EROAD ANNUAL REPORT

OUR PURPOSE IS SAFER, MORE PRODUCTIVE ROADS

WE PIONEERED REGULATORY TELEMATICS

OUR PURPOSE

SAFER, MORE PRODUCTIVE ROADS

WHAT WE DO

Technology solutions to manage vehicle fleets, support regulatory compliance, improve driver safety and reduce costs associated with driving.

OUR UNIQUE APPROACH

WHY OUR CUSTOMERS CHOOSE US

CUSTOMER SERVICE

DIFFERENTIATED SOLUTIONS

RELIABLE AND ACCURATE

EASY TO USE

SUCCESFULLY EXECUTING OUR STRATEGY

CUSTOMERS
6,642

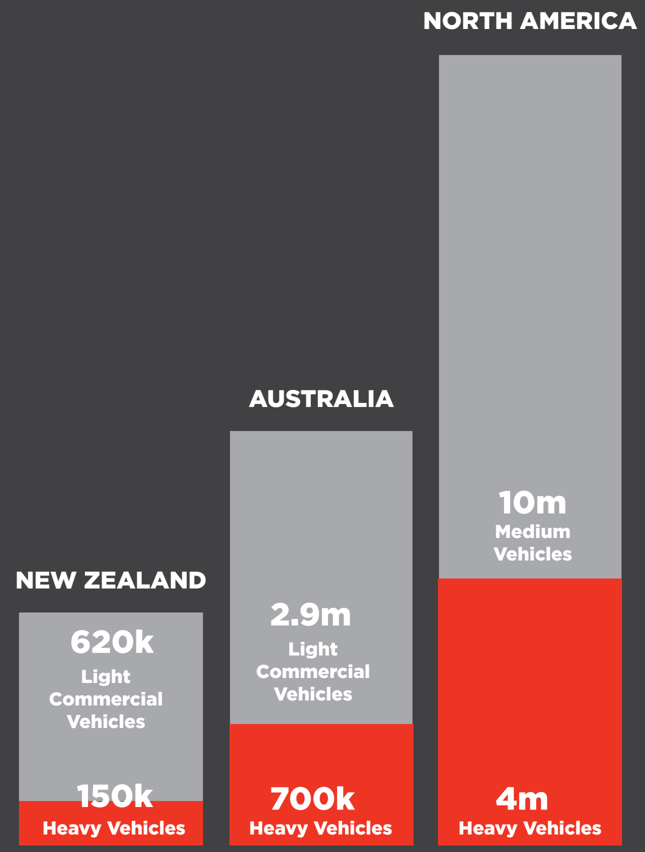
TOTAL CONTRACTED UNITS
116,488

LOYAL CUSTOMERS
>95% ASSET RETENTION RATE

SELLING MORE SAAS PRODUCTS
$58.38 MONTHLY SAAS AVERAGE REVENUE PER UNIT

WE CHOOSE TO GROW

TOTAL ADDRESSABLE MARKET



NEXT MILESTONE: 250,000+ CONNECTED UNITS

AN ENERGISED AND CAPABLE TEAM OF EROADERS

OUR VALUES

SAFETY

TRUST

INTEGRITY

TEAM

INNOVATION

GLOBAL LEADER IN VEHICLE TELEMATICS

SOLVING OUR CUSTOMERS PROBLEMS WITH INNOVATIVE PRODUCTS AND SERVICES

Our customers have heavy and light transport fleets. They want their fleets to comply with regulation, be productive and be safe.

EROAD differentiates itself by working in partnership with its stakeholders and customers, providing differentiated products and services that are reliable, accurate and easy to use.

REGULATORY COMPLIANCE

- NZ ERUC
- ELECTRONIC LOGBOOK
- EASY-TO-USE ELD
- IFTA EASY FILE
- ELECTRONIC OREGON WMT/RUAF
- ELECTRONIC IRP
- AU FRINGE BENEFIT TAX
- CHAIN OF RESPONSIBILITY

FLEET MANAGEMENT

- EROAD SHARE
- E-TRACK WIRED
- PARTNER INTEGRATIONS
- PROOF OF SERVICE
- TRIP INVESTIGATOR
- DAILY FLEET ACTIVITY
- FUEL MANAGEMENT
- EROAD POOL CAR BOOKING
- SERVICE SCEDULING AND ALERTS
- EROAD ANALYTICS

DRIVER MANAGEMENT & ROAD SAFETY

- DRIVER LEADERBOARD
- DRIVER INSIGHT
- DAILY DRIVER ACTIVITY
- SPEED MONITORING
- SAFETY EVENT MONITORING

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

Our solution starts with keeping track of fleets and simplifying taxation. As fleets grow and current customers become familiar with the return on investment EROAD products offer, their fleet compliance, fleet management and safety needs grow. This means EROAD grows with them providing more innovative products and services to help them.

EROAD DELIVERS ANOTHER PERIOD OF STRONG GROWTH

REVENUE

32%

reflecting strong growth in New Zealand and North America

FY20: $81.2m • FY19: $61.4m

EBITDA

73%

demonstrating increase in scale and improving operating leverage

FY20: $27.1m • FY19: $15.6m

PROFIT BEFORE TAX

$1.4m

FY19: $(5.1)m

FUTURE CONTRACTED INCOME

$134.4m

contracted across a diverse customer base

FY19: $117.4m

FREE CASH FLOW

$(12.8)m

FY19: $(13.1)m

UN-DRAWN DEBT FACILITIES

$23.9m

following refinancing and expanding debt facilities to $60m in March 2020

Drawn debt: FY20: $36.1m* • FY19: $34.7m

after borrowing costs of $0.3m

CONTRACTED UNIT GROWTH

21%

reflecting two enterprise customers in North America and continued steady growth in New Zealand

ASSET RETENTION RATE

95.2%

reflecting quality of service and product offering

FY19: 94.4%

MONTHLY SAAS AVERAGE REVENUE PER UNIT (ARPU)

6.0%

FY20: $58.38 • FY19: $55.08

INVESTED IN NEW GENERATION BUSINESS SYSTEMS

$6.9m

to scale for growth and improve operating leverage

SPENT ON RESEARCH AND DEVELOPMENT

$15.6m

or 19% of Revenue

CONTINUED INVESTMENT IN PRODUCTS AND SERVICES

7

key launches, adding to our customer value proposition

INVESTING TO BUILD FOUNDATIONS FOR FUTURE GROWTH

CONTENTS

ABOUT THIS REPORT

EROAD has used non-GAAP measures when discussing financial performance in this report. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. Non-GAAP measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by EROAD in accordance with NZ IFRS.

The non-GAAP measures EROAD have used are Annualised Monthly Recurring Revenue (AMRR), Costs to Acquire Customers (CAC), Costs to Service & Support (CTS), EBITDA, EBITDA margin, Free Cash Flow, Future Contracted Income (FCI). The definitions of these can be found on pages 135 and 136 of this report.

All numbers relate to the twelve months ended 31 March 2020 and comparisons relate to the twelve months ended 31 March 2019, unless stated otherwise. All dollar amounts are in NZD.

This report covers the financial year ended 31 March 2020 and is dated 18 June 2020. The report has been approved by the Board and is signed on behalf of EROAD Limited by Graham Stuart, Chairman and Steven Newman, Managing Director and Chief Executive Officer.

Graham Stuart

Steven Newman

LETTER FROM THE CHAIR AND CEO

Graham Stuart, Chairman

Steven Newman, CEO

Dear EROAD Shareholder

We are pleased to report to you our results for the year ended 31 March 2020 (FY20) and the further progress we have made in delivering on our strategy.

We are living in unprecedented times, and a great many things have changed throughout the world. However, our passion and energy for solving our customer's problems and the growth opportunities that presents remain. Now, more than ever, EROAD's values of safety, trust, integrity, team, and innovation position us well to deliver safety, efficiency and compliance outcomes for our customers.

With the investment we continue to make in our markets, services and people, we are well placed to support sustained future growth. We remain committed to helping provide safer, more productive roads, and growing into a business with 250,000+ connected vehicles and a global leader in vehicle telematics.

DELIVERING ANOTHER PERIOD OF STRONG GROWTH IN FY20

FY20 has been another year of significant achievements for EROAD. In May 2019, we reached a major milestone of 100,000 contracted units, something that only took us nine years. We grew strongly at a rate of 21% in FY20, ending the financial year with 116,488 contracted units.

Our North American business onboarded two large enterprise customers during the year, bringing increased brand awareness and credibility in a competitive market. North America has delivered positive EBIT since the first quarter of FY20.

These factors combined to deliver a profit after tax, which reflects the strong growth and improving operating leverage we are achieving.

EROAD delivered a profit before tax of $1.4m, an increase of $6.5m from the loss before tax of $(5.1)m last year, reflecting the transition of our North America business to an established market position and our continued success as market leader in New Zealand. Revenue increased by 32% to $81.2m and earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 73% to $27.1m. The value of future revenue from existing contracted units (FCI) increased by 14% to $134.4m.

Throughout FY20 the New Zealand business continued to grow, adding 10,256 contracted units, to achieve an annual growth rate of 15% with expansion into existing customer fleets, together with a solid underlying new customer run rate, underpinning this result.

North America added 9,342 contracted units, to deliver a growth rate of 38%, reflecting the on-boarding of two enterprise customers that added 5,281 units. Our small-to-medium run-rate was lower than expected, as we did not see the anticipated level of increase in sales pipeline ahead of the AOBRD (Automatic On-Board Recording Device) to ELD (Electronic logging device) mandate deadline at the end of December 2019. However, work is underway in North America to improve the small-to-medium businesses run-rate, and we expect various product and service launches to help build the momentum in this segment over the next year.

Our Australian business is a relatively new market for EROAD. Here we have continued to build our brand presence and have built a promising Enterprise pipeline. Over the year we saw 784 contracted units added, reflecting growth in the small-to-medium business segment. We anticipate this level of growth to accelerate in FY21 through both the small-to-medium and enterprise customer segments.

We have always been clear that where we see opportunities we will continue to invest for growth. As a result, in FY20, we invested $15.6m or 19% of revenue in research and development. As a result, we launched seven new SaaS products and enhancements, and launched our innovative tracking system EROAD Where.

We also invested $6.9m to implement new business systems that have enabled us to scale up to deliver future growth while also ensuring that our operating efficiency can support growth ambitions.

32% ▲ REVENUE

73% ▲ EBITDA

14% ▲ FUTURE CONTRACTED INCOME

$1.4m PROFIT BEFORE TAX

Committed to providing positive outcomes for the communities we operate in, and the environment we share

There is nothing like a crisis to reveal a company's true capability and culture. With the COVID-19 global crisis, we were proud as the Board, management and our over 300 EROAD'ers navigated a new reality. Operating effectively under its global business continuity plan, EROAD's employees, products and services continued to support the supply chain and activities of our customers.

Many of EROAD's customers provided essential services that kept the New Zealand, North American and Australian economies running, despite the operating restrictions implemented to stop the spread of COVID-19. We would like to take this opportunity to thank all EROAD'ers for both their continued successful execution of strategy over FY20 and their outstanding efforts during this time.

EROAD's purpose is to deliver safer, more productive roads – in short, our products and services help change driver's behaviour, reducing speed and fatigue to help reduce the risk of human injury and even loss of life. Fleets using our products and services can achieve fuel savings – which reduces our customers cost and helps the environment.

We have begun to formally move towards a recognised sustainability reporting framework and expect to adopt the internationally recognised Global Reporting Initiative (GRI) framework for our FY21 Annual Report.

Ensuring we have the right skills around the Board table

Strong governance is a key ingredient to any successful company and even more so for a growth company. Our Board focuses on performance and risk, encouraging innovation, understands the big picture and ensures our senior leaders are maximising shareholder value with the right investment decisions.

The external independent review of the EROAD Board which was completed during 2019 identified the areas of strength and opportunities for improvement to ensure we have the right skills and capabilities around the Board table as we enter the next phase of growth.

We were able to use these insights as part of the director search process, following which Barry Einsig was appointed as an independent director in January this year. Barry brings to the Board a deep understanding of the North American transport market, combined with extensive and global experience in connected vehicles and smart transport networks.

IN UNPRECEDENTED TIMES, EROAD IS WELL POSITIONED

Our customers are experiencing rapid change as they adapt to a COVID-19 world. Balance sheets are stretched with the short-term impacts from the tight restrictions put in place on day-to-day operations as governments around the world fight the spread of the virus. Now businesses – large and small, across all sectors of the economy - are positioning themselves for the longer-term impacts of a global downturn. EROAD was founded in a recession and we have always worked with our customers to find solutions to their problems and deliver return on investment. Now is no different. Alongside compliance and safety requirements – which remain steadfast no matter what the economic climate – the focus our customers have on improving operational efficiencies and reducing their cost base can only increase. This is what our products and services do best.

In April, our Board and senior leaders undertook a full strategy review, including scenario analysis on future cashflow and expenditure, to ensure EROAD was well positioned. We have taken prudent measures to manage our cost base while still investing in growth and we believe EROAD is well positioned for FY21 and beyond.

Despite economic uncertainty across all our markets, we remain well positioned for FY21 reflecting its strong customer value proposition, future contracted income and diverse customer base across regions, business size and industry. While uncertainty results in longer sales lead-times we remain confident in continued unit growth across all three markets, albeit it is likely to be lower than delivered in FY20 and previously anticipated in FY21. We will continue to monitor economic conditions and its impact on debtor collectability and asset retention rates. In FY21 we will continue to focus on growing Monthly SaaS Average Revenue per Unit and investing to improve operating leverage.

WE STILL CHOOSE TO GROW

EROAD's Board remains confident and ambitious about the company's future prospects. EROAD's cashflow, combined with the recently announced refinancing will be deployed to support organic growth opportunities. EROAD remains committed to seeking growth opportunities to deliver its long-term strategy. Any medium to large opportunities, including acquisitions, will be equity funded.

In October last year we announced that we were considering seeking an ASX Foreign Exempt Listing, in addition to our NZX listing, to facilitate greater access to capital, and alignment between EROAD's business operations and investor base. The Board is still evaluating this opportunity, in light of the evolving COVID-19 situation, and will provide an update during the second quarter of this financial year.

Thank you for your continued support of EROAD and we look forward to updating you on our progress at the Annual Shareholders Meeting on 30 July.

Graham Stuart

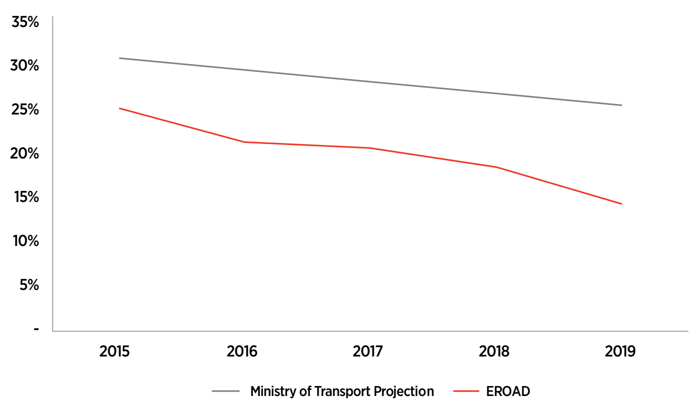
Steven Newman

WE'RE MAKING ROADS SAFER

Reducing the frequency and severity of accidents that occur on our roads results in more people making it home safely. EROAD solutions directly impact road safety: by improving driving behaviours, reducing the well-known precursors to road accidents, providing service and maintenance monitoring to enable our customers to run safer vehicles on our roads and providing insights to help businesses and governments make better decisions.

DRIVERS THAT USE EROAD, HAVE FEWER SPEEDING EVENTS THAN DRIVERS THAT DON'T[1]

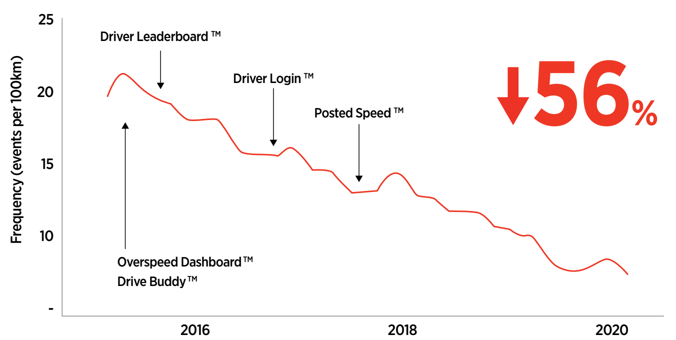
Percentage of vehicles that speed



[1]Comparing frequency of over-speed events between EROAD customers against Ministry of Transport real and projected data for total NZ population.

USING A COMBINATION OF EROAD SERVICES, FURTHER REDUCES THE FREQUENCY OF SPEEDING EVENTS

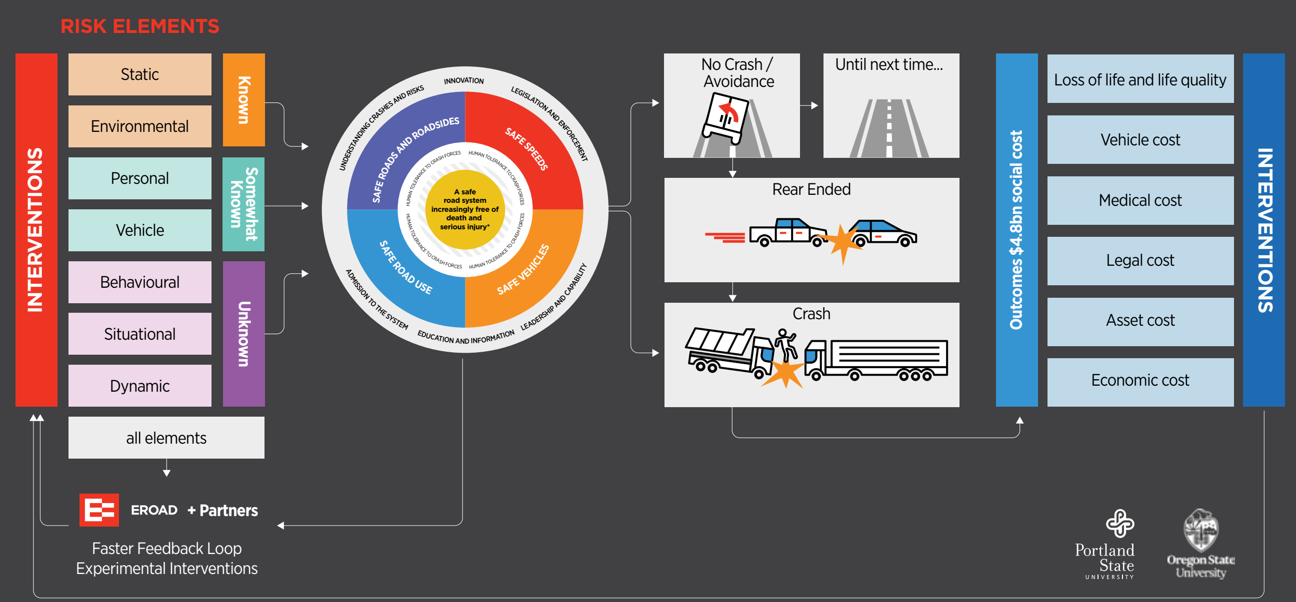
New Zealand frequency of speeding events



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

> Since installing EROAD, we have noticed reductions in our fuel use, RUC charges, overspeed events as well as our service and maintenance costs. The downstream benefits of having EROAD technology in our vehicles is really impressive.
>
> ***Livestock Improvement Corporation (LIC)***

OUR CRASH-HARM PREDICTION MODEL



FEEDBACK LOOP STARTS WITH DRIVER BEHAVIOUR

EROAD, working alongside Portland and Oregon State Universities, has developed a methodology that supports faster government decision-making on road safety initiatives.

Using EROAD data to study precursors to crashes, faster insights are gained into the efficacy of crash interventions. This enables a faster feedback loop and has piqued interest from the American Transportation Research Board.

**Source: New Zealand Transport Authority*

INSURERS HAVE NOTICED THE EROAD DIFFERENCE

IAG (the largest general insurer across Australia and New Zealand) through NZI and Lumley operates a Safe Driving Rewards Programme. Using EROAD reporting to show whether an organisation's drivers are among the 25% safest drivers in New Zealand, could result in that company having its excess waived should a driving accident occur.

OVER
$1m
OF EXCESS WAIVED

GLOBAL RECOGNITION

The International Road Federation gave EROAD the 2019 Global Road Achievement Award for Technology, Equipment and Manufacturing, in recognition of EROAD's innovative technology that is making a difference to road safety.

”

Anecdotally, our Fleet Risk Managers are seeing clients who are actively using EROAD data to improve their incidence of claims.

IAG

”

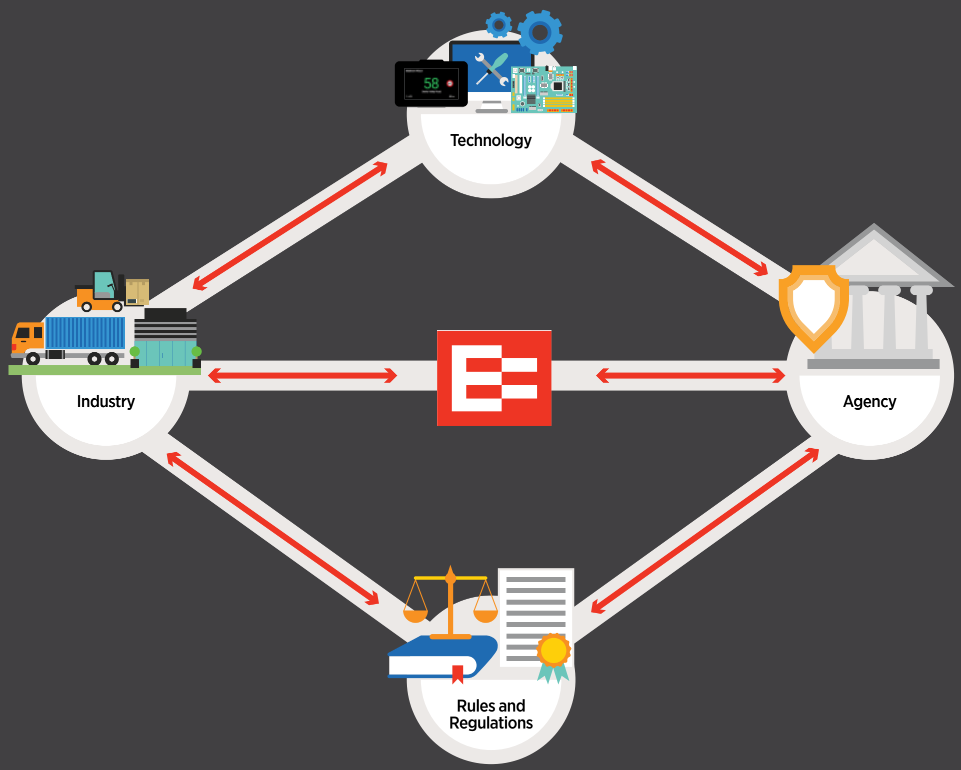
Since installing EROAD, our insurance claims have reduced by 77%, we also freed up 3 FTE's to work on other productive work. EROAD definitely improves driving behaviours – we've seen a 90% reduction in speed events across the Contractor fleet since installing Ehubo2's mid-2017, and to cap it off - we have significantly reduced our compliance paperwork, and all of the above has a direct affect on our bottom line.

Foodstuffs North Island

WE'RE MAKING ROADS MORE PRODUCTIVE

EROAD IS THE BRIDGE BETWEEN THE TRANSPORT INDUSTRY AND REGULATORS

Using real data enables more informed decision making that is more easily adopted by those who use the roading networks. It also enables EROAD to identify future technologies and product requirements.



There are no free roads, it is just a matter of how they are funded.

EROAD introduced the world's first nationwide electronic road user charging (ERUC) system. As at 31 March 2020, more than 47% of New Zealand's electronic heavy vehicle Road User Charges dollars were collected through EROAD attracting interest from those researching or trialling funding options for transport networks.

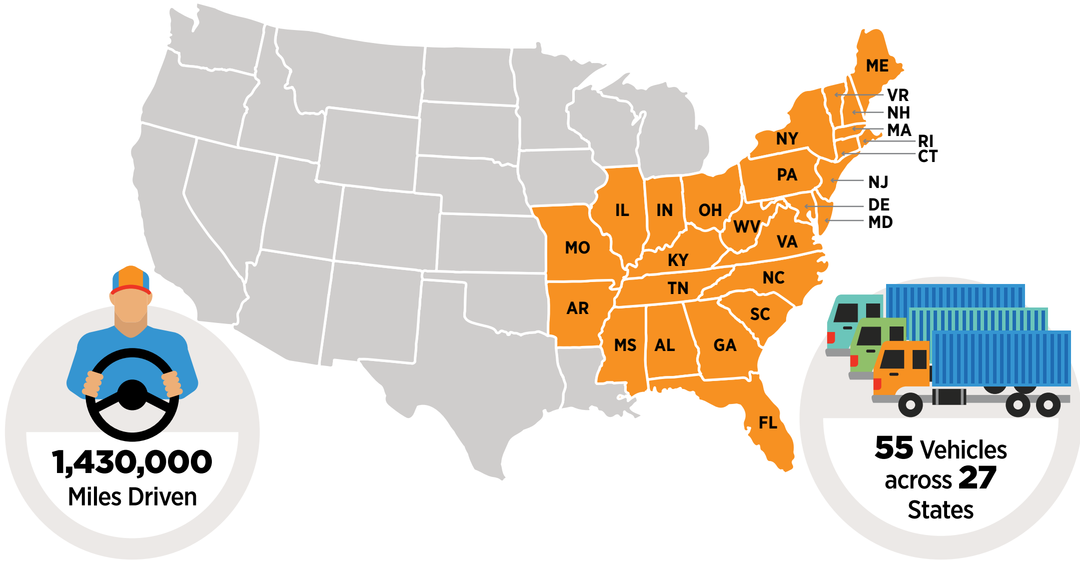
In New Zealand, electronic payment of road user charges has overtaken those paying with manual paperwork and over NZ$3b dollars has now been collected through EROAD for the New Zealand Transport Agency.

> New Zealand has always led the world in both the technology and approach to road user charging
>
> **International Road Federation**

The I-95 Corridor Coalition Mileage Based User Fee Pilots

The I-95 Corridor Coalition is conducting a multi-year trial that is investigating the effective funding of roads. EROAD continues as a technology and research partner for this project. The initial learnings, from North America's 1st Multi-State Truck pilot are due for release in the middle of this year.

The pilot has investigated how mileage-based user fees might function within the existing regulatory framework. Through establishing a Motor Carrier Working Group and direct engagement of trucking companies through pilot participation, the voice of the trucking industry has been brought to this national exploration. The next phase is expected to commence late 2020, will be an extended pilot covering most of the United States.



Australian Department of Transport, Infrastructure, Regional Development and Communication (DIRDC) road funding trial

EROAD was included in the small-scale road funding trial with DIRDC undertaken in Australia late last year. Due to its success of that, government planning is currently underway for a much larger road funding trial that is anticipated to commence in late 2020.

New Zealand Ministry of Transport weekly Dashboards

EROAD is the only non-government organisation to be supplying analytics to the Ministry of Transport (NZ) for inclusion in their weekly traffic dashboards. These dashboards provide a broad range of transport facts for government, media, research and public use and are often referred to for economic and planning purposes.

EROAD analytics working with universities to provide insights

EROAD worked with Oregon State University and the University of Washington to provide anonymised and aggregated insights on commodity movements for the Idaho State-wide Freight Data and Commodity Supply-Chain Analysis. EROAD also provided anonymised and aggregated data to Oregon State University for their project to predict freight flows for the Oregon Department of Transportation.

SUPPORTING ESSENTIAL SERVICES DURING COVID-19

EROAD's priority during the ongoing COVID-19 global crisis is the safety of our team and supporting our customers. EROAD is well equipped and prepared with our global business continuity plan which was quickly activated when both the North America and New Zealand offices shifted to working from home. Operating effectively throughout the crisis, EROAD's products and services continued to support the supply chain and activities of transport and essential service providers.

During the lockdowns in all three of our markets, EROAD was designated an essential service provider. This was due to the reliance on EROAD's services that other essential services providers had needed to keep supply chains and essential services open.

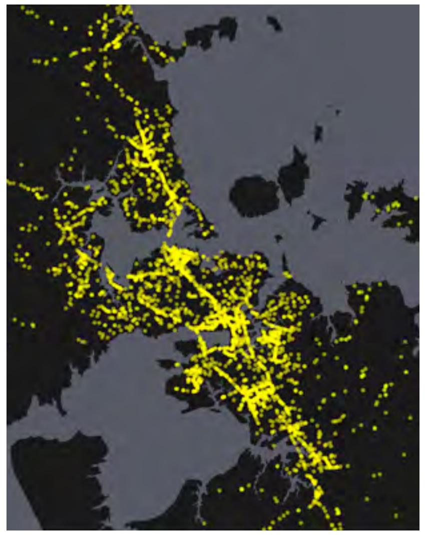
EROAD also supported organisations to protect their staff and customers against the spread of COVID-19 with our technology enabled solutions that include EROAD construction management site strategy, EROAD contact tracing service and all our products and services that allow paperless operations. Cashflow management was made easier for customers with reminders about eRUC reduction and claiming off-road refunds.

MANY OF EROAD'S CUSTOMERS WERE DEEMED ESSENTIAL

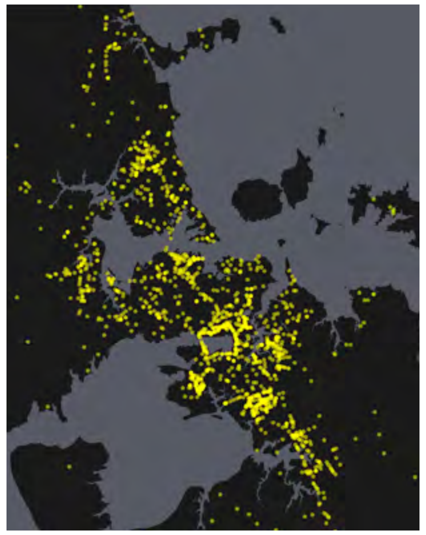
EROAD HEAVY VEHICLES ON THE ROAD

In Auckland, pre-lockdown and during alert levels

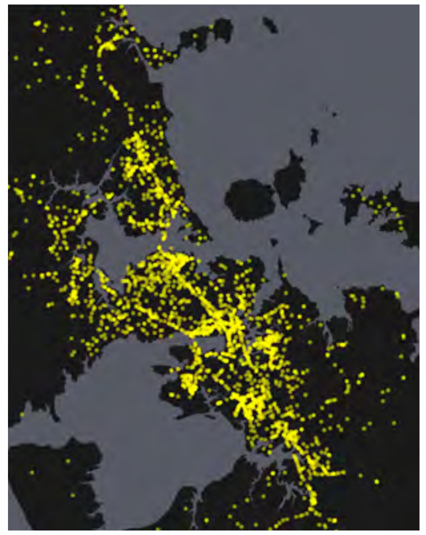
'NORMAL' 27th Feb



ALERT LEVEL 4 26th March



ALERT LEVEL 3 30th April



Many of EROAD's customers provide essential services that keep the economy running, with over 30% of New Zealand heavy customer vehicles, over 50% of total Australian customer vehicles and over 60% of total North American customer vehicles continuing to operate during April despite the restrictions implemented to stop the spread of COVID-19.

JUST A LITTLE THANK YOU FOR THE ESSENTIAL WORK OUR CUSTOMERS DO!

In New Zealand, well known media personality Hilary Barry joined staff in our 'Thanks to the Truckies' video and we partnered with Z Energy to give our essential drivers a coffee to keep them going.

In Oregon we partnered with the Oregon Trucking Association and Right Weigh to hand out lunchboxes, water and safety supplies to drivers.

In Washington state, EROAD has partnered with Washington Trucking Associations to provide meals.

MARKET LEADER IN NEW ZEALAND

WINNING CUSTOMERS

15% to **80,366** contracted units

FY19: 70,110

LOYAL CUSTOMERS

96.1% ANZ Asset Retention Rate

GROWING WITH OUR CUSTOMER

$55.78 New Zealand Monthly SaaS Average Revenue per Unit

FY19: $53.74

DELIVERING RETURNS

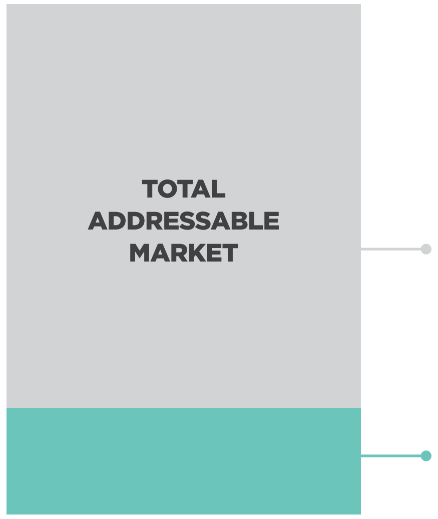
$34.9m EBITDA

FY19: 27.9m

We have an agreement with St John who are our preferred monitoring supplier in New Zealand for our Crash and Rollover Alerts product

STILL SIGNIFICANT GROWTH OPPORTUNITIES

GROWING CONTRACTED UNITS WITH NEW AND EXISTING CUSTOMERS



620k
LIGHT COMMERCIAL VEHICLES

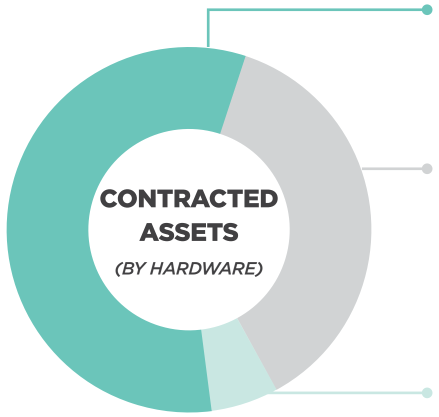
150k
HEAVY VEHICLES

IN NZ OVER
60%
OF HEAVY TRANSPORT ROAD USER CHARGES LICENCES ARE COLLECTED ELECTRONICALLY

EROAD COLLECTS
47%
HEAVY TRANSPORT ROAD USER CHARGES LICENSES

UPGRADING HARDWARE AND SELLING MORE SAAS PRODUCTS

Average Revenue per Unit should improve over the next few years due to the upgrade of the majority of Ehubo1 units to Ehubo2. In addition there is further opportunity tp sell more SaaS products such as Inspect and Logbook.



EHUBO2
57%

EHUBO1
37%

ASSET
6%

9%
USING INSPECT

6%
USING LOGBOOK

STRATEGIC PRIORITIES

FY20 ACHIEVEMENTS

GROW THROUGH RETENTION AND ACCOUNT EXPANSION

96.1% ANZ asset retention rate

- Renewed 8,136 contracted units. 6,283 of these were on EHubo1, of which 42% upgraded to Ehubo2
- Implemented customer success model across sales and support teams

CONTINUE EXPANSION INTO SAFETY AND COST CONSCIOUS MARKET

Increased contracted units by 10,256, of which 30% were new customers in sectors such as Construction & Civil Engineering and Agriculture/ Forestry

LEVERAGE NETWORK INTO NEW OPPORTUNITIES

Launch of EROAD Where business

Continued development of data analytics

Partnered with St Johns Ambulance to launch crash & rollover alert functionality which was influential in winning Worksafe as a customer

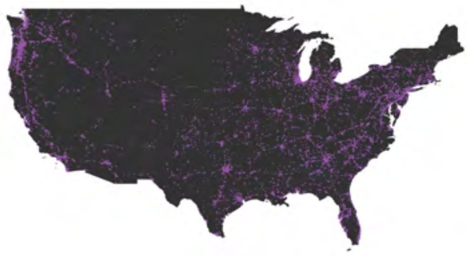
FY21 FOCUS

Continuing growth from current and new customers – growing the number of contracted units, upgrading hardware and SaaS products we sell to each customer.

Continuing to deliver new innovative products and services that drive cost out of our customers businesses.

Supporting customers against the spread of COVID-19 with our paper-less operations and contact tracing technologies.

ESTABLISHED IN NORTH AMERICA



WINNING CUSTOMERS

38% ▲ to **34,002** contracted units
FY19: 24,660[1]

GROWING OUR REPUTATION IN A COMPETITIVE MARKET

2 large enterprise customers onboarded

GROWING WITH OUR CUSTOMER

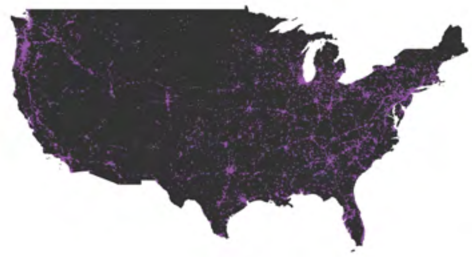
$65.73[2] NA Monthly SaaS Average Revenue per Unit
FY 19: $60.08

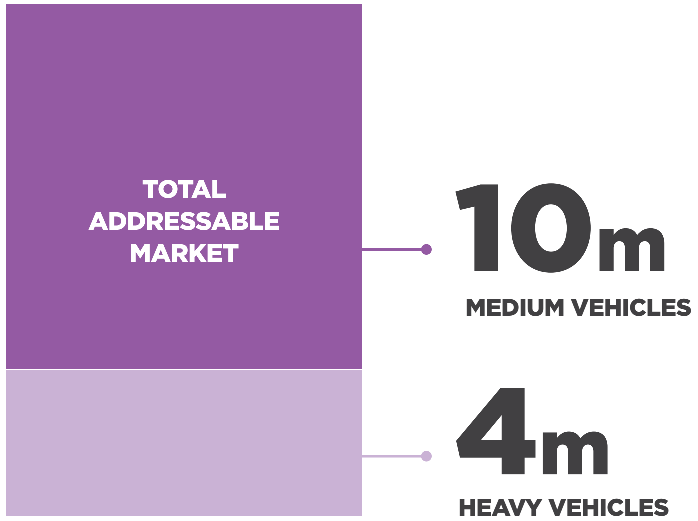
DELIVERING RETURNS

$7.5m EBITDA
FY19: 0.4m

[1]North American units for FY19 is restated for data cleansing adjustments identified as part of the new ERP systems implementation
[2]Stronger USD v NZD contributed $4.26 of the increase from the prior year

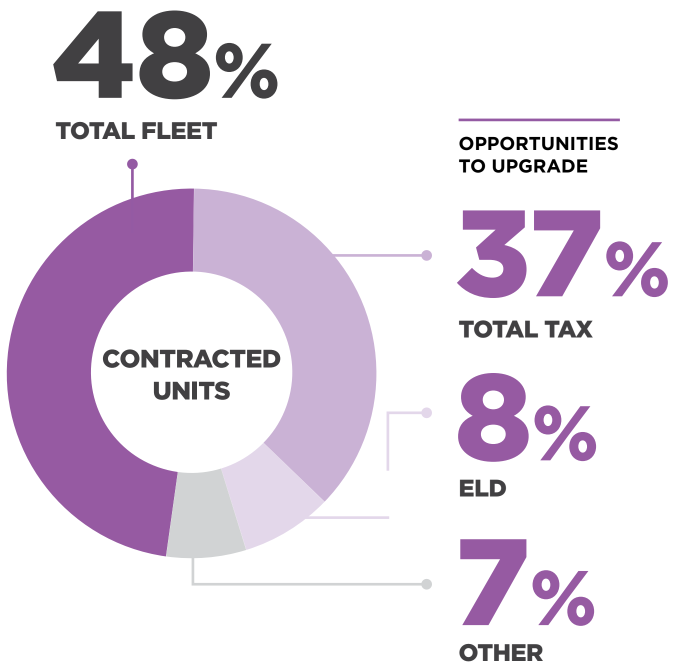
LARGE MARKET WITH MANY OPPORTUNITIES



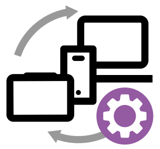


EROAD's target market in North America is all businesses participating in regulated trucking. The total number of commercial motor vehicles in North America is 32m, including passenger cars and light trucks, whose activities are predominantly unregulated. The regulated space includes medium and heavy vehicles (class 3+, 10,000 pounds or greater) and light duty vehicles that when towing a trailer have a GVW of 10,000+ pounds. EROAD's target market includes all vehicle class 3 or higher.

OPPORTUNITY TO UPGRADE CUSTOMER PLANS AND SELLING SAAS PRODUCTS



ETRACK WIRED
launched Q1 FY21



EROAD GO
will be launched HY21

STRATEGIC PRIORITIES

FY20 ACHIEVEMENTS

PURSUE SELECTIVE ENTERPRISE OPPORTUNITIES

5,281 units deployed from two large enterprise wins in first half. These help with referrals to other large enterprise customers.

BUILD SUSTAINABLE RUNRATE BUSINESS IN THE SMALL AND MEDIUM BUSINESS SPACE

An average monthly small and medium business run rate of 338.

CONSIDER STRATEGIC GROWTH OPPORTUNITIES

Continued to hold discussions with potential partners around a range of opportunities to build the product portfolio.

FY21 FOCUS

EROAD Go will be launched in HY21. This gives customers the ability to dispatch, track proof of delivery and integrate Transportation Management Systems solutions (required for fleet sizes over 100 trucks). This launch, together with the release of our camera increases our ability to access the addressable market in the medium and enterprise customer space.

BUILDING BRAND IN AUSTRALIA

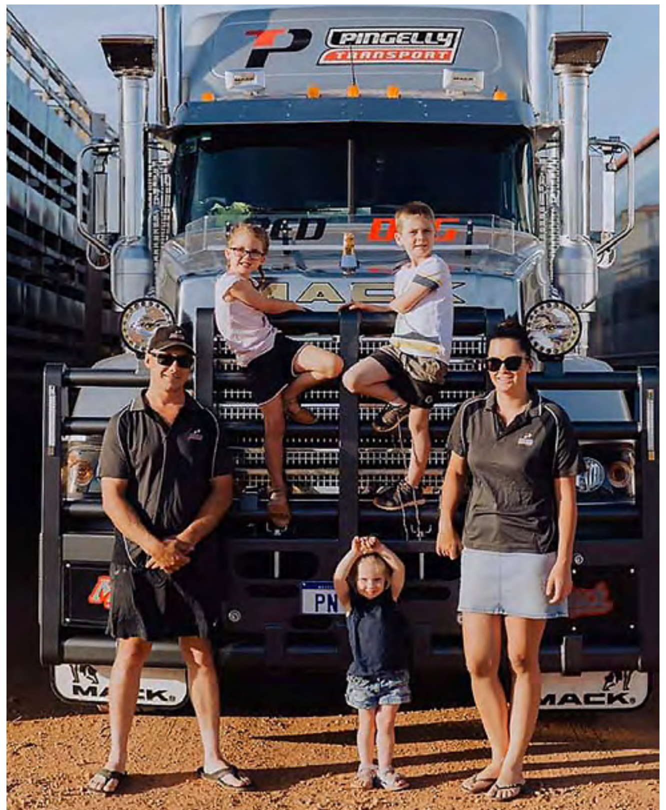
LEVERAGING TRANS-TASMAN SYNERGIES

WINNING CUSTOMERS

59% annualised growth in units

BUILDING BRANDS

1st trans-Tasman fleet of 355 contracted units onboarded (160 of which were in Australia)



BUILT OUT SALES TEAM AND INCREASED MARKETING EFFORTS

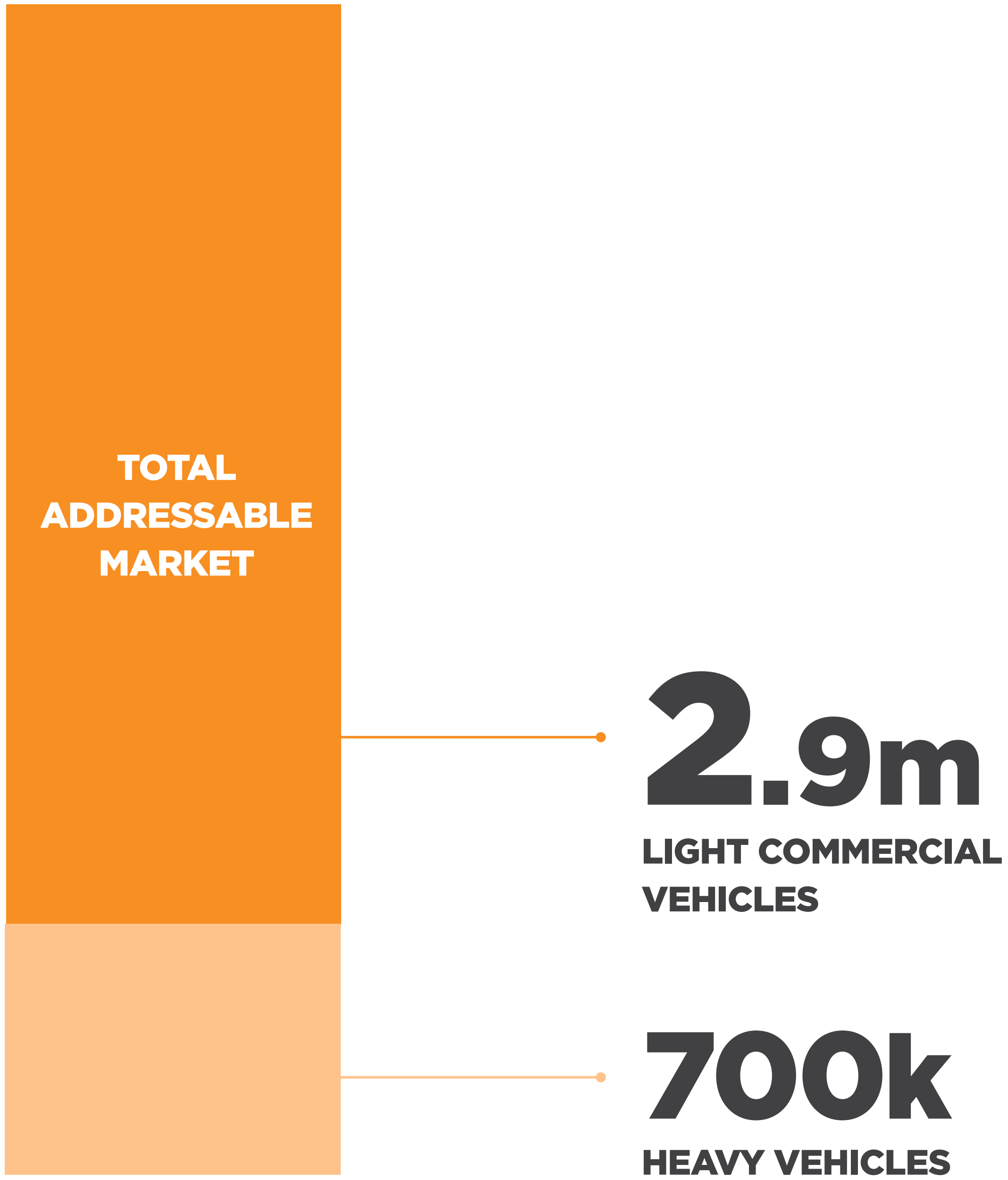
INVESTING FOR GROWTH

$(1.3m) EBITDA

FY19: $(0.6)m

MANY GROWTH OPPORTUNITIES

OPPORTUNITY TO GROW WITH A FLIGHT TO QUALITY FROM FIRST-TIME TELEMATICS BUYERS AND A CHANGING REGULATORY ENVIRONMENT.



STRATEGIC PRIORITIES

FY20 ACHIEVEMENTS

PURSUE SELECTIVE ENTERPRISE OPPORTUNITIES

Continued to build the strong enterprise pipeline for Australia (fleets of 500– 1000). Had expected some contracts finalised by year-end but now delayed due to COVID-19.

BUILD SUSTAINABLE RUNRATE BUSINESS IN THE SMALL AND MEDIUM BUSINESS SPACE

Added 784 units during FY20.

Increasing marketing and informing potential customers on EROAD's customer value proposition.

During the fourth quarter a medium sized Trans-Tasman customer fleet was deployed.

MANAGE COST BASE FOR EFFICIENCIES IN GROWTH

Customer support functions continue to be provided from New Zealand to ensure cost to serve efficiencies at this early stage of entry into Australia.

The size of the in-market sales team and marketing activity is closely monitored and increases are following sales achievement and pipeline growth.

FY21 FOCUS

Establishing market by focusing on strong enterprise account pipeline, through product launches that leverage off Enterprise products in other regions. Extending EROAD Where to Australia in H2 FY21 further differentiates EROAD.

INVESTING IN OUR TECHNOLOGY AND PROCESSES WILL ENSURE WE CAN SCALE THE BUSINESS EFFECTIVELY

IN FY20 WE SPENT

$6.9m

INVESTING IN NEW GENERATION BUSINESS SYSTEMS

PROJECTS COMPLETED OVER FY19 AND FY20

- **TRANSFORMATIONAL CHANGE IN KEY BUSINESS SYSTEMS**
- **AUTOMATING KEY PROCESSES**
- **INTEGRATING BUSINESS PLANNING**
- **SIMPLIFYING, STANDARDIZING, AUTOMATING**

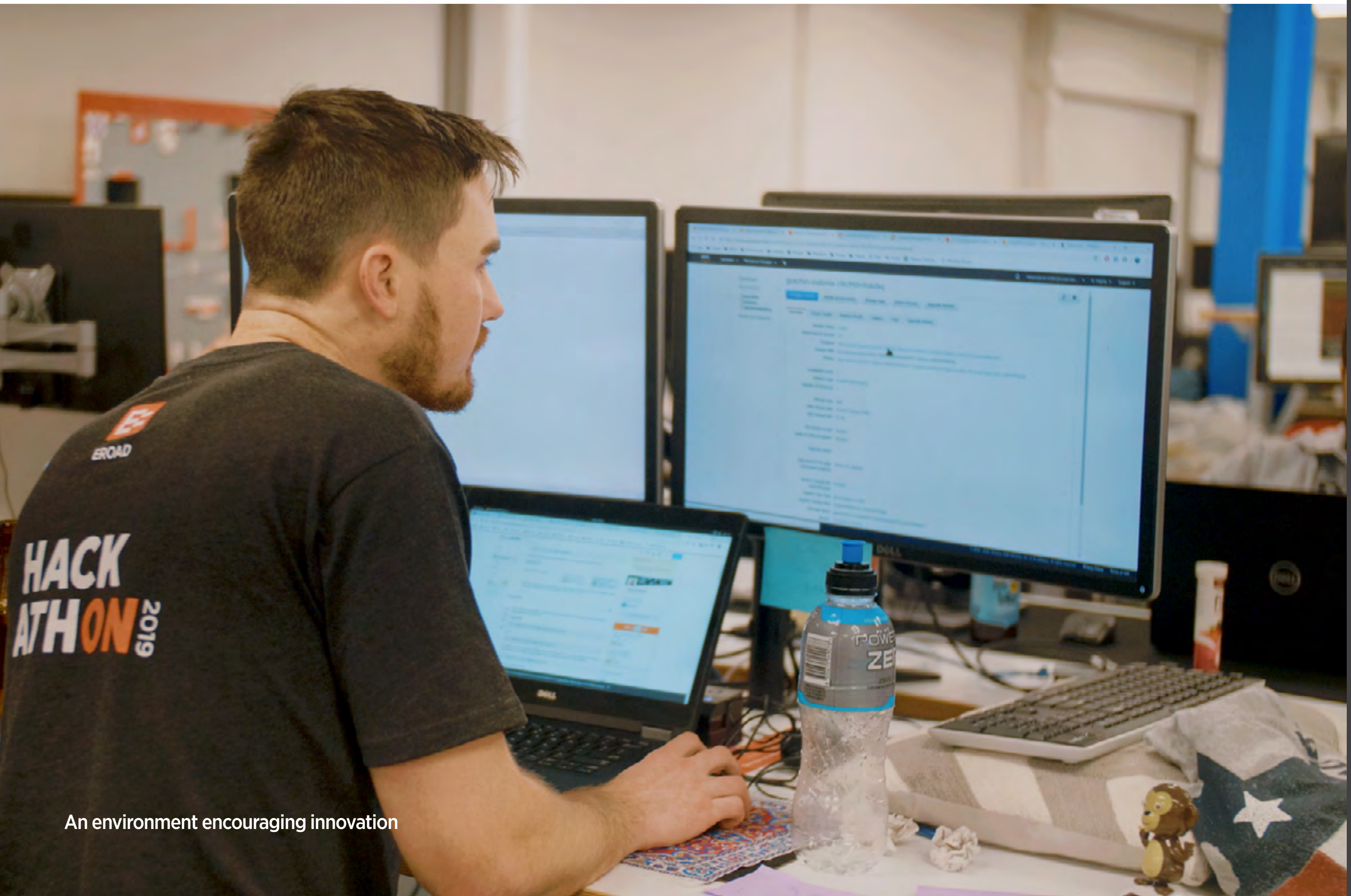
INVESTING TIME IN OUR CUSTOMERS, RESULTING IN LOYAL CUSTOMERS

Our customers are important to us, and we travel a journey throughout their time with us. This ensures we know how to best meet their needs, and increased customer loyalty.

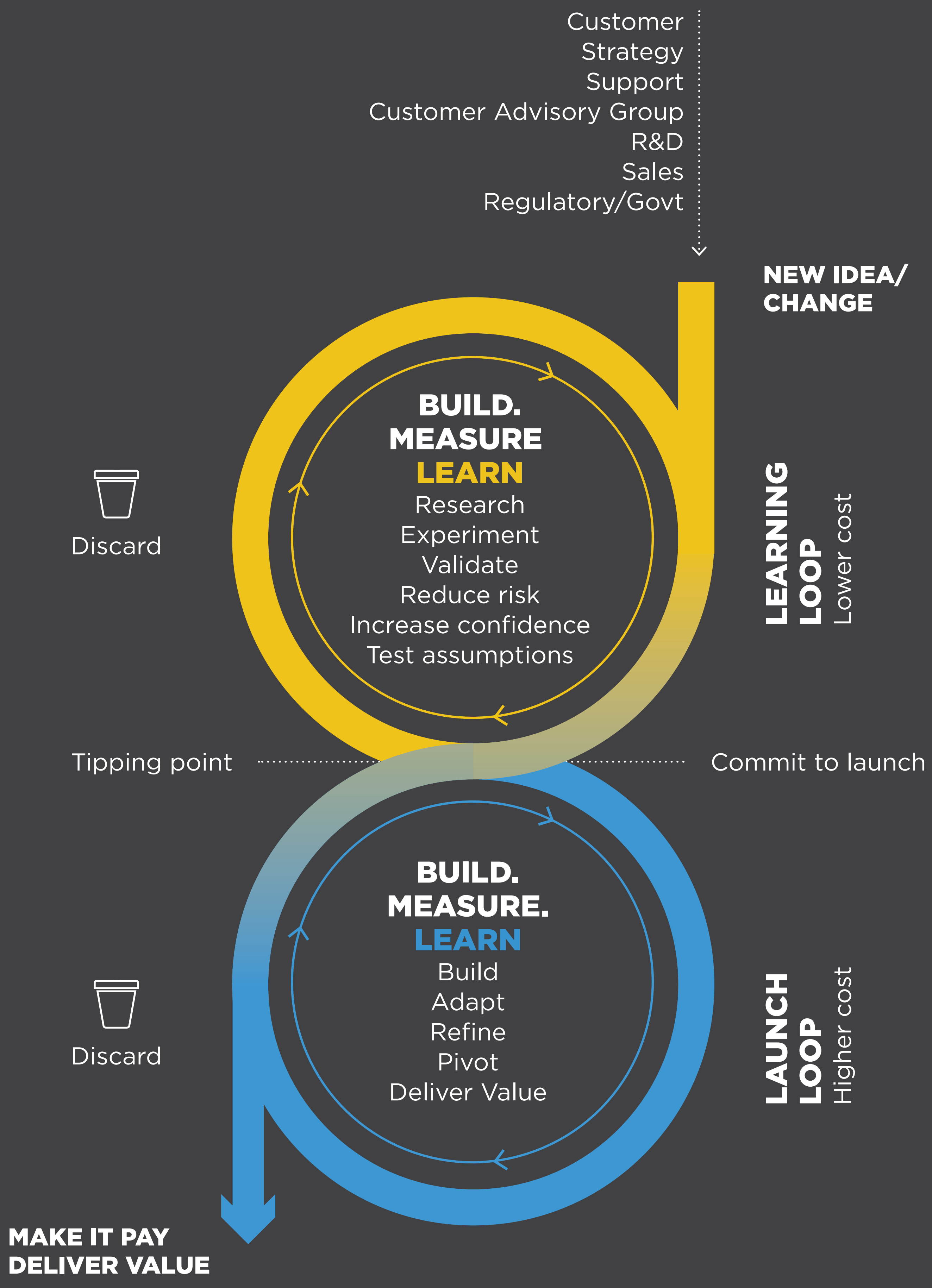
Continued investment in Research and Development is critical to delivering reliability, scalability, quality and innovation

Our market growth is fuelled by regulatory change. Our customers start with compliance needs and grow as our customers' go on a maturity journey with us. EROAD continues to invest between 18-22% of Revenue in research and development, which is essential to ensure EROAD's ongoing reliability and quality, and ensuring scalability and growth in the future.

Our teams focus on ideas from multiple inputs, funnelling these through a process of rapid learning, discarding most and following through on the high impact ideas. We are continually learning and adapting to ensure the high impact ideas pay and deliver value.



An environment encouraging innovation



Continued investment in products and services delivers growth, customer retention and improved Monthly SaaS Average Revenue per Unit

AU NZ
MARCH 2020

CRASH & ROLL OVER ALERTS (IN PARTNERSHIP WITH ST JOHN AMBULANCE)

Delivers emergency alerts to the fleet manager and the driver's designated first responders in the event of a serious collision or rollover incident.

AU NZ
FEBRUARY 2020

PRIVATE MODE

Technology that complements vehicle policy and compliance regulations around private and company use of vehicles.

AU NZ
SEPTEMBER 2019

MYEROAD DASHBOARD

Consolidates key fleet metrics onto a single view dashboard. Updated with a new map experience in March 2020.

NA
JULY 2019

TEXAS INTRASTATE RULE SET

Drivers can select this ruleset from within their truck, enabling them to view and track their driving hours in line with Texas regulations.

NA
AUGUST 2019

HOURS OF SERVICE RECAP

Displays each driver's available hours. Ensures compliance with regulation, drivers are safe and fleets maximise their productivity.

NZ
DECEMBER 2019

EROAD WHERE

Provides a cost-effective small asset tracking solution.

AU
AUGUST 2019

ACHIEVED ATO CLASS RULING

EROAD FUEL TAX CREDIT (FTC) SOLUTION

Provides customers a solution that helps with claiming back their full Fuel Tax Credit entitlement.

EROAD Where

THE NEXT GENERATION OF ASSET TRACKING SOLUTIONS

Saves time, reduces costs and helps businesses perform better for a fraction of the cost of traditional asset tracking solutions.

ONE PLATFORM

ROBUST TAG

UNIQUE MESH NETWORK

BLUETOOTH TECHNOLOGY

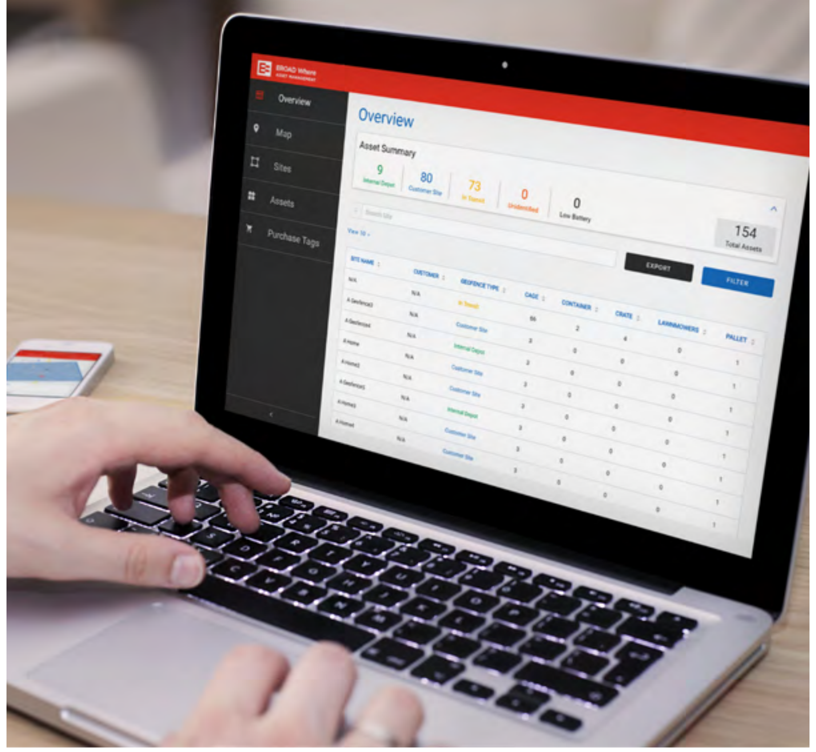
5+ YEAR BATTERY LIFE

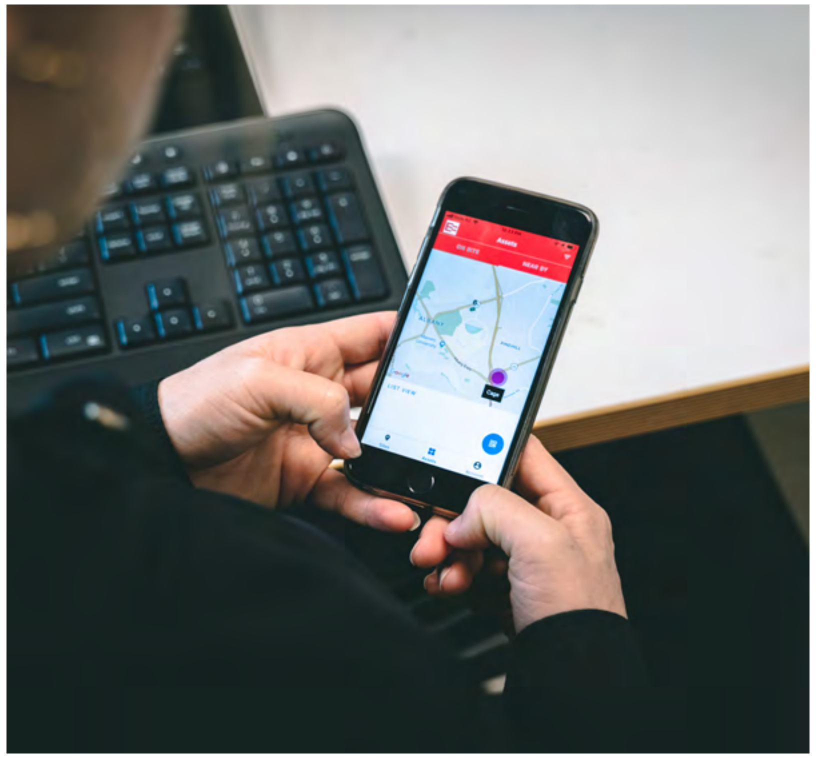
For businesses with a high volume of assets that frequently move around remote job sites, trying to keep track of assets has been an ongoing struggle. This creates waste in both time and cost as assets are under-utilized, time is lost locating assets for jobs, replacement assets are purchased unnecessarily, and assets are shifted around sites in an inefficient manner to cover for those that can't be found.

EROAD Where saves time, reduces costs and help businesses perform better, but at a fraction of the cost of the traditional Internet of Things solution.

EROAD Where is an affordable asset tracking solution for moveable assets which can be tracked through our unique mesh network anywhere in New Zealand. The platform has been designed to communicate with a variety of future devices, and we have a roadmap of platform product additions based on customer feedback and sales opportunities, so EROAD Where will continue to scale with our customer's needs.

This cost disruptive solution to asset tracking was developed together with our customers over the course of FY20 and launched in December 2019. It is early days, however we are seeing increasing demand and need for this product across New Zealand and Australia.





THE NUMBERS

REVENUE

Group Revenue increased 32% from $61.4m to $81.2m reflecting strong growth in New Zealand and North America. New Zealand Revenue increased by 21% to $53.4m from $44.2m in the comparable period. The New Zealand business ended the year with 80,366 units, adding 10,256 contracted units, to achieve an annual growth rate of 15% through expansion into existing customer fleets, combined with a solid underlying new customer run rate. Strong enterprise sales growth in the North American market resulted in a significant increase in revenue of 62% to $24.8m from $15.3m. Revenue also benefited from the stronger USD/NZD.. The North American business added 9,342 contracted units, to deliver a growth rate of 38%, reflecting the on-boarding of two enterprise customers in the first half of the year. During the year the Australian business added 784 contracted units, reflecting growth in the small-to-medium business segment, to deliver growth of 59%. Australian Revenue remained relatively flat at $0.7m from $0.6m.

OPERATING EXPENSES

Operating expenses grew by $8.3m or 18% on the prior year figure. Of this amount $5.1m related to staff costs, and also included approximately $2.0m of non-recurring legal costs associated with a patent dispute.

EBITDA

EBITDA grew $11.5m or 73% to $27.1m reflecting the revenue growth in New Zealand and North America. EBITDA for Australia fell from $(0.6)m to $(1.3)m reflecting investment in sales and marketing activity in this new market to support future growth.

EBITDA for the Corporate & Development segment's was $(14.0)m, from $(12.0)m reflecting the combination of investment in Research & Development activities coupled with a focus on cost management to improve operating leverage. The result included non-recurring patent dispute costs of $2.0m.

($m)	FY20	FY19	Movement
New Zealand	34.9	27.9	7.0
Australia	(1.3)	(0.6)	(0.7)
North America	7.5	0.4	7.1
Corporate & Development	(14.0)	(12.0)	(2.0)
Elimination of inter-segment EBITDA	(0.0)	(0.1)	0.1
EBITDA	27.1	15.6	11.5
EBITDA MARGIN	33%	25%	8%

DEPRECIATION & AMORTISATION

Total Depreciation & Amortisation of $22.6m increased by $4.7m on the previous year. Depreciation of Property, Plant & Equipment increased by $2.0m, $1.6m of which relates to Hardware Assets as a result of higher contracted units. Amortisation of Contract Fulfilment and Customer Acquisition Assets increased by $1.7m due to both increase in Total Contracted Units and the stronger USD/NZD. Amortisation of Intangible assets increased by $1.0m which reflects the continued investment in Development Assets. The new business systems included within Software Asset additions only went live late in the year and did not materially contribute to the increase in amortisation for the year ended 31 March 2020.

PROFIT BEFORE TAX

Profit before tax of $1.4m, a $6.5m improvement on the $5.1m loss in the previous year. This represents strong Revenue and EBITDA growth and partly offset by higher depreciation, amortisation and finance costs.

EXTENDING THE PLATFORM AND SCALING FOR GROWTH

EROAD continued to prioritise investment in research and development to capitalise on potential growth opportunities across all of its markets. In the year to 31 March 2020, a total of $15.6m was invested in research and development, of which $9.6m was capitalised and $6.0m of previously capitalised research and development was expensed/amortised. In-line with our expectations, the total amount invested in research and development represented 19% of revenue.

BALANCE SHEET

Cash reduced by $12.7m during the year to fund an increase in Research & Development activities as well as investment of $6.9m in new generation business systems. Property, Plant and Equipment increased by $3.5m due to investment in hardware assets (excluding inventory movements) which increased due to higher new unit volumes and a stronger USD. Contract fulfilment aquisition assets increased by a net $1.3m due to growth in contracted units. Intangible assets increased by $9.0m with software additions $5.5m higher than in the prior year as a result of the investment in new generation business systems and processes.

FREE CASH FLOW

Operating cash flow increased strongly to $23.1m from $14.2m reflecting an increased contribution from New Zealand and North America. Investing cash flows increased to $(35.9)m from $(27.3)m, reflecting growth in contracted units, continued investment in Development Assets and a $6.9m investment in new generation business systems. As a result, Free cash flow for the year ended 31 March 2020 improved by $0.3m on the prior year to $(12.8)m. However, the free cashflow excluding amounts spent on investing in the new generation of business systems was $(5.9)m an improvement of $5.7m on the prior year figure of $(11.6)m.

DEBT REFINANCING

A three-year $60m syndicated debt facility was put into place on 26 March 2020 refinancing the previous facilities and providing additional facilities to support future growth. Of this amount $36.1m was drawn down after borrowing costs of $0.3m as at 31 March 2020, providing EROAD with undrawn facilities of $23.9m as at that date.

EROAD'S TRACK RECORD

FINANCIAL PERFORMANCE TRENDS

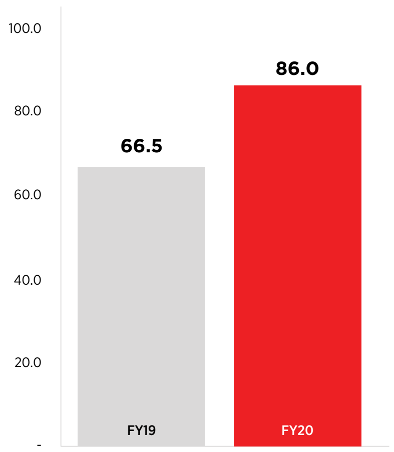
	FY20	FY19	FY18
INCOME STATEMENT			
Revenue	$81.2m	$61.4m	$43.8m
Future contracted income	$134.4m	$117.4m	$100.5m
EBITDA	$27.1m	$15.6m	$10.5m
EBITDA margin	33%	25%	24%
Profit/(Loss) before tax	$1.4m	$(5.1)m	$(5.9)m
Total comprehensive Profit/(loss) before tax	$(0.3)m	$(6.0)m	$(3.7)m
BALANCE SHEET			
Total Current Assets	$34.0m	$43.9m	$46.6m
Total Non-Current Assets	$91.8m	$79.3m	$64.5m
Total Liabilities	$74.5m	$71.9m	$54.4m
CASH FLOW			
Net cash inflow from operating activities	$23.1m	$14.2m	$5.2m
Net cash outflow from investing activities	$(35.9)m	$(27.3)m	$(23.8)m
Free Cash Flow	$(12.8)m	$(13.1)m	$(18.6)m
PERFORMANCE METRICS			
Total Contracted Units	116,488	96,390	77,600
Asset Retention Rate	95.2%	94.4%	95.8%
Monthly SaaS Average Revenue Per Unit	$58.4	$55.1	$54.3
Annualised Monthly Recurring Revenue	$86.0m	$66.5m	n/a

THE FINANCIAL METRICS WE MEASURE OURSELVES BY

EROAD HAS SEVEN KEY FINANCIAL METRICS WE AND OUR INVESTORS CAN MONITOR OUR PERFORMANCE BY

LEADING GROWTH INDICATORS

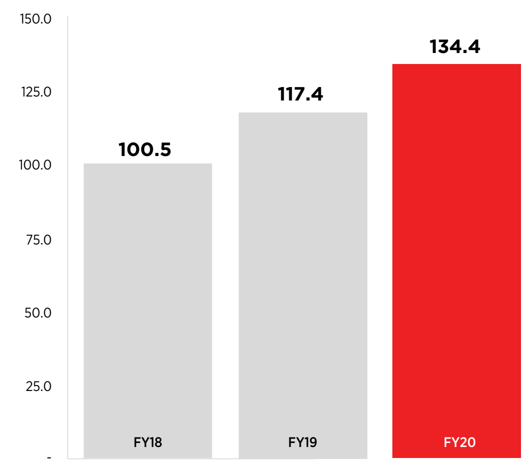
ANNUALISED MONTHLY RECURRING REVENUE ($M)



AMRR increase reflects growth in recurring revenues from new units and SaaS ARPU.

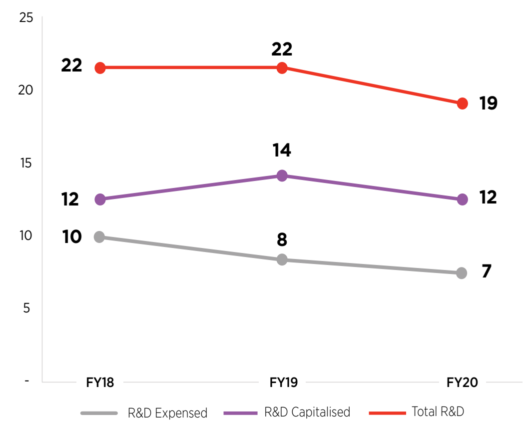
AMRR has only been reported since FY19 following adoption of IFRS 15 & 16

FUTURE CONTRACTED INCOME ($M)



FCI increased with new incremental contracted units added and renewals, partially offset by recognition of revenues for new and existing contracts.

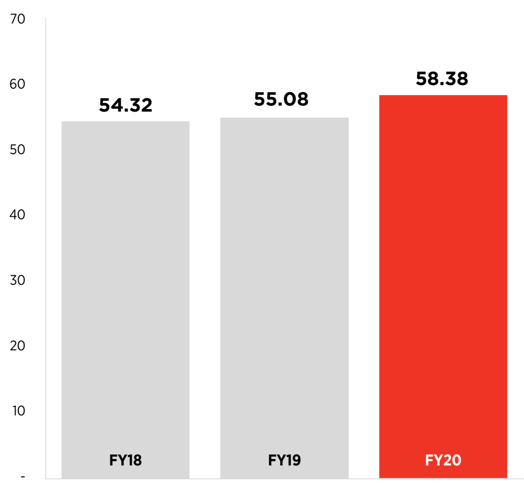
RESEARCH AND DEVELOPMENT AS % OF REVENUE



R&D as % of Revenue within expected range of between 18-22% of Revenue.

ENTERPRISE VALUE FROM EXISTING CUSTOMER BASE

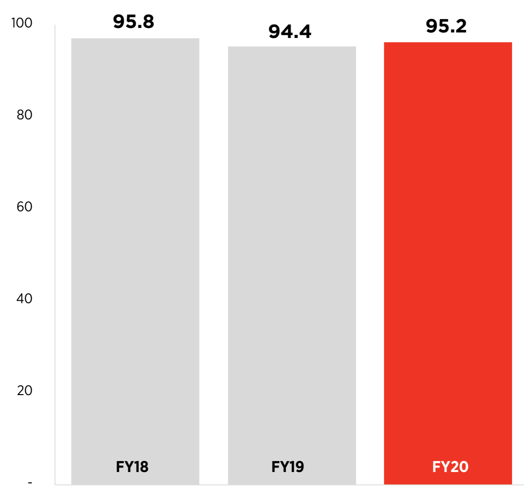
MONTHLY SAAS AVERAGE REVENUE PER UNIT ($)



Monthly SaaS ARPU has been trending upwards over the past 12 months.

- Plan and hardware upgrades
- Above average pricing for new sales, including NA enterprise accounts
- Stronger USD vs NZD

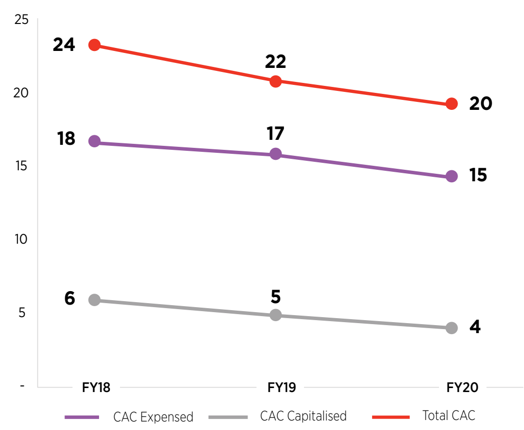
ASSET RETENTION RATE (%)



Asset Retention Rate has remained stable and remains a focus as we work to maintain this very high level through renewal programmes in key markets.

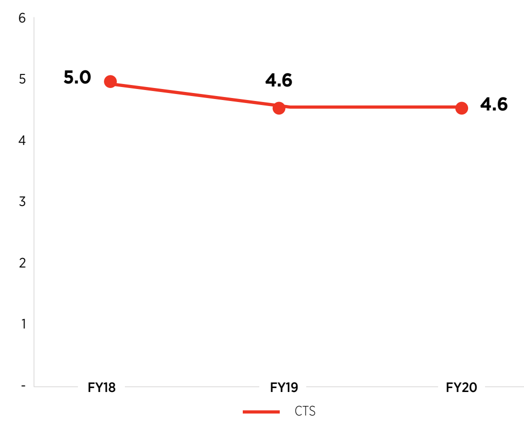
PROFITABILITY

COST TO ACQUIRE CUSTOMERS AS % OF REVENUE



CAC as a % of Revenue would be expected to trend down over time as revenue grows, reductions will be partly offset by investment in CAC ahead of revenues in Australia.

COST TO SERVICE AND SUPPORT AS % OF REVENUE



CTS has remained within 4-5% of revenue range. There will be some further operational leverage expected from FY21 as the business realises benefits of system transformation investment.

CTS will improve over time as scale and leverage increases.

WE ACT WITH SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

OUR SOCIAL AND ENVIRONMENTAL IMPACT PRIMARILY COMES FROM THE VALUE WE ADD TO OUR CUSTOMERS THROUGH OUR PRODUCTS AND SERVICES.

SAFETY

- Improve road safety, reducing accident rates and ultimately saving lives
- Ensure safer vehicles on our roads with service and maintenance monitoring
- Driver management services improve driver behaviour

PRODUCTIVITY

- Reduce compliance costs and improve customer's on-road productivity
- Help customers achieve fuel efficiency and reduce emissions through data insights
- Improve infrastructure decisions by providing our insights and analytics that informs decision markers

REPORTING WHAT MATTERS TO OUR STAKEHOLDERS

EROAD is committed to sustainable business practices that recognise the role our business plays in providing positive outcomes for the communities we operate in, and on the environment we share. We know this is also important to our customers, staff, investors and the wider group of stakeholders that we engage with.

EROAD was founded and operates on principles that are closely aligned to this philosophy and this year we have taken our commitment one step further. We have begun to formally move towards a recognised sustainability reporting framework and expect to adopt the internationally recognised Global Reporting Initiative (GRI) framework for our FY21 Annual Report. This process is already underway with early data collection, internal work on our materiality matrix in progress and external stakeholder views soon to be added. This will provide the foundation for developing performance measures and goals in the material areas for our business as we look to improve our performance over time.

RESPONSIBLE MANUFACTURING

Our main manufacturing partner for our Ehubo product, located in the Philippines, operates in full compliance with the laws, rules and regulations of the countries which it operates in and is committed to international standards to advance social and environmental responsibility. It also reports publicly against the UN SDG commitments. Activities conducted to ensure social and environmental responsibility include:

- Supplier audits and assessments which include levels and disposable methods of hazardous substances
- A policy on conflict minerals
- A number of initiatives underway to improve efficiency and usage of energy, water and waste
- Respecting human rights and are committed to improving company culture
- Audited under the Responsible Business Alliance Code of Conduct v6.0 and extending the audit to its key suppliers

WASTE REDUCTION

When a customer upgrades their hardware, or a customer comes to the end of a contract, the used units are sent to our Global Service Centre based in Penrose and are refurbished. In FY20 we refurbished 9,535 units (FY19: 7,278 units).

In FY20 we reclaimed 155kg of LiSOCl2 batteries, 33kg of PCB boards and 57kg of Lead Acid Batteries.

EROAD Where tags can be returned to source for recycling at end of life.

RECYCLING

Both the New Zealand and North American office have recycling programs.

At the Albany office, old desks, that were being replaced with standing desks, were donated to Northland Chamber of Commerce. These desks were used to support small business start-ups.

3G SUNSET IN NORTH AMERICA

In North America Verizon will sunset 3G CDMA in December 2020 and AT&T will complete GSM 3G sunset in Feb 2022. This means an estimated 7.5 million in-vehicle devices in the trucking industry will need to be replaced. As part of this, EROAD has a 3G device transition project underway to replace around 21,000 3G devices with our 4G iteration. All of these devices will be refurbished to help the environment and save cost. To date, we have replaced around 8,000 of these 3G devices, the remainder will be replaced before February 2022.

GIVING BACK

EROADERS HAVE WORKED HARD TO GIVE BACK TO THE COMMUNITY, RAISING THOUSANDS OF DOLLARS FOR CHARITY.

New Zealand

Breast Cancer Foundation Pink Ribbon Day
+$3,000

Gumboot Day
+$400

Movember
+$330

North America

Truckers Against Trafficking 'Penny War'
+$3,500

Australia

Sausage sizzle & t-shirt drive for Australian Red Cross and Wildlife Trust
+$3,600

SUPPORTING A BETTER FUTURE

Te Whangai Trust is a sustainable ecological, social and educational enterprise that supports, trains and advocates for people who find it challenging to enter the labour market.

EROAD donates products and services to support this trust in running an efficient business, so they have more time to spend on empowering people to break habits and change the inter-generational cycle, creating a better life for themselves and future generations.

TRUCKERS AGAINST TRAFFICKING

Making the roads safer means making them safer for everyone. Human trafficking is a global problem for our industry. Every year we donate $2,500 to Truckers Against Trafficking, an American charity that's raising awareness, providing training and assisting in the fight against human trafficking.

Our team were inspired by the incredible work this charity does, raising a further $1,000 from their "penny war". Many also took the Truckers Against Trafficking online training course so they could join the fight to identify victims of trafficking.

PROTECTING THE PRIVACY OF CUSTOMERS

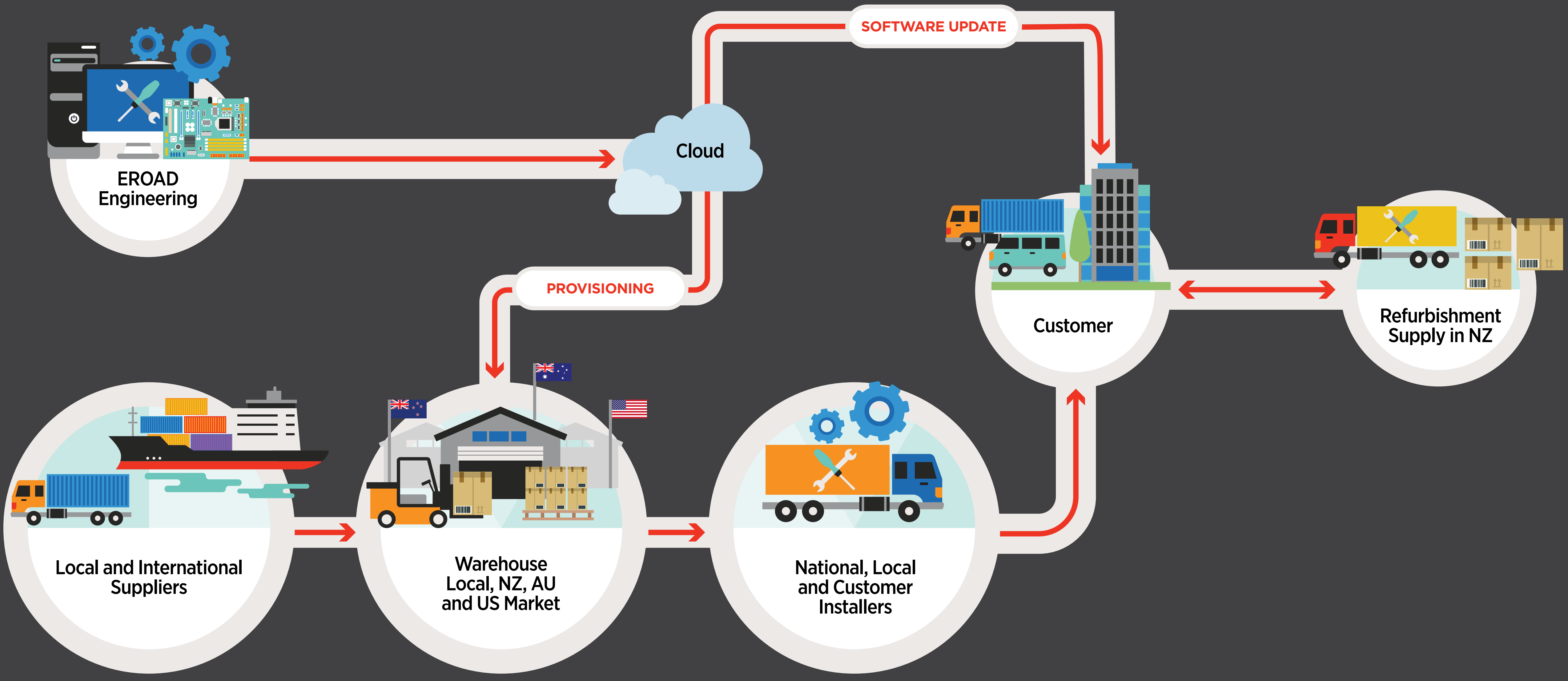
We take cyber security and privacy of our customers seriously. We screen key suppliers for their privacy and security credentials, we protect customer privacy from third parties and importantly continue to engage independent third parties to conduct penetration testing on our systems to understand vulnerabilities.

There has been an increase around the world in cyber-attacks and privacy data breaches so this is an area that is constantly reviewed and refined.

In FY20, key areas of improvement included:

- implementing a framework to support compliance with the California Consumer Privacy Act;
- adoption of privacy by design and privacy by default principles in the development of new products; and
- released a new privacy policy to assist customers on how personal and confidential information is collected, used and disclosed.

OUR SUPPLY CHAIN



AN ENERGISED AND CAPABLE TEAM

WE HAVE AN OPEN, INCLUSIVE CULTURE, WHERE DIFFERENCE IS CELEBRATED.

89%
EROADERS
RECOMMEND EROAD AS A GREAT PLACE TO WORK

89%
EROADERS
FEEL THAT EROAD IS AN INCLUSIVE WORKPLACE WHERE THEY CAN BE THEMSELVES

OUR VALUES

WE LEAD WITH SAFETY

WE OPERATE WITH TRUST

WE ACT WITH INTEGRITY

WE PERFORM AS ONE TEAM

WE CELEBRATE INNOVATION

CELEBRATING TOGETHER

We like to celebrate both the big and small moments. Recognition is peer-led and is enabled through our quarterly EROAD'er Awards program and our online rewards platform, Bonusly. This year, we've had 120 nominations for EROADer awards and over 33.5k Bonusly recognition messages between our team. As well as companywide celebrations for our big milestones like the go-live of our major system upgrade.

CREATING OPPORTUNITIES FOR INNOVATION

Innovation is at the heart of what we do. Our teams are always up for a challenge and our Hackathon and Innovation Week events throughout the year are a great way to get more people involved in innovation.

EROAD LIFE

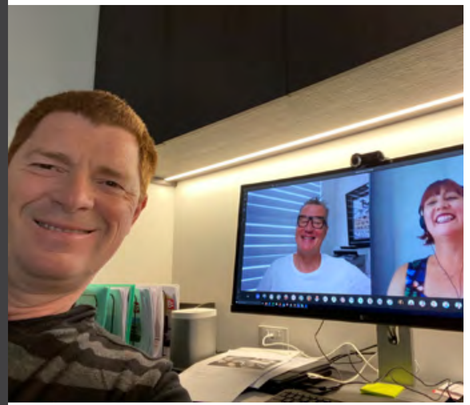
Our WISH committee (Wellbeing, Inclusion & Diversity, Social, Health & Safety) is made up of volunteers from across EROAD. Together, they plan and deliver events and activities that are a core part of EROAD life. Over FY20 we held events such as family fun day, Cultural Dress Day, Christmas sweater day and International Women's Day.

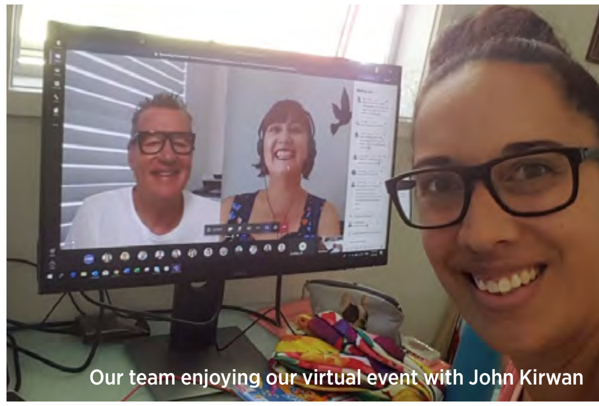
CARING FOR OUR PEOPLES' SAFETY AND WELLBEING

We've made a big push this year to advocate for better mental health. Investing in a number of services to make them free to access for EROAD'ers:

- Global Employee Assistance Program
- 18 EROADers trained as Mental Health First Aiders
- Mentemia, a mental wellbeing app in New Zealand & Australia


Celebrating International Culture Day




Our team enjoying our virtual event with John Kirwan


Raising funds for Pink Ribbon Day

EROADers at our Hackathon in June 2019


Celebrating the go-live of our major system upgrade in February 2020


Our interns joined us for a month in February and came up with innovative ideas as part of their project


Sausage sizzle to raise funds for Australian bush fire efforts

INVESTING IN OUR PEOPLE

We're investing in our people and future leaders to build the capability we need to grow our business into the future.

We continued to build capability in key areas including R&D, M&A, Sales and Customer Success in FY20.

LEADERSHIP DEVELOPMENT

We launched our new Leadership Program in 2019 to lift our leadership capability further. The one-year program involves psychometric assessments, expert coaching, offsite workshops and team building.

PEER TO PEER DEVELOPMENT

This year, we launched "Lean-In Circles". These provided a safe and supportive environment for EROADers to share their challenges or goals and help each other develop.

OUR LEARNING MANAGEMENT SYSTEM

EROADers can now access online training in one place, with our new learning management system, Propel. From compliance and technical training to soft-skill building – there's a carefully crafted range of courses to lift capability.

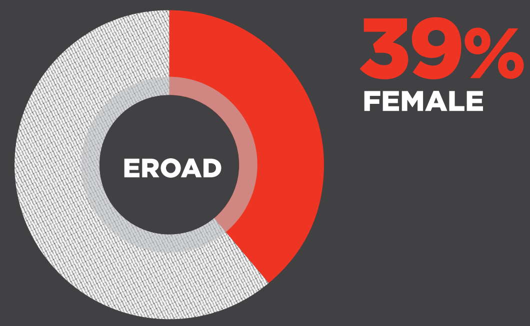
DIVERSE PERSPECTIVES, FOSTERING INNOVATION

EROADERS COME FROM MORE THAN

35

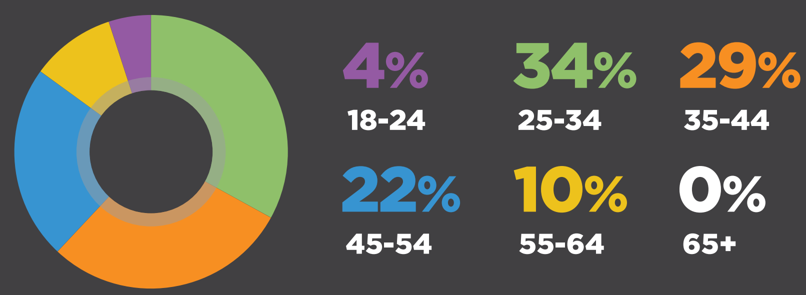
COUNTRIES AROUND THE WORLD

FEMALE PERCENTAGE OF OUR TEAM



PEOPLE LEADERS

AGE SPLIT



At EROAD we welcome, encourage and value the unique experiences, skills and backgrounds of our people. We continually work on creating an inclusive, collaborative and open space where people feel safe and empowered to think differently to create new ideas. Helping bravely solve our customers' complex transportation problems.

MANAGEMENT TEAM

STEVEN NEWMAN

Executive Director/CEO

Steven co-founded Navman, which he grew into four business units, operating across 40 countries with global sales in excess of $500m. After completing his BEng he become the NZ Group General Manager for Hennessy Europe. Steven has been the CEO and a member of the EROAD board since 2007, receiving the North Harbour Business Hall of Fame Laureate in 2018.

ALEX BALL

Chief Financial Officer

Alex's career has spanned five countries, delivering a broad range of commercial, financial and governance capabilities gained across corporate management, board directorship and professional services. Alex joined EROAD in January 2019, with his previous roles including CFO at Transpower, TelstraClear, Vector and he has a background in sales and engineering. His qualifications include BEng (Hons), ACGI, FCA (ICAEW), CA (CAANZ), SA Fin, MInstD (NZ) and AF IMNZ.

JARRED CLAYTON

Chief Technology Officer

Jarred leads product, design and engineering at EROAD. He has worked in telematics for over a decade and is experienced in bringing large scale enterprise solutions to market. Prior to joining EROAD, he worked in product and consulting companies within the UK, America and Australia. Jarred holds a BEng (hons) and is a graduate of the Stanford Business School executive program.

MATT DALTON

EVP Operations

Matt is responsible for delivering globally cohesive operational procedures for both supply chain and business systems. Before joining EROAD in March 2019 he led internal service teams and software development for companies like Yellow, Fiserv and Barclays Capital. Matt has a BCom in addition to extensive software development experience.

NORM ELLIS

President – North America

Norm leads our North American business. He has nearly 20 years experience in both transport and then telematics. Norm joined EROAD in 2017, after being the COO at ID Systems, Inc., a producer of wireless asset management systems for the transport sector. Prior to that he led sales, services and marketing for Qualcomm/Omnitracs in the US and Canada for nearly 17 years. He is a graduate of the Executive Leadership programs from both Stanford Business School and University of Virginia Darden School of Business and he holds a BA in Economics and Business Management.

MARK HEINE

EVP General Counsel and Company Secretary

As General Counsel and Company Secretary, Mark works with the team on all aspects of company and product legal compliance and data privacy. His legal and risk experience encompasses IP, technology, privacy, disputes, mergers & acquisitions, corporate governance as well as competition and consumer law. Mark joined EROAD in 2015 after a legal career working at Bell Gully, as a Barrister in Auckland and Allens in Sydney. He graduated from Otago University with an LLB / BA.

MIKE SWEET

Chief People Officer

Mike joined EROAD in January 2019 to develop our people and culture. His global HR work experience includes NZ, Australia, the UK and the USA. He's worked in global bluechip companies and successfully scaled start-ups. Mike's most recent role was General Manager HR at Spark. He holds a BA BCA, MHRINZ, GPHR, and PHR-CA.

GENEVIEVE TEARLE

Chief Marketing Officer and General Manager EROAD Where

Genevieve leads our global marketing strategy, demand generation, and product marketing management. Prior to joining EROAD in October 2018 she held key marketing roles in global corporates like Philips and Fisher & Paykel, working across Europe, Asia, and Americas in both B2C and B2B environments. Genevieve holds a BMS, MMS and is a certified Lean Practitioner.

SARAH THOMPSON

Chief Product Officer

Sarah joined EROAD in March 2019 to oversee our product research and development. She brings a wealth of experience to this global role that includes creating and executing product strategy across a range software companies, delivering to health and large insurance organisations globally. Sarah joined from a similar role at Orion Health. She holds a B(Des) and has attended the Executive Leadership Development program at Stanford Business School.

TONY WARWOOD

General Manager Australia & New Zealand

Tony leads our New Zealand and Australian business. Tony joined EROAD with our first customers back in 2009. A qualified mechanic, he brings first-hand experience of the challenges our customers face, given his foundational career included being a heavy vehicle mechanic and fleet manager.

STRONG GOVERNANCE SUPPORTING GROWTH ASPIRATIONS

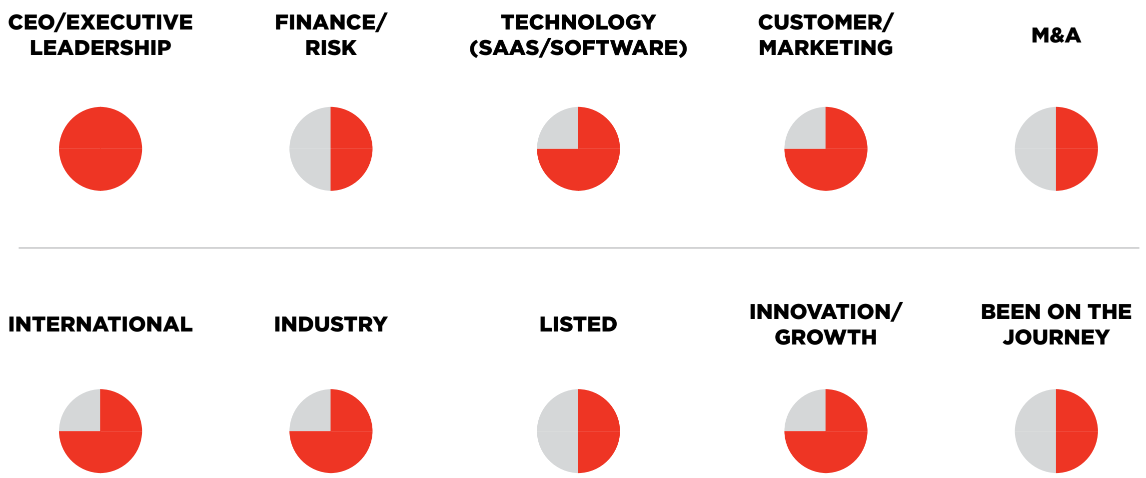
EROAD is committed to best practice governance principles and maintains the highest ethical standards. The Board is focused on measuring the right things (not just financial), setting the tone of compliance for the organisation, staying ahead of the business and anticipating potential risks and opportunities.

Having the right expertise and diversity of thought supports the senior leadership team in creating shareholder value. Over the last two years the Board has been going through a period of renewal to ensure it has the right expertise. An independent review of the Board's current capabilities was undertaken last year. It identified the areas of strength and opportunities for improvement to ensure we have the right skills and capabilities around the Board table. It also helped identify those that are likely to be needed in the future to ensure we're well positioned to support the next stages of EROAD's growth. The review's insights were used in the director search process, following which Barry Einsig was appointed as an independent director in January this year.

The Board has determined that to operate effectively and to meet its responsibilities it requires competencies in disciplines including executive leadership and strategy, growth and innovation, governance, digital and technology, transport, finance and capital markets, risk and compliance, legal and regulatory, and people.

The current directors possess an appropriate mix of skills, commitment, experience, expertise (including knowledge of the Group and the relevant industries in which the Group operates) and diversity to enable the Board to discharge its responsibilities effectively and deliver the company's strategic priorities. Where specific additional skills are required the Board engages expert advice.

COMBINED BENCH STRENGTH



GRAHAM STUART

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

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

MICHAEL BUSHBY

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

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

BARRY EINSIG

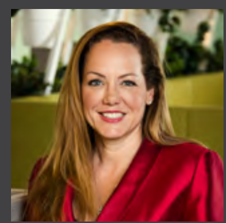
Independent Director, Member of Remuneration, Talent and Nomination Committee

Barry joined the Board in January 2020. Located in Pennsylvania, Barry brings considerable transport knowledge of the North American market as well as global automated and connected vehicle expertise. He is currently a principal at CAVita, has held other directorships within the transport industry and has advised Singapore's Ministry of Transportation on their Highly Automated Vehicle Program. In addition, Mr Einsig has reviewed work undertaken by the Transportation Research Board and created patent-approved technology used in Public Safety Networks.

TONY GIBSON

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

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



CANDACE KINSER

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

Candace is an experienced board director and business executive, known for her work with high growth and technology focused companies. She was previously the CEO of NZTech and science software company Biomatters, an advisor for global data analytics company Palantir, is a NZTE beachheads advisor and is on the boards of Livestock Improvement, WEL Networks, UltraFast Fibre, Regional Facilities Auckland and the Cancer Society. She joined the EROAD board in May 2014.

SUSAN PATERSON

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

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

STEVEN NEWMAN

Executive Director / CEO

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

FINANCIALS

EROAD LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
AS AT 31 MARCH 2020

		GROUP	
		31 March 2020	**31 March 2019**
	Notes	**$M's**	**$M's**
Revenue	3	**81.2**	61.4
Operating Expenses	4	**(54.1)**	(45.8)
Earnings before interest, taxation, depreciation and amortisation		**27.1**	15.6
Depreciation of Property, Plant and Equipment	14	**(8.6)**	(6.6)
Amortisation of Intangible Assets	16	**(7.5)**	(6.5)
Amortisation of Contract and Customer Acquisition Assets	7	**(6.5)**	(4.8)
Earnings/(Loss) before interest and taxation		**4.5**	(2.3)
Financing costs	8	**(3.1)**	(2.8)
Profit/(Loss) before tax		**1.4**	(5.1)
Income tax (expense)/benefit	9	**(0.4)**	0.2
Profit / (Loss) after tax for the period attributable to the shareholders		**1.0**	(4.9)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss		**(1.3)**	(1.1)
Total comprehensive loss for the year		**(0.3)**	(6.0)
Profit / (Loss) per share - Basic (cents)		**1.55**	(7.31)
Profit / (Loss) per share - Diluted (cents)		**1.53**	(7.24)

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

EROAD LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

		GROUP	
		31 March 2020	31 March 2019
	Notes	$M's	$M's
CURRENT ASSETS			
Cash and cash equivalents	12	**3.4**	16.1
Restricted bank accounts	12	**14.0**	12.7
Trade and other receivables	13	**10.7**	10.5
Contract fulfilment costs	7	**3.2**	2.4
Costs to obtain contracts	7	**2.7**	2.2
Total Current Assets		**34.0**	43.9
NON-CURRENT ASSETS			
Property, plant and equipment	14	**37.4**	33.9
Intangible assets	16	**42.1**	33.1
Contract fulfilment costs	7	**2.7**	2.7
Costs to obtain contracts	7	**2.1**	2.1
Deferred tax assets	10	**7.5**	7.5
Total Non-Current Assets		**91.8**	79.3
TOTAL ASSETS		**125.8**	123.2
CURRENT LIABILITIES			
Borrowings	18	**2.2**	17.2
Trade payables and accruals	17	**8.2**	6.1
Payables to transport agencies	12	**13.9**	12.5
Contract liabilities	19	**3.6**	5.8
Lease liabilities	15	**1.0**	0.8
Employee entitlements		**1.8**	1.3
Total Current Liabilities		**30.7**	43.7
NON-CURRENT LIABILITIES			
Borrowings	18	**33.6**	17.5
Contract liabilities	19	**4.6**	4.2
Lease liabilities	15	**5.3**	6.2
Deferred tax liabilities	10	**0.3**	0.3
Total Non-Current Liabilities		**43.8**	28.2
TOTAL LIABILITIES		**74.5**	71.9
NET ASSETS		**51.3**	51.3
EQUITY			
Share capital	11	**80.7**	80.6
Translation reserve		**(2.9)**	(1.6)
Accumulated losses		**(26.5)**	(27.7)
TOTAL SHAREHOLDERS' EQUITY		**51.3**	51.3

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

Chairman, *18 June 2020*

Chair of the Finance, Risk and Audit Committee, *18 June 2020*

EROAD LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2020

GROUP		Share Capital	Accumulated Losses	Translation Reserve	Total
	Notes	$M's	$M's	$M's	$M's
Balance as at 1 April 2018		80.3	(23.0)	(0.5)	56.8
Loss after tax for the year		-	(4.9)	-	(4.9)
Other comprehensive income		-	-	(1.1)	(1.1)
Total comprehensive loss for the period, net of tax		-	(4.9)	(1.1)	(6.0)
Equity settled share-based payments		0.1	0.2	-	0.3
Share capital issued	11	0.2	-	-	0.2
Balance at 31 March 2019		80.6	(27.7)	(1.6)	51.3
Balance as at 1 April 2019		**80.6**	**(27.7)**	**(1.6)**	**51.3**
Profit after tax for the year		**-**	**1.0**	**-**	**1.0**
Other comprehensive income		**-**	**-**	**(1.3)**	**(1.3)**
Total comprehensive profit for the period, net of tax		**-**	**1.0**	**(1.3)**	**(0.3)**
Equity settled share-based payments		**0.1**	**0.2**	**-**	**0.3**
Share capital issued	11	**-**	**-**	**-**	**-**
Balance at 31 March 2020		**80.7**	**(26.5)**	**(2.9)**	**51.3**

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

EROAD LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 MARCH 2020

	Notes	GROUP 31 March 2020 $M's	31 March 2019 $M's
Cash flows from operating activities			
Cash received from customers		**79.2**	62.3
Payments to suppliers and employees		**(53.4)**	(45.5)
Interest paid		**(2.7)**	(2.8)
Tax refund		**-**	0.2
Net cash inflow from operating activities		**23.1**	14.2
Cash flows from investing activities			
Payments for investment in property, plant & equipment	14	**(11.6)**	(10.9)
Payments for investment in intangible assets	16	**(16.5)**	(9.7)
Payments for investment in contract fulfilment assets	7	**(4.4)**	(3.5)
Payments for investment in customer acquisition assets	7	**(3.4)**	(3.2)
Net cash outflow from investing activities		**(35.9)**	(27.3)
Cash flows from financing activities			
Receipts from bank loans	18	**17.7**	23.6
Repayments of bank loans	18	**(16.5)**	(15.4)
Payment of lease liability	15	**(1.1)**	(0.9)
Net cash inflow from financing activities		**0.1**	7.3
Net increase/(decrease) in cash held		**(12.7)**	(5.8)
Cash at beginning of the year	12	**16.1**	21.9
Closing cash and cash equivalents	12	**3.4**	16.1

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

EROAD LIMITED
RECONCILIATION OF OPERATING CASH FLOWS WITH REPORTED LOSS AFTER TAX
AS AT 31 MARCH 2020

	GROUP 31 March 2020 $M's	31 March 2019 $M's
Profit /(loss) after tax for the year attributable to the shareholders	**1.0**	(4.9)
Add/(less) non-cash items		
Tax asset recognised	**-**	(0.3)
Depreciation and amortisation	**22.5**	18.0
Other non-cash (income)	**(1.0)**	(0.6)
	21.5	17.1
Add/(less) movements in other working capital items:		
(Increase) /decrease in trade and other receivables	**(0.2)**	1.1
Decrease/(increase) in current tax payables	**-**	(0.1)
Decrease in contract liabilities	**(1.8)**	(0.2)
Increase in trade payables, interest payable and accruals	**2.6**	1.2
	0.6	2.0
Net cash from operating activities	**23.1**	14.2

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

EROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 MARCH 2020

NOTE 1 REPORTING ENTITY AND STATUTORY BASE

EROAD Limited (the "Company") 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 a 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 consolidated financial statements of the Group for the year ended 31 March 2020 were authorised for issue in accordance with resolution of the directors on 18 June 2020.

NOTE 2 BASIS OF ACCOUNTING

(a) Basis of preparation

The financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for Tier 1 entities, other New Zealand accounting standards, and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards.

Other than where described below, or in the notes, the consolidated financial statements have been prepared using the historical cost convention.

The consolidated financial statements are presented in New Zealand dollars ($) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) Changes in accounting policies

The accounting policies and disclosures adopted are consistent with those of the previous year.

(c) Going concern

The directors have carefully considered the ability of the Group to continue to operate as a going concern for at least the next 12 months from the date the financial statements are authorised for issue. It is the conclusion of the directors that the Group will continue to operate as a going concern and the financial statements have been prepared on that basis.

In reaching their conclusion the directors have considered the following factors :

- Cash reserves as at 31 March 2020 of $3.4 million and bank borrowing facility of $60 million of which $23.9 million was undrawn as at 31 March 2020, after including borrowing cost of $0.3m. This provides sufficient level of headroom to help support the business for at least the next twelve months;
- The Future Contracted Income of $134.4 million provides certainty of forecast revenue; and
- The directors have made due enquiry into the appropriateness of the assumptions underlying the budgetary forecasts.

(d) Basis of measurement

The financial statements are prepared on the historical cost basis, except for certain financial instruments carried at fair value.

(e) Presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to million dollars to one decimal place ($M's) except where stated. The functional currency of EROAD Limited is New Zealand Dollars (NZD).

(f) Standards or interpretations issued but not yet effective and relevant to the Group

There are no standards or amendments that have been issued but are not yet effective that are expected to have a significant impact on the Group.
The Group has not adopted, and currently does not anticipate adopting, any standards prior to their effective dates.

(g) Critical accounting estimates and judgements

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to the Group. Actual results may differ from the judgements, estimates and assumptions.

NOTE 2 BASIS OF ACCOUNTING *(CONTINUED)*

The significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined within the financial statement notes to which they relate. These are:

- Determining whether a contract contains a lease (refer note 3),
- Recognition of deferred tax assets (refer to note 10).
- Impairment testing – key assumptions underlying recoverable amounts, including recoverability of development costs.(refer to Note 16)

Impact of COVID-19

On 11 March 2020 the World Health Organisation declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, in each of EROAD's markets of New Zealand, the United States and Australia, lockdowns of varying severity were introduced. These lockdowns continued in these markets from late March and while some lockdown restrictions have eased in each of the markets, a range of preventive measures still remain such that each of the markets has yet to return to the level of economic trading conditions prevalent prior to the COVID-19 crisis.

Following the lockdowns being initiated EROAD was designated an essential service in each of its three markets and remained operational under its communicable illness business continuity plan. Despite this designation, EROAD still experienced a loss in customer demand for new or replacement units and services, aside from those customers who themselves were designated as essential services. Accordingly, each of EROAD's markets were impacted differently due to the differences in lockdown conditions, as well as the differing proportion of essential services customers in its total customer base.

As a result, EROAD took a number of actions to defer aspects of discretionary spend until the fuller impact of the lockdowns could be determined as well as revising its provisions for expected losses to be realised in EROAD's trade receivables.
The longer-term effects of COVID-19 on EROAD's business remain uncertain and the potential impacts of the pandemic continue to evolve rapidly.
An assessment of the impact of COVID-19 on the EROAD statement of financial position is set out below, based on information available at the time of preparing these financial statements:

Statement of Financial Position Item	COVID-19 assessment	Notes
Cash and cash equivalents	No impact to the carrying value of cash and cash equivalents	12
Trade and other receivables	EROAD has updated the provisions for doubtful debts for the increase in expected credit losses.	13
Contract fulfilment costs	EROAD has considered the impact of COVID-19 on the carrying values of these assets and concluded no impairment was necessary.	7
Costs to obtain contracts		7
Property, plant and equipment	EROAD has reconsidered the useful economic life of Ehubo hardware assets as well as the net realisable of Capital Work-in Progress at the year end. EROAD has no evidence that there has been a decline in the value of these assets post COVID-19.	14
Intangible assets	EROAD has reconsidered the carrying values of development assets within intangibles as a result of COVID-19. EROAD has no evidence that there has been an impairment in the carrying value of these assets post COVID-19.	16
Deferred tax assets	EROAD has reconsidered the carrying values of the deferred tax assets recognised on the statement of financial position as a result of COVID-19. EROAD has no evidence that the carrying values of these assets will not be recovered.	10
Borrowings	EROAD has reconsidered the carrying and face values of the borrowings recognised on the statement of financial position as a result of COVID-19. EROAD asserts that future covenant compliance as forecast indicates sufficient headroom .	18
Trade payables and accruals	No impact to the value of trade payables and accruals.	17
Payables to transport agencies	No impact to the value of payables to transport agencies.	12
Contract liabilities	No impact to the value of contract liabilities.	19
Leases Liabilities	Lease recorded as per lease contract.	15

NOTE 2 BASIS OF ACCOUNTING *(CONTINUED)*

COVID-19 Provisions

The Group has recorded the following expected credit loss to account for the impacts of the COVID-19 pandemic on the 31 March 2020 financial results:

Area	Recognition in Statement of Comprehensive Income	Amount ($M)
Doubtful Debts	Operating Expenses	0.1

Doubtful Debts

EROAD has performed an assessment of estimated credit losses not yet identified but driven by the increase in credit default risk for its customers and provided for these based on a risk weighting. The criteria for the risk weightings includes:

- whether the customer is an essential service;
- which industry the customer belongs to, given EROAD's vehicular movement data has been analysed to assess the impact of COVID-19 lockdown by industry to determine the correlated impact on customers' revenue generating activity;
- EROAD's understanding and experience with the customer; and
- EROAD has recorded additional estimated credit loss provisions to account for the estimated financial impact of any future defaults.

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

	GROUP	
	2020 $M's	2019 $M's
Revenue from contracts with customers		
Software as a Service (SaaS) revenue	**76.3**	57.4
Other		
Transaction fee revenue	**2.4**	2.4
Grant revenue	**0.9**	0.9
Other revenue	**1.6**	0.7
Total Revenue	**81.2**	61.4

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

Transaction price allocated to the remaining performance obligations

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

	GROUP	
	2020 $M's	2019 $M's
Software as a Service (SaaS) revenue		
Not later than one year	**64.1**	56.4
Later than one year not later than five years	**70.3**	61.0
Total price allocated to remaining performance obligations	**134.4**	117.4

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS *(CONTINUED)*

The Group reports the Non-GAAP measure, Future Contracted Income, the definition of Future Contracted Income includes all future hardware and SaaS cash inflows relating to income under non-cancellable long-term agreements. The disclosure above aligns with the Future Contracted Income reported by the Group.

Software as a service revenue

The Group has determined EROAD's customers do not have the right to direct the use of EROAD's asset (Ehubo) as EROAD continues to have the right and ability to change how the asset operates during the customer's contract period. These contracts are therefore accounted for as service contracts. The Group generates revenue through the sale of hardware assets, rental of hardware assets, installation of hardware assets and provision of software services as part of contracts with customers as part of a bundled package. These hardware units enable customers to access the software platform offered by the Group. The transaction involving hardware and accessories do not convey a distinct good or service. The sale does not transfer control to the customer as the Group provides a significant service of integrating the software service to produce a combined output. The sale of the hardware, accessories and software service are referred to as Software as a Service (SaaS) revenue, which is recognised on a straight line basis over the contract period. There are no variable consideration terms within the contracts.

A contract liability is recognised where consideration is received in advance of the completion of associated performance obligations. The contract liability is derecognised over time. As a result there is a financing component which the group recognise as a finance cost when consideration is received in advance.

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

Transaction fees

The Group acts as an agent for transport authorities in the market that is operates in. Where fees are collected on their behalf, the Group charges a commission. The revenue recognised is the net amount of the commission fee earned by the Group.

Grant income

Government grants are recognised at fair value in the statement of comprehensive income over the same periods as the costs for which the grants are intended to compensate. No unfulfilled conditions or contingencies exist related to the government grants.

NOTE 4 EXPENSES

		GROUP	
	Note	**2020 $M's**	2019 $M's
Personnel expenses - net of capitalised employee remuneration	6	**26.3**	21.2
Administrative and other operating expenses		**18.3**	17.1
SaaS platform costs		**8.6**	6.7
Directors fees		**0.4**	0.4
Auditor's remuneration - KPMG		**0.2**	0.2
Other assurance services - KPMG		**0.1**	0.1
Tax compliance services - KPMG		**0.1**	0.1
Tax advisory services - KPMG		**0.1**	-
Total operating expenses		**54.1**	45.8

Other assurance services includes half year review, Callaghan review and NZTA reasonable assurance. During the year the costs expensed for Research and Development was $6.0M (2019: $5.1M).

NOTE 5 SEGMENTAL NOTE

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.

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

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

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

Reportable segment information

Information related to each reportable segment is set out below. Segment result represents Earnings before Interest, Taxation, Depreciation & Amortisation (EBITDA), which is the measure reported to the chief operating decision maker. The New Zealand and Australia data have been restated for 2019.

	Corporate & Development		North America		New Zealand		Australia	
	2020	2019	**2020**	2019	**2020**	2019 Restated	**2020**	2019 Restated
	$M's	$M's	**$M's**	$M's	**$M's**	$M'ss	**$M's**	$M's
Revenue								
Software as a Service (SaaS) revenue	**-**	-	**24.8**	15.3	**50.8**	41.5	**0.7**	0.6
Transaction fee revenue	**-**	-	**-**	-	**2.4**	2.4	**-**	-
Other revenue [1]	**17.7**	12.9	**1.0**	0.4	**0.2**	0.3	**-**	-
	17.7	12.9	**25.8**	15.7	**53.4**	44.2	**0.7**	0.6
Earnings Before Interest, Taxation, Depreciation & Amortisation	**(14.0)**	(12.0)	**7.5**	0.4	**34.9**	27.9	**(1.3)**	(0.6)
Depreciation of Property, Plant & Equipment	**(1.1)**	(0.8)	**(4.2)**	(3.2)	**(4.7)**	(3.7)	**(0.1)**	(0.1)
Amortisation of Intangible Assets	**(7.5)**	(6.5)	**-**	-	**-**	-	**-**	-
Amortisation of Contract and Customer Acquisition Assets	**-**	-	**(1.8)**	(1.1)	**(4.6)**	(3.7)	**(0.1)**	(0.1)

[1] Revenue from Corporate & Development Markets includes R&D Grant Income of $1.4M (31 March 2019: $0.9M).

NOTE 5 SEGMENTAL NOTE *(CONTINUED)*

Reconciliation of information on reportable segments

	GROUP	
	2020	2019
	$M's	$M's
Revenue		
Total revenue for reportable segments	**97.6**	73.4
Elimination of inter-segment revenue	**(16.4)**	(12.0)
Consolidated Revenue	**81.2**	61.4
EBITDA		
Total EBITDA for reportable segments	**27.0**	15.8
Elimination of inter-segment EBITDA	**-**	(0.1)
Consolidated EBITDA	**27.0**	15.7
Depreciation		
Total depreciation for reportable segments	**(10.0)**	(7.7)
Elimination of inter-segment depreciation	**1.5**	1.1
Consolidated Depreciation	**(8.5)**	(6.6)

Geographic information

The geographic information below analyses the Group's revenue 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.

	GROUP	
	2020	2019
	$M's	$M's
Revenue		
New Zealand	**54.7**	45.1
All foreign countries:		
USA	**25.8**	15.7
Australia	**0.7**	0.6
Total revenue	**81.2**	61.4

	Corporate & Development		North America		New Zealand		Australia	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	$M's	$M's	**$M's**	$M's	**$M's**	$M's	**$M's**	$M'ss
Total assets	**79.3**	85.4	**23.1**	18.8	**42.3**	40.7	**2.7**	1.3

NOTE 5 SEGMENTAL NOTE *(CONTINUED)*

Reconciliation of information on reportable segments

	GROUP	
	2020	2019
	$M's	$M's
Total assets		
Total assets for reportable segments	**147.4**	146.2
Elimination of inter-segment balances	**(21.9)**	(23.0)
Consolidated Total Assets	**125.5**	123.2

Allocation of Development Assets

Included within Total Assets are Development Assets of $32.7M as at 31 March 2020 (31 March 2019: $29.8M) which for the purpose of the segment note have been allocated to the Corporate & Development Market based on the ownership of intellectual property. The amortisation for these assets are also presented in the Corporate & Development segment. For impairment testing purposes management allocate the Development Assets to the cash generating units (CGUs) based on the specific CGU that the Development Asset relates to, or if the Development Asset is developed for use globally across all CGU's, the asset is allocated to CGU's based on the proportionate share of the Group's contracted units. At 31 March 2020 there was $22.4M (31 March 2019: $18.9M) of global Development Assets that have been allocated across CGU's based on the contracted units. The allocation of the Development Assets to CGU's within the following reportable segments for the purpose of impairment testing was as follows:

	2020	2019
	$M's	$M's
North America	**14.0**	13.4
New Zealand	**17.2**	15.7
Australia	**1.5**	0.6
	32.7	29.7

Geographic information

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

	2020	2019
	$M's	$M's
Non-current assets		
New Zealand	**66.2**	58.3
All foreign countries:		
USA	**17.2**	13.3
Australia	**0.9**	0.2
Total non-current assets	**84.3**	71.8

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

NOTE 6 PERSONNEL EXPENSES

	GROUP	
	2020	2019
	$M's	$M's
Salaries and wages - net of capitalised commission costs	**30.7**	23.7
Annual leave	**0.4**	0.2
Performance bonus	**0.7**	0.7
Share-based payments	**0.3**	0.4
Salaries and wages capitalised to Development and Software Assets	**(5.8)**	(3.8)
	26.3	21.2

NOTE 7 CONTRACT FULFILMENT AND COSTS TO OBTAIN CONTRACTS

Capitalised contract fulfilment costs

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

Capitalised contract acquisition costs

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

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

	GROUP Contract Fulfilment		GROUP Costs to obtain contracts	
	2020	2019	**2020**	2019
	$M's	$M's	**$M's**	$M's
Opening Net Book Value	**5.1**	4.4	**4.3**	3.1
Additions	**4.4**	3.5	**3.4**	3.2
Amortisation	**(3.6)**	(2.8)	**(2.9)**	(2.0)
Closing Net Book Value	**5.9**	5.1	**4.8**	4.3
Current	**3.2**	2.4	**2.7**	2.2
Non-current	**2.7**	2.7	**2.1**	2.1

NOTE 8 FINANCING COSTS

	GROUP	
	2020	2019
	$M's	$M's
Finance expenses		
Interest expense	**(2.0)**	(2.1)
Interest expense - Lease Liabilities	**(0.4)**	(0.2)
Interest expense - Contract Liabilities	**(0.4)**	(0.5)
Foreign exchange losses	**(0.3)**	-
Financing costs	**(3.1)**	(2.8)

NOTE 9 INCOME TAX EXPENSE

	GROUP	
	2020	2019
	$M's	$M's
(a) Reconciliation of effective tax rate		
Profit/(Loss) before income tax	**1.4**	(5.1)
Income tax using the Company's domestic tax rate of 28%	**(0.4)**	1.5
		-
Reduction in tax rate	**-**	-
Non-deductible expense	**-**	(1.0)
Temporary differences	**-**	-
Losses and timing differences not recognised	**-**	-
Effect of different tax rates	**-**	(0.3)
Income tax (expense) /benefit	**(0.4)**	0.2
(b) Current tax (expense) /benefit		
Current year	**-**	-
	-	-
(c) Deferred tax (expense) /benefit		
Current year	**(0.4)**	0.2
	(0.4)	0.2

At 31 March 2020 there were no imputation credits available to shareholders (31 March 2019: Nil)

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.

NOTE 9 INCOME TAX EXPENSE *(CONTINUED)*

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.

NOTE 10 DEFERRED TAX ASSETS / (LIABILITIES)

	GROUP	
	2020	2019
	$M's	$M's
Recognised deferred tax assets and liabilities		
Deferred tax assets and (liabilities) are attributable to the following:		
Tax loss carry forward	**9.2**	9.3
Property, plant and equipment	**(0.6)**	(1.3)
Deferred development expenditure	**(4.0)**	(3.6)
Provisions, accruals and other liabilities	**2.5**	2.6
Equity-settled share-based payments	**0.3**	0.3
Revenue recognition	**(0.2)**	(0.1)
Total deferred tax asset/(liability)	**7.2**	7.2

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

Movement in temporary differences during the year:

GROUP	Balance 31 March 2020	Recognised in profit or loss	Under/(over) from prior periods	Currency Translation	Balance 31 March 2019
	$M's	**$M's**	**$M's**	**$M's**	**$M's**
Tax loss carry forward	**9.2**	-	(0.1)	-	9.3
Property, plant and equipment	**(0.6)**	0.3	-	0.4	(1.3)
Deferred development expenditure	**(4.0)**	(0.4)	-	-	(3.6)
Provisions, accruals and other liabilities	**2.5**	(0.1)	-	-	2.6
Equity-settled share-based payments	**0.3**	-	-	-	0.3
Revenue recognition	**(0.2)**	(0.1)	-	-	(0.1)
Total	**7.2**	(0.3)	(0.1)	0.4	7.2

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

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

Determining the extent to which losses will be utilised requires judgement. The Group has forecast expected utilisation of tax losses. Key assumptions included Total Contracted Units, revenue and expense forecasts in line with Group budget and three-year forecast supported by a robust strategic and business planning process, in addition to the estimated impact of group transfer pricing policies and the forecast impact of timing differences. The Group's three-year budget and forecast used for impairment testing purposes included managements assessment of the impact of Covid-19 on the Group's forecast contracted unit growth, potential additional debtors provisioning and operating expenses.

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

The Group performed sensitivity analysis on the forecast utilisation of tax losses based on a scenario with a more significant and sustained reduction in incremental unit growth, a slower than anticipated recovery from the impact of Covid-19 and a more significant deterioration in debtors. Under both base case and sensitivity scenarios, the Group expects that unused tax losses will be utilised within 3 to 4 years.

NOTE 11 PAID UP CAPITAL

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

GROUP	Number of ordinary shares	Issue price $	Issued Capital $
At 31 March 2019	68,278,772		80.6
Issue of shares to staff under LTI schemes	**73,026**	$1.69	**0.1**
Held in trust as treasury stock	**(73,026)**		
At 31 March 2020	68,278,772		80.7

At 31 March 2020 there was 68,278,772 authorised and issued ordinary shares (31 March 2019: 68,278,772). 874,557 (31 March 2019: 972,487) 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 loss per share at 31 March 2020 was based on the profit attributable to ordinary shareholders of $1.0M (31 March 2019: Loss of ($4.9M)). The weighted number of ordinary shares on 31 March 2020 was 67,361,474 (31 March 2019: 67,283,918) for basic earnings per share and 68,124,652 for diluted earnings per share (31 March 2019: 67,903,457).

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.
- *Accumulated losses* - includes all current and prior period retained profits and share-based employee remuneration.

NOTE 12 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	GROUP	
	2020	2019
	$M's	$M's
Cash and bank	**3.4**	16.1
Restricted bank accounts	**14.0**	12.7
	17.4	28.8

Cash and cash equivalents exclude restricted bank accounts. Restricted bank accounts are presented separately from cash and cash equivalents on the face of the Statement of Financial Position and movements in restricted bank accounts are excluded from the Statement of Cash Flows. The restricted bank accounts relate to Road Users Tax collected from clients due for payment to the appropriate government agency. At 31 March 2020 the amount payable to transport agencies was $13.9M (2019: $12.5M).

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

NOTE 13 TRADE AND OTHER RECEIVABLES

	GROUP	
	2020	2019
	$M's	$M's
Trade receivables	**8.6**	6.5
Expected credit losses	**(1.1)**	(0.7)
	7.5	5.8
Prepayments and other receivables	**3.2**	4.7
	10.7	10.5

In addition to the movement in the expected credit losses, the Group has written off $0.5M (2019: $0.3M) of bad debts to the statement of comprehensive income during the year ended 31 March 2020. The Group's trade receivables are subject to NZ IFRS 9's expected credit loss model. The Group has applied the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance and the future collectability for all trade receivables.

(a) Credit risk

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

NOTE 13 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

GROUP

	Gross 2020	**Allowance for doubtful debts 2020**	Gross 2019	Allowance for doubtful debts 2019
	$M's	**$M's**	$M's	$M's
Not past due	**3.8**	**-**	3.7	-
Past due 1-30 days	**3.0**	**-**	1.3	-
Past due 31-60 days	**0.6**	**(0.1)**	0.5	(0.1)
Past due over 61 days	**1.2**	**(1.0)**	1.0	(0.6)
	8.6	**(1.1)**	6.5	(0.7)

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

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 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.

GROUP	**Right of Use Assets**	**Hardware Assets**	**Plant and equipment**	**Leasehold improvements**	**Motor vehicles**	**Office equipment**	**Computers**	**Total**
	$M's	**$M's**	**$M's**	**$M's**	**$M's**	**$M's**	**$M's**	**$M's**
Year ended 31 March 2019								
Opening net book amount	1.5	20.8	0.2	0.4	0.4	0.3	0.2	23.8
Additions	5.4	8.7	0.1	1.4	0.2	0.1	0.3	16.2
Disposals	(2.7)	-	-	-	(0.1)	-	-	(2.8)
Depreciation charge	(0.8)	(5.1)	(0.1)	(0.1)	(0.2)	(0.1)	(0.2)	(6.6)
Depreciation recovered	2.5	0.9	-	-	0.1	-	-	3.5
Effect of movement in exchange rates	0.1	(0.3)	-	-	-	-	-	(0.2)
Closing net book amount	6.0	25.0	0.2	1.7	0.4	0.3	0.3	33.9
Cost	6.9	40.4	0.6	2.5	1.0	1.1	2.9	55.4
Accumulated depreciation	(0.9)	(15.4)	(0.4)	(0.8)	(0.6)	(0.8)	(2.6)	(21.5)
Net book amount	6.0	25.0	0.2	1.7	0.4	0.3	0.3	33.9

NOTE 14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

GROUP	**Right of Use Assets**	**Hardware Assets**	**Plant and equipment**	**Leasehold improvements**	**Motor vehicles**	**Office equipment**	**Computers**	**Total**
	$M's	**$M's**	**$M's**	**$M's**	**$M's**	**$M's**	**$M's**	**$M's**
Year ended 31 March 2020								
Opening net book amount	6.0	25.0	0.2	1.7	0.4	0.3	0.3	33.9
Additions	-	10.8	0.1	0.3	0.1	0.1	0.2	11.6
Depreciation charge	(1.0)	(6.7)	(0.1)	(0.3)	(0.2)	(0.1)	(0.2)	(8.6)
Depreciation recovered	-	0.7	-	-	-	-	-	0.7
Effect of movement in exchange rates	0.1	(0.3)	-	-	-	-	-	(0.2)
Closing net book amount	5.1	29.5	0.2	1.7	0.3	0.3	0.3	37.4
Cost	7.1	51.2	0.7	2.9	1.1	1.2	3.1	67.3
Accumulated depreciation	(2.0)	(21.7)	(0.5)	(1.2)	(0.8)	(0.9)	(2.8)	(29.9)
Net book amount	5.1	29.5	0.2	1.7	0.3	0.3	0.3	37.4

Included in the Hardware Assets is equipment under construction of $7.7M (2019: $7.0M).

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 on a straight line basis:

Leasehold improvements	3 to 9 years
Hardware assets	3 to 6 years
Plant and equipment	3 to 11 years
Computer/Office equipment	1 to 3 years
Motor vehicles	3 to 5 years
Right of Use Assets	3 to 9 years

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

NOTE 15 LEASES AS A LESSEE

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

	Note	GROUP 2020 $M's	2019 $M's
Right-of-use assets - Property leases		**5.1**	6.0
	14	**5.1**	6.0

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

Right-of-use assets	Note	GROUP 2020 $M's	2019 $M's
Opening Net Book Value		**6.0**	1.5
Additions		**-**	5.4
Disposals		**-**	(2.7)
Depreciation		**(1.0)**	(0.8)
Depreciation recovered		**-**	2.5
Effect of movement in exchange rates		**0.1**	0.1
Closing Net Book Value	14	**5.1**	6.0

Lease Liabilities	GROUP 2020 $M's	2019 $M's
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**1.4**	1.2
One to five years	**4.9**	4.6
More than five years	**1.6**	3.1
Total undiscounted lease liabilities	**7.9**	8.9
Lease liabilities included in the statement of financial position	**6.3**	7.0
Current	**1.0**	0.8
Non-current	**5.3**	6.2

Amounts recognised in Statement of Comprehensive Income

	GROUP 2020 $M's	2019 $M's
Interest expense on lease liabilties	**0.4**	0.2
Depreciation on right of use assets	**1.0**	0.8

Amounts recognised in Statement of Cash Flows

	GROUP 2020 $M's	2019 $M's
Total cash outflow for leases	**1.1**	0.9

NOTE 15 LEASES AS A LESSEE *(CONTINUED)*

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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

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

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

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

The Group presents right-of-use assets in Note 14 'Property, plant and equipment'. Lease liabilities are presented separately in the Statement of Financial Position.

Short-term leases and leases of low-value items

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

NOTE 16 INTANGIBLE ASSETS

GROUP	Development $M's	Software $M's	Total $M's
Year ended 31 March 2019			
Opening net book amount	26.9	3.0	29.9
Additions	8.3	1.4	9.7
Disposals	-	-	-
Amortisation charge	(5.4)	(1.1)	(6.5)
Closing net book amount	29.8	3.3	33.1
Cost	46.4	6.9	53.3
Accumulated amortisation	(16.6)	(3.6)	(20.2)
Net book amount	29.8	3.3	33.1

GROUP	Development $M's	Software $M's	Total $M's
Year ended 31 March 2020			
Opening net book amount	29.8	3.3	33.1
Additions	9.6	6.9	16.5
Disposals	-	-	-
Amortisation charge	(6.7)	(0.8)	(7.5)
Closing net book amount	32.7	9.4	42.1
Cost	55.9	13.9	69.8
Accumulated amortisation	(23.2)	(4.5)	(27.7)
Net book amount	32.7	9.4	42.1

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

Recoverability of development costs

The wider economic impacts of Covid-19 are anticipated to have a short to medium term impact on incremental contracted unit growth and debtors recoverability across all markets. Management consider the initial economic impacts of Covid-19 to be an indicator of impairment and therefore formal assessments of impairment were performed for all three cash generating units (CGUs).

For impairment testing purposes the corporate Development & Software Assets are allocated to the CGUs based on the specific CGU that the asset relates to, or if the asset is developed for use globally across all CGU's, the asset is allocated to CGU's based on the proportionate share of the Group's contracted units. The recoverable amount of the 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)

Discount and terminal growth rate assumptions are outlined below. Other key assumptions for the impairment review included contracted unit growth and related revenue and expense forecasts in line with Group's budget and three-year forecast. The Group's three-year budget and forecast used for impairment testing purposes included managements assessment of the impact of Covid-19 on the Group's forecast contracted unit growth, potential additional debtors provisioning and operating expenses.

NOTE 16 INTANGIBLE ASSETS *(CONTINUED)*

Sensitivity analysis was performed for each CGU by reviewing impairment based on a scenario with a more significant and sustained reductions in incremental unit growth, a slower than anticipated recovery from the impacts of Covid-19 and a more significant deterioration in debtors at base case discount and terminal growth rates. A separate sensitivity analysis was performed by increasing the discount rate to 17% and lowering the terminal growth rate to 0.5% for each CGU at base case forecast cash flows. The results of both sensitivity scenarios still resulted in headroom between the recoverable amount of the CGU and its carrying value. The Group concluded that the recoverable amount of the CGU to be higher than its carrying value and therefore no impairment was considered necessary.

	Discount Rate	Terminal Growth Rate	Allocated Corporate Development & Software Assets
		$M's	$M's
North America	**14%**	**1.9%**	16.7
New Zealand	11%	1.5%	23.7
Australia	14%	1.5%	1.6

Research and Development

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

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

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

Other intangible assets

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

Subsequent expenditure

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

Amortisation

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

Development Hardware & Platform	7-15 years
Development Products	5-10 years
Software	5-7 years

NOTE 17 TRADE PAYABLES AND ACCRUALS

	GROUP	
	2020	2019
	$M's	$M's
Trade creditors	**4.1**	3.5
Sundry accruals	**4.1**	2.6
	8.2	6.1

NOTE 18 BORROWINGS

	GROUP	
	2020	2019
	$M's	$M's
Current borrowings		
Term Loans - NZ $ denominated	2.5	6.2
Term Loans - US $ denominated	-	8.5
NZ Growth Funding - Committed Cash Advance Facility	-	1.8
US Growth Funding - Committed Cash Advance Facility	-	0.8
Capitalised borrowing costs	(0.3)	(0.1)
	2.2	17.2
Non-current borrowings		
Term Loans - NZ $ denominated	33.6	1.5
Term Loans - US $ denominated	-	10.2
NZ Growth - Committed Cash Advance Facility	-	4.3
US Growth - Committed Cash Advance Facility	-	1.5
	33.6	17.5

Terms and debt repayment schedule

GROUP	Nominal Interest	Year of Maturity	2020 Face Value	2020 Carrying amount	2019 Face Value	2019 Carrying Amount
			$M's	**$M's**	**$M's**	**$M's**
Term Loans - NZ $ denominated	**4.45%**	**2023**	**36.1**	**36.1**	7.7	6.8
Term Loans - US $ denominated	**5.55%**	**2020**	**-**	**-**	18.7	19.6
NZ Growth - Committed Cash Advance Facility	**4.47%**	**2020**	**-**	**-**	6.1	6.1
US Growth - Committed Cash Advance Facility	**4.98%**	**2020**	**-**	**-**	2.2	2.2
Capitalised borrowing costs	**-**	**2020**	**-**	**(0.3)**	-	(0.1)
			36.1	**35.8**	34.7	34.6

NOTE 18 BORROWINGS *(CONTINUED)*

Current financial year

On 26 March 2020, in order to support funding requirements in connection with the Group's growth and to manage the related working capital requirements, the Company entered into a new syndicated three-year debt facility with the Bank of New Zealand (BNZ) and China Construction Bank (CCB). At 31 March 2020, EROAD had the following facilities in place:

$18.0M (NZD) Term Loan Facility A – to refinance existing debt. The Term Loan has a term of 36 months from the March 2020 refinance date, with the facility having a maturity date in March 2023. The interest rate is variable with reference the to base rate (BKBM bid rate) for the selected interest period plus a margin of 3.5%. EROAD may select an interest period of 1,2,3 or 6 months. Principal payments of $1.25m are to be made quarterly commencing from December 2020 with the full outstanding balance payable on termination date.

$18.1M (NZD) Term Loan Facility B – used to refinance existing debt and general corporate purposes. The Term Loan has a term of 36 months from the March 2020 refinance date, with the facility having a maturity date in March 2023. The interest rate is variable with reference the to base rate (BKBM bid rate) for the selected interest period plus a margin of 3.5%. EROAD may select an interest period of 1,2,3 or 6 months. This is an interest only term facility full repayment on the termination date.

$20.0M Capital Expenditure Facility – to fund growth capital expenditure requirements. The Capital Expenditure Facility has a 36 month term from the March 2020 refinance date, with the facility having a maturity date in March 2023. Drawings can be made on the facility in NZD or USD. The interest rate is variable with reference the to base rate (BKBM bid rate for NZD drawings and US LIBOR for USD drawings) for the selected interest period plus a margin of 3.5%. EROAD may select an interest period of 1,2,3 or 6 months. Interest payments are made on the last day of the determined interest period. In addition, a Commitment Fee of 45% of the per annum margin (1.58%) is payable on the undrawn balance of the facility quarterly in arrears. The full outstanding balance is payable on termination date.

$3.9M Overdraft Facilities – for general working capital purposes. This is an on demand facility with the interest rate based on the Market Connect Overdraft Prime Rate plus a margin of 1.5%.

EROAD's operating covenants to support the above facilities include Debt Service Cover Ratio, Interest Cover Ratio, Leverage Ratio and Obligor Assets to Group Assets. EROAD was compliant with all covenants during the period and at 31 March 2020.

The security package for the Multi-Option Credit Facility Agreement includes an all obligations cross-guarantee granted by EROAD Australia Pty Limited and EROAD Inc in favour of the BNZ (in its capacity as Security Trustee for the banking syndicate). In respect of the obligations of EROAD Limited, and a General Security Agreements granted by EROAD Limited, EROAD Inc and EROAD Australia Pty Limited in favour of the BNZ (in its capacity as Security Trustee for the banking syndicate).

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.

Prior year comparative

On 3 July 2017, in order to support funding requirements in connection with the Group's growth and to manage the related working capital requirements, the Company entered into a Multi-Option Credit Facility Agreement with the Bank of New Zealand (BNZ). The agreement was subsequently amended and restated in December 2017 and October 2018. This facility remained in place until the 26 March 2020 when amounts were refinanced into the new syndicated debt facility outlined above. For the comparative period at 31 March 2019, EROAD had the following facilities in place:

$5.3M Term Loan Facility A – used to restructure previous term facilities. The Term Loan had a term of 24 months from the October 2018 refinance date. The interest rate was variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments were made quarterly in line with a 30 month repayment profile.

$6.0M (NZD) Term Loan Facility B – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the First Amendment Date in December 2017. The Term Loan had a term of 24 months from the October 2018 refinance date. The interest rate was variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments were made quarterly in line with a 33 month repayment profile.

NOTE 18 BORROWINGS *(CONTINUED)*

$2.2M (USD) Term Loan Facility B – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the First Amendment Date in December 2017. The Term Loan had a term of 24 months from the October 2018 refinance date. The interest rate was variable based on the 3-month US LIBOR plus a margin of 3.10%. Principal and interest payments were made quarterly in line with a 33 month repayment profile.

$13.0M (NZD) Term Loan Facility E – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the Second Amendment Date in October 2018. The Term Loan had a term of 24 months from the October 2018 refinance date. The interest rate was variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments were made quarterly in line with a 33 month repayment profile.

$3.3M (USD) Term Loan Facility E – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the Second Amendment Date in October 2018. The Term Loan had a term of 24 months from the October 2018 refinance date. The interest rate was variable based on the 3-month US LIBOR plus a margin of 3.10%. Principal and interest payments were made quarterly in line with a 33 month repayment profile.

$20.0M Committed Cash Advance Facility – to finance the up-front costs in connection with securing Future Contracted Income. The Committed Cash Advance Facility had a term of 24 months from the October 2018 refinance date. Structurally the facility was paid down and redrawn (revolving credit) each time the Company presented a certificate outlining the Group's growth in new Future Contracted Income on a monthly basis. For drawings in New Zealand Dollars of a 1-month duration, the interest rate was the 1-month BKBM plus margin of 2.50%. For drawings in USD of a 1-month duration, the interest rate was the 1 month US LIBOR plus a margin of 2.50%. In addition there was a 1.50% line fee on the total facility limit, payable quarterly in advance.

$5.2M Overdraft Facilities – for general working capital purposes. This was an on demand facility with the interest rate based on the Market Connect Overdraft Prime Rate plus a margin of 1%.

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

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

NOTE 19 CONTRACT LIABILITIES

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

	GROUP	
	2020	2019
	$M's	$M's
Opening balance	10.0	10.2
Amounts deferred during the period	1.2	5.1
Amount recognised in the statement of comprehensive income	(3.0)	(5.3)
	8.2	10.0
Current	3.6	5.8
Non-current	4.6	4.2

At 31 March 2020, $3.6M 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 (2019: $5.8M).

NOTE 20 FINANCIAL RISK MANAGEMENT

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.

Recognition and initial measurement
Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at amortised cost.

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

Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset. In theses cases, the transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when the contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (Including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

The Group holds the following financial assets and liabilities:

GROUP		2020		2019
	$M's	$M's	$M's	$M's
	Amortised costs	Other amortised cost	Amortised costs	Other amortised cost
Financial assets				
Cash and cash equivalents	3.4	-	16.1	-
Restricted bank account	14.0	-	12.7	-
Trade receivables	8.6	-	6.5	-
	26.0	**-**	35.3	-
Financial liabilities				
Borrowings	-	35.8	-	34.7
Employee Entitlements	-	1.8	-	1.3
Contract Liabilities	-	8.2	-	10.3
Lease liabilities	-	6.3	-	7.0
Trade and other payables	-	8.2	-	6.1
Payables to transport agencies	-	13.9	-	12.5
	-	**74.2**	-	71.9

(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.

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

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

(b) Liquidity risk

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

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

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Maturities of financial liabilities

The following table details the Group's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, as at the reporting date. Refer to note 15 for the maturity profile.

GROUP 2020	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
	$M's	$M's	$M's	$M's	$M's
Non-derivative financial liabilities					
Borrowings	2.5	33.3	-	35.8	35.8
Employee Entitlements	1.8	-	-	1.8	1.8
Trade and other payables	8.2	-	-	8.2	8.2
Payable to transport agencies	13.9	-	-	13.9	13.9
	26.4	**33.3**	**-**	**59.7**	**59.7**

GROUP 2019	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
	$M's	$M's	$M's	$M's	$M's
Non-derivative financial liabilities					
Borrowings	17.2	17.5	-	34.7	34.7
Employee Entitlements	1.3	-	-	1.3	1.3
Trade and other payables	6.1	-	-	6.1	6.1
Payable to transport agencies	12.5	-	-	12.5	12.5
	37.1	17.5	-	54.6	54.6

Under previous facilities, whilst each drawdown on borrowings had a maximum 365 day term, the Company had the ability to re-draw amounts until the end of the term of the facility and as a result the loan was been classified as non-current in the prior period. There is no such limit on the term of drawdowns under the current facility.

(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 Dollar (USD) and Australian Dollar (AUD). The Group is also exposed to currency risk on expense transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US Dollar (USD), Australian Dollar and Euro (EUR). 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.

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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

	2020 $	2019 $
AUD 1	**0.97**	0.95
USD 1	**0.60**	0.68

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

2020	AUD $M's	USD $M's
Cash and cash equivalents	**0.1**	**1.2**
Finance lease receivables	**-**	**-**
Trade receivables	**0.1**	**3.0**
Lease liabilities	**-**	**0.6**
Borrowings	**-**	**-**

2019	AUD $M's	USD $M's
Cash and cash equivalents	0.1	1.9
Trade receivables	0.1	2.0
Lease liabilities	-	0.8
Borrowings	-	21.0

Interest rate risk

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

GROUP	%	2019 Carrying amount $M's	%	2018 Carrying amount $M's $
Term Loans - NZ $ denominated	**4.45%**	36.1	5.00%	7.7
Term Loans - US $ denominated	**0.00%**	-	5.55%	18.7
NZ Growth - Committed Cash Advance Facility	**0.00%**	-	4.47%	6.1
US Growth - Committed Cash Advance Facility	**0.00%**	-	4.98%	2.2
Net exposure to interest rate risk		**36.1**		**34.7**

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Summarised sensitivity analysis

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

GROUP 2020	-10% Profit $M's	-10% Equity $M's	+10% Profit $M's	+10% Equity $M's	-100bps Profit $M's	-100bps Equity $M's	+100bps Profit $M's	+100bps Equity $M's
Cash and cash equivalents	(0.1)	(0.1)	0.1	0.1	-	-	-	-
Finance lease receivables	-	-	-	-	-	-	-	-
Trade receivables	(0.2)	(0.2)	0.2	0.2	-	-	-	-
Borrowings	-	-	-	-	0.4	0.4	(0.4)	(0.4)
Total increase/ (decrease)	**(0.3)**	**(0.3)**	**0.3**	**0.3**	**0.4**	**0.4**	**(0.4)**	**(0.4)**

GROUP 2019	-10% Profit $M's	-10% Equity $M's	+10% Profit $M's	+10% Equity $M's	-100bps Profit $M's	-100bps Equity $M's	+100bps Profit $M's	+100bps Equity $M's
Cash and cash equivalents	(0.1)	(0.1)	0.1	0.1	(0.2)	(0.2)	0.2	0.2
Trade receivables	(0.1)	(0.1)	0.1	0.1	-	-	-	-
Borrowings	(1.4)	(1.4)	1.4	1.4	0.3	0.3	(0.3)	(0.3)
Total increase/ (decrease)	(1.6)	(1.6)	1.6	1.6	0.1	0.1	(0.1)	(0.1)

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

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

(d) Capital management

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

(e) Fair value measurement

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

NOTE 21 SHARE-BASED PAYMENTS

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

FY20 Performance Share Rights

Under the FY20 Long Term Incentive (LTI) plan, 770,474 performance share rights (PSRs) were issued (for nil consideration) to participants which convert to shares (for nil consideration) if targets are met. PSRs do not entitle the holder to receive dividends or other distributions, or vote in respect of EROAD Limited ordinary shares, although under the terms of the plan an additional number of shares will be issued on conversion of fully vested PSRs to reflect dividends paid to EROAD Limited shares prior to exercise. On becoming exercisable, each PSR entitles the holder to one fully paid ordinary EROAD Limited share, subject to adjustment in accordance with the plan rules and the performance hurdles, ranking equally with all other EROAD Limited ordinary shares.

For the FY20 LTI plan, the award is linked to growth in EROAD's Total Contracted Units (TCUs) between 1 April 2019 and 31 March 2022. Participants bear the tax liability of the LTI plan. The Board retains discretion over the final outcome of PSR payments, to allow appropriate adjustments where unanticipated circumstances may impact performance over the measurement period.

NOTE 21 SHARE-BASED PAYMENTS *(CONTINUED)*

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 21 SHARE-BASED PAYMENTS *(CONTINUED)*

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 LTI Plans

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

NOTE 21 SHARE-BASED PAYMENTS *(CONTINUED)*

EROAD Performance Share Rights

Grant date/employees entitled		Vesting conditions	Vesting period
	Oct-19		
Performance Shares Rights granted to key management personnel			
FY20 Performance Share Rights	374,238	• 2.4 years service from grant date • The award is linked to growth in EROAD's Total Contracted Units (TCUs) between 1 April 2019 and 31 March 2022. Participants bear the tax liability of the PSR plan. The Board retains discretion over the final outcome of PSR payments, to allow appropriate adjustments where unanticipated circumstances may impact performance over the measurement period.	2.4 years
Performance Shares Rights granted to other employees			
FY20 Performance Share Rights	396,236	• 2.4 years service from grant date • The award is linked to growth in EROAD's total contracted units (TCUs) between 1 April 2019 and 31 March 2022. Participants bear the tax liability of the PSR plan. The Board retains discretion over the final outcome of PSR payments, to allow appropriate adjustments where unanticipated circumstances may impact performance over the measurement period.	2.4 years
	770,474		

Measurement of fair value

The fair value of the shares issued under the EROAD LTI plans during the year ended 31 March 2020 was determined with reference to the Company's share price on the NZX at grant date. A discount was applied to the fair value of the shares issued under the EROAD LTI scheme to reflect the non-vesting market conditions.

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

EROAD LTI Plans

	GROUP	
	2020	2019
Outstanding at 1 April	**972,487**	663,475
Granted during the period	**-**	397,138
Forfeited during the period	**(24,903)**	(75,982)
Vested during the period	**(73,027)**	(12,144)
Outstanding at 31 March	**874,557**	972,487

NOTE 21 SHARE-BASED PAYMENTS *(CONTINUED)*

EROAD Performance Share Rights

	GROUP	
	2020	2019
Outstanding at 1 April	**-**	-
Granted during the period	**770,474**	-
Forfeited during the period	**-**	-
Vested during the period	**-**	-
Outstanding at 31 March	**770,474**	-

During the year-ended 31 March 2020 an amount of $0.3M (2019: $0.3M) was recognised as an expense within the statement of comprehensive income in relation to share-based payments for all share plans.

NOTE 22 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:

	2020	2019
	$M's	$M's
Short-term employee benefits	**2.770**	2.349
Share-based payments	**0.245**	0.195
	3.015	2.544

(a) Loans to key management personnel

There have been no loans to management personnel.

(b) Other transactions with key management personnel

NOTE 22 RELATED PARTY TRANSACTIONS *(CONTINUED)*

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.

(c) Remuneration of Non-executive Directors

	2020	2019
	$M's	$M's
Michael Bushby	**0.055**	0.083
Anthony Gibson	**0.063**	0.063
Candace Kinser	**0.055**	0.055
Gregg Dal Ponte	**-**	0.055
Graham Stuart (Chair)	**0.110**	0.096
Susan Paterson	**0.087**	-
Barry Einsig	**0.045**	-
	0.415	0.352

No additional fees were paid to any Directors for consultancy work provided to the Company (2019: None paid).

(d) Remuneration of Executive Director

	2020	2019
	$M's	$M's
Salary and bonus	**0.839**	0.567
Share-based payments	**0.088**	0.058
	0.927	0.625

NOTE 23 CAPITAL COMMITMENTS

As at 31 March 2020 the Group had confirmed purchase orders open with its third party manufacturer of hardware units amounting to $1.2M (31 March 2019: $0.7M).

NOTE 24 CONTINGENT LIABILITIES

In the year ended 31 March 2019, the Group was approached by a third party who asserted that EROAD had infringed a number of its patents. From our internal review of the patent claims asserted by the other party, the Group believed that there were grounds to support why we had not infringed their patents and also strong grounds that the patents would likely be considered invalid if EROAD was to challenge them. Litigation was commenced by EROAD on the basis that EROAD had not infringed the patents and that the patents were invalid. EROAD sought declarations to this effect and recovery of attorney fees. Subsequently the litigation was settled. As we firmly believed that we not infringed any patents no amounts had been provided for in relation to this claim in the year ended 31 March 2019.

No contingent liability existed as at 31 March 2020 related to this matter. The Group incurred legal costs in defending this claim over year ended 31 March 2020 and provided for settlement of this claim.

EROAD has applied to a tax department before balance date to retroactively amend rules applied to potential liabilities. It is the Directors expectation that this application is common practice and that this ruling will be granted. The Directors therefore consider it not probable that a liability will arise. No liability has been recognised at balance date in respect of this matter. If the ruling is declined then the Group will be subject to payment of these liabilities and potential penalties, to be quantified at the time.

NOTE 25 NET TANGIBLE ASSETS PER SHARE

	2020	2019
	$M's	$M's
Net assets (equity)	**51.3**	51.3
Less intangibles	**(42.1)**	(33.1)
Total net tangible assets	**9.2**	18.2
	$	$
Net tangible assets per share ($)	**0.13**	0.27

The non-GAAP measure above is disclosed for consistency with the information disclosed in EROAD's results announced under the NZX listing rules.

NOTE 26 EVENTS SUBSEQUENT TO BALANCE DATE

There are no reportable events subsequent to balance date except as disclosed in note 2(g) related to impacts of COVID-19 (31 March 2019: Nil).

AUDITORS REPORT

KPMG

Independent Auditor's Report

To the shareholders of EROAD Limited

Report on the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of EROAD Limited (the company) and its subsidiaries (the Group) on pages 66 to 102:

i. present fairly in all material respects the Group's financial position as at 31 March 2020 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 2020;
- the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Our firm has also provided other services to the Group in relation to other assurance services and non-audit services for tax compliance and tax 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 Group financial statements as a whole, taking into account the structure of the Group, the financial reporting systems, processes and controls, and the industry in which it operates.

The context for our audit is set by the Group's major activities in the financial year ended 31 March 2020. The Group's finance function is located at the head office in Auckland and in the USA office in Oregon. All audit work in respect of the consolidated financial statements was performed by the Group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the Group financial statements as a whole. The materiality for the Group financial statements as a whole was set at $800,000 determined with reference to a benchmark of Group revenue. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

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

Key changes in the assessment of audit risks

COVID-19

The COVID-19 pandemic has created significant additional risks across a number of areas of the business. All forward looking assumptions are inherently more uncertain during these unprecedented times. The underlying audit risk has increased, particularly in the forecasted financing of the Group and the assessment of revenue collectability. In response we have included a new key audit matter "Financing". While the key audit matter "Revenue Recognition", detailed below, is unchanged from last year the extent and nature of audit evidence that we had to gather has increased. Further information about the impact of COVID-19 on the business can be found in note 2g.

The key audit matter	How the matter was addressed in our audit
Revenue Recognition ($81.2m)	
Refer to Note 3 of the consolidated financial statements. The majority of the Group's contracts are accounted for as a service contract and the associated revenues recognised over the contract term. We focused on this area because the accounting determination of whether or not the contract contains a lease is a significant judgement and the outcome has a significant impact on the recognition of profit and loss and the financial position.	We assessed the judgement in revenue recognition by: — Assessing whether the Group's customer contract terms and conditions meet the definition of service contracts to be recognised over time; — Reviewing any changes or new contractual terms and conditions entered into with new customers during the period to identify any potential impact on performance obligations required to satisfy the contract; — Selecting a sample of customer contracts to compare the revenue recognised to the contractual period. — Selecting a sample of contracts immediately after implementation of the new billing software to compare the associated invoicing and revenue to the start of the service being provided to the customer;

The key audit matter	How the matter was addressed in our audit
The Group has also implemented a new billing system at the end of the financial year which added a layer of complexity to our audit. Furthermore, judgement is also required when assessing the recoverability of this revenue in light of the economic conditions from COVID-19.	— Checking a sample of customer invoices immediately prior to and after year end to confirm revenue is recognised in accordance with the service start date of the contract; and — Challenging management's assumptions used to determine the recoverability of revenue particularly in context of COVID-19. *We did not identify any matters that indicated that the reported revenue is materially misstated.*
Development asset capitalisation and impairment ($32.7m)	
Refer to note 16 of the consolidated financial statements. The Group has reported a development asset of $32.7m (2019: $29.8m). This investment requires significant judgement as to whether the largely internal costs should be expensed or capitalised, and if there are indicators of impairment particularly given the impact of COVID-19. We focused on this area due to the quantum of the development costs capitalised. The Group's process for calculating the amount of internally developed platform costs to be capitalised is judgmental and involves estimating the hours which staff spend developing software and determining the costs attributable to that time. The Directors have assessed whether any impairment indicators existed for each major development asset by considering, among other factors, sales achieved to date and the overall operating and cash performance of the entity. The Group has performed an impairment tests of the development assets on a value in use basis. This assessment requires judgment when forecasting future sales and the related cash flows, including considering the impacts of COVID-19.	We assessed the judgement related to the internal costs capitalised by: — Understanding the nature and background of the activities that are capitalised through inquiry of the key operational, financial, legal, and engineering personnel; — Challenging whether costs capitalised during the year were directly attributable and able to be recovered from future use or sale; and — Selecting a sample of timesheets and recalculating the amount of internal costs capitalised based on the hours which staff spend developing software plus attributable costs. We assessed management's impairment testing of the development asset by obtaining the supporting models and assessing the methodology and key assumptions made including: — Comparing the market strategy inherent in the impairment test with management discussions and minutes of Board meetings; — Using our corporate finance experts to challenge and assess the appropriateness and mathematical accuracy of management's impairment models as well as the reasonableness of key inputs such as weighted average cost of capital and long term growth rates; — Challenging management's future cash flow forecasts. This included comparing previous forecasts to actual results and other relevant supporting documentation to evidence the feasibility of the forecasts and to assess the reliability of historical forecasting; and — Challenging management's forecasts by performing sensitivity analysis over the forecasted sales volumes, discount rate, and expenses considering COVID-19 impacts. *We did not identify any factors that indicated that management's overall conclusions were not supportable.*

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The key audit matter	How the matter was addressed in our audit
Deferred Tax Asset ($7.2m)	
Refer to note 10 of the consolidated financial statements. The Group has a net deferred tax asset balance of $7.2m, of which $9.2m relates to deferred tax assets arising from past tax losses. We focused on the deferred tax asset from tax losses arising in New Zealand as its recoverability is sensitive to the Group's expected future profitability and its entitlement to offset these losses against future profits. This is a key risk due to the significance of the deferred tax asset to the financial position of the Group and the judgement applied by management in determining the extent to which convincing evidence exists to which a deferred tax asset should be recognised.	Our procedures included the following: — We evaluated the Group's assessment of whether there is sufficient taxable profits in future periods to support the carrying value of the deferred tax asset in New Zealand; — We compared the assumptions used in the forecasts of taxable profit to those applied in management's FY21 budgets; — We challenged the key assumptions in the revised COVID-19 forecasts presented particularly in context of COVID-19; — We also considered whether the recognition of additional deferred tax assets in relation to current year tax losses and previously unrecorded losses were able to be recovered through future taxable profits; — We examined correspondence with the Inland Revenue Department supporting the calculation of available tax losses; — We used our tax specialists to assess whether the shareholder continuity requirements under New Zealand tax legislation had been maintained in the current financial reporting period. *The results of our procedures did not identify any inconsistencies with management's conclusion that the recognition of unrecognised losses and current year losses meets the criteria for recognition.*
Financing – basis of preparation	
Refer to Note 2(c) and Note 18 of the consolidated financial statements The Group have determined that the use of going concern assumption is appropriate in preparing the consolidated financial statements. The assessment of going concern was based on a forecast model incorporating Profit & Loss, Balance Sheet and Cashflows. The preparation of these forecasts incorporated a number of assumptions and actions undertaken prior to and subsequent to balance date. In assessing this Key Audit Matter, we involved senior audit team members and specialists who understand the Group's business, industry, and the	Our audit procedures included: — Reviewing agreements with financiers to understand the actions the Group had taken prior to balance date including entering into a new syndicated three-year debt facility; We assessed management's cashflow forecasts by obtaining the supporting models and assessing the methodology and key assumptions made including: — Using our corporate finance experts to challenge and assess the appropriateness and mathematical accuracy of management's forecast models as well as the reasonableness of key inputs such as forecasted contracted units, average revenue per unit, operating expenses and working capital requirements; — Challenging management's future cash flow forecasts. This included comparing previous forecasts to actual results and other relevant supporting documentation to evidence the feasibility of the forecasts and to assess the reliability of historical forecasting;

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The key audit matter	How the matter was addressed in our audit
economic environment in which it operates.	— Challenging management's forecasts by performing sensitivity analysis over the forecasted sales volumes, expenses and debt covenant compliance when considering COVID-19 impacts; and — We evaluated the Group's going concern disclosures in the consolidated financial statements by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements. *We found the Group has appropriately considered the impacts of current and future financial performance on the going concern assumption, and disclosures made appropriately describe actions undertaken to support the use of the going concern assumption.*

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 Letter from the Chairman and CEO, Safer More Productive Roads, Our Markets, Investing for Growth, The Numbers, Social and Environmental Responsibility, Our People, Management and Board, Corporate Governance, Regulatory Disclosures and Glossary and are included in the Annual Report. Our opinion on the Group financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

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Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

Our objective is:

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

— to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

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

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

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

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

For and on behalf of

KPMG

Auckland

18 June 2020

CORPORATE GOVERNANCE

STRONG GOVERNANCE SUPPORTING GROWTH ASPIRATIONS

The Board of EROAD Limited (EROAD, the Company) is committed to fulfilling our corporate governance obligations and responsibilities in the best interests of the company and our stakeholders by ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses EROAD's governance framework and processes to ensure that they are consistent with best practice.

This statement provides an overview of the Company's governance framework and processes. It is structured to follow the NZX Corporate Governance Code (NZX Code) and discloses EROAD's practices for each of the NZX Code's eight principles.

The Board's view is that, as at 31 March 2020, EROAD's governance practices were in compliance with the NZX Code's recommendations. The Company also complies with the corporate governance requirements of the NZX Listing Rules.

EROAD's corporate governance policies, practices and procedures can be found on our website at http://www.eroadglobal.com/global/investors/. The Investor website page is used in this statement as a reference to the website page where the set of governance documents are located.

This Corporate Governance Statement was approved by the Board on 18 June 2020.

EROAD'S PRINCIPAL ACTIVITIES

The Company creates and delivers compliance products, telematics and asset tracking devices, and supplies Software as a Service end-to-end products for:

(a) transportation taxes, including road user charging, fuel and vehicle registration;

(b) record keeping and compliance for fleets, mobile assets (vehicles) and drivers (including fatigue);

(c) commercial services used to improve fleet efficiency and operational and safety outcomes; and

(d) Bluetooth asset tracking.

There were no significant changes to EROAD's principal activities during the financial year. In FY20 EROAD launched its EROAD Where asset tracking solution. This solution uses EROAD's mesh network and Bluetooth technology to locate small assets.

PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

EROAD's purpose is safer and more productive roads. EROAD's values are key to achieving this purpose. The values are:

- Lead with SAFETY;
- Operate with TRUST;
- Act with INTEGRITY;
- Perform as one TEAM;
- Celebrate INNOVATION.

The values reflect EROAD's commitment to delivering the best outcomes for EROAD, our team, our customers, shareholders and stakeholders.

The Company's Code of Ethics provides guidance regarding the behaviours that will enable the directors, employees, independent contractors and advisers of EROAD and our related companies ("EROADers") to align their conduct, actions and decisions with EROAD's purpose and values.

Broadly, the behaviours will lead to all EROADers enjoying an open, transparent, positive and high-performing culture with the following attributes: full commitment across the Company to the success of EROAD's future; constructive relationships being developed and maintained in an open, professional and respectful manner; good career development and opportunities being provided within EROAD; consultation on matters concerning EROADers and the business; and everyone incorporating EROAD's values into their work to collectively achieve EROAD's purpose. The Code of Ethics also addresses, amongst other things, confidentiality; conflicts of interest and corporate opportunities; receipt of gifts and personal benefits; expected conduct; and whistleblowing or reporting concerns regarding breaches of the code, other policies and the law.

Several other policies and documents are regarded as being important in ensuring high ethical standards are maintained. The **Market Disclosure Policy** sets out the Company's commitment to the promotion of investor confidence by ensuring that the trading of EROAD shares takes place in an efficient, competitive and informed market. The **Securities Trading Policy** clearly sets out for directors and employees of EROAD when they may buy or sell the Company's shares and the approvals that are required before trading. The underlying principle of the Policy is that EROAD is committed to ensuring our directors, officers, employees and advisers do not trade EROAD shares while in possession of inside information. An **Interests Register** is kept, in accordance with the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013, to ensure all relevant transactions and matters involving the directors are recorded. The **Whistleblower Policy** supplements the Code of Ethics' provisions with regard to reporting concerns by providing a clear pathway for resolving issues that may have arisen.

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

PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

Responsibilities of the Board and Executive Management

The business and affairs of EROAD are managed under the direction of the Board of Directors. Broadly, the role of the Board is to approve the purpose, values and strategic direction of the Group, to guide and monitor EROAD's management in accordance with the purpose, values and strategic plans, and to oversee good governance practice. The Board Charter sets out internal Board procedures and defines the Board's specific roles and responsibilities that include, amongst other things:

- appointment of a Chair;
- in consultation with the Chief Executive Officer (CEO), providing strategic direction and approving EROAD's strategies and objectives;
- advancing major strategies for achieving EROAD's objectives;
- setting a risk appetite for the management of risks;
- determining the overall policy framework within which the business of EROAD is conducted; and
- monitoring management's performance with respect to these matters.

The Board also deals with issues relating to the appointment or removal of the CEO, ensuring adequate resources are available to management to run the business, overseeing director appointments and reappointments, approving financial and business plans, and considering matters that are outside delegated authority levels. The Board uses Committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience.

Management of the day-to-day operations and responsibilities of EROAD together with delivery of the strategic direction and goals is delegated to the executive management team under the leadership of the CEO. The Board holds management accountable for the performance of our delegated functions. In doing so the Board constructively challenges management's proposals and decisions, and seeks to instil a culture of accountability throughout the Group. This is achieved by monitoring management's performance by receiving reports and plans, maintaining an active programme of engagement with senior management and through the Board's annual work programme.

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

Board Composition

EROAD is committed to ensuring that the composition of the Board includes directors who collectively bring an appropriate mix of skills, commitment, experience, expertise and diversity (including gender diversity) to Board decision-making. As at 31 March 2020 EROAD had seven directors, six of whom are non-executive directors. Steven Newman, the CEO, is the only executive director.

Gregg Dal Ponte resigned from the Board on 30 April 2019 and on 13 January 2020 Barry Einsig was appointed as an independent director.

A brief biography of each Board member, including experience, length of service and expertise is set out in the "Board of Directors" section of this report.

The Board does not have a tenure policy but it is of the view that the profile, represented by the length of service of each of our directors, is appropriately balanced such that Board succession and renewal planning is managed over the medium to longer term.

The following table sets out the period of appointment for directors.

Director period of appointment as at 31 March	0-3 years	3-9 years	9 years +
Number of directors	3	2	2

Independence of Directors

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

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

Based on these assessments, EROAD considers that, as at 31 March 2020, Graham Stuart, Michael Bushby, Tony Gibson, Candace Kinser, Barry Einsig and Susan Paterson were independent directors.

Director nomination, appointment, retirement and re-election

The Board is responsible for appointing directors and has established a Renumeration, Talent and Nominations Committee to assist it with the selection, appointment and reappointment of directors to the Board. The Committee also has oversight of EROAD's overall human resources strategy. The Committee's specific responsibilities are set out in our Charter, which is available at the Investor website page.

The Appointment and Selection of New Directors Policy sets out the criteria and process that the Committee will follow during the process of selecting and appointing new directors as and when a vacancy arises and in considering whether to recommend the reappointment of existing directors. Where a candidate is recommended by the Committee, the Board will assess that candidate against a range of criteria including background, experience, professional qualifications, personal qualities, the potential for the candidate's skills to augment the existing Board and the candidate's availability to commit to the Board's activities. In line with the NZX Code recommendations, checks are made for any material adverse information before a candidate is recommended to the Board. Where appropriate, external consultants are engaged to assist in searching for candidates.

Last year, Steven Newman stood for re-election and Susan Paterson stood for election following her appointment to the Board. This year, Tony Gibson and Michael Bushby will stand for re-election and Barry Einsig will stand for election. The Board aims to include in the Notice of Meeting for annual meetings all material information that is considered relevant to a decision on whether or not to elect or re-elect a director.

All new and reappointed directors enter into a written agreement with EROAD, which sets out the terms of their appointment. New directors also complete a comprehensive induction programme that enables them to meet with the Chairman, the Audit and Risk Committee Chairman and senior management to gain an insight into EROAD's values and culture, our business operations, key risks and regulatory and legal framework. The program also includes site visits. Each director's induction program is tailored based on the director's existing skills, knowledge and experience.

All directors are expected to maintain the skills required to discharge their obligations to the company. On an ongoing basis, directors are provided with papers, presentations and briefings on matters which may affect EROAD's business or operations to assist the directors in regard to understanding key developments in the industry in which EROAD operates. Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the company.

Board Performance

Performance evaluations for the Board, the Board's committees, individual directors and executives are undertaken regularly.

The Board Charter requires the Board to undertake a regular performance evaluation of itself that:

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

During the 2019 calendar year, a review of the Board's performance and composition was led by the Chairman together with an external consultant.

Company Secretary

Mark Heine has been appointed as the Company Secretary. He is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Mr Heine works closely with the Chairman to manage the flow of information between EROAD's Board, our committees and senior executives. He is responsible for all aspects of legal compliance at EROAD together with the Company's relationship with regulators and evaluating new regulatory opportunities in New Zealand.

Diversity and Inclusion

EROAD and our Board are committed to a workplace culture that promotes and values diversity and inclusion. The Company pursues a broad programme of diversity by recognising, valuing and considering our employees' different backgrounds, knowledge, skills, needs and experiences.

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

EROAD encourages diversity and inclusion by:

- having a WISH Commitee (Wellbeing, Inclusion, Social, Health & Safety) which is made up of volunteers across EROAD. The Commitee has a sub-commitee specifically focused on diversity and inclusion;
- having a robust recruitment process in place to attract capable, motivated, engaged, creative and diverse candidates; and
- fostering a culture and environment of inclusion through various initiatives, policies and development opportunities.

To deliver on our strategy, EROAD has designed a scalable and diverse organisation with the right skillset to grow and mature the Company's operations in new markets and geographies. We explain this in more detail in the "Our people" section of this report.

The Board has adopted a Diversity and Inclusion Policy in accordance with the NZX Code. The policy is available at the Investor website page. To ensure continued focus and prioritisation, the policy requires the Board to set, review and report on measurable objectives for achieving and promoting diversity across EROAD's business.

Implementation of actions to achieve the objectives is the responsibility of the CEO. Progress has been made in FY20 in achieving the objectives, One of the achievements is that the percentage of female employees exceeds the percentage of female employees in the technology sector generally. EROAD employees also cover a broad age range (currently 18 through to 71 years) and come from over 35 different countries.

Further, EROAD has maintained the following key goals regarding Diversity & Inclusion:

- **Culture & Values**

EROAD delivers a diverse range of cultural celebrations and social events, with a broad range of people on relevant committees. This includes events such as: Cultural Day, Matariki Day, 4th July, Diwali, and International Women's Day. Diversity and Inclusion also plays a role in talent planning designed to enable all employees the opportunity for career advancement. Further, EROAD undertakes regular review of employee remuneration to ensure pay equity.

- **Inclusion**

For EROAD, inclusion means that key discussions are not limited to small groups and involve a wide selection of people to promote diversity of thought.

EROAD creates a safe environment which actively encourages EROADers to share their opinions. Leadership role modelling, regular cultural awareness and celebration opportunities, toastmasters and wellness programmes are some of the mechanisms EROAD supports for staff participation. Everyone has the freedom and opportunity to voice their opinions. Diverse groups contribute to business strategy and planning activity, and inter-departmental social and work project interactions connect people. Frameworks and managerial education are provided to promote inclusion such as flexible workplace practices.

- **Leadership and People Development**

A significant emphasis is given to developing our leaders and people across EROAD. A Leadership Program was launched in 2019 to ensure a consistent leadership approach is applied across all teams, as well as giving a wide range of employees, new opportunities to develop as leaders.

It is encouraging to see that participation in our Leadership Program has gender balance (53% female). This means there is a great pipeline of future leaders. EROAD's "Lean-In Circles" provide a safe environment for employees to help each other develop. EROAD is moving to an annual review of diversity of all promotions to further strengthen our equal opportunities philosophy.

- **Recruitment**

Our goal is to ensure that our recruitment campaigns generate a diverse pool of talent with value on experiential and cognitive diversity and that all hiring decisions are based on merit.

To achieve this EROAD: continues to advertise and promote on a broad range of recruitment advertising channels; leaders and managers complete unconscious and conscious bias training; applies a diversity and inclusion lens to recruitment to maximise the appeal to a diverse candidate pool; and we have a scholarship which has a preference for Maori or Pasifika candidates.

- **Communication**

EROAD's expectations around diversity and inclusion are communicated often and clearly, with a top down approach. Training for leaders and education for all employees on holding effective meetings is a core programme. Diversity initiatives such as cultural events and flexible working are widely promoted. EROAD's careers site supports recruitment diversity. The value of diversity in EROAD's labour sourcing is communicated to the talent acquisition team and external agencies.

Gender balance

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 2019 and 31 March 2020. Almost 39% of EROAD staff are female, which is above average in our industry, and almost one third of EROAD female employees are in leadership roles.

	2019		2020	
	Female	Male	Female	Male
Board	2 (29%)	5 (71%)	2 (29%)	5 (71%)
Officers	1 (11%)	8 (89%)	2 (20%)	8 (80%)
Other employees	99 (40%)	151 (60%)	111 (38%)	178 (62%)

"Officers" are the CEO and senior executives reporting directly to the CEO.

PRINCIPLE 3: BOARD COMMITTEES

The Board has established a Finance, Risk and Audit Committee and a Remuneration, Talent and Nomination Committee. These Board committees support the Board by working with management and advisers on relevant issues at a suitably detailed level. Recommendations are reported to the Board. The committees' charters set out their objectives, procedures, composition and responsibilities. Copies of these charters are available at the Investor website page.

All directors have a standing invitation to attend committee meetings where there is no conflict of interest.

Finance, Risk and Audit Committee

The Finance, Risk and Audit Committee assists the Board in fulfilling our oversight responsibilities relating to EROAD's risk management and internal control framework, the integrity of our financial reporting and the auditing processes and activities. Four meetings of the Finance, Risk and Audit Committee were held during the year ended 31 March 2020.

Under the Finance, Risk and Audit Committee Charter, the Committee must be comprised of non-executive directors, all of whom must be independent. Further, the Chair of the Committee must be an independent director and cannot be the Chairman of the Board.

Employees only attend the Finance, Risk and Audit Committee meetings at the invitation of the Committee. In the year ended 31 March 2020, the CEO, the Chief Financial Officer (CFO) and General Counsel were invited to attend each of the four meetings of the Finance, Risk and Audit Committee.

The current members of the Finance, Risk and Audit Committee are Susan Paterson (Chair), Michael Bushby, Tony Gibson and Candace Kinser. All members of the Finance, Risk and Audit Committee are independent non-executive directors.

The Chairperson of the Committee reported to the Board on the Committee's proceedings following each meeting.

Remuneration, Talent and Nomination Committee

The Remuneration, Talent and Nomination Committee oversees, amongst other things, the remuneration and benefits policies; the CEO's performance review and performance objectives; remuneration of EROAD's executives; succession planning and associated management development for the CEO and the executive team; and the effectiveness of the Diversity and Inclusion Policy. It also oversees the director appointment process when a vacancy arises and the reappointment of sitting directors.

The current members of the Remuneration, Talent and Nomination Committee are Anthony Gibson (Chairman), Graham Stuart, Candace Kinser, Susan Paterson, Michael Bushby and Barry Einsig. Mr Einsig was appointed to the Committee on 13 January 2020. Gregg Dal Ponte was a member of the Committee until his resignation on 30 April 2019.

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

The Chairperson of the Committee reported to the Board on the Committee's proceedings following each meeting.

Board Processes

The Board held six meetings during the year ended 31 March 2020.

	Board		Finance, Risk and Audit Committee		Remuneration, Talent and Nomination Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Graham Stuart	6	6	1	1	3	2
Michael Bushby	6	6	4	4	3	3
Anthony Gibson	6	6	4	4	3	3
Candace Kinser	6	6	4	4	3	3
Steven Newman	6	6	4	4	3	3
Susan Paterson	6	6	4	4	3	3
Barry Einsig*	2	2	0	0	0	0

* Barry Einsig joined the Board on 13 January 2019. He attended the February and March Board meetings.

Takeover protocol

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

PRINCIPLE 4 – REPORTING & DISCLOSURE

Making timely and balanced disclosure

EROAD is committed to promoting shareholder confidence through open, timely and accurate market communication. The Company has procedures in place to ensure compliance with our disclosure obligations under the NZX Listing Rules. The Board has a Disclosure Committee that comprises the CEO, CFO and one Independent Director. This Committee is responsible for administering EROAD's compliance with our Market Disclosure Policy, including our NZX continuous disclosure obligations, and can approve the release of documents to the NZX Market Announcements Platform.

EROAD's Finance, Risk and Audit Committee Charter oversees the quality and integrity of external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. It reviews interim and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with financial reporting standards, NZX and legal requirements, and the results of the external audit. All matters required to be addressed and for which the Committee has responsibility were addressed during the period under review.

All interim and full-year financial statements are prepared in accordance with relevant financial standards.

Non-financial reporting

Safety, communities and environment are at the heart of EROAD's culture. Our philosophy and achievements are outlined in the pages 19 to 26 and pages 51 to 54 of this report.

EROAD is committed to an awareness of environmental, economic, and social sustainability factors. The Board receives reports on a series of performance measures that are considered key indicators of EROAD's performance in areas across all of the business units. Recommendations based on the performance measures are incorporated into agreed actions to mitigate the identified risks. Further information is available in the Risks section of this statement.

As noted in the Remuneration section, up to 60% of the Short Term Incentive scheme targets are based on the achievement of strategic (non-financial) program targets from the annual plan.

EROAD is looking forward to providing further reporting on sustainability factors in the 2021 annual report.

Governance policies

Copies of the Board and its sub-commitees' charters, its Code of Ethics and other Governance policies are available on EROAD's Investor Page website.

PRINCIPLE 5 – REMUNERATION

Directors' Remuneration

The Remuneration, Talent and Nomination Committee is responsible for establishing and monitoring remuneration policies and guidelines for directors which enable EROAD to attract, motivate and retain the high calibre of directors who will contribute to the successful governing of EROAD and create value for shareholders. EROAD has a Director and Senior Manager Remuneration Policy which is available on EROAD's Investor Page website.

When determining the fees for directors and Chairs of the Board and our committees, the Board considers the median director fee levels for comparable listed companies in New Zealand. In FY20, the total of fees paid to directors was less than the aggregate fee pool of $500,000 per annum approved at EROAD's 2018 annual shareholders meeting.

Current non-executive directors' remuneration is as follows:

- NZ$110,000 for the Chair of the Board,
- NZ$55,000 for the New Zealand and Australia based non-executive directors,
- USD$96,000 for the North America based non-executive director,
- NZ$25,000 for the Chair of the Finance, Risk and Audit Committee, and
- NZ$8,000 for the Chair of the Remuneration, Nomination and Talent Committee.

Non-executive directors received the following directors' fees from EROAD in the year ended 31 March 2020. All fees are in NZD unless otherwise indicated:

	Base fee	Fee for Finance, Risk and Audit Committee	Fee for Remuneration, Nomination and Talent Committee	Total remuneration received for FY20
Graham Stuart	$110,000 (Chairman)	$0	$0	$110,000
Michael Bushby	$55,000	$0	$0	$55,000
Barry Einsig*	USD $96,000	$0	$0	$44,627
Anthony Gibson	$55,000	$0	$8,000 (Chair)	$63,000
Candace Kinser	$55,000	$0	$0	$55,000
Susan Paterson**	$55,000	$25,000 (Chair)	$0	$80,000
Gregg dal Ponte***	$55,000	$0	$0	$0

* Barry Einsig was appointed to the board on 13 January 2020.
** Susan Paterson joined the Board on 28 March 2019. Ms Paterson received an additional $6,667 in fees for attendance at Board meetings in FY19.
*** Gregg dal Ponte resigned from the Board on 30 April 2019.

Directors do not take a portion of their remuneration under a share plan. Ownership of EROAD shares by directors is encouraged rather than being a requirement. When directors are acquiring shares they are encouraged to buy on-market. Their ownership interests are disclosed in the "Directors' Shareholdings" section of this report.

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

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

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

Executive Remuneration

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

EROAD's remuneration policy for members of the executive team and other senior staff, including the CEO, provides the opportunity for them to receive, where performance merits, a total remuneration package made up of three components:

Fixed Remuneration	Short-term Incentives (STIs)	Long-term Incentives (LTIs)
Market pay based on role and effectiveness	6 monthly plan.	3 year plan.
	To drive key outcomes linked to annual strategy.	Ensuring company grown strategy is set and delivered.
	Encourages and rewards right behaviours near-term.	Encouraging long-term value adding actions and retention.

Fixed Remuneration

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

Short-term Incentives

Short-term incentives (STIs) are at-risk payments designed to motivate and reward for performance, typically in that financial year. The target value of an STI payment is set annually, usually as a percentage of the executive's base salary. It creates alignment between shareholder value creation and employee reward. Participation in EROAD's STI plan is by invitation only, subject to CEO approval. Invitations to participate will generally be extended to executives and other senior leaders in key roles each year. Employees who are invited to participate during an STI period will be eligible to receive a pro-rated amount of the STI bonus, provided that they are part of the program for at least 3 months. To be eligible for payment, an employee must be employed by EROAD as of the last day of the STI period and not be subject to any disciplinary proceedings.

For the year ended 31 March 2020, the STI amount payable is based on group performance against shared team goals.

- 40% = performance against financial metrics;
- 60% = achievement of strategic program targets from the annual plan.

Team target achievement	Pay-out
<75%	No pay out
75%	50%
75% - 100%	Linear up to 100% (E.g. 80% = 60% pay-out, 90% = 80% pay-out etc)
100%	100%
≥ 100%	Achievement rate capped at 150% pay-out (E.g. 120% = 120% pay-out, 200% = 150% pay-out)

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

Long-term Incentives

The purpose of the long term incentive (LTI) plan is to attract, motivate, retain and reward executive employees who can influence the performance and strategic direction of EROAD.

- FY18/FY19 LTI plans

Under the terms of the FY18/FY19 LTI plan, eligible senior employees were invited by the CEO, with the approval of the Board, to purchase EROAD shares. The purchase of the shares is funded by a loan granted to eligible senior employees by EROAD. At the end of the vesting period, the senior employee will be paid a net bonus in relation to the shares that vest to the senior employee, equal to the amount of their loan outstanding to EROAD, enabling the loan to be repaid.

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

The award is subject to a relative total shareholder return (TSR) measure over the three-year performance period. TSR represents the change in the value of EROAD's share price over a period, plus reinvested dividends, expressed as a percentage of the opening value of the shares as follows:

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

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

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

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

- FY20 LTI plan

Under the FY20 LTI plan, performance share rights (PSR's) have been issued (for nil consideration) to participants which convert to shares (for nil consideration) if targets are met. For the FY20 LTI plan, the award is linked to growth in EROAD's Total Contracted Units (TCUs) between 1 April 2019 and 31 March 2022. Participants bear the tax liability of the LTI scheme. As with the STI payments, the Board retains discretion over the final outcome of LTI payments, to allow appropriate adjustments where unanticipated circumstances may impact performance over the measurement period.

CEO Remuneration

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

CEO Remuneration FY18 and FY19

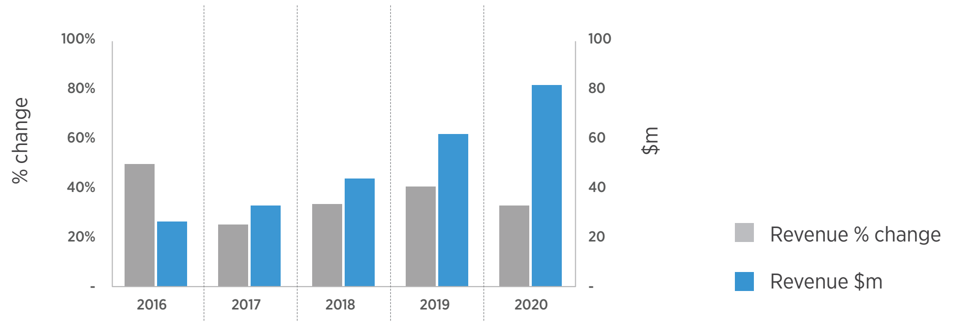
	Fixed Remuneration	Performance Based Remuneration					
Chief Executive	**Salary**	**STI***	**Total Cash Remuneration**	**LTI****	**LTI Plan Status**	**Total Remuneration**	**Total Remuneration Earned**
Steven Newman FY16	$524,000	$95,403	$619,403	-	Plan ended	$619,403	$619,403
Steven Newman FY17	$551,499	$89,525	$641,024	-	Plan ended	$641,024	$641,024
Steven Newman FY18	$555,859	$116,760	$672,619	$150,000**	In progress - $0 vested	$822.619	$672,619
Steven Newman FY19	$567,120	-	$567,120	$181,478.40**	In progress - $0 vested	$748,598.40	$567,120
Steven Newman FY20	$590,000***	$96,288	$686,288	$354,000****	In progress - $0 vested	$1,040,288	$686,288

*Historically, performance under each STI plan is assessed following the end of each financial year and payment is based on the performance achieved. E.g. the FY18 STI payment was based on performance in FY17 and was paid out in FY18. The STI payment for FY20 is for performance in the first half of FY20.
**The LTI shares were granted during FY19 under both the FY18 LTI plan to the value of $150,000 and the FY19 LTI Plan to the value of $181,478.40. These plans do not vest until 1 April 2021. The amount to be vested may be lower than these amounts.
***Effective 1 June 2019, salary was increased to $590,000.
****Under the FY20 LTI plan, PSRs to the value of $354,000 were granted to Mr Newman under a three-year plan. This plan does not vest until 1 April 2022 and the amount of PSRs granted was in a three-year block. Previous LTI plans had shares granted in one-year blocks to be earned over a three year period. This is why the FY20 LTI PSR granted amount is higher that for the previous years. The amount to be vested may be lower than this amount.

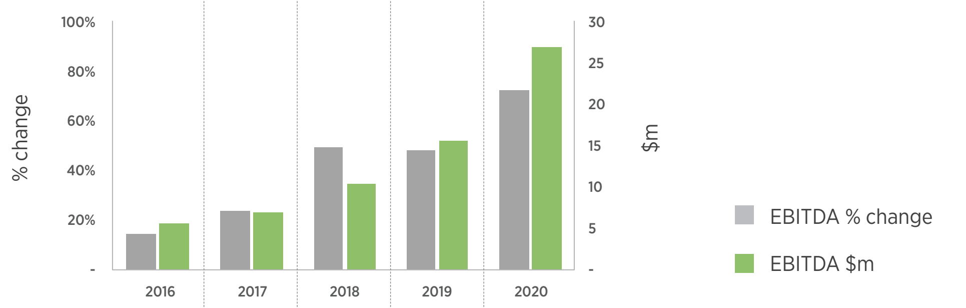
	Description	Performance measures	Performance hurdles and shares vested
STI	Set at 32% of at-risk pay. Based on a combination of financial and non-financial performance measures.	40% = performance against financial metrics.	EROAD weighting considers EROAD's performance against the metrics of EBITDA, the ratio of gross margin to sales and the ratio of working capital to sales.
		60% = achievement of strategic program targets from the annual plan.	Individual performance considers performance under the CEO's objectives and key results for the year. Each objective has a specific target and stretch level of performance, as described under the "Short-term Incentives" section above.
LTI	Conditional awards of shares under the long term incentive scheme.	For FY18 and FY19 LTI plans, which vest on 1 April 2021, the award is subject to relative total shareholder return (TSR) measure over the next three-year performance period. For the FY20 LTI plan, which vests on 1 April 2022, the award is linked to growth in EROAD's Total Contracted Units (TCUs) between 1 April 2019 and 31 March 2022.	For the FY18 and 19 LTI plans, the TSR performance condition compares EROAD's TSR for a three-year period with the TSR of the NZX50 index (company listings as at the grant date). For the FY20 LTI plan, performance share rights (PSRs) have been issued (for nil consideration) to participants which convert to shares (for nil consideration) if TCU growth targets are met.

The following graphs show the CEO's salary and total remuneration earned for the last five years compared to EROAD's revenue and EBITDA.

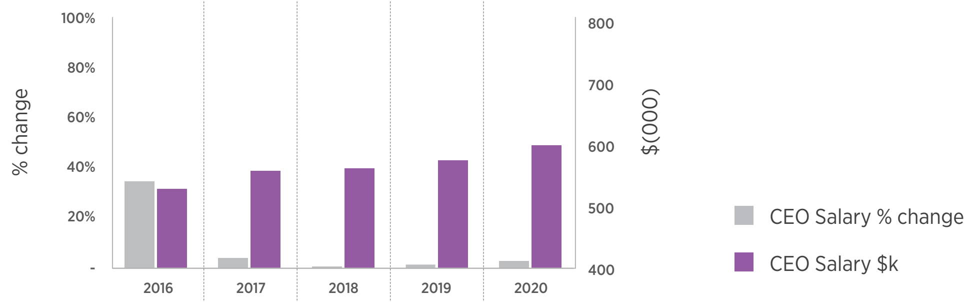
Revenue ($m)



EBITDA ($m)



CEO Salary ('000)



Total Remuneration Earned ('000)

Employee Remuneration

EROAD and our subsidiaries have employees in New Zealand, the United States and Australia. Remuneration market levels differ between the three countries. The overseas remuneration amounts are converted into New Zealand dollars. Of the 135 employees, not being directors of EROAD and our subsidiaries, noted in the table below who received remuneration and other benefits that exceed NZ$100,000 in value, 27 (20%) are employed by EROAD in the United States of America and 5 (4%) in Australia:

NZ$	Total
100,000 – 110,000	27
110,001 – 120,000	18
120,001 – 130,000	20
130,001 – 140,000	14
140,001 – 150,000	9
150,001 – 160,000	14
160,001 – 170,000	1
170,001 – 180,000	5
180,001 – 190,000	5
190,001 – 200,000	3
200,001 – 210,000	2
220,001 – 230,000	2
240,001 – 250,000	1
260,001 - 270,000	2
270,001 - 280,000	4
280,001 - 290,000	1
300,001 - 310,000	1
330,001 - 340,000	1
340,001 - 350,000	1
350,001 - 360,000	1
390,001 - 400,000	1
490,001 - 500,000	1
560,001 - 570,000	1
TOTAL	**135**

PRINCIPLE 6 - RISK MANAGEMENT

Risk Management Framework

EROAD is committed to the identification, monitoring and management of material financial and non-financial risks associated with our business activities. The Board ultimately has responsibility for internal compliance and controls. It recognises that a sound culture is fundamental to an effective risk management framework. The Company's purpose, values and Code of Ethics are important contributors to instilling effective risk management and awareness, and to support appropriate behaviours and judgements about risk taking within parameters. EROAD's risk management framework provides for the oversight and management of financial and non- financial material business risks, as well as related internal systems. The framework is designed to:

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

EROAD's Risk Management Policy is available at the Investor website page.

EROAD's risk management strategy enhances strategic planning and prioritization, as well as assisting in the achievement of key objectives. The strategy also strengthens EROAD's ability to be agile when responding to challenges that may be faced. The risk management framework requires senior executives and the wider leadership team to review risks against the risk limits and triggers in the risk appetite statement (Risk Appetite), to enact the appropriate mitigations and to update the Risk Register on a periodic basis.

The register identifies all known risks, including those that are key to EROAD's strategy and business priorities. The Risk Register records risks by impact, probability, and trending, and records the controls for those risks. Risk mitigation for high risk projects must be addressed from inception and be supervised by the appropriate executive team members. The executive team reviews the Risk Register in setting EROAD's strategy and budgets.

The Finance, Risk and Audit Committee undertakes quarterly reviews of the Risk Appetite, the Risk Register and other relevant aspects of the risk management framework. In addition, a review is undertaken, with the external auditors and management, of the policies and procedures in relation to material business risks.

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

Risk Appetite

In FY2020, EROAD reviewed our risk management framework and introduced a risk appetite. EROAD's risk appetite has been set by the Board alongside the executive team to provide guidance to EROADers, contractors, and suppliers. EROAD's risk appetite sets out the amount and type of risk that EROAD is willing to accept in order to meet our strategic objectives and create value for our customers and stakeholders. EROAD is a strategically focused and risk aware, but not risk averse, organization. Risks are taken in alignment with EROAD's purpose and in accordance with EROAD's values. EROAD has no appetite for risks that do not align with these.

EROAD has five key risk categories and adopts a different risk appetite for each identifiable risk within these categories. The five risk categories are:

- Growth & Strategy
- Financial
- Customer Expectations
- People
- Regulatory & Governance

EROAD remains committed to innovation and has a high-risk appetite for this, alongside learning and knowledge, growth and partnerships, and acquisitions.

A summary of EROAD's risk appetite is set out below.

RISK APPETITE LEVEL	GROWTH AND STRATEGY	FINANCIAL	CUSTOMER EXPECTATIONS	PEOPLE	REGULATORY AND GOVERNANCE
Very high					
High	• Strategic risk • Partnerships and acquisitions	• Growth constraints	• Innovation	• Capability • Learning / knowledge	
Medium					• Regulatory environment
Low	• Strategic execution	• Working capital • Cost of Capital • Shareholder liquidity • Supply chain and inventory	• Customer interactions • Product delivery	• Key roles, single point of failure	
Very low			• IT and cyber security • Quality and resilience • Privacy		• Governance risk
No appetite		• Banking covenants	• Product compliance	• Health and Safety • Purpose and values	• Illegal & Unethical Behaviour

In managing the Company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities.

Insurance

EROAD has insurance policies in place covering areas where risk to our assets and business can be insured at a reasonable cost.

Health and Safety Risk Management

The Board considers ensuring safety and wellbeing at EROAD to be one of our core roles. Our specific responsibilities are set out in the Board Charter. The Board is committed to ensuring that safety and wellbeing is a top priority for EROAD and is embedded into every aspect of EROAD's business. EROAD's Safety and Wellbeing Policy is a management policy that provides for the oversight and management of health and safety risks on behalf of the Board.

EROAD's Safety and Wellbeing Management System Framework outlines safety and wellbeing activities at EROAD and articulates safety and wellbeing responsibilities for the Board, the executive team and the people performing work for EROAD. The framework requires objectives and key results to be established and incorporated into business planning processes to enable the Safety and Wellbeing Policy's intent and related strategies and procedures to be achieved. The framework also requires the safety and wellbeing strategy to be reviewed every three years to ensure alignment with EROAD's values, the overall business strategy and the safety and wellbeing vision.

Each month, members of the Board are provided with a safety and wellbeing report summarising EROAD's risk profile and management actions, the current safety and wellbeing focus, lead and lag indicators and updates from the Safety and Wellbeing staff committee. In the year ended 31 March 2020, there have been no notifiable events to report to WorkSafe NZ.

PRINCIPLE 7 – AUDITORS

Oversight of the Company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Finance, Risk and Audit Committee. The External Auditor Independence Policy ensure that audit independence is maintained, both in fact and appearance. It covers:

- The selection and appointment process for the external auditor;
- Rotation of external audit partners;
- Policy to ensure external auditors' independence;
- Provision of non-audit services; and
- Reporting to the Finance, Risk and Audit Committee.

The policy is available at the Investor website page.

The role of the external auditor is to audit the financial statements of the Company in accordance with applicable auditing standards in New Zealand and to report on their findings to the Board and shareholders of the Company.

EROAD's external auditors attend the annual shareholder's meeting to answer questions from shareholders in relation to audits.

EROAD does not have an internal audit function. The Finance, Risk & Audit Committee pays particular attention to matters raised by the company's auditor. It also requires the Executive Team to report periodically on areas identified as most sensitive to risk together with recommendations for improvements and changes to internal controls. Through the steps outlined under the Risk Management section, the Board ensures EROAD is reviewing, evaluating and continually improving the effectiveness of our risk management framework.

PRINCIPLE 8 – SHAREHOLDER RIGHTS AND INTERESTS

EROAD recognises the importance of providing our shareholders and the broader investment community with access to up-to-date high quality information to enable them to: monitor the Company's performance; participate in decisions required to be put to owners; and provide avenues for two-way communication between the company, the Board and shareholders. The Shareholder Communication Policy sets out how EROAD engages with shareholders and other stakeholders to provide them with written communications, electronic communications and access to the Board, management and auditors. It is one of the corporate governance policies included at the Investor website page.

EROAD's website is an important information portal and is kept up to date with relevant information, including copies of shareholder reports, presentations and market announcements. Releases and reports are published to the website once they have been provided to and publicly released by NZX. The website also contains Board and management profiles together with information on EROAD's history, awards and a rich library of product information.

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

Shareholders have the right to vote on major decisions as required by the NZX Listing Rules.

The Notice of Meeting is sent to shareholders and published on EROAD's website at least 20 working days prior to the annual shareholders' meeting each year.

REGULATORY DISCLOSURES

DIRECTORS

The persons who held office as directors of EROAD Limited at any time during the year ended 31 March 2020, are as follows:

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

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

**Barry Einsig joined the EROAD Board on 13 January 2020.

SUBSIDIARY COMPANY DIRECTORS

The persons who held office as directors of subsidiary companies at 31 March 2020 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 2020 are as follows:

Michael Bushby
- Director, Lowelly Pty Limited
- Consultant, WSP Australia
- President, Roads Australia*

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

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

Candace Kinser
- Director, Kinser Trustee Limited
- Director, Sagitas Consulting Limited
- Director, Livestock Improvement Corporation Limited
- Advisor, Return on Science Program for the University of Auckland
- Beachheads Advisor, New Zealand Trade & Enterprise
- Director, WEL Networks Limited
- Director, Ultrafast Fibre Limited
- Director, Regional Facilities Auckland
- Director, New Zealand Escargot Ltd*
- Director, National Cancer Society*

Steven Newman

- Director, NMC Trustees Limited

Susan Paterson

- Director, Goodman (NZ) Limited and associated companies
- Director, Arvida Group Limited
- Director, Sky Network Television Limited
- Director, Les Mills Holdings Limited
- Chair, Steel & Tube Holdings Limited
- Chair, Theta Systems Limited
- Board member, Electricity Authority
- Board member, Reserve Bank of New Zealand*

Barry Einsig

- Senior Manager, Econolite
- Principal, CAVita LLC

* Indicates a new appointment since 31 March 2019.

The following details included in the Company's interests register as at 31 March 2019 have been removed as at 31 March 2020:

- Michael Bushby is no longer a director of 45 Mimosa Pty Limited
- Candace Kinser is no longer an advisor to BECA New Ventures Team Advisory Board nor a Director of Talent International Limited (Australia)

Share dealings by directors

In accordance with Section 148(2) of the Companies Act, the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests in the company between 1 April 2019 and 31 March 2020, and details of those dealings were entered in the company's interests register. The particulars of such disclosures are:

Michael Bushby

- 1) Sold 1,071 ordinary shares, at $3.18 per share, on 28 January 2020; 2) Sold 3,871 ordinary shares, at $3.18 per share, on 29 January 2020; 3) Sold 5,529 ordinary shares, at $3.18 per share, on 30 January 2020; 4) Sold 4,950 ordinary shares, at $3.16 per share, on 31 January 2020; 5) Sold 5,472 ordinary shares, at $3.15 per share, on 4 February 2020; 6) Sold 2,491 ordinary shares, at $3.15 per share, on 5 February 2020.

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 2020:

Name	Ordinary shares
Steven Newman	14,505,881
Graham Stuart	40,000
Anthony Gibson	567,999
Candace Kinser	41,999
Michael Bushby (Lowelly Pty Limited)	137,671

SHAREHOLDER INFORMATION

ANNUAL SHAREHOLDERS' MEETING

EROAD's 2020 annual shareholders' meeting will be held at The Chairman's Lounge at Eden Park, Auckland on Thursday, 30 July 2020 commencing at 4:45pm.

DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

Holding Range	Number of holders	%	Number of ordinary shares	%
1 to 999	276	17.12	129,559	0.19
1,000 to 4,999	740	45.91	1,750,013	2.56
5,000 to 9,999	248	15.38	1,620,472	2.37
10,000 to 49,999	263	16.32	5,244,419	7.68
50,000 to 99,999	33	2.01	2,299,225	3.37
100,000 and over	52	3.23	57,235,084	83.83
Total	**1,612**	**99.97**	**68,278,772**	**100**

The details set out above were as at 9 June 2020.

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 2020, were as follows:

Substantial product holder	Date of Notice	Number of shares	% of shares on issue at 31 March 2020
Steven Newman (includes NMC Trustees Limited's relevant interest)	15/12/2017	14,505,881	21.24
Mitsubishi UFJ Financial Group, Inc, Colonial First State Asset Management (Australia) Limited	5/08/2019	5,996,809	8.783
National Nominees Ltd ACF Australian Ethical Investment Limited	07/06/2019	5,296,567	7.76
Jarden Securities	26/02/2020	3,429,480	5.023

The total number of ordinary shares (being the only class of quoted voting products) on issue in the Company as at 31 March 2020 was 68,278,772.

PRINCIPAL SHAREHOLDERS

The names and holdings of the twenty largest registered shareholders in the Company as at 9 June 2020 were:

Holder Name	Shares	%
NMC Trustees Limited	14,379,458	21.05
National Nominees Limited – NZCSD	7,164,740	10.5
Citibank Nominees (New Zealand) Limited - NZCSD	6,841,866	10.0
FNZ Custodians Limited	5,560,834	8.14
HSBC Nominees (New Zealand) Limited - NZCSD	2,740,019	4.0
BNP Paribas Nominees (NZ) Limited - NZCSD	2,431,270	3.6
Accident Compensation Corporation - NZCSD	1,758,223	2.6
David Murray Jarrett and Julie Patricia Jarrett	1,735,934	2.54
HSBC Nominees (New Zealand) Limited A/C State Street	1,320,624	1.9
BNP Paribas Nominees (NZ) Limited - NZCSD	1,056,778	1.5
John Grant Sinclair	899,319	1.32
Andrew Bowker	660,006	0.96
Anthony Gibson	567,999	0.83
Paul Geoffrey Hewlett & Catherine Patricia Carter & Hoffman Trustees Limited	550,659	0.8
EROAD LTI Trustee Limited	490,000	0.71
JBWERE (NZ) Nominees Limited	477,704	0.69
Jarden Securities Limited	471,286	0.69
SOMAC Holdings Limited	412,740	0.6
Arden Capital Limited	409,934	0.6
FNZ Custodians Limited	386,170	0.56

OTHER INFORMATION

NZX WAIVERS

On 28 April 2020 EROAD notified the NZX that it was relying on the Class Waiver for Periodic Reporting Requirements issued by NZX on 3 April 2020. Under this Class Waiver, issuers could extend the date by which they release their results announcement from 60 days after the end of the financial year to 90 days. In reliance on this Class Waiver, EROAD stated that it intended to release its results announcement and Annual Report for the year ended 31 March 2020 on Friday 19 June 2020.

DISCIPLINARY ACTION TAKEN BY THE NZX

The NZX has not taken any disciplinary action against the company during the year ended 31 March 2020.

AUDITOR'S FEES

KPMG has continued to act as auditor of EROAD and our subsidiaries. The amount payable by EROAD and our subsidiaries to KPMG as audit fees during the year ended 31 March 2020 was $333,841. The amount of fees payable to KPMG for non-audit work during the year ended 31 March 2020 was $132,043. Note 4 in the Financial Statements section of this Annual Report includes a detailed breakdown of auditor's fees for audit and non-audit work.

DONATIONS

EROAD and our subsidiaries made donations totalling $5,888 during the year ended 31 March 2020.

CREDIT RATING

EROAD does not currently have a credit rating.

GLOSSARY

ANNUALISED MONTHLY RECURRING REVENUE (AMRR)
Annualised monthly recurring revenues (AMRR) is a non-GAAP measure representing monthly Recurring Revenue for the last month of the period, multiplied by 12. It provides a 12 month forward view of revenue, assuming unit numbers, pricing and foreign exchange remain unchanged during the year.

AUDITOR
KPMG

ASSET RETENTION RATE
The number of Total Contracted Units at the beginning of the 12 month period and retained as Total Contracted Units at the end of the 12 month period, as a percentage of Total Contracted Units at the beginning of the 12 month period.

COMPANIES ACT
Companies Act 1993

COMPANY
EROAD Limited

COSTS TO ACQUIRE CUSTOMERS (CAC)
Costs to Acquire Customers (CAC) is non-GAAP measure of costs to acquire customers. Total CAC represents all costs sales & marketing related costs. CAC capitalised includes incremental sales commissions for new sales, upgrades and renewals which are capitalised and amortised over the life of the contract. All other CAC related costs are expensed when incurred and included within CAC expensed.

COSTS TO SERVICE & SUPPORT (CTS)
Is a non-GAAP measure of costs to support and service customers. Total CTS represents all customer success and product support costs. These costs are included in Administrative and other Operating Expenses reported in Note 4 Expenses of the Financial Statements.

CUSTOMER RETENTION RATE
Asset Retention Rate excluding contraction in existing customer Total Contracted Units when customer remained with EROAD.

EBITDA
Is a non-GAAP measure representing Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA). Refer Condensed Consolidated Statement of Comprehensive Income in Financial Statements.

EBITDA MARGIN
Is a non-GAAP measure representing EBITDA divided by Revenue.

EHUBO1 AND EHUBO2 (GEN1 AND GEN2)
EROAD's first and second generation electronic distance recorder which replaces mechanical hubodometers. Ehubo is a trade mark registered in New Zealand, Australia and the United States.

ELECTRONIC LOGGING DEVICE (ELD)
An electronic solution that synchronises with a vehicle engine to automatically record driving time and hours of service records.

FREE CASH FLOW
Is a non-GAAP measure representing operating cash flow and investing cash flow reported in the Statement of Cash Flows.

FUTURE CONTRACTED INCOME (FCI)
A non-GAAP measure which represents contracted Software as a Service (SaaS) income to be recognised as revenue in future periods. Refer Revenue Note 3 of Financial Statements.

FY
Financial year ended 31 March

GROUP
EROAD Limited and its subsidiaries

HARDWARE ASSETS
Any physical asset required to be fitted into or onto a customer's vehicle or asset in order to facilitate the provision of EROAD's SaaS services. These include Ehubo units, accessories and hardware assets under construction.

HEAVY VEHICLE
A truck, or a truck and trailer, weighing over:3.5 tonnes in New Zealand (required to pay RUC); 12 tonnes in Oregon (required to pay for WMT), for non WMT purposes means Class 3+, 10,000 pounds or greater; 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. Refer Revenue Note 3 in the Financial Statements.

LISTING RULES
The listing rules applying to the NZX Main Board as amended from time to time.

MONTHLY SAAS AVERAGE REVENUE PER UNIT (ARPU)
Monthly Software as Service (SaaS) Average Revenue Per Unit is a non-GAAP measure that is calculated by dividing the total SaaS revenue for the year reported in Note 3 of the Financial Statements, by the total of the TCU balances at the end of each month during the year.

RECURRING REVENUE
The Software as a Service (SaaS) revenues EROAD recognises on a recurring monthly basis in accordance with the groups revenue recognition policy.

ROAD USER CHARGES (RUC)
Charges payable under the New Zealand Road User Charges Act 2012 in respect of the distance travelled by a RUC vehicle on a road. In New Zealand, RUC is payable for heavy vehicles and all vehicles powered by a fuel not taxed at source. The charges go towards the cost of repairing roads.

NZ GAAP OR GAAP
New Zealand Generally Accepted Accounting Practice.

NZ IAS
NZ equivalent of International Accounting Standards that prescribe the basis for presentation of general purpose financial statements.

NZ IFRS
New Zealand equivalents to International Financial Reporting Standards.

NZX
NZX Limited.

NZX MAIN BOARD
The main board equity security market, operated by NZX.

SAAS
Software as a Service, a method of software delivery in which software is accessed online via a subscription rather than bought and installed on individual computers.

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.

INFORMATION FOR SHAREHOLDERS

MANAGING YOUR SHAREHOLDING ONLINE

Changes in address and investment portfolios can be viewed and updated online: www.computershare.co.nz/investorcentre.

You will need your CSN and FIN numbers to access this service.

Alternatively, enquiries may be addressed to the Share register.

Computershare Investments Services Limited
Private Bag 92119,
Victoria Street West Auckland 1142,
New Zealand

INVESTOR INFORMATION

Our investor centre **www.eroadglobal.com/global/investors** is a good source of information about what's happening at EROAD. Here you will find investor communications, information about our latest operating and financial results and news.

KEY INVESTOR DATES

30 July 2020
Annual Shareholders Meeting

November 2020
Half Year Results

DIRECTORY

REGISTERED OFFICE IN NEW ZEALAND

Level 3
260 Oteha Valley Road,
Albany, Auckland
New Zealand

REGISTERED OFFICE IN NORTH AMERICA

7618 SW Mohawk Street
Tualatin, OR 97062
USA

REGISTERED OFFICE IN AUSTRALIA

Level 36, Tower 2
Collins Square
727 Collins Street
Docklands, VIC 3008
Australia

INVESTOR RELATIONS AND SUSTAINABILITY ENQUIRES

Address: EROAD Limited,
PO Box 305 394

Triton Plaza

North Shore, Auckland

Email: investors@eroad.com

Telephone: 0800 437 623

MANAGING YOUR SHAREHOLDING ONLINE

Changes in address and investment portfolios can be viewed and updated online: www.computershare.co.nz/investorcentre.

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SHARE REGISTER - NEW ZEALAND

Computershare Investments Services Limited

Private Bag 92119,

Victoria Street
West Auckland 1142,
New Zealand

Email:
enquiry@computershare.co.nz

Telephone: +64 9 488 8777

Website:
www.computershare.co.nz/investorcentre

LEGAL ADVISORS

Chapman Tripp
Level 35
23 Albert Street
Auckland 1010

PO Box 2206, Auckland 1140

Telephone: +64 9 357 9000

BANKERS

Bank of New Zealand

China Construction Bank

National Australian Bank

Wells Fargo

EROAD

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