Financial Statements

Directors' Responsibility Statement

In the opinion of the Directors of EROAD Limited, the consolidated financial statements and notes, on pages 3 to 33, 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 2017.

For and on behalf of the Board of Directors:

Michael Bushby
29 May 2017

Steven Newman
29 May 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2017

		GROUP	
		31 March 2017	31 March 2016
	Notes	$	$
Continuing operations			
Revenue		**32,763,801**	26,164,570
Expenses	2	**(25,707,729)**	(20,477,298)
Earnings before interest, taxation, depreciation and amortisation		**7,056,072**	5,687,272
Depreciation	12	**(8,085,688)**	(5,812,543)
Amortisation	13	**(3,991,636)**	(1,676,471)
Earnings before interest and taxation		**(5,021,252)**	(1,801,742)
Finance income	6	**100,283**	735,836
Finance expense	6	**(336,358)**	(244,959)
Net financing costs		**(236,075)**	490,877
Profit/(loss) before tax		**(5,257,327)**	(1,310,865)
Income tax (expense)/benefit	7	**(16,829)**	211,351
Profit/(loss) from continuing operations		**(5,274,156)**	(1,099,514)
Profit/(loss) after tax for the year attributable to the shareholders		**(5,274,156)**	(1,099,514)
Other comprehensive income		**(233,688)**	(47,986)
Total comprehensive income/(loss) for the year		**(5,507,844)**	(1,147,500)
Earnings per share - Basic (cents)	9	**(8.82)**	(1.84)
Earnings per share - Diluted (cents)	9	**(8.81)**	(1.84)

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 2017

		GROUP	
		31 March 2017	31 March 2016
	Notes	$	$
CURRENT ASSETS			
Cash and cash equivalents*	10	**934,486**	7,873,012
Restricted bank account*	10	**9,208,289**	5,504,668
Trade and other receivables	11	**6,800,780**	5,112,645
Finance lease receivable	5	**498,142**	294,678
Loan to directors		**-**	279,996
Current tax receivable		**361,912**	456,881
Total Current Assets		**17,803,609**	19,521,880
NON-CURRENT ASSETS			
Property, plant and equipment	12	**23,763,937**	21,361,280
Intangible assets	13	**28,662,777**	23,268,959
Finance lease receivable	5	**906,265**	730,599
Deferred tax assets	8	**1,925,352**	1,952,706
Total Non-Current Assets		**55,258,331**	47,313,544
TOTAL ASSETS		**73,061,940**	66,835,424
CURRENT LIABILITIES			
Borrowings	15	**-**	1,002,305
Trade payables and accruals	14	**5,632,175**	3,261,460
Payable to NZTA		**9,243,383**	5,558,453
Deferred revenue	17	**2,656,518**	3,378,928
Employee entitlements		**1,201,002**	920,078
Total Current Liabilities		**18,773,078**	14,121,224
NON-CURRENT LIABILITIES			
Borrowings	15	**7,029,304**	-
Deferred revenue	17	**1,743,824**	1,995,719
Total Non-Current Liabilities		**8,773,128**	1,995,719
TOTAL LIABILITIES		**27,506,206**	16,116,943
NET ASSETS		**45,555,734**	50,718,481
EQUITY			
Share capital	9	**58,965,367**	58,819,932
Translation reserve		**(343,389)**	(109,701)
Retained earnings		**(13,066,244)**	(7,991,750)
TOTAL SHAREHOLDERS' EQUITY		**45,555,734**	50,718,481

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

**Comparative period balances have been reclassified to align with current period presentation. Refer to Consolidated Statement of Cash Flows for details.*

Chairman, 29 May 2017

Executive Director, 29 May 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

GROUP	Notes	Share Capital $	Retained Earnings $	Translation Reserve $	Total $
Balance at 1 April 2015		58,819,932	(6,995,241)	(61,715)	**51,762,976**
Profit after tax for the period		-	(1,099,514)	-	**(1,099,514)**
Other comprehensive income		-	-	(47,986)	**(47,986)**
Total comprehensive loss for the period, net of tax		-	(1,099,514)	(47,986)	**(1,147,500)**
Equity settled share-based payments		-	103,005	-	**103,005**
Share capital issued	9	-	-	-	**-**
Balance at 31 March 2016		**58,819,932**	**(7,991,750)**	**(109,701)**	**50,718,481**
Balance as 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 Income 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	9	**-**	**-**	**-**	**-**
Balance at 31 March 2017		**58,965,367**	**(13,066,244)**	**(343,389)**	**45,555,734**

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 2017

		GROUP	
		31 March 2017	31 March 2016
	Notes	$	$
Cash flows from operating activities*			
Cash received from customers		**29,722,231**	22,145,020
Payments to suppliers and employees		**(22,952,847)**	(18,923,527)
Interest received/ (paid)		**(236,075)**	490,877
Tax paid		**94,969**	(288,163)
Net cash inflow from operating activities	23	**6,628,278**	3,424,207
Cash flows from investing activities			
Payments for purchase of property, plant & equipment		**(10,488,345)**	(12,035,246)
Payments for purchase of intangible assets		**(9,385,454)**	(9,129,347)
Net cash outflow from investing activities		**(19,873,799)**	(21,164,593)
Cash flows from financing activities			
Loan from / (repayment) bank		**6,026,999**	1,002,305
Loan from /(repayment) directors		**279,996**	-
Net cash outflow from financing activities		**6,306,995**	1,002,305
Net increase/(decrease) in cash held		**(6,938,526)**	(16,738,081)
Cash at beginning of the financial period		**7,873,012**	24,611,093
Closing cash and cash equivalents (net of overdrafts)	10	**934,486**	7,873,012

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

** In the current period, EROAD has reclassified restricted cash balances to be excluded from cash and cash equivalents. Restricted bank accounts are now 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. Comparative amounts have been restated to align with the current year's presentation, resulting in an increase to cash flows from operations of $4,001,891 in the comparative period.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

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 2017.
The financial statements were authorised for issue by the directors on 29 May 2017.

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 3 to 33.

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.

Change in presentation of Restricted Bank Accounts

In the current period, EROAD has reclassified restricted cash balances to be excluded from cash and cash equivalents. Restricted bank accounts are now 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. Comparative amounts have been restated to align with the current year's 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 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES (CONTINUED)

- **Note 5:** assessment of whether a long-term rental agreement is a finance or operating lease (also refer note (d)).
- **Note 8:** recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.
- **Notes 13:** impairment testing for intangible assets, key assumptions underlying recoverable amounts, including the recoverability of development costs.

(b) Basis of Consolidation

The Group financial statements consolidate the financial statements of subsidiaries using the purchase method of accounting. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

(c) Business Combinations

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

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

(d) Revenue

Hardware

Revenue from the sale of goods and services is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. 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.

Lease revenue as a lessor

In certain circumstances, the Group retains the significant risks and rewards of ownership of hardware products. In such cases 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 Group, on rare occasions, leases out hardware products for a period longer than the usual 36 month rental. In such circumstances 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.

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

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.

(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 reduced to the extent that it is no longer 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.

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.

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

(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.

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.

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

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

(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.

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

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.

(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 CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise income tax .

(t) Standards issued but not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after a 1 April 2017, 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. A significant majority of the Group's revenue is lease revenue which is excluded from the scope of the standard. Management have performed a preliminary review other revenue streams such as outright hardware sales and monthly Software as a Service Fees and do not believe that pattern of revenue recognition will change significantly under the new standard.

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

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 does not expect a significant change to the way in which the Group measures its financial statements as a result, but has not yet performed a full assessment.

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. At 31 March 2017, the Group had non-cancellable operating lease commitments of $3.2m, however the Group has not yet performed a full assessment as to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's financial statements. The Group leases its hardware units on long-term rental agreements, as lessor is substantially the same under the new standard we do not anticipate a significant change to the way we account for such arrangements.

There are a number of other new or amended standards that are effective for annual period beginning on or after 1 April 2017 that are not expected to have a significant impact on the Group's consolidated financial statements.

NOTE 2 • EXPENSES

		GROUP	
		2017	2016
	Notes	**$**	$
Personnel expenses	4	**11,182,925**	9,040,428
Administrative and other operating expenses		**8,897,960**	6,594,544
Auditor's remuneration - KPMG		**169,125**	145,000
Tax compliance services - KPMG		**114,622**	140,315
Tax advisory services - KPMG		**19,312**	-
Health & Safety and IT Advisory - KPMG		**93,124**	52,672
Operating lease expense	16	**987,708**	964,843
Directors fees	24	**260,725**	223,975

During the year the costs expensed in Research and Development was $3,974,137 (2016: $3,535,466).

NOTE 3 • 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 depending on the stage of its development in each market:

- *Development Markets:* the market opportunity has been validated, or has been identified and is in the process of being validated
- *Commercial Markets:* the market has been entered and trading has commenced
- *Established Markets:* a sustainable business has been established in the market.

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

NOTE 3 • SEGMENTAL NOTE (CONTINUED)

Reportable segment information

Information related to each reportable segment is set out below. Segment result represents net profit (loss) before tax, which is the measure reported to the chief operating decision maker.

	Development Markets		Commercial Markets		Established Markets	
	2017	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$
Revenue [1]	**-**	-	**4,080,434**	2,176,606	**35,632,591**	25,873,395
Net profit (loss) before taxation	**(3,974,137)**	(3,535,466)	**(4,900,066)**	(4,035,980)	**3,666,839**	6,721,587
Total assets	**271,268**	-	**5,007,590**	4,668,683	**72,394,933**	66,869,139
Depreciation	**-**	-	**(1,038,134)**	(767,405)	**(7,220,885)**	(5,209,657)
Amortisation	**-**	-	**-**	-	**(3,991,636)**	(1,676,471)

[1] Revenue from Established Markets includes R&D Grant Income of $845,813 (2016: $707,093)

Reconciliation of information on reportable segments

GROUP	2017	2016
	$	$
Revenue		
Total revenue for reportable segments	**39,713,025**	28,050,001
Elimination of inter-segment revenue	**(6,949,224)**	(1,885,431)
Consolidated revenue	**32,763,801**	26,164,570
Net profit (loss) before taxation		
Total profit before tax for reportable segments	**(5,207,364)**	(849,859)
Profit before tax for other segments	**-**	-
Elimination of inter-segment profit	**(49,963)**	(461,006)
Consolidated net profit (loss) before taxation	**(5,257,327)**	(1,310,865)
Depreciation		
Total depreciation for reportable segments	**(8,259,019)**	(5,977,062)
Elimination of inter-segment profit	**173,331**	164,519
Consolidated depreciation	**(8,085,688)**	(5,812,543)
Total assets		
Total assets for reportable segments	**77,673,792**	71,537,822
Total assets for other segments	**-**	-
Elimination of inter-segment balances	**(4,611,852)**	(4,702,398)
Consolidated total assets	**73,061,940**	66,835,424

NOTE 3 • 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	
	2017	2016
	$	$
Revenue		
New Zealand	**28,261,731**	23,442,964
All foreign countries:		
USA	**4,080,434**	2,176,606
Australia	**421,636**	545,000
Total revenue	**32,763,801**	26,164,570
Non-current assets		
New Zealand	**49,940,994**	42,120,404
All foreign countries:		
USA	**3,104,861**	2,906,581
Australia	**287,124**	333,853
Total non-current assets	**53,332,979**	45,360,838

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

NOTE 4 • PERSONNEL EXPENSES

	GROUP	
	2017	2016
	$	$
Salaries and wages - excluding capitalised lease establishment costs	**16,979,730**	15,751,116
Annual leave	**285,786**	167,106
Performance bonus	**1,039,370**	686,424
Share-based payments	**345,097**	103,005
Salaries and wages capitalised	**(7,467,058)**	(7,667,223)
Total personnel expenses	**11,182,925**	9,040,428

NOTE 5 • 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	
	2017	2016
	$	$
Future minimum lease payments		
Not later than one year	**10,791,554**	8,185,884
Later than one year, not later than five years	**10,346,171**	8,062,245
Later than five years	**-**	-
	21,137,725	16,248,129

During the period $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 (2016: $20,776,453).

Finance leases

The Group, on rare occasions, leases out hardware products for a period longer than the usual 36 month rental. In such circumstances 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	
	2017	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$
Not later than one year	**542,355**	329,811	**44,213**	35,133	**498,142**	294,678
Later than one year not later than five years	**944,988**	770,354	**38,723**	39,755	**906,265**	730,599
Later than five years	**-**	-	**-**	-	**-**	-
	1,487,343	1,100,165	**82,936**	74,888	**1,404,407**	1,025,277

During the period $789,749 (2016: $926,965) was recognised as revenue in the statement of comprehensive income in relation to long-term rentals accounted for as finance leases. The net impact of finance leases recognised in the statement of comprehensive income was $673,548 (2016: $727,984)

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 2017 is $58,538,888 (2016: $48,010,715). 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 6 • FINANCE INCOME & FINANCE EXPENSES

	GROUP	
	2017	2016
	$	$
Finance income		
Interest income	**100,283**	649,419
Foreign exchange gains	**-**	86,417
	100,283	735,836
Finance expenses		
Interest expense	**(200,775)**	(2,285)
Foreign exchange losses	**(135,583)**	(242,674)
	(336,358)	(244,959)
Net financing costs	**(236,075)**	490,877

NOTE 7 • INCOME TAX EXPENSE

	GROUP	
	2017	2016
	$	**$**
(a) Reconciliation of effective tax rate		
Profit/(Loss) before income tax	**(5,257,327)**	(1,310,865)
Income tax using the Company's domestic tax rate of 28%	**(1,472,051)**	(367,043)
Non-deductible expense/(non-assessable income)	**35,978**	79,472
Temporary differences		
Losses and timing differences (recognised)/not recognised	**1,442,356**	71,297
Effect of different tax rates	**10,546**	4,923
Income tax expense/(benefit)	**16,829**	(211,351)
(b) Current tax (benefit)/expense		
Current period	**-**	-
	-	-
(c) Deferred tax (benefit)/expense		
Current period	**16,829**	(211,351)
	16,829	(211,351)

At 31 March 2017 there were no imputation credits available to shareholders (2016: Nil)

NOTE 8 • DEFERRED TAX ASSETS / (LIABILITIES)

	GROUP	
	2017	2016
	$	$
Recognised deferred tax assets and liabilities		
Deferred tax assets and (liabilities) are attributable to the following:		
Tax loss carry forward	**6,856,761**	4,961,509
Property, plant and equipment	**(400,099)**	125,688
Deferred development expenditure	**(2,947,973)**	(1,915,689)
Provisions and accruals	**340,619**	232,840
Equity-settled share-based payments	**126,384**	70,479
Revenue recognition	**(2,050,340)**	(1,522,121)
Total deferred tax asset/(liability)	**1,925,352**	1,952,706

The movement in temporary differences has been recognised in profit or loss. Deferred tax assets have been recognised at a rate of either 28% or 35% at which they are expected to be realised.

Movement in temporary differences during the period:

GROUP	**Balance 31 March 17**	Recognised in profit or loss	Under/(over) from prior periods	Currency Translation	Balance 31 March 16	Movement in Period	Balance 31 March 15
	$	**$**	**$**	**$**	$	$	$
Tax loss carry forward	**6,856,761**	1,580,074	311,766	3,412	4,961,509	3,095,304	1,866,205
Property, plant and equipment	**(400,099)**	(174,505)	(334,461)	(16,821)	125,688	149,976	(24,288)
Deferred development expenditure	**(2,947,973)**	(1,032,284)	-	-	(1,915,689)	(1,588,808)	(326,881)
Provisions and accruals	**340,619**	80,182	27,147	450	232,840	43,558	189,282
Equity-settled share-based payments	**126,384**	55,905	-	-	70,479	28,841	41,638
Revenue recognition	**(2,050,340)**	(498,472)	(32,181)	2,434	(1,522,121)	(1,425,919)	(96,202)
Total	**1,925,352**	10,900	(27,729)	(10,525)	1,952,706	302,952	1,649,754

The New Zealand tax Group consists of EROAD Limited, EROAD New Zealand Limited and EROAD Financial Services Limited. Losses incurred within this Group are transferred 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.

The Group has $5,342,575 of tax losses for which no deferred tax asset was recognised (2016: Nil). These tax losses do not have an expiry date.

NOTE 9 • 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 2015	60,000,000		58,819,932
Issue of shares to staff under LTI/LTS schemes	168,864	$3.64	614,378
Held in trust as treasury stock			(614,378)
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			(72,243)
At 31 March 2017	**60,245,660**		**58,965,367**

At 31 March 2017 there was 60,245,660 authorised and issued ordinary shares (2016: 60,168,864). 416,783 (2016: 391,296) shares are held in trust for employees in relation to the long-term incentive plan and are accounted for as treasury stock.

The calculation of both basic and diluted earnings per share at 31 March 2017 was based on the profit attributable to ordinary shareholders of ($5,274,156) (2016: ($1,099,514)). The weighted number of ordinary shares was 59,777,568 (2016: 59,777,568) for basic earnings per share and 59,854,159 for diluted earnings per share (2016: 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 10 • CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	GROUP	
	2017	2016
	$	$
Cash and bank	**934,486**	7,873,012
	934,486	7,873,012

In the current period, EROAD has reclassified restricted cash balances to be excluded from cash and cash equivalents. Restricted bank accounts are now 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. Comparative amounts have been restated to align with the current year's presentation. The restricted bank relates to Road Users tax collected from clients due for payment to the appropriate government agency.

NOTE 11 • TRADE AND OTHER RECEIVABLES

	GROUP	
	2017	2016
	$	$
Trade receivables	**3,484,027**	2,319,312
Provision for doubtful debts	**(21,634)**	(18,684)
	3,462,393	2,300,628
Prepayments and other receivables	**3,338,387**	2,812,017
	6,800,780	5,112,645

(a) Credit risk

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

	Gross	**Allowance for doubtful debts**	Gross	Allowance for doubtful debts
	2017	**2017**	2016	2016
GROUP	**$**	**$**	$	$
Not past due	**2,270,080**	**(167)**	1,266,487	(51)
Past due 1-30 days	**704,548**	**(773)**	796,959	(2,086)
Past due 31-60 days	**229,225**	**(773)**	102,126	(2,207)
Past due over 61 days	**280,174**	**(19,921)**	153,740	(14,340)
	3,484,027	**(21,634)**	2,319,312	(18,684)

NOTE 12 • PROPERTY, PLANT AND EQUIPMENT

GROUP	**Leased equipment**	**Plant and equipment**	**Leasehold improvements**	**Motor vehicles**	**Office equipment**	**Computers**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 31 March 2016							
Opening net book amount	13,079,303	94,291	237,747	489,394	411,131	826,711	15,138,577
Additions	10,615,330	30,531	576,403	204,111	281,451	397,111	12,104,937
Disposals	-	-	-	(102,160)	-	-	(102,160)
Depreciation charge	(4,931,419)	(34,606)	(89,016)	(151,206)	(154,428)	(451,868)	(5,812,543)
Depreciation recovered	-	-	-	42,203	-	-	42,203
Effect of movement in exchange rates	(27,760)	-	572	6,931	10,061	462	(9,734)
Closing net book amount	18,735,454	90,216	725,706	489,273	548,215	772,416	21,361,280
Cost	30,497,989	276,729	1,119,333	773,564	869,748	2,356,485	35,893,848
Accumulated depreciation	(11,762,535)	(186,513)	(393,627)	(284,291)	(321,533)	(1,584,069)	(14,532,568)
Net book amount	18,735,454	90,216	725,706	489,273	548,215	772,416	21,361,280

NOTE 12 • PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Leased equipment $	Plant and equipment $	Leasehold improvements $	Motor vehicles $	Office equipment $	Computers $	Total $
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**

Included in the Leased equipment is equipment under construction to be leased of $4,711,866 (2016: $4,243,191).

Change in estimates

During the 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 Directors in March 2017 and will be applied prospectively, as a result there was no material impact on the current periods results.

NOTE 13 • INTANGIBLE ASSETS

GROUP	Patents $	Trade Marks $	Development $	Software $	Total $
Year ended 31 March 2016					
Opening net book amount	15,351	32,576	13,984,074	1,784,082	15,816,083
Additions	-	-	7,997,846	1,131,501	9,129,347
Amortisation charge	(350)	-	(1,156,871)	(519,250)	(1,676,471)
Closing net book amount	15,001	32,576	20,825,049	2,396,333	23,268,959
Cost	17,800	32,576	24,030,005	3,277,013	27,357,394
Accumulated amortisation	(2,799)	-	(3,204,956)	(880,680)	(4,088,435)
Net book amount	15,001	32,576	20,825,049	2,396,333	23,268,959

GROUP	Patents $	Trade Marks $	Development $	Software $	Total $
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**

Change in estimates

Following the annual review of intangible asset amortisation methods and expected useful lives, the Group deemed it was appropriate to change the method and expected useful life of Development assets. The previous amortisation policy was for an upfront per-unit amortisation charge to be recognised in the statement of comprehensive income in the period hardware units were first dispatched to customers. The Group has changed this estimate to a straight-line method of amortisation to better reflect the rental and subscription nature of our business. As a result of the review the expected useful life of development assets were also amended to be 5 to 15 years (previously 5 to 7 years). The impact of these changes resulted in a $1,399,391 increase to the amortisation charge recognised in the statement of comprehensive income in the current period.

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 13 • INTANGIBLE ASSETS (CONTINUED)

Recoverability of development costs

Included in the carrying amount of development costs at 31 March 2017 is an amount of $13,770,509 relating to our North American CGU. Management note unit sales within the North American CGU 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 North American CGU that these corporate assets relate to was estimated based on the present value of future cash flows expected to be derived from the CGU (value in use). Key assumptions included forecasted cash flow growth, 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 required.

NOTE 14 • TRADE PAYABLES AND ACCRUALS

	GROUP	
	2017	2016
	$	$
Trade creditors	**1,658,383**	1,277,086
Sundry accruals	**3,973,792**	1,984,374
	5,632,175	3,261,460

NOTE 15 • BORROWINGS

	GROUP	
	2017	2016
	$	$
Current borrowings		
Secured bank loan	**-**	1,002,305
Non-Current borrowings		
Secured bank loan	**7,029,304**	-
	7,029,304	1,002,305

During the year ended 31 March 2017, the Company increased the size of its Committed Cash Advance Facility from $10,000,000 to $15,000,000 of which $7,029,304 was drawn at 31 March 2017 (2016: $1,002,305). There is a covenant that requires net cash plus available limit to exceed $5,000,000 at all times, which in effect restricts the accessible facility to $10,000,000.

Each drawdown has a maximum 365 day term and the facility itself has an end date of 31 July 2018. The interest rate is variable based on the banks CCAF Prime Rate on the date of each individual drawdown plus a margin of 1.75%. The facility is secured by the present value of all present and after acquired property of EROAD Limited including the value of its long-term rental agreements. The Company has the ability to re-draw amounts until the end of the term of the facility, as a result the loan has been classified as non-current.

EROAD Limited also has an overdraft of a $1,000,000 facility of which $873 has been drawn at 31 March 2017 (2016: Nil). The facility is to allow for the working capital requirements of the business (if needed) and is on call. This is an on demand Facility.

NOTE 15 • BORROWINGS (CONTINUED)

EROAD's operating covenants to support the above facilities include debt service coverage ratio and funding base:drawn down balance. EROAD was compliant with all covenants at 31 March 2017.

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 additional debt funding facilities. The additional debt facilities will fund the capex based on the increased future contracted income the Group will secure when entering into new long-term rental agreements.

Terms and debt repayment schedule

			2017	**2017**	2016	2016
	Nominal Interest	**Year of Maturity**	**Face Value**	**Carrying amount**	Face Value	Carrying Amount
GROUP			**$**	**$**	$	$
Secured bank loan	5.30%	2018	7,029,304	7,029,304	1,002,305	1,002,305
			7,029,304	**7,029,304**	1,002,305	1,002,305

NOTE 16 • OPERATING LEASES AS A LESSEE

Leases as lessee

	GROUP	
	2017	2016
	$	$
Non-cancellable operating lease commitments due:		
Not later than one year	**903,871**	899,783
Later than one year not later than five years	**2,076,278**	2,625,674
Later than five years	**239,009**	608,901
	3,219,158	4,134,358
Operating lease expense recognised	**987,708**	964,843

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 $583,116.

NOTE 17 • 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.

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.

NOTE 17 • DEFERRED REVENUE (CONTINUED)

	GROUP	
	2017	2016
	$	$
Opening balance	**5,374,647**	7,395,392
Amounts deferred during the period	**2,866,842**	3,107,355
Amount recognised in the Statement of Comprehensive Income	**(3,841,147)**	(5,128,100)
	4,400,342	5,374,647

At 31 March 2017, $2,656,518 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 (2016: $3,378,928).

NOTE 18 • FINANCIAL RISK MANAGEMENT

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

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

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

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

The Group holds the following financial instruments:

	2017		2016	
	$	**$**	**$**	**$**
GROUP	**Loans and receivables**	**Other amortised cost**	**Loans and receivables**	**Other amortised cost**
Financial assets				-
Cash and cash equivalents	**934,486**	**-**	7,873,012	-
Restricted bank account	**9,208,289**	**-**	5,504,668	-
Trade receivables	**3,484,027**	**-**	2,319,312	-
Other receivables	**193,926**	**-**	250,986	-
Finance Lease receivables	**1,404,407**	**-**	1,025,277	-
	15,225,135	**-**	16,973,255	-
Financial liabilities				
Borrowings	**-**	**7,029,304**	-	1,002,305
Employee entitlements	**-**	**1,201,002**	-	920,078
Trade and other payables	**-**	**5,632,175**	-	3,261,460
Payable to NZTA	**-**	**9,243,383**	-	5,558,453
	-	**23,105,864**	-	10,742,296

NOTE 18 • FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

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

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

In relation to trade receivables, it is the Group's policy that all customers who wish to trade on terms are subject to credit verification on an ongoing basis with the intention of minimising bad debts. The nature of the Group's trade receivables is represented by regular turnover of product and billing of customers based on the Group's contractual payment terms.

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

(b) Liquidity risk

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

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

Maturities of financial liabilities

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

GROUP 2017	1 year or less $	Over 1 to 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
Non-derivative financial liabilities					
Borrowings	-	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 18 • FINANCIAL RISK MANAGEMENT (CONTINUED)

GROUP 2016	1 year or less $	Over 1 to 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
Non-derivative financial liabilities					
Borrowings	1,002,305	-	-	1,002,305	1,002,305
Employee entitlements	920,078	-	-	920,078	920,078
Trade and other payables	3,261,460	-	-	3,261,460	3,261,460
Payable to NZTA	5,558,453	-	-	5,558,453	5,558,453
	10,742,296	-	-	10,742,296	10,742,296

(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:

	2017 **$**	2016 $
AUD 1	**0.93**	0.90
USD 1	**0.71**	0.69

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

2017	**AUD** **$**	**USD** **$**
Cash and cash equivalents	**188,363**	**132,039**
Trade receivables	**34,189**	**316,526**

2016	AUD $	USD $
Cash and cash equivalents	**45,399**	**1,293,415**
Trade receivables	**28,409**	**217,475**

NOTE 18 • FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

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

	2017		2016	
		Carrying amount		Carrying amount
	%	$	%	$
Secured bank loan	5.30	**7,029,304**	4.95	1,002,305
Net exposure to interest rate risk		**7,029,304**		1,002,305

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 2017	$	$	$	$	$	$	$	$
Cash and cash equivalents	**(9,375)**	**(9,375)**	**9,375**	**9,375**	**(9,345)**	**(9,345)**	**9,345**	**9,345**
Trade receivables	**(22,473)**	**(22,473)**	**22,473**	**22,473**	-	-	-	-
Borrowings	-	-	-	-	**70,293**	**70,293**	**(70,293)**	**(70,293)**
Total increase/ (decrease)	**(31,848)**	**(31,848)**	**31,848**	**31,848**	**60,949**	**60,949**	**(60,949)**	**(60,949)**

	Foreign currency risk[1]				Interest rate risk[2]			
	-10%		+10%		-100bps		+100bps	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
GROUP 2016	$	$	$	$	$	$	$	$
Cash and cash equivalents	(89,246)	(89,246)	89,246	89,246	(133,777)	(133,777)	133,777	133,777
Trade receivables	(15,006)	(15,006)	15,006	15,006	-	-	-	-
Borrowings	-	-	-	-	10,023	10,023	(10,023)	(10,023)
Total increase/ (decrease)	(104,686)	(104,686)	104,686	104,686	(123,754)	(123,754)	123,754	123,754

[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 decrease and increase in variable interest rates.

(d) Capital management

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

NOTE 18 • FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 19 • SHARE-BASED PAYMENTS

At 31 March 2017, 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 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 will be 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 has been recognised in the statement of comprehensive income in the year ended 31 March 2017.

NOTE 19 • SHARE-BASED PAYMENTS (CONTINUED)

Grant date/ employees entitled	Shares granted			Vesting conditions	Vesting period
	2014	2015	2016		
Shares granted to key management personnel					
EROAD LTI Plan	51,171	69,896	53,725	• 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	• 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
Shares granted to other employees					
EROAD LTI Plan	171,261	98,968	121,032	• 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
	222,432	**168,864**	**251,553**		

Measurement of fair value

The fair value of the shares issued under the EROAD LTI and EROAD LTS plans during the year ended 31 March 2017 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 condition.

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

	GROUP	
	2017	2016
Outstanding at 1 April	**221,027**	214,726
Granted during the period	**251,553**	168,864
Forfeited during the period	**(33,103)**	(162,563)
Vested during the period	**(51,309)**	-
Outstanding at 31 March	**388,168**	221,027

During the year-ended 31 March 2017 an amount of $345,097 (2016: $103,005) was recognised as an expense within the statement of comprehensive income in relation to share-based payments.

NOTE 20 • CAPITAL COMMITMENTS

There are no capital expenditure commitments as at 31 March 2017 (2016: Nil).

NOTE 21 • CONTINGENT LIABILITIES

There are no contingent liabilities to report at 31 March 2017 (2016: Nil).

NOTE 22 • EVENTS SUBSEQUENT TO BALANCE DATE

There are no other events subsequent to balance date which have not already been taken up in the accounts (2016: Nil).

NOTE 23 • RECONCILIATION OF CASH FLOWS

	GROUP	
	2017	2016
	$	$
Reconciliation of operating cash flows with reported profit/(loss) after tax:		
Profit/(loss) after tax for the year attributable to the shareholders	**(5,274,157)**	(1,099,514)
Add/(less) non-cash items		
Tax asset recognised	**27,355**	(211,351)
Depreciation and amortisation	**12,077,324**	7,489,014
Other non-cash expenses/(income)	**111,409**	(36,582)
	12,216,088	7,241,081
Add/(less) movements in other working capital items:		
Decrease/(increase) in trade and other receivables	**(1,688,135)**	(1,283,894)
Decrease/(increase) in finance lease receivables	**(379,130)**	(714,911)
Decrease/(increase) in current tax receivables	**94,969**	(288,163)
Increase/(decrease) in deferred income	**(974,305)**	(2,020,745)
Increase /(decrease) in trade payables and accruals	**2,632,948**	1,590,353
	(313,653)	(2,717,360)
Net cash from operating activities	**6,628,278**	3,424,207

NOTE 24 • 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:

	2017	2016
	$	$
Short-term employee benefits	**2,118,780**	2,179,797
Share-based payments	**71,040**	45,079
	2,189,820	2,224,876

(a) Loans to key management personnel

There have been no loans to management personnel.

NOTE 24 • RELATED PARTY TRANSACTIONS (CONTINUED)

(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

	2017	2016
	$	$
Michael Bushby (Chair)	76,792	76,792
Anthony Gibson	49,061	49,061
Sean Keane	49,061	49,061
Candace Kinser	49,061	49,061
Gregg Dal Ponte	36,750	-
	260,725	223,975

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

	2017	2016
	$	$
Gregg Dal Ponte	65,365	-
	65,365	-

(d) Loans to Non-executive Directors

In order to further align Director and Shareholder interests, during the year ended 31 March 2015 EROAD provided loans to its non-executive Directors for the sole purpose of enabling each of them to subscribe for shares. The loans were secured, interest free and repayable upon the earlier of two years from the drawndown date or the date on which a Director ceases to hold any shares. In accordance with the loan agreements, all loans were repaid in full during the year ended 31 March 2017.

	2017	2016
	$	$
Michael Bushby (Chair)	-	69,999
Anthony Gibson	-	69,999
Sean Keane	-	69,999
Candace Kinser	-	69,999
	-	279,996

(e) Remuneration of Executive Director

	2017	2016
	$	$
Salary and bonus	641,024	622,572
Share-based payments	35,440	35,440
	676,464	658,012

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 3 to 33:

i. present fairly in all material respects the Group's financial position as at 31 March 2017 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 2017;

— 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, health and safety and IT advisory. 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 2017.

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 $327,000 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 ($26.2m)	
Refer to note 13 of the consolidated financial statements. The Group has reported a development asset of $26.2m (2016: $20.8m). We have focussed on this development asset due to the inherent judgement involved in its valuation. The Group has continued to scale its existing software for large customer volumes and developed proprietary software applications for specific use in a number of markets. This significant investment requires judgement as to whether the largely internal costs should be expensed or capitalised. The Group expects to secure significant volumes of new customer contracts, in particular, in the US. This will require significant capital expenditure to manufacture the volume of in-vehicle hardware units to support this forecasted demand. A critical factor in assessing the development asset valuation is the Group’s ability	Our procedures included the following: — Understanding the nature and background of the activities that are capitalised to the development asset; — Assessing whether the costs capitalised during the year comply with the accounting framework; — Inquiring of the key financial, legal, and engineering personnel to confirm the development projects capitalised are consistent with our understanding of the business strategy; and — Consideration of the appropriateness of useful life and amortisation model applied. We assessed management’s impairment testing of the development asset by obtaining the supporting model and assessing the methodology and key assumptions made: — Future cash flow forecasts: we evaluated the Directors’ future cash flow forecasts including a

The key audit matter	How the matter was addressed in our audit
to fund this capital expenditure and therefore, secure the opportunity in the US.	review of management's North American 2018 budget. We tested the underlying values used in the calculations by comparing the Directors' forecast to the latest three year strategic plan. Furthermore, where appropriate, we benchmarked key inputs to historical actuals; — Discount rates: for assessing the discount rates used by the Directors, we used a range of acceptable discount rates, which is based on our view of various economic indicators; — Long term growth rates: we compared the rates applied by management to published rates; — We challenged the key assumptions by performing sensitivity analysis in order to ascertain the extent of change in those assumptions required to result in an impairment of the development assets; — We reviewed the external advice management has obtained in respect of the market strategy to be adopted in the US and held discussions with the Directors to confirm our understanding of the Group's strategy; and — We reconfirmed our understanding of the US telematics industry and country specific regulation obtained during our visits to the EROAD Oregon operations in previous years through interviews held with relevant members of the US management team.
Revenue ($32.8m)	
The Group's revenue consists of only a few revenue streams out of which the most significant is leasing revenue. Leasing revenue is revenue derived from renting the in-vehicle hardware units to customers. These contracts span more than one accounting period (typically three years). The majority of revenue in respect of the hardware rental is treated as operating lease revenue and is recorded evenly, each month, over the contractual term. The determination of a contract as an operating lease is dependent on multiple factors. These factors determine whether the Group receives the economic benefit of the hardware. A key factor in this determination is management's assessment of the working life of the in-vehicle hardware units, which are at least six years for eHubo's. When comparing the six year life to the three year contract term, operating lease classification is appropriate.	Our procedures included the following: — Assessing the Group's operating lease revenue recognition policy for compliance with the relevant accounting framework; — Reviewing any changes or new contractual terms and conditions entered into with customers during the period, and consideration of the potential impact on revenue recognition applied in the period; — Assessing the appropriateness of the 6 year useful life applied to the eHubo units by examining the physical historical performance and time the units have operated for; — Selection of a sample of revenue contracts operating during the year and agreeing the sample back to the contract terms, assessing the revenue recognition based on the contractual terms and

The key audit matter	How the matter was addressed in our audit
We focused on this area because there are currently more than forty eight thousand hardware units contracted of which the majority are treated as operating leases.	agreeing the revenue to cash received from the customer; — Checking a sample of new customer installations and transactions immediately prior to and after year end to confirm revenue has been recognised in their respective financial years.

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 Directors Declaration and the 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, once received, 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 Directors Declaration and have nothing to report in regards to it. The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to the Directors.

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 the Group, 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 consolidated financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

This description forms part of our Independent Auditor’s Report.

KPMG

Ross Buckley

For and on behalf of

KPMG
Auckland

29 May 2017