chief People Officer
Mike joined EROAD in January 2019 to lead people and culture development. His global HR work experience includes NZ, Australia, the UK and the USA. His strong affinity for software and technology sees him providing strategic HR advice to some of NZ's leading tech growth companies. Mike's most recent role was General Manager HR at Spark.

GENEVIEVE TEARLE • Chief Marketing Officer
Genevieve joined EROAD in October 2018 and is responsible for developing capabilities in marketing strategy, demand generation, and product marketing management. She has previously held key marketing roles in global corporates like Philips and Fisher & Paykel, working across Europe, Asia, and Americas in both B2C and B2B environments.

TONY WARWOOD • General Manager Australia & New Zealand
Tony leads our ANZ business, delivering great customer service and business growth both sides of the Tasman. He joined EROAD with our first customers back in 2009, having previously worked in the heavy transport industry.

FINANCIAL HIGHLIGHTS

AUSTRALIA & NEW ZEALAND

Key Achievements

+19%
Growth in Units in ANZ

8,000+
RECORD RENEWALS
Units renewed
(of which 3,000+ upgraded to Gen 2)

46%
HT RUC $ IS COLLECTED
through EROAD technology in New Zealand

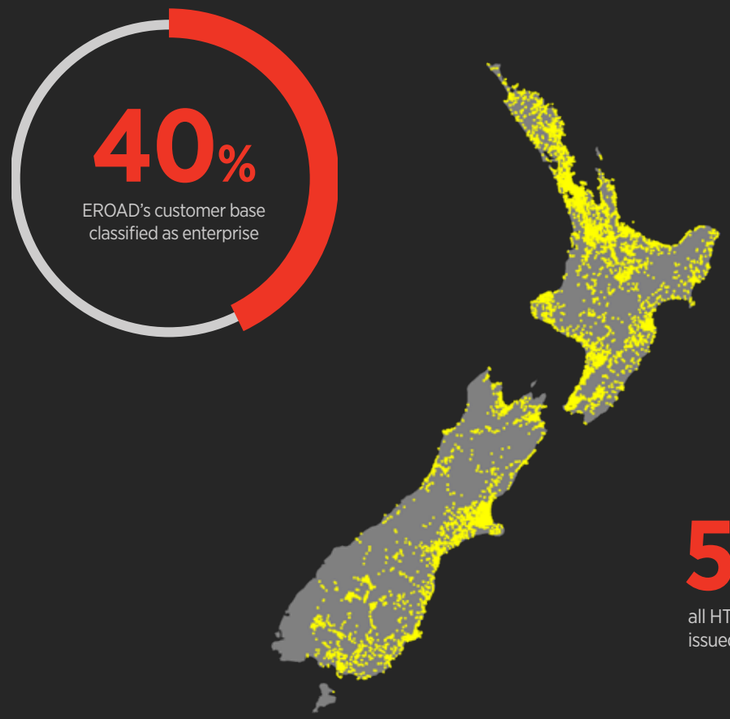
$27.3m
EBITDA

Launched Fringe Benefit Tax
EROAD Product in Australia

Australian Market Re-launch
Initial re-launch initiatives according to plan

New Zealand

- **ANZ EBITDA of $27.3m**
- **Continued solid growth** in the SMB run-rate business.
- **Largest customers continue to get larger.** Approximately 40% of EROAD's customer base in NZ is now classified as enterprise.
- **Light vehicle and asset tracking opportunities continue to grow,** reflecting Health & Safety regulatory trends and customers recognising the commercial benefits of telematics.
- **High number of renewals (8k+) and upgrades (3k+)** to second generation hardware.
- **NZ generates significant operating cash flows** which funds R&D investment and expansion of newer markets.



Go-to Market Summary

1
Grow through retention and account expansion

- Provide upgrade pathways and value added services to increase lifetime value.
- Future product releases focused on next generation experiences.
- Leveraging our ease of use, reliability and market penetration.

2
Continue expansion into safety conscious market

- Continue to amplify demand generation.
- Leverage new and existing partnerships to increase sales across their customer bases.

3
Leverage network into new opportunities

- EROAD will consider opportunities to create and/or obtain innovative / complementary product offerings.
- Develop new products and services using network insights and in collaboration with our customers and stakeholders.

"**EROAD fleet tracking is fantastic**. It's creating more and more information that's really beneficial to our fleet.

Crown Relocations • New Zealand

Australia

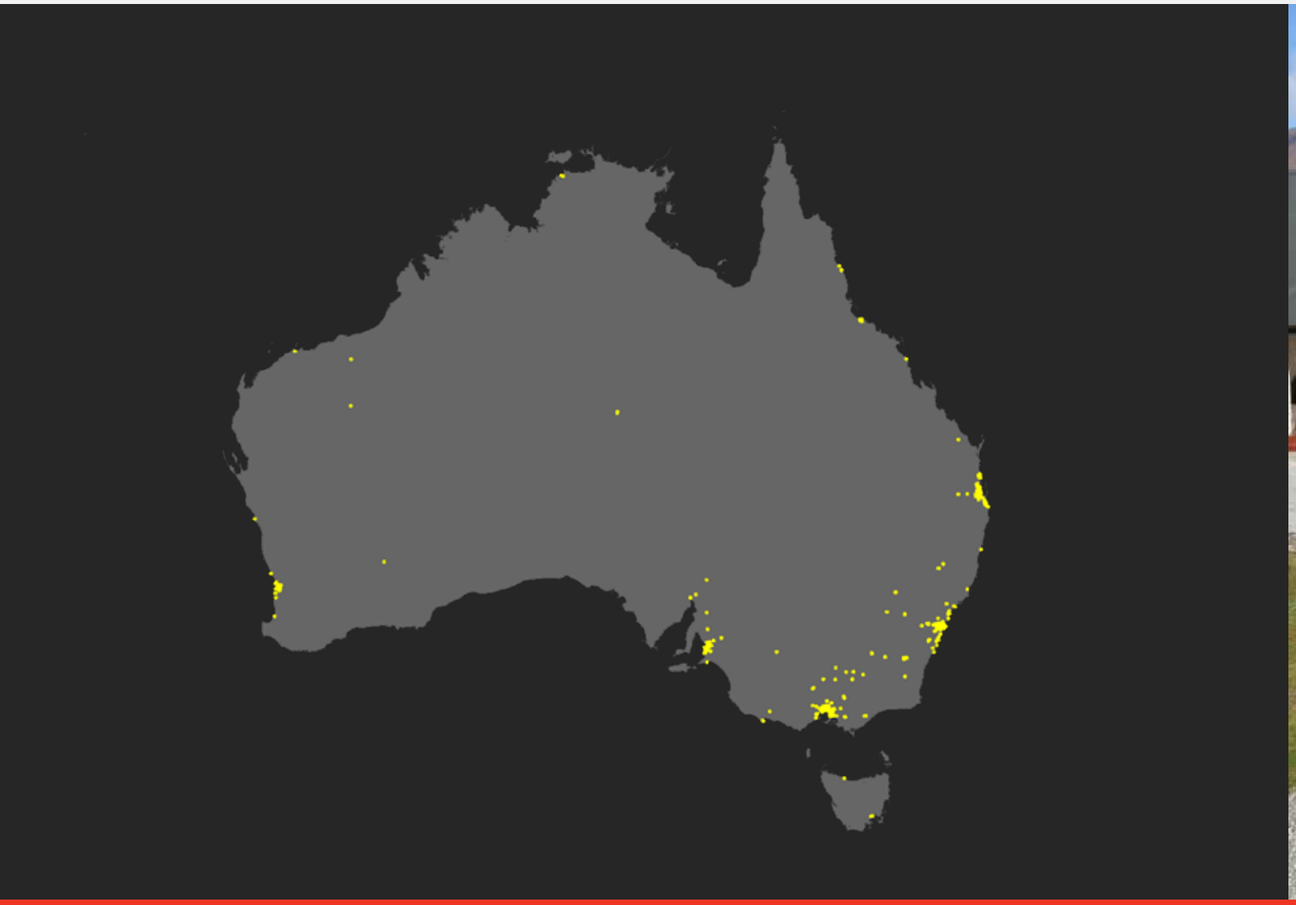
EROAD re-launched into the Australian market in October 2018

Progressing to plan

- Investments made to establish a solid foundation, including a comprehensive market review.
- Initial hires into Australian based sales team.
- Australian FBT and posted speed products launched.
- Australian marketing campaigns and lead generating activity commenced.
- Management is encouraged by early interest and pipeline.

Market Opportunity

- Chain of Responsibility regulatory changes driving higher adoption rates for telematics in Australia.
- Testimonials are highly referenceable trans-Tasman.
- EROAD is leveraging capabilities and resources in its NZ business, requiring significantly lower market entry investment.



Go-to Market Summary

1

Build sustainable run-rate business in SMB space

- Focused on under served market segments with product-market fit.
- Near term product releases focussed on high value opportunities to deliver ROI.
- Leveraging our accuracy, ease of use and reliability.

2

Pursue selective enterprise opportunities

- Leverage NZ reference accounts into parent companies and areas of industry strength.
- Position EROAD to take advantage of rapidly evolving compliance burden on businesses that operate fleets.

3

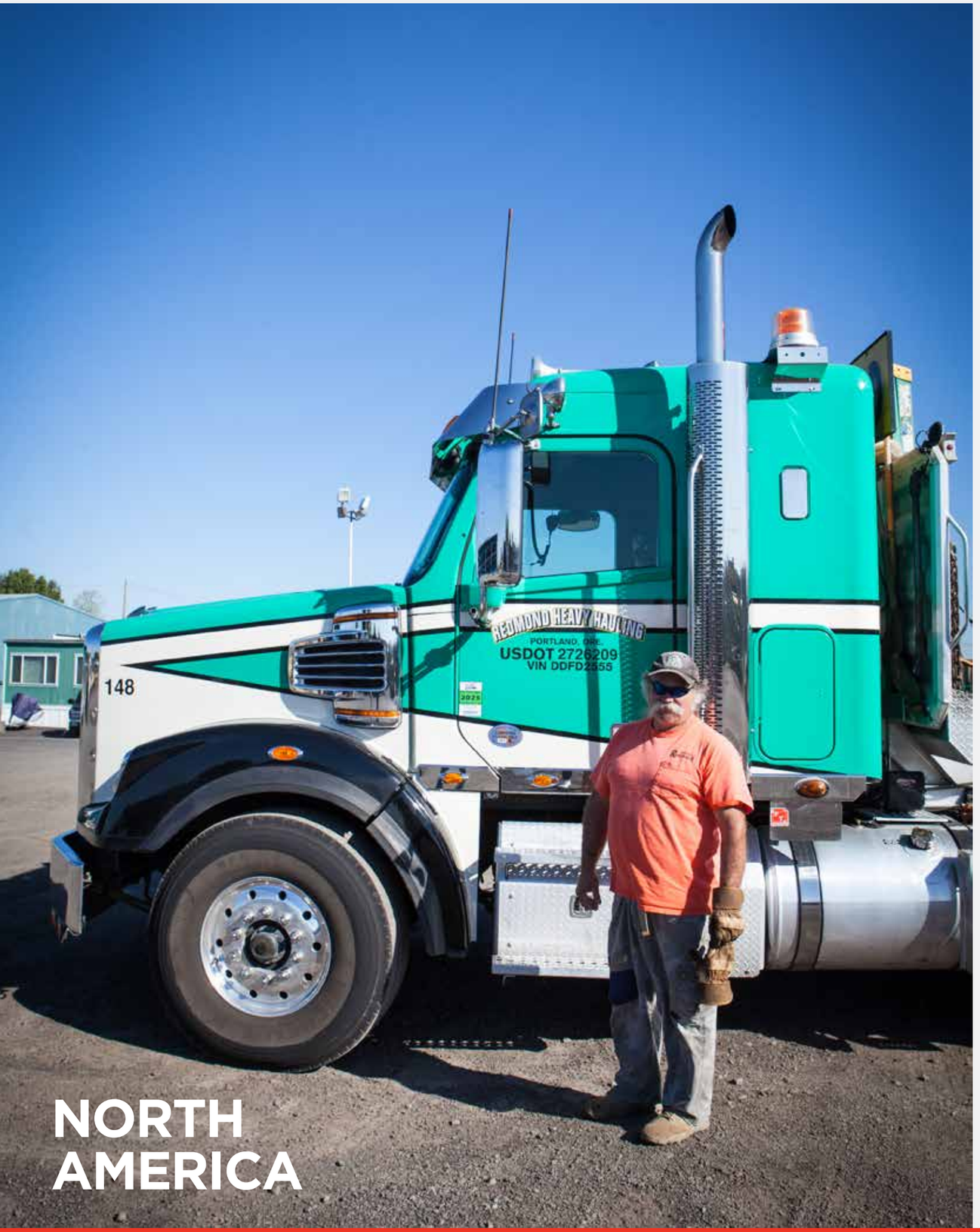
Manage cost base for efficiencies in growth

- Leverage NZ operations to accelerate an efficient operating model.
- Amplify leading service and support.

“

EROAD has made us more proactive in keeping the trucks safe. Maintenance is simpler to manage and we’re able to keep on top of things a lot more easily.

Conroy Removals • Australia



NORTH AMERICA

Key Achievements

+40%
Growth in NA Units

EBITDA Positive
NA positively contributing to group EBITDA & operating cash flows

First Enterprise Account Win
Approx. 4.9k units signed in March 2019

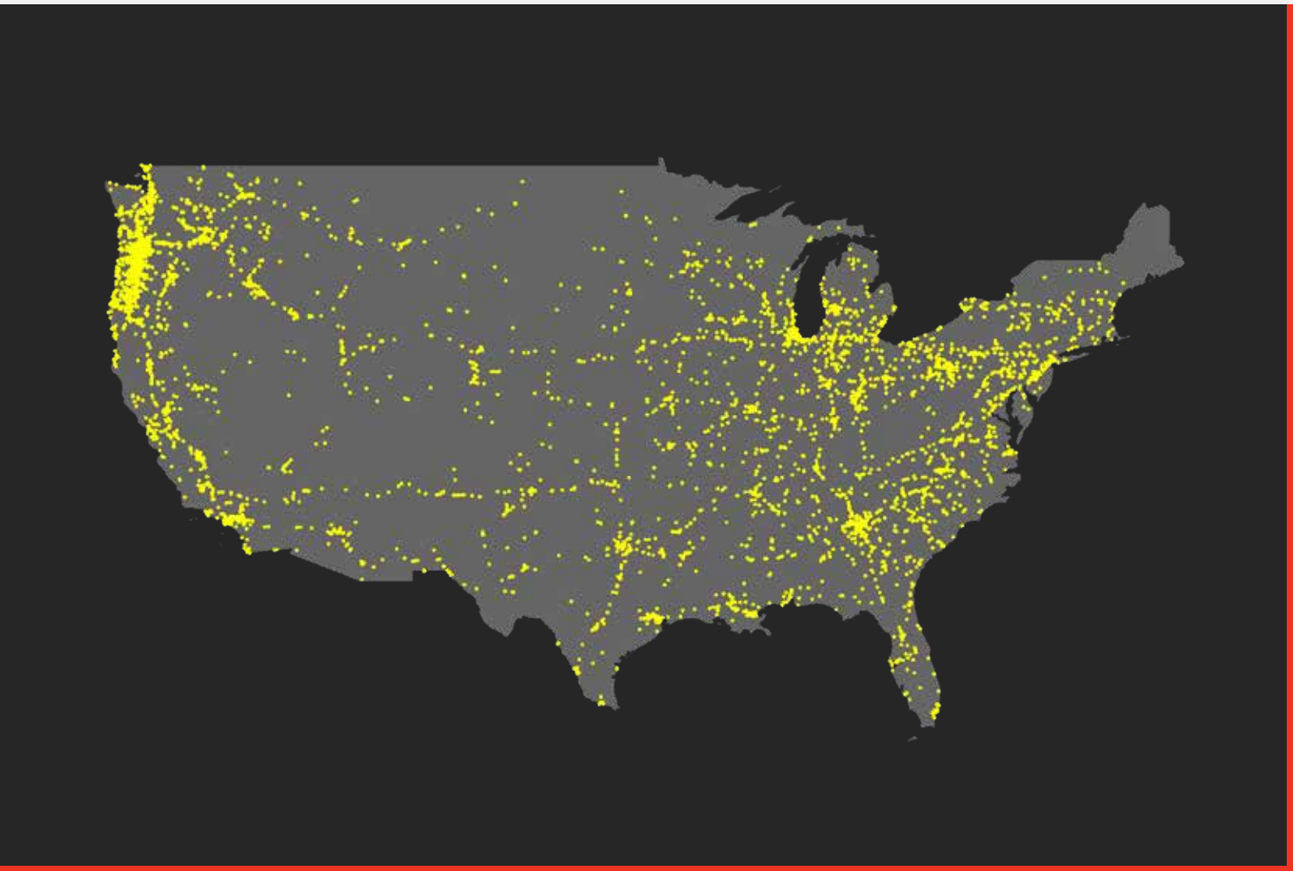
Refined Geo-vertical Focus
Focussing sales, marketing and R&D investment

Strengthened Local Management
Strengthened local management team to drive further growth

#1 Rated ELD
by users on ELDratings.com and #2 by independent reviewer

North America

- **Achieved 20k unit milestone** in August 2018.
- **EROAD's US business is now producing positive operating cash flow and EBITDA on a monthly basis.**
- **First significant enterprise fleet signed** – one of the largest privately owned fleets in North America, requiring approx. 4,900 units (full benefits will be realised in FY20). This expands our addressable market beyond our market entry target of <200 vehicles per fleet.
- **We continued to grow the underlying SMB run-rate business** through a more focussed geo-vertical go-to-market strategy.
- **Future potential enterprise opportunities will be evaluated** to ensure there is strong product and customer fit.
- **EROAD is playing selectively in the US AOBRD to ELD transition** (required by Dec 2019) where there is a strong product fit and limited bespoke R&D development necessary.



Go-to Market Summary

1
Build sustainable run-rate business in SMB space

- Tightly focussed geo-vertical approach.
- Near term product releases dictated by geographic and vertical focus.
- Leveraging our accuracy, ease of use and reliability.
- Establishing our demand generation framework.
- Third party telemarketing.

2
Pursue selective enterprise opportunities

- Large enterprise account win provides strong reference account for larger prospects.
- Selectively targeting enterprises, only where a close fit exists with minimal requirements for customisation.

3
Consider strategic growth opportunities

- During 1H19, actively pursued target which didn't eventuate following detailed due diligence.
- EROAD will continue to consider inorganic growth opportunities to broaden customer base or introduce innovative and complimentary offerings.

"

With EROAD, we are saving a few thousand dollars per month in administrative time for fuel tax reporting and realizing fuel tax savings of at least $200,000 annually based on the ability to accurately capture and track off road mileage.

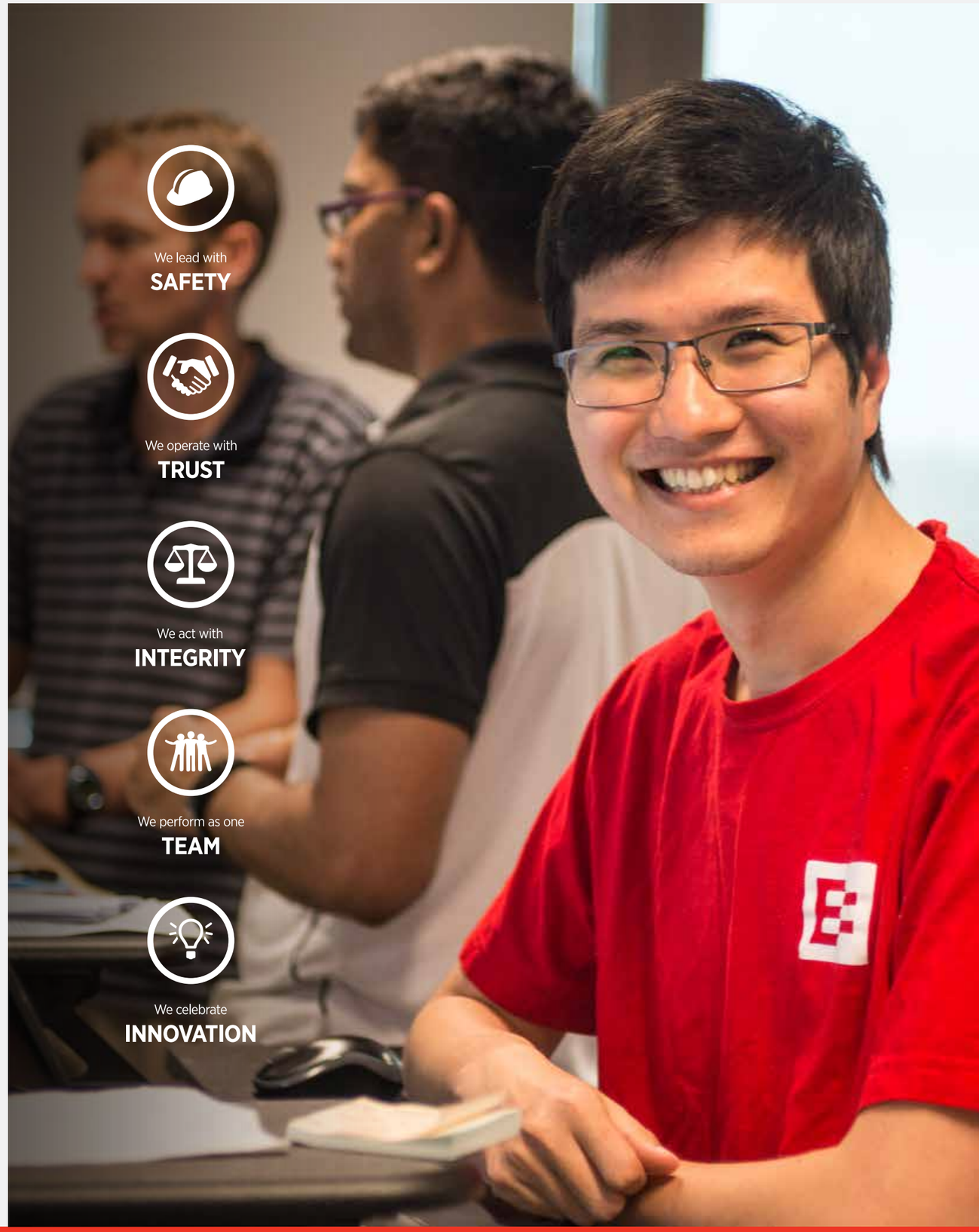
EROAD data has also led to a 7% reduction in insurance premiums and savings of $3,000 per month with its inspection and maintenance recordkeeping capabilities, as well as fewer violations and lower fines. Overall, the ROI for us on EROAD is almost immediate.

Beyond providing capabilities for tracking, compliance and a range of functions, EROAD generates detailed reports that lead to monumental operational benefits for us. While the system is the source of better productivity and compliance in our operation at a lower cost, EROAD, more than any of the 12 other suppliers we evaluated, was willing to work with us to build a customized solution that meets our specific needs.

Recoil Oilfield Services • USA

Corporate

- EROAD's continued growth in international footprint and scale of operations has led to investing in strengthening management capability, improving processes and business systems to support future growth.
- This investment in increased executive capability has seen several highly experienced senior managers join the business during FY2019.
- As outlined in the FY2018 capital raising, EROAD has commenced an ongoing programme of implementing new business systems to enable it to scale more efficiently, improve the customer experience and simplify operational processes, drive greater leverage of operating expenses. An element of upfront costs relating to this project were incurred as operating expenses prior to the full capital project commencing.
- The FY2018 capital raising also outlined plans to increase the level of R&D spend and this has increased on the prior year reflecting the growing number of products and services provided by the business and growth into new markets. In addition, FY2019 saw an increased proportion of this spend being expensed rather than capitalised.
- EROAD continues to keep an active interest in inorganic growth opportunities that add value to the group through additional subscriber base, complementary technology or improved distribution. During FY2019 EROAD incurred a level of costs investigating a significant opportunity that ultimately did not progress.



ABOUT EROAD

CONTINUOUS INNOVATION

We continually launch **innovative products and services** that meet the needs of our customers and stakeholders.

COMPLIANCE

- AUTO RUC
- OFF-ROAD CLAIMS

FLEET MANAGEMENT

- DAILY FLEET ACTIVITY
- GEOFENCE SITE ACTIVITY
- FUEL MANAGEMENT
- IDLE REPORT
- SERVICE RECORD HISTORY
- OUTSOURCED REPAIR SERVICE ACCESS
- DAILY DRIVER ACTIVITY
- SERVICE SCHEDULING AND ALERTS

COMPLIANCE

- EASY-TO-USE ELD
- IFTA EASY FILE
- IFTA FUEL TRIP RECORDS
- ELECTRONIC IRP
- ELECTRONIC OREGON WMT
- ELECTRONIC OREGON RUAF

HEALTH & SAFETY

- LEADERBOARD
- DRIVER INSIGHT
- CHAIN OF RESPONSIBILITY
- INTEGRATED DVIR WORKFLOW
- SPEED MONITORING
- SAFETY EVENT MONITORING

FLEET MANAGEMENT

- EROAD SHARE
- TRIP INVESTIGATOR
- E-TRACK WIRED
- PROOF OF SERVICE
- PARTNER INTEGRATIONS

COMPLIANCE

- DRIVER CERTIFICATIONS
- FRINGE BENEFIT TAX
- ELECTRONIC LOGBOOK

2009 / Launch — **2019 / Present**

Complexity made simple through EROAD's one platform

EROAD's in-vehicle telematics solution (EHUBO) collects data from the vehicle which is then transmitted via a secure cellular link and appears in a cloud-based web portal (Depot), for customer access and easy reporting

REGULATORY

Vehicle Records
Automatically generate and submit required trip data as well as integrated DVIR reporting

Driver Management
Useful information directly to drivers that helps reduce speed, harsh braking and incidents.

Health & Safety
Detailed reports on individual driving behaviours, safety incidents and trends for objective data-driven coaching.

Road Funding
EROAD's superior accuracy and reliability is why government agencies accept reports generated through our systems.

+

COMMERCIAL

Fleet Management
Reduce your driving costs and improve service levels across any vehicle, fleet size or industry.

Vehicle Health
Service Record History & Outsourced Repair Service Access

Communication
Our systems were designed to reduce paperwork, making them really easy to use.

Data Analytics
We believe the people who use the roads, should influence the design, management and funding of the roads.

Regulatory History

1978

Road User Charges (RUC) legislation was implemented to collect road funding from vehicles not paying petrol tax. This was supplemented by further legislation requiring regular vehicle safety inspections (Warrant of Fitness or Certificate of Fitness) and enforced by NZ Police. Drivers would record their odometers manually on paper forms.

2016

Health and Safety at Work Act (HSW Act) came in to effect placing greater responsibility on organisational leaders. The purpose of this act is to reduce New Zealand's workplace injury and death toll by 25 per cent by 2020

2017

EROAD launches USA's first independently verified FMCSA registered electronic logging device (ELD)

EROAD selected as sole heavy vehicle technology provider for USA's first multi-state RUC pilot

More than 50% of NZ's heavy vehicle RUC is being collected electronically

2018

Total Electronic RUC collection overtakes paper collection

EROAD growth timeline

2007

EROAD is commercially founded

EHUBO, EROAD's electronic distance recorder obtains patent and field trials commence in NZ

2008

McCarthy's becomes EROADs first customer with multiple units

2009

EROAD introduces the world's first nationwide, GPS based electronic road user charging (ERUC) system

2009

EROAD delivers a significant technology milestone proving it is feasible to introduce road charging across an entire jurisdiction without intrusive and expensive roadside infrastructure

2010

MoT approves EHUBO, making this NZ's first approved electronic distance recorder

EROAD wins its first awards for business and technology

2010

NZ Legislation permits use of electronic distance recorder. This replaced manual odometer recording with GNSS-based distance recording or, for heavy vehicles, mechanical hubodometers

2012

EROAD undertakes first North American commercial pilot of a GPS based road charging platform

2012

RUC legislation is reviewed establishing greater accountability, better governance and reporting processes

2016

Second generation product launched (EHUBO2)

EROAD chosen as sole heavy vehicle technology provider for California Road Charge Pilot

EROAD opens sales office in Christchurch, NZ

2015

EROAD electronic IFTA service launched into North America

EROAD becomes largest channel for collection of heavy vehicle eRUC in NZ

2014

EROAD launches commercial services into North America and Australia, establishing a US office in Portland, Oregon

EROAD launches first electronic Weight Mile Tax service (USA)

EROAD lists on New Zealand Stock Exchange, trading as ERD

EROAD's electronic log book first to be approved by NZTA

2013

EROAD reaches 100 staff (affectionately referring to themselves as EROADers)

EROAD makes its first appearance in the Deloitte Technology Fast500 for AsiaPacific

EROAD electronic weight-mile tax solution receives independent unqualified opinion from Oregon Secretary of State Audits Division

2018

80% of NZ's heavy vehicle ERUC is collected using EROAD technology

EROAD develops the analytical model 'Dynamic Data', enabling transport planners to use real (instead of modelled) data for transport network design and evaluation

EROAD opens product refurbishment factory in Penrose, NZ

250 EROADers located across three markets (NZ, North America & Australia)

EHUBO2.2 the revised unit with 4G capacity, launches

2019

EROAD sales reach 100,000 units

EROAD comes of age, gaining enterprise accounts in all markets (NZ, North America & Australia)

EROAD office refurbishment of Albany offices creates Global/ANZ HQ based in Albany, Auckland NZ

2019

Approx 750,000 vehicles pay road taxes through RUC, including 600,000 light vehicles. Light electric vehicles are currently exempt until December 2021, heavy electric vehicles are exempt until December 2025

RUC administration is now more electronic than paper-based: 50% of HT RUC Dollars, 67% of HT Licenses, and 51% of HT KMs travelled, are all recorded electronically

Funding delivered through RUC continues to increase year on year. Since launching, more than NZ$2.5 billion RUC funding has been collected through EROAD technology

Health and Safety

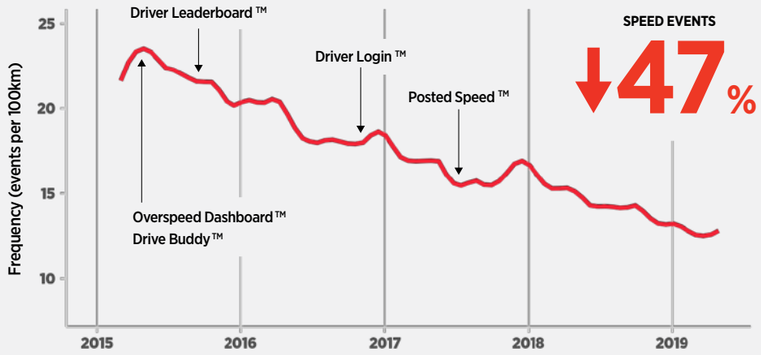
Health and Safety has been at the core of our values since our inception as a company and remains a key area of focus for us in terms of product development, competency development and company culture.

Health and Safety and Chain of Responsibility regulatory developments in New Zealand and Australia have further resulted in us building a suite of products and services that support health and safety regulatory compliance, reporting, and driver safety.

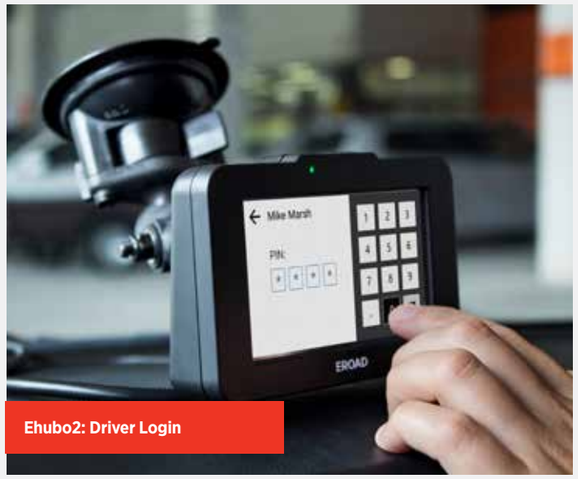
The introduction of Drive Buddy, Virtual Speed Camera, Driver Leaderboard, electronic logbook, and vehicle monitoring all aid compliance reporting, and have resulted in reductions in overspeed events in our customers' fleets.

Driver Login and Posted Speed have both been enabled by the in-vehicle telematics device we developed (Ehubo2) which provides information to drivers that has been shown to reduce speed, harsh braking and safety incidents through in vehicle feedback to the driver.

New Zealand reduction in speed



The above graph shows the reduction in over speed events over time as product enhancements have been added.



Ehubo2: Driver Login

Depot: Driver Leaderboard

Brake FLEET SAFETY Awards 2018 Winner

Our SaaS software solution further contributes to enabling safety outcomes in our customer fleets. Driver Leaderboard in Depot enables our customers to have driver coaching conversations with their drivers to improve driver safety outcomes. It provides a means by which good performance can be rewarded by employers, and training and support can be provided where necessary.

Internally, our safety and wellbeing professionals play a key role in delivering health and safety programmes and providing expertise and support to EROAD's operations in New Zealand, North America and Australia. EROAD's safety risk assessment process brings focus to safety, driving a reduction in injuries and stress through a continual focus on the mental and physical safety of our employees. Our safety and wellbeing professionals also work with our customers to aid in the design of their safety processes in a continuous improvement approach to improving safety outcomes both at EROAD and across our customers operations.

In 2018 EROAD received the Brake Fleet Safety Award acknowledging EROAD's positive impact in creating safer drivers, vehicles and roads.

The EROAD installation was the easiest and most successful vehicle technology roll out in to the St. John fleet.

This was due to the flexibility of EROAD, their structured approach and their seamless work, with our Infrastructure Managers and Install Co-ordinators.

St. John • EROAD Customer, New Zealand

Leaderboard gives us all the names of the drivers and how they perform through the week. I keep a record of it so I can see how I perform and how other drivers perform – because I'm involved with their health and safety.

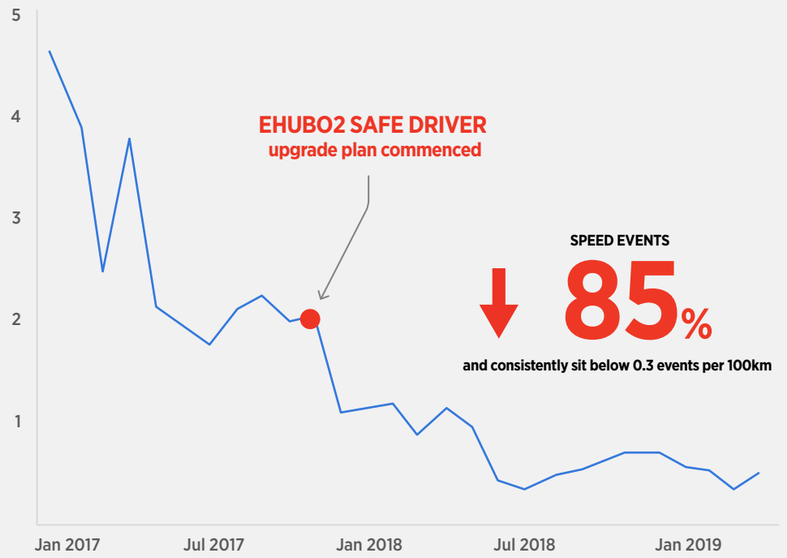
It's all about driving safely and getting home safely. That's why you should have EROAD.

Machinery Movers • EROAD Customer, New Zealand

Sizeable decline in over-speed events with customers **who have actively implemented 'Safe Driver'**

Foodstuffs North Island: Owner Drivers
Average number of speeding events per 100km travelled

Foodstuffs North Island: Company owned vehicles
Average number of speeding events per 100km travelled



TIL Freight: Average number of speeding events per 100km travelled

EROAD has so far **brought down our over speed events from approximately 25,000 a month to about 1200**.

It's reduced our overall fuel bill by approximately 20% and accident incident rates by 20%.

McConnell Dowell • EROAD Customer, New Zealand

Using big data for safer roads

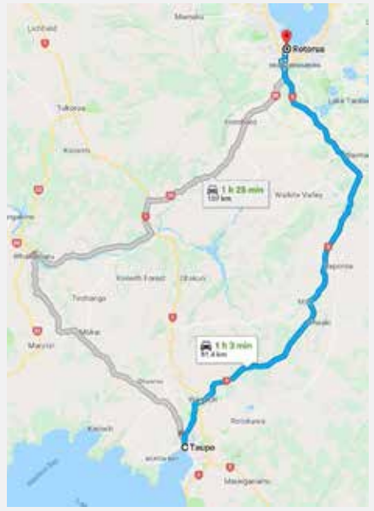
Our data and analytics team, working collaboratively with Oregon State University, has created a new data algorithm called Dynamic Risk, using real data (as opposed to modelled data). This will enable transport authorities to make efficiently informed spending decisions to improve road safety.

Driver behaviour gathered from over 9.5 million trips and collected through EROAD technology was anonymized, aggregated then analysed through an innovative algorithm that has resulted in a new way of accurately identifying risk.

"We wanted to create a model that could predict where crashes were most likely to occur so that preventative measures could be implemented before those areas became known as high-crash risk areas" said EROAD's Director of Analytics Gareth Robins. "When compared to traditional methods of risk analyses, our technology and new algorithm is an efficient and effective way of comparing multiple factors gathered from a range of vehicle types, unlocking information previously unavailable on how our roads are being driven".

The research was conducted using data from New Zealand and looked at fatigue, frustration and familiarity, then compared these factors across the five classes of New Zealand roads.

Varying Drive Times



Varying Risk

23.9%
less distance

45.8%
higher risk of traffic incident

When choosing to travel between Rotorua and Taupo one route has 23.9% less distance but exposes the driver to 45.8% higher risk of being involved in a traffic incident (indicated by red on the map).

Sustainability

The data insights provided by EROAD help our customers achieve greater fuel efficiency, subsequently reducing emissions.

EROAD's fleet management solution compares fuel records and displays average and total idle time by vehicle enabling conversations with drivers around reducing idle times, and inefficient fuel usage. By monitoring idle events and tracking driver behaviour, we not only provide our customers with improvements to their bottom line but also help lessen their businesses' impact on the environment.

During 2018 we moved to outsourced manufacturing, moving our production to the Philippines. This process involved extensive evaluation of manufacturing options, with consideration given to their treatment of employees in line with our values, track records on human rights, and sustainability of their operations.

Our chosen manufacturing partner, IMI Engineering, supports the Carbon Disclosure Project ("CDP") climate change initiative and submits annual CDP reports showing their continued reduction in C02 emissions. In addition to this, since 2017 they have reduced their scrap levels by 67% and are committed to effective engineering solutions that minimise their impact on the environment.

REMANUFACTURING:

We closely follow the Ministry for the Environment's recommended guidance for collection, reuse and recycling of electrical and electronic equipment (EEE). We, therefore, remanufacture EEE to the extent possible and with minimal waste, thereby offsetting what must be extracted from the environment. We use reputable partners to recycle EEE that could not be remanufactured, ensuring absolute integrity and efficiency of the recycling process.

Within the last financial year we began recycling electronic waste (since 4 April 2018). Since then we have reclaimed:

- 287 kg of LiSOCl2 batteries
- 48 kg of PCB Boards

On average we now remanufacture/refurbish 1500 units per month using recycled components. Where possible we re-use/re-cycle our cartons, especially our outers, both in our production facility, and at our sales locations.

REDUCED USE OF FOSSIL FUELS

Less fossil fuels used, less CO2 into our environment. We have improved our supply chain to reduce our reliance on international freight. According to the U.S. Environmental Protection Agency, more than half of the air pollution in the USA comes from vehicles. Our products and services enable our customers to move their vehicles more efficiently, which is why they use less fuel after installing EHUBO2 in their vehicles.

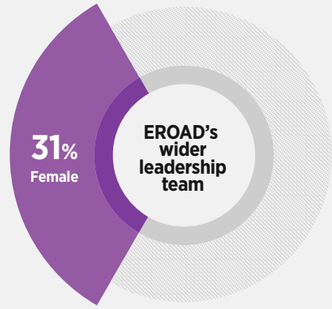
Heather Woodruff
Customer Success & Service Manager

Sarah Thompson
VP Product

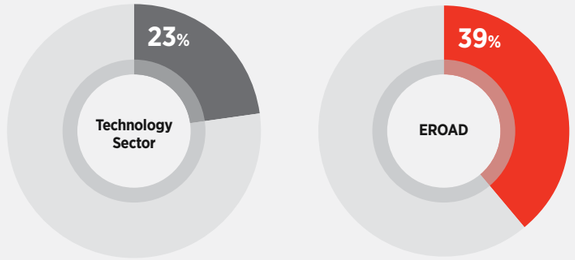
We love what we do – delivering our customers and community safer roads, better environmental outcomes and commercial advantage.

To deliver on our 3-5 year strategy plan we have designed a scalable organisation with the right skill-sets to grow and mature the company in new markets and geographies. We have bolstered our leadership team with new executive level members and key appointments to deepen marketing, sales, finance, product and R&D capability, as well as establish leadership teams for each country. We are investing heavily to develop future leaders across the business to ensure excellent bench strength for our future growth.

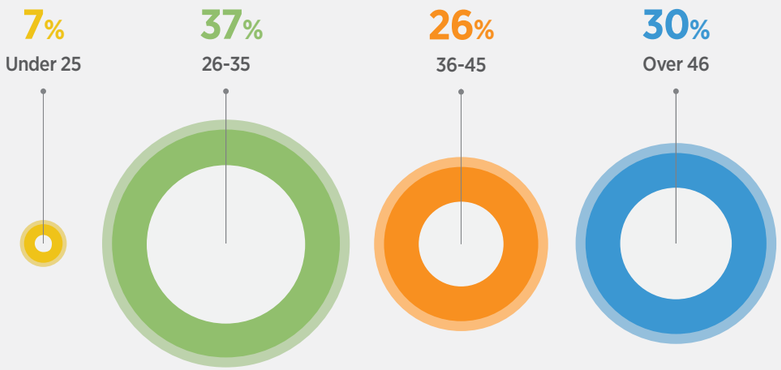
GENDER SPLIT



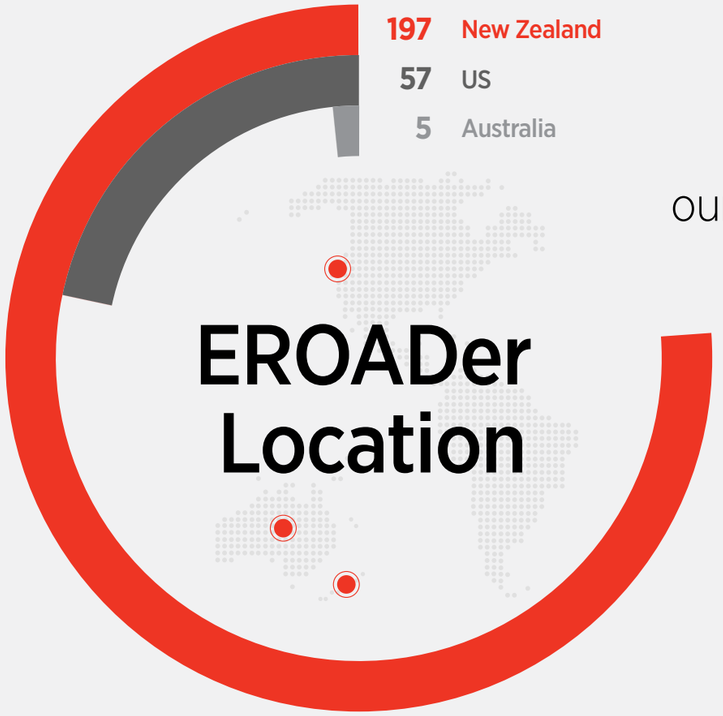
WOMEN AS A PERCENTAGE OF THE WORKFORCE



AGE SPLIT



All figures are employees (no contractors included)



We have over
250 staff
located across
our three markets.

All figures are employees (no contractors included)

91
new employees joined us in FY19

EROADers come from more than
35 countries around the world

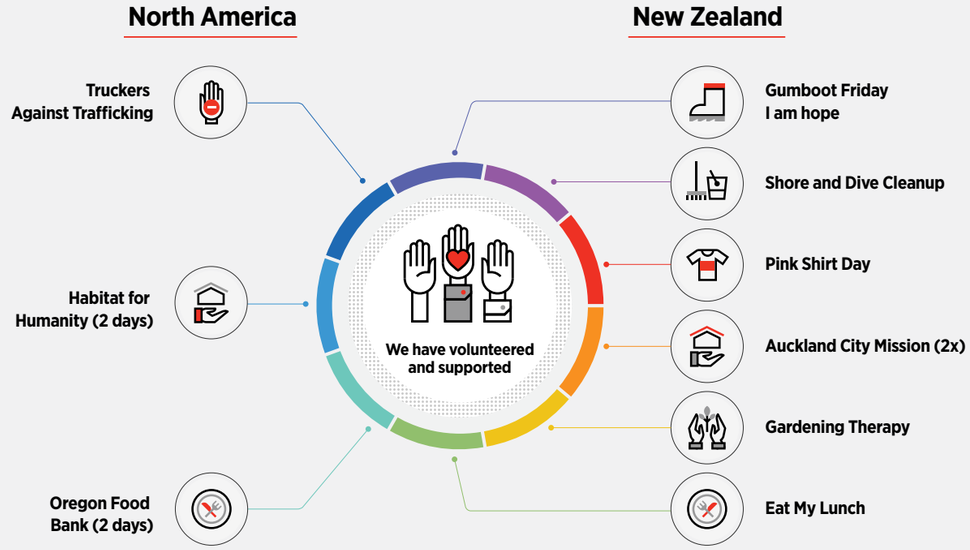
Ken Eyre
Senior Manager – Product Support & Fulfillment

Jyothi Madanlal
Software Engineer

SUPPORTIVE CULTURE

We maintain a supportive culture through company events, the social committee, reward and recognition programmes and family-friendly company policies such as flexible working and parental leave.

- Our employee engagement survey shows that 84% of staff are proud to work for EROAD and would recommend it as a great place to work.
- Our culture is orientated around inclusion, underpinned by a formal D&I strategy and a high emphasis on our values. Wellbeing is a positive and daily focus. 2/3 of employees are engaged in a three month walkathon; we're operating global "Lean-in" development circles; frequent walking meetings; an active volunteering and social calendar and an employee driven recognition program.
- Our teams enjoy flexible working, personal choice technology and fruit and social activities in the office.
- We provide our people with opportunities to volunteer in the community and make a real difference to those in need.
- A major refurbishment of our global and ANZ headquarters was completed in March 2019. This has created a modern working environment that supports agile working.



Building houses with Habitat for Humanity
Portland, Oregon, USA

Shore and Dive Cleanup
Auckland, New Zealand

EROAD GLOBAL HEAD OFFICE AND ANZ HEADQUARTERS

Auckland, New Zealand

A major refurbishment of our global headquarters located in Albany, Auckland, to ensure a modern space that supports a range of flexible working styles, enhances collaboration and allows EROADers to work their magic.

LEARNING AND LEADERSHIP

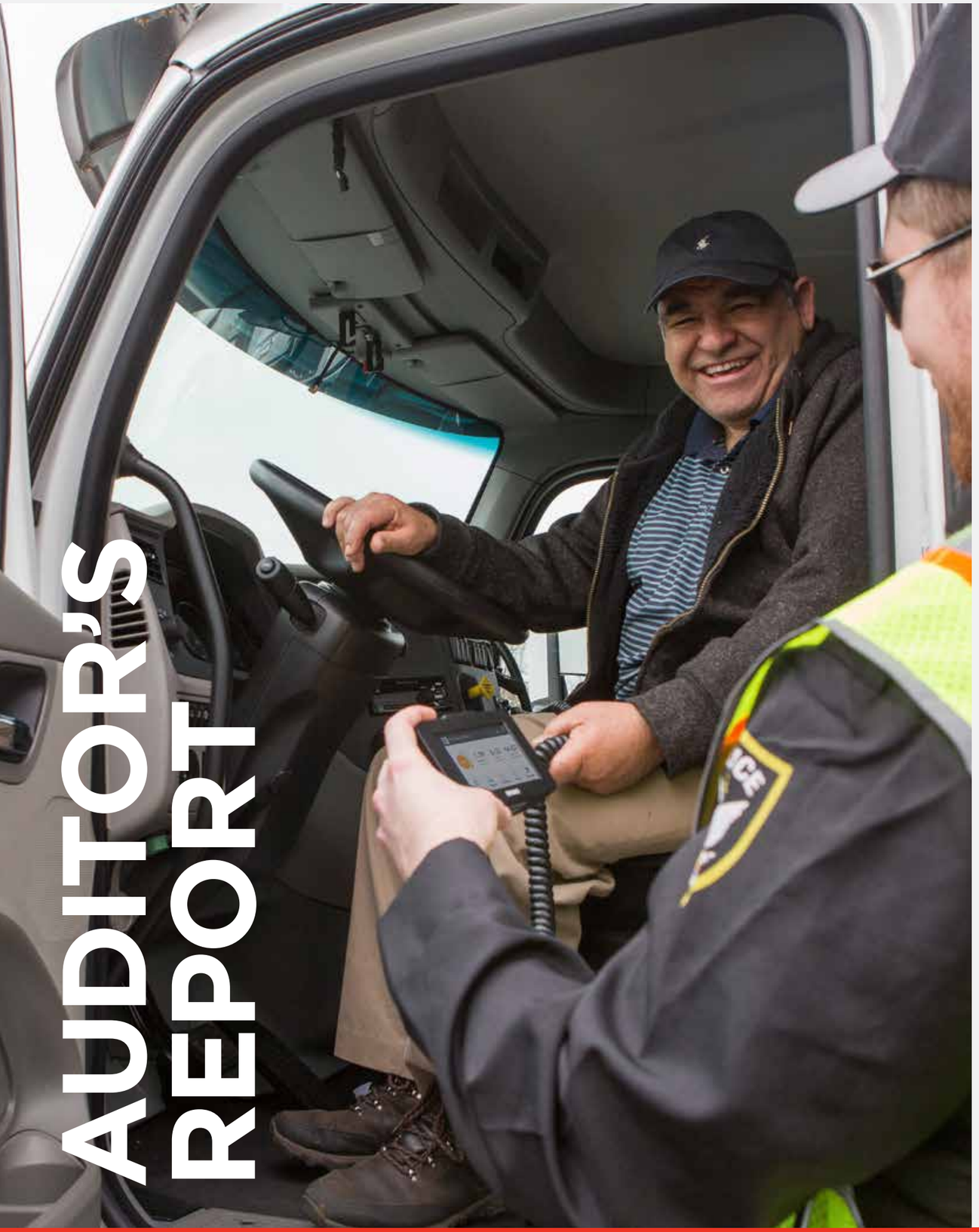
We run programmes that encourage lifelong learning, identify and develop our next generation of leaders, and ensure that experts in their fields share their knowledge with others.

- Our approach to work is designed to foster our entrepreneurial spirit. We celebrate innovation with both a formal program as well as the ability for employees to recognize each other with awards.
- We use technology to enable cross market collaboration, linking our teams in borderless working.

GRADUATE PROGRAMMES

We recognise that the company's future rests with the next generation of engineers, product owners and other talented professionals. We help prepare young people to pursue these disciplines by offering graduate programmes and internships, realising two Graduates and five Interns during FY19.

Soumya Puri
Project Manager



AUDITOR'S REPORT

KPMG

Independent Auditor's Report

To the shareholders of EROAD Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of EROAD Limited (the company) and its subsidiaries (the Group) on pages 63 to 104:

i. present fairly in all material respects the Group's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2019;

— the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). 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 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 and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the Group financial statements section of our report.

Our firm has also provided other services to the Group in relation to tax compliance, tax advisory and corporate finance. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the Group financial statements as a whole, taking into account the structure of the Group, the financial reporting systems, processes and controls, and the industry in which it operates.

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The context for our audit is set by the Group's major activities in the financial year ended 31 March 2019. The Group's finance function is located at the head office in Auckland and in the USA office in Oregon. All audit work in respect of the consolidated financial statements was performed by the Group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the Group financial statements as a whole. The materiality for the Group financial statements as a whole was set at $580,000 determined with reference to a benchmark of Group revenue. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the Group financial statements as a whole and we do not express discrete opinions on separate elements of the Group financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue Recognition ($61.3m)	
Refer to Note 3 of the consolidated financial statements. The majority of the Group's contracts are accounted for as a service contract under NZ IFRS 15. We focused on this area because the accounting determination of whether or not the contract contains a lease has a significant impact on the recognition of profit and loss and balance sheet. The contracts do not meet the definition of a lease under NZ IFRS 16. These customer contracts are deemed not to represent a lease of the eHUBO unit because EROAD's customers do not have the right to direct the use of the asset and therefore do not have the right to control the use of the eHUBO unit. This is a significant judgement under NZ IFRS 16.	We assessed the judgement in revenue recognition by: — Assessing the Group's revenue recognition policy for compliance with the relevant accounting requirements; — Selecting a sample of contracts during the year and agreeing the sample to the contract terms and assessing the contractual terms against the NZ IFRS 15 & 16 recognition requirements; — Reviewing any changes or new contractual terms and conditions entered into with new customers during the period, and consideration of the potential impact on revenue recognition applied; — Checking a sample of customer invoices immediately prior to and after year end to confirm the service start date of the contract is line with the NZ IFRS 15 & 16 requirements and; — Challenging management's conclusions that the customer contracts do not meet the definition of a lease under NZ IFRS 16 and are therefore, accounted for as a service contract under NZ IFRS 15 and NZ IFRS 16. We did not identify any matters that indicated that the reported revenue is materially misstated.
Development asset capitalisation and impairment ($29.8m)	

The key audit matter	How the matter was addressed in our audit
Refer to note 16 of the consolidated financial statements. The Group has reported a development asset of $29.8m (2018: $26.8m). This investment requires significant judgement as to whether the largely internal costs should be expensed or capitalised, and assessing the indicators of impairment. We focused on this area due to the quantum of the development costs capitalised. The Group's process for calculating the amount of internally developed platform costs to be capitalised is judgmental and involves estimating the hours which staff spend developing software and determining the costs attributable to that time. The Directors have assessed whether any impairment indicators existed for each major development asset by considering, among other factors, sales achieved to date and the overall operating and cash performance of the entity. Indicators of impairment were identified in the US operations and the Group performed an impairment test of the development assets on a value in use basis. This assessment requires judgment when forecasting future sales and the related cash flows, including considering the difficulties in achieving current year budgeted sales levels for US market.	We assessed the judgement related to the internal costs capitalised by: — Understanding the nature and background of the activities that are capitalised through inquiry of the key operational, financial, legal, and engineering personnel; — Challenging whether costs capitalised during the year comply with the accounting requirements; and — Assessing the reasonableness of the amount of internal costs capitalised based on the hours which staff spend developing software plus attributable costs. We assessed management's impairment testing of the development asset by obtaining the supporting model and assessing the methodology and key assumptions made including: — Confirming our understanding of the US telematics industry and country specific regulation obtained during our visit to the EROAD Oregon operations through interviews held with relevant members of the US management team. — Reconfirming the external advice management has obtained in respect of the market strategy to be adopted in the US through discussions with management to confirm our understanding of the operation's strategy. — Using our corporate finance experts to challenge and assess the appropriateness and mathematical accuracy of management's impairment models well as the reasonableness of key inputs such as weighted average cost of capital and long term growth weights. — Challenging management's future cash flow forecasts. This included comparing previous forecasts to actual results and other relevant supporting documentation such as sales pipelines (to evidence the feasibility of the forecasts and to assess the reliability of historical forecasting). — We challenged management's forecasts by performing sensitivity analysis over the forecasted sales volumes, discount rate, and expenses. This enabled us to ascertain the extent of change in those assumptions required to result in an impairment of the development assets. We did not identify any factors that indicated that management's overall conclusions were not supportable.
Deferred Tax Asset ($7.5m)	
Refer to note 10 of the consolidated financial statements. The Group has a net deferred tax asset balance of $7.5m, of which $9.3m relates to deferred tax assets arising from past tax losses. We focused on the deferred tax asset from tax losses	Our procedures included the following: — We evaluated the Group's assessment of whether there would be sufficient taxable profits in future periods to support the carrying value of the deferred tax asset in New Zealand; — We compared the assumptions used in the forecasts of taxable profit to those applied in management's FY19 budgets;

The key audit matter	How the matter was addressed in our audit
arising in New Zealand as its recoverability is sensitive to the Group's expected future profitability and its entitlement to offset these losses against future profits. This as a key risk due to the significance of the deferred tax asset to the financial position of the Group and the judgement applied by management in determining the extent to which a deferred tax asset should be recognised.	— We challenged the key assumptions in the forecasts presented; — We also considered whether the recognition of additional deferred tax assets in relation to current year tax losses and previously unrecorded losses were in compliance with the relevant accounting requirements; — We examined correspondence with the Inland Revenue Department supporting the calculation of available tax losses; — We used our tax specialists to assess whether the shareholder continuity requirements under New Zealand tax legislation had been maintained in the current financial reporting period. The results of our procedures did not identify any inconsistencies with management's conclusion that the recognition of unrecognised losses and current year losses meets the criteria for recognition.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's Report, Board of Directors, CEO's Report, Executive Team, Financial Highlights, About EROAD, Corporate Governance, Regulatory Disclosures, Other Information, Glossary and Key Dates and are included in the Annual Report. Our opinion on the Group financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Group financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of EROAD Limited, are responsible for:

— the preparation and fair presentation of the Group financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;

— implementing necessary internal control to enable the preparation of a Group set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and

— assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

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

Our objective is:

— to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error; and

— to issue an independent 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 will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 Group financial statements.

A further description of our responsibilities for the audit of these Group financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Ross Buckley

For and on behalf of

KPMG
Auckland

28 May 2019

FINANCIAL STATEMENTS

EROAD LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 March 2019

	Notes	GROUP 31 March 2019 $	GROUP 31 March 2018 $ Restated
Revenue	3	**61,351,896**	43,766,496
Operating Expenses	4	**(45,718,717)**	(33,221,446)
Earnings before interest, taxation, depreciation and amortisation		**15,633,179**	10,545,050
Depreciation of Property, Plant & Equipment	14	**(6,621,272)**	(5,361,391)
Amortisation of Intangible Assets	16	**(6,479,134)**	(5,594,391)
Amortisation of Contract and Customer Acquisition Assets		**(4,852,093)**	(3,673,129)
Earnings/(loss) before interest and taxation		**(2,319,320)**	(4,083,861)
Finance income	8	**28,884**	97,694
Finance expense	8	**(2,815,983)**	(1,896,889)
Net financing costs		**(2,787,099)**	(1,799,195)
Profit/(loss) before tax		**(5,106,419)**	(5,883,056)
Income tax (expense)/benefit	9	**191,199**	2,426,232
Profit/(loss) from continuing operations		**(4,915,220)**	(3,456,824)
Profit/(loss) after tax for the year attributable to the shareholders		**(4,915,220)**	(3,456,824)
Items that are or may be reclassified subsequently to profit or loss			
Other comprehensive income		**(1,120,303)**	(196,793)
Total comprehensive income/(loss) for the year		**(6,035,523)**	(3,653,617)
Earnings per share - Basic (cents)	11	**(7.31)**	(5.61)
Earnings per share - Diluted (cents)	11	**(7.24)**	(5.57)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

EROAD LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

		GROUP		
		31 March 2019	31 March 2018	1 April 2017
		$	$	$
	Notes		Restated	Restated
CURRENT ASSETS				
Cash and cash equivalents	12	**16,138,806**	21,870,415	935,359
Restricted bank accounts		**12,672,741**	9,498,071	9,208,289
Trade and other receivables	13	**10,502,123**	11,626,419	5,519,533
Contract fulfilment costs	7	**2,424,626**	2,140,135	1,482,115
Costs to obtain contracts	7	**2,163,888**	1,448,655	927,327
Current tax receivable		**5,301**	21,456	361,912
Total Current Assets		**43,907,485**	46,605,151	18,434,535
NON-CURRENT ASSETS				
Property, plant and equipment	14	**33,901,289**	23,848,227	17,938,605
Intangible assets	16	**33,132,285**	29,901,469	28,662,777
Contract fulfilment costs	7	**2,662,943**	2,204,472	2,108,773
Costs to obtain contracts	7	**2,100,079**	1,635,487	935,665
Deferred tax assets	10	**7,495,496**	6,953,385	4,367,515
Total Non-Current Assets		**79,292,092**	64,543,040	54,013,335
TOTAL ASSETS		**123,199,577**	111,148,191	72,447,870
CURRENT LIABILITIES				
Overdrafts	12	**-**	-	873
Borrowings	18	**17,162,667**	10,574,689	-
Trade payables and accruals	17	**6,111,430**	4,859,124	5,251,971
Payables to NZTA and ODOT		**12,488,871**	9,439,139	9,243,383
Current tax payable		**-**	85,245	-
Contract liabilities	19	**5,757,951**	5,434,881	4,569,936
Lease liabilities	15	**782,450**	801,024	727,406
Employee entitlements		**1,338,026**	1,147,462	1,201,002
Total Current Liabilities		**43,641,395**	32,341,564	20,994,571
NON-CURRENT LIABILITIES				
Borrowings	18	**17,476,029**	15,908,670	7,029,304
Contract liabilities	19	**4,209,472**	4,739,071	3,498,971
Lease liabilities	15	**6,246,859**	1,264,690	2,093,192
Deferred tax liabilities	10	**335,025**	127,383	3,409
Total Non-Current Liabilities		**28,267,385**	22,039,814	12,624,876
TOTAL LIABILITIES		**71,908,780**	54,381,378	33,619,447
NET ASSETS		**51,290,797**	56,766,813	38,828,423
EQUITY				
Share capital	11	**80,612,423**	80,326,438	58,965,367
Translation reserve		**(1,654,943)**	(534,640)	(337,847)
Retained earnings		**(27,666,683)**	(23,024,985)	(19,799,097)
TOTAL SHAREHOLDERS' EQUITY		**51,290,797**	56,766,813	38,828,423

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Chairman, *28 May 2019*

Chair of the Finance, Risk and Audit Committee, *28 May 2019*

EROAD LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 March 2019

GROUP		Share Capital	Retained Earnings	Translation Reserve	Total
	Notes	$	$	$	$
Balance as at 1 April 2017 as originally presented		58,965,367	(13,066,244)	(343,389)	45,555,734
Adjustment on initial application of NZ IFRS 15,16 & 9 (net of tax)	2		(6,732,853)	5,542	(6,727,311)
Balance as at 1 April 2017 (restated)		58,965,367	(19,799,097)	(337,847)	38,828,423
Profit after tax for the year (restated)		-	(3,456,824)		(3,456,824)
Other comprehensive income		-	-	(196,793)	(196,793)
Total comprehensive loss for the year, net of tax		-	(3,456,824)	(196,793)	(3,653,617)
Equity settled share-based payments		37,818	230,936	-	268,754
Share capital issued	11	21,323,253			21,323,253
Balance at 31 March 2018		80,326,438	(23,024,985)	(534,640)	56,766,813
Balance as at 31 March 2018 as originally presented		**80,326,438**	**(12,625,692)**	**(540,182)**	**67,160,564**
Adjustment on initial application of NZ IFRS 15,16 & 9 (net of tax)		**-**	**(10,399,293)**	**5,542**	**(10,393,751)**
Balance as at 1 April 2018 (restated)		**80,326,438**	**(23,024,985)**	**(534,640)**	**56,766,813**
Profit after tax for the year		**-**	**(4,915,220)**	**-**	**(4,915,220)**
Other comprehensive income		**-**	**-**	**(1,120,303)**	**(1,120,303)**
Total comprehesive loss for year - net of tax		**-**	**(4,915,220)**	**(1,120,303)**	**(6,035,523)**
Equity settled share-based payments		**94,424**	**273,522**	**-**	**367,946**
Share capital issued	11	**191,561**			**191,561**
Balance at 31 March 2019		**80,612,423**	**(27,666,683)**	**(1,654,943)**	**51,290,797**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

EROAD LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 March 2019

	Notes	GROUP 31 March 2019 $	31 March 2018 $ Restated
Cash flows from operating activities			
Cash received from customers		**62,269,663**	39,810,030
Payments to suppliers and employees		**(45,356,635)**	(33,061,706)
Interest received		**19,645**	13,453
Interest paid		**(2,815,983)**	(1,896,889)
Tax received		**196,536**	340,456
Net cash inflow from operating activities		**14,313,226**	5,205,344
Cash flows from investing activities			
Payments for investment in property, plant & equipment	14	**(10,794,313)**	(11,315,559)
Payments for investment in intangible assets	16	**(9,709,950)**	(6,833,083)
Payments for investment in contract fulfilment assets		**(3,527,493)**	(3,000,865)
Payments for investment in customer acquisition assets		**(3,247,387)**	(2,647,133)
Net cash outflow from investing activities		**(27,279,143)**	(23,796,640)
Cash flows from financing activities			
Receipts from bank loans	18	**23,602,236**	23,731,244
Repayments of bank loans	18	**(15,446,899)**	(4,277,189)
Repayments of lease liability		**(921,029)**	(754,884)
Receipts from issue of equity	11	**-**	21,501,711
Payments for costs of raising equity		**-**	(673,657)
Net cash inflow from financing activities		**7,234,308**	39,527,225
Net increase/(decrease) in cash held		**(5,731,609)**	20,935,929
Cash at beginning of the financial year		**21,870,415**	934,486
Closing cash and cash equivalents (net of overdrafts)		**16,138,806**	21,870,415

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

EROAD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

EROAD Limited (the "Parent") is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX) Main Board. The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the financial statements have been prepared in accordance with the requirements of that Act and the Financial Reporting Act 2013. The consolidated financial statements comprise EROAD Limited and its subsidiaries (the "Group"). The Group provides electronic on-board units and software as a service to the transport industry.

The financial statements for the Group are for the year ended 31 March 2019
The financial statements were authorised for issue by the directors on 28 May 2019.

The accounting policies below have been applied consistently to all periods presented in these financial statements.

(a) Basis of preparation

Statement of compliance with IFRS

The consolidated financial statements comprise the following: consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows, and accounting policies and notes to the financial statements contained on pages 62 to 104.

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to Tier 1 for-profit entities.

Comparative figures

Where a change in presentation of the financial statements has been made during the period, comparative statements and notes have been restated to align with current year presentation.

Basis of measurement

The financial statements are prepared on the historical cost basis. Except for certain financial instruments carried at fair value as described in (g) and (h).

Going concern

The financial statements have been prepared using the going concern assumption.

Presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar ($).The functional currency of EROAD Limited is New Zealand Dollars (NZD).

Use of estimates and judgements

In preparing these consolidated financial statements in conformity with NZ IFRS, management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period are included in the following notes:

Note 3: The Group provides a right to use its hardware assets as part of its contracts with customers. Determining whether the contract contains a lease as per the definition of NZ IFRS 16, is a significant judgement requiring consideration as to whether the customer has the right to direct the use of the hardware asset. Historically the company assessed EROAD's customers as having physical control of the EROAD unit and therefore a right to use an asset. Under NZ IFRS 16 the company has determined that EROAD's customers don't have the right to direct the use of EROAD's asset because EROAD continues to have the right and ability to change how the unit operates during the customer's contractual term. The Group determined that customers do not have the right to control the use of its hardware assets and therefore the arrangement does not contain a lease. Therefore the contracts have been accounted for as a services contract under NZ IFRS 15.

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

The contracts with customers include promises to provide multiple products and services. Determining whether the products and services are considered distinct performance obligations that should be accounted for separately versus together requires significant judgement. The Group provides significant integration services of its hardware assets and installation services when integrating its software and therefore has accounted for these services as one performance obligation.

Note 10: recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

Note 16: impairment testing for intangible assets, key assumptions underlying recoverable amounts, including the recoverability of development costs.

(b) Basis of Consolidation

The Group financial statements consolidate the financial statements of subsidiaries using the purchase method of accounting. Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.

(c) Business Combinations

The Group accounts for business combinations using the purchase method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of comprehensive income. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of contingent consideration are recognised in equity.

(d) Revenue

Software as a service revenue

The Group generates revenue through the sale of hardware assets, rental of hardware assets, installation of hardware assets and provision of software services as part of contracts with customers as part of a bundled package. These hardware units enable customers to access the software platform offered by the Group. The transaction involving hardware and accessories do not convey a distinct good or service. The sale does not transfer control to the customer as the Group provides a significant service of integrating the software service to produce a combined output. The sale of the hardware, accessories and software service are referred to as Software as a Service (SaaS) revenue, which is recognised over time as the customer simultaneously receives and consumes the benefits of the service. The Group concluded that the customer is expected to benefit from the services evenly over the period of delivery being the contract period and as a result would recognise revenue on a straight line basis of the contract period. The Group recognises revenue from the date of installation as this is when the Group deems the service period to begin. There are no variable consideration terms within the contracts.

The timing of revenue recognition may differ from the timing of invoicing to customers and the receipt of consideration. A contract liability is recognised where consideration is received in advance of the completion of associated performance obligations. The contract liability derecognised over time evenly over the period of the contract as the customer derives the benefit evenly from the services provided over the contract period. The majority of contracts are for 3 years and can be for a term of up to 5 years. As a result there is a financing component which the group recognise as a finance cost when consideration is received in advance.

The Group offers installation services as part of a number of promises to transfer goods and services within each contract. Installation services do not convey a distinct good or service and therefore are not a separate performance obligation as the installation is a set-up activity that does not provide the customer a direct benefit other than access to the software services. As a result, the installation service is considered as part of the single performance obligation; referred to as Software as a Service (SaaS) revenue, which includes the software service and hardware sale or rental for which the customer simultaneously receives and consumes the benefit of the service. Where installation revenue is received in advance of satisfying the performance obligation a contract liability is recognised. The contract liability derecognised over time evenly over the period of the contract as the customer derives the benefit evenly from the services provided over the contract period.

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

The majority of contracts are for 3 years and can be for a term of up to 5. As a result there is a financing component which the group recognise as a finance cost when consideration is received in advance.

Transaction fees

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

Capitalised contract fulfillment costs

The Group capitalises incremental costs of fulfilling customer contracts, typically distribution and installation costs. Contract fulfillment costs are amortised evenly over the period of the contract. The majority of contracts are for 3 years and can be for a term of up to 5 years.

Capitalised contract acquisition costs

The Group has applied a policy of capitalising only costs that are incremental in obtaining contracts with customers, typically sales commissions. Contract acquisition costs are amortised evenly over the period of the contract. The majority of contracts are for 3 years and can be for a term of up to 5 years.

(e) Finance income and finance expenses

The Group's finance income and finance expenses include: interest payable and receivable recognised using the effective interest rate method, foreign exchange gains and losses.

(f) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Financial Instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit or Loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – Policy applicable from 1 April 2018:

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income – equity investment; or Fair Value through Profit or Loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

Amortised Cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value through Profit or Loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity Investment - Fair Value Through Other Comprehensive Income
On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income. This election is made on an investment-by-investment basis.

Fair Value through Profit or Loss
All financial assets not classified as measured at amortised cost or Fair Value through Other Comprehensive Income as described above are measured at Fair Value through Profit or Loss. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at Fair Value through Other Comprehensive Income as at Fair Value through Profit or Loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses:

Financial assets at Fair Value through Profit or Loss
These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at Fair Value through Other Comprehensive Income
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in Other Comprehensive Income and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or Fair Value through Profit or Loss. A financial liability is classified as at Fair Value through Profit or Loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at Fair Value through Profit or Loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial Assets - Policy applicable before 1 April 2018
The Group classifies non-derivative financial assets and liabilities into the following categories: loans and receivables and other financial liabilities.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and loans to shareholders and directors.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(h) Fair value estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. Fair values reflect the credit risk of the financial instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

The carrying value less impairment provision of trade receivables is assumed to approximate its fair value due to its short term nature. The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(i) Property, Plant and Equipment
Items of plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes the purchase consideration, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Where an item of plant and equipment is disposed of, the gain or loss recognised in the statement of comprehensive income is calculated as the difference between the net sales price and the carrying amount of the asset.

Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense in the period they are incurred.

Depreciation
Depreciation begins when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The following rates have been used:

Leasehold improvements	3 to 9 years	Straight line
Hardware assets	3 to 6 years	Straight line
Plant and equipment	3 to 11 years	Straight line
Computer/Office equipment	1 to 3 years	Straight line
Motor vehicles	3 to 5 years	Straight line

The above rates reflect the estimated useful lives of the respected categories. Leasehold improvements are depreciated over the contracted lease term.

(j) Leases as a lessee
The Group recognises a right-of-use asset and a lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise priced under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'Property, plant and equipment'. Lease liabilities are presented separately in the Statement of Financial Position.

Short-term leases and leases of low-value items

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term property leases and leases of low-value assets including office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(k) Intangible assets

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the statement of comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the statement of comprehensive income when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangibles assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is only capitalised only when it increases the future economic benefits embodied in the specific asset to which is relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of coprehensive income when incurred.

Amortisation

Amortisation is recognised in the statement of comprehensive income on a straight line basis over the estimated useful life of intangible asset. The estimated useful lives for the current and comparative periods are as follows:

Patents	10–20 years
Development Hardware & Platform	7–15 years
Development Products	5–10 years
Software	5–7 years

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

Inventories are valued at the lower of cost or net realisable value. Costs are based on actual costs, applying the first in first out principle, and include expenditure incurred in acquiring the inventories and bringing them to the existing condition and location. In the case of manufactured inventories, cost includes direct materials and labour.

(m) Foreign Currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in the statement of comprehensive income. Non-monetary items that are measured based on historical cost in a foreign currency are not translated. Foreign currency gains and losses are reported on a net basis as either finance income or finance expenses.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NZD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into NZD at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in Other Comprehensive Income and accumulated in the translation reserve.

(n) Goods and Services Tax

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

(o) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Shared-based payments

The grant-date fair value of equity-settled share-based payment awards to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amounts recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and actual outcomes.

(p) Impairment of assets

The carrying amounts of the Group's assets other than inventories are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, an impairment test is undertaken to reduce the carrying amount of assets to the estimated recoverable amount and an impairment loss is recognised in the statement of comprehensive income.

Estimated recoverable amount of receivables carried at amortised cost are calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(r) Grant income

Government grants are recognised at fair value in the statement of comprehensive income over the same periods as the costs for which the grants are intended to compensate.

(s) Segment reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise income tax .

(t) Standards issued but not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after a 1 April 2019, and have not been applied as they are not expected to have a significant impact on the Group's consolidated financial statements.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS

This note discloses the new accounting policies that have been applied from 1 April 2017, where they have changed from those applied in prior periods. The Group has adopted NZ IFRS 15 Revenue from Contracts with Customers, NZ IFRS 16 Leases and NZ IFRS 9 Financial Instruments, with application from 1 April 2017. This note explains the impact of the adoption of NZ IFRS 15, NZ IFRS 16 and NZ IFRS 9 on the Group's financial statements.

In adopting the above new standards, the Group has applied the following:

A. NZ IFRS 15 – In the current year, the Group has applied NZ IFRS 15 from its effective date. The date of initial application of NZ IFRS 15 for the Group is 1 April 2017. The group has applied NZ IFRS 15 using retrospective approach with practical expedients and restatement of comparative information.

B. NZ IFRS 16 –In the current year, the Group has applied NZ IFRS 16 in advance of its effective date. The date of initial application of NZ IFRS 16 for the Group is 1 April 2017. The group has applied NZ IFRS 16 using the full retrospective approach, with restatement of comparative information.

C. NZ IFRS 9 – The Group has applied NZ IFRS 9 modified retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies.

The effect of initially applying these standards is mainly attributed to:

- Reversing previous sales and associated cost of sales of all contracts deemed "finance leases" under the old lease standard;
- Deferral of the recognition of revenue relating to eHubo hardware sales, installations and accessories;
- Expensing of costs capitalised for contract establishment costs under the old lease standard;
- Recognition of right to use assets and associated liabilities where EROAD is the lessee; and
- Minimal impact arising from application of the Group's expected credit loss model.

The decision was made to early adopt NZ IFRS 16, as while under the existing Leases standard NZ IAS 17, many of EROAD's customer contracts met the definition of a lease and lease accounting as a lessor was applied, these same contracts do not meet the definition of a lease under NZ IFRS 16 and would therefore be accounted for as service contracts under IFRS 15. Without early adoption of IFRS 16 EROAD would effectively be restating revenue again for the year ended 31 March 2020 on adoption of the new lease standard. The Board believes that in early adopting the new lease standard the potential confusion created around EROAD's revenues is eliminated and this method will provide more relevant and understandable information for the user of the financial statements.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

(A) Revenue

Under NZ IFRS 16, a customer contract contains a lease based on whether the customer has the right to direct the use of an asset, in this case being the EROAD eHubo or Tubo (the unit). This differs from the definition under NZ IAS 17 which defines a lease as an agreement providing the customer the right to use an asset. Historically the company determined that EROAD's customers had physical control of the EROAD unit and therefore a right to use an asset and consequently a lease. Under NZ IFRS 16, the focus is on the right to direct the use of the asset and the company has determined that EROAD's customers do not have that right as EROAD continues to have the right and ability to change how the unit operates during the customer's contractual term. These contracts therefore no longer meet the definition of a lease and are accounted for as service contracts under NZ IFRS 15.

NZ IFRS 15 replaces NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts. The standard applies to all revenue arising from contracts with customers unless those contracts are within the scope of another standard. The standard is based on a five-step model to account for revenue arising from contracts with customers. Under NZ IFRS 15, revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also specifies the accounting for incremental costs of obtaining a contract with a customer and for the costs incurred to fulfil a contract with a customer if those cost are not within the scope of another standard.

Application of the new lease definition represents a change in the way the company recognises revenue and costs relating to its contracts with customers. The company no longer recognises revenues at the point of dispatch to the customer from contracts for outright sales of an EROAD units, installation services, sale of accessories or entering finance leases. EROAD now recognises these revenue streams over the contract term, typically 3 years. Other impacts from adopting the new accounting standards include a reduction in the capitalisation of costs associated with establishing the customer contracts.

The following new revenue accounting policies have been adopted:

Software as a service revenue

The Group generates revenue through the sale of hardware assets, rental of hardware assets, installation of hardware assets and provision of software services as part of contracts with customers as part of a bundled package. These hardware units enable customers to access the software platform offered by the Group. The transaction involving hardware and accessories do not convey a distinct good or service. The sale does not transfer control to the customer as the Group provides a significant service of integrating the software service to produce a combined output. The sale of the hardware, accessories and software service are referred to as Software as a Service (SaaS) revenue, which is recognised over time as the customer simultaneously receives and consumes the benefits of the service. The Group concluded that the customer is expected to benefit from the services evenly over the period of delivery being the contract period and as a result would recognise revenue on a straight line basis of the contract period. The Group recognises revenue from the date of installation as this is when the Group deems the service period to begin. There are no variable consideration terms within the contracts.

The timing of revenue recognition may differ from the timing of invoicing to customers and the receipt of consideration. A contract liability is recognised where consideration is received in advance of the completion of associated performance obligations. The contract liability derecognised over time evenly over the period of the contract as the customer derives the benefit evenly from the services provided over the contract period. The majority of contracts are for 3 years and can be for a term of up to 5 years. As a result there is a financing component which the group recognise as a finance cost when consideration is received in advance.

The Group offers installation services as part of a number of promises to transfer goods and services within each contract. Installation services do not convey a distinct good or service and therefore are not a separate performance obligation as the installation is a set-up activity that does not provide the customer a direct benefit other than access to the software services. As a result, the installation service is considered as part of the single performance obligation; referred to as Software as a Service (SaaS) revenue, which includes the software service and hardware sale or rental for which the customer simultaneously receives and consumes the benefit of the service. Where installation revenue is received in advance of satisfying the performance obligation a contract liability is recognised. The contract liability derecognised over time evenly over the period of the contract as the customer derives the benefit evenly from the services provided over the contract period. The majority of contracts are for 3 years and can be for a term of up to 5. As a result there is a financing component which the group recognise as a finance cost when consideration is received in advance.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

Capitalised contract fulfillment costs

The Group capitalises incremental costs of fulfilling customer contracts, typically distribution and installation costs. Contract fulfillment costs are amortised evenly over the period of the contract. The majority of contracts are for 3 years and can be for a term of up to 5 years.

Capitalised contract acquisition costs

The Group has applied a policy of capitalising only costs that are incremental in obtaining contracts with customers, typically sales commissions. Contract acquisition costs are amortised evenly over the period of the contract. The majority of contracts are for 3 years and can be for a term of up to 5 years.

(B) Leases

The Group separates the components of a contract into the lease and non-lease component and classifies the lease component as 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.

For all leases where EROAD is the lessee; except short-term leases and leases of low value assets (based on the nature of the asset and its value), the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

The right-of-use assets are tested for impairment in accordance with NZ IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts on operating leases. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16.

(C) Financial Instruments

The Group classifies its financial assets as being measured at amortised cost. At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

The Group assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. In assessing whether there has been a significant increase in credit risk, the Group considers both forward looking and financial history of counterparts to assess the probability of default or likelihood that full settlement is received.

For trade receivables, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due. The expected credit loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. This is based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Trade Receivables

The Group's trade receivables are subject to NZ IFRS 9's expected credit loss model. The Group has applied the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure expected credit losses, trade receivables have been grouped and reviewed on the basis of the number of days past due. The expected credit loss allowance has been calculated by considering the impact of the following characteristics:

- The Baseline characteristic considers the age of each invoice and applies an increasing expected credit loss estimate as the trade receivable ages.
- The Aging and Write offs characteristics consider the history of write off related to the specific customer and the relative size of aged debt to current debt. If the trade receivable aged over 180 days makes up more than 50% of the total trade receivable for a specific customer, further provision for expected credit loss is added.
- The Country, Customer and Market characteristics consider the relative risk related to the country and/or region within which the customer resides and makes an assessment of the financial strength of the customer and the market position that the Group has achieved within that market.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

This note discloses the new accounting policies that have been applied from 1 April 2017, where they have changed from those applied in prior periods. The Group has adopted NZ IFRS 15 Revenue from Contracts with Customers, NZ IFRS 16 Leases and NZ IFRS 9 Financial Instruments, with application from 1 April 2017. This note explains the impact of the adoption of NZ IFRS 15, NZ IFRS 16 and NZ IFRS 9 on the Group's financial statements.

As a result of the changes in the entity's accounting policies, prior year financial statements are restated to reflect these changes. The adjustments from the adoption of NZ IFRS 15 and NZ IFRS 16 have been explained in Note 2(a) and Note 2(b) respectively. The tables below detail the adjustments recognised for each individual line item.

STATEMENT OF CONDENSED CONSOLIDATED COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018	As originally presented	NZ IFRS 15		NZ IFRS 16		Restated
		2(a)(i)	2(a)(ii)	2(b)(i)	2(b)(ii)	
	$	$	$	$	$	$
Continuing operations						
Revenue	51,523,757	(1,781,914)	(975,500)	(4,999,847)	-	43,766,496
Expenses	(36,513,784)	2,240,400	-	193,777	858,161	(33,221,446)
Earnings before interest, taxation, depreciation and amortisation	15,009,973	458,486	(975,500)	(4,806,070)	858,161	10,545,050
Depreciation of Property, Plant & Equipment	(9,945,960)	(790,949)	-	6,027,732	(652,214)	(5,361,391)
Amortisation of Intangible Assets	(5,594,391)	-	-	-	-	(5,594,391)
Amortisation of Contract and Customer Acquisition Assets	-	-	-	(3,673,129)	-	(3,673,129)
Earnings before interest and taxation	(530,378)	(332,463)	(975,500)	(2,451,467)	205,947	(4,083,861)
Finance income	245,616	-	-	(147,922)	-	97,694
Finance expense	(1,259,442)	(99,360)	(171,260)	(219,050)	(147,777)	(1,896,889)
Net financing costs	(1,013,826)	(99,360)	(171,260)	(366,972)	(147,777)	(1,799,195)
Profit/(loss) before tax	(1,544,204)	(431,823)	(1,146,760)	(2,818,439)	58,170	(5,883,056)
Income tax (expense)/benefit	1,753,820	135,282	318,004	237,280	(18,154)	2,426,232
Profit/(loss) from continuing operations	209,616	(296,541)	(828,756)	(2,581,159)	40,016	(3,456,824)
Profit/(loss) after tax for the year attributable to the shareholders	209,616	(296,541)	(828,756)	(2,581,159)	40,016	(3,456,824)
Other comprehensive income	(196,793)	-	-	-	-	(196,793)
Total comprehensive income/(loss) for the year	12,823	(296,541)	(828,756)	(2,581,159)	40,016	(3,653,617)
Earnings per share - Basic (cents)	0.34	(0.48)	(1.34)	(4.19)	0.06	(5.61)
Earnings per share - Diluted (cents)	0.34	(0.48)	(1.34)	(4.16)	0.06	(5.57)

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION AS AT 31 MARCH 2018	As originally presented	NZ IFRS 15		NZ IFRS 16		Restated
		2(a)(i)	2(a)(ii)	2(b)(i)	2(b)(ii)	
	$	$	$	$	$	$
CURRENT ASSETS						
Cash and cash equivalents	21,870,415	-	-	-	-	21,870,415
Restricted Bank Account	9,498,071	-	-	-	-	9,498,071
Trade and other receivables	13,419,427	-	-	(1,793,008)	-	11,626,419
Contract costs	-	-	-	2,140,135	-	2,140,135
Costs to obtain contracts	-	-	-	1,448,655	-	1,448,655
Finance lease receivable	1,816,447	-	-	(1,816,447)	-	-
Loan to directors	-	-	-	-	-	-
Intercompany receivables	-	-	-	-	-	-
Current tax receivable	21,456	-	-	-	-	21,456
Total Current Assets	46,625,816	-	-	(20,665)	-	46,605,151
NON-CURRENT ASSETS						
Property, plant and equipment	28,337,668	2,179,700	-	(8,172,943)	1,503,802	23,848,227
Intangible assets	29,901,469	-	-	-	-	29,901,469
Contract costs	-	-	-	2,204,472	-	2,204,472
Costs to obtain contracts	-	-	-	1,635,487	-	1,635,487
Finance lease receivable	4,421,483	-	-	(4,421,483)	-	-
Investment in subsidiaries	-	-	-	-	-	-
Loan to shareholders and directors	-	-	-	-	-	-
Deferred tax assets	3,878,971	330,639	960,437	1,740,959	42,379	6,953,385
Total Non-Current Assets	66,539,591	2,510,339	960,437	(7,013,508)	1,546,181	64,543,040
TOTAL ASSETS	113,165,407	2,510,339	960,437	(7,034,173)	1,546,181	111,148,191
CURRENT LIABILITIES						
Overdrafts	-	-	-	-	-	-
Borrowings	10,574,689	-	-	-	-	10,574,689
Trade payables and accruals	5,184,311	-	-	(2)	(325,185)	4,859,124
PAYABLE TO NZTA	9,439,139	-	-	-	-	9,439,139
Current tax payable	85,245	-	-	-	-	85,245
Intercompany payable	-	-	-	-	-	-
Contract liabilities	-	3,691,883	1,742,998	-	-	5,434,881
Deferred revenue	2,265,044	(2,265,044)	-	-	-	-
Lease liabilities	-	-	-	-	801,024	801,024
Employee entitlements	1,147,462	-	-	-	-	1,147,462
Total Current Liabilities	28,695,890	1,426,839	1,742,998	(2)	475,839	32,341,564
NON-CURRENT LIABILITIES						
Borrowings	15,908,670	-	-	-	-	15,908,670
Contract liabilities	-	2,982,072	1,756,999	-	-	4,739,071
Deferred revenue	1,236,149	(1,236,149)	-	-	-	-
Lease liabilities	-	-	-	-	1,264,690	1,264,690
Deferred tax liabilities	164,134	43,911	(15,131)	(117,050)	51,519	127,383
Total Non-Current Liabilities	17,308,953	1,789,834	1,741,868	(117,050)	1,316,209	22,039,814
TOTAL LIABILITIES	46,004,843	3,216,673	3,484,866	(117,052)	1,792,048	54,381,378
NET ASSETS	67,160,564	(706,334)	(2,524,429)	(6,917,121)	(245,867)	56,766,813
EQUITY						
Share capital	80,326,438	-	-	-	-	80,326,438
Translation reserve	(540,182)	(23,146)	414	28,044	230	(534,640)
Retained earnings	(12,625,692)	(683,188)	(2,524,843)	(6,945,165)	(246,097)	(23,024,985)
TOTAL SHAREHOLDERS' EQUITY	67,160,564	(706,334)	(2,524,429)	(6,917,121)	(245,867)	56,766,813

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

GROUP	As at 1 April 2018	As at 1 April 2017
	$	$
Retained earnings as originally presented	(12,625,692)	(13,066,244)
Change in accounting policy - IFRS 15		
Sale of hardware and accessories (Note 2(a)(i))	(683,188)	(385,822)
Sale of installation services (Note 2(a)(ii))	(2,524,843)	(1,696,267)
Change in accounting policy - IFRS 16		
Impact of the new definition of a lease (Note 2(b)(i))	(6,945,165)	(4,364,539)
Impact on lessee accounting (Note 2(b)(ii))	(246,097)	(286,225)
Opening retained earnings	(23,024,985)	(19,799,097)

STATEMENT OF CONDENSED CONSOLIDATED CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018	As originally presented	NZ IFRS 15		NZ IFRS 16		Restated
		2(a)(i)	2(a)(ii)	2(b)(i)	2(b)(ii)	
	$	$	$	$	$	$
Cash flows from operating activities						
Cash received from customers	39,172,438	99,360	171,260	366,972	-	39,810,030
Payments to suppliers and employees	(36,408,233)	2,240,400	-	203,466	902,661	(33,061,706)
Interest received	161,375	-	-	(147,922)	-	13,453
Interest paid	(1,259,442)	(99,360)	(171,260)	(219,050)	(147,777)	(1,896,889)
Tax received	340,456	-	-	-	-	340,456
Net cash inflow from operating activities	2,006,594	2,240,400	-	203,466	754,884	5,205,344
Cash flows from investing activities						
Payments for investment in property, plant & equipment	(14,519,691)	(2,240,400)	-	5,444,532	-	(11,315,559)
Payments for investment in intangible assets	(6,833,083)	-	-	-	-	(6,833,083)
Payments for investment in contract assets	-	-	-	(3,000,865)	-	(3,000,865)
Payments for investment in customer acquisition assets	-	-	-	(2,647,133)	-	(2,647,133)
Net cash outflow from investing activities	(21,352,774)	(2,240,400)	-	(203,466)	-	(23,796,640)
Cash flows from financing activities						
Receipts from bank loans	23,731,244	-	-	-	-	23,731,244
Repayments of bank loans	(4,277,189)	-	-	-	-	(4,277,189)
Repayments of lease liability	-	-	-	-	(754,884)	(754,884)
Receipts from issue of equity	21,501,711	-	-	-	-	21,501,711
Payments for costs of raising equity	(673,657)	-	-	-	-	(673,657)
Net cash outflow from financing activities	40,282,109	-	-	-	(754,884)	39,527,225
Net increase/(decrease) in cash held	20,935,929	-	-	-	-	20,935,929
Cash at beginning of the financial period	934,486	-	-	-	-	934,486
Closing cash and cash equivalents (net of overdrafts)	21,870,415	-	-	-	-	21,870,415

The Group notes that the transition adjustments above differ from the estimated impact of NZ IFRS 15 disclosed in our annual report for the year ended 31 March 2018. At the time of reporting the Group did not anticipate early adoption of NZ IFRS 16 nor the significant impact of doing so. This is the first set of Group's financials statements where NZ IFRS 9, 15 and 16 has been applied.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION AS AT 1 APRIL 2017	As originally presented	NZ IFRS 15		NZ IFRS 16		Restated
		2(a)(i)	2(a)(ii)	2(b)(i)	2(b)(ii)	
	$	$	$	$	$	$
CURRENT ASSETS						
Cash and cash equivalents	935,359	-	-	-	-	935,359
Restricted Bank Account	9,208,289	-	-	-	-	9,208,289
Trade and other receivables	6,800,780	-	-	(1,281,247)	-	5,519,533
Contract costs	-	-	-	1,482,115	-	1,482,115
Costs to obtain contracts	-	-	-	927,327	-	927,327
Finance lease receivable	498,142	-	-	(498,142)	-	-
Current tax receivable	361,912	-	-	-	-	361,912
Total Current Assets	17,804,482	-	-	630,053	-	18,434,535
NON-CURRENT ASSETS						
Property, plant and equipment	23,763,937	777,464	-	(8,756,143)	2,153,347	17,938,605
Intangible assets	28,662,777	-	-	-	-	28,662,777
Contract costs	-	-	-	2,108,773	-	2,108,773
Costs to obtain contracts	-	-	-	935,665	-	935,665
Finance lease receivable	906,265	-	-	(906,265)	-	-
Deferred tax assets	1,925,352	154,119	651,295	1,570,923	65,826	4,367,515
Total Non-Current Assets	55,258,331	931,583	651,295	(5,047,047)	2,219,173	54,013,335
TOTAL ASSETS	73,062,813	931,583	651,295	(4,416,994)	2,219,173	72,447,870
CURRENT LIABILITIES						
Overdrafts	873	-	-	-	-	873
Trade payables and accruals	5,632,175	-	-	-	(380,204)	5,251,971
Payable to NZTA	9,243,383	-	-	-	-	9,243,383
Contract liabilities	-	3,403,551	1,166,385	-	-	4,569,936
Deferred revenue	2,656,518	(2,656,518)	-	-	-	-
Lease liabilities	-	-	-	-	727,406	727,406
Employee entitlements	1,201,002	-	-	-	-	1,201,002
Total Current Liabilities	18,733,951	747,033	1,166,385	-	347,202	20,994,571
NON-CURRENT LIABILITIES						
Borrowings	7,029,304	-	-	-	-	7,029,304
Contract liabilities	-	2,311,526	1,187,445	-	-	3,498,971
Deferred revenue	1,743,824	(1,743,824)	-	-	-	-
Lease liabilities	-	-	-	-	2,093,192	2,093,192
Deferred tax liabilities	-	2,670	(6,268)	(49,805)	56,812	3,409
Total Non-Current Liabilities	8,773,128	570,372	1,181,177	(49,805)	2,150,004	12,624,876
TOTAL LIABILITIES	27,507,079	1,317,405	2,347,562	(49,805)	2,497,206	33,619,447
NET ASSETS	45,555,734	(385,822)	(1,696,267)	(4,367,189)	(278,033)	38,828,423
EQUITY						
Share capital	58,965,367	-	-	-	-	58,965,367
Translation reserve	(343,389)	-	-	(2,650)	8,192	(337,847)
Retained earnings	(13,066,244)	(385,822)	(1,696,267)	(4,364,539)	(286,225)	(19,799,097)
TOTAL SHAREHOLDERS' EQUITY	45,555,734	(385,822)	(1,696,267)	(4,367,189)	(278,033)	38,828,423

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

Note 2(a) NZ IFRS 15 Revenue from Contracts with Customers

The Group no longer classifies its customer contracts as lease contracts having early adopted the new determination of a lease under NZ IFRS 16. All customer contracts are now accounted for under NZ IFRS 15 as service contracts. Refer to Note 1 for judgements made.

2(a)(i) Sale of hardware and accessories

The Group reversed the revenue received for the sale of hardware and accessories, increasing the deferred revenue balance with a corresponding adjustment to revenue and retained earnings. In addition to this, hardware assets previously de-recognised as part of a sale have been recognised as property, plant and equipment, with a corresponding adjustment being made to depreciation, accumulated depreciation and retained earnings. The hardware assets recognised are measured at cost and depreciated based on their estimated useful economic lives. The impact of the adjustments for each financial statement line item affected is stated above in Note 2.

2(a)(ii) Sale of installation services

Following the adoption of NZ IFRS 15, installation revenue previously recognised has been allocated to a contract liability (deferred revenue) where the contracts have been determined to not yet be complete at the period end, with a corresponding adjustment being made to revenue and retained earnings. The corresponding contract costs associated to the installation of hardware units is concluded to be a cost of fulfilling the contract and has been capitalised as a contract asset by adjusting expenses and retained earnings. The costs of fulfilling the contract are amortised based on the expected useful life of the contract asset. The impact of the adjustments for each financial statement line item affected is stated above in Note 2.

Note 2(b) NZ IFRS 16 Leases

NZ IFRS 16 replaces NZ IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard identifies a lease within a contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In addition to this, the standard specifically requires for the separating of components of a contract into the lease and non-lease components.

In the current year, the Group has applied NZ IFRS 16 in advance of its effective date. The date of initial application of NZ IFRS 16 for the Group is 1 April 2017. The group has applied NZ IFRS 16 using the full retrospective approach, with restatement of comparative information. The Group have elected to apply practical expedients with respect to short term leases. The Directors are of the view that early adopting the NZ IFRS 16 at the same time as NZ IFRS 15 is the most appropriate approach, given that the majority of EROAD's contracts have been classified as leases under NZ IAS 17. The change in the definition to the right to direct the use and control as the EROAD hardware has a significant impact on the new NZ IFRS 15 revenue recognition and therefore the Directors decided to adopt the new revenue and lease standards concurrently.

2(b)(i) Impact of the new definition of a lease as a lessor

Prior to the adoption of NZ IFRS 16, the group accounted for the rental of hardware units to customers as either operating or finance leases based on an assessment of whether substantially all the risks and rewards of ownership had been transferred to the customer. Contracts deemed to be a finance lease were accounted for by derecognising the sold hardware asset and recognising a sale at the inception of the contract.

As a result of the change in definition of leases within the standard, these contracts are now accounted for under NZ IFRS 15.As a result of the contracts no longer meeting the definition of a lease, initial direct costs of obtaining the lease contract which were previously capitalised under NZ IAS 17, have been reassessed under NZ IFRS 15. Applying NZ IFRS 15, the Group has reassessed historical capitalised amounts based on the new definitions within NZ IFRS 15. The Group has capitalised the costs that are incremental in obtaining contracts with customers in accordance with NZ IFRS 15. The Group performed a reallocation of revenue and expenses based on the change in accounting policy, the impact of the adjustments for each financial statement line item affected is stated above at Note 2. The impact of restating previously recognised finance leases has had a significant impact on the restatement of comparative numbers. The impact of the adjustments for each financial statement line item affected is stated above in Note 2.

2(b)(ii) Impact on lessee accounting

Former Operating Leases as a lessee

Under NZ IFRS 16 the Group has now ra right-of-use asset and lease liability in the consolidated statement of financial position initially measured at the present value of future lease payments. The Group has also recognised depreciation of the right-of-use asset and interest on lease liabilities in the consolidated statement of comprehensive income. Payments made are separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the consolidated statement of cash flows. The impact of the adjustments for each financial statement line item affected is stated above in Note 2.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

Note 2(c) NZ IFRS 9 Financial Instruments

NZ IFRS 9, as it relates to the Group, replaces the provisions of NZ IAS 39 that relate to the recognition, classification, measurement and impairment of financial assets. The adoption of NZ IFRS 9 from 1 April 2018 resulted in changes in accounting policies however has not resulted in material changes to amounts recognised in the consolidated interim financial statements.

Classification and measurement

NZ IFRS 9 impacts the following classifications of financial assets:

- Cash
- Trade and other receivables

There was no change in the fair value of the financial assets as a result of the reclassification.

NOTE 3 • REVENUE FROM CONTRACTS WITH CUSTOMERS

	GROUP	
	2019	**2018**
	$	**$ Restated**
Revenue from contracts with customers		
Software as a Service (SaaS) revenue	**57,432,656**	40,418,366
Other		
Transaction fee revenue	**2,376,232**	1,847,006
Grant revenue	**859,746**	894,552
Other revenue	**683,262**	606,572
Total Revenues	**61,351,896**	43,766,496

Set out above is the disaggregation of the Group's revenue from contracts with customers. The disaggregation reflects the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Specifically, software as a service (SaaS) revenue represents revenue earned from customer contracts for the sale or rental of hardware, installation services and provision of software services. Transaction fee revenue relates to the collection of Road User Charges (RUC) fees. Refer to Note 1 for the accounting policy.

Transaction price allocated to the remaining performance obligations

The below table represents the revenue allocated to performance obligations that are unsatisfied or partially unsatisfied at the period end. The revenue amounts yet to be recognised under non-cancellable contract agreements at 31 March are expected to be recognised by EROAD based on the time bands disclosed below.

	GROUP	
	2019	**2018**
	$	**$ Restated**
Software as a Service (SaaS) revenue		
Not later than one year	**56,372,816**	47,347,978
Later than one year not later than five years	**61,037,759**	53,109,822
Later than five years	**-**	-
Total price allocated to remaining performance obligations	**117,410,575**	100,457,800

The Group reports the Non-GAAP measure, Future Contracted Income, to align with the change in accounting policies the definition of Future Contracted Income has been amended to include all future hardware and SaaS cash inflows relating to income under non-cancellable long-term agreements. The disclosure above aligns with the Future Contracted Income reported by the Group.

NOTE 4 • OPERATING EXPENSES

		GROUP	
		2019	**2018**
	Note	**$**	**$ Restated**
Personnel expenses - net of capitalised employee remuneration	6	**21,202,343**	15,898,987
Administrative and other operating expenses		**17,080,925**	11,675,364
SaaS platform costs		**6,663,250**	4,983,418
Directors fees	26	**352,266**	259,070
Auditor's remuneration - KPMG		**278,500**	189,525
Tax compliance services - KPMG		**111,434**	57,509
Tax advisory services - KPMG		**29,999**	69,554
Corporate Finance - KPMG*		**-**	88,019
Total operating expenses		**45,718,717**	33,221,446

* Gross Corporate Finance fees were $40,000 (2018: $250,393) of which $40,000 (2018: $162,374) was capitalised. These fees were for advice provided in relation to the debt restructuring which took place during the period.

During the year the costs expensed for Research and Development was $5,081,712 (2018: $4,472,760).

NOTE 5 • SEGMENTAL NOTE

The Group has three segments as described below, which are the Group's strategic divisions. The strategic divisions offer different services and are managed separately because they require different technology, services and marketing strategies. For each strategic division, the Group's CEO (the chief operating decision maker) reviews internal management reports. The following summary describes the operations in each of the Group's segments.

EROAD reports selected financial information segmented by geographic location for operating companies and corporate and development costs.

- *Corporate & Development:* Corporate head office costs and R&D activities for development of new and existing products and services
- *North America:* Operating companies serving customers in North America
- *Australia & New Zealand:* Operating companies serving customers in Australia & New Zealand

Inter-segment pricing is determined on an arm's length basis.

NOTE 5 • SEGMENTAL NOTE (CONTINUED)

Reportable segment information

Information related to each reportable segment is set out below. Segment result represents Earnings before Interest, Taxation, Depreciation & Amortisation (EBITDA), which is the measure reported to the chief operating decision maker.

	Corporate & Development		North America		Australia & New Zealand	
	2019	2018	2019	2018	2019	2018
	$	$ Restated	$	$ Restated	$	$ Restated
Revenue						
Software as a Service (SaaS) revenue	**-**	-	**15,277,175**	7,712,703	**42,155,481**	32,705,663
Transaction fee revenue	**-**	-	**-**	-	**2,376,232**	1,847,006
Other revenue [1]	**12,853,540**	22,656,601	**421,373**	183,564	**276,685**	368,185
	12,853,540	22,656,601	**15,698,548**	7,896,267	**44,808,398**	34,920,854
Earnings Before Interest, Taxation, Depreciation & Amortisation	**(11,962,696)**	(4,868,846)	**404,656**	(3,374,613)	**27,300,823**	22,114,158
Total assets	**85,397,210**	72,528,181	**18,794,174**	17,112,072	**42,031,363**	33,732,415
Depreciation of Property, Plant & Equipment	**(771,830)**	(888,034)	**(3,181,224)**	(1,657,788)	**(3,798,308)**	(3,285,883)
Amortisation of Intangible Assets	**(6,479,134)**	(5,594,391)	**-**	-	**-**	-
Amortisation of Contract and Customer Acquisition Assets	**-**	-	**(1,109,861)**	(637,374)	**(3,742,232)**	(3,035,755)

[1] Revenue from Corporate & Development Markets includes R&D Grant Income of $859,746 (2018:$894,552).

Reconciliation of information on reportable segments

	GROUP	
	2019	2018
	$	$ Restated
Revenue		
Total revenue for reportable segments	**73,360,486**	65,473,722
Elimination of inter-segment revenue	**(12,008,590)**	(21,707,226)
Consolidated Revenue	**61,351,896**	43,766,496
EBITDA		
Total EBITDA for reportable segments	**15,742,783**	13,870,699
Elimination of inter-segment EBITDA	**(109,604)**	(3,325,649)
Consolidated EBITDA	**15,633,179**	10,545,050
Depreciation		
Total depreciation for reportable segments	**(7,751,362)**	(5,831,705)
Elimination of inter-segment profit	**1,130,090**	470,314
Consolidated Depreciation	**(6,621,272)**	(5,361,391)
Total assets		
Total assets for reportable segments	**146,222,747**	123,372,668
Elimination of inter-segment balances	**(23,023,170)**	(12,224,477)
Consolidated Total assets	**123,199,577**	111,148,191

NOTE 5 • SEGMENTAL NOTE (CONTINUED)

Allocation of Development Assets

Included within Total Assets are Development Assets of $29,764,349 (2018: $26,852,630) which for the purpose of the segment note have been allocated to the Corporate & Development Market based on the ownership of intellectual property. The amortisation for these assets are also presented in the Corporate & Development segment. For impairment testing purposes management allocate the Development Assets to the cash generating units (CGUs) based on the specific CGU that the Development Asset relates to, or if the Development Asset is developed for use globally across all CGU's, the asset is allocated to CGU's based on the proportionate share of the Group's Contracted Units. At 31 March 2019 there was $18,868,409 (2018: $16,911,642) of global Development Assets that have been allocated across CGU's based on the Contracted Units. The allocation of the Development Asset to CGU's within the following reportable segments for the purpose of impairment testing was as follows:

	2019	2018
	$	$
Development Assets allocated to North America	**13,442,778**	12,822,744
Development Assets allocated to Australia & New Zealand	**16,321,571**	14,029,886
Total Development Assets	**29,764,349**	26,852,630

Geographic information

The geographic information below analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the following information segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	2019	2018
	$	$ Restated
Revenue		
New Zealand	**45,010,149**	35,443,672
All foreign countries:		
USA	**15,698,548**	7,896,267
Australia	**643,199**	426,557
Total revenue	**61,351,896**	43,766,496
Non-current assets		
New Zealand	**58,282,604**	45,669,216
All foreign countries:		
USA	**13,276,191**	11,527,106
Australia	**237,801**	393,333
Total non-current assets	**71,796,596**	57,589,655

Non-current assets exclude financial instruments and deferred tax assets.

NOTE 6 • PERSONNEL EXPENSES

	GROUP	
	2019	2018
	$	$ Restated
Salaries and wages - excluding capitalised commission costs	**23,663,103**	19,897,273
Annual leave	**173,682**	(107,912)
Performance bonus	**700,337**	894,983
Share-based payments	**367,946**	268,754
Salaries and wages capitalised to Development and Software Assets	**(3,702,725)**	(5,054,111)
	21,202,343	15,898,987

NOTE 7 • CONTRACT FULFILMENT AND COSTS TO OBTAIN CONTRACTS

The Group capitalises incremental costs of fulfilling customer contracts, typically distribution and installation costs. The Group also capitalises costs that are incremental in obtaining contracts with customers, typically sales commissions. Both contract fulfillment and costs to obtain contracts are amortised evenly over the period of the contract. The majority of contracts are for 3 years and can be for a term of up to 5 years.

The following table provides information about contract fulfilment and costs to obtain contracts with customers.

	Contract Fulfilment		Costs to obtain contracts	
	2019	2018	2019	2018
	$	$	$	$
Opening Net Book Value	**4,344,607**	3,590,888	**3,084,142**	1,862,992
Additions	**3,527,493**	3,000,865	**3,247,387**	2,647,133
Amortisation	**(2,784,531)**	(2,247,146)	**(2,067,562)**	(1,425,983)
Closing Net Book Value	**5,087,569**	4,344,607	**4,263,967**	3,084,142
Current	**2,424,626**	2,140,135	**2,163,888**	1,448,655
Non-current	**2,662,943**	2,204,472	**2,100,079**	1,635,487

NOTE 8 • FINANCE INCOME & FINANCE EXPENSES

	GROUP	
	2019	2018
	$	$ Restated
Finance income		
Interest income	**19,645**	13,453
Foreign exchange gains	**9,239**	84,241
	28,884	97,694
Finance expenses		
Interest expense	**(2,178,386)**	(1,259,442)
Interest expense - Lease Liabilities	**(151,456)**	(147,777)
Interest expense - Contract Liabilities	**(486,141)**	(489,670)
	(2,815,983)	(1,896,889)
Net financing costs	**(2,787,099)**	(1,799,195)

NOTE 9 • INCOME TAX EXPENSE

	GROUP	
	2019	2018
	$	$ Restated
(a) Reconciliation of effective tax rate		
Profit/(Loss) before income tax	**(5,106,419)**	(5,883,056)
Income tax using the Company's domestic tax rate of 28%	**(1,429,796)**	(1,647,256)
Reduction in tax rate	**-**	(121,090)
Non-deductible expense/(non-assessable income)	**963,987**	24,909
Temporary differences		
Losses and timing differences (recognised)/not recognised	**-**	(840,233)
Effect of different tax rates	**274,610**	157,438
Income tax expense/(benefit)	**(191,199)**	(2,426,232)
(b) Current tax (benefit)/expense		
Current year	**(36,406)**	107,774
	(36,406)	107,774
(c) Deferred tax (benefit)/expense		
Current year	**(154,791)**	(2,534,006)
	(154,791)	(2,534,006)

At 31 March 2019 there were no imputation credits available to shareholders (2018: Nil)

NOTE 10 • DEFERRED TAX ASSETS / (LIABILITIES)

	GROUP	
	2019	2018
	$	$ Restated
Recognised deferred tax assets and liabilities		
Deferred tax assets and (liabilities) are attributable to the following:		
Tax loss carry forward	**9,334,583**	9,085,688
Property, plant and equipment	**(1,271,278)**	(277,215)
Deferred development expenditure	**(3,601,548)**	(3,826,229)
Provisions, accruals and other liabilities	**2,582,438**	948,053
Equity-settled share-based payments	**262,047**	191,046
Revenue recognition	**(151,356)**	704,659
Total deferred tax asset/(liability)	**7,160,471**	6,826,002

The movement in temporary differences has been recognised in profit or loss. Deferred tax assets have been recognised at a rates between 21% to 30% at which they are expected to be realised.

NOTE 10 • DEFERRED TAX ASSETS / (LIABILITIES) (CONTINUED)

Movement in temporary differences during the period:

Group	Balance 31-Mar-19	Recognised in profit or loss	Under/(over) from prior periods	Changes in tax rates	Currency Translation	Balance 31-Mar-18	Movement in Period	Balance 31-Mar-17
	$	$	$	$	$	$ Restated	$ Restated	$ Restated
Tax loss carry forward	**9,334,583**	275,236	(71,410)	-	45,069	9,085,688	2,228,927	6,856,761
Property, plant and equipment	**(1,271,278)**	(1,088,027)	-	-	93,964	(277,215)	633,713	(910,928)
Deferred development expenditure	**(3,601,548)**	224,681	-	-	-	(3,826,229)	(878,256)	(2,947,973)
Provisions, accruals and other liabilities	**2,582,438**	1,429,604	188,760	-	16,021	948,053	75,108	872,945
Equity-settled share-based payments	**267,632**	76,586	-	-	-	191,046	64,662	126,384
Revenue recognition	**(151,356)**	(994,220)	149,989	-	(11,784)	704,659	337,743	366,916
Total	**7,160,471**	(76,140)	267,339	-	143,270	6,826,002	2,461,897	4,364,105

The New Zealand tax group consists of EROAD Limited, EROAD New Zealand Limited and EROAD Financial Services Limited. Losses incurred within this Group are transferred within the Group with no compensation being recognised. Deferred tax assets have been recognised in respect of these items as based on the expected profitability of the New Zealand tax Group it is considered future taxable profit will be available for utilisation against the carried forward losses.

Determining the extent to which losses will be utilised requires judgement. The Group has forecast expected utilisation of tax losses. Key assumptions included Total Contracted Unit, revenue and expense forecasts in line with Groups budget and three-year forecast supported by a robust strategic and business planning process, in addition to the estimated impact of group transfer pricing policies and the forecast impact of timing differences.

The results of the forecasting indicate that there will be sufficient profitability within the New Zealand tax group to utilise the existing tax losses. Losses incurred in recent years have been the result of large investment creating the new North American market. Whilst the business is now entering a new market in Australia, the Group considers this can be achieved at a lower cost than the entry into North America, by leveraging our New Zealand expertise and cost and customer base. The Group expect to be able to report significant improvements in profitability over the next three years as the business reaches a sufficiently large subscriber base to self-fund operating and corporate costs. Due to the cumulative subscription nature of our business model as well as certain operating expenses that do not scale at the same rate of unit and revenue growth, the business is expected to able to achieve its forecast growth in profitability.

The Group performed sensitivity analysis on the forecast utilisation of tax losses by reducing forecast transfer pricing charges to overseas subsidiaries by 50%. Under both base case and sensitivity scenario, the Group expects that unused tax losses will be utilised within 4 years.

NOTE 11 • PAID UP CAPITAL

All issued shares are fully paid up and have equal voting rights and share equally in dividends and surplus on winding up.

GROUP	Number of ordinary shares	Issue price $	Issued Capital $
At 31 March 2017	60,245,660		58,965,367
Issue of shares to staff under LTI schemes	490,000	$2.15	1,053,500
Held in trust as treasury stock			(1,053,500)
Vested under LTS scheme			37,818
Shares issued to employees for 2017 bonus	281,351	$1.65	463,976
Vested under LTI scheme			31,223
Shares issued in December 2017 Equity Placement	5,099,247	$3.04	15,501,711
Shares issued in March 2018 Share Purchase Plan	1,973,673	$3.04	6,000,000
Costs of raising capital			(673,657)
At 31 March 2018	68,089,931		80,326,438
Vested under LTS scheme			34,425
Shares issued to employees for 2018 bonus	18,136		59,999
	54,000		191,561
Issue of shares to staff under LTI schemes	116,705	$3.89	453,959
Held in trust as treasury stock			(453,959)
At 31 March 2019	**68,278,772**		**80,612,423**

At 31 March 2019 there was 68,278,772 authorised and issued ordinary shares (2018: 68,089,931). 972,484 (2018: 906,783) shares are held in trust for employees in relation to the long-term incentive plan and are accounted for as treasury stock.

On 15 December 2017, the Company issued 5,099,247 new shares at a price of $3.04 per share under an equity placement which raised $15,501,711. Additionally on 6 March 2018, the company allotted an additional 1,973,673 new shares relating to $6,000,000 raised under a share purchase plan at a price of $3.04 per share.

The calculation of both basic and diluted earnings per share at 31 March 2019 was based on the profit attributable to ordinary shareholders of ($4,900,057) (2018: $209,616). The weighted number of ordinary shares was 67,283,918 (2018: 61,668,093) for basic earnings per share and 67,903,457 for diluted earnings per share (2018: 62,027,558).

Other components of equity include:

- *Translation reserve* - comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries into New Zealand Dollars.
- *Retained earnings* - includes all current and prior period retained profits and share-based employee remuneration.

NOTE 12 • CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	GROUP	
	2019	2018
	$	$
Cash and bank	**16,138,806**	21,870,415
	16,138,806	21,870,415

Cash and cash equivalents exclude restricted bank accounts. Restricted bank accounts are presented separately from cash and cash equivalents on the face of the Statement of Financial Position and movements in restricted bank accounts are excluded from the Statement of Cash Flows. The restricted bank accounts relate to Road Users tax collected from clients due for payment to the appropriate government agency.

NOTE 13 • TRADE AND OTHER RECEIVABLES

	GROUP	
	2019	2018
	$	$ Restated
Trade receivables	**6,519,453**	8,251,355
Expected credit losses	**(675,207)**	(555,073)
	5,844,246	7,696,282
Prepayments and other receivables	**4,657,877**	3,930,137
	10,502,123	11,626,419

In addition to the movement in the expected credit losses, the Group has written off $343,919 (2018: $56,334) of bad debts to the statement of comprehensive income during the year ended 31 March 2019. The Group's trade receivables are subject to NZ IFRS 9's expected credit loss model. The Group has applied the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance and the future collectabillity for all trade receivables.

(a) Credit risk

The aging of the Group's Trade receivables at the reporting date was as follows:

GROUP

	Gross 2019	Allowance for doubtful debts 2019	Gross 2018	Allowance for doubtful debts 2018
	$	$	$	$
Not past due	**3,703,562**	**(28,048)**	3,914,796	(14,600)
Past due 1-30 days	**1,340,992**	**(34,678)**	1,732,962	(80,123)
Past due 31-60 days	**476,940**	**(39,017)**	843,233	(56,801)
Past due over 61 days	**997,959**	**(573,464)**	1,760,364	(403,549)
	6,519,453	**(675,207)**	8,251,355	(555,073)

NOTE 14 • PROPERTY, PLANT AND EQUIPMENT

GROUP	Right of Use Assets	Hardware Assets	Plant and equipment	Leasehold improvements	Motor vehicles	Office equipment	Computers	Total
	$ Restated	$ Restated	$	$ Restated	$	$	$	$ Restated
Year ended 31 March 2018								
Opening net book amount as originally presented	-	21,718,976	128,198	579,147	414,148	438,158	485,310	23,763,937
Adjustment on application of NZ IFRS 15 & NZ IFRS 16	2,171,904	(7,990,481)	-	(36)	-	-	-	(5,818,613)
Opening net book amount - restated	2,171,904	13,728,495	128,198	579,111	414,148	438,158	485,310	17,945,324
Additions	-	10,840,240	158,808	-	166,935	81,657	51,028	11,298,668
Disposals	-	-	-	-	(42,170)	-	(3,205)	(45,375)
Depreciation charge	(649,520)	(3,775,467)	(69,011)	(132,901)	(165,270)	(202,180)	(367,042)	(5,361,391)
Depreciation recovered	-	-	-	-	34,633	-	623	35,256
Effect of movement in exchange rates	(18,522)	2,884	-	(5,726)	-	(2,112)	(779)	(24,255)
Closing net book amount	**1,503,862**	**20,796,152**	**217,995**	**440,484**	**408,276**	**315,523**	**165,935**	**23,848,227**
Cost	4,119,234	31,721,956	506,729	1,096,375	930,918	1,013,773	2,570,002	41,958,987
Accumulated depreciation	(2,615,372)	(10,925,804)	(288,734)	(655,891)	(522,642)	(698,250)	(2,404,067)	(18,110,760)
Net book amount	**1,503,862**	**20,796,152**	**217,995**	**440,484**	**408,276**	**315,523**	**165,935**	**23,848,227**

GROUP	Right of Use Assets	Hardware Assets	Plant and equipment	Leasehold improvements	Motor vehicles	Office equipment	Computers	Total
	$	$	$	$	$	$	$	$
Year ended 31 March 2019								
Opening net book amount as originally presented	-	26,789,392	217,995	440,547	408,276	315,523	165,935	28,337,668
Adjustment on application of NZ IFRS 15 & NZ IFRS 16	1,503,862	(5,993,240)	-	(63)	-	-	-	(4,489,441)
Opening net book amount - restated	1,503,862	20,796,152	217,995	440,484	408,276	315,523	165,935	23,848,227
Additions	5,383,428	8,678,488	120,612	1,355,856	242,670	97,313	255,583	16,133,950
Disposals	(2,680,438)	-	-	(8,394)	(132,376)	-	-	(2,821,208)
Depreciation charge	(758,290)	(5,119,426)	(91,019)	(172,795)	(168,650)	(144,562)	(166,530)	(6,621,272)
Depreciation recovered	2,516,661	913,552	-	3,172	95,953	-	-	3,529,338
Effect of movement in exchange rates	60,370	(260,410)	-	21,744	11	8,163	2,376	(167,746)
Closing net book amount	**6,025,593**	**25,008,356**	**247,588**	**1,640,067**	**445,884**	**276,437**	**257,364**	**33,901,289**
Cost	6,915,085	40,362,799	627,342	2,478,465	1,041,213	1,131,121	2,837,173	55,393,198
Accumulated depreciation	(889,492)	(15,354,443)	(379,754)	(838,398)	(595,329)	(854,684)	(2,579,809)	(21,491,909)
Net book amount	**6,025,593**	**25,008,356**	**247,588**	**1,640,067**	**445,884**	**276,437**	**257,364**	**33,901,289**

Included in the Hardware Assets is equipment under construction of $6,996,599 (2018: $5,219,062).

NOTE 15 • LEASES AS A LESSEE

Property, plant and equipment' disclosed in Note 14 comprises owned and leased assets.

		GROUP	
		2019	2018
	Note	$	$
Right-of-use assets - Property leases		**6,025,593**	1,503,862
	14	**6,025,593**	1,503,862

The Group leases relate to land and buildings for its office space. The leases of office space typically run for a period of 1 to 9 years. Some leases provide for additional rent payments that are based on changes in local price indices. Information about leases for which the Group is a lessee is presented below.

		GROUP	
		2019	2018
Right-of-use assets	Note	$	$
Opening Net Book Value		**1,503,862**	2,171,904
Additions		**5,383,428**	-
Disposals		**(2,680,438)**	-
Depreciation		**(758,290)**	(649,520)
Depreciation recovered		**2,516,661**	-
Effect of movement in exchange rates		**60,370**	(18,522)
Closing Net Book Value	14	**6,025,593**	1,503,862

	GROUP	
	2019	2018
Lease Liabilities	$	$
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**1,174,643**	902,045
One to five years	**4,564,648**	1,401,723
More than five years	**3,055,900**	-
Total undiscounted lease liabilities	**8,795,191**	2,303,768
Lease liabilities included in the statement of financial position	**7,029,309**	2,065,714
Current	**782,450**	801,024
Non-current	**6,246,859**	1,264,690

Amounts recognised in Statement of Comprehensive Income

	GROUP	
	2019	2018
	$	$
Interest expense on lease liabilties	**151,456**	147,777

Amounts recognised in Statement of Cash Flows

	GROUP	
	2019	2018
	$	$
Total cash outflow for leases	**921,029**	754,884

NOTE 16 • INTANGIBLE ASSETS

GROUP	Patents	Trade Marks	Development	Software	Total
	$	$	$	$	$
Year ended 31 March 2018					
Opening net book amount	14,651	32,576	26,197,426	2,418,124	28,662,777
Additions	-	-	5,309,736	1,523,347	6,833,083
Disposals	-	-	-	-	-
Amortisation charge	(350)	-	(4,654,532)	(939,509)	(5,594,391)
Closing net book amount	14,301	32,576	26,852,630	3,001,962	29,901,469
Cost	17,800	32,576	37,995,348	5,530,206	43,575,930
Accumulated amortisation	(3,499)	-	(11,142,718)	(2,528,244)	(13,674,461)
Net book amount	14,301	32,576	26,852,630	3,001,962	29,901,469

GROUP	Patents	Trade Marks	Development	Software	Total
	$	$	$	$	$
Year ended 31 March 2019					
Opening net book amount	14,301	32,576	26,852,630	3,001,962	29,901,469
Additions	-	-	8,334,871	1,375,079	9,709,950
Disposals	-	-	-	-	-
Amortisation charge	(2,037)	-	(5,423,152)	(1,053,945)	(6,479,134)
Closing net book amount	**12,264**	**32,576**	**29,764,349**	**3,323,096**	**33,132,285**
Cost	17,800	32,576	46,330,219	6,905,285	53,285,880
Accumulated amortisation	(5,536)	-	(16,565,870)	(3,582,189)	(20,153,595)
Net book amount	**12,264**	**32,576**	**29,764,349**	**3,323,096**	**33,132,285**

The useful lives of the Group's Intangible Assets are assessed to be finite. Assets with finite lives are amortised over their useful lives and tested for impairment whenever there are indications that the assets may be impaired. Where an indicator of impairment exists the Group makes a formal assessment of the recoverable amount. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the greater of fair value less costs to sell of the assets value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Recoverability of development costs

Included in the carrying amount of development costs at 31 March 2019 is an amount of $13,371,021 (2018: $12,822,744) relating to our North American Market. Management note unit sales within the North American Market were lower than originally expected and as a result management has carried out an impairment test.

The recoverable amount of the CGU that these corporate assets relate to (North American Market) was estimated based on the present value of future cash flows expected to be derived from the CGU (value in use).

Key assumptions included for the impairment review included Total Contracted Unit, revenue and expense forecasts in line with Groups budget and three-year forecast, a pre-tax discount rate of 14% and a terminal growth rate of 1.9%. Sensitivity analysis was performed by reducing forecasted non-committed Contracted Unit growth by 50% over the forecast period at base case discount and terminal growth rates. A separate sensitivity analysis was performed by increasing the discount rate to 20% and lowering the terminal growth rate to 1.4% at base case Contracted Unit and Revenue growth. The results of both sensitivity scenarios still resulted in headroom between the recoverable amount of the CGU and its carrying value.

The Group concluded that the recoverable amount of the CGU to be higher than its carrying value and therefore no impairment was considered necessary.

NOTE 17 • TRADE PAYABLES AND ACCRUALS

	GROUP	
	2019	2018
	$	$ Restated
Trade creditors	**3,521,884**	2,471,662
Sundry accruals	**2,589,546**	2,387,462
	6,111,430	4,859,124

NOTE 18 • BORROWINGS

	GROUP	
	2019	2018
	$	$
Current borrowings		
Term Loans - NZ $ denominated	**6,149,240**	7,425,008
Term Loans - US $ denominated	**8,476,936**	1,564,784
NZ Growth Funding - Committed Cash Advance Facility	**1,809,997**	1,102,579
US Growth Funding - Committed Cash Advance Facility	**800,743**	716,622
Capitalised borrowing costs	**(74,249)**	(234,304)
	17,162,667	10,574,689
Non-current borrowings		
Term Loans - NZ $ denominated	**1,499,620**	9,448,670
Term Loans - US $ denominated	**10,239,608**	2,636,790
NZ Growth - Committed Cash Advance Facility	**4,288,939**	2,482,044
US Growth - Committed Cash Advance Facility	**1,447,862**	1,341,166
	17,476,029	15,908,670

Terms and debt repayment schedule

	Nominal Interest	Year of Maturity	2019 Face Value	2019 Carrying amount	2018 Face Value	2018 Carrying Amount
			$	$	$	$
Term Loans - NZ $ denominated	5.00%	**2020**	**6,818,881**	**6,818,881**	16,873,678	16,873,678
Term Loans - US $ denominated	5.55%	**2020**	**19,546,523**	**19,546,523**	4,201,574	4,201,574
NZ Growth - Committed Cash Advance Facility	4.47%	**2020**	**6,098,936**	**6,098,936**	3,584,623	3,584,623
US Growth - Committed Cash Advance Facility	4.98%	**2020**	**2,248,605**	**2,248,605**	2,057,788	2,057,788
Capitalised borrowing costs	-	**2020**	**-**	**(74,249)**	-	(234,304)
			34,712,945	**34,638,696**	26,717,663	26,483,359

NOTE 18 • BORROWINGS (CONTINUED)

On 3 July 2017, in order to support funding requirements in connection with the Group's growth and to manage the related working capital requirements, the Company entered into a Multi-Option Credit Facility Agreement with the Bank of New Zealand (BNZ). The agreement was subsequently amended and restated in December 2017 and October 2018. At 31 March 2019, EROAD had the following facilities in place:

$5,250,000 Term Loan Facility A – to restructure existing term facilities. The Term Loan has a term of 24 months from the October refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 30 month repayment profile.

$5,998,480 (NZD) Term Loan Facility B – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the First Amendment Date in December 2017. The Term Loan has a term of 24 months from the October 2018 refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$2,182,057 (USD) Term Loan Facility B – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the First Amendment Date in December 2017. The Term Loan has a term of 24 months from the October 2018 refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month US LIBOR plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$12,966,043 (NZD) Term Loan Facility E – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the Second Amendment Date in October 2018. The Term Loan has a term of 24 months from the October 2018 refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$3,264,184 (USD) Term Loan Facility E – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the Second Amendment Date in October 2018. The Term Loan has a term of 24 months from the October 2018 refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month US LIBOR plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$20,000,000 Committed Cash Advance Facility – to finance the up-front costs in connection with securing Future Contracted Income. The Committed Cash Advance Facility has a 16 month term from the December refinance date, with the facility having a maturity date in October 2020. Structurally the facility is paid down and redrawn (revolving credit) each time the Company presents a certificate outlining the Group's growth in new Future Contracted Income on a monthly basis. For drawings in New Zealand Dollars of a 1-month duration, the interest rate is the 1-month BKBM plus margin of 2.50%. For drawings in USD of a 1-month duration, the interest rate is the 1 month US LIBOR plus a margin of 2.50%. In addition to a 1.50% line fee on the total facility limit, payable quarterly in advance.

$5,150,000 Overdraft Facilities – for general working capital purposes. This is an on demand facility with the interest rate based on the Market Connect Overdraft Prime Rate plus a margin of 1%.

EROAD's operating covenants to support the above facilities include Loan to Total FCI Ratio, Interest Cover Ratio, Total Assets (Obligators) to Total Assets (Group) ratio, and an umbrella limit on the aggregate of all facilities being below $40,000,000. EROAD was compliant with all covenants during the period and at 31 March 2019.

The security package for the Multi-Option Credit Facility Agreement includes an all obligations cross-guarantee granted by EROAD Australia Pty Limited and EROAD Inc in favour of the BNZ in respect of the obligations of EROAD Limited, and a General Security Agreements granted by EROAD Limited, EROAD Inc and EROAD Australia Pty Limited in favour of the BNZ as secured parties.

NOTE 19 • CONTRACT LIABILITIES

The Group enters into contracts with customers for the provision of software services over a contracted period. As stated in the accounting policies, this revenue is recognised over time as the customer simultaneously receives and consumes the benefit of the service. The Group has determined that the benefit of the services provided is consumed evenly over the period of the contract, and thus the performance obligations are satisfied evenly over the period. Where the Group receives a portion of the transaction price of a contract in advance, this is recognised as a contract liability and released over the contract period as the Group satisfies its performance obligations.

NOTE 19 • CONTRACT LIABILITIES (CONTINUED)

	GROUP	
	2019	2018
	$	$ Restated
Opening balance	**10,173,952**	8,068,907
Amounts deferred during the period	**5,048,743**	7,770,427
Amount recognised in the Statement of Comprehensive Income	**(5,255,272)**	(5,665,382)
	9,967,423	10,173,952
Current	**5,757,951**	5,434,881
Non-current	**4,209,472**	4,739,071

At 31 March 2019, $5,757,951 is expected to be recognised in the statement of comprehensive income in the next financial period and has been classified as current in the balance sheet (2018: $5,434,881).

NOTE 20 • FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments include trade receivables and payables, cash and short term deposits, and advances from Group companies.

As a result of the Group's operations and sources of finance, it is exposed to credit risk, liquidity risk and market risks which include foreign currency risk, commodity price risk and interest rate risk. These risks are described below.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the financial risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis upon which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1.

The Group holds the following financial assets and liabilities:

GROUP	2019		2018	
	$	$	$ Restated	$ Restated
	Amortised costs	Other amortised cost	Loans and receivables	Other amortised cost
Financial assets				
Cash and cash equivalents	**16,138,806**	**-**	21,870,415	-
Restricted bank account	**12,672,741**	**-**	9,498,071	-
Trade receivables	**6,519,453**	**-**	8,251,355	-
	35,331,000	**-**	39,619,841	-
Financial liabilities				
Borrowings	**-**	**34,638,696**	-	26,483,359
Employee Entitlements	**-**	**1,338,026**	-	1,147,462
Contract liabilities	**-**	**9,967,423**		10,173,952
Lease liabilities	**-**	**7,029,309**		2,065,714
Trade and other payables	**-**	**6,111,430**	-	4,859,124
Payables to NZTA and ODOT	**-**	**12,488,871**	-	9,439,139
	-	**71,573,755**	-	54,168,750

NOTE 20 • FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group's trade receivables from customers in the normal course of business.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The creditworthiness of a customer or counterparty is determined by a number of qualitative and quantitative factors. Qualitative factors include external credit ratings (where available), payment history and strategic importance of customer or counterparty. Quantitative factors include transaction size, net assets of customer or counterparty, and ratio analysis on liquidity, cash flow and profitability.

In relation to trade receivables, it is the Group's policy that all customers who wish to trade on terms are subject to credit verification on an ongoing basis with the intention of minimising bad debts. The nature of the Group's trade receivables is represented by regular turnover of product and billing of customers based on the Group's contractual payment terms. In North America, the Group requires that customers under a certain fleet size to purchase the hardware with an upfront payment regardless of credit verification.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified.

The carrying amount of the Group's financial assets represents the maximum credit exposure as summarised above.

Refer to note 13 for an aging profile for the Group's trade receivables at reporting date.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they become due and payable. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they become due and payable, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Maturities of financial liabilities

The following table details the Group's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, as at the reporting date.

Refer to note 15 for the maturity profile.

GROUP 2019	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
		$	$	$	$
Non-derivative financial liabilities					
Borrowings	**17,236,916**	**17,476,029**	**-**	**34,712,945**	**34,638,696**
Employee Entitlements	**1,338,026**	**-**	**-**	**1,338,026**	**1,338,026**
Lease liabilities	**782,450**	**6,246,859**		**7,029,309**	**7,029,309**
Trade and other payables	**6,111,430**	**-**	**-**	**6,111,430**	**6,111,430**
Payable to NZTA & ODOT	**12,488,871**	**-**	**-**	**12,488,871**	**12,488,871**
	37,957,693	**23,722,888**	**-**	**61,680,581**	**61,606,332**

NOTE 20 • FINANCIAL RISK MANAGEMENT (CONTINUED)

GROUP 2018	1 year or less $ Restated	Over 1 to 5 years $ Restated	Over 5 years $ Restated	Total contractual cash flows $ Restated	Carrying amount of liabilities $ Restated
Non-derivative financial liabilities					
Borrowings	10,808,993	15,908,670	-	26,717,663	26,483,359
Employee Entitlements	1,147,462	-	-	1,147,462	1,147,462
Lease liabilities	801,024	1,264,690	-	2,065,714	2,065,714
Trade and other payables	4,859,124	-	-	4,859,124	4,859,124
Payable to NZTA & ODOT	9,439,139	-	-	9,439,139	9,439,139
	27,055,742	17,173,360	-	44,229,102	43,994,798

Whilst each drawdown has a maximum 365 day term, the Company has the ability to re-draw amounts until the end of the term of the facility, as a result the loan has been classified as non-current and prior year comparatives have been restated to align with the current year presentation.

(c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group is exposed to currency risk on sales transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US Dollars (USD) and Australian Dollar (AUD). The Group, may on occasion, enter into forward exchange contracts to hedge the exposure to foreign currency fluctuations on sales receipts.

The Group reports in New Zealand dollars. Movements in foreign currency exchange rates affect reported financial results, financial position and cash flows. Where practical, the Group attempts to reduce this risk by matching revenues and expenditures, as well as assets and liabilities, by country and by currency.

Foreign exchange rates applied against the New Zealand Dollar, at 31 March are as follows:

	2019 $	2018 $
AUD 1	**0.95**	0.94
USD 1	**0.68**	0.72

The Group's exposure to foreign currency risk at the reporting date was as follows (all amounts are denominated in New Zealand Dollars):

2019	**AUD** $	**USD** $
Cash and cash equivalents	**77,131**	**1,928,808**
Trade receivables	**119,998**	**2,009,891**
Lease liabilities	**-**	**804,191**
Borrowings	**-**	**20,965,149**

2018	**AUD** $ Restated	**USD** $ Restated
Cash and cash equivalents	7,866	1,122,704
Trade receivables	111,780	1,909,317
Lease liabilities	-	979,593
Borrowings	-	6,259,362

NOTE 20 • FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

GROUP	%	2019 Carrying amount $	%	2018 Carrying amount $
Term Loans - NZ $ denominated	**5.00%**	**7,648,860**	5.12%	16,873,678
Term Loans - US $ denominated	**5.55%**	**18,716,544**	4.93%	4,201,574
NZ Growth - Committed Cash Advance Facility	**4.47%**	**6,098,936**	4.29%	3,584,623
US Growth - Committed Cash Advance Facility	**4.98%**	**2,248,605**	3.99%	2,057,788
Net exposure to interest rate risk		**34,712,945**		26,717,663

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to foreign currency risk and interest rate risk.

GROUP 2019	-10% Profit $	-10% Equity $	+10% Profit $	+10% Equity $	-100bps Profit $	-100bps Equity $	+100bps Profit $	+100bps Equity $
Cash and cash equivalents	**(138,486)**	**(138,486)**	**138,486**	**138,486**	**(161,388)**	**(161,388)**	**161,388**	**161,388**
Trade receivables	**(148,072)**	**(148,072)**	**148,072**	**148,072**	**-**	**-**	**-**	**-**
Borrowings	**(1,425,630)**	**(1,425,630)**	**1,425,630**	**1,425,630**	**347,129**	**347,129**	**(347,129)**	**(347,129)**
Total increase/ (decrease)	**(1,712,188)**	**(1,712,188)**	**1,712,188**	**1,712,188**	**185,742**	**185,742**	**(185,742)**	**(185,742)**

GROUP 2018	-10% Profit $ Restated	-10% Equity $ Restated	+10% Profit $ Restated	+10% Equity $ Restated	-100bps Profit $	-100bps Equity $	+100bps Profit $	+100bps Equity $
Cash and cash equivalents	(81,574)	(81,574)	81,574	81,574	(218,704)	(218,704)	218,704	218,704
Trade receivables	(147,978)	(147,978)	147,978	147,978	-	-	-	-
Borrowings	(450,674)	(450,674)	450,674	450,674	267,177	267,177	(267,177)	(267,177)
Total increase/ (decrease)	(680,226)	(680,226)	680,226	680,226	48,473	48,473	(48,473)	(48,473)

(1)The foreign currency sensitivity above represents a 10% decrease and increase in spot foreign exchange rates.

(2)The interest rate sensitivity above represents a 100 basis point (bps) decrease and increase in variable interest rates.

(d) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital employed, which the Group defines as reported EBIT (Earnings Before Interest and Tax) divided by capital employed.

(e) Fair value measurement

The carrying amounts of the Groups financial assets and liabilities approximate their fair value due to their short maturity periods or fixed rate nature.

NOTE 21 • SHARE-BASED PAYMENTS

At 31 March 2019, the Group had the following share-based payment arrangements.

EROAD LTI Plan (equity-settled)

Eligible employees were invited to purchase EROAD shares under the EROAD LTI plan. Under the terms of the scheme the purchase of the shares is funded by a loan granted to the eligible employees by EROAD Limited. At the end of the vesting period the employee will be paid a net bonus in relation to the shares that vest to the employee, equal to the amount of their loan outstanding to the Company, enabling the loan to be repaid.

Shares issued under the scheme are held in trust for the employees during a 3 year restrictive period. If the employee ceases to be an employee during the restrictive period the Trustees will repurchase the employees shares at the original issue price.

The eligible employees must meet certain performance conditions during each year of the restrictive period, as determined by the remuneration committee and approved by the board. 50% of the scheme shares initially granted will be forfeited for each year the participant fails to achieve their performance conditions. Additionally the employee's shares will also be forfeited if the enterprise value of the Company has not doubled by the end of the restrictive period.

Employee's shares that are forfeited due to failure to meet market and non-market performance conditions will be repurchased by the Trustee at the original grant date price.

The EROAD LTI Plan has been accounted for as grant of shares to employees in accordance with NZ IFRS 2. The key terms and conditions relating to the grants under this Scheme are disclosed in the table below.

EROAD US President Incentive Scheme

The US President was invited to purchase EROAD shares under the EROAD US President Incentive Scheme. Under the terms of the scheme the purchase of the shares is funded by a loan granted to the employee by EROAD Limited. At the end of the vesting period the employee will be paid a net bonus in relation to the shares that vest to the employee, equal to the amount of their loan outstanding to the Company, enabling the loan to be repaid.

Shares issued under the scheme are held in trust for the employee during a 3 year restrictive period. If the employee ceases to be an employee during the restrictive period the Trustees will repurchase the employees shares at the original issue price.

Key operational measures and targets for the North American business are outlined in the employees grant letter, these include Total Contract Units, Average Revenue Per Unit, Customer Acquisition Cost Payback Period, and Renewal Rate targets. Each operational measure has a percentage weighting for each of the three-year periods, with the performance for each year being calculated based on the percentage of target achieved multiplied by the percentage weighting for each operational measures. The total percentage of shares to vest at the end of the restrictive period is calculated based on the average percentage performance over the three years. If the total average performance is less than 60% then all shares granted under the scheme will be forfeited.

Employee's shares that are forfeited due to failure to meet the non-market performance conditions will be repurchased by the Trustee at the original grant date price.

The EROAD US President Incentive Scheme has been accounted for as grant of shares to employees in accordance with NZ IFRS 2. The key terms and conditions relating to the grants under this Scheme are disclosed in the table below.

EROAD's LTI Plan II (equity-settled)

Eligible employees were invited to purchase EROAD shares under the EROAD LTI plan. Under the terms of the scheme the purchase of the shares is funded by a loan granted to the eligible employees by EROAD Limited. At the end of the vesting period the employee will be paid a net bonus in relation to the shares that vest to the employee, equal to the amount of their loan outstanding to the Company, enabling the loan to be repaid.

Shares issued under the scheme are held in trust for the employees during a 3 year restrictive period. If the employee ceases to be an employee during the restrictive period the Trustees will repurchase the employees shares at the original issue price. For the shares to vest the Company's Total Shareholder Return (TSR) must exceed the median TSR of the NZX50 Group over the Relevant Assessment Period, with a progressive vesting scale for performance between 50th and 75th percentiles, and 100% vesting if company performance is equal to or above the 75th percentile of the NZX50 Group.

Employee's shares that are forfeited due to failure to meet market and non-market performance conditions will be repurchased by the Trustee at the original grant date price.

The EROAD LTI Plan has been accounted for as grant of shares to employees in accordance with NZ IFRS 2. The key terms and conditions relating to the grants under this Scheme are disclosed in the table below.

NOTE 21 • SHARE-BASED PAYMENTS (CONTINUED)

Grant date/employees entitled	Apr-17	Sep-18	Vesting conditions	Vesting period
Shares granted to key management personnel				
EROAD LTI Plan II (FY18)	-	197,890	• 3 years service from grant date • Company's Total Shareholder Return (TSR) must exceed the median TSR of the NZX50 Group over the Relevant Assessment Period (1 April 2017 to 1 April 2021). • progressive vesting scale for performance between 50th and 75th percentiles, and 100% vesting if company performance is equal to or above the 75th percentile of the NZX50 Group.	2.5 years
EROAD LTI Plan II (FY19)	-	85,276	• 3 years service from grant date • Company's Total Shareholder Return (TSR) must exceed the median TSR of the NZX50 Group over the Relevant Assessment Period (1 April 2018 to 1 April 2021). • progressive vesting scale for performance between 50th and 75th percentiles, and 100% vesting if company performance is equal to or above the 75th percentile of the NZX50 Group.	2.5 years
EROAD US President Incentive Scheme	490,000	-	• 3 years service from grant date • Meet minimum targets for key operational metrics: Total Contracted Units, Average Revenue per Unit, Cost of Customer Acquisition Payback and Renewal Rates. • Each years performance is measured on a weighted calculation of percentage achieved vs. target for operational metrics. • The percentage of shares to vest is calculated based on the average of each years weighted percentage achieved. If the vested amount is less than 60% all shares will be forfeited.	3 years
Shares granted to other employees				
EROAD LTI Plan II (FY18)	-	87,995	• 3 years service from grant date • Company's Total Shareholder Return (TSR) must exceed the median TSR of the NZX50 Group over the Relevant Assessment Period (1 April 2017 to 1 April 2021). • progressive vesting scale for performance between 50th and 75th percentiles, and 100% vesting if company performance is equal to or above the 75th percentile of the NZX50 Group.	2.5 years
EROAD LTI Plan II (FY19)	-	25,977	• 3 years service from grant date • Company's Total Shareholder Return (TSR) must exceed the median TSR of the NZX50 Group over the Relevant Assessment Period (1 April 2018 to 1 April 2021). • progressive vesting scale for performance between 50th and 75th percentiles, and 100% vesting if company performance is equal to or above the 75th percentile of the NZX50 Group.	2.5 years
	490,000	**397,138**		

NOTE 21 • SHARE-BASED PAYMENTS (CONTINUED)

Measurement of fair value

The fair value of the shares issued under the EROAD LTI plans during the year ended 31 March 2019was determined with reference to the Company's share price on the NZX at grant date. A discount was applied to the fair value of the shares issued under the EROAD LTI scheme to reflect the non-vesting market conditions.

The number of shares granted and forfeited during the period were as follows:

	GROUP	
	2019	**2018**
Outstanding at 1 April	**663,475**	388,168
Granted during the period	**397,138**	490,000
Forfeited during the period	**(75,982)**	(187,522)
Vested during the period	**(12,144)**	(27,171)
Outstanding at 31 March	**972,487**	663,475

During the year-ended 31 March 2019 an amount of $273,522 (2018: $268,754) was recognised as an expense within the statement of comprehensive income in relation to share-based payments.

NOTE 22 • CAPITAL COMMITMENTS

At as at 31 March 2019 the Group had confirmed purchase orders open with its third party manufacturer of hardware units amounting to $734,688 (2018: $6,983,048).

NOTE 23 • CONTINGENT LIABILITIES

During the period, the Group has been approached by a third party who asserts that EROAD infringes a number of its patents. From our internal review of the patent claims asserted by the other party, the Group believes there are grounds in support for why we do not infringe their patents and also strong grounds that the patents would likely be considered invalid if EROAD was to challenge them. The Group strongly asserts that we do not infringe the patents and have informed the other party that we would seek our attorney fees from them in the event we succeeded in any potential litigation.

As we firmly believe that we not infringed any patents no amounts have been provided for in relation to this claim. The Group may incur some legal costs in defending this claim over the next twelve months (2018: Nil).

NOTE 24 • EVENTS SUBSEQUENT TO BALANCE DATE

There are no other events subsequent to balance date which have not already been taken up in the accounts (2018: Nil).

NOTE 25 • RECONCILIATION OF CASH FLOWS

	GROUP	
	2019	**2018**
	$	**$ Restated**
Reconciliation of operating cash flows with reported profit/(loss) after tax:		
Profit/(loss) after tax for the six month period attributable to the shareholders	**(4,915,220)**	(3,456,824)
Add/(less) non-cash items		
Tax asset recognised	**(334,469)**	(2,461,897)
Depreciation and amortisation	**17,952,499**	14,628,911
Other non-cash expenses/(income)	**(556,193)**	617,249
	17,061,837	12,784,263
Add/(less) movements in other working capital items:		
Decrease/(increase) in trade and other receivables	**1,124,296**	(6,106,886)
Decrease/(increase) in finance lease receivables	**-**	2,650
Decrease/(increase) in current tax receivables	**16,155**	340,456
Decrease/(increase) in current tax payables	**(85,245)**	85,245
Increase/(decrease) in contract liabilities	**(206,529)**	2,105,045
Increase /(decrease) in trade payables, interest payable and accruals	**1,317,932**	(548,605)
	2,166,609	(4,122,095)
Net cash from operating activities	**14,313,226**	5,205,344

NOTE 26 • RELATED PARTY TRANSACTIONS

The subsidiaries of the Company are:

Company	**Country of Incorporation**	**Interest %**	**Principal activity**
EROAD Financial Services Ltd	New Zealand	100	Financing activities within group
EROAD LTI Trustee Limited	New Zealand	100	LTI Scheme Trustee
EROAD (Australia) Pty Limited	Australia	100	Transport Technology & SaaS
EROAD Inc	United States of America	100	Transport Technology & SaaS

Key management personnel compensation comprised:

	2019	**2018**
Short-term employee benefits	**2,349,428**	2,246,657
Share-based payments	**194,889**	251,593
	2,544,317	2,498,250

NOTE 26 • RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Loans to key management personnel

There have been no loans to management personnel.

(b) Other transactions with key management personnel

There were no other transactions with key management personnel during the period. From time to time, key management personnel of the Group may purchase goods from the Group. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

(c) Remuneration of Non-executive Directors

	2019	2018
	$	$
Michael Bushby	**82,802**	85,094
Anthony Gibson	**63,000**	52,546
Sean Keane (resigned 5 May 2017)	**-**	4,088
Candace Kinser	**55,000**	50,546
Gregg Dal Ponte (resigned 30 April 2019)	**55,000**	50,546
Graham Stuart (Chair)	**96,464**	16,250
	352,266	259,070

The following additional fees were paid to certain Directors for additional consultancy work provided to the Company:

	2019	2018
	$	$
Gregg Dal Ponte	**-**	6,297
	-	6,297

(d) Remuneration of Executive director

	2019	2018
	$	$
Salary and bonus	**567,120**	555,859
Share-based payments	**57,739**	-
	624,859	555,859

CORPORATE GOVERNANCE

Corporate Governance

The Board and management of EROAD are committed to ensuring that EROAD adheres to best practice governance principles and maintains the highest ethical standards. The Board reviews and assesses EROAD's governance structures to ensure that they are consistent with best practice.

As at 31 March 2019, EROAD was in full compliance with the NZX Corporate Governance Code issued in May 2017 (NZX Code). In this Corporate Governance section, each principle of the NZX Code is provided below with explanation on how EROAD meets each principle. EROAD's corporate governance policies, practices and procedures can be found on its website at http://www.eroadglobal.com/global/investors/.

PRINCIPAL ACTIVITIES

EROAD has created an electronic solution to manage and pay road user charges (RUC) and road tax regimes, support regulatory compliance, including fatigue management and driving hours, as well as providing value-added commercial services to the heavy and light vehicle transport sectors. There were no significant changes to EROAD's principal activities during the financial year.

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

EROAD expects its employees and directors to maintain high ethical standards. The Code of Ethics for EROAD sets out these standards and addresses amongst other things:

- confidentiality;
- conflicts of interest and corporate opportunities;
- receipt of gifts and personal benefits;
- expected conduct; and
- reporting concerns regarding breaches of the code, other policies and the law.

The Code of Ethics requires directors and employees to act in the best interests of EROAD, its shareholders and stakeholders at all times and to not accept from, or offer to, anyone bribes or improper inducements. Prior to receiving a gift or personal benefit, the Code of Ethics requires each employee to submit an Approval to Accept Gift form for approval by the CEO or a senior executive, depending on the value of such gift or personal benefit.

The Code of Ethics specifically addresses EROAD's commitment to providing equal employment opportunities. EROAD ensures that its selection process for recruitment and employee development opportunities are free from bias and are based on merit.

In addition to the Code of Ethics, EROAD maintains the following policies, guides and registers:

- **Guidance on Receiving and Giving Gifts and Hospitality** – this document provides guidance to help employees determine when they should offer or accept a gift or other personal benefits.
- **Whistle-blower** – this policy encourages employees to come forward if they have concerns regarding serious wrongdoing, and ensures that employees have access to a confidential process in which they can report any issues in relation to serious wrongdoing without fear of reprisal or victimisation.
- **Market disclosure** - EROAD is committed to the promotion of investor confidence by ensuring that the trading of EROAD shares takes place in an efficient, competitive and informed market. EROAD's Market Disclosure Policy establishes EROAD's disclosure policies for meeting the continuous disclosure requirements of the NZX Main Board.
- **Securities trading** - in accordance with EROAD's Securities Trading Policy, the NZX Listing Rules, and the Financial Markets Conduct Act 2013, directors and employees of EROAD are subject to limitations on their ability to buy or sell EROAD shares. The Securities Trading Policy identifies circumstances where directors, officers, employees and advisers are permitted to trade, or prohibited from trading, EROAD shares. EROAD is committed to ensuring its directors, officers, employees and advisers do not trade EROAD shares while in possession of inside information.

- **Interests register** – In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, EROAD maintains an Interests Register in which all relevant transactions and matters involving the directors are recorded.

EROAD's Code of Ethics, Market Disclosure, Securities Trading and Whistle-Blower policies can be found on EROAD's website.

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

Responsibilities of the Board and Executive Management

The business and affairs of EROAD are managed under the direction of the Board of Directors. At a general level, the Board is elected by shareholders to:

- in consultation with the CEO, provide strategic direction and approve EROAD's strategies and objectives;
- advance major strategies for achieving EROAD's objectives;
- manage risks;
- determine the overall policy framework within which the business of EROAD is conducted; and
- monitor management's performance with respect to these matters.

The Board Charter sets internal Board procedure and defines the Board's specific roles and responsibilities. The Board delegates management of the day-to-day operations and responsibilities of EROAD to the executive management team under the leadership of the Chief Executive Officer to deliver the strategic direction and goals determined by the Board.

Board Composition

At present, there are six directors on the Board, five of which are non-executive directors. Steven Newman, Chief Executive Officer, is the only executive director on the Board.

On 23 August 2018, Graham Stuart was appointed the Chair of the Board, following Michael Bushby's resignation as the Chair on 22 August 2018. Mr Bushby, however, continues to serve as a director of EROAD. On 28 March 2019 Susan Paterson was appointed as an independent director of EROAD. Gregg Dal Ponte resigned from the Board on 30 April 2019.

A brief biography of each Board member, including each director's experience, length of service, expertise, role and the term of office held at the date of this Annual Report, is set out in the "Board of Directors" section of this Annual Report.

Independence of Directors

The factors that EROAD takes into account when assessing the independence of its directors are set out in the Board Charter. A copy of the Board Charter can be found on EROAD's website. After consideration of these factors, EROAD is of the view that:

1. no non-executive director is a substantial shareholder of EROAD or an officer of, or otherwise associated directly with, a substantial shareholder of EROAD.
2. Steven Newman is a director who, within the last five years, has been employed in an executive capacity by EROAD and is a substantial shareholder.
3. No director has been a principal of a material professional adviser to EROAD, or an employee materially associated with such service provider, within the last three years.
4. No director is a material supplier or customer of EROAD, or an officer of, or otherwise associated directly or indirectly with, a material supplier or customer.
5. No director has a material contractual relationship with EROAD other than as a director of EROAD except as follows: Steven Newman is an employee of EROAD and substantial shareholder.
6. No director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of EROAD.
7. All directors are free from any close family ties with any person who falls within the above categories.
8. All directors are free from any interest or any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of EROAD.

Based on these assessments, EROAD considers that, as at 31 March 2019, Graham Stuart, Michael Bushby, Tony Gibson, Gregg Dal Ponte[1] , Candace Kinser and Susan Paterson were independent directors.

Nomination, appointment, retirement and re-election

In accordance with the current NZX Listing Rules, one third of the directors were required to offer themselves for re-election by shareholders each year. On and from 1 July 2019, EROAD will be subject to the new NZX Listing Rules. In accordance with rule 2.7, going forward, directors will offer themselves for re-election by shareholders every three years. Procedures for the appointment and removal of directors are also governed by the Constitution and the Constitution will be updated to reflect the requirements of the new NZX Listing Rules.

In addition to the Constitution, EROAD has an Appointment and Selection of New Directors Policy which specifies the criteria which the Board will consider during the process of selecting and appointing new directors. A copy of the policy can be found on EROAD's website.

The Remuneration, Talent and Nomination Committee identifies and nominates candidates to fill director vacancies for Board approval. As at 31 March 2019, all new directors were required to enter into a written agreement with EROAD, which establishes the terms of their appointment.

Diversity and Inclusion

EROAD and its Board are committed to a workplace culture that promotes and values diversity and inclusion.

EROAD pursues a broader sense of diversity by recognising, valuing and considering its employees' different backgrounds, knowledge, skills, needs and experiences.

The Board recognises that diversity and inclusion lead to a better experience at work for EROAD's employees, make teams stronger, lead to greater creativity and performance, contribute to a more meaningful relationship with customers and stakeholders, and ultimately increase value to shareholders. When there is a variety of thinking styles, backgrounds, experiences, perspectives and abilities, employees are more able to understand customers' needs and to respond effectively to them.

EROAD encourages diversity and inclusion by:

- having a robust recruitment process in place to attract capable, motivated, engaged, creative and diverse candidates; and
- fostering a culture and environment of inclusion through various initiatives, policies and development opportunities.

To deliver on its strategy, EROAD has designed a scalable and diverse organisation with the right skill-set to grow and mature the company in new markets and geographies. We explain this in more detail in the "Our people" section of the report.

The Board has adopted a Diversity and Inclusion Policy in accordance with the NZX Code. The policy is available on EROAD's website. To ensure continued focus and prioritisation, the policy requires the Board to set, review and report on measurable objectives for achieving and promoting diversity across EROAD's business. While the Board considers that EROAD has addressed the requirements of the NZX Code, as at 31 March 2019, the Board has not yet set measurable objectives. Prior to setting measurable objectives, EROAD considers that further processes need to be put in place to increase awareness and create stronger focus in the area of diversity and inclusion. EROAD has made progress during FY19 by putting in place the following key initiatives:

- to help our people learn, develop and achieve their goals, EROAD's Diversity and Inclusion Committee has established Lean-in Circles. Participants of each "circle" are encouraged to share their diverse experiences, mentor each other, celebrate successes, support each other when there are challenges and grow as leaders as a result;
- senior employees were provided with an opportunity to participate in a leadership training programme to ensure continued growth and advancement of diverse staff, with a clear pathway to leadership;
- to ensure ongoing focus in this area, the diversity and inclusion initiatives are now embedded in the EROAD event calendar. For example, celebration of Matariki, America's Independence Day, culture dress day and International Women's Day;

[1] Gregg Dal Ponte resigned from the Board effective 30 April 2019.

- to ensure EROAD creates a family-friendly culture that supports parents in our business, EROAD has organized family barbeques, a "bring your children to work" day during the teachers' strike and a movie evening.
- the value of diversity in EROAD's sourcing is communicated to the talent acquisition team and external agencies. Additionally, in its search for an additional Director during FY19, the Board considered suitably qualified candidates of diverse backgrounds and experience.

The table below shows the respective number of men and women on the Board, in executive management positions (as "Officers") and across the whole organisation (including both full time and part time employees) as at 31 March 2018 and 31 March 2019. 39% of EROAD staff are now female, which is above average in our industry, and almost one third of our female employees are in leadership roles.

	2018		2019	
	Women	**Men**	**Women**	**Men**
Board	1	5	2	5
Officers	2	6	1	8
Other employees	72	121	99	151

"Officers" are the Chief Executive Officer and senior executives reporting directly to the Chief Executive Officer, who are concerned or take part in the management of EROAD.

Board Performance

The Board has a policy in place relating to the performance evaluation of the Board, the Board's committees, individual directors and executives. Each year, performance evaluations take place in relation to the Board, the Board's committees, individual directors and executives in accordance with EROAD's policies.

The Board Charter requires the Board to undertake an annual performance evaluation of itself that:

- compares the performance of the Board with the requirements of its Charter;
- reviews the performance of the Board's committees and individual directors; and
- makes improvements to the Board Charter where considered appropriate.

The Board undertook an external performance evaluation which was completed in March 2019.

PRINCIPLE 3: BOARD COMMITTEES

Specific responsibilities are delegated to the Finance, Risk and Audit Committee and the Remuneration, Talent and Nomination Committee. These Board committees support the Board by working with management and advisers on relevant issues at a suitably detailed level and report to the Board. These committees have specific charters setting out objectives, procedures, composition and responsibilities. Copies of these charters are available on EROAD's website.

Finance, Risk and Audit Committee

The primary function of the Finance, Risk and Audit Committee is to assist the Board in fulfilling its oversight responsibilities relating to EROAD's risk management and internal control framework, the integrity of its financial reporting and EROAD's auditing processes and activities. Five meetings of the Finance, Risk and Audit Committee were held during the year ended 31 March 2019.

Under the Finance, Risk and Audit Committee Charter, the Committee must be comprised of non-executive directors, all of whom must be independent. Further, the Chair of the Committee must be an independent director and cannot be the Chairman of the Board. Employees only attend the Finance, Risk and Audit Committee meetings at the invitation of the Committee. In the year ended 31 March 2019, the Chief Executive, the Chief Financial Officer and General Counsel were invited to attend each meeting of the Finance, Risk and Audit Committee.

The current members of the Finance, Risk and Audit Committee are Susan Paterson (Chair), Michael Bushby, Tony Gibson and Candace Kinser and their qualifications are specified in "The Board" section of this Annual Report. Prior to Ms. Paterson's appointment as Chair of

the Finance, Risk and Audit Committee on 28 March 2019, the members of the Committee between 23 August 2018 and 27 March 2019 were Michael Bushby (Chair), Graham Stuart, Tony Gibson and Candace Kinser. Prior to 23 August 2018 the members of the Finance, Risk and Audit Committee were Graham Stuart (Chair), Tony Gibson and Candace Kinser. All members of the Finance, Risk and Audit Committee are independent non-executive directors.

Remuneration, Talent and Nomination Committee

EROAD has established a Remuneration, Talent and Nomination Committee which is comprised of independent directors. This committee met three times in the year ended 31 March 2019 and has the time, the skills and the support necessary to discharge its duties and obligations under the Remuneration, Talent and Nomination Committee Charter.

The Remuneration, Talent and Nomination Committee's role is to oversee and regulate remuneration and organisation matters of EROAD and recommend candidates to be nominated as a director or candidate for a committee. Responsibilities encompass remuneration and benefits policies; performance objectives and remuneration of EROAD's executives; succession planning and associated management development for the chief executive and the executive team. The Remuneration, Talent and Nomination Committee is also responsible for assisting the Board with establishing, publishing, implementing and monitoring effective health and safety policies, processes and practices, under a separate Safety and Wellbeing Charter.

When recommending candidates to act as director, the committee takes into account such factors as it deems appropriate, including the diversity of background, experience and qualifications of the candidate.

The current members of the Remuneration, Talent and Nomination Committee are Anthony Gibson (Chairman), Candace Kinser, Susan Paterson, Michael Bushby and Graham Stuart. Mr Bushby and Mr Stuart were appointed to the Committee on 16 November 2018 and Ms Paterson was appointed on 28 March 2019. Gregg Dal Ponte was a member of the Committee until his resignation on 30 April 2019.

All current members of the Remuneration, Talent and Nomination Committee are independent directors. Steven Newman attended the three Remuneration, Talent and Nomination Committee meetings at the invitation of the Committee.

	Board		Finance, Risk and Audit Committee		Remuneration, Talent and Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Graham Stuart	8	8	5	5	1	1
Michael Bushby	8	8	3*	3	1	1
Anthony Gibson	8	7	5	3	3	3
Candace Kinser	8	7	5	4	3	3
Steven Newman	8	8	-	5	-	3
Gregg Dal Ponte	8	8	-	-	3	2
Susan Paterson**	-	-	-	-	-	-

* Michael Bushby was the Chair of the Finance, Risk and Audit Committee between 23 August 2018 and 27 March 2019.
** Susan Paterson joined the Board on 28 March 2019. She attended the March Board and the Finance Risk and Audit Commitee meetings as an observer.

Board Processes

The Board held eight meetings during the year ended 31 March 2019. The table above shows attendance at the Board and committee meetings.

If circumstances arise where a director needs to obtain independent advice, that director is, as a matter of practice, at liberty to seek such advice at the expense of EROAD.

Other committees

EROAD complies with Recommendation 3.5 as the Board has considered whether it is appropriate to establish any additional standing board committees and concluded that no further standing committees are required at this stage. Noting the importance of health and safety to EROAD's business, the Remuneration, Talent and Nomination Committee is responsible for health and safety and performs its functions in this regard under a Safety and Wellbeing Charter. In addition, each month, members of the Board are provided with a Safety and Wellbeing report summarising EROAD's risk profile and management actions, the current safety and wellbeing focus, lead and lag indicators and updates from the Safety and Wellbeing staff committee.

The Safety and Wellbeing Charter is available on EROAD's website.

Takeover protocol

The Board has a formal written protocol that sets out the procedure to be followed in the event that a takeover offer is received by EROAD.

PRINCIPLE 4 – REPORTING & DISCLOSURE

Making timely and balanced disclosure

EROAD is committed to promoting shareholder confidence through open, timely and accurate market communication. EROAD has in place procedures designed to ensure compliance with its disclosure obligations under the NZX Listing Rules. EROAD's Market Disclosure Policy sets out the responsibilities of the Board and management in disclosure and communication and procedures for managing this obligation.

Copies of key governance documents, including the Code of Ethics, Securities Trading Policy, Board and Committee Charters, Diversity and Inclusion Policy, Director and Senior Executive Remuneration Policy and Market Disclosure Policy, are all available on EROAD's website at http://www.eroadglobal.com/global/investors/.

Non-financial reporting

Safety, communities and environment are at the heart of EROAD's culture. Our philosophy and achievements are outlined in the "About EROAD" section of the Annual Report.

EROAD conducts a comprehensive risk assessment by reviewing risk information from all its business units on a periodic basis. The results are incorporated into future action plans to mitigate the identified risks. This includes carefully considering and taking into account environmental, economic, social sustainability and other risks that EROAD may face.

PRINCIPLE 5 – REMUNERATION

Directors' Remuneration

The Remuneration, Talent and Nomination Committee is responsible for establishing and monitoring remuneration policies and guidelines for directors which enable EROAD to attract, motivate and retain the high calibre of directors who will contribute to the successful governing of EROAD and create value for shareholders.

When determining the fees for directors and Chairs of the Board and its committees, the Board considers the median director fee levels for comparable listed companies in New Zealand. The directors' fee pool limit was increased from $350,000 per annum to $500,000, which was approved by shareholders at the 2018 Annual Shareholder Meeting. The directors' fees are reviewed from time to time and, as previously reported, there was an increase to the fees on 1 January 2018. Further, effective from 28 March 2019, the Board resolved to increase the remuneration of the Chair of the Finance, Risk and Audit Committee.

Current non-executive directors' remuneration is as follows:

- NZ$110,000 for the Chair of the Board,
- NZ$55,000 for non-executive directors,
- NZ$25,000 for the Chair of the Finance, Risk and Audit Committee, and
- NZ$8,000 for the Chair of the Remuneration, Nomination and Talent Committee.

Non-executive directors received the following directors' fees from EROAD in the year ended 31 March 2019:

The Board	NZ$
Graham Stuart	92,539
Michael Bushby	76,850
Candace Kinser	55,000
Susan Paterson*	-
Anthony Gibson	55,000
Gregg Dal Ponte	55,000
Total	**334,389**

Chair of the Board's Committees	NZ$
Graham Stuart	3,925
Michael Bushby	5,952
Susan Paterson*	-
Anthony Gibson	8,000
Total	**17,877**

*Susan Paterson joined the Board on 28 March 2019.

Directors do not take a portion of their remuneration under a share plan but directors may hold shares in EROAD, details of which are set out in the "Directors' Shareholdings" section of this Annual Report. It is EROAD's policy to encourage directors to acquire shares on-market.

Non-executive directors are entitled to be reimbursed for reasonable costs directly associated with attending the Board meetings.

Steven Newman, in his capacity as an executive director, does not receive remuneration as a director of EROAD.

No director of any EROAD subsidiary receives or retains any remuneration or other benefits in their capacity as a director of that subsidiary.

Executive Remuneration

The Remuneration, Talent and Nomination Committee is responsible for reviewing the remuneration of EROAD's senior employees in consultation with EROAD's Chief Executive Officer. The Board is responsible for approving remuneration of the senior employees.

EROAD's remuneration policy for members of the executive team, including the Chief Executive Officer, provides the opportunity for them to receive, where performance merits, a total remuneration package made up of three components:

Fixed Remuneration

Fixed remuneration consists of base salary and benefits. EROAD's policy is to set fixed remuneration in line with external market trends, the intrinsic value of a job and internal relativities. Fixed remuneration is reviewed, but not necessarily increased, annually. Any remuneration increases for the executive team must be approved by the Board. In conducting reviews, EROAD takes into account individual performance of each executive.

Short-term Incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, typically in that financial year. The target value of an STI payment is set annually, usually as a percentage of the executive's base salary.

For the year ended 31 March 2019, a proportion (60%) of the STI is related to achievement of company-wide financial targets, including EBITDA, the ratio of gross margin to sales and the ratio of working capital to sales. The balance of the STI is related to individual performance under each of the four objectives. The company-wide financial targets and at least three of the individual objective and key results must be achieved before an STI is payable. Each objective has a specific target and stretch level of performance, set at the beginning of each financial year. Target levels are generally set at levels of performance that represent desired levels of performance for EROAD but that are also achievable. Stretch levels are difficult to achieve and require considerable effort.

Performance level	Achievement %
<Target	0%
=Target	100%
>Target & <Stretch	Pro rata (100% to 150%)
≥ Stretch	150%

An essential component of the STI is strong leadership, led with behaviour that aligns to EROAD's values. This includes behaviour and leadership which is ethical, and not to the detriment of customers, other employees or EROAD. In a situation where it is deemed that the achievement of objectives has not been aligned with the culture and values of EROAD, or an executive is not leading their teams as required by EROAD, their leadership and values multiplier will be less than 100%. The STI payment is at the discretion of the Board. Entitlement is not guaranteed even where performance criteria has been met.

Long-term Incentives

Eligible senior employees are invited by the Chief Executive, with the approval of the Board, to purchase EROAD shares under the EROAD long term incentive plan (LTI). Under the terms of the scheme the purchase of the shares is funded by a loan granted to eligible senior employees by EROAD. At the end of the vesting period, the senior employee will be paid a net bonus in relation to the shares that vest to the senior employee, equal to the amount of their loan outstanding to EROAD, enabling the loan to be repaid.

Shares issued under the scheme are held in trust for the senior employees during a 3 year restrictive period by EROAD LTI Trustee Ltd ('Trustee'). If the employee ceases to be an employee during the restrictive period the Trustee will repurchase the employees shares at the original issue price.

For FY19, the award is subject to a relative total shareholder return (TSR) measure over the three-year performance period. TSR has been chosen as a performance hurdle because, in the opinion of the Board, it provides the most direct link to shareholder return. TSR represents the change in the value of EROAD's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value of the shares as follows:

TSR Formula
TSR = (Price-begin – Price-end + Dividends) / Price-begin
Price-begin = Share price at the beginning of the financial year
Price-end = Share price at the end of the financial year
Dividends = Dividends paid during the financial year

The TSR performance condition compares EROAD's TSR for a three-year period with the TSR of the NZX50 index (company listings as at the grant date). The vesting scale is as follows:

Performance level	Relative TSR percentile ranking	Vesting%
<Threshold	<50	0%
Threshold & Target	P50	50%
>Target & >Stretch	>P50 & <P75	Pro rata
Stretch	≥P75	100%

Achievement against these performance hurdles and vesting scales is assessed at the end is the three-year measurement period. Employee's shares that are forfeited due to failure to meet performance conditions are repurchased by the Trustee at the original grant date price. The Board retains discretion over the final outcome of LTI payments.

Chief Executive Officer Remuneration

The Chief Executive's remuneration is made up of three components: fixed remuneration, STI and LTI as follows:

CEO Remuneration FY18 and FY19

	Fixed Remuneration	Performance Based Remuneration			
Chief Executive	**Salary**	**STI***	**LTI****	**Subtotal**	**Total**
Steven Newman FY18	$555,859.20	$116,760	$150,000	$266,760	$822.619.2
Steven Newman FY19	$567,120	$0	$181,478.40	$181,478.40	$748,598.4

*The FY18 STI payment was based on performance in FY18. However, it was paid out in FY19. The FY19 STI payment has not been determined as at the date of this annual report.

**The LTI shares were granted during FY19 under both, the FY18 LTI plan to the value of $150,000 and the FY19 LTI Plan to the value of $181,478.40.

Breakdown of pay for performance for FY19

	Description	Performance measures	Performance hurdles and shares vested
STI*	Set at 32% of at-risk pay. Based on a combination of financial and non-financial performance measures.	60% weighting EROAD performance.	EROAD weighting considers EROAD's performance against the metrics of EBITDA, the ratio of gross margin to sales and the ratio of working capital to sales.
		40% weighting individual performance.	Individual performance considers performance under the Chief Executive's objectives and key results for the year. Each objective has a specific target and stretch level of performance, as described under the "Short-term Incentives" section of this Annual Report.
LTI**	Conditional awards of shares under the long term incentive scheme.	For FY19, the award is subject to a relative total shareholder return (TSR) measure over the three-year performance period.	TSR has been chosen as a performance hurdle because, in the opinion of the Board, it provides the most direct link to shareholder return. The TSR performance condition compares EROAD's TSR for a three-year period with the TSR of the NZX50 index (company listings as at the Grant Date). Achievement against these hurdles and vesting scales are assessed at the end of the three-year measurement period.

*Based on FY19 remuneration policy.

**Based on a share based incentive scheme that commenced on 1 April 2018

Employee Remuneration

EROAD and its subsidiaries have employees in three countries where remuneration market levels differ. The overseas remuneration amounts are converted into New Zealand dollars. Of the employees noted in the table below, 30% are employed by EROAD in the United States of America. During the year, a number of employees, not being directors of EROAD and its subsidiaries, received remuneration and other benefits that exceeded NZ$100,000 in value as follows:

NZ$	Total
100,000 – 110,000	18
110,001 – 120,000	8
120,001 – 130,000	16
130,001 – 140,000	10
140,001 – 150,000	4
150,001 – 160,000	10
160,001 – 170,000	8
170,001 – 180,000	6
180,001 – 190,000	4
190,001 – 200,000	5
200,001 – 210,000	0
210,001 – 220,000	0
220,001 – 230,000	2
230,001 – 240,000	3
240,001 - 250,000	2
250,001 – 260,000	1
260,001 – 270,000	3
290,001 – 300,000	1
310,001 – 320,000	1
330,001 – 340,000	1
340,001 – 350,000	2
350,001 – 360,000	0
410,001 – 420,000	1
420,001 – 430,000	0
430,001 – 440,000	0
440,001 – 450,000	0
560,001 – 570,000	1
570,001 - 580,000	1
TOTAL	**108**

PRINCIPLE 6 - RISK MANAGEMENT

Risk Management Framework

EROAD has risk management policies for the oversight and management of financial and non-financial material business risks, as well as related internal systems that are designed to:

- optimise the return to, and protect the interests of, stakeholders;
- safeguard EROAD's assets and maintain its reputation;
- improve EROAD's operating performance; and
- support EROAD's strategic objectives.

EROAD's risk management framework is in place to identify, oversee, manage and control risk. The risk management framework requires senior executives and the wider leadership team to review and update the Risk Register on a periodic basis. The register identifies all known risks, including those that are key to EROAD's strategy and business priorities. The Risk Register records risks by impact, probability, and trending, and records the controls for those risks.

The Risk Register is shared with the Finance, Risk and Audit Committee on a quarterly basis and the Committee reports the key risks to the Board. Key risks are EROAD's greatest strategic and operational risks, specified by the executive team and plotted in a matrix of impact and probability, after taking into consideration the controls on those risks. For high risk projects, risk mitigation must be addressed from inception and be supervised by the appropriate executive team members. The executive team reviews the Risk Register in setting EROAD's strategy and budgets.

A summary of EROAD's Risk Management Policy is available on EROAD's website. The Board ultimately has responsibility for internal compliance and control. The Finance, Risk and Audit Committee undertakes periodic reviews of the risk management framework. In addition a review is undertaken, with the external auditors and management, of the policies and procedures in relation to material business risks.

The Finance, Risk and Audit Committee, in conjunction with management, reports to the Board on the effectiveness of EROAD's management of its material business risks and whether the risk management framework is operating effectively in all material respects.

Health and Safety Risk Management

EROAD has a Safety and Wellbeing Policy for the oversight and management of health and safety risks. The Safety and Wellbeing Policy outlines EROAD's core safety and wellbeing principles, EROAD's commitment to ensure that safety and wellbeing is a top priority for EROAD and is embedded into every aspect of EROAD's business. The Remuneration, Talent and Nomination Committee supports the Board in establishing, publishing, implementing and monitoring effective health and safety policies, processes and practices under EROAD's Safety and Wellbeing Charter. The Board ultimately has responsibility for internal compliance and control.

EROAD's Safety and Wellbeing Management System Framework outlines safety and wellbeing activities at EROAD and articulates safety and wellbeing responsibilities for the Board, the executive team and the people performing work for EROAD. The framework requires Objectives and Key Results to be established and incorporated into business planning processes to enable Safety and Wellbeing Policy's intent and related strategies and procedures to be achieved. The framework also requires EROAD to create a safety and wellbeing strategy every three years that aligns to EROAD's values, the overall business strategy and the safety and wellbeing vision.

Each month, members of the Board are provided with a safety and wellbeing report summarising EROAD's risk profile and management actions, the current safety and wellbeing focus, Objectives and Key Results, lead and lag indicators and updates from the Safety and Wellbeing staff committee. In the year ended 31 March 2019, there have been no notifiable events to report to WorkSafe NZ.

PRINCIPLE 7 – AUDITORS

EROAD does not have an internal audit function. However, the executive team reports periodically to the Finance, Risk & Audit Committee on improvements and changes to internal controls. Through the steps outlined under the Risk Management section, the Board ensures EROAD is reviewing, evaluating and continually improving the effectiveness of its risk management.

EROAD has an External Auditor Independence Policy which is available on EROAD's website. Pursuant to this policy EROAD maintains external auditor independence consistent with regulatory and stock exchange requirements and current best practice in New Zealand for companies of similar nature and size. EROAD's external auditors attend the annual shareholders meeting to answer questions from shareholders in relation to audits.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND INTERESTS

EROAD seeks to ensure that its shareholders understand its activities by communicating effectively with them and giving them ready access to clear and balanced information about EROAD. To assist with this, EROAD's website is maintained with relevant information, including copies of presentations and reports. EROAD's key corporate governance policies are also included on the website.

EROAD also operates in accordance with its Shareholder Communication Policy. The aim of EROAD's communication arrangements is to provide all shareholders with information about EROAD and to enable shareholders to actively engage with EROAD and exercise their rights as shareholders in an informed manner. EROAD's Shareholder Communication Policy facilitates communication with shareholders through written and electronic communication, and by facilitating shareholder access to directors, executive management and EROAD's auditors. The Shareholder Communication Policy is available on EROAD's website.

Shareholders are able to easily communicate with EROAD, including by way of email to the address investors@eroad.com. EROAD's major communications with shareholders during the financial year include its annual and half-year reports and the annual meeting of shareholders. The annual and half-year reports are available in electronic and hard-copy formats. Shareholders have the option to receive communications from EROAD electronically.

Shareholders have the right to vote on major decisions as required by the NZX Listing Rules. Each person who invests money into EROAD has one vote per share which they own equally with other shareholders.

The Notice of Meeting is sent to shareholders and published on EROAD's website at least 28 days prior to the annual shareholders' meeting each year.

REGULATORY DISCLOSURES

Regulatory Disclosures

DIRECTORS

The persons who held office as directors of EROAD Limited at any time during the year ended 31 March 2019, are as follows:

Graham Stuart	Chairman, Non-Executive, Independent
Steven Newman	Chief Executive Officer
Candace Kinser	Non-Executive, Independent
Anthony Gibson	Non-Executive, Independent
Gregg Dal Ponte	Non-Executive, Independent*
Michael Bushby	Non-Executive, Independent
Susan Paterson	Non-Executive, Independent**

*Gregg Dal Ponte resigned from the EROAD Board effective 30 April 2019.

**Susan Paterson joined the EROAD Board on 28 March 2019.

SUBSIDIARY COMPANY DIRECTORS

The persons who held office as directors of subsidiary companies at 31 March 2019 are as follows:

EROAD Financial Services Limited (New Zealand)
Anthony Gibson

EROAD (Australia) Pty Limited (Australia)
Michael Bushby, Steven Newman

EROAD Inc. (USA)
Michael Bushby, Steven Newman

EROAD LTI Trustee Limited (New Zealand)
Anthony Gibson, Candace Kinser

INTERESTS REGISTER

In accordance with Section 140(2) of the Companies Act, the directors named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in EROAD's register. General notices given by directors which remain current as at 31 March 2019 are as follows:

Michael Bushby
- Director, Lowelly Pty Limited
- Director, 45 Mimosa Pty Limited
- Consultant, WSP Australia

Graham Stuart
- Director, Tower Limited
- Director, Tower Insurance Limited
- Director, Tower Financial Services Group Limited
- Director and Shareholder, Leroy Holdings Limited
- Director, Vinpro Limited
- Director, Northwest Healthcare Properties Management Limited

Anthony Gibson
- Chief Executive Officer, Ports of Auckland Limited
- Chairman, North Tugz Limited
- Director, AMG Consulting Limited
- Director, Seafuels Limited
- Director, Waikato Freight Hub Limited
- Director, Marsden Maritime Holdings Limited*

*Notice given by Anthony Gibson in April 2018.

Candace Kinser
- Non-Executive Director, Talent International Limited (Australia)
- Director, Kinser Trustee Limited
- Director, Sagitas Consulting Limited
- Independent Director, Livestock Improvement Corporation Limited
- Advisor, Return on Science Program for the University of Auckland
- Beachheads Advisor, New Zealand Trade & Enterprise*
- Advisor, BECA New Ventures Team Advisory Board
- Director, WEL Networks Limited **
- Director, Ultrafast Fibre Limited**
- Director, Regional Facilities Auckland***

*Notice given by Candace Kinser in May 2018.
** Notice given by Candace Kinser in August 2018
***Notice given by Candace Kinser in December 2018

Steven Newman
- Director, NMC Trustees Limited

Susan Paterson
- Goodman (NZ) Limited and associated companies
- Arvida Group Limited
- Sky Network Television Limited
- Les Mills Holdings Limited
- Steel & Tube Holdings Limited
- Theta Systems Limited
- Electricity Authority

Gregg Dal Ponte*
- Director of Regulatory Compliance, Oregon Trucking Association, Inc.
- Technical advisor to Oregon weight mile tax elimination work group**

*Gregg Dal Ponte resigned from the EROAD Board effective 30 April 2019.
**Notice given by Gregg Dal Ponte in January 2019

The following details included in EROAD's interests register as at 31 March 2018 have been removed as at 31 March 2019:

- Graham Stuart is no longer a director of Goodcows Limited and Focal Dairies LLC (USA).
- Candace Kinser is no longer an advisor to Palantir Technologies.

Share dealings by directors

In accordance with Section 148(2) of the Companies Act, the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests in the company between 1 April 2018 and 31 March 2019, and details of those dealings were entered in the company's interests register. The particulars of such disclosures are:

Graham Stuart

- 1) Purchase of 19,604 ordinary shares, at $2.69 per share, on 19 March 2019; 2) purchase of 396 ordinary shares, at $2.71 per share, on 20 March 2019.

Steven Newman

- 1) Acquisition of beneficial ownership in 70,668 shares at a share price of $2.1226 per share and 46,655 shares at a share price of $3.8898 per share upon acceptance of a grant made under EROAD's Long Term Incentive plan, on 25 September 2018; 2) Acquisition of 25,000 ordinary shares at a share price of $2.7372 per share on 11 March 2019.

Use of EROAD information

There were no notices from directors of EROAD requesting to use EROAD information received in their capacity as directors that would not otherwise have been available to them.

Directors' and officers' insurance and indemnity

EROAD has arranged, as provided for under EROAD's constitution, policies of directors' and officers' liability insurance which, with a Deed of Indemnity entered into with all directors, ensures that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines that may be imposed in respect of breaches of the law.

Directors' relevant interests

The following directors held relevant interests in the following ordinary shares in EROAD as at 31 March 2019:

Name	Ordinary shares
Steven Newman	14,505,880
Michael Bushby	161,004
Graham Stuart	40,000
Anthony Gibson	567,999
Candace Kinser	41,999

Shareholder Information

ANNUAL SHAREHOLDERS' MEETING

EROAD's 2019 annual shareholders' meeting will be held at QBE Stadium, Stadium Drive, Albany, Auckland on Thursday, 1 August 2019 commencing at 4:45pm.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

Holding Range	Number of holders	%	Number of ordinary shares	%
1 to 999	281	16.72	135,587	0.2
1,000 to 4,999	786	46.76	1,878,262	2.75
5,000 to 9,999	260	15.47	1,718,314	2.52
10,000 to 49,999	275	16.36	5,570,858	8.16
50,000 to 99,999	32	1.9	2,240,628	3.28
100,000 and over	47	2.8	56,725,123	83.09
Total	**1681**	**100.01**	**68,278,772**	**100**

The details set out above were as at 31 March 2019.

EROAD only has one class of shares on issue, ordinary shares, and these shares are quoted on the NZX Main Board.

SUBSTANTIAL PRODUCT HOLDERS

According to notices given under the Financial Markets Conduct Act 2013, the substantial product holders in ordinary shares (being the only class of quoted voting products) of EROAD and their relevant interests according to the substantial product holder file as at 31 March 2019, were as follows:

Substantial product holder	Date of Notice	Number of shares	% of shares on issue at 31 March 2019
Steven Newman (includes NMC Trustees Limited's relevant interest)	15/12/2017*	14,505,880	21.245%
NMC Trustees Limited as trustee of the NMC Investment Trust	15/12/2017**	14,379,457	21.059%
Commonwealth Bank of Australia	06/12/2018	5,878,815	8.610%
Colonial First State Asset Management	06/12/2018	5,878,815	8.610%
National Nominees Ltd ACF Australian Ethical Investment Limited	18/01/2019	4,414,878	6.47%

* On 25 September 2018 Steven Newman gave ongoing disclosure of acquisition of 117,323 ordinary shares pursuant to EROAD's Long Term Incentive Plan, subject to certain performance targets being met upon which the shares will vest. On 11 March 2019 Steven Newman gave ongoing disclosure of acquisition of 25,000 ordinary shares at a share price of $2.7372 per share.

** On 11 March 2019 Steven Newman, who has a relevant interest in the shares held by NMC Trustees Limited, gave ongoing disclosure of acquisition of 25,000 ordinary shares at a share price of $2.7372 per share.

The total number of ordinary shares (being the only class of quoted voting products) on issue in the Company as at 31 March 2019 was 68,278,772.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders in the Company as at 31 March 2019 were:

Holder Name	Shares	%
New Zealand Central Securities Depository Limited	24,167,137	35.39
NMC Trustees Limited	14,379,458	21.05
FNZ Custodians Limited	4,325,639	6.33
David Murray Jarrett & Julie Patricia Jarrett & Vlatkovich & Mcgowan Trustee Company Limited	1,775,934	2.6
John Grant Sinclair	1,024,319	1.5
Andrew Bowker	937,165	1.37
Alister Moss	621,907	0.91
Anthony Gibson	567,999	0.83
Paul Geoffrey Hewlett & Catherine Patricia Carter & Hoffman Trustees Limited	561,659	0.82
EROAD LTI Trustee Limited	490,000	0.71
JB Were (NZ) Nominees Limited (54145 A/C)	428,904	0.62
Somac Holdings Limited	412,740	0.6
JB Were (NZ) Nominees Limited (NZ Resident A/C)	394,163	0.57
Slk Asset Management Limited	378,000	0.55
Arden Capital Limited	359,934	0.52
Jarred Blair Clayton	347,299	0.5
Nicholas Raymond Scott & Trustee Services Limited	315,964	0.46
EROAD LTI Trustee Limited	285,885	0.41
First NZ Capital Securities Limited	284,955	0.41
Sean Hope	263,616	0.38

Shareholdings larger than 1% held through New Zealand Central Securities Depository Limited (NZCSD) as at 31 March 2019 were:

Holder Name	Holding	%
Citibank Nominees (New Zealand) Limited - NZCSD	6,260,712	9.17
National Nominees New Zealand Limited - NZCSD	5,112,255	7.49
HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	1,679,166	2.46
HSBC Nominees (New Zealand) Limited - NZCSD	3,872,387	5.67
BNP Paribas Nominees (NZ Limited) - NZCSD	829,878	1.22
Accident Compensation Corporation - NZCSD	3,229,500	4.73
BNP Paribas Nominees (NZ) Limited	3,143,753	4.60

Other Information

NZX WAIVERS

On 24 September 2018 an NZX Regulation decision was received by EROAD granting a waiver from Rule 7.6.4(b)(iii) to the extent required to allow Steven Newman, the Chief Executive Officer and an executive director of EROAD, the right to receive an interest free loan for the purposes of acquiring shares in EROAD under the EROAD LTI scheme.

DISCIPLINARY ACTION TAKEN BY THE NZX

The NZX has not taken any disciplinary action against the company during the year ended 31 March 2019.

AUDITOR'S FEES

KPMG has continued to act as auditor of EROAD and its subsidiaries. The amount payable by EROAD and its subsidiaries to KPMG as audit fees during the year ended 31 March 2019 was $278,500. The amount of fees payable to KPMG for non-audit work during the year ended 31 March 2019 was $141,433. Note 4 in the Financial Statements section of this Annual Report includes a detailed breakdown of auditor's fees for audit and non-audit work.

DONATIONS

EROAD and its subsidiaries made donations totaling $9,503 during the year ended 31 March 2019.

CREDIT RATING

EROAD does not currently have a credit rating.

Glossary

Asset Retention Rate	The number of Total Contracted Units at the beginning of the 12 month period and retained as Total Contracted Units at the end of the 12 month period, as a percentage of Total Contracted Units at the beginning of the 12 month period.
Auditor	KPMG
Companies Act	Companies Act 1993
Company	EROAD Limited
Customer Retention Rate	Asset Retention Rate excluding contraction in existing customer Total Contracted Units when customer remained with EROAD.
Depot	EROAD's web-based platform that allows customers to manage (and pay) their RUC, WMT and fleet management services.
EBIT before non-operating costs	Earnings before non-operating costs, interest and tax.
Ehubo, Ehubo2 and Ehubo 2.2	EROAD's first and second generation electronic distance recorder which replaces mechanical hubo-dometers. Ehubo is a trade mark registered in New Zealand, Australia and the United States.
Electronic Logging Device (ELD)	An electronic solution that synchronises with a vehicle engine to automatically record driving time and hours of service records.
EROAD	EROAD Limited, and where the context permits, includes its subsidiaries. ® EROAD is a trade mark registered in New Zealand, Australia and the United States.
Future Contracted Income	Future Contracted Income is the total revenue to be earned from existing customer contracts in future periods.
FMCSA	Federal Motor Carrier Safety Administration
Foodstuffs North Island	A grocery and liquor retailers' cooperative, which owns supermarket retail franchises in the North Island of New Zealand.
FY	Financial year ended 31 March
Group	EROAD Limited and its subsidiaries
Heavy Vehicle	A truck, or a truck and trailer, weighing over: • 3.5 tonnes in New Zealand (required to pay RUC); • 12 tonnes in Oregon (required to pay WMT); or • 4.5 tonnes in Australia

International Fuel Tax Agreement (IFTA)	A cooperative agreement between all states (excluding Alaska and Hawaii) of the United States, and the Canadian provinces, designed to make it simpler for inter-jurisdictional carriers to report and pay fuel excise taxes, requiring only one fuel licence to operate across multiple jurisdictions.
Listing Rules	The listing rules applying to the NZX Main Board as amended from time to time.
New Zealand Transport Agency (NZTA)	A government entity, whose role is to provide a link between government policy making and the operation of the sector. NZTA aims to achieve better use of existing transport capacity, more efficient freight and a resilient and secure transport network.
NZ GAAP or GAAP	New Zealand Generally Accepted Accounting Practice.
NZ IAS	NZ equivalent of International Accounting Standards that prescribe the basis for presentation of general purpose financial statements.
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards.
NZX	NZX Limited.
NZX Main Board	The main board equity security market, operated by NZX.
Recurring SaaS Revenue Per Unit	The revenue EROAD expects to receive in future months from existing Total Contracted Units from monthly charging of services, monthly hardware rentals and current monthly rates of transaction fees.
Road User Charges (RUC)	In New Zealand, RUC is applicable to Heavy Vehicles and all vehicles powered by a fuel not taxed at source. The charges are paid into a fund called the National Land Transport Fund, which is controlled by NZTA, and go towards the cost of repairing the roads.
SaaS	Software as a Service, a method of software delivery in which software is accessed online via a subscription rather than bought and installed on individual computers.
Tubo	The trailer version of the Ehubo1.
Total Contracted Units	Total Contracted Units represents the total Units subject to a customer contract and includes both Units on Depot and Units pending installment.
Transport Investments Limited (TIL)	One of New Zealand's leading domestic freight and logistics companies.
Unit	An EROAD device.
Units on Depot	The number of EROAD devices installed in vehicles and subject to a customer contract.
Weight-Mile Tax (WMT)	A mileage-based tax imposed on Heavy Vehicles according to a combination of the number of axles and/ or combined weight of the vehicle and the number of miles driven in Oregon, USA.

EROAD

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01 August 2019
Annual Shareholders Meeting

30 September 2019
Financial Half Year End

22 November 2019*
Half Year Results Announced

31 March 2020
Financial Year End

**Proposed date*

This Annual Report is dated 28 May 2019 and is signed on behalf of the Board of EROAD by:

Graham Stuart • Chairman

Steven Newman • Chief Executive Officer

KEY DATES

Take heed telematics companies, EROAD got it right and deserves to have a higher market share. Highly recommend—you won't be disappointed!

Myles Transportation
EROAD Customer, USA