

EROAD

ANNUAL REPORT 2018



About us

EROAD modernises road charging and compliance for road transport by replacing paper-based systems with easy-to-use electronic systems. The EROAD solution also improves fleet management, bringing benefits to our customers who operate transport fleets, as well as benefits to communities and the wider public through improved road safety and valuable data about road use to improve the planning, management and maintenance of our roads.

Key Dates

02

AUGUST 2018

Annual Shareholders Meeting

30

SEPTEMBER 2018

Financial Half Year End

19

NOVEMBER 2018

Half Year Results announcement*

31

MARCH 2019


Financial Year End

*Proposed date

This annual Report is dated 18 May 2018 and is signed on behalf of the Board of EROAD by Michael Bushby, Chairman and Steven Newman, Chief Executive Officer.



Michael Bushby
Chairman



Steven Newman
Chief Executive Officer

Contents

OVERVIEW

2018 Business Highlights	02
2018 Results in Brief	03
Market Outlook	05
Chairman Report	08
CEO Report	09

GOVERNANCE

Board of Directors	12
Executive Management Team	13
Corporate Governance	15

FINANCIAL PERFORMANCE

Financial Review	26
Consolidated Financial Statements	29
Notes to the Consolidated Financial Statements	35
Independent Auditor's Report	66

REGULATORY DISCLOSURES

Director Disclosures	75
Shareholder Information	77
Other Information	79

GLOSSARY	81
----------	----

COMPANY TIMELINE	83
------------------	----

DIRECTORY	84
-----------	----

1.0 OVERVIEW



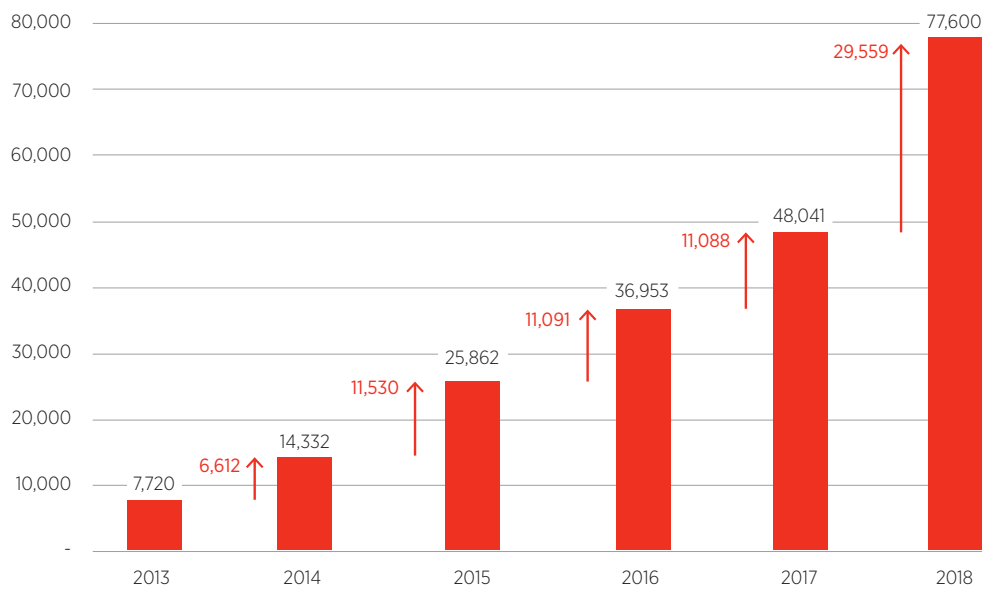
2018 Business Highlights

- **Contracted units up 61.5% to 77,600** (FY17: 48,041)
- **Revenue up 57% to \$51.5 million**¹ (\$32.7 million)
- **EBITDA up 113% to \$15.0 million** (\$7.1 million)
- **Net Profit after Tax of \$0.2 million** vs a net loss after of \$5.3 million in FY17. A positive change of \$5.5 million
- **In the second half of the year the business graduated from start-up mode to established business mode**, generating self-sustaining cash flows for the first time
- **Record sales growth of 191% in North America** now means EROAD has a credible beachhead in this market
- Major growth among enterprise customers including **Downer Group, Waste Management, Fulton Hogan** and food distributor **Bidfood**
- **Raised \$21.5 million of new capital**; \$6 million through a Share Purchase Plan for existing shareholders (that was 90.78% over-subscribed), and \$15.5 million through a strongly supported equity placement to existing and new institutional shareholders
- **Secured new credit facility from the BNZ to support future growth**, with the limit increased within six months by BNZ to fund higher growth.
- **Engaged First NZ Capital to undertake a strategic review of EROAD's North American business** focused on evaluating options to further capture the compelling growth opportunity in North America
- **The ANZ business achieved four consecutive quarters of record sales growth**, resulting in 42% year on year growth, and indicative of the potential for continuing growth in this market
- **In Q3, sales in North America exceeded sales in Australia and New Zealand** for the first time
- **Achieved a sales and customer support scale up of many multiples** – a number of quarters this year saw more sales and customer onboarding than entire previous years. This proved extremely challenging and the business learned a great deal from this rapid upscale. EROAD is continuing to implement improvements arising from these lessons to ensure sustainable ongoing growth at scale
- **Graham Stuart**, previously chief executive officer of Sealord Group and a former CFO and director of strategy & growth at Fonterra, joined the EROAD board of directors and assumed the chair of the Finance, Risk and Audit Committee
- The Federal Motor Carrier Safety Administration, through the Department of Transportation's National Training Center, **selected EROAD as one of four ELD devices** for use in training commercial motor vehicle inspectors and investigators
- The Project Management Institute of New Zealand awarded **EROAD's ELD development its Project of the Year award** at the institute's annual awards
- **EROAD selected to participate as the sole heavy transport services provider** in the first multi-state truck pilot on the I-95 to explore the feasibility of a Mileage-Based User Fee along the United States' eastern seaboard
- US federal government, in its annual Economic Report of the President, **proposed a move from fuel tax to road user fees**
- Australia's Minister for Urban Infrastructure, the Honourable Paul Fletcher, **announced a heavy vehicle charging pilot** and a business case pathway for local heavy vehicle trials, in response to more rapid adoption of electric vehicles in the freight sector
- **Launched new driver and vehicle safety tools** to extend EROAD's market leading suite of health **and safety products and services** including **Posted Speed** on box, and **EROAD Inspect** vehicle checklist product on Android and iOS mobile devices
- Launched **EROAD Inspect on Ehubo2** in North America.

¹All references to \$ refer to New Zealand Dollars (NZD)

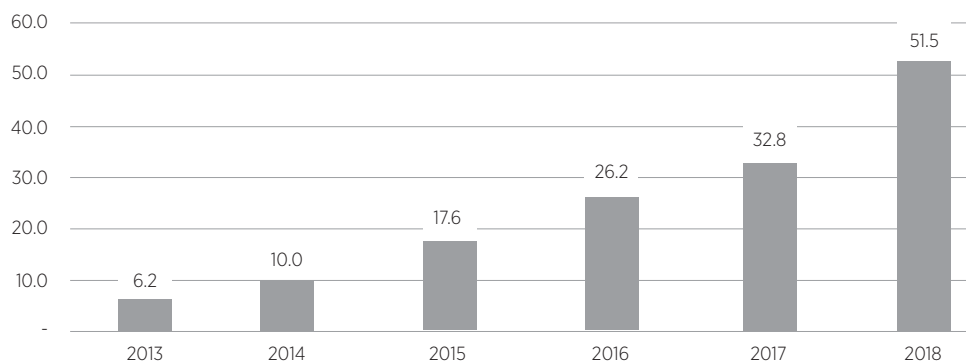
2018 Results in Brief

TOTAL CONTRACTED UNITS

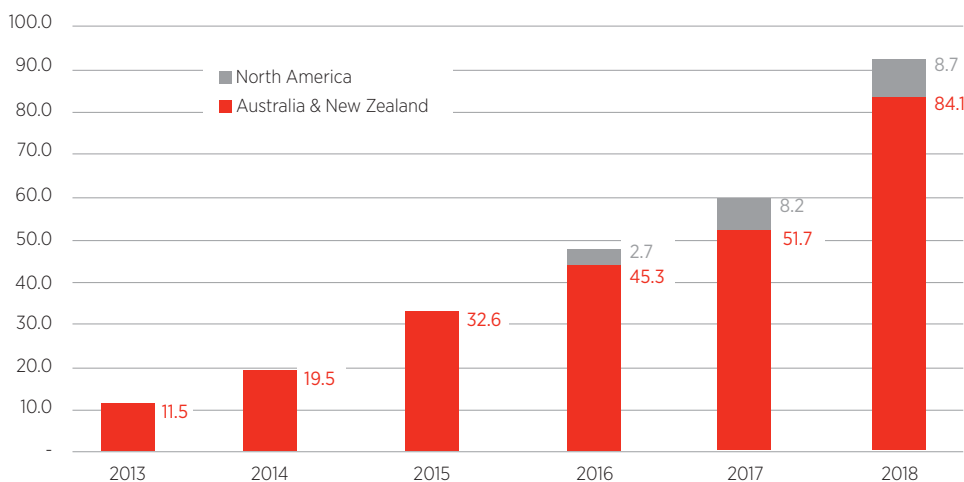


Total Contracted Units is a measure that represents Units on Depot and Units that have been dispatched pending installation. Total Contracted Units is a non-GAAP measure that EROAD management uses to track sales growth.

REVENUE (\$Millions)



FUTURE CONTRACTED INCOME (\$Millions)

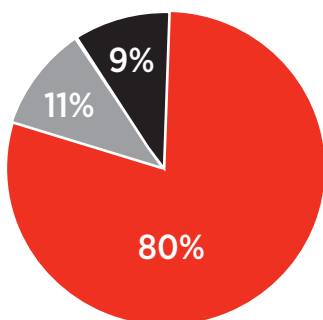


Future Contracted Income is a non-GAAP measure which represents future hardware and SaaS cash inflows relating to income under non-cancellable long-term rental agreements. Note that this definition has changed from the previous period in order to include the future cash flows from finance leases, where the revenue has been recognised in advance of cash flows. Refer to Note 6 of the Financial Statements.

Rental units continue to dominate our total contracted units.

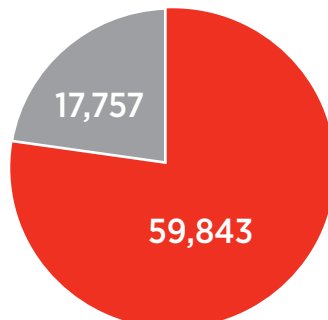
TOTAL CONTRACTED UNITS MARCH 2018

- Rented - Operating Lease
- Rented - Finance Lease
- Sold



TOTAL CONTRACTED UNITS MARCH 2018

- Australia & New Zealand
- North America



Revenue
↑ 57%

Total Contracted Units
↑ 62%

Future Contracted Income
↑ 55%

Retention Rate
98%

Staff Number
↓ 15%

Invested in R&D
\$9.8m

Market Outlook

Globally electronic RUC (road user charges) is at a relative early stage of development. EROAD is at the forefront of developing this technology to improve business outcomes from transport operators as well as improving road safety and the sustainability of funding for road building and maintenance.

A move towards electric vehicles, as well as more fuel-efficient vehicles, means that revenue from fuel taxes – the main method of funding roads in many jurisdictions – is becoming less sustainable, leading to a move to road user charges. In addition, an increased emphasis on health and safety in the workplace – including vehicles – means that operators need to be able to better manage and audit driver and vehicle safety. Mandatory ELDs in the US is an example of this trend.

AUSTRALIA AND NEW ZEALAND

Penetration of telematics and other transport technology services in Australia's transportation fleet remains relatively stable with forecasts that penetration will grow considerably in the coming years. Australia has around 700,000 heavy vehicles and 2.9 million light commercial vehicles. During the year, the Australian government announced a National Heavy Vehicle Charging Pilot to investigate replacing Australia's existing heavy vehicle charging system (PAYGO) – a combination of fuel-based road user charges and heavy vehicle registration fees – with a direct user charging system. EROAD is well positioned to support and participate in this trial, drawing on its experience with pilot programmes in Oregon and California.

In New Zealand, penetration of regulatory telematics is more advanced due to the country's national RUC system based on vehicle weight and distance travelled. New Zealand has around 140,000 heavy vehicles and 500,000 light commercial vehicles. More than 50% of heavy transport RUC is now collected electronically, led by EROAD's world-first national eRUC service. EROAD has collected more than \$1.9 billion of RUC on behalf of the New Zealand Transport Agency.

In addition, new health and safety and chain of responsibility regulations are driving the uptake of regulatory telematics services. Fleet owners and operators are looking to better manage driver and vehicle safety while meeting contractual obligations around fleet safety and performance put in

place by customers. The chain of responsibility regulations have expanded the market size as contracts come up for renegotiation and businesses better understand their obligations under the new regulations in New Zealand. The chain of responsibility changes come into effect in July 2018 in Australia.

NORTH AMERICA

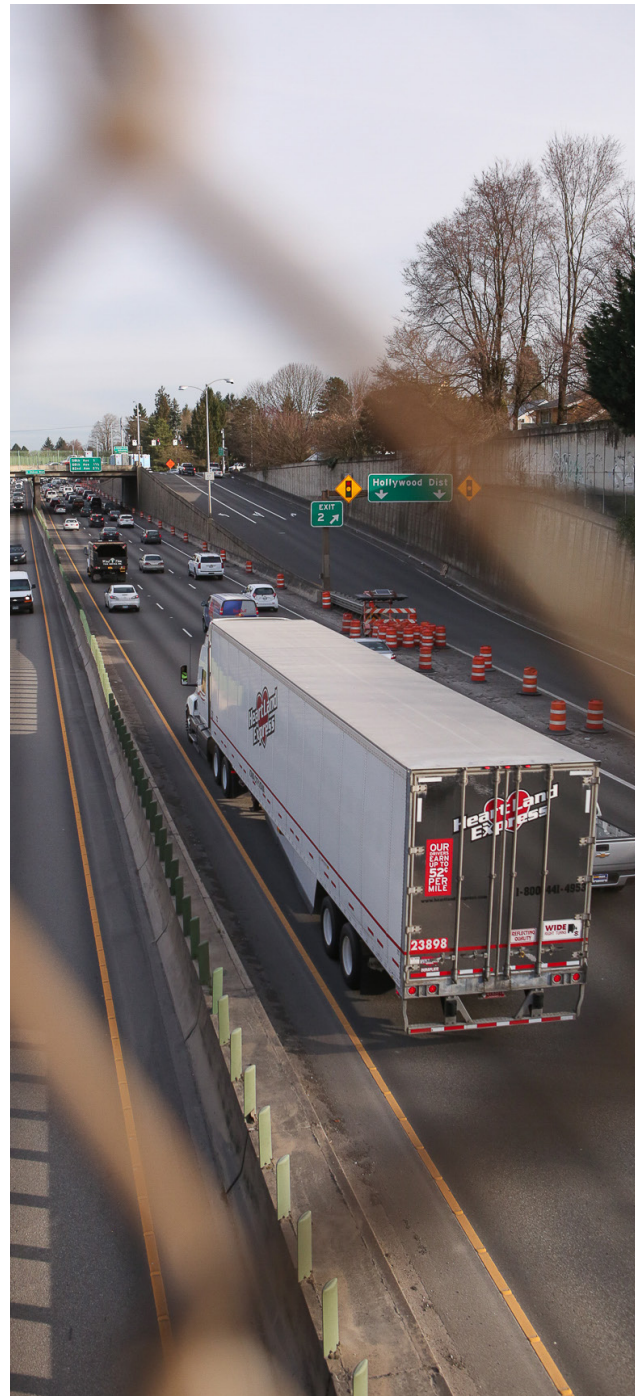
Around 3 million vehicles in the US are mandated under new federal regulations to install an ELD. Legacy AOBDRs (automatic on board recording devices) had been adopted by US fleets and have been grandfathered under the regulations but will need to be updated to meet the new technical requirements of ELDs by December 2019. Many of the US regulatory platforms, like the International Fuel Tax Agreement (IFTA), are manual and paper-based. EROAD provides both electronic IFTA and IRP (International Registration Plan) to North American customers. Oregon is one of four states where heavy vehicles pay taxes for road use based on distance travelled and vehicle weight, using a system similar to New Zealand's road user charging regime. EROAD provides an electronic solution in Oregon for managing and paying weight mile tax. Federally, fuel tax remains the main source of revenue for providing surface transportation infrastructure.

In 2016/2017, EROAD participated as the sole heavy transport services provider in California's road user charge pilot. In December 2017, EROAD was also selected to participate as the sole heavy transport services provider in the first multi-state truck pilot to explore the feasibility of a Mileage-Based User Fee (MBUF) along the United States' eastern seaboard. The I-95 Corridor Coalition truck pilot, in partnership with the Delaware Department of Transportation, will include 50 vehicles equipped with EROAD in-vehicle hardware for a period of six months. The EROAD system will record accurate mileage data and apply applicable formulas for a truck-based MBUF as prescribed by the programme's Steering Committee, which includes the American Trucking Associations. EROAD will produce dummy invoices, demonstrating payments to appropriate agencies within the I-95 Corridor Coalition. The pilot area, running from Maine to Florida, is a critical freight corridor in the US economy. More than 5 billion tons of freight, representing almost 40% of the country's GDP, moves annually across the area's 1,917 miles of roads.

1.0 OVERVIEW

In March 2018, the US federal government stated it was considering a road funding model based on user fees. The annual Economic Report of the President has proposed replacing fuel tax with a user fee, rather than raising the fuel tax as President Trump had earlier signalled. The report states that “conventional funding models are now under pressure from rising fuel efficiency and the use of electric vehicles, and congestion costs are high and rising in many urban areas.”

Oregon’s Mileage Fee Concept and Road User Fee Pilot Program, for cars and light commercial vehicles, is now underway to consider whether user charges can be extended to light vehicles. Since the introduction of the FAST (Fixing America’s Surface Transportation) Act in December 2015, a number of pilot initiatives have been established throughout the United States. Multiple states and geographic regions are testing different approaches to compare distance-based charging with the fuel tax.



“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%.”

SIMON BATCHELOR
FLEET & PROCUREMENT MANAGER
MCCONNELL DOWELL

Chairman's Report

In what was a dynamic and challenging year, EROAD continued to work to improve its business for the future while starting to enjoy the fruits of its investment.

The Board was particularly pleased to see EROAD starting to realise benefits from its investment in the US market, while continuing strong growth in New Zealand. The result of this growth saw EROAD's EBITDA grow to \$15 million, up 113% from FY17 \$7.1 million. EROAD's net profit after tax of \$0.2 million, vs a net loss after tax of \$5.3 million in FY17, reflects a turning point for EROAD of being able to grow profitably and to fund its growth via self-sustaining cash funding.

Your Board of Directors was delighted at the strong support shown by the market, both by institutional investors and individual investors, during our recent capital raise. The placement raised \$15.5 million against an initial target of \$14 million and the average institution received only 76% of what they asked for. The Share Purchase Plan raised \$6 million versus an initial target of \$4 million and was 90.78% over-subscribed. We look forward to seeing as many investors as possible at our annual meeting on 2 August 2018.

Hard work in our US business has begun to pay off in the record sales numbers (191% annual growth) we are reporting for the full year, in line with guidance. But we know this is just the beginning and that we have a lot of work still to do. We have begun planning for our next phase of growth in the US, that may involve deeper strategic partnerships, and we have engaged First NZ Capital to help us with this work.

What is clear is that EROAD's investment in R&D to build best-in-class products and services is yielding results. This means we are well placed at a time when the adoption of electric vehicles is increasing and markets move towards replacing fuel taxes with road user charges to fund and maintain roads. We are seeing this at a federal and state level in the US, and at a federal level in Australia. The opportunity for EROAD as a global leader in the provision of these services continues to expand. As we are continuing to invest our available resources in these and other opportunities, there will be no dividend this year.

In January 2018, we were delighted to welcome Graham Stuart to the Board as an independent director, and are pleased he has agreed to chair our Finance, Risk and Audit Committee. Graham has led some of New Zealand's most successful export businesses. His wealth of international experience and strategic capability, including scaling organisations for growth, will be an asset as we build on our position in New Zealand's transport services ecosystem, and continue to expand across North America and Australia.

During the year we farewelled two key players in EROAD's journey thus far. The Board acknowledges the contribution of director Sean Keane, who left the Board in May 2017, and whose guidance during the company's early phase, including its initial public offering in 2014, was invaluable. We also farewelled our founding Chief Technology Officer Bruce Wilson in July 2017. Bruce was one of the founders of the company, integral in developing our technology platform, and the talented team committed to carrying on his legacy of innovative, world-leading technology.

The year ahead is shaping up as no less challenging and no less promising. A warm welcome to our new shareholders and my thanks to our existing shareholders for your continued support. On behalf of your Board, thank you to everyone in the dedicated EROAD team that continues to break new ground in the rapidly developing field of regulatory telematics, and whose dedication to the needs of our customers is at the heart of EROAD's continuing success.

Yours sincerely



Michael Bushby, Chairman



CEO Report

EROAD is a key part of New Zealand's transport ecosystem with now more than 42% of all heavy vehicle RUC being purchased via EROAD's electronic RUC system.

This rapid, voluntary uptake of an e-commerce solution to replace a cumbersome and less accurate mechanical and paper-based system is a testament both to the innovation and adaptability of transport operators, but also the quality of EROAD's world-first eRUC solution, and our health and safety and other compliance services that add value for customers.

Four consecutive record sales quarters this year reflects a strong Australia and New Zealand business that is profitable and focused on further innovation for customers and for communities interested in better-managing roads and highways.

While we continue to foster and nurture our Australia and New Zealand business, this strong platform is allowing us to invest to seize the sizeable opportunities available in North America. Record sales growth in North America this year is pleasing, but we are ambitious to do even better and to create a profitable and sustainable business in the US to complement our Australia and New Zealand business. This is why we appointed First NZ Capital to assist us with a strategic review of our North American business.

YEAR IN REVIEW

We came into this financial year with strong momentum, and succeeded in building on this to grow total contracted units by 61.5% across the network, adding 29,559 units. A total of 77,600 units were contracted in Australia, New Zealand and North America as at 31 March 2018.

It was a busy year with respect to changes to the business to prepare for the future. We reorganised our business in July 2017 following a period of peak R&D and while our ongoing investment is still at very high levels by NZ standards, commensurate with leading global technology platforms, this has allowed us to re-orient investment towards sales and other activity to leverage our technology investment.

AUSTRALIA AND NEW ZEALAND (ANZ)

Particularly pleasing was that we surpassed our first half's additional 7,863 units in Australia and New Zealand with a further 10,041 units added in the second half of FY 2018. These 17,904 additional units in ANZ amounted to 42.7% annual growth in what is still a growing market. While eRUC is becoming the industry standard, considerable opportunity remains as health and safety compliance and other services enjoy growing demand, and an increasing number of light fleets adopt telematics to improve safety.

Our focus on solving complex problems for our customers applies to light as well as heavy vehicles. Operators of both are subject to the same health and safety requirements, and are discovering that preventative safety is key to improving road safety and compliance – as well as reducing operating costs.

A feature of our ANZ growth was the rolling out of units into the fleets of major enterprise customers, many of whom selected EROAD as much for its health and safety compliance services as for electronic RUC and fleet management. While Australian sales continue to be steady, recent federal announcements around the exploration of road user charges for heavy transport, in the face of much faster than expected uptake of electric trucks, may see medium to long term changes in that market that offer significant potential.

NORTH AMERICA

The value and ease of our ELD is slowly but surely becoming understood in the market, demonstrated by record sales quarters in the US this year. A 59.6% growth in units in the first half of the year was consolidated in our second half when the ELD regulations came into force with 82.4% growth, ending the year with 191% growth for North America where we now have 17,757 units, getting close to cash flow break even on a monthly basis.

We were very pleased when we submitted our ELD for review to an independent website, eldratings.com, to have it rated third in the market. Our ELD is also the only device in the top five on the site with a five-star customer rating.

It was heartening to be awarded Project of the Year by the Project Management Institute of NZ for the development of our ELD for the North American market. Our ELD was the first to be independently verified as compliant by PIT Group, and was the first tethered in-cab ELD solution on the register of the Federal Motor Carrier Safety Administration (FMCSA), a tribute to our design and development teams. We're delighted that our ELD is one of four in the market that the FMCSA has provided to the US Department of Transportation's National Training Centre for the training of inspectors and investigators.

Following a successful experience participating in California's road user charges pilot, EROAD has been selected to participate in a major multi-state pilot on the Eastern seaboard of the US. Canada has announced it is considering ELD regulations modelled on the US regulations, opening up opportunity for cross-border fleets.

THE YEAR AHEAD

Our successful capital raise, combined with our re-negotiated credit facility with BNZ, means that EROAD is well placed to fund continued growth and expansion of its business to capitalise on these considerable opportunities.

While there is plenty of growth left in the Australia and New Zealand market, we are also preparing for a time when our US business will outgrow and outpace our ANZ business.

This includes progressing with a number of strategic options in the US. We are also continuing to refine and strengthen our US sales and distribution, to enable the business to take advantage of the opportunities offered by larger fleets, which make up 15% of the intrastate ELD market. On 16 December 2019 the grandfathering provisions under the ELD regulations end. Many fleets have postponed decisions on an ELD solution, relying on grandfathering rules that allow carriers with an AOBDR installed prior to the ELD regulations to use this until that time.

We continue to do all of this with our customers at the centre of everything we do, grateful for their continued support, and ambitious for how we can improve compliance and business performance for them through smart, easy-to-use technology.

Yours sincerely



Steven Newman, CEO



2.0

GOVERNANCE



Board of Directors



MICHAEL BUSHBY

Chairman

Michael is a consultant at WSP Australia. Michael has 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. Michael joined the EROAD Board in May 2012 and was appointed Chair shortly thereafter.



TONY GIBSON

Independent Director, Chairman of 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, with 30 years' experience in shipping and logistics. 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 EROAD's Board in October 2009.



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. Previously the CEO of the NZ Technology Industry Association and science software company Biomatters, she is currently an Advisor for Palantir Technologies. She is also a Director for global technology recruitment company Talent International, an NZTE Beachhead Advisor and a Director of Livestock Improvement Corporation. Candace joined the EROAD Board in April 2014.



STEVEN NEWMAN

Executive Director/CEO

Steven brings a wealth of experience to EROAD after a long and successful association with Navman, which he co-founded. In his roles as COO and CEO, Steven helped establish Navman as a leading international brand within the Marine Electronics, Fleet Tracking, Precision GPS Modules and Consumer Car Navigation sectors, with annual sales in excess of NZ\$500 million. Steven has been CEO and a member of the EROAD Board since 2007.



GREGG DAL PONTE

Independent Director, Member of Remuneration, Talent and Nomination Committee

Gregg joined the EROAD Board on 1 July 2016. Gregg has served in multiple executive leadership positions in the transportation industry throughout his career. From 1996 until recently, he served as Administrator for the Oregon Department of Transport's Motor Carrier Transportation Division. Gregg is Director of Regulatory Compliance for the Oregon Trucking Associations, Inc.



GRAHAM STUART

Independent Director, Chairman of the Finance, Risk and Audit Committee

Graham joined the EROAD Board in January 2018. 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. He is also an Independent Director of Tower Insurance.

Executive Management Team



STEVEN NEWMAN

CEO / Director

(See previous page)



JARRED CLAYTON

Chief Operating Officer

Jarred oversees EROAD's global corporate, manufacturing, and research and development operations. He joined EROAD in 2008, bringing a wealth of international software and leadership experience. Jarred was instrumental in building EROAD's initial SaaS platform and has been central to the company's growth, holding key positions, leading high-performing teams, and supporting EROAD's dedication to customer success.



JASON DALE

Chief Financial Officer

Jason is responsible for EROAD's global financial functions. He has more than 25 years' experience in New Zealand, Australia and North America in finance and governance roles, and is a Fellow of Chartered Accountants Australia and New Zealand. Jason was previously CFO at Sealord Group, PGG Wrightson and Auckland International Airport, and Commercial Director at Fonterra (Ingredients).



NORM ELLIS

President - North America

Norm joined EROAD in 2017 to lead our North American business. He has more than 30 years' experience in the transportation and telematics sectors, in some of the largest businesses in the US market. He was previously COO at I.D. Systems, Inc., a producer of wireless asset management systems for the transport sector, and prior to that, led sales, services and marketing efforts at Omnitrac for the US and Canada.



TONY WARWOOD

*General Manager
New Zealand*

Tony leads EROAD's New Zealand business. Tony joined EROAD in 2009 having worked in the heavy transport industry for a number of years. Until October 2015 Tony led the New Zealand sales team as National Sales Manager.



MARK HEINE

Executive Vice President, General Counsel & Company Secretary

Mark is responsible for all aspects of legal compliance at EROAD including health and safety. Mark joined EROAD in 2015 after a career in the legal profession, having worked for Bell Gully in Auckland and Allens in Sydney.



REBECCA MCKASKELL

*Vice President
People & Capability*

Rebecca is responsible for all aspects of People & Capability, including recruitment, staff engagement, training and career development. Rebecca joined EROAD in 2012 after extensive HR and recruitment experience in New Zealand and the UK. Since joining, Rebecca has overseen the growth in the EROAD team from 34 employees to 201.



SARA GOESSI

*Vice President
Communications & Marketing*

Sara has responsibility for EROAD's global marketing and communications. Sara joined EROAD in 2012, after working in media relations and marketing for New Zealand high-tech companies.

Corporate Governance

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

As at 31 March 2018, 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.

The Company'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 provide value-added commercial services to the heavy and light vehicle transport sectors. There were no significant changes to the Company's principal activities during the financial year.

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

The Company expects its employees and directors to maintain high ethical standards. The Code of Ethics for the Company 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 the Company, 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, the Company 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 inducements.
- **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** - the Company is committed to the promotion of investor confidence by ensuring that the trading of Company shares takes place in an efficient, competitive and informed market. The Company's Market Disclosure Policy establishes the Company's disclosure policies for meeting the continuous disclosure requirements of the NZX Main Board.
- **Securities trading** - in accordance with the Company's Securities Trading Policy, the NZX Listing Rules, and the Financial Markets Conduct Act 2013, directors and employees of the Company are subject to limitations on their ability to buy or sell Company shares. The Securities Trading Policy identifies circumstances where directors, officers, employees and advisers are permitted to trade, or prohibited from trading, Company shares. The Company is committed to ensuring its directors, officers, employees and advisers do not trade Company shares while in possession of inside information.
- **Interests register** – In accordance with the Companies Act 1993 and the Financial Markets Conduct Act 2013, the Company maintains an Interests Register in which all relevant transactions and matters involving the directors are recorded.

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

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

Responsibilities of the Board and Executive Management

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

- form the Company's objectives;
- advance major strategies for achieving the Company's objectives;
- manage risks;
- determine the overall policy framework within which the business of the Company 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 role and responsibilities. The Board delegates management of the day-to-day operations and responsibilities of the Company 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. The Chairman of the Board is Michael Bushby.

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 the Company 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 the Company's website. After consideration of these factors, the Company is of the view that:

1. No non-executive director is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
2. Steven Newman is a director who, within the last three years, has been employed in an executive capacity by the Company and is a substantial shareholder.

3. No director has been a principal of a material professional adviser to the Company, or an employee materially associated with such service provider, within the last three years.
4. No director is a material supplier or customer of the Company, 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 the Company other than as a director of the Company except as follows: Steven Newman is an employee of the Company 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 the Company.
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 the Company.

Based on these assessments, the Company considers that, as at 31 March 2018, Michael Bushby, Tony Gibson, Gregg Dal Ponte, Candace Kinser and Graham Stuart were independent directors.

Nomination, appointment, retirement and re-election

In accordance with the Company's Constitution and the NZX Listing Rules, one third of the directors are required to retire by rotation and may offer themselves for re-election by shareholders each year. Procedures for the appointment and removal of directors are also governed by the Constitution. The Remuneration, Talent and Nomination Committee identifies and nominates candidates to fill director vacancies for Board approval.

In addition to the Constitution, the Company 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 the Company's website.

As at 31 March 2018, all new directors are required to enter into a written agreement with the Company, which establishes the terms of their appointment.

Diversity and Inclusion

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

The Company 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, makes teams stronger, leads to greater creativity and performance, contributes to a more meaningful relationship with customers and stakeholders, and ultimately increases 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.

The Company 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.

The Board has adopted a Diversity and Inclusion Policy in accordance with the NZX Code. The policy is available on the Company'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 the Company has addressed the requirements of the NZX Code, as at 31 March 2018, the Board has not yet set measurable objectives. However, a diversity and inclusion strategy has been developed and includes the following key initiatives that are currently underway:

- establishment of a Diversity and Inclusion Committee, to drive the Company's strategy and implementation of initiatives. The committee is responsible for recommending measurable objectives and will periodically review progress against approved measurable objectives to enable reporting on such progress by the Board;
- design and delivery of ongoing diversity and inclusion training for employees, including leadership training programmes. As at 31 March 2018, the Company has delivered training to senior employees on unconscious bias;

- articulation of the Company's initiatives that support diversity and inclusion in internal and external communication;
- fostering a transparent and open culture that enables and encourages employees to provide candid feedback, including anonymously through surveys;
- assessment and removal of roadblocks to greater diversity, including gender and at senior leadership levels.

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 2017 and 31 March 2018:

	2017		2018	
	Women	Men	Women	Men
Board	1	5	1	5
Officers	2	6	2	6
Other employees	85	149	72	121

"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 the Company.

Board Performance

The Board has a policy in place relating to the performance evaluation of the Board, the Board's committees, individual directors and senior executives. Once each calendar year, performance evaluations take place in relation to the Board, the Board's committees, individual directors and senior executives in accordance with the Company'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.

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 advisors 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 the Company'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 the Company's risk management and internal control framework, the integrity of its financial reporting and the Company's auditing processes and activities. Five meetings of the Finance, Risk and Audit Committee were held during the year ended 31 March 2018.

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 2018, the Chief Executive and the Chief Financial Officer were invited to attend each meeting of the Finance, Risk and Audit Committee.

The current members of the Finance, Risk and Audit Committee are Graham Stuart (Chairman), Tony Gibson and Candace Kinser and their qualifications are specified in "The Board" section of this Annual Report. Prior to Mr. Stuart's appointment on 1 January 2018, the members of the Finance, Risk and Audit Committee between 5 May 2017 and 1 January 2018 were Tony Gibson (Chairman), Candace Kinser and Michael Bushby. Prior to 5 May 2017 the members of the Finance, Risk and Audit Committee were Sean Keane (Chairman), 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 2018.

The Remuneration, Talent and Nomination Committee's role is to oversee and regulate remuneration and organisation matters of the Company 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 the Company's senior executives; succession planning and associated management development for the chief executive and senior executives. 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 the factors in the Appointment and Selection of New Directors policy, which includes the diversity of the background, experience and qualifications of the candidate.

The current members of the Remuneration, Talent and Nomination Committee are Anthony Gibson (Chairman), Candace Kinser and Gregg Dal Ponte.

In order to comply with the NZX Code, on 29 November 2017 Steven Newman resigned as a member of the Remuneration, Talent and Nomination Committee. Following his resignation, Steven Newman attended two Remuneration, Talent and Nomination Committee meetings at the invitation of the Committee. All current members of the Remuneration, Talent and Nomination Committee are independent directors.

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

* Sean Keane resigned from the EROAD Board in May 2017.

** Graham Stuart joined the EROAD Board in January 2018.

Board Processes

The Board held eight meetings during the year ended 31 March 2018. 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 the Company.

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 the 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 the Company's website.

Takeover protocol

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

PRINCIPLE 4 – REPORTING & DISCLOSURE

Making timely and balanced disclosure

The Company is committed to promoting shareholder confidence through open, timely and accurate market communication. The Company has in place procedures designed to ensure compliance with its disclosure obligations under the NZX Listing Rules. The Company's Market Disclosure Policy sets out the responsibilities of the Board and management in disclosure and communication and procedures for managing this obligation. A copy of this policy is available at <http://www.eroadglobal.com/global/investors>.

Non-financial reporting

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. EROAD plays a critical role in improving sustainability in the transportation industry, as follows:

• *Environmental Sustainability*

- a. EROAD's fleet management solutions help improve fuel economy and reduce engine wear and tear. By monitoring idle events and tracking driver behaviour, EROAD not only provides its customers with improvements to their bottom line but also helps lessen their businesses' impact on the environment; and
- b. EROAD remanufactures products and recycles materials to the extent possible and with minimal waste.

• *Economic Sustainability*

- c. EROAD invests in research and development to deliver products that allow customers to enjoy efficiencies across their business. For example, EROAD's paperless electronic RUC systems for monitoring and paying road charges and taxes helps customers reduce the amount of time and money spent on RUC administration and reinvest the time to grow their business
- d. EROAD's subject matter experts work with governments to assist them in creating regulatory frameworks to meet challenges in funding growing infrastructure requirements;
- e. Data used to help optimise transportation solutions, various road network and resilience planning, improvement initiatives and ensuring infrastructure funding is being used efficiently; and
- f. EROAD chooses suppliers who have sound business practices, comply with the law and conduct activities in a manner that respects human rights.

• *Social Sustainability*

- g. EROAD's safety and wellbeing professionals deliver health and safety programmes and provide expertise and support to EROAD's operations in New Zealand, North America and Australia. EROAD's safety risk assessment process brings focus to safety, further driving a reduction in injuries;
- h. EROAD's product suite benefits the community by accurately recording and collecting road user charges, reduces poor driving incidences and results in safer vehicles on the road;
- i. EROAD provides its employees with opportunities to volunteer in the community and make a difference to those in need; and
- j. EROAD has a clear Diversity and Inclusion policy and strategy, which includes maintaining a supportive culture and providing learning and leadership opportunities.

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 the Company to attract, motivate and retain the high calibre of directors who will contribute to the successful governing of the Company 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. As a result, effective from 1 January 2018, the Board resolved to increase the directors' remuneration and to start paying remuneration to the Chair of the Finance, Risk and Audit Committee and the Chair of the Remuneration, Talent and Nomination Committee (given the extra workload for these roles) as follows:

- NZ\$110,000 for the Chair of the Board,
- NZ\$55,000 for non-executive directors,
- NZ\$10,000 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 the Company in the year ended 31 March 2018:

The Board	NZ\$
Michael Bushby	85,094
Candace Kinser	50,546
Graham Stuart	13,750
Sean Keane	4,088
Anthony Gibson	50,546
Gregg Dal Ponte	50,546
Total	254,570

Chair of the Board's Committees	NZ\$
Graham Stuart	2,500
Anthony Gibson	2,000
Total	4,500

Directors do not take a portion of their remuneration under a share plan but directors may hold shares in the Company, details of which are set out in the "Directors' Shareholdings" section of this Annual Report. It is the Company'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 the Company.

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 the Company'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 senior 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 senior executive team must be approved by the Board. In conducting reviews, EROAD takes into account individual performance of each senior 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 2018, a proportion (50%) of the STI is related to achievement of Company-wide performance metrics which aim to align executives to a shared set of operational and strategic objectives based on business priorities for the next 12 months. The balance of the STI is related to individual performance measures. In the event that underlying Company performance against budget is determined by the Board to be less than 60% or where the individual fails to achieve performance contribution of 70% or higher, no STI is payable.

- **Long-term Incentives**

Eligible senior employees are invited 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 the Company, 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. If the employee ceases to be an employee during the restrictive period the Trustee will repurchase the employee's shares at the original issue price.

The eligible senior 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.

In the year ended 31 March 2018, 78,168 shares granted through the LTI scheme to senior employees in FY15 were forfeited due to the failure to double the enterprise value of the Company between FY15 and FY18.

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

Chief Executive Officer Remuneration

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

CEO Remuneration FY17 and FY18

Chief Executive	Fixed Remuneration	Performance Based Remuneration			Total
	Salary	STI	LTI	Subtotal	
Steven Newman FY17**	\$551,499	\$89,525	-	\$89,525	\$640,974
Steven Newman FY18***	\$555,859	-	-	-	\$555,859

*The FY17 STI payment was based on performance in FY16 and was paid in FY17. Mr. Newman did not participate in the FY16 LTI.

**The FY18 STI payment was based on performance in FY17. However, as the Company did not meet its targets for FY17 no STI payment or granting of shares under the LTI occurred. Mr. Newman has no outstanding LTI shares.

Breakdown of pay for performance for FY18

	Description	Performance measures	Performance hurdles and shares vested
STI*	Set at 30% of fixed pay. Based on a combination of financial and non-financial performance measures.	75% weighting company performance. Minimum threshold for vesting 60%.	The Company weighting considers the Company's performance against the metrics of EBITDA, revenue, units on Depot and customer retention.
		25% weighting individual performance. Minimum threshold for vesting 60%.	Individual performance considers the Chief Executive's performance in establishing and maintaining leadership teams, the overall performance of the EROAD group and the delivery of key projects.
LTI**	Conditional awards of shares under the long term incentive scheme.	Annual individual's performance at the end of each of the three years must be equal to or greater than the minimum performance threshold of 70% (expected performance). 50% of the shares initially granted will be forfeited for each year below the performance hurdle. For vesting to occur, enterprise value needs to have doubled in value in three years.	51,172 shares forfeited due to failure to double the enterprise value of the Company between FY15 and FY18

*Based on a FY17 remuneration policy.

**Based on a share based incentive scheme that commenced on 1 April 2015.

Employee remuneration

The Company and its subsidiaries have employees in two 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 the Company and its subsidiaries, received remuneration and other benefits that exceeded NZ\$100,000 in value as follows:

NZ\$	Number of Employees
100,000 - 110,000	15
110,001 - 120,000	10
120,001 - 130,000	9
130,001 - 140,000	13
140,001 - 150,000	5
150,001 - 160,000	3
160,001 - 170,000	6
170,001 - 180,000	4
180,001 - 190,000	3
190,001 - 200,000	1
200,001 - 210,000	3
210,001 - 220,000	1
220,001 - 230,000	2
230,001 - 240,000	1
250,001 - 260,000	2
260,001 - 270,000	1
350,001 - 360,000	2
420,001 - 430,000	1
430,001 - 440,000	1
440,001 - 450,000	1
TOTAL	84

PRINCIPLE 6 - RISK MANAGEMENT

Risk Management Framework

The Company 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 the Company's assets and maintain its reputation;
- improve the Company's operating performance; and
- support the Company'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 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 senior 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 senior executive team members. The senior executive team reviews the Risk Register in setting EROAD's strategy and budgets.

A summary of the Company's Risk Management Policy is available on the Company's website. The Board ultimately has responsibility for internal compliance and control. The Finance, Risk and Audit Committee undertakes an annual review 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 the Company'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 policy is reviewed every two years to ensure it remains consistent with the EROAD safety and wellbeing goals and legislative requirements. 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 senior 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 the 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 two 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 2018, there have been no notifiable events to report to WorkSafe NZ.

PRINCIPLE 7 – AUDITORS

EROAD does not have an internal audit function. However, the senior 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.

The Company has an External Auditor Independence Policy which is available on the Company's website. Pursuant to this policy the Company 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. The Company's external auditors attend the annual shareholders meeting to answer questions from shareholders in relation to audits.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND INTERESTS

The Company 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 the Company. To assist with this, the Company's website is maintained with relevant information, including copies of presentations and reports. The Company's key corporate governance policies are also included on the website.

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

Shareholders are able to easily communicate with the Company, including by way of email to the address investor@eroad.com. The Company'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 the Company 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 the Company's website at least 28 days prior to the annual shareholders' meeting each year.

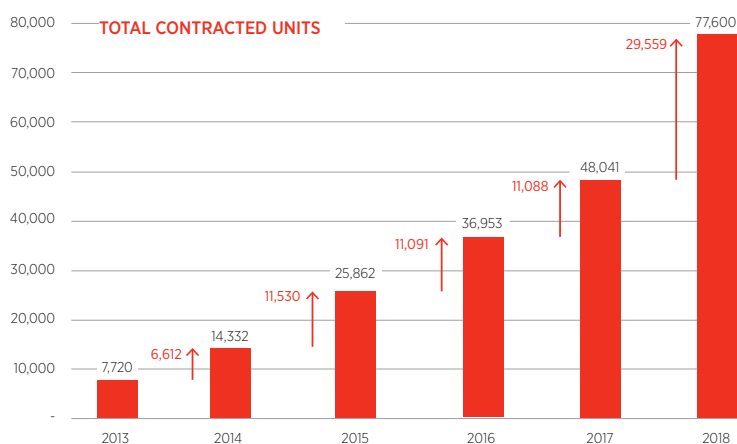
3.0

FINANCIAL PERFORMANCE

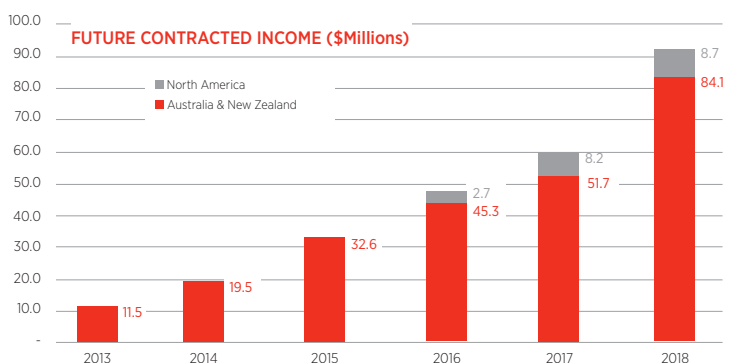
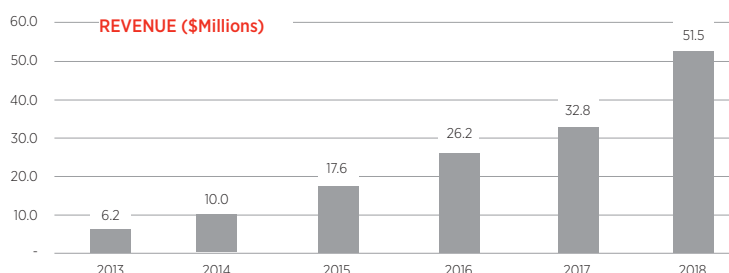


Financial Review

PERFORMANCE INDICATORS



Total Contracted Units is a measure that represents Units on Depot and Units that have been dispatched pending installation. Total Contracted Units is a non-GAAP measure that EROAD management uses to track sales growth.



Future Contracted Income is a non-GAAP measure which represents future hardware and SaaS cash inflows relating to income under non-cancellable long-term rental agreements. Note that this definition has changed from the previous period in order to include the future cash flows from finance leases, where the revenue has been recognised in advance of cash flows. Refer to Note 6 of the Financial Statements.

	2013	2014	2015	2016	2017	2018
Retention Rate	99.5%	99.3%	99.2%	97.1%	99.0%	98.0%

Retention Rate is a non-GAAP measure that represents the number of Units installed at the beginning of the period and retained on Depot at the end of the period as a percentage of the number of Units on Depot at the beginning of that period. A unit ceases to be on Depot if the contract is terminated and the Unit is returned to EROAD.

FIVE YEAR SUMMARY

(\$'000)	2014	2015	2016	2017	2018
Revenue	9,964	17,550	26,165	32,764	51,524
EBITDA before non-operating costs ¹	4,029	5,038	5,687	7,056	15,010
Depreciation	(2,320)	(3,560)	(5,813)	(8,086)	(9,946)
Amortisation	(648)	(1,140)	(1,676)	(3,992)	(5,594)
EBIT before non-operating costs	1,062	338	(1,802)	(5,021)	(530)
Net financing costs	(42)	758	491	(236)	(1,014)
Net Profit / (loss) before tax and listing costs	1,020	1,096	(1,311)	(5,257)	(1,544)

¹EBITDA before non-operating costs is earnings before interest income and expense, taxation, depreciation, amortisation and non-operating costs. EBITDA before non-operating costs is a non-GAAP measure presented to enable readers to consider EROAD's profitability before non-operating costs. Non-operating costs in the year-ended 31 March 2015 comprised costs of listing on the NZX Main Board.

2018 FINANCIAL PERFORMANCE:

Revenue

Operating revenues of \$51.5 million for the year ended 31 March 2018 were 57% higher than the prior year. Total Contracted Units increased by 61.5% to 77,600 units during the year.

Our Australian and New Zealand segment contributed revenues of \$40.6 million, an increase of 46% on the previous year. Total Contracted Units grew by 43% during the year to 59,843 at 31 March 2018. Volume was driven by continued penetration into larger enterprise accounts and lighter vehicles with our health and safety offering. The growth in these areas has led to some downwards pressure in recurring revenue per unit, however this has been offset in the current period by a significant increase in the number of longer term contracts that are accounted for as finance leases. During the year ended 31 March 2018, \$5.8 million of revenue was recognised for finance leases, an increase of \$5.0 million on the previous financial year.

The North American segment contributed revenues of \$10 million, an increase of 145% on the previous financial year. Total Contracted Units grew by 191% during the year to 17,757 at 31 March 2018. The ELD mandate significantly changed the landscape for EROAD in North America, delivering record sales results. As motor carriers prepared their fleets for the December 2017 compliance deadline, a significant proportion of the unit growth was realised in the second half of the year.

External Corporate & Development revenues of \$0.9 million relate primarily to Callaghan R&D Grant income.

Operating Expenses

Operating expenses of \$36.5 million for the year ended 31 March 2018 were 42% higher than the previous financial year. Certain operating expenses such as SaaS platform costs increased as a result of the additional volume of units. The cost of hardware and accessories expensed were significantly higher compared to the previous year, primarily due to a significant number of finance leases recognised in the Australian and New Zealand segment as well as a higher number of direct sales and accessory sales in the North American market.

In the first half of the year expenses grew at a higher rate than revenue primarily due to investment in customer acquisition costs in North America. In addition, the Group incurred some restructuring costs, primarily in our Corporate segment, as the size of the team was reduced from the peak levels required to deliver ELD. As expected, margin improved in the second half of the year as the revenue benefits from the investment in customer acquisition materialised and the cost savings as a result of the restructure were realised.

Depreciation and Amortisation

Depreciation costs of \$9.9 million has increased by 23% on the previous financial year. Depreciation has not grown at the same rate as unit growth partly due to a higher number of finance leases and direct sales in the current period resulting in the cost of the unit being expensed upfront rather than depreciated and additionally a higher proportion of unit growth coming in the second half of the year.

Amortisation of \$5.6 million has increased by 40% on the previous financial year. During the previous year a large portion of the development spend relating to ELD remained in Work in Progress for most of the year and was not amortised. The current year includes a full of amortisation on these assets following the commercial launch of our ELD in the last quarter of the previous year.

Finance Income and Finance Expenses

Net finance costs of \$1 million are up significantly on the previous year following the Group securing new debt facilities to assist with the funding of our long-term rental agreements.

	2018	2017
Earnings Per Share - Ordinary (cents)	0.34	(8.82)
Earnings Per Share - Diluted (cents)	0.34	(8.81)
Net Tangible Assets per Security	0.55	0.28

2017 FINANCIAL POSITION AND CASH FLOW

Property, Plant & Equipment

Additions to Property, Plant and Equipment amounted to \$14.5 million for the year ended 31 March 2018. \$14.1 million of these additions relate to additions to leased assets (units rented to customers under operating leases) and leased assets under construction.

Development Assets

During the year ended 31 March 2018 a further \$6.8 million was invested into Development and Software assets, down from \$9.4 million in the prior year. This decrease is due to reductions in headcount after reaching peak development levels prior to the launch of our ELD solution, in addition to an increased proportion of expensed costs for research and maintenance activities. In addition to working on creating a more efficient and scalable platform, investment has continued to be focused on improving our ELD solution, developing our driver inspection products for both markets, and continuing to expand our health and safety offering. Investment in Software Assets includes the first-stage implementation of a new financial system.

Cash increased by \$20.9 million during the period.

Operating cash flows of \$2.0 million were suppressed partly due higher levels of expensed research and maintenance costs as well as adverse working capital movements and increases in finance lease receivables.

Cash flows and funding

Cash outflows from investing activities were \$21.4 million for the year ended 31 March 2018, an increase of 7% on the previous period driven largely by a 38% increase in payments for Property, Plant and Equipment due to the increase in sales volume and partly offset by 27% lower payments for Intangible Assets as a result of lower levels of capitalisation of Development Assets.

Cash flows from financing activities were \$40.3 million up from \$6.3 million in the comparative period. The Group has received \$19.5 million of debt financing during the year. To support funding requirements in connection with the Group's growth and to manage the related working capital requirements, the Group entered a new Multi-Option Credit Facility Agreement with the Bank of New Zealand. The facilities include a Committed Cash Advance Facility to finance the up-front costs in connection with securing Future Contracted Income in the form of long-term rental agreements. In addition the Group received \$21.5 million of equity funding during the period following our successful equity placement in December 2017 and share purchase plan in March 2018. The Group paid costs of raising capital of \$0.7 million.

DIVIDEND

Consistent with its Dividend Policy, EROAD does not intend to pay a final dividend for the period ended 31 March 2018.

Financial Statements

- Directors' Responsibility Statement
- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Financial Position
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements
- Independent Auditor's Report

Directors' Responsibility Statement

In the opinion of the Directors of EROAD Limited, the consolidated financial statements and notes, on pages 31 to 65, comply with New Zealand Generally Accepted Accounting Practice and have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The Directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of EROAD Limited and its subsidiaries (the "Group") and facilitate compliance of the financial statements with the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The Directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The Directors are pleased to present the financial statements of the Group for the period ended 31 March 2018.

For and on behalf of the Board of Directors:



Michael Bushby
18 May 2018



Graham Stuart
18 May 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Notes	GROUP	
		31 March 2018	31 March 2017
		\$	\$
Revenue	2	51,523,757	32,763,801
Expenses	3	(36,513,784)	(25,707,729)
Earnings before interest, taxation, depreciation and amortisation		15,009,973	7,056,072
Depreciation	13	(9,945,960)	(8,085,688)
Amortisation	14	(5,594,391)	(3,991,636)
Earnings before interest and taxation		(530,378)	(5,021,252)
Finance income	7	245,616	100,283
Finance expense	7	(1,259,442)	(336,358)
Net financing costs		(1,013,826)	(236,075)
Profit/(loss) before tax		(1,544,204)	(5,257,327)
Income tax (expense)/benefit	8	1,753,820	(16,829)
Profit/(loss) from continuing operations		209,616	(5,274,156)
Profit/(loss) after tax for the year attributable to the shareholders		209,616	(5,274,156)
Other comprehensive income		(196,793)	(233,688)
Total comprehensive income/(loss) for the year		12,823	(5,507,844)
Earnings per share - Basic (cents)	10	0.34	(8.82)
Earnings per share - Diluted (cents)	10	0.34	(8.81)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Notes	GROUP	
		31 March 2018	31 March 2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	11	21,870,415	935,359
Restricted bank account	11	9,173,434	9,208,289
Trade and other receivables	12	13,419,427	6,800,780
Finance lease receivable	6	1,816,447	498,142
Current tax receivable		21,456	361,912
Total Current Assets		46,301,179	17,804,482
NON-CURRENT ASSETS			
Property, plant and equipment	13	28,337,668	23,763,937
Intangible assets	14	29,901,469	28,662,777
Finance lease receivable	6	4,421,483	906,265
Deferred tax assets	9	3,878,971	1,925,352
Total Non-Current Assets		66,539,591	55,258,331
TOTAL ASSETS		112,840,770	73,062,813
CURRENT LIABILITIES			
Overdrafts	11	-	873
Borrowings	16	10,574,689	-
Trade payables and accruals	15	5,184,311	5,632,175
Payable to NZTA		9,114,502	9,243,383
Current tax payable		85,245	-
Deferred revenue	18	2,265,044	2,656,518
Employee entitlements		1,147,462	1,201,002
Total Current Liabilities		28,371,253	18,733,951
NON-CURRENT LIABILITIES			
Borrowings	16	15,908,670	7,029,304
Deferred revenue	18	1,236,149	1,743,824
Deferred tax liabilities		164,134	-
Total Non-Current Liabilities		17,308,953	8,773,128
TOTAL LIABILITIES		45,680,206	27,507,079
NET ASSETS		67,160,564	45,555,734
EQUITY			
Share capital	10	80,326,438	58,965,367
Translation reserve		(540,182)	(343,389)
Retained earnings		(12,625,692)	(13,066,244)
TOTAL SHAREHOLDERS' EQUITY		67,160,564	45,555,734

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



Chairman, 18 May 2018



Chairman of the Finance, Risk and Audit Committee, 18 May 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

GROUP	Notes	Share Capital	Retained Earnings	Translation Reserve	Total
		\$	\$	\$	\$
Balance at 1 April 2016		58,819,932	(7,991,750)	(109,701)	50,718,481
Profit after tax for the period		-	(5,274,156)	-	(5,274,156)
Other comprehensive income		-	-	(233,688)	(233,688)
Total comprehensive loss for the period, net of tax		-	(5,274,156)	(233,688)	(5,507,844)
Equity settled share-based payments		145,435	199,662	-	345,097
Share capital issued	10	-	-	-	-
Balance at 31 March 2017		58,965,367	(13,066,244)	(343,389)	45,555,734
Balance as at 1 April 2017		58,965,367	(13,066,244)	(343,389)	45,555,734
Profit after tax for the period		-	209,616	-	209,616
Other comprehensive income		-	-	(196,793)	(196,793)
Total comprehensive Income for the period, net of tax		-	209,616	(196,793)	12,823
Equity settled share-based payments		37,818	230,936	-	268,754
Share capital issued	10	21,323,253	-	-	21,323,253
Balance at 31 March 2018		80,326,438	(12,625,692)	(540,182)	67,160,564

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	GROUP	
		31 March 2018	31 March 2017
		\$	\$
Cash flows from operating activities			
Cash received from customers		39,172,438	29,586,648
Payments to suppliers and employees		(36,408,233)	(22,952,847)
Interest received		161,375	100,283
Interest paid		(1,259,442)	(200,775)
Tax received		340,456	94,969
Net cash inflow from operating activities		2,006,594	6,628,278
Cash flows from investing activities			
Payments for purchase of property, plant & equipment	13	(14,519,691)	(10,488,345)
Payments for purchase of intangible assets	14	(6,833,083)	(9,385,454)
Net cash outflow from investing activities		(21,352,774)	(19,873,799)
Cash flows from financing activities			
Receipts from bank loans	16	22,831,244	6,026,999
Repayment of bank loans	16	(3,377,189)	-
Receipts from repayment of loans to directors		-	279,996
Receipts from issue of equity	10	21,501,711	-
Payments for costs of raising equity	10	(673,657)	-
Net cash inflow from financing activities		40,282,109	6,306,995
Net increase/(decrease) in cash held		20,935,929	(6,938,526)
Cash at beginning of the financial period		934,486	7,873,012
Closing cash and cash equivalents (net of overdrafts)		21,870,415	934,486

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 period ended 31 March 2018.

The financial statements were authorised for issue by the directors on 18 May 2018.

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 31 to 65.

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 6:** assessment of whether a long-term rental agreement is a finance or operating lease (also refer note (d)).
- **Note 9:** recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.
- **Note 14:** impairment testing for intangible assets, key assumptions underlying recoverable amounts, including the recoverability of development costs.

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)**(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**Hardware revenue - direct sales**

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer and the amount of revenue can be reliably measured. Revenue is measured net of returns and trade and volume discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods, or where there is continuing management involvement with the goods.

Recurring operating lease revenue

When the Group retains the significant risks and rewards of ownership of hardware products under long-term rental agreements, the hardware assets are carried on the balance sheet and revenue relating to the hardware is accounted for as an operating lease and recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Any lease incentives provided are recognised as an integral part of the total lease, over the term of the lease.

Finance lease revenue

The substance of long-term rental agreements is assessed by management and if it is considered that substantially all the risks and rewards incident to ownership have been transferred, the arrangement is accounted for as a finance lease.

Recurring service fee revenue

Revenue from services rendered is recognised in the Statement of Comprehensive Income in proportion to the stage of completion.

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.

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

(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 and fair value movements on derivative financial instruments.

(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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 adjusted to reflect managements assessment of whether it is probable that the related tax benefit will be realised.

(g) Financial Instruments

Derivative financial instruments

The Group, may on occasion, use derivative financial instruments to hedge its exposure to foreign currency fluctuations.

Derivatives are initially recognised at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of comprehensive income.

Non-derivative financial instruments

The Group initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

The Group classifies non-derivative financial assets and liabilities into the following categories: loans and receivables and other financial liabilities.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

Other liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

(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

Owned assets

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.

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)**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	12 - 30%	Straight line
Leased equipment	16 - 33%	Straight line
Plant and equipment	9 - 30%	Straight line
Computer/Office equipment	36 - 60%	Straight line
Motor vehicles	20 - 30%	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

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position. Payments made under operating leases are recognised in the statement of comprehensive income on a basis representative of the pattern of benefits expected to be derived from the leased asset.

(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 intangible 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 it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income when incurred.

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

(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.

Share-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.

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

(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.

(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 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 Chief Executive Officer 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 1 April 2018, and have not been applied in preparing these consolidated financial statements.

NZ IFRS 15 Revenue from Contracts with Customers - The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including NZ IAS 18 Revenue, NZ IAS 11 Construction Contracts and NZ IFRIC 13 Customer Loyalty Programmes. NZ IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018 with early adoption permitted. Management has performed a preliminary assessment of the impact of NZ IFRS 15. Recurring rental revenues are under long-term lease agreements and will continue to be accounted for in accordance with the relevant lease standard (NZ IAS 17/NZ IFRS 16), however the contract must be unbundled and the Software as a Service (SaaS) component will be recognised in accordance with NZ IFRS 15.

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

Based on our assessment of the performance obligations for SaaS and other revenue streams, management does not believe the standard will have a significant impact on the amount and timing of revenue. Under the existing standards, management capitalises certain costs in relation to establishing a lease, as lease establishment costs and depreciates these costs over the life of the lease. Under the new standard incremental costs of obtaining a contract, that are expected to be recovered, are recognised as a contract asset. Management have assessed our current capitalisation of lease establishment costs against the requirements of the new standard and have concluded that impact of adopting NZ IFRS 15 will result in less costs being capitalised as either lease establishment costs or contract costs. Management estimate that had the standard been in effect for the current financial year ended 31 March 2018, an additional \$1.9-\$2.2m of expenses would have been recognised in the Statement of Comprehensive Income, with a corresponding reduction to leased assets.

NZ IFRS 9 Financial Instruments - The standard replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from NZ IAS 39. NZ IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Management has performed a preliminary assessment of the impact of NZ IFRS 9. It is expected that the new expected credit loss model for calculating impairment on financial assets will change the way impairment is assessed and recognised for our accounts receivable balances. The Group does not currently have any hedge accounting in place and therefore does not expect any significant impact as a result of the new general hedge accounting requirements.

NZ IFRS 16 Leases - The standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under NZ IAS 17. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. Lessor accounting is substantially the same as NZ IAS 17's dual classification approach. Application of NZ IFRS 16 is required for annual periods beginning on or after 1 January 2019 with early adoption permitted but not before an entity applied NZ IFRS 15. The Group is assessing the potential impact on its financial statements resulting from the application of NZ IFRS 16. Management has performed a preliminary assessment of the impact of NZ IFRS 16. A significant number of the Group's contracts with customers are long-term lease agreements which will fall within the scope of NZ IFRS 16. However as lessor accounting is substantially the same as NZ IAS 17's dual classification approach management believe the standard will not have a material impact on the timing and amount of lease revenue recognised. The definition of initial direct costs under the new standard may result in certain costs currently capitalised as lease establishment costs being expensed when incurred. As a lessor, the Group's main significant operating leases relate to offices and other premises. The Group will recognise a liability to pay rentals and recognise a corresponding asset for these premises. The Group is currently in negotiations to renew the lease for our head office and will quantify the impact of the change once these negotiations have been completed.

There are a number of other new or amended standards that are effective for annual period beginning on or after 1 April 2018 that are not expected to have a significant impact on the Group's consolidated financial statements.

NOTE 2 • REVENUE

	Notes	GROUP	
		2018	2017
		\$	\$
Recurring operating lease and service fee revenue		36,316,308	26,316,354
Hardware revenue - direct sales		2,073,407	574,638
Finance lease revenue	6	5,800,225	789,749
Transaction fee revenue		1,847,006	1,492,420
Grant revenue		894,552	845,813
Other revenue		4,592,259	2,744,827
Total Revenues		51,523,757	32,763,801

NOTE 3 • EXPENSES

	Notes	GROUP	
		2018	2017
		\$	\$
Personnel expenses	5	12,900,151	11,182,925
Administrative and other operating expenses		12,392,196	8,678,935
SaaS platform costs		4,983,418	3,452,086
Hardware and accessory costs expensed		4,565,378	749,167
Operating lease expense	17	1,008,964	987,708
Directors fees	25	259,070	260,725
Auditor's remuneration - KPMG		189,525	169,125
Tax compliance services - KPMG		57,509	114,622
Tax advisory services - KPMG		69,554	19,312
Health & Safety Advisory - KPMG		-	93,124
Corporate Finance - KPMG*		88,019	-
Total Expenses		36,513,784	25,707,729

* Gross Corporate Finance fees were \$250,393 of which \$162,374 was capitalised. These fees were for support provided in relation to the establishment of new debt facilities during the year ended 31 March 2018.

During the year the costs expensed in Research and Development was \$4,472,760 (2017: \$3,974,137).

NOTE 4 • 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 company 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.

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.

Change in segment presentation

Due to changes in the group and the reporting information provided to the chief operating decision maker, the Group has changed both its reportable segments from those reported at 31 March 2017. The segment result has also been changed from net profit after tax to EBITDA. As a result of the change, comparative amounts in the operating segment disclosure have been restated to align with the current year's presentation.

	Corporate & Development		North America		Australia & New Zealand	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Revenue ¹	23,656,601	7,795,037	10,009,488	4,080,434	40,564,894	27,837,554
Earnings Before Interest, Taxation, Depreciation & Amortisation	(5,333,338)	(5,922,305)	(1,412,726)	(3,861,929)	24,242,439	17,094,780
Total assets	69,533,971	52,526,898	16,375,952	5,024,015	38,447,724	31,573,920
Depreciation	(548,894)	(610,875)	(2,282,949)	(1,038,136)	(7,448,884)	(6,610,008)
Amortisation	(5,594,391)	(3,991,636)	-	-	-	-

¹ Revenue from Corporate & Development Markets includes R&D Grant Income of \$894,552 (2017:\$845,813)

NOTE 4 • SEGMENTAL NOTE (CONTINUED)**Reconciliation of information on reportable segments**

GROUP	2018	2017
	\$	\$
Revenue		
Total revenue for reportable segments	73,230,983	39,713,025
Elimination of inter-segment revenue	(21,707,226)	(6,949,224)
Consolidated revenue	51,523,757	32,763,801
EBITDA		
Total EBITDA for reportable segments	17,496,375	7,310,546
Elimination of inter-segment EBITDA	(2,486,402)	(254,474)
Consolidated EBITDA	15,009,973	7,056,072
Depreciation		
Total depreciation for reportable segments	(10,280,727)	(8,259,019)
Elimination of inter-segment profit	334,767	173,331
Consolidated depreciation	(9,945,960)	(8,085,688)
Total assets		
Total assets for reportable segments	124,357,647	89,124,833
Elimination of inter-segment balances	(11,664,508)	(16,062,020)
Consolidated total assets	112,693,139	73,062,813

Development Assets

Included within Total Assets are Development Assets of \$26,852,630 (2017: \$26,197,426), 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 is 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 2018 there was \$16,911,642 (2017: \$16,210,673) 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:

	2018	2017
	\$	\$
North America	12,822,744	13,133,177
Australia & New Zealand	14,029,886	13,064,249
	26,852,630	26,197,426

NOTE 4 • SEGMENTAL NOTE (CONTINUED)**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.

	GROUP	
	2018	2017
	\$	\$
Revenue		
New Zealand	40,813,411	28,261,731
All foreign countries:		
USA	10,009,488	4,080,434
Australia	700,858	421,636
Total revenue	51,523,757	32,763,801
Non-current assets		
New Zealand	49,724,486	49,940,994
All foreign countries:		
USA	12,227,646	3,104,861
Australia	708,488	287,124
Total non-current assets	62,660,620	53,332,979

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

NOTE 5 • PERSONNEL EXPENSES

	GROUP	
	2018	2017
	\$	\$
Salaries and wages - excluding capitalised lease establishment costs	16,898,437	16,979,730
Annual leave	(107,912)	285,786
Performance bonus	894,983	1,039,370
Share-based payments	268,754	345,097
Salaries and wages capitalised to Development and Software Assets	(5,054,111)	(7,467,058)
Total personnel expenses	12,900,151	11,182,925

NOTE 6 • LEASES AS A LESSOR**Operating leases**

The Group leases out products on long-term rentals, usually for a period of 36 months. At 31 March, the future minimum lease payments (future contracted income) under non-cancellable operating leases are receivable as follows.

	GROUP	
	2018	2017
	\$	\$
Future minimum lease payments		
Not later than one year	12,809,371	10,791,554
Later than one year, not later than five years	20,925,185	10,346,171
Later than five years	-	-
	33,734,556	21,137,725

During the period revenue of \$32,332,849 (2017: \$26,316,354) was recognised as revenue in the statement of comprehensive income in relation to long-term rentals accounted for as operating leases and related software as a service (SaaS) revenue.

Finance leases

In situations where the Group leases products on long-term rentals agreement, the substance of the transaction is assessed and if it is considered that substantially all the risks and rewards incident to ownership have been transferred, the arrangement is accounted for as a finance lease. At 31 March, the future minimum lease payments (future contracted income) under non-cancellable leases are receivable as follows.

	Gross investment in the lease		Unearned finance income		Present value of minimum lease payments	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Not later than one year	2,103,918	542,355	287,471	44,213	1,816,447	498,142
Later than one year not later than five years	4,759,214	944,988	337,731	38,723	4,421,483	906,265
Later than five years	-	-	-	-	-	-
	6,863,132	1,487,343	625,202	82,936	6,237,930	1,404,407

During the period \$5,800,225 (2017: \$789,749) was recognised as revenue in the statement of comprehensive income in relation to long-term rentals accounted for as finance leases.

Total Future Contracted Income

Amounts disclosed above in relation to future minimum lease payments (operating leases) and gross investment in leases (finance leases) only relate to the hardware element of long-term rentals accounted for as leases. The Total Future Contracted Income (hardware and SaaS) under non-cancellable long-term agreements at 31 March 2018 is \$86,518,216 (2017: \$58,538,888) excluding revenue already recognised under finance leases, and \$92,756,146 (2017: \$59,943,295) including finance lease revenue already recognised in advance of cash flows. During the period the Group amended its definition of the non-GAAP measure of Future Contracted Income in order to include the Future cash flows from finance leases, where the revenue has been recognised in advance of cash flows. The Group expects the profile of future recognition of this income to be consistent with the profile of the future minimum lease payments for the hardware element of this income which is outlined above for operating leases.

NOTE 7 • FINANCE INCOME & FINANCE EXPENSES

	GROUP	
	2018	2017
	\$	\$
Finance income		
Interest income	161,375	100,283
Foreign exchange gains	84,241	-
	245,616	100,283
Finance expenses		
Interest expense	(1,259,442)	(200,775)
Foreign exchange losses	-	(135,583)
	(1,259,442)	(336,358)
Net financing costs	(1,013,826)	(236,075)

NOTE 8 • INCOME TAX EXPENSE

	GROUP	
	2018	2017
	\$	\$
(a) Reconciliation of effective tax rate		
Income tax using the Company's domestic tax rate of 28%	(1,544,204)	(5,257,327)
Reduction in tax rate	(432,378)	(1,472,051)
Non-deductible expense/(non-assessable income)		
Temporary differences	(99,927)	-
Losses and timing differences (recognised)/not recognised	24,909	35,978
Effect of different tax rates	(1,264,614)	1,442,356
Income tax expense/(benefit)	18,190	10,546
Income tax expense/(benefit)	(1,753,820)	16,829
(b) Current tax (benefit)/expense		
Current period	107,774	-
	107,774	-
(c) Deferred tax (benefit)/expense		
Current period	(1,861,594)	16,829
	(1,861,594)	16,829

At 31 March 2018 there were no imputation credits available to shareholders (2017: Nil)

NOTE 9 • DEFERRED TAX ASSETS / (LIABILITIES)

	GROUP	
	2018	2017
	\$	\$
Recognised deferred tax assets and liabilities		
Deferred tax assets and (liabilities) are attributable to the following:		
Tax loss carry forward	9,085,688	6,856,761
Property, plant and equipment	(131,234)	(400,099)
Deferred development expenditure	(3,826,229)	(2,947,973)
Provisions and accruals	601,694	340,619
Equity-settled share-based payments	191,046	126,384
Revenue recognition	(2,206,128)	(2,050,340)
Total deferred tax asset/(liability)	3,714,837	1,925,352

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.

Movement in temporary differences during the period:

GROUP	Balance 31 March 18	Recognised in profit or loss	Under/(over) from prior periods	Changes in tax rates	Currency Translation	Balance 31 March 17	Movement in Period	Balance 31 March 16
	\$	\$	\$	\$	\$	\$	\$	\$
Tax loss carry forward	9,085,688	2,877,629	(231,306)	(406,688)	(10,708)	6,856,761	1,895,252	4,961,509
Property, plant and equipment	(131,234)	(93,057)	(6,473)	412,065	(43,670)	(400,099)	(525,787)	125,688
Deferred development expenditure	(3,826,229)	(878,256)	-	-	-	(2,947,973)	(1,032,284)	(1,915,689)
Provisions and accruals	601,694	88,063	231,306	(56,794)	(1,500)	340,619	107,779	232,840
Equity-settled share-based payments	191,046	64,662	-	-	-	126,384	55,905	70,479
Revenue recognition	(2,206,128)	(311,696)	-	151,345	4,563	(2,050,340)	(528,219)	(1,522,121)
Total	3,714,837	1,747,345	(6,473)	99,928	(51,315)	1,925,352	(27,354)	1,952,706

The New Zealand tax group consists of EROAD Limited and EROAD Financial Services Limited. Losses incurred within this Group are transferred freely within the Group with no compensation being recognised. Deferred tax assets have been recognised in respect of these items because it is probable that future taxable profit will be available against which the Group can utilise the benefits there from based on the expected profitability of the New Zealand Group. Determining the extent to which losses will be utilised requires judgement.

In the prior period the Group determined that \$5,342,575 of gross tax losses had not meet the criteria for recognition as a deferred tax asset. These tax losses relate to losses in the New Zealand tax group. Management have reassessed unrecognised deferred tax assets during the current reporting period, and have concluded that there is convincing evidence that there will be future taxable profit that will allow the deferred tax asset to be recognised. The evidence considered included the fact the New Zealand tax group will report an accounting profit before tax in the current period, review of forward looking forecasts for the New Zealand tax group, the impact of group transfer pricing policies and the expected impact of timing differences. The recognition of previously unrecognised losses in the current period has resulted in a tax credit of \$1,495,921 being recognised in the Statement of Comprehensive Income and a corresponding increase in the deferred tax asset.

NOTE 10 • 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 2016	60,168,864		58,819,932
Issue of shares to staff under LTI/LTS schemes	76,796	\$2.83	217,678
Held in trust as treasury stock		\$2.83	(72,243)
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

At 31 March 2018 there was 68,089,931 authorised and issued ordinary shares (2017: 60,245,660). 906,783 (2017: 416,783) 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 2017, 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 2018 was based on the profit attributable to ordinary shareholders of \$209,616 (2017: (\$5,274,156)). The weighted number of ordinary shares was 61,668,093 (2017: 59,777,568) for basic earnings per share and 62,027,558 for diluted earnings per share (2017: 59,777,568).

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 11 • CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	GROUP	
	2018	2017
	\$	\$
Cash and bank	21,870,415	935,359
Overdrafts	-	(873)
	21,870,415	934,486

Restricted bank accounts are presented separately from cash and cash equivalents on the face of the Statement of Financial Position and, as a result, movements in restricted bank accounts are excluded from the Statement of Cash Flows. The restricted bank accounts relate to road users taxes collected from clients due for payment to the appropriate government agency.

NOTE 12 • TRADE AND OTHER RECEIVABLES

	GROUP	
	2018	2017
	\$	\$
Trade receivables	8,251,355	3,484,027
Provision for doubtful debts	(555,073)	(21,634)
	7,696,282	3,462,393
Prepayments and other receivables	5,723,145	3,338,387
	13,419,427	6,800,780

In addition to the movement in the provision for doubtful debts, the Group has written off \$56,334 (2017: nil) of bad debts to the statement of comprehensive income during the year ended 31 March 2018. Bad bad provisioning and write-offs are assessed based on a specific review of the Groups debtors aged trial balance and management making and assessment on the collectability of aged balances. Considerations include past payment history for customers and outcomes of collections discussions in relation to these customers.

(a) Credit risk

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

GROUP	Gross	Allowance for doubtful debts	Gross	Allowance for doubtful debts
	2018	2018	2017	2017
	\$	\$	\$	\$
Not past due	3,914,796	(14,600)	2,270,080	(167)
Past due 1-30 days	1,732,962	(80,123)	704,548	(773)
Past due 31-60 days	843,233	(56,801)	229,225	(773)
Past due over 61 days	1,760,364	(403,549)	280,174	(19,921)
	8,251,355	(555,073)	3,484,027	(21,634)

NOTE 13 • PROPERTY, PLANT AND EQUIPMENT

	Leased equipment	Plant and equipment	Leasehold improvements	Motor vehicles	Office equipment	Computers	Total
GROUP	\$	\$	\$	\$	\$	\$	\$
Year ended 31 March 2017							
Opening net book amount	18,735,454	90,216	725,706	489,273	548,215	772,416	21,361,280
Additions	10,195,049	71,192	3,559	123,608	101,391	172,861	10,667,660
Disposals	-	-	-	(90,627)	(24,736)	-	(115,363)
Depreciation charge	(7,136,241)	(33,210)	(132,703)	(142,712)	(184,719)	(456,103)	(8,085,688)
Depreciation recovered	-	-	-	34,919	6,238	-	41,157
Effect of movement in exchange rates	(75,286)	-	(17,415)	(313)	(8,231)	(3,864)	(105,109)
Closing net book amount	21,718,976	128,198	579,147	414,148	438,158	485,310	23,763,937
Cost	40,607,259	347,920	1,105,111	806,152	937,004	2,525,003	46,328,449
Accumulated depreciation	(18,888,283)	(219,722)	(525,964)	(392,004)	(498,846)	(2,039,693)	(22,564,512)
Net book amount	21,718,976	128,198	579,147	414,148	438,158	485,310	23,763,937
Year ended 31 March 2018							
Opening net book amount	21,718,976	128,198	579,147	414,148	438,158	485,310	23,763,937
Additions	14,081,181	158,808	-	166,935	81,657	51,028	14,539,609
Disposals	-	-	-	(42,170)	-	(3,205)	(45,375)
Depreciation charge	(9,009,581)	(69,011)	(132,876)	(165,270)	(202,180)	(367,042)	(9,945,960)
Depreciation recovered	-	-	-	34,633	-	623	35,256
Effect of movement in exchange rates	(1,184)	-	(5,724)	-	(2,112)	(779)	(9,799)
Closing net book amount	26,789,392	217,995	440,547	408,276	315,523	165,935	28,337,668
Cost	54,648,767	506,729	1,096,375	930,918	1,013,773	2,570,002	60,766,564
Accumulated depreciation	(27,859,375)	(288,734)	(655,828)	(522,642)	(698,250)	(2,404,067)	(32,428,896)
Net book amount	26,789,392	217,995	440,547	408,276	315,523	165,935	28,337,668

Included in the Leased equipment is equipment under construction to be leased of \$4,630,977 (2017: \$4,711,866).

NOTE 13 • PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**Change in estimates**

During the previous accounting period, the Group conducted a review of the expected useful life of its leased equipment. The Group determined that hardware assets (excluding Tubo's) were generally lasting two standard 36-month cycles, and therefore the expected useful life of the equipment was increased from 5 years to 6 years. Conversely the Group determined that the expected useful life of trailer units (Tubo's) should be reduced from 5 years to 3 years. Unlike other hardware assets which are generally installed in-cab, Tubo's are installed externally and subject to greater wear and tear. The change in estimate was approved by the Board in April 2017 and was applied prospectively.

NOTE 14 • INTANGIBLE ASSETS

	Patents	Trade Marks	Development	Software	Total
GROUP	\$	\$	\$	\$	\$
Year ended 31 March 2017					
Opening net book amount	15,001	32,576	20,825,049	2,396,333	23,268,959
Additions	-	-	8,655,609	729,845	9,385,454
Amortisation charge	(350)	-	(3,283,232)	(708,054)	(3,991,636)
Closing net book amount	14,651	32,576	26,197,426	2,418,124	28,662,777
Cost	17,800	32,576	32,685,614	4,006,859	36,742,849
Accumulated amortisation	(3,149)	-	(6,488,188)	(1,588,735)	(8,080,072)
Net book amount	14,651	32,576	26,197,426	2,418,124	28,662,777
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
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

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).

NOTE 14 • INTANGIBLE ASSETS (CONTINUED)***Recoverability of development costs***

Included in the carrying amount of development costs at 31 March 2018 is an amount of \$12,822,744 relating to our North American Market. Management note unit sales within the North American Market were lower than originally expected due to uncertainty in the market in relation to the ELD mandate, 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 using a pre-tax discount rate of 15% and a terminal growth rate of 1.5%. The recoverable amount of the CGU was estimated to be higher than its carrying value and no impairment was considered necessary.

NOTE 15 • TRADE PAYABLES AND ACCRUALS

	GROUP	
	2018	2017
	\$	\$
Trade creditors	2,471,662	1,658,383
Sundry accruals	2,712,649	3,973,792
	5,184,311	5,632,175

NOTE 16 • BORROWINGS

	GROUP	
	2018	2017
	\$	\$
Current borrowings		
Term Loans - NZ \$ denominated	7,425,008	-
Term Loans - US \$ denominated	1,564,784	-
NZ Growth Funding - Committed Cash Advance Facility	1,102,579	-
US Growth Funding - Committed Cash Advance Facility	716,622	-
Capitalised borrowing costs	(234,304)	-
	10,574,689	-
Non-Current borrowings		
Term Loans - NZ \$ denominated	9,448,670	7,029,304
Term Loans - US \$ denominated	2,636,790	-
NZ Growth - Committed Cash Advance Facility	2,482,044	-
US Growth - Committed Cash Advance Facility	1,341,166	-
	15,908,670	7,029,304

NOTE 16 • BORROWINGS (CONTINUED)**Terms and debt repayment schedule**

GROUP	Nominal Interest	Year of Maturity	2018	2018	2017	2017
			Face Value	Carrying amount	Face Value	Carrying Amount
			\$	\$	\$	\$
Term Loans - NZ \$ denominated	5.12%	2019	16,873,678	16,873,678	7,029,304	7,029,304
Term Loans - US \$ denominated	4.93%	2019	4,201,574	4,201,574	-	-
NZ Growth - Committed Cash Advance Facility	4.29%	2019	3,584,623	3,584,623	-	-
US Growth - Committed Cash Advance Facility	3.99%	2019	2,057,788	2,057,788	-	-
Capitalised borrowing costs	-	2019	-	(234,304)	-	-
			26,717,663	26,483,359	7,029,304	7,029,304

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. Since the December 2017 refinance date, EROAD has had the following facilities in place:

\$9,450,000 Term Loan Facility A – to restructure existing term facilities. The Term Loan has a term of 16 months from the December refinance date, with the facility having a maturity date of 1 April 2019. 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.

\$8,247,910 (NZD) Term Loan Facility E – used to restructure previous amounts drawn under the Committed Cash Advance Facility up to the refinance date in December 2017. The Term Loan has a term of 16 months from the December refinance date, with the facility having a maturity date of 1 April 2019. 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.

\$3,000,328 (USD) Term Loan Facility E – used to restructure previous amounts drawn under the Committed Cash Advance Facility up to the refinance date in December 2017. The Term Loan has a term of 16 months from the December refinance date, with the facility having a maturity date of 1 April 2019. 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.

\$21,000,000 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 of 1 April 2019. 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.

NOTE 16 • BORROWINGS (CONTINUED)

\$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 1.25%.

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 \$35,000,000. EROAD was compliant with all covenants during the period and at 31 March 2018.

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.

The Group has positive operating cash flows which funds the day-to-day servicing and support of its existing customer base. The Group plans to fund future research and development spend with excess operating cash flows of the business, whilst looking to fund the capex needed for future growth in leased units with debt funding facilities.

NOTE 17 • OPERATING LEASES AS A LESSEE***Leases as lessee***

	GROUP	
	2018	2017
	\$	\$
<i>Non-cancellable operating lease commitments due:</i>		
Not later than one year	956,006	903,871
Later than one year not later than five years	1,387,656	2,076,278
Later than five years	-	239,009
	2,343,662	3,219,158
Operating lease expense recognised	1,008,964	987,708

The Group leases premises. Operating leases held over properties give the Group the right to renew the lease subject to redetermination of the lease rental by the lessor. The lease for the head office expires on 10 July 2019 and has a current annual rental of \$584,764.

NOTE 18 • DEFERRED REVENUE

The Group has dealer agreements with third-party financiers. Under the terms of the dealer agreements, the third parties enter into a lease agreement with the Company's customers (where agreed by all parties) and the third party makes an upfront payment for the use of the Company's hardware products. Under the revenue recognition policy for hardware income it is deemed that the Company in substance retains the significant risks and rewards of ownership of the hardware assets. Revenue relating to hardware is therefore accounted for an operating lease and recognised in the statement of comprehensive income on a straight-line basis over the term of the lease, and any amounts received in advance are included as deferred revenue. Under the terms of the dealer agreements, the Company would be liable to repay the third parties in the event the customer operating lease was cancelled prior to the end of the agreed term.

NOTE 18 • DEFERRED REVENUE (CONTINUED)

In addition, the Group provides hardware to clients under long-term rental agreements. These are accounted for as operating leases. If the Group receives any up-front prepayments of operating lease revenue, these amounts are initially deferred and recognised in the statement of comprehensive income over the life of the rental agreement.

	GROUP	
	2018	2017
	\$	\$
Opening balance	4,400,342	5,374,647
Amounts deferred during the period	2,066,500	2,866,842
Amount recognised in the Statement of Comprehensive Income	(2,965,649)	(3,841,147)
	3,501,193	4,400,342

At 31 March 2018, \$2,265,044 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 (2017: \$2,656,518).

NOTE 19 • 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.

NOTE 19 • FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group holds the following financial instruments:

GROUP	2018		2017	
	\$	\$	\$	\$
	Loans and receivables	Other amortised cost	Loans and receivables	Other amortised cost
Financial assets				-
Cash and cash equivalents	21,870,415	-	935,359	-
Restricted bank account	9,173,434	-	9,208,289	-
Trade receivables	8,251,355	-	3,484,027	-
Other receivables	1,266,587	-	193,926	-
Finance Lease receivables	6,237,930	-	1,404,407	-
	46,799,721	-	15,226,008	-
Financial liabilities				
Overdraft	-	-	-	873
Borrowings	-	26,483,359	-	7,029,304
Employee Entitlements	-	1,147,462	-	1,201,002
Trade and other payables	-	5,184,311	-	5,632,175
Payable to NZTA	-	9,114,502	-	9,243,383
	-	41,929,634	-	23,106,737

(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.

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 12 for an aging profile for the Group's trade receivables at reporting date.

NOTE 19 • FINANCIAL RISK MANAGEMENT (CONTINUED)**(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:

	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
GROUP 2018	\$	\$	\$	\$	\$
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
Trade and other payables	5,184,311	-	-	5,184,311	5,184,311
Payable to NZTA	9,114,502	-	-	9,114,502	9,114,502
	26,255,268	15,908,670	-	42,163,938	41,929,634
GROUP 2017	\$	\$	\$	\$	\$
Non-derivative financial liabilities					
Borrowings	-	7,029,304	-	7,029,304	7,029,304
Employee entitlements	1,201,002	-	-	1,201,002	1,201,002
Trade and other payables	5,632,175	-	-	5,632,175	5,632,175
Payable to NZTA	9,243,383	-	-	9,243,383	9,243,383
	16,076,560	7,029,304	-	23,105,864	23,105,864

NOTE 19 • FINANCIAL RISK MANAGEMENT (CONTINUED)**(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:

	2018	2017
	\$	\$
AUD 1	0.94	0.93
USD 1	0.72	0.71

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

	AUD	USD
	\$	\$
2018		
Cash and cash equivalents	7,866	1,122,704
Finance lease receivables	402,677	-
Trade receivables	111,780	1,909,317
Borrowings	-	6,259,362
	AUD	USD
2017	\$	\$
Cash and cash equivalents	188,363	132,039
Finance lease receivables	165,392	-
Trade receivables	34,189	316,526
Borrowings	-	-

NOTE 19 • FINANCIAL RISK MANAGEMENT (CONTINUED)**Interest rate risk**

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

	2018		2017	
	%	Carrying amount \$	%	Carrying amount \$
Term Loans - NZ \$ denominated	5.12%	16,873,678	5.30%	7,029,304
Term Loans - US \$ denominated	4.93%	4,201,574	-	-
NZ Growth - Committed Cash Advance Facility	4.29%	3,584,623	-	-
US Growth - Committed Cash Advance Facility	3.99%	2,057,788	-	-
Net exposure to interest rate risk		26,717,663		7,029,304

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.

	Foreign currency risk ⁽¹⁾				Interest rate risk ⁽²⁾			
	-10%		+10%		-100bps		+100bps	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
GROUP 2018	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	(81,574)	(81,574)	81,574	81,574	(218,704)	(218,704)	218,704	218,704
Finance lease receivables	(37,852)	(37,852)	37,852	37,852	-	-	-	-
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)	(718,078)	(718,078)	718,078	718,078	48,473	48,473	(48,473)	(48,473)

	Foreign currency risk ⁽¹⁾				Interest rate risk ⁽²⁾			
	-10%		+10%		-100bps		+100bps	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
GROUP 2017	\$	\$	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	(9,375)	(9,375)	9,375	9,375	(9,345)	(9,345)	9,345	9,345
Finance lease receivables	(15,381)	(15,381)	15,381	15,381	-	-	-	-
Trade receivables	(22,473)	(22,473)	22,473	22,473	-	-	-	-
Borrowings	-	-	-	-	70,293	70,293	(70,293)	(70,293)
Total increase/ (decrease)	(47,229)	(47,229)	47,229	47,229	60,948	60,948	(60,948)	(60,948)

⁽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.

NOTE 19 • FINANCIAL RISK MANAGEMENT (CONTINUED)**(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 20 • SHARE-BASED PAYMENTS

At 31 March 2018, the Group had the following share-based payment arrangements:

EROAD LTI Plan (equity-settled)

Eligible employees are 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.

NOTE 20 • SHARE-BASED PAYMENTS (CONTINUED)***EROAD LTS Plan (equity-settled)***

During the period EROAD granted shares to certain senior executives in recognition of their long-term service to the Company. Shares issued under the scheme are held in trust for the employee until vesting date. Provided the employees were still employed by EROAD at 31 March 2017, 47% of the shares granted under the scheme were transferred from the trust to the employee on 1 June 2017. Provided the employees were still employed by EROAD at 31 March 2018, 53% of the shares granted under the scheme will be transferred from the trust to the employee on 1 June 2018.

If the employee leaves between 1 April 2016 and 31 March 2018, there is a good-leaver clause that may result in the shares vesting to the employee, provided that the “good leaver” criteria is met. Due to this clause the full fair value of shares granted to employees under this scheme was recognised in the statement of comprehensive income in the year ended 31 March 2017.

Grant date/ employees entitled	Shares granted			Vesting conditions	Vesting period
	On 1 April 2015	On 1 April 2016	On 1 April 2017		
<i>Shares granted to key management personnel</i>					
EROAD LTI Plan	69,896	53,725		<ul style="list-style-type: none"> • 3 years service from grant date • Employees performance equal or greater than the Company's as determined by remuneration committee • Enterprise value must double by end of restrictive period 	3 years
EROAD LTS Plan	-	76,796		<ul style="list-style-type: none"> • Must be continue to be employed on 31 March 2017 (47% of shares granted) and 31 March 2018 (53% of shares granted) or meet "good leaver" criteria. 	1-2 years
EROAD US President Incentive Scheme			490,000	<ul style="list-style-type: none"> • 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
<i>Shares granted to other employees</i>					
EROAD LTI Plan	98,968	121,032		<ul style="list-style-type: none"> • 3 years' service from grant date • Employee's performance equal or greater than the Company's as determined by remuneration committee • Enterprise value must double by end of restrictive period 	3 years
	168,864	251,553	490,000		

NOTE 20 • 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 2018 was 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	
	2018	2017
Outstanding at 1 April	388,168	221,027
Granted during the period	490,000	251,553
Forfeited during the period	(187,522)	(33,103)
Vested during the period	(27,171)	(51,309)
Outstanding at 31 March	663,475	388,168

During the year-ended 31 March 2018 an amount of \$268,754 (2017: \$345,097) was recognised as an expense within the statement of comprehensive income in relation to share-based payments.

NOTE 21 • CAPITAL COMMITMENTS

As at 31 March 2018, the Group had confirmed purchase orders with its third party manufacturer of hardware units amounting to \$6,983,048 (2017: Nil).

NOTE 22 • CONTINGENT LIABILITIES

There are no contingent liabilities to report at 31 March 2018 (2017: Nil).

NOTE 23 • EVENTS SUBSEQUENT TO BALANCE DATE

There are no other events subsequent to balance date which have not already been taken up in the accounts (2017: Nil).

NOTE 24 • RECONCILIATION OF CASH FLOWS

	GROUP	
	2018	2017
	\$	\$
Reconciliation of operating cash flows with reported profit/(loss) after tax:		
Profit/(loss) after tax for the year attributable to the shareholders	209,616	(5,274,156)
Add/(less) non-cash items		
Tax asset recognised	(1,789,485)	27,354
Depreciation and amortisation	15,540,351	12,077,324
Other non-cash expenses/(income)	567,160	111,409
	14,318,026	12,216,087
Add/(less) movements in other working capital items:		
Decrease/(increase) in trade and other receivables	(6,618,647)	(1,688,135)
Decrease/(increase) in finance lease receivables	(4,833,523)	(379,130)
Decrease/(increase) in current tax receivables	340,456	94,969
Decrease/(increase) in current tax payables	85,245	-
Increase/(decrease) in deferred income	(899,149)	(974,305)
Increase/(decrease) in trade payables, interest payable and accruals	(595,430)	2,632,948
	(12,521,048)	(313,653)
Net cash from operating activities	2,006,594	6,628,278

NOTE 25 • 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:

	2018	2017
	\$	\$
Short-term employee benefits	2,246,657	2,118,780
Share-based payments	251,593	71,040
	2,498,250	2,189,820

(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

	2018	2017
	\$	\$
Michael Bushby (Chair)	85,094	76,792
Anthony Gibson	52,546	49,061
Sean Keane (resigned 5 May 2017)	4,088	49,061
Candace Kinser	50,546	49,061
Gregg Dal Ponte	50,546	36,750
Graham Stuart (appointed 1 January 2018)	16,250	-
	259,070	260,725

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

	2018	2017
	\$	\$
Gregg Dal Ponte	6,297	65,365
	6,297	65,365

(d) Remuneration of Executive Director

	2018	2017
	\$	\$
Salary and bonus	555,859	641,024
Share-based payments	-	35,440
	555,859	676,464



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 31 to 65:

- i. present fairly in all material respects the Group's financial position as at 31 March 2018 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 2018;
- the consolidated statement of comprehensive income, statement of changes in equity and statement of 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 consolidated 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 consolidated 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.

The context for our audit is set by the Group's major activities in the financial year ended 31 March 2018. We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the



consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The 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 consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$490,000 determined with reference to a benchmark of Group total revenues. 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 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 consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter

How the matter was addressed in our audit

Development asset capitalisation and impairment (\$26.9m)

Refer to note 14 of the consolidated financial statements.

The Group has reported a development asset of \$26.9m (2017: \$26.2m). 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

We assessed the judgement related to the internal costs capitalised by:

- Understanding the nature and background of the activities that are capitalised to the development asset through inquiry of the key operational, financial, legal, and engineering personnel;
- Assessing whether the costs capitalised during the year comply with the accounting requirements; and
- Assessing the accuracy of calculation of the amount of internal costs based on the hours which staff spend developing software and the attributable costs that have been capitalised.

We assessed management's impairment testing of the development asset by obtaining the supporting model and assessing the methodology and key assumptions made:

- We confirmed 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.
- We reconfirmed the external advice management has obtained in respect of the market strategy to be



The key audit matter

How the matter was addressed in our audit

difficulties in achieving current year budgeted sales levels for US market.

adopted in the US through discussions with management to confirm our understanding of the operation’s strategy.

- We used our corporate finance experts to challenge and assess the appropriateness and mathematical of the model used by management to assess impairment.
- We challenged management’s future cash flow forecasts. Our assessment included comparing previous forecasts to actual results, those approved in the 31 March 2018 budget, and other relevant supporting documentation such as sales pipelines to evidence the feasibility of the forecasts and to assess the reliability of historical forecasting.
- We used our corporate finance experts to challenge the reasonableness of management’s weighted average cost of capital used as the discount rate in the model and the reasonableness of the long term growth rates applied, in managements model;
- To challenge management’s forecasts we performed sensitivity analysis over the forecasted sales volumes, discount rate, and expenses. We performed sensitivity analysis in order 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.

Revenue (\$51.5m)

Refer to note 2 of the consolidated financial statements.

Our procedures included the following:

The Group’s revenue consists of only small a number revenue streams out of which the most significant is leasing and subscription revenue.

- Assessing the Group’s operating and finance lease revenue recognition policy for compliance with the relevant accounting 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;
- Assessing the appropriateness of the useful life by examining the physical historical performance and time the units have operated for;
- Selecting a sample of revenue contracts operating during the year and agreeing the sample back to the contract terms, assessing the revenue recognition

Leasing revenue is derived from renting the in-vehicle hardware units to customers. These contracts span more than one accounting period (typically three years to five years). The majority of revenue in respect of the hardware rental is treated as operating lease revenue and is recorded evenly over the contractual term. Finance lease revenue represents rental contracts that transfer substantially all the risks and rewards of ownership.

The determination of a contract as operating or financing is dependent on multiple factors. These



The key audit matter

factors determine whether the Group retains or transfers substantially all the risk and rewards of ownership.

We focused on this area because the accounting determination of whether the contract is an operating or finance lease has a significant impact on the recognition of profit and loss and balance sheet.

How the matter was addressed in our audit

based on the contractual terms and agreeing the revenue to cash received from the customer;

- Checking a sample of customer contracts immediately prior to and after year end to confirm revenue has been recognised in their respective financial years.

We did not identify any matters that indicated that the reported revenue is materially misstated.

Deferred Tax Asset (\$3.9m)

The key audit matter

Refer to note 9 of the consolidated financial statements.

The Group has a net deferred tax asset balance of \$3.9m, of which \$9.0m relates to deferred tax assets arising from past tax losses. We focused on the deferred tax asset from tax losses 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.

In assessing the recognition and recoverability of the deferred tax asset, management prepared detailed forecasts of the taxable profits expected to be generated from the New Zealand business. 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 for the related accumulated tax losses.

How the matter was addressed in our audit

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 confirmed that the assumptions used in the forecasts of taxable profit were consistent with the assumptions applied in management's FY19 budgets;
- 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 the recognition of previously 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 Overview, Governance, Financial Performance, Regulatory Disclosures, and other information included in the Annual Report. Our opinion on the 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 financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears 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 received the Overview, Governance, Financial Performance, Regulatory Disclosures, and other information and have nothing to report in regards to it.



Use of this Independent Auditor's Report

This 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 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

A further description of our responsibilities for the audit of these 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

A handwritten signature in blue ink that reads 'KPMG'. The signature is stylized and appears to be a signature of the engagement partner.

Ross Buckley
KPMG Auckland

18 May 2018



“It was good having the Inspect reports but I found I couldn’t do anything with it, but now with the defect board, I can take action.

It has saved me 1.5 hours most mornings. I now have time to do other things. I’m more focused and I don’t lose my way through the information.

It’s a piece of cake. It’s fantastic.
So much easier. I love it.”

MARTIN JONES
FLEET SERVICE AND PERFORMANCE SUPERVISOR
FOODSTUFFS

4.0

REGULATORY DISCLOSURES

Director Disclosures

DIRECTORS

The persons who held office as directors of EROAD Limited at any time during the year ended 31 March 2018, are as follows:

Michael Bushby	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
Graham Stuart	Non-Executive, Independent*
Sean Keane	Non-Executive, Independent**

*Graham Stuart joined the EROAD Board in January 2018.

**Sean Keane resigned from the EROAD Board in May 2017.

SUBSIDIARY COMPANY DIRECTORS

The persons who held office as directors of subsidiary companies at 31 March 2018 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 the Company's interests register. General notices given by directors which remain current as at 31 March 2018 are as follows:

Michael Bushby

- Director, Lowelly Pty Limited
- Director, 45 Mimosa Pty Limited
- Strategic Advisor, WSP Australia

Graham Stuart joined as of January 2018

- Director, Tower Limited
- Director, Tower Insurance Limited
- Director, Tower Financial Services Group Limited
- Director, Leroy Holdings Limited
- Director, Goodcows Limited
- Advisory Board Member, Vinpro Limited*
- Director, Focal Dairies LLC (USA)*

*Notice given by Graham Stuart after the year ended 31 March 2018

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, Palantir Technologies
- Advisor, Return on Science Program for the University of Auckland*
- Beachheads Advisor, New Zealand Trade & Enterprise*
- Advisor, BECA New Ventures Team Advisory Board**

*Notice given by Candace Kinser In May 2018.

**Notice given by Candace Kinser during the year ended 31 March 2018.

Steven Newman

- Director, NMC Trustees Limited

Gregg Dal Ponte

- Director of Regulatory Compliance, Oregon Trucking Association, Inc.

The following details included in the Company's interests register as at 31 March 2017 have been removed as at 31 March 2018:

- Sean Keane is no longer a director of EROAD Limited as of 5 May 2017 and therefore all of his interests disclosed on the interests register (as set out in last year's annual report) have been removed.

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 2017 and 31 March 2018, and details of those dealings were entered in the company's interests register. The particulars of such disclosures are:

Graham Stuart

- 1) Purchase of 19,964 ordinary shares, at \$3.49 per share, on 8 March 2018; 2) purchase of 36 ordinary shares, at \$3.49 per share, on 9 March 2018.

Michael Bushby

- 1) Allotment of 4,934 ordinary shares under a share purchase plan, at \$3.04 per share, on 6 March 2018.

Candace Kinser

- 1) Allotment of 4,934 ordinary shares under a share purchase plan, at \$3.04 per share, on 6 March 2018.

Anthony Gibson

- 1) Allotment of 4,934 ordinary shares under a share purchase plan, at \$3.04 per share, on 6 March 2018.

Steven Newman

- 1) Disposal of 1,644,737 ordinary shares pursuant to a placement and underwriting agreement, at \$3.04 per share, on 15 December 2017; 2) transfer of beneficial interest in 51,172 ordinary shares forfeited under EROAD's LTI plan for the period between 1 April 2014 and 31 March 2017, at \$2.77 per share, on 15 December 2017.

Use of Company information

There were no notices from directors of the Company requesting to use Company 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 the Company'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 the Company as at 31 March 2018:

Name	Ordinary shares
Steven Newman	14,363,557
Michael Bushby	161,004
Graham Stuart	20,000
Anthony Gibson	567,999
Candace Kinser	41,999

Shareholder Information

ANNUAL SHAREHOLDERS' MEETING

The Company's 2018 annual shareholders' meeting will be held at QBE Stadium, Stadium Drive, Albany, Auckland on Thursday, 2 August 2018 commencing at 4:45pm.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

Holding Range	Number of holders	%	Number of ordinary shares	%
1 to 999	274	16.6	134,164	0.2
1,000 to 4,999	757	45.84	1,776,979	2.61
5,000 to 9,999	261	15.81	1,685,740	2.48
10,000 to 49,999	279	16.9	5,761,660	8.46
50,000 to 99,999	27	1.64	1,900,476	2.79
100,000 and over	53	3.21	56,830,912	83.46
Total	1651	100	68,089,931	100

The details set out above were as at 6 April 2018..

The Company 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 the Company and their relevant interests according to the substantial product holder file as at 31 March 2018, were as follows:

Substantial product holder	Date of Notice	Number of shares	% of shares on issue at 31 March 2018
Steven Newman (includes NMC Trustees Limited's relevant interest)	15/12/2017	14,363,557	21.725%
NMC Trustees Limited as trustee of the NMC Investment Trust	15/12/2017	14,354,457	21.711%
Commonwealth Bank of Australia	06/12/2017	5,168,262	8.47%
Colonial First State Asset Management	16/11/2017	5,091,262	8.34%

The total number of ordinary shares (being the only class of quoted voting products) on issue in the Company as at 31 March 2018 was 68,089,931.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders in the Company as at 6 April 2018 were:

Holder Name	Shares	%
New Zealand Central Securities Depository Limited	23,467,869	34.46
NMC Trustees Limited	14,354,458	21.08
FNZ Custodians Limited	4,264,822	6.26
David Murray Jarrett & Julie Patricia Jarrett & Vlatkovich & Mcgowan Trustee Company Limited	1,805,934	2.65
Andrew Bowker	956,065	1.4
John Grant Sinclair	740,159	1.08
Alister Moss	621,907	0.91
Slk Asset Management Limited	573,996	0.84
Anthony Gibson	567,999	0.83
Paul Geoffrey Hewlett & Catherine Patricia Carter & Hoffman Trustees Limited	561,659	0.82
JB Were (NZ) Nominees Limited (54145 A/C)	549,198	0.8
EROAD LTI Trustee Limited	490,000	0.71
JB Were (NZ) Nominees Limited (NZ Resident A/C)	466,782	0.68
Somac Holdings Limited	412,740	0.6
First NZ Capital Securities Limited	380,555	0.55
Jarred Blair Clayton	328,155	0.48
Arden Capital Limited	309,934	0.45
Nicholas Raymond Scott & Trustee Services Limited	305,964	0.44
Matu Limited	300,000	0.44
Sean Hope	263,616	0.38

Shareholdings larger than 1% held through New Zealand Central Securities Depository Limited (NZCSD) as at 5 April 2018 were:

Holder Name	Holding	%
Citibank Nominees (New Zealand) Limited - NZCSD	6,194,029	9.10
BNP Paribas Nominees (NZ) Limited - NZCSD	3,424,805	5.03
HSBC Nominees (New Zealand) Limited - NZCSD	3,333,276	4.90
HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	3,030,557	4.45
Accident Compensation Corporation - NZCSD	2,772,727	4.07
Tea Custodians Limited Client Property Trust Account - NZCSD	2,313,598	3.40
BNP Paribas Nominees (NZ) Limited	717,196	1.05

Other Information

NZX WAIVERS

No waivers were sought from the NZX during the year ended 31 March 2018.

DISCIPLINARY ACTION TAKEN BY THE NZX

The NZX has not taken any disciplinary action against the company during the year ended 31 March 2018

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 2018 was \$189,525. The amount of fees payable to KPMG for non-audit work during the year ended 31 March 2018 was \$377,456. Note 3 in the Financial Statements section of this Annual Report includes a detailed breakdown of auditor's fees for audit and non-audit work.

DONATIONS

The Company and its subsidiaries made donations totaling \$4,498 during the year ended 31 March 2018.

CREDIT RATING

The company does not currently have a credit rating.

5.0

GLOSSARY



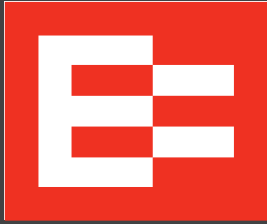
Glossary

Annualised Recurring Revenue	Monthly Recurring Revenue recognised or expected to be recognised in the month of March multiplied by 12
Automatic On Board Recording Device (AOBRD)	AOBRDs are electronic devices that can be used to automatically record drivers' hours of service
Auditor	KPMG
Companies Act	Companies Act 1993
Company	EROAD Limited
Depot	EROAD's web-based platform that allows customers to manage (and pay) their RUC, WMT and fleet management services
Driver Vehicle Inspection Report (DVIR)	A report created by a driver identifying defects and safety risks to a commercial vehicle
EBIT before non-operating costs	Earnings before non-operating costs, interest and tax.
Ehubo and Ehubo2	EROAD's first and second generation electronic distance recorder which replaces mechanical hubo-dometers. Ehubo is a trade mark registered in New Zealand
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
eRUC	Electronic Road User Charges. Refer to page 82 for definition of Road User Charges
Future Contracted Income	A non-GAAP measure which represents future hardware and SaaS cash inflows relating to income under non-cancellable long-term rental agreements. Note that this definition has changed from the previous period in order to include the future cash flows from finance leases, where the revenue has been recognised in advance of cash flows.
FMCSA	Federal Motor Carrier Safety Administration
FY	Financial year ended 31 March
Group	EROAD Limited and its subsidiaries
Heavy Vehicle	A truck, or a truck and trailer, weighing over: <ul style="list-style-type: none"> • 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
International Registration Plan (IRP)	An agreement between all states (excluding Alaska, Hawaii and Washington D.C.) of the United States, and the Canadian provinces, for the registration of inter-jurisdictional vehicles. Registration fees are paid to a fleet's base jurisdiction, which then distributes them to other jurisdictions based on the miles travelled in each member jurisdiction
Listing Rules	The listing rules applying to the NZX Main Board as amended from time to time
Ministry of Transport (MOT)	The New Zealand government's principal transport policy adviser to the Minister and Associate Minister of Transport
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 IFRS	New Zealand equivalents to International Financial Reporting Standards
NZX	NZX Limited
NZX Main Board	The main board equity security market, operated by NZX
Oregon Department of Transportation (ODOT)	A department of the state government of Oregon, responsible for managing the state's transportation systems
Recurring Revenue	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
Retention Rate	The number of Units installed at the beginning of the period and retained on Depot at the end of the period as a percentage of the number of Units on Depot at the beginning of that period
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
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
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

Company timeline

2000-2007	<ul style="list-style-type: none">• EROAD founded• R & D begins• EROAD electronic distance recorder obtains New Zealand patent
2007	<ul style="list-style-type: none">• CEO Steven Newman joins the company. EROAD begins commercialising its vision to become a global GPS tolling provider
2008	<ul style="list-style-type: none">• Field trials of Ehubo, EROAD's electronic distance recorder
2009	<ul style="list-style-type: none">• EROAD launches a network-wide GPS/cellular-based road charging system – a world first• EROAD implements the first electronic RUC service in New Zealand
2010	<ul style="list-style-type: none">• NZTA and MOT approve Ehubo (for trucks) and Tubo (for trailers)• EROAD wins at the NZ Hi-Tech Awards
2011	<ul style="list-style-type: none">• EROAD implements the first mobile RUC application – for management and purchase using any web-enabled device
2012	<ul style="list-style-type: none">• EROAD undertakes first commercial pilot in North America of a GPS/cellular-based road charging platform• Ranked fifth on the New Zealand Green 50 list• Ranked 10th on Deloitte Technology Fast500 Asia Pacific
2013	<ul style="list-style-type: none">• EROAD ranks 9th on Deloitte Fast50• Finalist in Emerging Company of the Year, NZ Hi-Tech Awards 2013• Included on Deloitte Technology Fast500 Asia Pacific 2013
2014	<ul style="list-style-type: none">• EROAD launches commercial services in North America and Australia• Lists on the NZX Main Board Included on Deloitte Technology Fast500 Asia Pacific 2014• Included on Deloitte Fast50 – Regional Winner• EROAD electronic weight mile tax solution received independent unqualified opinion from Oregon Secretary of State Audits Division• Launches NZ Transport Agency-approved electronic logbook in New Zealand
2015	<ul style="list-style-type: none">• EROAD launches electronic IFTA service in North America• Launches electronic logbook in North America• Included on Deloitte Technology Fast500 Asia Pacific 2015
2016	<ul style="list-style-type: none">• Launch of Ehubo2 in New Zealand, its NZ Transport-Agency approved second-generation electronic distance recorder• Included on Deloitte Technology Fast500 Asia Pacific 2016• Participates in California Road Charge Pilot as sole heavy vehicle technology provider
2017	<ul style="list-style-type: none">• Launches FMCSA-registered, independently verified ELD (electronic logging device) in North America• Launches mobile DVIR product, Inspect, in New Zealand• Selected as sole heavy vehicle technology provider for first multi-state MBUF truck pilot on I-95 in US• Finalist, Best Hi-Tech Technology Solution for the Public Sector, NZ Hi-Tech Awards 2017• Finalist, Most Innovative Hardware Product, NZ Hi-Tech Awards 2017• Finalist, Most Innovative Hi-Tech Service, NZ Hi-Tech Awards 2017
2018	<ul style="list-style-type: none">• Launches EROAD Inspect on Ehubo2 in North America



Directory

EROAD

NEW ZEALAND

260 Oteha Valley Road
Albany, Auckland, 0632

USA

7618 SW Mohawk Street
Tualatin, OR 97062

SHARE REGISTRAR

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

SOLICITORS

Chapman Tripp

Level 35, ANZ Centre
23-29 Albert Street, Auckland 1010

AUDITOR

KPMG

KPMG Centre
18 Viaduct Harbour Avenue, Auckland 1010

BANKER

Bank of New Zealand

80 Queen Street
Auckland Central, Auckland 1010

