EROAD
Financial Statements

26 May 2022

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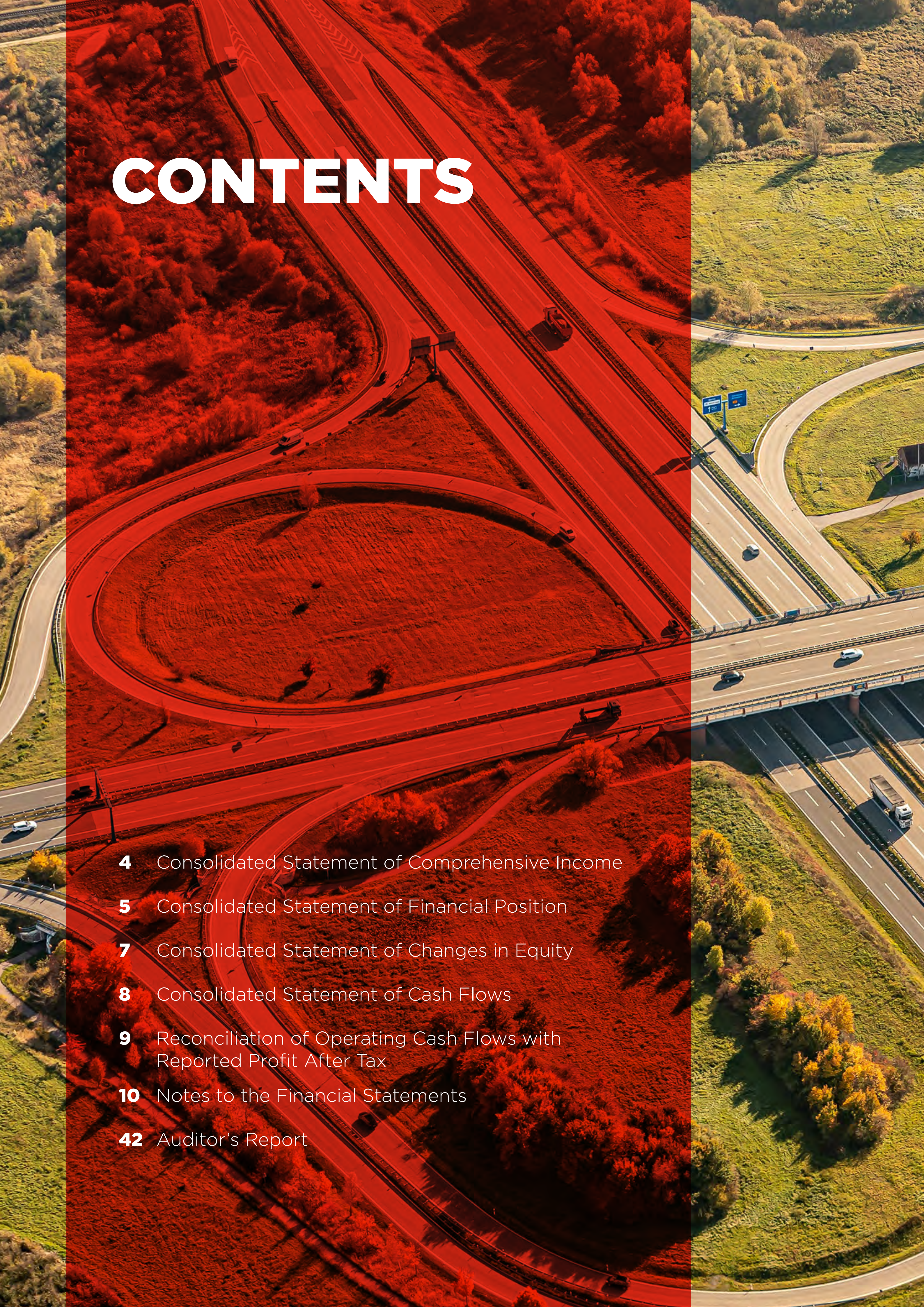

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 $M's	Restated 2021 $M's
Revenue	3	114.9	91.6
Operating expenses	4	(93.9)	(61.2)
Earnings before interest, taxation, depreciation and amortisation		**21.0**	**30.4**
Depreciation of property, plant and equipment	14	(10.4)	(9.6)
Amortisation of intangible assets	16	(11.0)	(8.9)
Amortisation of contract and customer acquisition assets	7	(6.8)	(6.8)
Earnings before interest and taxation		**(7.2)**	**5.1**
Finance income		0.1	0.2
Finance expense		(3.3)	(2.7)
Net financing costs	8	**(3.2)**	**(2.5)**
(Loss)/profit before tax		**(10.4)**	**2.6**
Income tax benefit	9	0.8	(0.1)
(Loss)/Profit after tax for the period attributable to the shareholders		**(9.6)**	**2.5**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss		(0.3)	(0.5)
Total comprehensive (loss)/profit for the period		**(9.9)**	**2.0**
(Loss)/Earnings per share - basic (cents)	11	(10.07)	3.33
(Loss)/Earnings per share - diluted (cents)	11	(9.98)	3.33

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.
**Refer to Note 2(h) for details on 2021 restatement.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Notes	2022 $M's	Restated 2021 $M's
Current assets			
Cash and cash equivalents	12	13.9	57.1
Restricted bank accounts	12	14.7	10.5
Trade and other receivables	13	27.2	9.5
Contract fulfilment costs	7	3.6	3.0
Costs to obtain contracts	7	2.1	2.5
Total current assets		**61.5**	**82.6**
Non-current assets			
Property, plant and equipment	14	61.7	34.7
Intangible assets	16	228.4	40.6
Contract fulfilment costs	7	3.3	2.4
Costs to obtain contracts	7	1.9	1.0
Deferred tax assets	10	10.3	8.3
Total non-current assets		**305.6**	**87.0**
Total assets		**367.1**	**169.6**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
AS AT 31 MARCH 2022

	Notes	2022 $M's	Restated 2021 $M's
Current liabilities			
Borrowings	18	2.1	6.4
Trade payables and accruals	17	37.1	7.8
Payables to transport agencies	12	15.0	10.5
Contract liabilities	19	5.7	3.9
Lease liabilities	15	1.4	1.0
Employee entitlements		4.6	2.4
Total current liabilities		**65.9**	**32.0**
Non-current liabilities			
Borrowings	18	30.0	28.6
Contract liabilities	19	6.2	2.7
Lease liabilities	15	4.3	4.2
Derivative financial liabilities	20	0.2	-
Deferred tax liabilities	10	12.8	-
Total non-current liabilities		**53.5**	**35.5**
Total liabilities		**119.4**	**67.4**
Net assets		**247.7**	**102.1**
Equity			
Share capital	11	293.3	131.7
Share capital premium/discount		(6.5)	-
Reserves		(3.7)	(3.4)
Accumulated loss		(35.4)	(26.2)
Total shareholders' equity		**247.7**	**102.1**

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

Chairman, 26 May 2022

Chair of the Finance, Risk and Audit Committee, 26 May 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share Capital $M's	Share Premium/ Discount $M's	Accumulated loss $M's	Translation Reserve	Hedging Reserve $M's	Total $M's
Balance as at 1 April 2020, as previously reported		80.7	-	(26.5)	(2.9)	-	51.3
IFRS change in accounting policy, net of tax	2(h)	-	-	(3.0)	-	-	(3.0)
Restated balance as at 1 April 2020		**80.7**	**-**	**(29.5)**	**(2.9)**	**-**	**48.3**
Restated profit after tax for the period		-	-	2.5	-	-	2.5
Other comprehensive income		-	-	-	(0.5)	-	(0.5)
Total comprehensive income for the period, net of tax		**-**	**-**	**2.5**	**(0.5)**	**-**	**2.0**
Transactions with owners of the Company							
Equity settled share-based payments		-	-	0.8	-	-	0.8
Share capital issued	11	51.0	-	-	-	-	51.0
Restated balance at 31 March 2021		**131.7**	**-**	**(26.2)**	**(3.4)**	**-**	**102.1**
Balance at 1 April 2021		131.7	-	(26.2)	(3.4)	-	102.1
Loss after tax for the period		-	-	(9.6)	-	-	(9.6)
Other comprehensive income		-	-	-	(0.1)	(0.2)	(0.3)
Total comprehensive loss for the period, net of tax		**-**	**-**	**(9.6)**	**(0.1)**	**(0.2)**	**(9.9)**
Transactions with owners of the Company							
Equity settled share-based payments		1.3	-	0.4	-	-	1.7
Share capital issued	11	80.4	-	-	-	-	80.4
Share capital issued relating to business combination	11	79.9	(6.5)	-	-	-	73.4
Balance at 31 March 2022		**293.3**	**(6.5)**	**(35.4)**	**(3.5)**	**(0.2)**	**247.7**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 $M's	Restated 2021 $M's
Cash flows from operating activities			
Cash received from customers		109.4	92.3
Payments to suppliers and employees		(92.2)	(61.7)
Interest received		0.1	-
Interest paid		(2.9)	(2.5)
Tax (paid)/received		(0.1)	-
Net cash inflow from operating activities		**14.3**	**28.1**
Cash flows from investing activities			
Payments for investment in property, plant & equipment	14	(28.4)	(4.7)
Payments for investment in intangible assets	16	(24.9)	(13.1)
Payments for investment in contract fulfilment assets	7	(5.7)	(3.5)
Payments for investment in customer acquisition assets	7	(3.2)	(1.5)
Payments for investment in subsidiary, net of cash acquired	2(i)	(72.4)	-
Net cash outflow from investing activities		**(134.6)**	**(22.8)**
Cash flows from financing activities			
Receipts from bank loans	18	32.1	1.7
Repayments of bank loans	18	(35.0)	(2.5)
Payment of lease liability	15	(1.6)	(1.6)
Receipts from issue of equity		85.0	52.9
Payments for costs of raising equity		(3.4)	(2.1)
Net cash inflow from financing activities		**77.1**	**48.4**
Net (decrease)/increase in cash held		**(43.2)**	**53.7**
Cash and cash equivalents		**57.1**	**3.4**
Closing cash and cash equivalents		**13.9**	**57.1**

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

RECONCILIATION OF OPERATING CASH FLOWS WITH REPORTED PROFIT AFTER TAX
FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 $M's	Restated 2021 $M's
Reconciliation of operating cash flows with reported profit after tax			
Profit after tax for the year attributable to the shareholders		(9.6)	2.5
Add/(less) non-cash items			
Tax asset recognised		(1.1)	0.1
Depreciation and amortisation		28.2	25.3
Other non-cash expenses/(income)		1.4	(1.1)
		28.5	**24.3**
Movements in other working capital items			
Decrease/(increase) in trade and other receivables		(10.4)	2.7
Increase/(decrease) in contract liabilities		5.3	(1.6)
Increase/(decrease) in trade payables, interest payable and accruals		0.5	0.2
		(4.6)	**1.3**
Net cash from operating activities		**14.3**	**28.1**

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 and Australian Stock Exchange (ASX). The Company is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. 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.

Other than as described in note 2(h), the accounting policies below have been applied consistently to all periods presented in these financial statements.

NOTE 2 BASIS OF ACCOUNTING

(a) Basis of preparation

The financial statements 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 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 financial statements also comply with International Financial Reporting Standards.

(b) Changes in accounting policies

During the year, the Group revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below. Comparative financial information has been restated to account for the impact of the change – refer note 2(h).

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

(c) Going concern

As at balance the Group's current liabilities exceeded its current assets by $4.4 million, however adjusting for contract assets and liabilities and non-cash contingent consideration the Group had net current assets of $1.0 million. 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 2022 of $13.9M and bank borrowing facility of $90M of which $57.3M was undrawn as at 31 March 2022 after including borrowing costs of $0.6M. This provides sufficient level of headroom to help support the business for at least the next 12 months from the date of issuance of these financial statements;
- The Future Contracted Income of $190.2M provides certainty of forecast revenue;
- 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 ($) which is the Group's presentation currency, and all values are rounded to million dollars to one decimal place ($M's) except where stated. 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"). The functional currency of EROAD Limited is New Zealand dollars.

NOTE 2 BASIS OF ACCOUNTING *(CONTINUED)*

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after a 1 April 2022.

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.

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 :

- 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)
- Fair values of assets and liabilities acquired (refer to Note 2(i))
- Capitalisation 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. Lockdowns continued in these markets during the year, and while some restrictions have eased in each of the markets they have yet to return to the level of economic trading conditions prevalent prior to the COVID-19 crisis. Following the lockdowns being initiated in 2020, EROAD was designated an essential service in each of its three markets and remained operational under its communicable illness business continuity plan. EROAD continues to be considered an essential service in the current period. 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. Like most businesses we are unsure about the flow on implications of the pandemic in future periods.

Doubtful debts - COVID-19 Provisions

To ensure EROAD has recorded sufficient credit loss provisions to account for the estimated financial impact of any future defaults EROAD has performed an assessment of estimated credit losses not yet identified but driven by the increase in credit default risk for its customers. The assessment considered the following aspects:

- the risk level associated with the industry the customer is operating in, including whether this is an essential service;
- historical loss rates for each risk category; and
- macro economic conditions in the relevant market including COVID-19 responses and lock-down activity.

NOTE 2 BASIS OF ACCOUNTING *(CONTINUED)*

(h) Retrospective restatement

As disclosed in note (b), the Group revised its accounting policy in relation to SaaS arrangements during the year resulting from the implementation of agenda decisions issued by the IFRIC. Comparative financial information has been restated to account for the impact of the change in accounting policy, as follows:

The flow on impact on these transactions to the March 21 financials plus further movements is as follows:

	31 March 2020 previously reported	Adjustments	Restated	31 March 2021 previously reported	Adjustments	Restated
	$M's	$M's	$M's	$M's	$M's	$M's
Statement of financial position						
Trade and other receivables - Prepayments	10.7	1.7	12.4	8.2	1.3	9.5
Total current assets	**34.0**	**1.7**	**35.7**	**81.3**	**1.3**	**82.6**
Intangible assets	42.1	(5.8)	36.3	45.3	(4.7)	40.6
Deferred tax asset	7.5	1.1	8.6	7.3	1.0	8.3
Total non-current assets	**91.8**	**(4.7)**	**87.1**	**90.7**	**(3.7)**	**87.0**
Total assets	**125.8**	**(3.0)**	**122.8**	**172.0**	**(2.4)**	**169.6**
Net assets	**51.3**	**(3.0)**	**48.3**	**104.6**	**(2.5)**	**102.1**
Retained earnings	(26.5)	(3.0)	(29.5)	(23.7)	(2.5)	(26.2)
Total equity	**51.3**	**(3.0)**	**48.3**	**104.6**	**(2.5)**	**102.1**

	2021	2021	2021
	$M's	$M's	$M's
Statement of comprehensive income			
Operating expenses	(60.9)	(0.3)	(61.2)
Amortisation of intangible assets	(9.9)	1.0	(8.9)
Profit before tax	1.9	0.7	2.6
Income tax benefit	0.1	(0.2)	(0.1)
Profit after tax for the period attributable to the shareholders	**2.0**	**0.5**	**2.5**

No impact on statement of cash flows as relates to asset changes in the 1 April 2020 opening balance sheet.

(i) Acquisition of subsidiary

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

On 1 December 2021, the Group acquired 100% of the shares and voting interests in Coretex Limited, a telematics vertical specialist provider delivering enterprise grade solutions.

The acquisition is expected to accelerate EROAD's key growth metrics enabling it to access the significant growth opportunity in North America and Australia (particularly with respect to Coretex's focus on the Enterprise customer base). It also accelerates growth by adding new strategic vertical markets, broadening product market fit and customer base and positions EROAD to become a bigger player in the global telematics market.

For the four months ended 31 March 2022, Coretex contributed revenue of $13.9 million and loss before tax of $2.7 million to the Group's results. If the acquisition had occurred on 1 April 2021, management estimates that Coretex's consolidated revenue would have been $41.7 million and consolidated loss before tax for the year would have been $8.1 million. In determining these amounts management has assumed that the fair value adjustments that arose on date of acquisition would have been the same if the acquisition had occurred on 1 April 2021.

NOTE 2 BASIS OF ACCOUNTING *(CONTINUED)*

Consideration transferred

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

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The consideration for the acquisition of all of the shares of Coretex Limited, was comprised of cash, shares in EROAD Limited and a contingent amount of both cash and shares. The acquisition date fair value of the total consideration transferred was $167.3 million made up of:

Cash	$74.4 million
Equity instruments (13,317,000 ordinary shares)	$66.5 million
Contingent consideration	$26.4 million
Total consideration paid or payable	**$167.3 million**

i. Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 30 November 2021 of $4.99 per share.

ii. Contingent consideration

The Group has agreed to pay the selling shareholders in 12 months from transaction completion additional consideration of $14.5 million in cash and a maximum of 2,683,000 of ordinary shares based on the satisfaction of customer retention and platform suitability performance criteria.

Assuming all criteria are met, the maximum contingent consideration payable is $14.5 million in cash and 2,683,000 shares.

The Group has included $26.4 million as contingent consideration, which represents its fair value at the date of acquisition. At 31 March 2022, the contingent consideration had decreased by $0.9 million due to remeasurement. The fair value of contingent consideration at the balance date includes $12.4 million that will be settled in shares, of which $7.0 million has been recognised as equity within Share Premium/Discount reserve as the number of shares that will be issued is fixed depending on the achievement of certain platform suitability targets, and $5.4 million has been recognised as a liability within Trade Payables and accruals as the number of shares that will be issued is variable based on the outcome of customer retention performance targets.

Acquisition related costs

The Group incurred acquisition-related costs of $3.6 million on legal fees and due diligence costs. These costs have been included in 'operating expenses'.

Identifiable assets acquired and liabilities assumed

The following table summarises the fair values of assets acquired and liabilities assumed at the date of acquisition (using foreign exchange rates on the acquisition date):

	$M's
Property, plant and equipment	9.2
Intangible assets	69.2
Deferred tax assets	4.3
Cash and cash equivalents	2.0
Trade and other receivables	7.3
Trade payables and accruals	(9.6)
Employment liabilities	(2.7)
Lease liability	(1.3)
Deferred tax liabilities	(16.2)
Total identifiable net assets acquired	**62.2**

NOTE 2 BASIS OF ACCOUNTING *(CONTINUED)*

i. Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation technique
Intangible assets	**Customer relationships: The multi-period excess earnings method** The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets. **Brand: Relief from royalty method** The basic principle of the relief from royalty method is that without ownership of the subject intangible asset, the user of that intangible asset would have to make a stream of payments to the owner of the asset in return for the rights to use that asset. By acquiring the intangible asset, the user avoids these payments. **Technology: The cost approach** The cost approach is based on the premise that a prudent investor would pay no more for an intangible asset than its replacement or reproduction cost. The cost to replace the intangible asset would include the cost of constructing a similar intangible asset of equivalent utility at prices applicable at the time of the valuation analysis. This estimate may then be adjusted by losses in value attributable to obsolescence (physical, functional and/or economic).
Trade receivables	Trade receivables comprise gross contractual amounts due of $7.4 million of which $2.3 million was expected to be uncollectible at the date of acquisition.

Fair values measured on a provisional basis

The following amounts have been measured on a provisional basis:

- Income tax payable related to North America pending completion of independent advisor's review of the tax rate to be applied as well as the required adjustments for differences between accounting and tax.
- Deferred tax liability related to North America intangible assets pending completion of independent advisor's review of the tax rate to be applied.

A rate of 21%, which is equal to the Federal tax rate in the US has been applied in determining provisional tax values in North America. An adjustment may be required to account for the various State taxes. The determination of a State tax rate is complex as each State in the US has its own rates and various components to which it calculates its tax base. The State tax rates vary from 0% to 12%. Given the Coretex business operations cross many States, the percentage to apply will depend on how much business operations is taxable in each State. We will continue to work with our advisers to determine what the appropriate adjustment to the percentage is to account for these State taxes at acquisition date. The likely impact is a decrease to the net assets on acquisition and an increase to the resulting goodwill for North America. There will likely be a flow on impact into the deferred tax balances of the Group when this adjustment is made.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$M's
Consideration transferred	167.3
Fair value of identifiable net assets	62.2
Goodwill	**105.1**

The goodwill is mainly attributable to growth from new customers, the skills and experience of Coretex's workforce and the synergies expected to be achieved from integrating the company into the Group's business. None of the goodwill recognised is expected to be deductible for tax purposes.

NOTE 3 REVENUE

	2022 $M's	2021 $M's
Revenue from contracts with customers		
Software as a Service (SaaS) revenue	104.1	85.0
Hardware revenue	2.5	-
Other		
Transaction fee revenue	3.0	2.6
Grant income	1.3	2.6
Other income	4.0	1.4
Total Revenues	**114.9**	**91.6**

Set out above is the disaggregation of the Group's revenue. 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, training and support services and provision of software services. Hardware Revenue represents revenue earned from sale of hardware with no software as a service term. Transaction fee revenue relates to the collection of Road User Charges (RUC) fees.

Hardware only revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the specified location. A receivable is recognised by the Group when the goods are delivered as this represents point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

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.

	2022 $M's	2021 $M's
Software as a Service (SaaS) revenue		
No later than one year	83.6	72.3
Later than one year no later than five years	106.6	69.6
Total price allocated to remaining performance obligations	**190.2**	**141.9**

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, Corehub/THU1500) 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 to reflect the fulfilment of the performance obligations as they arise. 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.

Hardware revenue with no contractual term for Saas is recognised when control of the goods has transferred, being when the goods have been shipped to the specified location. A receivable is recognised by the Group when the goods are delivered as this represents point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

NOTE 3 REVENUE *(CONTINUED)*

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. As at 31 March 2022 no Covid-19 related grants were received (31 March 2021 $1.6million).

NOTE 4 EXPENSES

	Notes	2022 $M's	Restated 2021 $M's
Personnel expenses - net of capitalised employee remuneration	6	45.2	29.7
Administrative and other operating expenses		24.3	20.7
SaaS platform costs		15.3	9.8
Directors fees		0.5	0.4
Acquisition-related expenses		3.6	-
Integration-related expenses		4.0	-
Auditor's remuneration - KPMG		0.6	0.3
Other assurance services - KPMG		0.1	0.1
Tax compliance and advisory services - KPMG		0.3	0.2
Total operating expenses		**93.9**	**61.2**

Other assurance services include half year and Callaghan Grant reviews and NZTA reasonable assurance.
During the year the costs expensed for Research and Development (including integration) was $8.0M (2021: $8.2M).

The integration related expenses include internal staff time.

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

These segments remain the same following the acquisition of the Coretex Group.

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

NOTE 5 SEGMENTAL NOTE *(CONTINUED)*

Reportable segment information

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

	Corporate & Development		North America		New Zealand		Australia	
	2022 $M's	Restated 2021 $M's	2022 $M's	2021 $M's	2022 $M's	2021 $M's	2022 $M's	2021 $M's
Revenue								
Software as a Service (SaaS) revenue	0.3	0.3	35.0	27.2	65.3	56.5	3.5	1.1
Hardware Revenue	-	-	2.4	-	-	-	0.1	-
Transaction fee revenue	-	-	-	-	3.0	2.6	-	-
Other revenue [1]	32.1	24.8	2.9	3.4	1.5	0.7	0.3	0.3
	32.4	**25.1**	**40.3**	**30.6**	**69.8**	**59.8**	**3.9**	**1.4**
Earnings before interest, taxation, depreciation & amortisation	(33.9)	(17.8)	9.4	10.0	45.2	38.8	0.1	(0.9)
Total assets	256.9	101.5	80.8	27.1	64.8	39.7	13.3	3.0
Depreciation of property, plant & equipment	(1.5)	(1.1)	(3.8)	(4.7)	(5.2)	(4.8)	(0.3)	(0.1)
Amortisation of intangible assets	(8.8)	(8.9)	(1.7)	-	(0.3)	-	(0.2)	-
Amortisation of contract and customer acquisition assets	-	-	(1.5)	(1.8)	(5.0)	(4.9)	(0.3)	(0.1)

[1] Revenue from Corporate & Development Markets includes R&D Grant Income of $1.3M (2021: $2.6M).

Reconciliation of information on reportable segments

	2022 $M's	Restated 2021 $M's
Revenue		
Total revenue for reportable segments	146.4	116.9
Elimination of inter-segment revenue	(31.5)	(25.3)
Consolidated revenue	**114.9**	**91.6**
EBITDA		
Total EBITDA for reportable segments	20.8	30.1
Elimination of inter-segment EBITDA	0.2	0.3
Consolidated EBITDA	**21.0**	**30.4**
Depreciation		
Total depreciation for reportable segments	(10.8)	(10.7)
Elimination of inter-segment depreciation	0.4	1.1
Consolidated depreciation	**(10.4)**	**(9.6)**
Total assets		
Total assets for reportable segments	415.8	171.3
Elimination of inter-segment balances	(48.7)	(1.7)
Consolidated total assets	**367.1**	**169.6**

NOTE 5 SEGMENTAL NOTE *(CONTINUED)*

Allocation of goodwill and other intangible assets

Included within Total Assets are Development Assets of $88.3M (2021: $36.9m) 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. The Group's cash generating units (CGUs) are North America, New Zealand and Australia. For impairment testing purposes management allocate the Development Assets to the CGU 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.

Also included in the total assets is the intangible assets acquired through the acquisition of the Coretex subsidiaries and resulting goodwill. The allocation of these to cash-generating units has been done based on valuation expert advice.

The allocation of the Development Assets, goodwill and other intangibles to CGU's within the following reportable segments for the purpose of impairment testing was as follows:

	2022			
	Development Assets	**Goodwill**	**Brand**	**Customer relationships**
	$M's	$M's		
North America	43.3	85.8	3.1	21.9
New Zealand	39.8	5.7	-	4.9
Australia	5.2	13.6	-	1.2
	88.3	**105.1**	**3.1**	**28.0**

	2021			
	Development Assets	**Goodwill**	**Brand**	**Customer relationships**
	$M's	$M's		
North America	13.9	-	-	-
New Zealand	21.6	-	-	-
Australia	1.4	-	-	-
	36.9	**-**	**-**	**-**

Geographic information

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

	2022	Restated 2021
	$M's	$M's
Revenue		
New Zealand	72.1	61.2
All foreign countries:		
USA	39.0	29.3
Australia	3.8	1.1
Total revenue	**114.9**	**91.6**
Non-current assets		
New Zealand	206.5	65.2
All foreign countries:		
USA	76.9	12.5
Australia	11.9	1.0
Total non-current assets	**295.3**	**78.7**

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

NOTE 6 PERSONNEL EXPENSES

	2022	2021
	$M's	$M's
Salaries and wages - excluding capitalised commission costs	53.7	34.8
Annual leave	0.8	0.6
Performance bonus	0.8	1.1
Share-based payments	2.0	0.9
Salaries and wages capitalised to development and software assets	(12.1)	(7.7)
	45.2	**29.7**

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. Customers who do not sign up to a term have contract fulfilment costs expensed up-front.

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. Customers who do not sign up to a term have contract acquisition costs expensed up-front.

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

	CONTRACT FULFILMENT		COSTS TO OBTAIN CONTRACTS	
	2022	2021	2022	2021
	$M's	$M's	$M's	$M's
Opening net book value	5.4	5.9	3.5	4.8
Additions	5.7	3.4	3.1	1.6
Amortisation	(4.2)	(3.9)	(2.6)	(2.9)
Closing Net book value	**6.9**	**5.4**	**4.0**	**3.5**
Current	3.6	3.0	2.1	2.5
Non-current	3.3	2.4	1.9	1.0

NOTE 8 FINANCE INCOME & FINANCE EXPENSES

	2022 $M's	2021 $M's
Finance income		
Interest income	0.1	-
Foreign exchange gains	-	0.2
	0.1	**0.2**
Finance expenses		
Interest expense	(2.4)	(2.2)
Interest expense - lease liabilities	(0.3)	(0.3)
Interest expense - contract liabilities	(0.2)	(0.2)
Change of fair value of contingent consideration	(0.4)	-
	(3.3)	**(2.7)**
Net financing costs	**(3.2)**	**(2.5)**

NOTE 9 INCOME TAX EXPENSE

	2022 $M's	Restated 2021 $M's
(a) Reconciliation of effective tax rate		
(Loss)/ Profit before income tax	**(10.4)**	**2.6**
Income tax using the Company's domestic tax rate of 28%	2.9	(0.3)
Non-deductible expense	(2.3)	-
Adjustment related to prior period	(0.5)	0.3
Utilisation of tax losses previously unrecognised	1.3	-
Current-year losses for which no deferred tax asset is recognised	(0.5)	-
Effect of different tax rates of subssidiaries operating overseas	-	(0.1)
Income tax expense	**0.9**	**(0.1)**
(b) Current tax expense		
Current year	-	-
	-	**-**
(c) Deferred tax expense		
Current year	1.4	0.1
Adjustments related to prior period	(0.5)	-
	0.9	**0.1**

At 31 March 2022 there were no imputation credits available to shareholders (2021: 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.

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.

NOTE 9 INCOME TAX EXPENSE *(CONTINUED)*

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)

	2022	Restated 2021
	$M's	$M's
Recognised deferred tax assets/(liabilities)		
Deferred tax assets are attributable to the following:		
Tax loss carry forward	13.0	11.5
Property, plant and equipment	(3.9)	0.6
Intangibles	(21.1)	(5.9)
Provisions, accruals and other liabilities	1.7	1.1
Equity-settled share-based payments	0.7	0.4
Trade and other receivables, including contract assets	5.5	(0.7)
Lease liability	1.6	1.3
Total deferred tax (liability)/asset	**(2.5)**	**8.3**

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:

	Balance 2022	Recognised in Profit or Loss	Under/ (Over) from Prior Periods	Acquired in Business combinations	Currency Translation	Restated Balance 2021
	$M's	$M's	$M's	$M's	$M's	$M's
Tax loss carry forward	13.0	(2.0)	(0.2)	3.7	-	11.5
Property, plant and equipment	(3.9)	(0.2)	(4.0)	(0.3)	-	0.6
Intangibles	(21.1)	0.5	-	(15.8)	0.1	(5.9)
Provisions, accruals and other liabilities	1.7	1.0	(0.6)	0.3	(0.1)	1.1
Equity-settled share-based payments	0.7	0.3	-	-	-	0.4
Trade and other receivables including contract assets	5.5	2.0	4.2	-	-	(0.7)
Lease liability	1.6	(0.2)	0.1	0.3	0.1	1.3
Total	**(2.5)**	**1.4**	**(0.5)**	**(11.8)**	**0.1**	**8.3**

During the year an exercise was performed to align prior period adjustments to the correct deferred tax categories, to ensure consistency with the balance sheet/nature of the deferred tax balances.

The New Zealand EROAD 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. Coretex New Zealand Limited are currently not part of the tax group however it will be considered for inclusion in the New Zealand tax group in the future.

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

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.

The results of the forecasting indicate that there will be sufficient profitability within the New Zealand tax group and Coretex New Zealand to utilise the existing tax losses. Losses incurred in recent years have been the result of a large investment creating the North American market. 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.

As at 31 March 2022 the Group has tax losses of $67.5M (2021: $48.7M) that are available indefinitely for offsetting against future taxable profits of the entity in which they arose, subject to meeting the relevant tax rules. $24.3M (2021:11.2M) of tax losses are unrecognised due to lack of certainty of recovery.

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.

	Notes	Number of Ordinary Shares	Issue Price $	Issued Capital $
AT 31 MARCH 2021		**81,896,340**	**-**	**131.7**
Shares issued to employees		-	-	1.3
Shares issued in August 2021 equity placement		15,125,447	$5.54	83.8
Costs of raising capital		-	-	(3.4)
Shares issued in November 2021 relating to business combination	2(i)	13,317,000	$6.00	79.9
At 31 March 2022		**110,338,787**		**293.3**

On 4 August 2021 EROAD issued addtional 15,125,447 shares at a price of $5.54 each. On 30 November EROAD issued additional 13,317,000 shares at a price of $6.00 each.

At 31 March 2022 there was 110,338,787 authorised and issued ordinary shares (31 March 2021: 81,896,340). 417,306 (31 March 2021: 732,741) 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 2022 was based on the loss attributable to ordinary shareholders of $9.6M (2021: profit of $2.5M). The weighted number of ordinary shares on 31 March 2022 was 95,572,631 (2021: 74,366,384) for basic earnings per share and 96,462,064 for diluted earnings per share (2021: 74,366,384).

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.*
- *Hedging reserve - the hedging reserve is used to record gains or losses on instruments used as cash flow hedges. The amounts are recognised in profit and loss when the hedged transaction affects profit and loss.*
- *Retained earnings - includes all current and prior period retained profits and share-based employee remuneration.*
- *Share Premium/Discount - this account is for the difference between the issued par share price and the trading share price (or fair value share price) on date of issue and includes contigent consideration portion classified as equity related to the acquisition of Coretex.*

NOTE 12 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PAYABLES TO TRANSPORT AGENCIES

	2022	2021
	$M's	$M's
Cash and cash equivalents	13.9	57.1
Restricted bank accounts	14.7	10.5
	28.6	**67.6**

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.

Payables to transport agencies	(15.0)	(10.5)

NOTE 13 TRADE AND OTHER RECEIVABLES

	2022	Restated 2021
	$M's	$M's
Trade receivables	19.4	8.0
Expected credit losses	(3.2)	(2.6)
	16.2	**5.4**
Prepayments and other receivables	11.0	4.1
	27.2	**9.5**

In addition to the movement in the expected credit losses, the Group has written off $0.8M (2021: $0.9M) of bad debts to the statement of comprehensive income.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Due to the short term nature of these debtors, their carrying value is assumed to approximate fair value.

(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. To measure the expected credit losses, trade receivables have been grouped based on customer industry risk characteristics and the days past due. The expected loss rates are based on recent payment profiles, historical customer behaviour, age of debt and individual customer circumstances.

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

	Gross	Allowance for Doubtful Debts	Gross	Allowance for Doubtful Debts
	2022	2022	2021	2021
	$M's	$M's	$M's	$M's
Not past due	8.0	0.1	3.1	0.2
Past due 1-30 days	5.5	0.1	2.3	0.4
Past due 31-60 days	1.0	0.1	0.5	0.2
Past due over 61 days	4.9	2.9	2.1	1.8
	19.4	**3.2**	**8.0**	**2.6**

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

	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 2022								
Opening net book amount	4.1	28.0	0.2	1.3	0.4	0.3	0.4	34.7
Acquisition through business combinations - Note 2(i)	1.3	7.5	-	0.2	-	0.1	0.1	9.2
Additions	0.4	24.1	-	-	-	0.3	0.8	25.6
Disposals	-	-	-	-	(0.1)	-	-	(0.1)
Depreciation charge	(1.3)	(8.1)	(0.1)	(0.3)	(0.1)	(0.1)	(0.4)	(10.4)
Depreciation recovered	-	3.3	-	-	0.1	-	-	3.4
Effect of movement in exchange rates	-	(0.7)	-	-	-	-	-	(0.7)
Closing net book amount	**4.5**	**54.1**	**0.1**	**1.2**	**0.3**	**0.6**	**0.9**	**61.7**
Cost	8.5	76.3	0.7	2.9	1.1	1.8	4.3	95.6
Accumulated depreciation	(4.0)	(22.2)	(0.6)	(1.7)	(0.8)	(1.2)	(3.4)	(33.9)
Net book amount	**4.5**	**54.1**	**0.1**	**1.2**	**0.3**	**0.6**	**0.9**	**61.7**

	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 2021								
Opening net book amount	5.1	29.5	0.2	1.7	0.3	0.3	0.3	37.4
Additions	-	4.4	-	-	0.2	0.2	0.3	5.1
Depreciation charge	(0.9)	(7.8)	-	(0.4)	(0.1)	(0.2)	(0.2)	(9.6)
Depreciation recovered	-	2.1	-	-	-	-	-	2.1
Effect of movement in exchange rates	(0.1)	(0.2)	-	-	-	-	-	(0.3)
Closing net book amount	**4.1**	**28.0**	**0.2**	**1.3**	**0.4**	**0.3**	**0.4**	**34.7**
Cost	6.8	51.3	0.7	2.9	1.3	1.4	3.4	67.8
Accumulated depreciation	(2.7)	(23.3)	(0.5)	(1.6)	(0.9)	(1.1)	(3.0)	(33.1)
Net book amount	**4.1**	**28.0**	**0.2**	**1.3**	**0.4**	**0.3**	**0.4**	**34.7**

Included in the Hardware Assets is equipment under construction to be leased of $15.1M (2021: $6.8M).

During the year the Group undertook a review of fully depreciated fixed assets, resulting in a reduction of cost and accumulated depreciation by $6.6m.

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.

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.

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.

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

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 5 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. Consideration was given to how long assets can be deployed and any expected network changes. Leasehold improvements are depreciated over the contracted lease term.

NOTE 15 LEASES AS A LESSEE

Lease Liabilities

	2022 $M's	2021 $M's
Maturity analysis - contractual undiscounted cash flows		
Less than one year	2.1	1.3
One to five years	3.8	4.2
More than five years	-	0.8
Total undiscounted lease liabilities	**5.9**	**6.3**
Lease liabilities included in the statement of financial position	**5.7**	**5.2**
Current	1.4	1.0
Non-current	4.3	4.2

Amounts recognised in Statement of Comprehensive Income

	2022 $M's	2021 $M's
Interest expense on lease liabilities	0.3	0.3
Depreciation on right of use assets	1.1	0.9

Amounts recognised in Statement of Cash Flows

	2022 $M's	2021 $M's
Total cash outflow for leases	**(1.6)**	**(1.6)**

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 priced under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future

NOTE 15 LEASES AS A LESSEE *(CONTINUED)*

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.

NOTE 16 INTANGIBLE ASSETS

	Notes	Development $M's	Software $M's	Goodwill $M's	Brand $M's	Customer Relationships $M's	Total $M's
YEAR ENDED 31 MARCH 2022							
Opening net book amount		36.9	3.7	-	-	-	40.6
Business combination acquisition	2(i)	37.2	-	105.1	3.3	28.7	174.3
Additions		23.7	1.2	-	-	-	24.9
Disposals		-	(0.1)	-	-	-	(0.1)
Effect of movement in foreign exchange rate		(0.2)	-	-	-	(0.1)	(0.3)
Amortisation charge		(9.3)	(0.9)	-	(0.2)	(0.6)	(11.0)
Closing net book amount		**88.3**	**3.9**	**105.1**	**3.1**	**28.0**	**228.4**
Cost		128.9	9.5	105.1	3.3	28.6	275.4
Accumulated amortisation		(40.6)	(5.6)	-	(0.2)	(0.6)	(47.0)
Net book amount		**88.3**	**3.9**	**105.1**	**3.1**	**28.0**	**228.4**

	Development $M's	Software $M's	Goodwill $M's	Brand $M's	Customer relationships $M's	Total $M's
YEAR ENDED 31 MARCH 2021						
Opening net book amount	32.7	9.4	-	-	-	42.1
Cloud adjustments	-	(5.7)	-	-	-	(5.7)
Restated opening net book amount	**32.7**	**3.7**	-	-	-	**36.4**
Additions	12.2	0.9	-	-	-	13.1
Disposals	-	-	-	-	-	-
Restated amortisation charge	(8.0)	(0.9)	-	-	-	(8.9)
Restated closing net book amount	**36.9**	**3.7**	**-**	**-**	**-**	**40.6**
Cost	68.2	8.5	-	-	-	76.7
Accumulated amortisation	(31.3)	(4.8)	-	-	-	(36.1)
Restated net book amount	**36.9**	**3.7**	**-**	**-**	**-**	**40.6**

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 dispose of the assets and its 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).

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

NOTE 16 INTANGIBLE ASSETS *(CONTINUED)*

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. There is judgement involved in relation to whether a project meets the capitalisation criteria, and whether the expenditure can be directly attributable to the respective project.

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

Other intangible assets

Other intangible assets, including customer relationships, brand, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

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

Amortisation

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

Patents	10 to 20 years
Development Hardware & Platform	7 to 15 years
Development Products	5 to 10 years
Software	5 to 7 years
Customer relationships	15 years
Brand	5 years

Impairment testing of goodwill

The acquisition of Coretex during the financial year, meant goodwill was recognised for the excess between the fair value consideration paid and the fair value of the net assets acquired. This goodwill was then allocated to the cash generating units of the business with the assistance of external specialists. When goodwill is acquired in a business combination, under the accounting standards, NZ IAS 36 requires an impairment test to be completed annually (for cash-generating units in which goodwill has been allocated) irrespective of whether there is any indication of impairment. Refer to note 5 for the allocation of goodwill to cash generating units (CGUs).

To complete the annual impairment testing management assessed the recoverable amount of each of the cash-generating units ('CGU') of which goodwill has been allocated by reference to its value in use determined using a discounted cash flows model. The recoverable amounts of the CGU's were estimated based on the following significant assumptions:

- Compound annual growth rate in connected units between 2023 and 2025 of 5% to 20% and 1.5% to 12.8% in 2026 to 2027 reflecting past experience and forecast performance of the Group following the acquisition of Coretex
- Compound annual growth rate in Average Revenue per Unit (ARPU) between 2023 and 2025 of 1.3% to 8.3% and no growth in 2026 to 2027
- Post-tax discount rate of 11.0%
- Terminal growth rate of 1.5% applied to 2027 and thereafter

A sensitivity analysis was undertaken which concluded that the results are not particularly sensitive to changes in the underlying assumptions. The Group concluded that the recoverable amount of each of the CGU's were higher than their respective carrying values and therefore no impairment was considered necessary at 31 March 2022.

NOTE 17 TRADE PAYABLES AND ACCRUALS

	2022	2021
	$M's	$M's
Trade creditors	11.6	4.2
Sundry accruals	7.0	3.6
Contingent consideration liability	18.5	-
	37.1	**7.8**

NOTE 18 BORROWINGS

	2022 $M's	2021 $M's
Current borrowings		
Term loans	-	5.0
Revolving Credit Facility	0.7	-
Capex facility	2.0	2.0
Capitalised borrowing costs	(0.6)	(0.6)
	2.1	**6.4**
Non-current borrowings		
Term loans	30.0	28.6
	30.0	**28.6**

Terms and debt repayment schedule

	Nominal Interest	Year of Maturity	2022 Face Value $M's	2022 Carrying Amount $M's	2021 Face Value $M's	2021 Carrying Amount $M's
Term loans	4.12%	2025	30.0	30.0	33.6	33.6
Capex facility	4.12%	2025	2.0	2.0	2.0	2.0
Revolving credit facility	4.12%	2025	0.7	0.7	-	-
Capitalised borrowing costs	-	2025	-	(0.6)	-	(0.6)
			32.7	**32.1**	**35.6**	**35.0**

Current financial year

The Group has a syndicated debt facility with the Bank of New Zealand (BNZ) and the Australia and New Zealand Banking Group (ANZ). At 31 March 2022, EROAD had the following facilities in place:

$30.0M (NZD) Term Loan Facility A – to refinance existing debt. The Term Loan has a term of 36 months from the March 2022 refinance date, with the facility having a maturity date in March 2025. The interest rate is variable with reference to a base rate (BKBM bid rate) for the selected interest period plus a margin of 2.95%. EROAD may select an interest period of 1,2,3 or 6 months. This is an interest only term facility with full repayment on the termination date.

$55.0M (NZD) Revolving Credit Facility B – used to refinance existing debt and general corporate purposes. The Revolving Credit Facility has a term of 36 months from the March 2022 refinance date with a periodic roll over feature at the end of each interest period (90 days) that is subject to continued compliance with the terms of the loan agreement, with the facility having a maturity date in March 2025. Funds may be drawn in NZ Dollars, AU Dollars, or US Dollars. The interest rate is variable with reference to the base rate (BKBM bid rate for NZ Dollar drawings, BBSY bid rate for AU Dollar drawings, and US Federal Open Market Committee short-term interest rate target for US Dollar drawings) for the selected interest period plus a margin of 1.5%. EROAD may select an interest period of 1,2,3 or 6 months. In addition, a Commitment Fee of 1.45% per annum is payable on the committed balance of the facility quarterly in arrears. The full outstanding balance is payable on the termination date.

$5.0M Capex Facility– for general working capital purposes. This is an on demand facility with the interest rate to be agreed between the lender and borrower at the time of borrowing plus a margin of 1.5%. In addition, a Commitment Fee of 1.45% per annum is payable on the committed balance of the facility quarterly in arrears. The full outstanding balance is payable on the termination date.

EROAD's operating covenants to support the above facilities include Interest Cover Ratio, Leverage Ratio and Obligor Assets to Group Assets. EROAD was compliant with all covenants during the period and at 31 March 2022.

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

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.

	2022	2021
	$M's	$M's
Opening balance	6.6	8.2
Amounts deferred during the period	10.4	4.1
Amount recognised in the statement of comprehensive income	(5.1)	(5.7)
	11.9	**6.6**
Current	5.7	3.9
Non-current	6.2	2.7

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. The principles under which these risks are managed are set out in policy documents approved by the Board. The policy documents identify the risks and set out the Group's objectives, policies and processes to measure, manage and report the risks. The policies are reviewed periodically to reflect changes in financial markets and the Group's businesses.

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.

Last year, the Group entered into interest rate swaps. These swaps were entered into in order for the Group to manage its risk associated with interest rate fluctuations. The interest rate swaps qualify for cash flow hedge accounting.

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.

Financial liabilities

Under the interest rate swap agreements the Group has a right to receive interest at variable rates and to pay interest at fixed rates for its New Zealand dollar denominated loans. Interest rate swaps are initially recognised at fair value on the date a contract is entered into and are subsequently measured at fair value on each reporting date. The fair values of the interest rate swaps are determined based on cash flows discounted to present value using current market interest rates.

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of liabilities the effective part of any gain or loss is recognised directly in the cash flow hedge reserve within equity and the ineffective part is recognised immediately in the income statement. The effective portion is reclassified to the income statement when the underlying cash flows affect the income statement.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional amounts.

In these hedging relationships, the main sources of ineffectiveness are:

- changes in counterparty credit risk and cross currency basis spreads which are not reflected in the change in the fair value of the hedged item; and
- differences in repricing dates between the cross currency interest rate swaps and the borrowings.

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

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.

The Group holds the following financial assets and liabilities, the table below shows their carrying amount and measurement basis.

	2022				2021			
	Amortised Cost $M's	**Other amortised cost** $M's	**FVTPL**	**Fair Value -hedging instruments**	**Amortised Cost** $M's	**Other amortised cost** $M's	**FVTPL**	**Fair Value -hedging instruments**
Financial assets								
Cash and cash equivalents	13.9	-	-	-	57.1	-	-	-
Restricted bank account	14.7	-	-	-	10.5	-	-	-
Trade receivables	19.4	-	-	-	8.0	-	-	-
	48.0	**-**	**-**	**-**	**75.6**	**-**	**-**	**-**
Financial liabilities								
Borrowings	-	32.1	-	-	-	35.0	-	-
Employee entitlements	-	4.6	-	-	-	2.3	-	-
Lease liabilities	-	5.7	-	-	-	5.2	-	-
Trade and other payables	-	18.6	-	-	-	7.8	-	-
Payables to transport agencies	-	15.0	-	-	-	10.5	-	-
Interest rate swaps - cash flow hedge	-	-	-	0.2	-	-	-	-
Contingent consideration liability	-	-	18.5	-	-	-	-	-
	-	**76.0**	**18.5**	**0.2**	**-**	**60.8**	**-**	**-**

The Group's financial assets and liabilities are disclosed in sections (b), (c) and (e) below.

(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.

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

(b) Liquidity risk

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

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

Maturities of financial liabilities

The following table details the Group's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, as at the reporting date. Refer to Note 18 for the maturity profile of the Group's borrowings.

	1 year or less	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
2022					
Non-derivative financial liabilities					
Borrowings	2.7	30.0	-	32.7	32.7
Employee entitlements	4.6	-	-	4.6	4.6
Trade and other payables	37.1	-	-	37.1	37.1
Payable to transport agencies	15.0	-	-	15.0	15.0
	59.4	**30.0**	**-**	**89.4**	**89.4**

	1 year or less	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
2022					
Derivative financial liabilities					
Interest rate swaps	0.2	-	-	-	-
	0.2	**-**	**-**	**-**	**-**

	1 year or less	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
2021					
Non-derivative financial liabilities					
Borrowings	8.8	30.4	-	39.2	35.6
Employee entitlements	2.3	-	-	2.3	2.3
Trade and other payables	7.8	-	-	7.8	7.8
Payable to transport agencies	10.5	-	-	10.5	10.5
	29.4	**30.4**	**-**	**59.8**	**56.2**

	1 year or less	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
2021					
Derivative financial liabilities					
Interest rate swaps	-	-	-	-	-
	-	**-**	**-**	**-**	**-**

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

The Group entered into an interest rate swap agreement as at 31 March 2021. Due to the inception date being the same as year end date in the prior period the carrying amount of the derivative was nil at 31 March 2021. The swap has a maturity date of March 2023 to align with the Group's borrowing 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.

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

	2022 $M's	2021 $M's
AUD 1	0.93	0.92
USD 1	0.69	0.70

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

	AUD $M's	USD $M's
2022		
Cash and cash equivalents	0.7	5.8
Trade receivables	1.3	10.3
Lease liabilities	-	0.5

	AUD $M's	USD $M's
2021		
Cash and cash equivalents	0.1	12.1
Trade receivables	0.2	2.2
Lease liabilities	-	0.4

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Interest rate risk

At 31 March 2022, the Group had interest rate swap agreements in place with a total notional principal amount of $10.0M. The Group applies a hedge ratio of 1:1. These agreements effectively change the Group's interest exposure on the principal covered by the interest rate swaps from a floating rate to fixed rates. The maturity of the interest rate swap is 12 months and has a weighted average interest rate of 0.55%.

	Nominal amount of the hedging instrument	Carrying amount - derivative assets/ (liabilities)	Change in value used for calculating hedge ineffectiveness	Hedging (gain) or loss recognised in other comprehensive income	Hedging (gain) or loss recognised in income statement
	$M's	$M's	$M's	$M's	$M's
Cash flow hedging					
Interest rate swap - NZD borrowings					
Maturity: 12 months	10.0	(0.2)	-	0.2	-
Fixed interest rate: 0.55%					
	10.0	**(0.2)**	**-**	**0.2**	**-**

There was no hedge ineffectiveness recognised in profit or loss during the year.

Summarised sensitivity analysis

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

	Foreign currency risk				Interest rate risk			
	-10%		+10%		-100bps		+100bps	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$M's	$M's	$M's	$M's	$M's	$M's	$M's	$M's
2022								
Cash and cash equivalents	(0.5)	(0.5)	0.5	0.5	(0.1)	(0.1)	0.1	0.1
Trade receivables	(0.8)	(0.8)	0.8	0.8	-	-	-	-
Lease liabilities	-	-	-	-	0.1	0.1	(0.1)	0.1
Interest rate swap	-	-	-	-	-	(0.1)	-	0.3
Total increase/(decrease)	**(1.3)**	**(1.3)**	**1.3**	**1.3**	**-**	**(0.1)**	**-**	**0.5**

	-10%		+10%		-100bps		+100bps	
	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
	$M's	$M's	$M's	$M's	$M's	$M's	$M's	$M's
2021								
Cash and cash equivalents	(0.9)	(0.9)	0.9	0.9	(0.6)	(0.6)	0.6	0.6
Trade receivables	(0.2)	(0.2)	0.2	0.2	-	-	-	-
Lease liabilities	-	-	-	-	0.1	0.1	(0.1)	0.1
Interest rate swap	-	-	-	-	-	-	-	-
Total increase/(decrease)	**(1.1)**	**(1.1)**	**1.1**	**1.1**	**(0.5)**	**(0.5)**	**0.5**	**0.6**

(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, with the exception of interest rate swap derivatives and the contingent consideration liability. All of the Group's interest rate derivatives are in designated hedge relationships and are measured and recognised at fair value. Interest rate derivatives are calculated by discounting the future principal and interest cash flows at current market interest rates that are available for similar financial instruments.

NOTE 20 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

The contingent consideration liability is also measured and recognised at fair value. The valuation technique applied for valuing the contingent consideration liability is described below.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) other than quoted prices included within level 1.

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The estimated fair value measurements for the derivative instruments compared to their carrying values in the balance sheet are ($0.2M) as at 31 March 2022 (2021:nil).

Financial liabilities

		2022		2021	
		Carrying Value $M's	**Fair Value** $M's	**Carrying Value** $M's	**Fair Value** $M's
Interest rate swaps - cash flow hedge	Level 2	0.2	0.2	-	-
Contingent consideration liability	Level 3	18.5	18.5	-	-
		18.7	18.7	-	-

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate for the cash contingent consideration.	Expected cash flows (31 March 2022:$14.2m).	The estimated fair value would increase (decrease) if: • the expected cash flows were higher (lower); or • the risk-adjusted discount rate were lower (higher).
		Risk-adjusted discount rate (31 March 2022: 10.3%).	
	Market comparison technique: The fair value is estimated using the Company's quoted equity securities price on reporting date and expected future number of shares payable for the shares contingent consideration.	Expected share issue (31 March 2022: 1.2 million shares)	The estimated fair value would increase (decrease) if: • The expected shares payable were higher (lower); or • The quoted Company equity security price was higher (lower).

NOTE 21 SHARE BASED PAYMENTS

At 31 March 2021, the Group had the following share-based payment arrangements.

FY20 Performance Share Rights

Under the FY20 Long Term Incentive (LTI) plan, 921,282 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)*

FY22 Performance Share Rights

Under the FY22 Long Term Incentive (LTI) plan, 145,671 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 FY22 LTI plan, the award is linked to the participant completing remaining employed for two years following the completion date.

EROAD LTI Plan (equity-settled)

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

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

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

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

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

EROAD US President Incentive Scheme

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

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

Key operational measures and targets for the North American business are outlined in the employees grant letter, these include Total Contract Units, Average Revenue Per Unit, Customer Acquisition Cost Payback Period, and Renewal Rate targets. Each operational measure has a percentage weighting for each of the three-year periods, with the performance for each year being calculated based on the percentage of target achieved multiplied by the percentage weighting for each operational measures.

The total percentage of shares to vest at the end of the restrictive period is calculated based on the average percentage performance over the three years. If the total average performance is less than 60% then all shares granted under the scheme will be forfeited.

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

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

EROAD's LTI Plan II (equity-settled)

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

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

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

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

NOTE 21 SHARE BASED PAYMENTS *(CONTINUED)*

EROAD LTI Plans

Grant date/employees entitled	Shares granted		Vesting conditions	Vesting period
	Apr-17	**Sep-18**		
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	Shares granted				Vesting conditions	Vesting period
	Oct-19	**Jul-21**	**Oct-21**	**Dec-21**		
Performance Shares Rights granted to key management personnel						
FY20 Performance Share Rights	374,238	72,043	-	-	• 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	-	-	78,765	• 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
FY22 Performance Share Rights	-	-	145,671	-	• 2 years service from grant date	2 years
	770,474	**72,043**	**145,671**	**78,765**		

Measurement of fair value

The fair value of the shares issued under the EROAD LTI plans during the year ended 31 March 2022 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

	2022	2021
Outstanding at 1 April	732,741	874,557
Granted during the period	-	-
Forfeited during the period	(275,590)	(141,816)
Vested during the period	(457,151)	-
Outstanding at 31 March	**-**	**732,741**

NOTE 21 SHARE BASED PAYMENTS *(CONTINUED)*

EROAD Performance Share Rights

	2022	2021
Outstanding at 1 April	596,186	770,474
Granted during the period	150,808	-
Forfeited during the period	(73,506)	(174,288)
Vested during the period	-	-
Outstanding at 31 March	**673,488**	**596,186**

EROAD Performance Share Rights

	2022	2021
Outstanding at 1 April	-	-
Granted during the period	145,671	-
Forfeited during the period	-	-
Vested during the period	-	-
Outstanding at 31 March	**145,671**	**-**

During the year-ended 31 March 2022 an amount of $2M (2021: $0.9M) 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
Coretex NZ Limited	New Zealand	100	Transport Technology & SaaS
Coretex Australia Pty Limited	Australia	100	Transport Technology & SaaS
Coretex USA Inc	United States of America	100	Transport Technology & SaaS
Coretex Telematics Limited	Canada	100	Transport Technology & SaaS
Coretex Limited	New Zealand	100	Transport Technology & SaaS
Imarda Pty Limited	Australia	100	Not Trading
Imarda Asia Pte Limited	Singapore	100	Not Trading
Coretex Telematics Limited	British Columbia	100	Not Trading
International Telematics Corporation	United States of America	100	Not Trading
International Telematics Holdings Limited	New Zealand	100	Not Trading

Key management personnel compensation comprised:

	2022 $M's	2021 $M's
Short-term employee benefits	3.4	3.0
Share-based payments	1.0	0.8
	4.4	**3.8**

NOTE 22 RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Loans to key management personnel

There have been no loans to management personnel.

(b) Other transactions with key management personnel

There were no other transactions with key management personnel during the period. From time to time, key management personnel of the Group may purchase goods from the Group.

(c) Remuneration of Non-executive Directors

	2022	2021
	$M's	$M's
Michael Bushby (Resigned 1 July 2020)	-	0.01
Anthony Gibson	0.11	0.06
Candace Kinser (resigned 24 July 2020)	-	0.02
Graham Stuart (Chair)	0.15	0.12
Susan Paterson	0.11	0.08
Barry Einsig	0.15	0.13
Sara Gifford (appointed 31 March 2022)	-	-
	0.52	**0.42**

No additional fees were paid to any Directors for consultancy work provided to the Company (2021: None paid).

(d) Remuneration of Executive directors

	2022	2021
	$M's	$M's
Salary and bonus	1.2	0.9
Share-based payments	0.3	0.1
	1.5	**1.0**

Additional fees were paid to an executive director for consultancy work provided to the Company of $0.067M (2021: None paid).

(e) Transactions with related parties

	2022	2021
	$M's	$M's
Streamline Business NZ Limited	0.2	-
	0.2	**-**

EROAD Group contracts with Streamline Business NZ Limited for outsourcing work, the company has a common director with EROAD. All transactions with these related parties are priced on an arm's length basis.

NOTE 23 CAPITAL COMMITMENTS

As at 31 March 2022 the Group had confirmed purchase orders open with its third party manufacturer of hardware units amounting to $20.7M (2021: $5.1M).

The large increase in capital commitments is mainly a result of the inclusion of Coretex's capital commitments ($12.1M) and to due an increase of inventory lead time.

NOTE 24 CONTINGENT LIABILITIES

At 31 March 2022 there were no contingent liabilities (2021: nil)

NOTE 25 NET TANGIBLE ASSETS PER SHARE

	2022 $M's	Restated 2021 $M's
Net assets (equity)	247.7	102.1
Less intangibles	(228.4)	(40.6)
Total net tangible assets	**19.3**	**61.5**

	2022 $	Restated 2021 $
Net tangible assets per share ($)	0.17	0.75

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 other events subsequent to balance date which have not already been taken up in the accounts (2021: Nil).

KPMG

Independent Auditor's Report

To the shareholders of EROAD Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of EROAD Limited (the 'Company') and its subsidiaries (the 'Group') on pages 4 to 40 present fairly in all material respects the Group's financial position as at 31 March 2022 and its financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2022;
- the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies.

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 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Our firm has also provided other services to the Group in relation to tax compliance, tax due diligence and tax advisory and other assurance services. 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.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1.2 million determined with reference to a benchmark of Group's 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 consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Revenue recognition	
Refer to Note 3 of the consolidated financial statements. The Group's contracts are accounted for as a service contract and the associated revenues are recognised over the contract term. During the year the Group acquired Coretex Limited ('Coretex') which increased the volume and types of contractual arrangements through the newly acquired business. 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. Furthermore, judgement is also required when assessing the recoverability of this revenue and associated debtor balances in light of the economic conditions from COVID-19.	We assessed the judgement in revenue recognition by performing the following procedures: — Obtaining Coretex's customer contracts and trading terms and evaluating whether management's revenue recognition assessment is appropriate and in accordance with relevant financial reporting standards; — 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; — Checking a sample of customer invoices immediately prior to and after year end to ensure revenue is recognised in the correct period; and — Challenging management's assumptions used to determine the recoverability of revenue and associated debtor balances particularly in context of ongoing uncertainty relating to COVID-19. We did not identify any matters that indicated that the reported revenue is materially misstated.
Capitalisation of Development costs	
Refer to Note 16 of the consolidated financial statements. The Group has reported a development asset of $88.3 million (2021: $36.9 million). The establishment of the development asset requires significant judgement as to whether a project meets the capitalisation criteria, and which expenditure is directly attributable to the development of such projects. In assessing whether a project meets the capitalisation criteria we consider its technical and economic feasibility, intention and ability to develop, use or sell the asset. Roles of employees and the nature of overhead costs are considered in assessing whether they are directly attributable to a qualifying project. Projects that do not continue to meet the capitalisation criteria are written off. We focused on this area due to the quantum of the development costs capitalised and judgement involved.	We assessed the judgements related to capitalised expenditure by performing the following procedures: — Understanding the nature and background of the activities that are capitalised through inquiry of key management personnel; — Selecting a sample of projects ensuring they meet the capitalisation criteria; — Challenging whether costs capitalised during the year were directly attributable to development projects; and — Selecting a sample of timesheets and recalculating the amount of internal costs capitalised based on the hours which staff spent developing the asset. We did not identify any factors that were materially inconsistent with management's overall conclusions.

The key audit matter	How the matter was addressed in our audit
Impairment of non-current assets	
Refer to Note 16 of the consolidated financial statements. During the year the Group recognised goodwill, brand and customer relationships of $105.1 million, $3.3 million and $28.7 million respectively arising from the Coretex acquisition. At the balance date the Group's non-current assets additionally include property, plant and equipment of $61.7 million (2021: $34.7 million), and capitalised development costs with a carrying value of $88.3 million (2021: $36.9 million). Capitalised development costs include a technology asset of $37.2 million that was recognised on the acquisition of Coretex. The non-current assets are allocated to three cash generating units ('CGUs') representing the three core markets the Group develops and markets its products (New Zealand, Australia and North America). Goodwill has been allocated to each of these CGUs, and as a result the carrying value of each CGU must be tested for impairment annually. The recoverable amounts of the CGUs, which have been determined based on their value in use, have been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future contracted units and average rate per unit ('ARPU'), operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate) relevant to each market. In addition, a specific impairment review of Group's capitalised development costs by project was performed to assess whether following the acquisition of Coretex these projects would continue to provide economic value to the business. The impairment testing of non-current assets is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions used to estimate the recoverability of these assets.	We assessed management's impairment testing of non-current assets by performing the following procedures: — Enquiring of the executive management to corroborate an understanding of the Group's products, markets and strategic opportunities following the acquisition of Coretex. Taking this into account we considered whether the existing products and capitalised development costs require specific impairment. — Obtaining a value-in-use model for each CGU and assessing the methodology, underlying cash flows and key assumptions made including: - Using our corporate finance specialists to challenge the reasonableness of the weighted average cost of capital and terminal 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 forecast unit sales growth, ARPU, and discount rates. We did not identify any factors that were materially inconsistent with management's overall conclusions.
Acquisition of Coretex	
Refer to Note 2(i) of the consolidated financial statements. The Group acquired 100% of Coretex with effect from 1 December 2021.	Our audit procedures in this area included: — Assessing whether the business combination has been appropriately accounted for in accordance with applicable financial reporting standards and reflects terms and conditions of the sale and purchase agreement;

The key audit matter	How the matter was addressed in our audit
As a result of the acquisition, the Group recognised definite life intangible assets of $69.2 million and goodwill of $105.1 million. The accounting for this transaction is complex due to the significant judgements and estimates that are required to determine the values of the consideration transferred and the identification and measurement of the fair value of the assets acquired and liabilities assumed. Due to the size and complexity of the acquisition, we considered this to be a key audit matter.	— Involving our own valuation specialists to assist with assessing the Group's identification of acquired assets and assumed liabilities, challenging the methodologies applied and valuations produced, in particular the key assumptions used to determine fair values of: - The customer relationships intangible asset, which included reconciling key inputs such as customer retention rates, number of connected units and ARPU to underlying reports, and challenging the discount rate; - The technology intangible asset, which included agreeing the historical costs to the past R&D grant claims and audited pre-acquisition financial statements; - The brand intangible asset, which included challenging the royalty rate applied and assessing the sensitivity of the brand valuation to changes in the royalty rate assumption. — Verifying the cash consideration paid to date; — Challenging the fair value of the contingent consideration, which included assessing the likelihood of achieving performance targets by agreeing amounts to actual performance and approved forecasts; and — Evaluating the adequacy of the financial statement disclosures. We did not identify any factors that were materially inconsistent with management's overall conclusions, while noting the tax payable and deferred tax liability have been recognised on a provisional basis.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's and Acting Chief Executive's report, disclosures relating to corporate governance and other statutory disclosures. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Directors.

KPMG

Use of this independent auditor's report

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

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the Company, are responsible for:

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

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

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

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

Our objective is:

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

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

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

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

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

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 Aaron Woolsey.

For and on behalf of

KPMG

KPMG
Auckland

26 May 2022