

EROAD

ANNUAL REPORT 2017



ABOUT US

EROAD modernises road charging and compliance for road transport by replacing paper-based systems with easy-to-use electronic systems that also improve 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

03 AUGUST 2017

Annual Shareholders Meeting

30 SEPTEMBER 2017

Financial Half Year End

24 NOVEMBER 2017

Half Year Results announcement*

31 MARCH 2018

Financial Year End

*Proposed date



This annual Report is dated 29 June 2017 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

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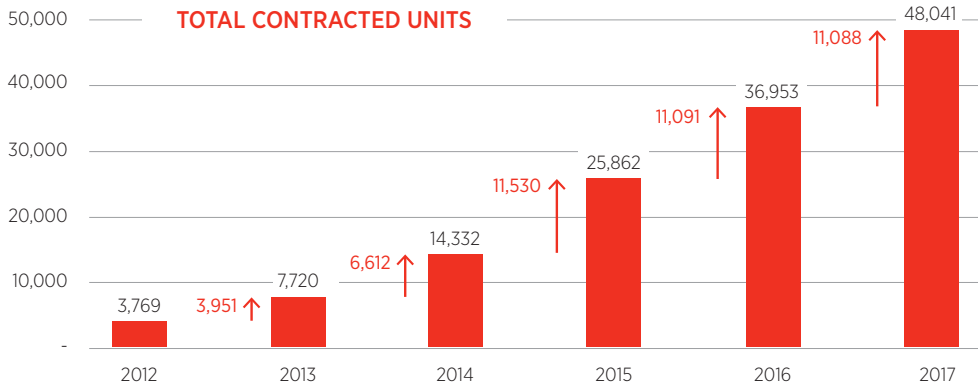
2017 Business Highlights

- EROAD launched the first comprehensive, in-cab, compliant **Electronic Logging Device (ELD)** solution on time to enable a go-to-market offer in the US in the new financial year (2018). US trucking firms must comply with the Federal Motor Carrier Safety Administration (FMCSA) electronic logging device (ELD) mandate, effective **December 2017**
- Responded to market demand for health and safety products by releasing a **comprehensive suite of health and safety products** including Max Speed Alert, EROAD Inspect, Driver Login, Trip Investigator and enhanced EROAD Share
- Successful year for R&D, rolling out **50+ new features and improvements** to EROAD's product suite
- **US sales strategy refined** using independent analysis of US market from external partners, including a 'Big 4' firm, commissioned to test and guide US strategy and business planning – refined both direct and indirect sales channels
- EROAD became a **Corporate Partner of the American Trucking Associations (ATA)**, the USA's largest national trade association for the transportation industry
- **Three record sales months in New Zealand** as heavy vehicles continue to switch from paper-based RUC to eRUC, including large enterprise customers, and an ever diversifying range of customers seek health and safety compliance services
- Ended year by signing three major enterprise accounts, **Fulton Hogan, Waste Management** and **Downer** thus finished the year with orders of more than 6,100 new units which underpins what is expected to be EROAD's largest ever unit growth year in FY18
- Team strengthened by the appointment of **Chief Operating Officer**, new **Chief Financial Officer** and new **President of EROAD's US business**.
- One of America's **leading transportation experts**, Gregg Dal Ponte, joined the EROAD Board. Mr Dal Ponte is Oregon's former Administrator of the State of Oregon Department of Transportation (ODOT), Motor Carrier Transportation Division, and has held a number of executive leadership positions in the US transportation industry
- EROAD appointed **global health and safety expert** Chris Evans as Health and Safety Stakeholder Manager to support the company's best practice in health and safety, as well as improving the company's health and safety compliance services for customers
- Successfully completed the **California Road Charge Pilot**, the largest road user charging pilot in the US, established by the California Department of Transportation to evaluate a move to road user charging, which concluded on 31 March 2017. At the conclusion of the pilot, 44% of the participating heavy vehicles will remain equipped with EROAD's technology, after **electing to become EROAD customers**
- The **Safe Driving Rewards Programme**, a collaboration in New Zealand between insurers NZI / Lumley and EROAD, won **Innovation of the Year** at the New Zealand Insurance Industry Awards. The programme has saved customers more than \$232,000 in waived insurance excesses thanks to good driver behavior
- **Finalist** in three categories of the **2017 NZ Hi-Tech Awards**; Best Technology Solution for the Public Sector, Most Innovative Hardware Product, and Innovative Hi-Tech Service

“With the closeout of the Road Charge Pilot Program, we are excited to see great results within the commercial trucking segment of the pilot. California's program was the first in the nation to test combined light and heavy duty vehicles, with commercial trucks making up almost 8% of the more than 37 million miles traveled. The California Transportation Commission will be looking carefully at this commercial trucking data in formulating recommendations on next steps for road charge in California.”

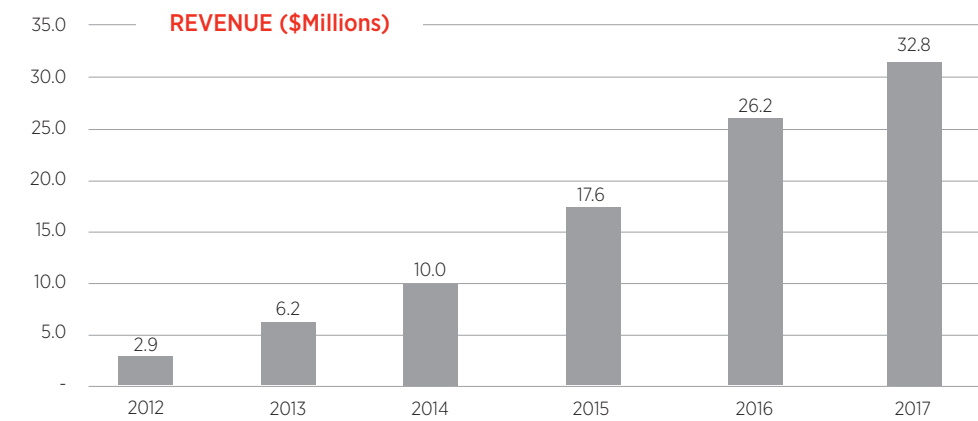
**Commissioner Jim Madaffer
Chairman of the Technical Advisory Committee (TAC)
for the Road Charge Pilot Program**

2017 Results in Brief



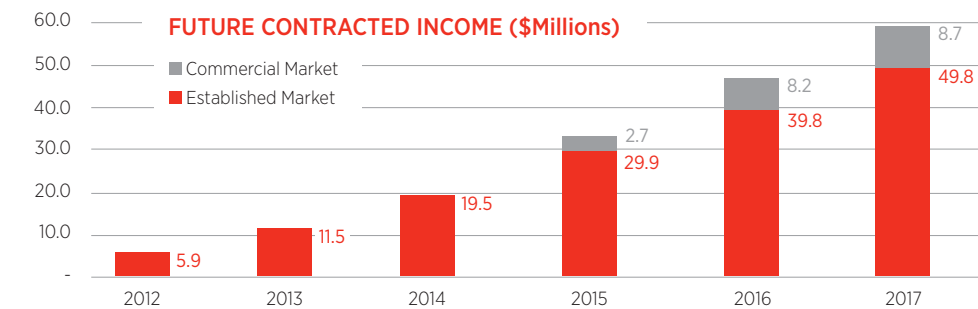
Revenue
↑ 25%

Total Contracted Units
↑ 30%



Future Contracted Income
↑ 22%

Retention Rate
99%



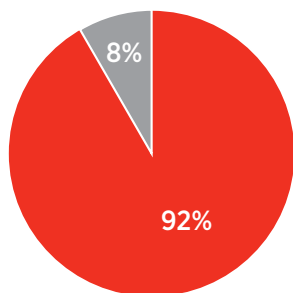
Staff Numbers
↑ 17%

Invested in R&D
\$13m

Rental units continue to dominate our total contracted units.

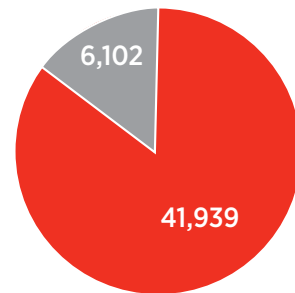
TOTAL CONTRACTED UNITS
MARCH 2017

■ Rented
■ Sold



TOTAL CONTRACTED UNITS
MARCH 2017

■ Established Market
■ Commercial Market



The EROAD Business

WHO WE ARE

The company formed in 2000, is headquartered in Auckland, New Zealand, and listed on the New Zealand Exchange (NZX). Its US business is based in Portland, Oregon, serving customers with vehicles operating in every US mainland state, growing outward in concentration from the Northwest.

In 2009 EROAD introduced the world's first nationwide electronic road user charging (eRUC) system in New Zealand and during 2017 more than 50% of heavy transport RUC is expected to be collected electronically.

In 2014 EROAD introduced the first electronic Weight Mile Tax (WMT) service in the US, and also offers electronic International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) services as well as an Electronic Logging Device (ELD) solution.

“Recent changes to health and safety legislation in New Zealand pose a particular challenge to transport operators. Everyone wants to make their work places as safe as possible, including those with fleets of vehicles operating across New Zealand's varied and challenging road conditions. But the challenge of doing this when a fleet of trucks or light vehicles is part of your workplace is significant.

EROAD's suite of Health and Safety services is a game-changer for our members. By enabling drivers and their employers to be in regular, real time contact via Depot and driver messaging, drivers no longer feel so isolated on the roads.

Quite simply, EROAD's Health and Safety service is revolutionising health and safety compliance in road transport. It is making a tougher regulatory environment less daunting for our members, and is making a very significant contribution to not only improved business performance for our members, but safer roads for our drivers and for all road users.

It is an example of a highly innovative service that is driving radical change for the better in our industry.”

Dennis Robertson
CEO – Road Transport Association NZ

EROAD is also a leading provider of health and safety compliance services, including vehicle management and driver behaviour and performance measures. Its integrated platform also provides for advanced fleet management services, including fuel and vehicle management.

EROAD's technology platform comprises in-vehicle hardware, units the company manufactures in Auckland, as well as a cloud-based Software as a Service (SaaS) suite called Depot from which customers can customise their compliance, safety and fleet management services. This includes a bank-grade secure payments system. EROAD's platform and technology have earned approval from the New Zealand and Oregon, USA transport regulators to collect tax and user charges.

The company's areas of expertise include research and development, design and manufacture, policy and regulatory analysis, customer sales and support, and big data analytics. Both the Oregon state government in the US and the New Zealand Transport Agency utilise data from EROAD's platform to improve transport planning and road management.

EROAD's technology platform is a well-established part of the New Zealand transport ecosystem, enabling innovation in related fields like insurance and freight management, as well as supporting improved highway planning and maintenance by roading authorities. EROAD's platform has been designed to support integration with third parties, to provide additional commercial services, such as cool chain management logistics and monitoring, workflow management and manifest services.

BUSINESS MODEL

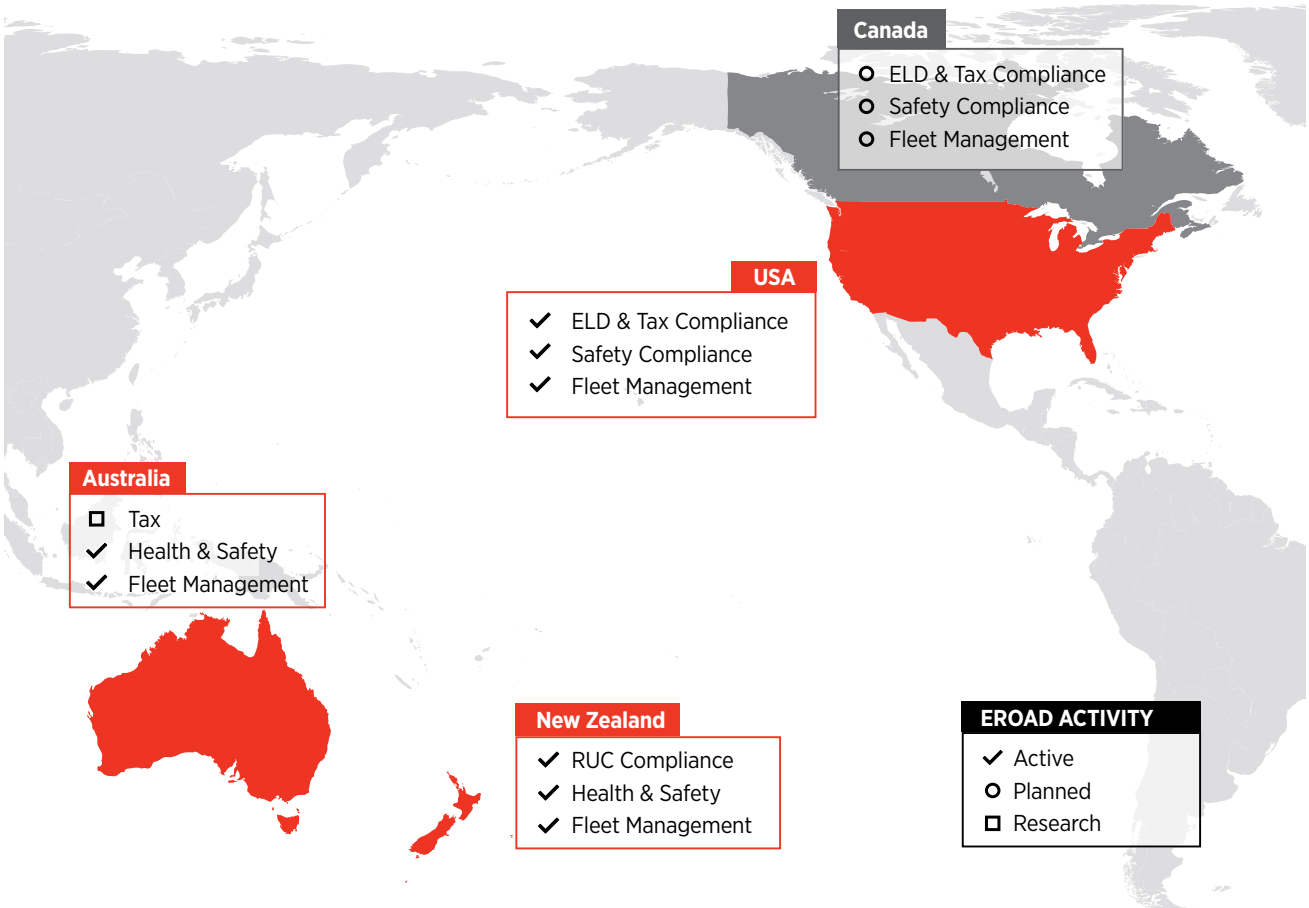
EROAD customers usually lease their in-vehicle units and pay for a monthly service plan to use services on Depot, usually on a 36-month term. EROAD enjoys a very high customer renewal rate of between 97% and 99%.

EROAD’s revenue comes from the lease (or sale) of in-vehicle hardware as well as service plans for its SaaS services. It also earns transaction fees as a RUC agent for the sale of RUC electronically on behalf of the New Zealand Transport Agency (NZTA).

A feature of the business is EROAD’s strong growth in Future Contracted Income (FCI), arising from its future contracted income from customer service plans. As its customer base grows, better-utilising R&D and investment in software services, EROAD intends to steadily improve EBITDA, especially in its New Zealand business.

GLOBAL ACTIVITIES

This map illustrates EROAD’s global activities. EROAD’s core product offering in New Zealand is RUC compliance with growing health and safety and fleet management offerings. Australia does not operate a Road User Charges scheme, so EROAD offers only the health and safety and fleet management services. In North America EROAD offers ELD and tax compliance, safety compliance and fleet management services.



EROAD FACTS AND FIGURES

	COMMERCIAL MARKET	ESTABLISHED MARKET	TOTAL
Total Contracted Units*	6,102	41,939	48,041
Tax collected or miles measured	370,852,944 miles	\$1,437,511,052	-
Employees (FTE)	41	188	229
Future Contracted Income#	\$8.7m	\$49.8m	\$58.5m

* Total Contracted Units is a non GAAP-measure used by EROAD which represents the total units subject to a customer contract and includes both Units on Depot and units pending installation.

Future Contracted Income is a non-GAAP measure which represents future hardware and SaaS revenue under non-cancellable long-term agreements for installed units. Refer to Note 5 of the Financial Statements.

PROGRESS AGAINST KEY STRATEGIES

1	Grow existing markets	<i>Grew units by 30% across all markets</i>
2	Expand Oregon operations to Northwest & North America	<i>After advice from external consultants, expanded team and partners to cover US with emphasis on areas best suited to EROAD</i>
3	Identify, foster and develop new opportunities	<i>Delivered successful California Pilot and launched Electronic Logging Device</i>
4	Consider accelerated market entry through acquisitions	<i>Watching brief, no acquisitions in FY17</i>
5	Further develop fleet management services to support core offer	<i>Added to health and safety suite of services in New Zealand</i>
6	Validate new product markets and business models	<i>Partnered with the American Trucking Associations as a featured product partner</i>

MARKET OUTLOOK

To provide shareholders with additional context with respect to EROAD's progress and future opportunities, this section offers an overview of the markets in which EROAD operates.

Australian and New Zealand (ANZ) market

The ANZ market continues to offer a significant growth opportunity for EROAD. Independent market research indicates the telematics market in Australia and New Zealand is in a growth period. The number of units in use is forecast to grow at a compound annual growth rate (CAGR) of 16% from 0.5 million units in 2015 to 1.1 million in 2020. In December 2015, research company, Berg Insight, ranked Teletrac Navman as the largest telematics provider in Australia and New Zealand with around 80,000 units in the region. EROAD was the second-largest provider with 31,000 units in the region. Since then EROAD has grown its units to 41,939.

EROAD's growth has exceeded that forecast for the telematics market as a whole in Australia and New Zealand. EROAD has grown units by a CAGR of 36% from the start of FY15 to the end of FY17. EROAD's growth looks set to continue in the next financial year with a strong pipeline of demand from both heavy and light fleets.

EROAD's growth has been built off expansion in both the heavy vehicle and light vehicle markets. Growth has been driven by increased regulation, such as health and safety, and

“It is hard to think of a high-tech solution in transportation that has brought more benefits to New Zealanders, especially the public sector, than EROAD's technology. Unquestionably, EROAD's ERUC technology has made the prospect of paying road charges less of an imposition and more palatable to many of our members, both by reducing the cost of compliance and knowing data collected can be put to good use to improve our networks. The benefits to the public sector are clear. And all New Zealanders benefit when the cost of road transport can be reduced.”

Ken Shirley
Chief Executive, Road Transport Forum
New Zealand

a focus on improving fleet efficiency to better manage costs and a continued expansion and improvement of EROAD's services offer to meet changing customer needs.

EROAD still has significant headroom for growth in the heavy vehicle market. Electronic Road User Charges are quickly becoming the market standard method of paying for Road User Charges. Electronic RUC (eRUC) now accounts for 47% of all heavy vehicle RUC collected in New Zealand. EROAD is the clear leader in the heavy vehicle market, now collecting

38% of total heavy vehicle RUC. Further, EROAD's new products are targeting a broader range of customer needs. EROAD has recognised customer demand for products to help manage fleet efficiency, compliance and safety with products like EROAD Inspect and EROAD Leaderboard.

EROAD has seen healthy growth in sales to operators of commercial light vehicles (vehicles weighing less than 3.5 tonnes) over the last financial year with over 9,000 units installed in light vehicles. This has been partially driven by EROAD's heavy vehicle customers introducing EROAD into their light vehicle fleets as well as uptake by light vehicle fleets that are particularly focused on health and safety compliance. Currently, only a small proportion of the estimated 500,000 commercial light vehicles on the road in New Zealand are thought to have purchased telematics services. EROAD foresees significant growth potential in this market fuelled by recent changes to health and safety regulation in New Zealand. These more onerous obligations on employers have led to an increased demand for EROAD's suite of telematics products to enable fleet managers to monitor driver location, speed, safety and behaviour. In New Zealand health and safety is now a significant driver alongside RUC and efficiency, especially in light of the recent Kaikoura earthquake which has challenged the trucking industry.

Australia's 700,000-strong heavy vehicle fleet and 2.9 million-strong light commercial vehicle fleet still has relatively low levels of market penetration for advanced transport technology services like telematics. In addition, a number of Australian states, as well as the Federal government, are considering user pays options for new road networks. During the year in review, EROAD hosted Australia's Federal Minister for Urban Infrastructure, the Hon Paul Fletcher, MP who was interested to learn about New Zealand's RUC system and technology options for smarter road pricing and road management.

North American market

North America presents a significant and multi-faceted opportunity for EROAD. The mandate put forward by the Federal Motor Carrier Safety Administration (FMCSA) for commercial drivers to adopt and use an electronic logging device (ELD) by December 2017 impacts not only commercial carriers transitioning from a paper-based methodology to electronic means of capture, it also includes those carriers who work with older technology in their fleets that will not accommodate the new requirements. Additionally, those carriers who have employed legacy technology are evaluating the market to determine whether they will opt to upgrade or change vendors upon renewal of their contracts to take up a better user experience and implement the new compliance status.

ELD is not simply a change in compliance, it is a complete change in the way compliance is managed within a carrier's business.

EROAD has self-certified and registered the first fixed in-cab, ELD solution with the FMCSA. Fixed in-cab hardware offers greater reliability, convenience and accuracy than app-based phone or tablet alternatives currently available on the market. EROAD's additional services offered in conjunction with ELD, such as electronic Weight Mile Tax, IFTA, fleet management services and driver behaviour solutions help to differentiate EROAD from its competition.

EROAD's work with external consultants to assess the total potential market created by the ELD mandate places the opportunity at approximately four million vehicles. EROAD has segmented this market and is targeting its initial efforts on fleets that represent close to one million vehicles. These are the vehicles and fleets whose needs most closely match EROAD's product offering.

To access and service these fleets, EROAD has spent the last financial year building a sales and operational support platform in the US to provide a scalable model to meet expected ELD demand across North America.

In the longer term, EROAD expects to expand its market focus beyond this initial target segment. While the December 2017 deadline for operators to adopt an ELD system is a major focus for EROAD, this represents the first phase of development in this market. Longer term, customers will continue to seek reliable, future-proofed solutions like EROAD's, even if they have initially adopted a lower-cost app-based solution. EROAD's market research shows:

1. Carriers with smaller fleets, including owner-operators, may initially opt for a simple and less expensive app-based ELD solution, but that many of these carriers are likely to seek additional capability and improved reliability offered by in-cab fixed hardware like EROAD. As a result, EROAD expects carriers switching from less robust app-based ELDs to make up our target customers in FY19.
2. Carriers operating legacy in-cab technology have a two-year extension to their deadline, to December 2019, to install ELDs. These carriers are typically larger in fleet size and will face more operational change management aspects and will require more time for planning, training and implementation. These carriers will make up some of our target customers in FY19 and FY20.

Key business decision drivers among our target customers include controlling costs, including fuel, repairs and maintenance, and Insurance, as well as improved driver training and retention. In the US regulation through ELD, IFTA and WMT, when combined with an aging driver population, are contributing to staff churn and increased costs. The

industry is looking to telematics to help manage costs, and improve driver satisfaction and hence safety and retention.

Beyond the existing compliance framework, a number of states, as well as the federal administration, are looking at better ways to fund infrastructure maintenance and improvement, including roads and highways. America's infrastructure deficit remains a major issue, and moves like the California Road Charging Pilot are an example of roading authorities and infrastructure owners exploring more sustainable solutions.

EROAD'S INNOVATION

EROAD's mission is to bravely solve transportation problems by delivering intuitive solutions to help our customers to succeed. Our development capability is integral to delivering on our mission and ultimately our vision: to be number one in every market segment in which we choose to compete.

For EROAD, helping customers to succeed means understanding regulations and regulators to ensure our products are legally compliant, reliable and accurate. Our development team works alongside our customers to understand their complex challenges and produce world-class solutions to meet them.

EROAD has a proven track record of investing in R&D projects which provide market leading solutions to regulatory requirements and provide our customers with the best tools to enhance their decision-making capability. EROAD has created:

- New Zealand's first and leading electronic Road User Charges solution in compliance with the New Zealand Transport Agency's regulations. EROAD led a transition from paper-based RUC licences to eRUC such that nearly 50% of all RUC for heavy vehicles annually is paid and collected electronically;
- Oregon's only end-to-end electronic Weight Mile Tax (WMT) solution as approved by the Oregon Department of Transportation (ODOT);
- An electronic logging device (ELD) that complies with the more than 600 pages of regulations contained in the Federal Motor Carrier Safety Administration's (FMCSA) ELD mandate, and is easy to use for customers.

EROAD's customer retention for the 2017 financial year has improved to 99%. The 2017 financial year is EROAD's fourth in a row demonstrating its customer retention at 97% or higher, proving that EROAD is bringing long-term, sustainable value to our customer base.

EROAD's recent R&D investments have been specifically targeted to enable us to capture a portion of the ELD market. Relative to EROAD's R&D investment, this market is very attractive with our ELD opening up a total potential market

estimated at US\$660 million in annual revenue. Beyond ELD and Oregon WMT we expect, in coming years, EROAD will be able to reap the benefit of investing in our core product platform by introducing it into new markets as states and countries in North America move towards a weight mile tax system to complement or replace fuel tax.

The quality and compliance of EROAD's ELD has been proven to the market. In order to provide our customers additional assurance that EROAD's ELD meets all FMCSA regulations and to further differentiate ourselves from the competition, we have undertaken the process of independent verification for our ELD solution by partnering with the PIT Group, an expert in third party transportation engineering and testing. This approach aligns with EROAD's customer-centric innovation in the regulatory space. PIT Group will announce the results of its verification process with a full report in June 2017.

In addition to ELD, during 2017, EROAD released a number of new services on its platform including:

- IFTA Easy File, an enhancement to its IFTA Electronic Tax Management solution. Easy File reduces the time and complexity of filing quarterly IFTA (International Fuel Tax Agreement) returns.
- EROAD Inspect, which allows drivers to carry out pre-and post-trip safety inspection checks on a mobile device.
- A unique identification system for drivers using EROAD Driver Login - a simple, secure and intuitive PIN-based login on Ehobo2 units that enables drivers to identify themselves before they start driving.
- Max Speed Alert, which provides real-time speeding notifications to help fleet managers to maintain ORS (Operator Rating System) ratings, avoid on-road incidents and support driver training and incentive programs.

CALIFORNIA ROAD USER CHARGE PILOT

In 2016, California passed legislation to move forward with a Road User Charge Pilot. The scope of the pilot covered both heavy and light vehicles. The pilot operated for nine months and concluded on 31 March 2017. The California Department of Transportation selected EROAD as the sole technology provider to administer the heavy vehicle component of the CA Road Charge Pilot program. EROAD enrolled 55 participating heavy vehicles in the pilot. Taken together the heavy and light vehicles enrolled in the California pilot project represented the largest road charge pilot to date in the United States.

While heavy vehicles only represented 1% of the total number of vehicles enrolled in the pilot, these vehicles accounted for almost 10% of the total miles travelled during the pilot by all participating vehicles (including light vehicles) and were responsible for more than half of the associated road wear. Engineers estimate that a fully loaded truck at the interstate maximum legal weight of 80,000 pounds causes more damage to a highway than between five and ten thousand cars.

During the California pilot, the heavy vehicle participants could also take advantage of the full range of EROAD ancillary services including electronic IFTA, electronic logbook, Oregon Weight Mile Tax, driver metrics, idle

Adam liked EROAD's device so much that he upped the order from the original two trucks to 17 in which they're mounted on the dashboard near the windshield.

"Every driver should be paying equally to maintain the roads. As we get these more fuel-efficient vehicles, they use the roads the same amount, but they're not generating the same tax revenue to fix the roads. The EROAD device also gives us a lot of other information including electronic logging. We think it's going to be beneficial for our company."

Adam Gallagher, Safety Director for Devine Intermodal Participant in California Road Charge Pilot

reporting, vehicle maintenance reporting and more for no cost. EROAD has received great feedback from the pilot carriers using EROAD services and are pleased to announce that 44% of the vehicles participating in the pilot will remain equipped with the EROAD hardware upon the conclusion of the pilot as the motor carriers have now elected to become EROAD customers.

Other states in the United States are currently considering implementing a road user charge pilot program and are considering inclusion of heavy vehicles for a full evaluation. EROAD continues to provide subject matter expertise on technology relevant to these pilots. EROAD's expertise in leveraging multiple tax and compliance solutions on a single technology platform will likely continue to be of great interest to future pilot projects.

“With the EROAD ELD, we get away from drivers having to do paperwork. In fact, the less they have to do – like having to remember and write it all down – is a huge plus. We’ve seen that it’s cut down on the time in the yard every morning.

EROAD’s ELD is simple to use. Some of our drivers are not computer-savvy. The EROAD design with the icons have made it so easy for them. The drivers just log in to the ELD, do what they need to do, and boom they’re done!

The EROAD team has been helpful. We’ve been so pleased to see that our questions are answered and they will get back to us in a timely way. We’ve had a good experience working with EROAD. Any suggestions we have made, EROAD works with us to make it better, and drivers really like seeing that happen.

It’s been valuable for us to run the ELD before it is mandated. We have been able to experience how it works for our business and for our drivers.”

Mike Weigel
Assistant Dispatcher, Freres Lumber Co. Inc.



Chairman Report

On behalf of your Board of Directors, I'm pleased to report another productive year in EROAD's investment to build a global leadership position in the technology services sector for transport.

We have made progress both on advancing our technology platform to enable us to offer customers market leading products and services, and on building the EROAD team and investing in our company systems and processes to scale for growth.

Refining our business strategy in the US was a focus of the year, based on independent research and analysis we commissioned from two leading firms. This has helped guide our team's planning and recruitment as we seek to now support customers nationwide as we go to market with our ELD solution, as well as other services. Your Board has appreciated the contribution of US-based director Gregg Dal Ponte, who joined the board this year following a successful career in US transportation and public policy.

We are pleased with the continued strong performance of our New Zealand business, which gives us the confidence to invest in our global opportunities, particularly in the US. The opportunities for continued growth both in New Zealand and the US remain considerable.

As the company grows, we are continuing to develop our team and operating systems. Jarred Clayton's appointment as Chief Operating Officer, and Jason Dale's arrival as Chief Financial Officer are significant appointments that strengthen our executive leadership. Norm Ellis' appointment in the US brings high quality leadership to our US business and enables CEO Steven Newman, who has spent considerable time in the US as we re-organised that business, to resume a more balanced travel roster between New Zealand and the US.

On behalf of the Board and all EROAD staff I would like to acknowledge the significant contribution Sean Keane made to EROAD and the Board during his term as an Independent Director. Sean unfortunately resigned for personal reasons in May 2017, having joined the Board in February 2013.

In keeping with our investment strategy, there will be no dividend paid this year.

For those shareholders able to be in Auckland, we look forward to seeing you at our annual meeting on 3 August 2017 by which time we will have an early indication of the market's response to our ELD solution in the US as well as further progress with our strong New Zealand sales pipeline.

Yours sincerely



Michael Bushby, Chairman



CEO Report

This year saw the culmination of a major research and development push to deliver our US ELD solution. My thanks to everyone in our engineering and product teams who have worked so hard to deliver this project on time. In the year ahead we are likely to see more than 50% of New Zealand's heavy transport RUC paid and collected electronically – a remarkable transition from what was a fully mechanical and paper-based system just seven years ago when EROAD launched eRUC and created the world's first nationwide electronic user charges system for heavy vehicles.

Our challenge now is twofold: to maintain and enhance our New Zealand market leadership to consolidate a strong and sustainable business at the heart of New Zealand's transport services ecosystem; and to manage and build our US sales and marketing capabilities to make the most of these great products and services so that American transport operators can enjoy the benefits they bring, especially as we bring ELD to market. Underpinning this effort will be further investment in our 'back office' systems, led by CFO Jason Dale, to ensure our operational capability to scale up and grow matches the scalability of the technology platform that our customers know and love.

We can have confidence in our ability to achieve these challenges. Firstly our NZ sales pipeline remains very healthy, thanks to a strong market response to the added functionality of our Ehubo2, in particular with respect to the health and safety compliance services it offers. With the signing of three major enterprise accounts at the end of the financial year, namely Fulton Hogan, Waste Management and Downer, we are positioned to deliver our highest ever unit growth year in FY18. Secondly, our US business is now benefiting from the leadership of our new President Norm Ellis, who understands the market well, and has the benefit of the independent research and analysis that EROAD commissioned this year to test and guide our strategy. We now have a much clearer idea of our target markets, how to reach them, and the kind of sales pitch to which they will respond. Finally, Jason's review of EROAD's operating systems, as well as our accounting treatments and practices, is already yielding improvements and helping to put the business on a surer footing for growth.

YEAR IN REVIEW

During the year, the company made progress building its leadership team for the future. Jarred Clayton's appointment to a COO role, as well as Jason Dale's CFO appointment, are important steps forward for the company. Norm Ellis's decision to accept a position as President of EROAD's US business adds not only Norm's knowledge of the US telematics industry, but also his skills and experience as a team builder and business leader to take our US business forward. These three appointments have bolstered our senior leadership capabilities.

Our team at EROAD continues to grow our sales and marketing capability in the US and to support our ever-growing number of customers who are also using our diverse and sophisticated services in new ways while maintaining our innovative R&D program. At 31 March there were 229 EROADers up 17% on last year. Our team comes from 25 countries around the world, reflecting a global community working together towards our global ambitions.

ESTABLISHED MARKET: NEW ZEALAND AND AUSTRALIA

It has been another strong year for our New Zealand and Australia business. We began installing in-vehicle units in the fleets of a number of major new enterprise customers, including Downer and Watercare. Our pipeline for New Zealand installs remains strong with Waste Management, Fulton Hogan and Downer all signing to add units in FY18. EROAD continues to collect a growing share of RUC for NZTA, now accounting for 38% of New Zealand Heavy Vehicle RUC, up from 34% a year ago. Our market share continues to grow as eRUC approaches 50% of all heavy transport RUC. While this represents strong progress it also reflects how much opportunity remains to convince operators using paper-based RUC and compliance systems to switch to the benefits of eRUC and electronic compliance.

The commercial release of Ehubo2 in May 2016 was a milestone for EROAD. It offers customers a choice of in-vehicle devices to suit the needs of their fleet. Our first generation Ehubo delivers electronic RUC in New Zealand while Ehubo2 enables a wide array of additional products and services, in many jurisdictions, on our integrated, global platform. Not surprisingly, Kiwi customers have been enthusiastic adopters, given Ehubo2's capabilities to incentivise improved driver behaviour and fleet management, as well as being an approved electronic distance recorder (EDR). In New Zealand, Ehubo2 has underpinned the rapid expansion of our health and safety compliance services as companies adapt to the 2015 legislative reform of Health and

Safety regulations. As well as adding further value for heavy vehicle customers, our health and safety suite of services has broadened our offer to light vehicle fleets, including many local authorities and other public organisations committed to health and safety best practice.

EROAD continues to enjoy modest but steady growth in Australia, mainly supporting trans-Tasman customers with operations both sides of 'The Ditch', but also among larger fleets looking for the security and reliability our platform offers. It also provides future proofing as Australian states, and the federal government, like a number of jurisdictions around the world, look to how electronic road pricing and other compliance measures might be used in future.

COMMERCIAL MARKET: OREGON & USA

This year saw EROAD continue to modestly grow sales mainly in Oregon and the Northwest of the US, while preparing for our first nationwide offer of our ELD service. Releasing the market's first comprehensive, in-cab compliant ELD on time was a significant achievement for the company, and our focus now is making the most of the commercial opportunity this provides.

The US Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) rule requiring the use of electronic logging devices (ELD) for drivers to record their hours of service information means that an ELD capability is essential for future service offerings in our space. Now that our US offer includes a compliant ELD, we can focus not only on customers exclusively seeking an ELD solution, but more importantly on operators open to the benefits of an integrated platform that offers not only ELD, but also electronic Weight Mile Tax (WMT) and electronic IFTA (International Fuel Tax Agreement) and IRP (International Registration Plan) services, as well as sophisticated safety compliance and fleet management.

This year we commissioned independent advice from two leading firms to test our strategies and go-to-market plans in the US. This enables our team, now under the able leadership of President Norm Ellis, to target the market segments that offer the most opportunity for EROAD, and to build a sales structure to exploit this. We are continuing to develop both direct and indirect sales capabilities as we grow. EROAD is establishing its reputation among industry players, as it did in New Zealand, for the quality of its products and services, their ease of use, and their ability to add value to customers' business operations. Becoming a corporate partner of the American Trucking Associations (ATA), and participating in the California Road Charge Pilot are good examples of the interest in what EROAD has to offer in the US.

THE YEAR AHEAD

The coming year will see a focus on bringing to market our ELD service in the US and using market interest in the FMCSA rule to promote the benefits of our integrated solution. We know we need to lift our sales rate in the US and are working hard to ensure the building blocks are in place so that we can access the opportunity created by ELD. In New Zealand and Australia our focus will be on continuing to grow as fast as we can, and on diversifying our service offer, especially in the health and safety area. We expect to deliver our highest ever unit growth year in FY18.

Our R&D demands are unlikely to be at levels of this year, but ongoing review of our 'back office' systems have identified improvements we need to make to ensure the business can scale quickly with our customers as we grow. Improving these operational platforms and processes will be the focus of investment in the year ahead. Other areas of focus are on EROAD's connectivity with the large US transport management systems used by our largest customers.

Improved US sales growth combined with continued strong performance in New Zealand and Australia should deliver improved EBITDA margins over time.

Without ever losing sight of our New Zealand home base, 2018 will see further steps to develop our international opportunities based on our unique, integrated global platform.

Yours sincerely
Steven Newman, CEO



CFO Report

I was excited to join the EROAD team in late December 2016. I was attracted to the company by the significant opportunities for continued growth both in our established market in New Zealand where we continue to lead the market, and our international expansion into North America, where we are a relative newcomer, but have recently launched what we believe to be a best-in-class solution to address the upcoming federal ELD mandate.

Future proofing systems and processes

One of the main focuses for my first full quarter at EROAD was on gaining a thorough understanding of the internal capabilities of the business, including our people, systems and processes. My initial observations were that whilst systems and processes are functional, they have a number of limitations that will cause strain and risk falling behind the evolving needs of the business as we continue to grow. In order to address this we have recently commenced a review and redesign of our processes with the aim of creating consistent, robust and scalable processes to handle our future growth in all markets. We have also commenced a significant project to replace our financial system. This is an investment that will greatly improve our reporting, analysis and performance management capabilities to meet the future needs of the business.

Following some recent recruitment I am confident that we have a strong group of talented EROADers in place to deliver on the change initiatives that we have recently commenced and I am encouraged by some of the early progress.

Review of amortisation method

Following a review of our accounting policies and estimates, it was determined that it was appropriate to change the method for amortising our development assets. Under the previous approach the Group amortised capitalised development costs using a per unit rate upfront at the time of dispatch, with the rate determined based on the number units expected to be sold over the useful life of the relevant development assets. The change to a straight line method of amortisation better aligns with the Group's use of development assets, the benefits of which are primarily consumed by our customers over time, using a recurring monthly hardware rental and software as a service (SaaS) offering. The move to straight-line also provides the benefit

of greater certainty over the amortisation charge and better matching of amortisation with revenue earned. The change in accounting estimate has had an adverse impact on our result for FY17, the total amortisation charge (non-cash) for the year of \$4.0m was \$1.4m higher as a result of the change.

Funding our growth

Our long-term rental offering (bundled hardware rental and SaaS) has continued to be very popular, with 92% of all units rented to customers and only 8% sold. This results in strong future contracted income and profitability for the Group. However, the rental model requires upfront cash outflows in order to fund both the hardware and the cost of acquiring customers, although these initial costs are more than recovered over time with a strong and long-term subscription based revenue stream. Whilst this inevitably means the faster the Company grows the higher the upfront cash requirement on the business, once the business matures we have built a highly cash generative business. The Group aims to fund unit growth with debt facilities whilst continuing to use equity to fund our market development activities

We were pleased to announce on 14 June 2017 that the Company had accepted a credit approved facility letter of offer from the BNZ, EROAD's existing banking partner with whom EROAD has a long-term relationship. The total facilities provided under this agreement are \$33.4 million, for an initial term of 12 months from the date of drawdown.

The new debt facilities will be used to consolidate previous debt (which will be amortised over 30 months) and to provide growth funding, to support the financing of new units leased to customers in New Zealand, Australia and the United States, which will be drawn down in accordance with the execution of new rental contracts. Funding rates are in line with previous borrowing costs, however US based debt reflects the underlying US base rate. We expect to have finalised the contractual arrangements by the end of June 2017.

Jason Dale, CFO



“The EROAD system has delivered many benefits for Fulton Hogan from reducing our Road User Charges to monitoring truck idling times to reduce fuel costs.

EROAD’s addition of driver behaviour features to help improve driver safety made the decision to install EROAD’s technology in more of our fleet very easy. As a business with more than 6,700 people on our team, it’s important we stay safe at all times.

One of our key Health and Safety policies is to, ‘Set objectives and targets to manage, measure and improve our performance’. EROAD makes this measurement and management simple by interfacing with our existing systems.”

**Graham Eaton, Mechanical Engineer
Fulton Hogan**

2.0

GOVERNANCE

Board of Directors



MICHAEL BUSHBY

Chairman, Member of Finance, Risk and Audit Committee

Michael is a consultant at WSP Australia and a director of Lowelly Pty Limited. 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 Chairman 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 Advisor for the University of Waikato's Cyber Security Lab and a Director of Livestock Improvement Corporation. Candace joined the EROAD Board in April 2014.



STEVEN NEWMAN

Executive Director/CEO, Member of Remuneration, Talent and Nomination Committee

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 Oregon Department of Transport's Motor Carrier Transportation Division. Gregg is Director of Regulatory Compliance for the Oregon Trucking Associations, Inc.



SEAN KEANE

Formerly an Independent Director and Chair of the Finance, Risk and Audit Committee

Sean joined the EROAD board in February 2013 and resigned for personal reasons in May 2017. During his term on the Board as an Independent Director Sean made a significant contribution both to the Board and to EROAD.

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).



BRUCE WILSON

Chief Technology Officer

Bruce is responsible for technical leadership across product development at EROAD. Bruce provides technical guidance to the engineering, enterprise and market development teams to support the company's vision to become a global leader in electronic heavy vehicle charging and the provision of related services. Bruce has worked locally and internationally on many wireless embedded projects for companies such as Nokia and Navman.



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 229.



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.

EROAD's corporate governance is aligned with the NZX Main Board Listing Rules relating to corporate governance, the NZX Corporate Governance Best Practice Code, and the New Zealand Financial Markets Authority Corporate Governance in New Zealand Principles and Guidelines. In this Corporate Governance section, we report on how the Company has followed the recommendations set out in these principles.

The Company's corporate governance policies, practices and procedures can be found on the Company's website.

PRINCIPAL ACTIVITIES

EROAD has created an electronic solution to manage and pay road user charges (RUC) and road tax regimes, support regulatory compliance 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.

CODE OF ETHICS

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 employees to act in the best interests of the Company at all times and to not accept from, or offer to, anyone, bribes or improper inducements.

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.

The Company's Code of Ethics can be found on the Company's website.

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.

THE BOARD

Board Composition

At present, there are five directors on the Board, four 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, expertise, role and the term of office held at the date of this Annual Report, is set out in the "The Board" 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. 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 and Gregg Dal Ponte is contracted to provide advisory services to the company. As of 1 April 2017 the fees paid to Gregg Dal Ponte under his consulting agreement with EROAD have been lowered. Consequently, this agreement is no longer considered a material contractual relationship.
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 2017, Michael Bushby, Tony Gibson, Sean Keane and Candace Kinser were independent directors.

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 financial year ended 31 March 2017.

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. Steven Newman attended all meetings by invitation of the members of the Committee.

The current members of the Finance, Risk and Audit Committee are Anthony Gibson (Chairman), Michael Bushby and Candace Kinser and their qualifications are specified in "The Board" section of this Annual Report. All members of the Finance, Risk and Audit Committee are independent non-executive directors.

Remuneration, Talent and Nomination Committee

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. When recommending candidates to act as director, the committee takes into account such factors as it deems appropriate, including the diversity of background, experience and qualifications of the candidate. The current members of the Remuneration, Talent and Nomination Committee are Anthony Gibson (Chairman), Candace Kinser, Gregg Dal Ponte and Steven Newman. Steven Newman attended both meetings during FY 2017 by invitation of the members of the Committee. All members of the Remuneration, Talent and Nomination Committee are independent directors, except Steven Newman who is an Executive Director.

	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	10	10	-	-	-	-
Sean Keane	10	10	5	5	-	-
Anthony Gibson	10	10	5	3	2	2
Candace Kinser	10	9	5	4	2	2
Steven Newman	10	10	-	5	-	2
Gregg Dal Ponte	7	7	-	-	-	-

BOARD PROCESSES

The Board held 10 meetings during the year ended 31 March 2017. 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.

EMPLOYEE AND DIRECTOR GENDER MIX

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 2016 and 31 March 2017:

	2016		2017	
	Women	Men	Women	Men
Board	1	4	1	5
Officers	2	6	2	6
All employees	61	137	85	149

"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.

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 directors who will contribute to the successful governing of the Company and create value for shareholders.

The Company also takes advice from independent advisors, and takes into account fees paid to directors of comparable New Zealand companies as part of its assessment of the appropriate level of remuneration of directors.

Non-executive directors received the following directors' fees from the Company in the year ended 31 March 2017:

	NZ\$
Michael Bushby	76,792
Candace Kinser	49,061
Sean Keane	49,061
Anthony Gibson	49,061
Gregg Dal Ponte	36,750
Total	260,725

The maximum total financial sum payable by the Company by way of directors' fees is \$350,000 per annum as approved by shareholders at the 2016 annual general meeting.

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.

Steven Newman, acting in his capacity as an employee of the Company, received fixed remuneration in the year ended 31 March 2017 of \$551,499.

In addition to this fixed remuneration, Steven Newman also received performance based at-risk components of \$89,525.

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

Gregg Dal Ponte, acting in his capacity as a consultant to the Company, received consulting fees for the year ended 31 March 2017 of \$65,365.

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

EXECUTIVE MANAGEMENT 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 remuneration packages of senior employees consist of a mixture of a base remuneration package, a variable remuneration component based on relevant performance measures, and participation in the Company's employee share purchase plan.

The remuneration policy for senior employees is designed to attract, motivate and retain high quality employees who will enable the Company to achieve both its short and long term objectives. The policy includes providing incentives that allow employees to share in the long term success of the Company and share purchase plans intended to encourage the retention of senior employees and increase the alignment between the interests of management and shareholders

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 17% 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	10
110,001 - 120,000	17
120,001 - 130,000	12
130,001 - 140,000	8
140,001 - 150,000	6
150,001 - 160,000	1
160,001 - 170,000	6
170,001 - 180,000	6
180,001 - 190,000	1
200,001 - 210,000	2
230,001 - 240,000	4
240,001 - 250,000	1
260,001 - 270,000	1
270,001 - 280,000	1
340,001 - 350,000	1
380,000 - 390,000	1
TOTAL	78

PERFORMANCE EVALUATION

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.

RISK MANAGEMENT

The Company has a number of 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.

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.

POLICIES

The Company has in place a number of policies including those covering external auditors, remuneration, market disclosure, communication with shareholders and securities trading. Further information with respect to a number of these policies appears below.

Securities Trading

The Securities Trading Policy identifies circumstances where directors, officers, employees and advisors are permitted to trade, or prohibited from trading, Company shares. The Company is committed to ensuring its directors, officers, employees and advisors do not trade Company shares while in possession of inside information. The Securities Trading Policy is available on the Company's website.

Market Disclosure Policy

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. The Market Disclosure Policy is available on the Company's website.

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.

External Auditor Independence

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.

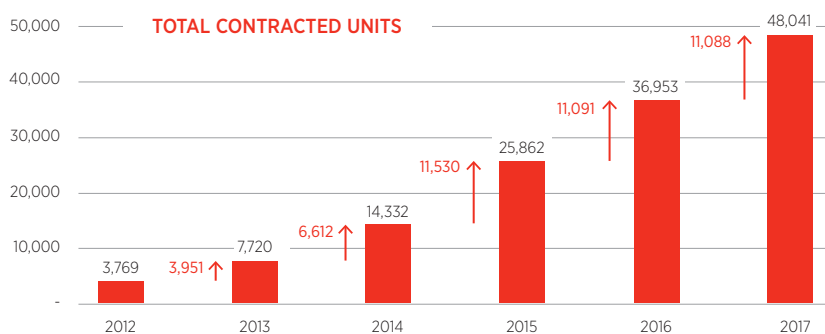
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FINANCIAL
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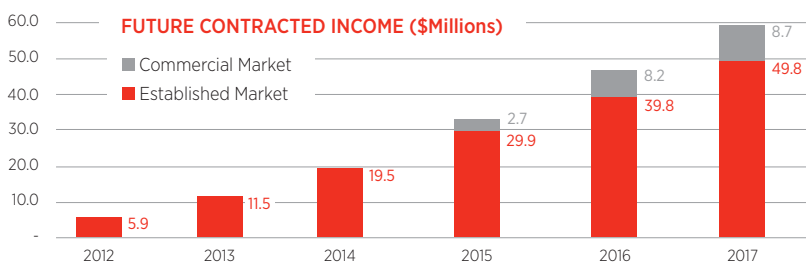
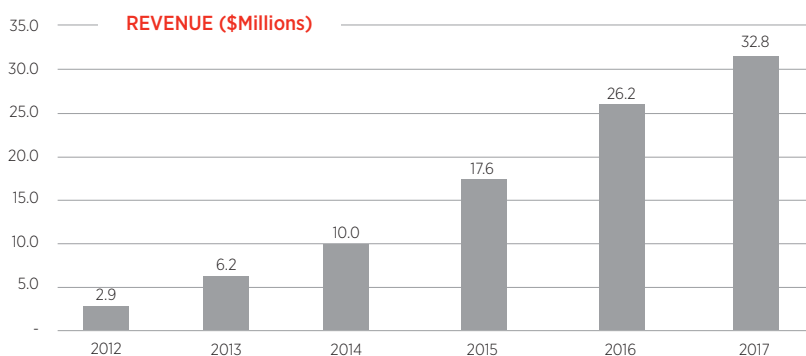
Financial Review

The Group's result reflects continued revenue growth across all markets with total revenues of \$32.8m, an increase of 25% compared to the prior years \$26.2m. Total Contracted Units grew by 30% to 48,041 at 31 March 2017.

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 revenue under non-cancellable long-term agreements for installed units. Refer to Note 5 of the Financial Statements.

	2012	2013	2014	2015	2016	2017
Retention Rate	100%	99.5%	99.3%	99.2%	97.1%	99.0%

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)	2013	2014	2015	2016	2017
Revenue	6,209	9,964	17,550	26,165	32,764
EBITDA before non-operating costs ¹	1,782	4,029	5,038	5,687	7,056
Depreciation	(1,684)	(2,320)	(3,560)	(5,813)	(8,086)
Amortisation	(353)	(648)	(1,140)	(1,676)	(3,992)
EBIT before non-operating costs	(255)	1,062	338	(1,802)	(5,021)
Net financing costs	(43)	(42)	758	491	(236)
Net Profit before listing costs	(298)	1,020	1,096	(1,311)	(5,257)
Total Assets	14,812	31,595	71,310	66,835	73,062
Net Assets	1,592	11,549	51,763	50,718	45,556

¹ EBITDA 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.

2017 FINANCIAL PERFORMANCE:

Revenue

Revenues of \$32.8m were 25% higher than the prior year. Our Established Market contributed \$28.7m of this revenue, whilst our Commercial Market contributed \$4.1m.

Our Established Market continued to show strong and steady growth adding 9,487 units to end the year with 41,939 Contracted Units (29% increase). Our Commercial Market of North America added 1,601 units to end the year with 6,102 Contracted Units (36% increase). Sales in North America were modest in FY17 due to customer uncertainty around the ELD mandate. Total Contracted Units for the Group were 48,041 at 31 March 2017, an increase of 30% on the prior year.

Operating Expenses

Operating expenses of \$25.7m were up 26% compared to prior year which is broadly in line with the increase in revenues. Part of the increase relates to increased costs of providing our SaaS platform which is directly attributable to increased volume. In addition the Group incurred significant, but one-off, consultancy and market research costs during the period in order to validate both the market opportunity and our strategy in North America. We have continued to invest in getting the right people in the right places to enable

us to execute on our US strategy in FY18, including the key hire of Norm Ellis as the President of our North American business. Moving forward we would expect operating costs to continue to increase, but at a slower rate than revenue, thus delivering leverage to our financial results.

Depreciation and Amortisation

Depreciation of \$8.1m has increased by 39% on the prior period. Depreciation largely relates to the depreciation of leased hardware and lease establishment costs which have increased due to both volume and timing of additions and customers upgrading to our Gen2 units. Amortisation of intangible assets of \$4.0m has increased significantly on the prior period, part of which relates to the higher capitalised development and software assets as the group continued to invest significantly in development activities to address the significant opportunities in both markets. In addition, as discussed earlier in this report the Group changed its amortisation method during the period which resulted in a \$1.4m increase in the amortisation charge for the period.

	2017	2016
Earnings Per Share - Ordinary (cents)	(8.82)	(1.84)
Earnings Per Share - Diluted (cents)	(8.81)	(1.84)
Net Tangible Assets per Security	\$0.28	\$0.46

2017 FINANCIAL POSITION AND CASH FLOW

Property, Plant & Equipment

Additions to Property, Plant and Equipment amounted to \$10.7m, down 12% on prior year. \$10.2m of the additions related to the increase in Leased Assets reflecting the growth in Contracted Units. Capital expenditure of \$0.5m on other fixed assets was 68% lower than the comparative period which included fit-out costs for our US office.

After depreciation the net increase in Property, Plant and Equipment for the period was \$2.4m.

Development Assets

The Group continued to invest significantly in research and development activities, reaching peak levels in FY17 with \$8.7m of development costs capitalised in the period, up 8% on the prior year. A significant amount of the investment in the year was focussed toward completing our ELD product for the North American market, which was launched in March 2017.

After amortisation the net increase in Development Assets for the period was \$5.4m.

Cash flow

The Groups overall cash position has decreased by \$6.9m over the period.

Cash inflows from operating activities were \$6.6m an increase of 94% on the prior year. Strong operating cash inflows from our Established Market were partly offset by \$4m operating cash outflows in our Commercial Market and \$4m expensed research and development activities.

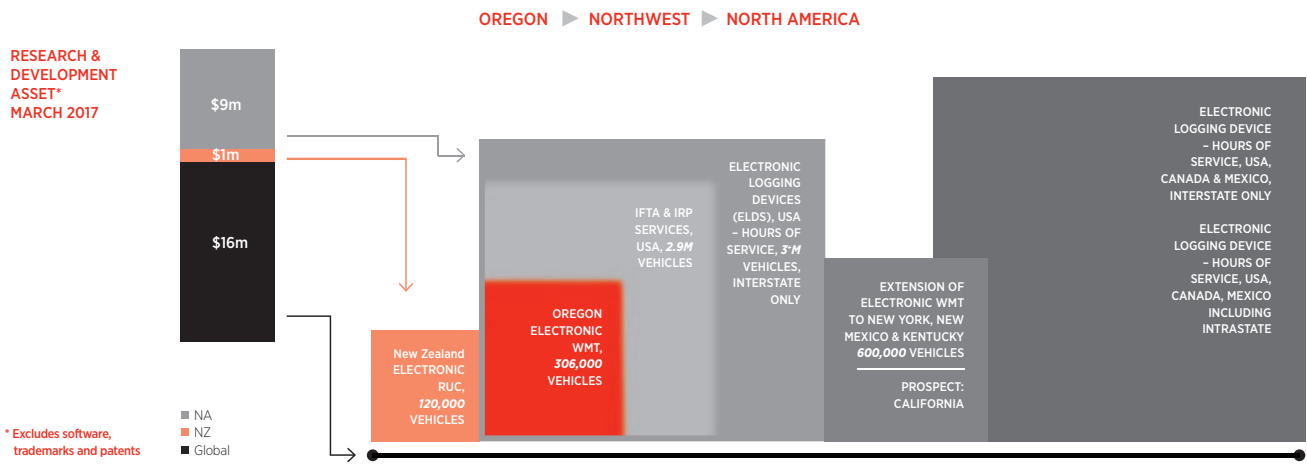
Cash outflows from investing activities totalled \$19.9m, \$10.5m of payments for property, plant and equipment, most of which relates to funding hardware units and related lease establishment costs, and \$9.4m relating to development and software intangibles.

The Group had \$6.3m of cash inflows from financing activities with the \$6m being drawn on our funding facilities and a further \$0.3m received from directors repaying loans advanced to them at the time of the initial public offering.

DIVIDEND

Consistent with its dividend policy the Company does not intend to pay a final dividend for the year ended 31 March 2017.

RESEARCH AND DEVELOPMENT



EROAD is leveraging its platform, initially built for NZ RUC, to access significantly larger market opportunities.

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 29 to 59, 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

	Notes	GROUP	
		31 March 2017	31 March 2016
		\$	\$
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

	Notes	GROUP	
		31 March 2017	31 March 2016
		\$	\$
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

	Notes	GROUP	
		31 March 2017	31 March 2016
		\$	\$
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 29 to 59.

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

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

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 it 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

	Notes	GROUP	
		2017	2016
		\$	\$
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:

	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
GROUP	\$	\$	\$	\$	\$	\$	\$
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:

GROUP	Gross	Allowance for doubtful debts	Gross	Allowance for doubtful debts
	2017	2017	2016	2016
	\$	\$	\$	\$
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)

	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

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

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

	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

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 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:

GROUP	2017		2016	
	\$	\$	\$	\$
	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:

	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
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 18 • FINANCIAL RISK MANAGEMENT (CONTINUED)

	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
GROUP 2016	\$	\$	\$	\$	\$
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):

	AUD	USD
2017	\$	\$
Cash and cash equivalents	188,363	132,039
Trade receivables	34,189	316,526
	AUD	USD
2016	\$	\$
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	<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
Shares granted to other employees					
EROAD LTI Plan	171,261	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
	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 drawdown 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 29 to 59:

- 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

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

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.

How the matter was addressed in our audit

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.



Ross Buckley

For and on behalf of

KPMG
Auckland

29 May 2017

"The Health & Safety at Work Act is the biggest change we've seen in the industry for a very long time. EROAD is the best thing since sliced bread. It's fantastic being able to see where the guys are and what they're doing."

Deborah O'Brien
Managing Director, Phillips & O'Brien
Wellington



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 2017, 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, Non-Independent*

Sean Keane was a non-executive, independent director of EROAD Limited and EROAD Financial Services Limited at 31 March 2017 but resigned from the Board effective 5 May 2017

**Gregg Dal Ponte is considered to be an Independent Director as of 1 April 2017 due to an amendment to his consulting agreement with EROAD.*

SUBSIDIARY COMPANY DIRECTORS

The persons who held office as directors of subsidiary companies at 31 March 2017 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 2017 are as follows:

Michael Bushby

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

Sean Keane - resigned as of 5 May 2017

- Financial Market Consultant, Credit Suisse
- Non-Executive Director, First NZ Capital
- Non-Executive Director, Foundation Life (NZ) Ltd
- Non-Executive Director, BRP General Partner Limited
- Director, Triple T Consulting Limited
- Director, SLK Asset Management Limited

Anthony Gibson

- Chief Executive Officer, Ports of Auckland Limited
- Director, North Tugz Limited
- Director, AMG Consulting Limited
- Director, Seafuels Limited
- Director, Waikato Freight Hub Limited

Candace Kinser

- Non-Executive Director, Talent International Limited (Australia)
- Director, Kinser Trustee Limited
- Director, Longhorn Investments Limited
- Director, Sagitas Consulting Limited
- Independent Director, Livestock Improvement Corporation Limited
- Chapter Director and Advisory Board Member, Cloud Security Alliance (New Zealand Chapter)*
- Board Trustee, The Well Foundation
- Advisory Board Member, University of Waikato: Cyber Security
- Advisor, Palantir Technologies

Steven Newman

- Director, NMC Trustees Limited

Gregg Dal Ponte

- Director of Regulatory Compliance, Oregon Trucking Association, Inc

**Notice given by Candace Kinser during the year ended 31 March 2017.*

The following details included in the Company's interests register as at 31 March 2016 have been removed as at 31 March 2017:

- Michael Bushby is no longer General Manager Infrastructure Services, Ventia Pty Limited or a Director of Gateway Motorway Services Pty Limited, Brisbane Motorway Services Pty Limited, Delron Cleaning Limited, Delron Group Facility Services Pty Limited, Infocus Infrastructure Management Pty Limited, Leighton Boral Amey NSW Pty Limited, Leighton Boral Amey QLD Pty Limited or Roads Australia Pty Limited.
- Candace Kinser is no longer a director of Quotable Value Limited.

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 2017:

Name	Ordinary shares
Steven Newman*	16,059,466
Michael Bushby	156,070
Sean Keane	609,396
Anthony Gibson	563,789
Candace Kinser	37,065

* Steven Newman also had a beneficial interest in 51,172 performance shares issued under the Performance Share Plan.

Shareholder Information

ANNUAL SHAREHOLDERS' MEETING

The Company's 2017 annual shareholders' meeting will be held at QBE Stadium, Stadium Drive, Albany, Auckland on Thursday, 3 August 2017 commencing at 4:45pm.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

Holding Range	Number of holders	%	Number of ordinary shares	%
1 to 999	134	12.09	61,801	0.1
1,000 to 4,999	508	45.85	1,161,359	1.93
5,000 to 9,999	172	15.52	1,070,596	1.78
10,000 to 49,999	212	19.13	4,306,490	7.15
50,000 to 99,999	33	2.98	2,336,506	3.88
100,000 and over	49	4.42	51,308,908	85.17
Total	1108	100	60,245,660	100

The details set out above were as at 18 May 2017.

As disclosed in Note 19 of the Financial Statements, there were 294,042 performance shares on issue for the benefit of employees as at 31 March 2017. 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 2017, were as follows:

Substantial product holder	Date of Notice	Number of shares	% of shares on issue at 31 March 2017
Steven Newman (includes NMC Trustees Limited's relevant interest)	27/5/2016	16,059,466	26.657%
NMC Trustees Limited as trustee of the NMC Investment Trust	27/5/2016	15,999,194	26.557%
Commonwealth Bank of Australia	13/12/2016	4,494,716	7.461%
Colonial First State Asset Management	11/8/2015	3,033,133	5.041%

The total number of ordinary shares (being the only class of quoted voting products) on issue in the Company as at 31 March 2017 was 60,245,660.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders in the Company as at 18 May 2017 were:

Holder Name	Shares	%
New Zealand Central Securities Depository Limited	16,409,725	27.23
NMC Trustees Limited	15,999,195	26.55
FNZ Custodians Limited	3,204,791	5.31
David Murray Jarrett & Julie Patricia Jarrett & Vlatkovich & Mcgowan Trustee Company Limited	1,801,000	2.98
Andrew Bowker	951,131	1.57
Brendon Thomas	915,425	1.51
Jbwere (NZ) Nominees Limited	650,764	1.08
John Grant Sinclair	650,225	1.07
Matu Trust Limited	631,890	1.04
SLK Asset Management Limited	603,996	1
Alistair Moss	600,000	0.99
JB Were (NZ) Nominees Limited	584,317	0.96
Anthony Gibson	563,065	0.93
Paul Geoffrey Hewlett & Catherine Patricia Carter & Hoffman Trustees Limited	556,725	0.92
Jarred Blair Clayton	453,155	0.75
Somac Holdings Limited	407,806	0.67
First NZ Capital Securities Limited	402,840	0.66
Nicholas Moor	360,209	0.59
Bruce Wilson & Stephanie Wilson & SW Trust Services (Thirteen) Limited	305,704	0.5
Nicholas Raymond Scott & Trustee Services Limited	300,030	0.49

Shareholdings larger than 1% held through New Zealand Central Securities Depository Limited (NZCSD) as at 18 May 2017 were:

Holder Name	Holding	%
Citibank Nominees (New Zealand) Limited - NZCSD	5,073,354	8.4
Accident Compensation Corporation - NZCSD	2,974,958	4.9
BNP Paribas Nominees (NZ) Limited - NZCSD	2,826,367	4.7
HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD	1,639,390	2.7
HSBC Nominees (New Zealand) Limited - NZCSD	1,369,336	2.3
Hsbc Nominees A/C Nz Superannuation Fund Nominees Limited - Nzcsd	936,588	1.6

Other Information

NZX WAIVERS

No waivers were sought from the NZX within the 12-month period prior to 31 March 2017.

DISCIPLINARY ACTION TAKEN BY THE NZX

The NZX has not taken any disciplinary action against the company during the year ended 31 March 2017.

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 2017 was \$169,125. The amount of fees payable to KPMG for non-audit work during the year ended 31 March 2017 was \$227,058.

DONATIONS

The company and its subsidiaries made donations totaling \$1,597.43 during the year ended 31 March 2017.

CREDIT RATING

The company does not currently have a credit rating.

5.0

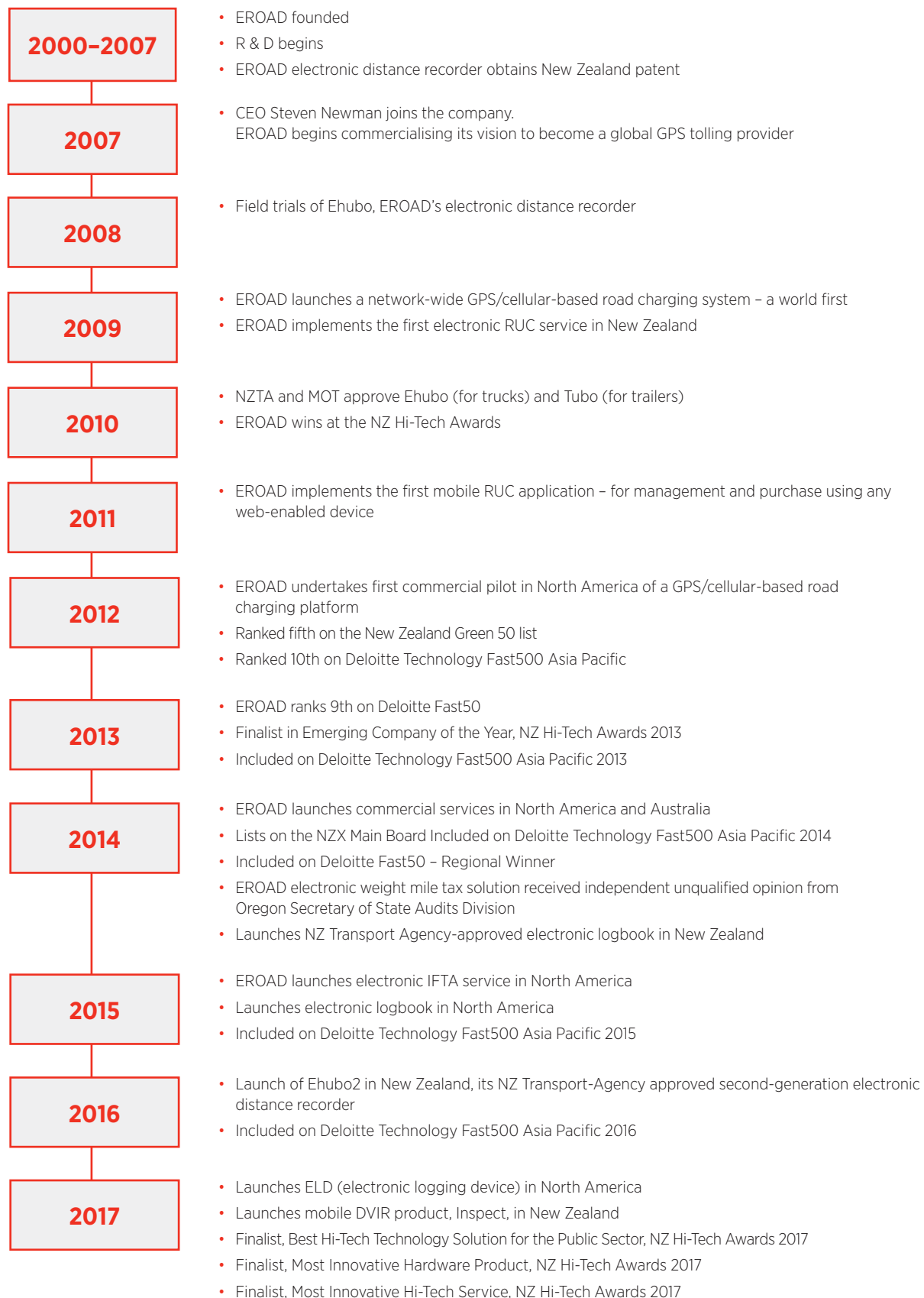
GLOSSARY

Glossary

Annualised Recurring Revenue	Monthly Recurring Revenue recognised or expected to be recognised in the month of March multiplied by 12.
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.
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
Future Contracted Income	Future Contracted Income is the total revenue to be earned from existing customer contracts in future periods.
FMCSA	Federal Motor Carrier Safety Administration
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





Directory

EROAD

NEW ZEALAND

260 Oteha Valley Road
Albany, Auckland, 0632

USA

7654 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

