EROAD INTERIM REPORT 2020

EROAD delivers another period of strong growth in H1 of FY20

Dear Shareholder

We are pleased to inform you that EROAD has delivered yet another period of strong growth, driven by continued solid growth in contracted unit numbers, excellent retention rates and a disciplined and targeted investment strategy.

Working towards our purpose of safer, more productive roads, in the first half of the 2020 financial year we added 12,990 new contracted units across New Zealand, North America and Australia. In doing so, in May 2019, we moved past a major milestone of 100,000 contracted units in our customer's vehicles.

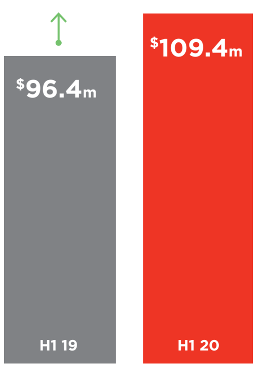
We successfully renewed 355 New Zealand and Australian customers with 4,564 contracted units. 147 of those customers upgraded to Ehubo2 amounting to 1,766 contracted units upgrading from Ehubo1 to Ehubo2.

We launched four new SaaS (Software as a Service) products and upgraded a range of existing products. We continued to demonstrate industry leading system up-time of 99.99% while continuing to invest in the reliability, scalability and quality of our platform and services to enable the next phase of growth. We are well positioned to head towards our next major goal of 250,000+ contracted units.

Across all our markets, our customers are increasingly more focused on using telematics to ensure the safety of their employees as well as realising the additional benefits these bring including improved asset maintenance and tracking of assets and reduced emissions through more optimised routing. This focus is aligned with EROAD's customer value proposition resulting in annualised growth of 27% in our contracted unit numbers. The quality of these products and services are reflected in our consistently high asset retention rate of 94.9%.

+27%

ANNUALISED TOTAL CONTRACTED UNITS

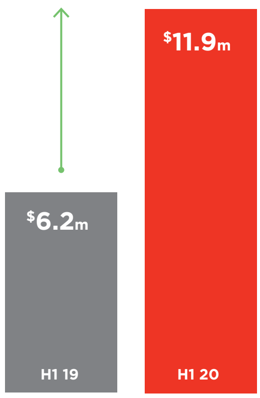


+35%

REVENUE

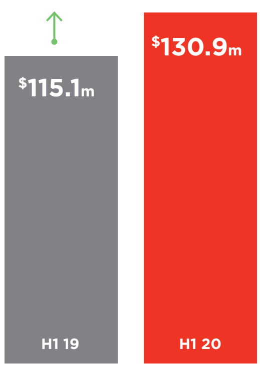
+92%

EBITDA



+14%

FUTURE CONTRACTED INCOME



FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The first half of the 2020 financial year saw revenue increase by 35% to $38.5m, with Average Revenue per Unit (ARPU) also increasing from $56.00 to $57.60. This contributed to a 92% increase in earnings before interest, tax, depreciation and amortisation (EBITDA) to $11.9m and a consequential 97% improvement in reported after-tax loss, with only a small $106.4k loss for the period.

In terms of future earnings, our future contracted income – the value of future revenue from existing contracted units – increased by 14% to $130.9m.

We continued our significant investment in developing new markets and products to capture the substantial growth we see for the business. This included investing $8.2m in research and development activities as well as $3.3m of capital expenditure to implement new business systems that will enable EROAD to scale up to deliver this growth efficiently. We have also invested in on-the-ground sales capability in Australia and commenced increased marketing activity following our re-launch last year. Collectively, these investments will contribute to our future growth.

The New Zealand business continues to be a growing success, contributing strongly to the Group result and providing a launchpad and cashflow for market expansion and product development. Revenue for New Zealand increased by 20% to $25.6m and EBITDA increased by 18% to $16.2m. Annualised new contracted unit growth in the period was 16%, in-line with our expectations. We achieved this growth through the execution of our strategy of expanding the implementation of EROAD technology within existing customer fleets as well as signing new customers.

The North American business delivered strong annualised contracted unit growth of 58% and is now a larger business than the global EROAD business at the time it listed on the NZX in 2014. This significant growth in contracted units included the completed deployment for EROAD's largest enterprise customer of approximately 5,500 units. Following the signing of a further large enterprise account in June, EROAD's investment in scalable systems and processes enabled the installation of all 1,650 contracted units for that customer within a nine-week period.

The run rate for small-to-medium business customers during the first half has been below our expectations. We have not seen the anticipated level of increase in sales pipeline ahead of the significant US regulatory change, the AOBRD (Automatic On-Board Recording Device) to ELD (Electronic Logging Device) mandate deadline, that comes into effect at the end of December 2019. Pleasingly, strong growth in enterprise sales in this market resulted in revenue increasing by 72% to $11.9m and EBITDA increased period on period from $(0.4)m to $3.2m.

We continued to build our brand presence in the Australian market, with steady annualised growth in contracted units of 26% reflecting gains in the small-to-medium businesses sector. The small-to-medium business run rate is steady but below EROAD's expectations. However, the pipeline of enterprise customers (with longer sales lead times) remains encouraging and above original expectations.

Revenue for the Australian business remained flat at $0.3m, while EBITDA reduced from $(0.2)m to $(0.8)m, as EROAD continued to invest into this new market to support future growth by completing the build-out of its field sales team and increasing marketing activity.

MyEROAD Dashboard

EROAD Fuel Tax Credits (FTC) Solution

Texas Intrastate Ruleset

Hours of Service Recap

EXTENDING THE PLATFORM AND SCALING FOR GROWTH

We continue to see substantial future growth opportunities across all the markets we operate in, and for that reason, continue to prioritise investment in research and development activity to capitalise on that growth potential. In the half year to 30 September 2019, a total of $8.2m was invested in research and development. Of this amount, $5.0m was capitalised and $3.2m of previously capitalised research and development was expensed/amortised. The total amount invested in research and development represented 21% of revenue, in-line with our expectations.

Around 40% of EROAD's investment in research and development is spent on enhancing the platform with 60% spent on new and enhanced SaaS products for customers. During HY20 this investment continued to enhance our offering to drive growth in customer numbers, retention rates and increase average revenue per customer.

Over the first half of the financial year, we launched four new SaaS features and a number of upgrades. For North America, we integrated the Texas Intrastate ruleset into our system. Drivers of fleets domiciled in Texas can now select this ruleset from within their truck, enabling them to view and track their driving hours in line with Texas regulations. We also upgraded our Hours of Service product, extending customer confidence ahead of the AOBRD to ELD transition deadline in December 2019. In Australia, we launched our Fuel Tax Credit (FTC) service which has achieved an Australian Tax Office class ruling. This automates FTC claims through using our advanced GPS-tracking technology to map real-time locational and fuel usage data (on and off-road). We launched MyEROAD Dashboard for the NZ market, providing a mobile-friendly consolidation of key fleet metrics onto a single view dashboard.

Over the last nine months we have developed EROAD Where to provide customers with a cost effective solution for keeping track of their assets. For customers with many or low cost assets, using 3G trackers is a cost prohibitive undertaking. EROAD Where provides an alternative. Our unique Mesh network (which only EROAD can create in New Zealand) is made up of Ehubo Gen 2 units and the EROAD Where App on mobile phones. When paired with Low energy Bluetooth® EROAD Where Tags (designed and built in New Zealand) then there is a viable low-cost alternative that makes asset tracking an affordable proposition. At just $30 per EROAD Where tag, and $5 per month per tag for access to the dedicated EROAD Where Asset Management application, the game changing price point delivers a disruptive asset tracking solution to a large addressable market. IOT trackers claim to save time, reduce costs, and help businesses perform better. EROAD Where does that too, but at a fraction of the cost.

GLOBAL ROAD ACHIEVEMENT AWARD

Master of Growth 2019

RECOGNITION

The innovation and significant difference we are making to road safety was acknowledged internationally this week by the International Road Federation, who awarded EROAD the 2019 Global Road Achievement Award for Technology, Equipment and Manufacturing.

EROAD also received the 2019 NZ Exporter of the Year (Large Company), and we have appeared once again on the Deloitte Fast 50 Master of Growth Index.

Further accolades included EROAD being named a finalist in the Australasian Brake Fleet Safety Awards (Fleet Safety product), The NZ Hi-Tech Awards (for both Company of the Year and Innovation) and the NZTE International Business Awards for Best Large Company.

CHOOSING TO GROW

Having achieved the critical milestone of 100,000 contracted units in May, we are now aiming for our next major milestone of 250,000+ contracted units. The investment to scale for the next phase of our growth positions us well and we consider there are many exciting opportunities ahead. While organic expansion will continue to play an important role in EROAD's growth, we are also targeting opportunities to acquire complementary businesses to accelerate our growth trajectory.

Our cashflow and bank funding facilities will be deployed to capture organic growth opportunities. We will build acquisition capability during the second half of the year, so we are ready to look to acquire complementary businesses in FY21 as the right opportunities are identified.

EROAD is becoming a global company with expanding offshore operations and revenues as well as significant growth aspirations. Following the re-launch of our Australian business and increasing interest from Australian and other international investors in October, the Board announced it is considering seeking an ASX Foreign Exempt Listing to facilitate greater alignment between EROAD's business operations and investor base. A decision regarding a secondary listing is expected in early 2020. EROAD currently remains committed to maintaining an NZX listing.

BOARD UPDATE

Your Board remains focussed on performance, compliance and on the big picture. As you are aware, the Board has been going through a period of renewal to ensure we have the right expertise to support the management team in creating shareholder value. Over the past six months we have been undertaking an extensive search to appoint a North American based director with experience in North American and international markets. It is also anticipated that we will undertake a search in the first half of 2020 for a director with experience in marketing, innovation, finance and risk.

CAPITAL STRUCTURE

In the short term, we are increasing the limits for our debt facilities to fund upfront hardware and installation costs associated with continuing growth. Together with our strengthening operating cash inflows, this will fund our organic growth across the three markets. In the last six months, we have also utilised $6m of the cash raised from the December 2017 equity raise to progress investments in new generation business systems, key research and development projects and other strategic initiatives including our market re-entry into Australia. Going forward we anticipate any inorganic growth of scale will be funded through new equity issuances.

We continue to review the appropriateness of our capital structure and funding capacity, including the role for equity and debt financing of both organic growth and acquisition opportunities.

EROAD is focused on capturing the many growth opportunities we see ahead. While we continue to see opportunity to grow shareholder value we will invest for growth as opposed to commence dividend payments.

OUTLOOK

EROAD has an encouraging overall pipeline that will continue to deliver solid organic growth for the remainder of the financial year and beyond.

Consistent, solid growth is expected in the New Zealand business for the remainder of the financial year. North America is now an established market for EROAD, contributing strongly to EBITDA in FY20. Following the strong growth in the first half with the on-boarding of two large enterprise customers, further growth in the second half is expected to be at a reduced rate and predominantly come from the small-to-medium customer run rate business. In Australia, it is anticipated that some of the strong enterprise pipeline will be converted prior to the end of FY20 in addition to continuing steady gains in the small-to-medium customer run rate business. In the second half of FY20 EROAD will go live with its new generation of business systems, giving an improved customer experience and increased capability to scale the business. This will deliver further operating leverage into FY21.

Beyond FY20 the growth potential is significant for EROAD. While our New Zealand business is market leading, there is still significant room to expand our customer base and service offering. We expect North America growth to continue benefitting from our building brand presence, the 2017 ELD mandate contract roll-offs and the sunset of 3G technology. We consider our more recent expansion into Australia has great potential and expect to deliver positive EBITDA within the next 3-4 years at lower sales levels than was required for North America, reflecting its lower cost to serve through the leverage of our New Zealand based customer support team.

We are confident and ambitious about the future prospects for EROAD and we look forward to updating you on our progress in May with the release of our FY20 financial results.

Graham Stuart
Chairman

Steven Newman
Chief Executive Officer

22nd November 2019

NON-GAAP MEASURES

EROAD has used non-GAAP measures when discussing financial performance in this document. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources.

Non-GAAP measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by EROAD in accordance with NZ IFRS. The non-GAAP measures EROAD has used above are Average Revenue per Unit, EBITDA and Future Contracted Income. The definitions of these can be found in the EROAD Investor Presentation for H1 20 Glossary on pages 31 and 32.

Omega Morgan
EROAD Customer, North America

R.S. Davis Recycling
EROAD Customer, North America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FINANCIAL STATEMENTS

MP Feeds
EROAD Customer, Australia

EROAD LIMITED
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	Notes	GROUP 30 September 2019 Unaudited $000's	30 September 2018 Unaudited $000's
Revenue	2	**38,496**	28,549
Operating Expenses	3	**(26,565)**	(22,348)
Earnings before interest, taxation, depreciation and amortisation		**11,931**	6,201
Depreciation of Property, Plant & Equipment	8	**(4,021)**	(3,148)
Amortisation of Intangible Assets	9	**(3,620)**	(3,078)
Amortisation of Contract and Customer Acquisition Assets		**(2,864)**	(2,265)
Earnings/(loss) before interest and taxation		**1,426**	(2,290)
Net financing costs		**(1,593)**	(1,279)
Loss before tax		**(167)**	(3,569)
Income tax benefit	11	**61**	159
Loss from continuing operations		**(106)**	(3,410)
Loss after tax for the period attributable to the shareholders		**(106)**	(3,410)
Items that are or may be reclassified subsequently to profit or loss			
Other comprehensive income		**(176)**	(494)
Total comprehensive loss for the period		**(282)**	(3,904)
Loss per share - Basic (cents)		**(0.16)**	(5.10)
Loss per share - Diluted (cents)		**(0.16)**	(5.04)

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

EROAD LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

		GROUP	
		30 September 2019	31 March 2019
		Unaudited	Audited
	Notes	$000's	$000's
CURRENT ASSETS			
Cash and cash equivalents	7	**10,124**	16,139
Restricted bank accounts	7	**16,286**	12,673
Trade and other receivables		**11,447**	10,501
Contract fulfilment costs		**2,668**	2,425
Costs to obtain contracts		**2,627**	2,164
Current tax receivable		**-**	5
Total Current Assets		**43,152**	43,907
NON-CURRENT ASSETS			
Property, plant and equipment	8	**37,714**	33,902
Intangible assets	9	**37,819**	33,132
Contract fulfilment costs		**2,726**	2,662
Costs to obtain contracts		**2,348**	2,100
Deferred tax assets		**7,667**	7,495
Total Non-Current Assets		**88,274**	79,291
TOTAL ASSETS		**131,426**	123,198
CURRENT LIABILITIES			
Borrowings	12	**19,289**	17,163
Trade payables and accruals		**7,395**	6,111
Payables to transport agencies	7	**16,262**	12,489
Contract liabilities	10	**6,092**	5,758
Lease liabilities		**965**	782
Employee entitlements		**1,729**	1,338
Total Current Liabilities		**51,732**	43,641
NON-CURRENT LIABILITIES			
Borrowings	12	**18,161**	17,476
Contract liabilities	10	**3,956**	4,209
Lease liabilities		**5,820**	6,247
Deferred tax liabilities		**437**	335
Total Non-Current Liabilities		**28,374**	28,267
TOTAL LIABILITIES		**80,106**	71,908
NET ASSETS		**51,320**	51,290
EQUITY			
Share capital	6	**80,736**	80,612
Translation reserve		**(1,831)**	(1,655)
Retained earnings		**(27,585)**	(27,667)
TOTAL SHAREHOLDERS' EQUITY		**51,320**	51,290

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

Chairman, 22 November 2019

Chair of the Finance, Risk and Audit Committee, 22 November 2019

EROAD LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

GROUP	Notes	Share Capital $000's	Retained Earnings $000's	Translation Reserve $000's	Total $000's
Balance as at 1 April 2018 (Audited)		80,326	(21,695)	(535)	58,096
Loss after tax for the period		-	(3,410)	-	(3,410)
Other comprehensive income		-	-	(494)	(494)
Total comprehensive loss for the period, net of tax		-	(3,410)	(494)	(3,904)
Equity settled share-based payments		94	110	-	204
Share capital issued	6	192	-	-	192
Balance at 30 September 2018 (Unaudited)		80,612	(24,995)	(1,029)	54,588
Balance as at 1 April 2019 (Audited)		**80,612**	**(27,667)**	**(1,655)**	**51,290**
Loss after tax for the period		**-**	**(106)**	**-**	**(106)**
Other comprehensive income		**-**	**-**	**(176)**	**(176)**
Total comprehensive Loss for the period, net of tax		**-**	**(106)**	**(176)**	**(282)**
Equity settled share-based payments		**124**	**188**	**-**	**312**
Share capital issued	6	**-**	**-**	**-**	**-**
Balance at 30 September 2019 (Unaudited)		**80,736**	**(27,585)**	**(1,831)**	**51,320**

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

EROAD LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	GROUP	
	30 September 2019	30 September 2018
	Unaudited $000's	Unaudited $000's
Cash flows from operating activities		
Cash received from customers	**37,631**	30,198
Payments to suppliers and employees	**(26,332)**	(21,770)
Interest received	**7**	11
Interest paid	**(1,394)**	(1,315)
Tax paid	**(3)**	(72)
Net cash inflow from operating activities	**9,909**	7,052
Cash flows from investing activities		
Payments for investment in property, plant & equipment	**(6,304)**	(6,350)
Payments for investment in intangible assets	**(8,307)**	(3,732)
Payments for investment in contract fulfilment assets	**(1,831)**	(1,753)
Payments for investment in customer acquisition assets	**(2,050)**	(1,768)
Net cash outflow from investing activities	**(18,492)**	(13,603)
Cash flows from financing activities		
Receipts from bank loans	**18,258**	12,375
Repayments of bank loans	**(15,447)**	(5,631)
Cash (outflow)/inflow from lease liability	**(243)**	210
Net cash inflow from financing activities	**2,568**	6,954
Net (decrease)/ increase in cash held	**(6,015)**	403
Cash at beginning of the financial year	**16,139**	21,869
Closing cash and cash equivalents	**10,124**	22,272

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

EROAD LIMITED
RECONCILIATION OF OPERATING CASH FLOWS WITH REPORTED LOSS AFTER TAX
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

	GROUP	
	30 September 2019 Unaudited $000's	30 September 2018 Unaudited $000's
Loss after tax for the six month period attributable to the shareholders	**(106)**	(3,410)
Add/(less) non-cash items		
Tax asset recognised	**(69)**	(568)
Depreciation and amortisation	**10,505**	8,491
Other non-cash (income)	**(1,395)**	(99)
	9,041	7,824
Add/(less) movements in other working capital items:		
(Increase)/decrease in trade and other receivables	**(945)**	1,304
Decrease in current tax receivables	**5**	14
(Increase) in current tax payables	**-**	(85)
Increase in contract liabilities	**81**	345
Increase in trade payables, interest payable and accruals	**1,833**	1,060
	974	2,638
Net cash from operating activities	**9,909**	7,052

EROAD LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

The condensed consolidated financial statements of EROAD Limited (EROAD), together with its subsidaries (the "Group"), as at and for the six months ended 30 September 2019, have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34: "Interim Financial Reporting" (NZ IAS 34), and Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and should be read in conjunction with the financial statements as at and for the year ended 31 March 2019. The Group is a profit oriented entity.

EROAD is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX) Main Board. The Company is an FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and the financial statements have been prepared in accordance with the requirements of that Act and the Financial Reporting Act 2013. The Group provides electronic on-board units and software as a service to the transport industry.

The condensed consolidated financial statements for the Group are for the period ended 30 September 2019. The financial statements were authorised for issue by the directors on 22 November 2019 and are unaudited.

The accounting policies below have been applied consistently to all periods presented in these financial statements.

Basis of preparation

Statement of compliance with IFRS

The condensed consolidated financial statements comprise the following: condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows, and accounting policies and notes to the condensed consolidated financial statements contained on pages 11 to 30.

These condensed consolidated financial statements have been prepared in accordance with NZ IAS 34, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 March 2019 ('last annual financial statements'). These do not include all of the information required for a complete set of NZ IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last financial statement, including key estimates and judgements.

Basis of measurement

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

Presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000's) except in Borrowings Note 12 where the values in narratives are in absolute dollars. The functional currency of EROAD is New Zealand Dollars (NZD).

NOTE 2 • REVENUE FROM CONTRACTS WITH CUSTOMERS

	GROUP	
	30 September 2019	**30 September 2018**
	Unaudited	**Unaudited**
	$000's	$000's
Revenue from contracts with customers		
Software as a Service (SaaS) revenue	**35,869**	27,116
Other		
Transaction fee revenue	**1,186**	1,175
Grant revenue	**387**	-
Other revenue	**1,054**	258
Total Revenues	**38,496**	28,549

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

NOTE 2 • REVENUE FROM CONTRACTS WITH CUSTOMERS *(continued)*

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 30 September are expected to be recognised by EROAD based on the time bands disclosed below.

	GROUP	
	30 September 2019	30 September 2018
	Unaudited $000's	Unaudited $000's
Software as a Service (SaaS) revenue		
Not later than one year	**62,460**	54,543
Later than one year not later than five years	**68,445**	60,597
Total price allocated to remaining performance obligations	**130,905**	115,140

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 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 does 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 SaaS revenue, which is recognised on a straight line basis over the contract period. There are no variable consideration terms within the contracts.

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

The Group offers installation services as part of a number of promises to transfer goods and services within each contract. Installation services do not convey a distinct good or service and therefore are not a separate performance obligation as the installation is a set-up activity that does not provide the customer a direct benefit other than access to the software services. As a result, the installation service is considered as part of the single performance obligation; referred to as 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

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

Capitalised contract fulfillment costs

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

Capitalised contract acquisition costs

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

NOTE 3 • EXPENSES

		GROUP	
	Note	**30 September 2019 Unaudited** $000's	**30 September 2018 Unaudited** $000's
Personnel expenses - net of capitalised employee remuneration	5	**13,027**	10,382
Administrative and other operating expenses		**9,249**	8,106
SaaS platform costs		**4,007**	3,482
Directors fees		**186**	174
Auditor's remuneration - KPMG		**40**	132
Callaghan growth grant review - KPMG		**3**	-
Tax compliance services - KPMG		**27**	43
Tax advisory services - KPMG		**26**	29
Total operating expenses		**26,565**	22,348

During the six months the costs expensed for Research and Development was $3,201 (30 September 2018: $2,276).

NOTE 4 • 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

NOTE 4 • 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. New Zealand and Australia were prevously reported as one segment and have now been reported seperately and comparatives have been restated.

	Corporate & Development		North America		New Zealand		Australia	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018	30 September 2019	30 September 2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Restated Unaudited	Unaudited	Restated Unaudited
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Revenue								
Software as a Service (SaaS) revenue	**-**	-	**11,337**	6,811	**23,884**	19,956	**325**	350
Transaction fee revenue	**-**	-	**-**	-	**1,186**	1,175	**-**	-
Other revenue[1]	**8,797**	6,019	**560**	101	**493**	171	**-**	2
	8,797	6,019	**11,897**	6,912	**25,563**	21,302	**325**	352
Earnings Before Interest, Taxation, Depreciation & Amortisation	**(6,731)**	(7,012)	**3,232**	(387)	**16,209**	13,684	**(756)**	(206)
Depreciation of Property, Plant & Equipment	**(536)**	(365)	**(1,901)**	(1,474)	**(2,293)**	(1,814)	**(24)**	(34)
Amortisation of Intangible Assets	**(3,620)**	(3,078)	**-**	-	**-**	-	**-**	-
Amortisation of Contract and Customer Acquisition Assets	**-**	-	**(814)**	(498)	**(2,019)**	(1,735)	**(30)**	(31)

[1] Revenue from Corporate & Development Markets includes R&D Grant Income of $387 (30 September 2018: Nil).

NOTE 4 • SEGMENTAL NOTE *(continued)*

Reconciliation of information on reportable segments

	GROUP	
	30 September 2019 Unaudited $000's	**30 September 2018 Unaudited** $000's
Revenue		
Total revenue for reportable segments	**46,582**	34,584
Elimination of inter-segment revenue	**(8,086)**	(6,035)
Consolidated Revenue	**38,496**	28,549
EBITDA		
Total EBITDA for reportable segments	**11,954**	6,080
Elimination of inter-segment EBITDA	**(23)**	121
Consolidated EBITDA	**11,931**	6,201
Depreciation		
Total depreciation for reportable segments	**(4,754)**	(3,686)
Elimination of inter-segment profit	**733**	538
Consolidated Depreciation	**(4,021)**	(3,148)

Geographic information

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

	GROUP	
	30 September 2019 Unaudited $000's	**30 September 2018 Unaudited** $000's
Revenue		
New Zealand	**26,274**	21,285
All foreign countries:		
USA	**11,897**	6,912
Australia	**325**	352
Total revenue	**38,496**	28,549

NOTE 4 • SEGMENTAL NOTE *(continued)*

Allocation of Development Assets

Included within Total Assets are Development Assets of $31,588 as at 30 September 2019 (31 March 2019: $29,764) which for the purpose of the segment note have been allocated to the Corporate & Development Market based on the ownership of intellectual property. The amortisation for these assets is also presented in the Corporate & Development segment. For impairment testing purposes, management allocate the Development Assets to the cash generating units (CGUs) based on the specific CGU that the Development Asset relates to, or if the Development Asset is developed for use globally across all CGUs, the asset is allocated to CGUs based on the proportionate share of the Group's Contracted Units. At 30 September 2019 there was $20,888 (31 March 2019: $18,868) of global Development Assets that have been allocated across CGUs based on the Contracted Units. The allocation of the Development Asset to CGUs within the following reportable segments for the purpose of impairment testing was as follows:

	30 September 2019 Unaudited $000's	31 March 2019 Audited $000's
North America	**13,958**	13,443
New Zealand	**16,202**	15,458
Australia	**1,428**	863
	31,588	29,764

	Corporate & Development		North America		New Zealand		Australia	
	30 September 2019 Unaudited $000's	31 March 2019 Audited $000's	30 September 2019 Unaudited $000's	31 March 2019 Audited $000's	30 September 2019 Unaudited $000's	31 March 2019 Audited $000's	30 September 2019 Unaudited $000's	31 March 2019 Audited $000's
Total assets	**81,341**	85,397	**23,082**	18,794	**45,362**	40,701	**2,117**	1,331

	30 September 2019 Unaudited $000's	31 March 2019 Audited $000's
Total assets		
Total assets for reportable segments	**151,902**	146,223
Elimination of inter-segment balances	**(20,476)**	(23,025)
Consolidated Total assets	**131,426**	123,198

NOTE 4 • SEGMENTAL NOTE *(continued)*

Geographic information

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

	GROUP	
	30 September 2019	31 March 2019
	Unaudited $000's	Audited $000's
Non-current assets		
New Zealand	**63,415**	58,283
All foreign countries:		
USA	**16,342**	13,276
Australia	**850**	238
Total non-current assets	**80,607**	71,797

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

NOTE 5 • PERSONNEL EXPENSES

	GROUP	
	30 September 2019	30 September 2018
	Unaudited $000's	Unaudited $000's
Salaries and wages - excluding capitalised commission costs	**14,673**	11,461
Annual leave	**365**	220
Performance bonus	**383**	273
Share-based payments	**312**	204
Salaries and wages capitalised to Development and Software Assets	**(2,706)**	(1,776)
	13,027	10,382

NOTE 6 • PAID UP CAPITAL

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

GROUP	Number of ordinary shares	Issue price $	Issued Capital $
At 31 March 2019 (Audited)	68,278,772		80,612
Issue of shares to staff under LTI schemes	46,794	$2.64	124
Held in trust as treasury stock	(46,794)		
At 30 September 2019 (Unaudited)	**68,278,772**		**80,736**

At 30 September 2019 there was 68,278,772 authorised and issued ordinary shares (31 March 2019: 68,278,772). 900,690 (31 March 2019: 906,783) 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 30 September 2019 was based on the loss attributable to ordinary shareholders of ($106) (30 September 2018: ($3,410)). The weighted number of ordinary shares on 30 September 2019 was 67,318,877 (30 September 2018: 66,880,441) for basic earnings per share and 68,069,248 for diluted earnings per share (30 September 2018: 67,903,457).

Other components of equity include:

- *Translation reserve* - comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries into New Zealand Dollars.
- *Retained earnings* - includes all current and prior period retained profits and share-based employee remuneration.

NOTE 7 • CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	GROUP	
	30 September 2019	**31 March 2019**
	Unaudited $000's	**Audited** $000's
Cash and bank	**10,124**	16,139
Restricted bank accounts	**16,286**	12,673
	26,410	28,812

Cash and cash equivalents exclude restricted bank accounts. Restricted bank accounts are presented separately from cash and cash equivalents on the face of the Statement of Financial Position and movements in restricted bank accounts are excluded from the Statement of Cash Flows. The restricted bank accounts relate to Road Users tax collected from clients due for payment to the appropriate government agency. At 30 September 2019 the amount payable to transport agencies was $16,262 (31 March 2019: $12,489).

NOTE 8 • PROPERTY, PLANT AND EQUIPMENT

GROUP	Right of Use Assets	Hardware Assets	Plant and equipment	Leasehold improvements	Motor vehicles	Office equipment	Computers	Total
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Year ended 31 March 2019 - Audited								
Opening net book amount	1,504	20,796	218	440	408	316	166	23,848
Additions	5,383	8,679	120	1,356	243	97	256	16,134
Disposals	(2,680)	-	-	(8)	(132)	-	-	(2,820)
Depreciation charge	(758)	(5,119)	(91)	(173)	(169)	(145)	(167)	(6,622)
Depreciation recovered	2,517	914	-	3	96	-	-	3,530
Effect of movement in exchange rates	60	(260)	-	22	-	8	2	(168)
Closing net book amount	6,026	25,010	247	1,640	446	276	257	33,902
Cost	6,915	40,364	627	2,478	1,041	1,131	2,837	55,393
Accumulated depreciation	(889)	(15,354)	(380)	(838)	(595)	(855)	(2,580)	(21,491)
Net book amount	6,026	25,010	247	1,640	446	276	257	33,902

GROUP	Right of Use Assets	Hardware Assets	Plant and equipment	Leasehold improvements	Motor vehicles	Office equipment	Computers	Total
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	$000's
Six months ended 30 September 2019 - Unaudited								
Opening net book amount	6,026	25,010	247	1,640	446	276	257	33,902
Additions	-	5,679	105	240	94	32	154	6,304
Disposals	-	-	-	-	-	-	-	-
Depreciation charge	(471)	(3,103)	(47)	(158)	(82)	(72)	(88)	(4,021)
Depreciation recovered	-	185	-	-	-	-	-	185
Effect of movement in exchange rates	63	1,251	-	21	1	4	4	1,344
Closing net book amount	**5,618**	**29,022**	**305**	**1,743**	**459**	**240**	**327**	**37,714**
Cost	7,047	47,497	732	2,768	1,136	1,191	3,012	63,383
Accumulated depreciation	(1,429)	(18,475)	(427)	(1,025)	(677)	(951)	(2,685)	(25,669)
Net book amount	5,618	29,022	305	1,743	459	240	327	37,714

Included in the Hardware Assets is equipment under construction of $7,654 (31 March 2019: $6,997).
Items of plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes the purchase consideration, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Where an item of plant and equipment is disposed of, the gain or loss recognised in the statement of comprehensive income is calculated as the difference between the net sales price and the carrying amount of the asset.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense in the period they are incurred.

NOTE 8 • 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:

Leasehold improvements	3 to 9 years	Straight line
Hardware assets	3 to 6 years	Straight line
Plant and equipment	3 to 11 years	Straight line
Computer/Office equipment	1 to 3 years	Straight line
Motor vehicles	3 to 5 years	Straight line

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

NOTE 9 • INTANGIBLE ASSETS

GROUP	Patents $	Trade Marks $	Development $	Software $	Total $
Year ended 31 March 2019 - Audited					
Opening net book amount	14	33	26,853	3,002	29,902
Additions	-	-	8,334	1,375	9,709
Disposals	-	-	-	-	-
Amortisation charge	(2)	-	(5,423)	(1,054)	(6,479)
Closing net book amount	12	33	29,764	3,323	33,132
Cost	18	33	46,330	6,905	53,286
Accumulated amortisation	(6)	-	(16,566)	(3,582)	(20,154)
Net book amount	12	33	29,764	3,323	33,132

GROUP	Patents $	Trade Marks $	Development $	Software $	Total $
Six months ended 30 September 2019 - Unaudited					
Opening net book amount	12	33	29,764	3,323	33,132
Additions	-	-	5,006	3,301	8,307
Disposals	-	-	-	-	-
Amortisation charge	-	-	(3,182)	(438)	(3,620)
Closing net book amount	**12**	**33**	**31,588**	**6,186**	**37,819**
Cost	18	33	51,336	10,206	61,593
Accumulated amortisation	(6)	-	(19,748)	(4,020)	(23,774)
Net book amount	**12**	**33**	**31,588**	**6,186**	**37,819**

NOTE 9 • INTANGIBLE ASSETS *(continued)*

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

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

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

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

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

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

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

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

NOTE 10 • CONTRACT LIABILITIES

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

	GROUP	
	30 September 2019	31 March 2019
	Unaudited $000's	Audited $000's
Opening balance	**9,967**	10,174
Amounts deferred during the period	**3,081**	5,048
Amount recognised in the Statement of Comprehensive Income	**(3,000)**	(5,255)
	10,048	9,967
Current	**6,092**	5,758
Non-current	**3,956**	4,209

NOTE 11 • INCOME TAX EXPENSE

	GROUP	
	30 September 2019	30 September 2018
	Unaudited $000's	Unaudited $000's
(a) Reconciliation of effective tax rate		
Loss before income tax	**(167)**	(3,569)
Income tax using the Company's domestic tax rate of 28%	**(47)**	(999)
Non-deductible expense	**9**	464
Temporary differences		
Losses and timing differences not recognised	**-**	257
Effect of different tax rates	**(23)**	119
Income tax expense/(benefit)	**(61)**	(159)
(b) Current tax expense/(benefit)		
Current year	**4**	(90)
	4	(90)
(c) Deferred tax (benefit)		
Current year	**(65)**	(69)
	(65)	(69)

At 30 September 2019 there were no imputation credits available to shareholders (30 September 2018: Nil)

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax payable also includes any tax liability arising from the declaration of dividends.

NOTE 11 • INCOME TAX EXPENSE *(continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTE 12 • BORROWINGS

	GROUP	
	30 September 2019	31 March 2019
	Unaudited $000's	Audited $000's
Current borrowings		
Term Loans - NZ $ denominated	**9,024**	6,149
Term Loans - US $ denominated	**3,749**	8,477
NZ Growth Funding - Committed Cash Advance Facility	**3,827**	1,810
US Growth Funding - Committed Cash Advance Facility	**2,739**	801
Capitalised borrowing costs	**(50)**	(74)
	19,289	17,163
Non-current borrowings		
Term Loans - NZ $ denominated	**4,456**	1,500
Term Loans - US $ denominated	**1,792**	10,239
NZ Growth - Committed Cash Advance Facility	**7,521**	4,289
US Growth - Committed Cash Advance Facility	**4,392**	1,448
	18,161	17,476

Terms and debt repayment schedule

	Nominal Interest	Year of Maturity	30 September 2019 Unaudited Face Value $000's	30 September 2019 Unaudited Carrying amount $000's	31 March 2019 Audited Face Value $000'	31 March 2019 Audited Carrying amount $000's
Term Loans - NZ $ denominated	**5.00%**	**2020**	**13,481**	**13,481**	6,819	6,819
Term Loans - US $ denominated	**5.55%**	**2020**	**5,540**	**5,540**	19,546	19,546
NZ Growth - Committed Cash Advance Facility	**4.47%**	**2020**	**11,348**	**11,348**	6,099	6,099
US Growth - Committed Cash Advance Facility	**4.98%**	**2020**	**7,131**	**7,131**	2,249	2,249
Capitalised borrowing costs	**-**	**2020**	**-**	**(50)**	-	(74)
			37,500	**37,450**	34,713	34,639

NOTE 12 • BORROWINGS *(continued)*

On 3 July 2017, in order to support funding requirements in connection with the Group's growth and to manage the related working capital requirements, the Company entered into a Multi-Option Credit Facility Agreement with the Bank of New Zealand (BNZ). The agreement was subsequently amended and restated in December 2017 and October 2018. At 30 September 2019, EROAD had the following facilities in place:

$5,250,000 (NZD) Term Loan Facility A – to restructure existing term facilities. The Term Loan has a term of 24 months from the October refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 30 month repayment profile.

$5,998,480 (NZD) Term Loan Facility B – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the First Amendment Date in December 2017. The Term Loan has a term of 24 months from the October 2018 refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$2,182,057 (USD) Term Loan Facility B – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the First Amendment Date in December 2017. The Term Loan has a term of 24 months from the October 2018 refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month US LIBOR plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$12,966,043 (NZD) Term Loan Facility E – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the Second Amendment Date in October 2018. The Term Loan has a term of 24 months from the October 2018 refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$3,264,184 (USD) Term Loan Facility E – used to restructure the Outstanding Amount under the Committed Cash Advances Facility as at the Second Amendment Date in October 2018. The Term Loan has a term of 24 months from the October 2018 refinance date, with the facility having a maturity date in October 2020. The interest rate is variable based on the 3-month US LIBOR plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$20,000,000 (NZD) Committed Cash Advance Facility – to finance the up-front costs in connection with securing Future Contracted Income. The Committed Cash Advance Facility has a 24 month term from the October 2018 refinance date, with the facility having a maturity date in October 2020. Structurally the facility is paid down and redrawn (revolving credit) each time the Company presents a certificate outlining the Group's growth in new Future Contracted Income on a monthly basis. For drawings in New Zealand Dollars of a 1-month duration, the interest rate is the 1-month BKBM plus margin of 2.50%. For drawings in USD of a 1-month duration, the interest rate is the 1 month US LIBOR plus a margin of 2.50%. In addition to a 1.50% line fee on the total facility limit, payable quarterly in advance.

$5,150,000 (NZD) Overdraft Facilities – for general working capital purposes. This is an on demand facility with the interest rate based on the Market Connect Overdraft Prime Rate plus a margin of 1%.

EROAD's operating covenants to support the above facilities include Loan to Total FCI Ratio, Interest Cover Ratio, Total Assets (Obligators) to Total Assets (Group) ratio, and an umbrella limit on the aggregate of all facilities being below $40,000,000 (NZD). EROAD was compliant with all covenants during the period and at 30 September 2019.

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

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.

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

Since 30 September 2019, the Group has formally extended the term of the debt facilities through to the end of January 2021. Concurrently discussions are underway with the bank to restructure and extend its debt facilities. The Group has received an indicative term sheet, which the board has approved, for a revised growth funding debt facility with a term through to January 2022. It is anticipated that full credit approval and loan documentation will be finalised for this facility in December 2019.

NOTE 13 • RELATED PARTY TRANSACTIONS

Related party transactions are consistent in nature with those reported at 31 March 2019.

NOTE 14 • CAPITAL COMMITMENTS

As at 30 September 2019 the Group had confirmed purchase orders open with its third party manufacturer of hardware units amounting to $950 (31 March 2019: $735).

NOTE 15 • CONTINGENT LIABILITIES

During the year ended 31 March 2019, the Group was approached by a third party who asserted that EROAD had infringed a number of its patents. From our internal review of the patent claims asserted by the other party, the Group believes there are grounds in support for why we have not infringed their patents and also strong grounds that the patents would likely be considered invalid if EROAD was to challenge them. The Group strongly asserts that we have not infringed the patents and have informed the other party that we will seek our attorney fees from them in the event we succeeded in any potential litigation.

As we firmly believe that we not infringed any patents no amounts have been provided for in relation to this claim. The Group has incurred legal costs in defending this claim over the six months ended 30 September 2019 and will continue to incur legal costs over the next twelve months.

NOTE 16 • NET TANGIBLE ASSETS PER SHARE

	GROUP		
	30 September 2019	30 September 2018	31 March 2019
	Unaudited $000's	Unaudited $000's	Audited $000's
Net assets (equity)	**51,320**	54,588	51,290
Less intangibles	**(37,819)**	(30,556)	(33,132)
Total net tangible assets	**13,501**	24,032	18,158
Net tangible assets per share ($)	**0.20**	0.35	0.27

The non-GAAP measure above is disclosed to comply with NZX Debt Market Listing Rule 2.3(f).

NOTE 17 • EVENTS SUBSEQUENT TO BALANCE DATE

There are no reportable events subsequent to balance date other than the extension of the debt facility term as outlined in Note 12 Borrowings (31 March 2019: Nil).

KPMG

Independent Review Report

To the shareholders of EROAD Limited

Report on the condensed consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of EROAD Limited (the company) and its subsidiaries (the Group) on pages 11 to 30 do not:

i. present fairly in all material respects the Group's financial position as at 30 September 2019 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

We have completed a review of the accompanying condensed consolidated financial statements which comprise:

— the condensed consolidated statement of financial position as at 30 September 2019;

— the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and

— notes, including a summary of significant Group accounting policies and other explanatory information.

Basis for conclusion

A review of condensed consolidated financial statements in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* ("NZ SRE 2410") is a limited assurance engagement. The auditor performs procedures, consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

As the auditor of EROAD Limited, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

Our firm has also provided other services to the Group in relation to tax compliance, 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 reviewer of the Group. The firm has no other relationship with, or interest in, the Group.

Use of this Independent Review Report

This report is made solely to the shareholders as a body. Our review work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the Independent Review 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 review work, this report, or any of the opinions we have formed.

KPMG

Responsibilities of the Directors for the condensed consolidated financial statements

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

- the preparation and fair presentation of the condensed consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of an condensed consolidated 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 review of the condensed consolidated financial statements

Our responsibility is to express a conclusion on the condensed consolidated financial statements based on our review. We conducted our review in accordance with NZ SRE 2410. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with NZ IAS 34 Interim Financial Reporting.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these condensed consolidated financial statements.

This description forms part of our Independent Review Report.

KPMG

KPMG
Auckland

22 November 2019

Bridgestone
EROAD Customer, New Zealand

Angel Transport
EROAD Customer, New Zealand

EROAD

SHARE REGISTRAR

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