

THE RIGHT ROAD

EROAD PROSPECTUS

INITIAL PUBLIC OFFERING
OF ORDINARY SHARES
IN EROAD LIMITED
DATED 18 JULY 2014

SOLE LEAD MANAGER

 **FIRST NZ CAPITAL**

CO-MANAGER

DeutscheCRAIGS



IMPORTANT INFORMATION

IMPORTANT NOTICE

This document relates to the Offer of ordinary shares in EROAD Limited. A description of the Offer and the Shares is set out in *Section 9: Terms of the Offer*.

This document is a prospectus for the purposes of the Securities Act and the Securities Regulations and is prepared as at, and dated, 18 July 2014.

This Prospectus is an important document and should be read carefully before deciding whether or not to invest in EROAD.

No one is authorised by the Directors or the Issuers to give any information or make any representation in connection with this Offer which is not contained in this Prospectus, the Investment Statement or in other communications from the Directors. Any information or representation not so contained may not be relied upon as having been authorised by the Directors or an Issuer. If you have any questions about the Offer, you should consult your financial or legal adviser or an NZX Firm.

You should seek your own taxation advice on the implications of an investment in the Shares.

NO GUARANTEE

No person guarantees the Shares offered under this Prospectus. No person warrants or guarantees the performance of the Shares or any return on any investments made pursuant to this Prospectus.

SELLING RESTRICTIONS

The Offer is being made to eligible persons under the Preference Pool Offer, New Zealand resident clients of NZX Firms who receive a firm allocation of Shares and to selected NZX Firms and Institutional Investors in New Zealand, Australia and certain other jurisdictions. No person may offer, sell (including resell) or deliver or invite any other person to so offer, sell (including resell) or deliver any Shares or distribute any documents (including this Prospectus) in relation to the Shares to any person outside New Zealand except in accordance with the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with the Issuers, any person or entity subscribing for Shares in the Offer shall, by virtue of such subscription, be deemed to represent that he, she or it is not in a jurisdiction which does not permit the making to him, her or it of an offer or invitation of the kind described in this Prospectus, and is not acting for the account or benefit of a person within such jurisdiction. No person accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

REGISTRATION

A copy of this Prospectus duly signed by or on behalf of the directors of the Issuers and having endorsed thereon or attached thereto copies of the documents required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration in accordance with section 42 of the Securities Act.

The documents required by section 41 of the Securities Act to be attached to the copy of this Prospectus delivered to the Registrar of Financial Service Providers for registration are:

- The Auditor's report in respect of certain financial information included in this Prospectus as set out in this Prospectus, which includes the signed consent of the Auditor to the Auditor's Report appearing in this Prospectus;
- The signed consent of the Investigating Accountant's Report appearing in this Prospectus; and
- Copies of the material contracts referred to under the heading "Material Contracts" in *Section 9.3: Statutory Information*.

CONSIDERATION PERIOD

Under section 43C of the Securities Act, the Financial Markets Authority will be notified once this Prospectus is registered with the Registrar of Financial Service Providers. The Financial Markets Authority will have the opportunity to consider whether the Prospectus: (a) complies with the Securities Act and the Securities Regulations; (b) contains any material misdescription or error or any material matter that is not clearly legible; or (c) is false or misleading as to a material particular or omits any material particular. Nothing in this section or in any other provision of the Securities Act limits the Financial Markets Authority's power to consider or reconsider these matters at any time. The nature and extent of the consideration (if any) that the Financial Markets Authority gives to this Prospectus is at the Financial Markets Authority's discretion.

Under section 43D of the Securities Act, no allotment of Shares may be made and no Applications or subscriptions for Shares may be accepted during the Financial Markets Authority's consideration period. The consideration period commences on the date this Prospectus is registered and ends at the close of five working days after the date of registration. The Financial Markets Authority may shorten the consideration period, or extend it by no more than five additional working days.

FORWARD LOOKING STATEMENTS

This Prospectus contains certain statements which relate to the future including, in particular, the information set out in *Section 8.4: Prospective Financial Information*. Forward looking statements should be read together with the other information in this Prospectus, including the risk factors in *Section 7: What are my Risks?* and the assumptions and sensitivity analysis set out in *Section 8.4: Prospective Financial Information*.

Such forward looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Group and which may cause actual results, performance or achievements of the Group to differ materially from those expressed or implied by such statements.

The Issuers and the Directors disclaim any responsibility to update any such risk factors or publicly announce the results of any revisions to any of the forward looking statements contained in this Prospectus to reflect developments or events, except to the extent required by applicable laws or the Listing Rules.

Given these uncertainties, you are cautioned not to place undue reliance on any forward looking statements contained in this Prospectus. Under no circumstances should you regard the inclusion of forward looking statements as a representation or warranty by the Issuers or their respective directors or officers or any other person referred to in this Prospectus with respect to the achievement of the results set out in any such statement, or that the underlying assumptions used will in fact be realised.

QUESTIONS ABOUT THE OFFER

If you have any queries about the risk or suitability of an investment in the Shares you should consult your financial adviser or an NZX Firm. If you wish to apply for Shares you must receive the Investment Statement and make your Application on the Application Form attached to, or accompanying, the Investment Statement.

DEFINITIONS

Capitalised terms used in this Prospectus, including certain industry terms with which you may not be familiar, have the specific meaning given to them in the *Glossary*.

Unless otherwise indicated, \$ or NZ\$ refers to New Zealand Dollars and all references to time are to time in New Zealand.

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1.0

LETTER FROM
THE CHAIRMAN

1.0 LETTER FROM THE CHAIRMAN

18 July 2014

Dear Investor,

On behalf of the board of directors, I invite you to consider becoming a Shareholder in EROAD.

EROAD is an exciting high growth company that has established an industry-leading position in the provision of electronic road charging and compliance services to the heavy transport industry.

In 2009, EROAD created in New Zealand the world's first network-wide GPS/cellular-based road user charging system. EROAD has a highly-scalable technology platform and robust business model, now supported by a further international reference site in the United States.

EROAD's business is underpinned by its strong vision and core values of innovation and integrity. Through its disruptive technology platform EROAD has successfully modernised outdated and inefficient regulatory and compliance systems in the heavy transport industry, in the process creating value for its customers, for regulators and agencies, and for the wider community. The compelling return on investment experienced by our customers has led to customer retention rates in excess of 99%.

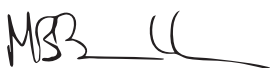
EROAD is in a strong position. We have undertaken a large R&D programme, obtained supporting regulatory approvals and successfully commercialised our technology solution. In the year to 31 March 2014, EROAD was operating cash flow positive and profitable. EROAD's transition to a publicly-listed company represents the next step on its path to becoming a global technology leader.

We are confident of EROAD's ability to successfully execute its international expansion plans under the leadership of CEO Steven Newman and the executive management team, who bring with them a wealth of experience from the technology and transport sectors.

Please read and consider carefully the information presented in this Prospectus, including in particular the information in *Section 7: What are my Risks?*, before making an investment decision.

We commend the Offer to you, and should you decide to invest, welcome you as a Shareholder of EROAD.

Yours sincerely,



Michael Bushby
Chairman



2.0

OFFER AT
A GLANCE

2.0 OFFER AT A GLANCE

This is an initial public offering of ordinary shares in EROAD. EROAD is a leading transport technology and services company. You can find more information about EROAD in *Section 6: About EROAD*.

The Offer comprises the Broker Firm Offer, the Preference Pool Offer and the Institutional Offer. There is no general public offer. Therefore, if you wish to subscribe for Shares, you must do so through an NZX Firm with a firm allocation or you must be eligible to participate in the Preference Pool Offer.

Under the Offer, EROAD will issue new Shares and certain existing Shareholders in EROAD will offer their Shares for sale through the Offeror.

The purpose of the Offer and intended use of proceeds is to:

- Achieve an NZX Main Board listing, which will increase transparency and credibility with stakeholders in markets, and enhance EROAD's profile with customers;
- Provide capital to accelerate EROAD's ability to identify and exploit new opportunities in accordance with its strategy set out in *Section 6.1: Strategy*;
- Repay the bank financing used by EROAD to fund rental Units, being approximately \$3 million; and
- Enable the Selling Shareholders to sell a portion of their Shares (comprising up to 5.1% of the Shares on issue at the date of this Prospectus).

KEY DATES

Institutional Offer (bookbuild)	28 and 29 July 2014
Final Price announced	29 July 2014
Broker Firm Offer and Preference Pool Offer opens	30 July 2014
Preference Pool Offer closes (5.00pm)	6 August 2014
Broker Firm Offer closes (5.00pm)	12 August 2014
Expected dispatch of holding statements and any refund payments (if required)	15 August 2014
Allotment Date	15 August 2014
Expected commencement of trading on the NZX Main Board	15 August 2014

These dates are indicative only and may be amended. The Offer may also be withdrawn at EROAD's discretion at any time before the allotment of Shares.

KEY OFFER STATISTICS

The following table highlights key Offer statistics based on the lower and upper values of the Indicative Price Range and based on EROAD undertaking a Share split once the Final Price is known so that it has 60 million Shares on issue.

Indicative Price Range ¹	\$3.00 to \$3.80 per Share
New Shares being offered by EROAD to raise up to \$40 million	10.5 million to 13.3 million
Shares being offered by Selling Shareholders ²	2.4 million to 2.5 million
Total number of Shares being offered	13.0 million to 15.7 million
Indicative market capitalisation ³	\$180.0 million to \$228.0 million
Prospective net interest bearing unrestricted cash ⁴	\$40.5 million
Indicative enterprise value (EV) ⁵	\$139.5 million to \$187.5 million

¹ The Final Price may be within, above or below the Indicative Price Range.

² Selling Shareholders will offer up to 517,500 existing Shares under the Offer, which will be increased in number following the Share split to be undertaken once the Final Price is determined.

³ Based on the Indicative Price Range multiplied by 60 million Shares.

⁴ Calculated as unrestricted cash of \$2.5 million less borrowings of \$3.1 million as at 31 March 2014, plus proceeds from Shares issued to staff, Directors and close business associates prior to the Offer of \$1.65 million, plus the expected net proceeds of the Offer of \$39.4 million.

⁵ Calculated as indicative market capitalisation less prospective net interest bearing unrestricted cash.

2.0 OFFER AT A GLANCE

KEY OPERATING METRICS

	HISTORICAL			PROSPECTIVE	
	FY2012	FY2013	FY2014	FY2015(P)	FY2016(P)
Units on Depot ⁶	3,412	7,452	13,453	24,706	44,057
Retention Rate ⁷	100.0%	99.5%	99.3%	98.2%	96.5%

SELECTED FINANCIAL INFORMATION

\$ MILLION	HISTORICAL			PROSPECTIVE	
	FY2012	FY2013	FY2014	FY2015(P)	FY2016(P)
Revenue	2.9	6.2	10.0	19.0	34.1
EBIT before non-operating costs	(0.7)	(0.3)	1.1	0.6	6.4
Net Profit	(0.8)	(0.3)	2.9	(1.0)	5.5
Adjusted Net Profit ⁸	(0.8)	(0.3)	2.9	1.0	5.5
Annualised Recurring Revenue ⁹	4.1	6.7	11.5	19.1	30.7

EBIT before non-operating costs and Annualised Recurring Revenue are non-GAAP financial measures used by EROAD. You can find an explanation of trends in financial information and of EBIT before non-operating costs and Annualised Recurring Revenue, and why EROAD uses these non-GAAP measures of financial performance, in *Section 8.2: Overview of Financial Information*.

KEY INVESTMENT METRICS

	FY2015(P)	FY2016(P)
EV/Revenue multiple ¹⁰	7.3x – 9.9x	4.1x – 5.5x
EV/EBIT before non-operating costs multiple ¹⁰	222.8x – 299.5x	21.9x – 29.4x
Price/Earnings Ratio ¹¹	181.8x – 230.3x	32.7x – 41.4x

These metrics are provided to help you assess the value of EROAD. Indicative market capitalisation, indicative enterprise value (EV), EV/Revenue multiple, EV/EBIT before non-operating costs multiple and Price/Earnings Ratio are shown based on the lower and upper values of the Indicative Price Range.

The Directors do not anticipate the payment of dividends during the PFI period as the Directors expect that surplus funds will be retained in order to capitalise on immediate and future market growth opportunities.

⁶ Units on Depot is the number of EROAD devices installed in vehicles and subject to a service contract with a customer.

⁷ Retention Rate is the number of Units installed at the beginning of the period and retained on Depot at the end of the period as a percentage of the number of Units on Depot at the beginning of that period.

⁸ Adjusted Net Profit represents Net Profit adjusted for one-off, non-operating listing costs of \$2.0 million in FY2015(P). No adjustment has been made to Net Profit in any other year.

⁹ Annualised Recurring Revenue multiplies Recurring Revenue recognised or expected to be recognised for the month of March in each financial year by 12.

¹⁰ EV divided by revenue or EBIT before non-operating costs. This is a valuation metric that enables comparison with other listed companies.

¹¹ Indicative market capitalisation divided by Adjusted Net Profit. This is a valuation metric that enables comparison with other listed companies.

3.0

EROAD AT
A GLANCE

3.0 EROAD AT A GLANCE

EROAD is a leading transport technology and services company. EROAD has created an electronic solution to manage and pay Road User Charges (RUC), support regulatory compliance and provide value-added commercial services to the heavy vehicle industry. EROAD generates Recurring Revenue from charging customers for its services and also receives revenue from hardware sales of Ehubos as well as other sources. You can find out more about how EROAD makes money in *Section 8.1: Introduction to EROAD's Financial Information*.

In 2009, EROAD implemented the world's first network-wide GPS/cellular-based road user charging system, which modernised the existing paper-based RUC regime in New Zealand. EROAD has become the largest electronic RUC agent in New Zealand, achieving an annualised RUC collection rate of over \$219 million.

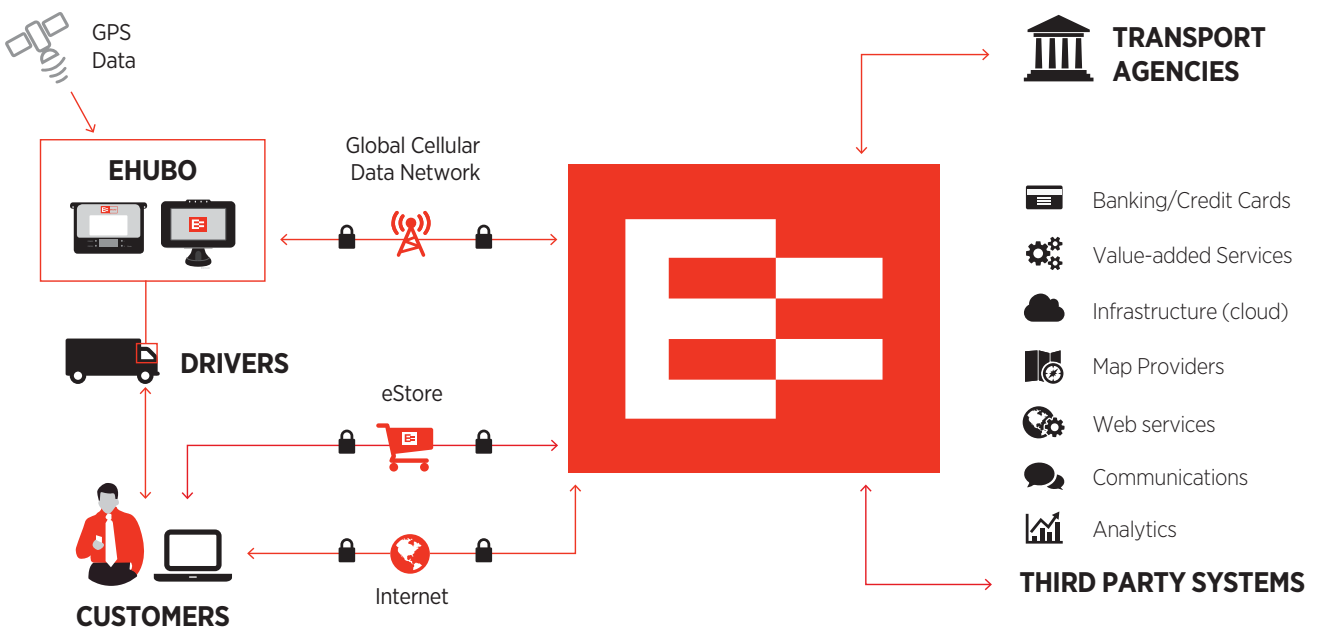
The EROAD system consists of a secure electronic distance recorder (Ehubo), combined with a bank-grade payment gateway and services portal. We undertake design and manufacture of our Ehubos, as well as software development, from our headquarters in Auckland. EROAD has created a cost effective and scalable solution based on cloud architecture, web processes and partnerships with global infrastructure providers.

EROAD is a vertically integrated technology company which allows the company to provide a better customer experience by integrating the complete user experience from hardware to software and services. This arrangement promotes strong customer relationships and ensures more stable revenues.

EROAD has grown rapidly and in 2012 was ranked 10th in the Deloitte Technology Fast 500 Asia Pacific program. In FY2014 EROAD's revenues reached \$10 million and EROAD became profitable for the first time. EROAD's financial performance is underpinned by its strong Recurring Revenues, reputation for quality service delivery and high customer retention rates.

EROAD's successful New Zealand reference site provided it with the opportunity to enter the international market. In April 2014 we commercially launched in Oregon, becoming the first approved electronic Weight-Mile Tax (WMT) service provider in North America. EROAD has also entered the Australian market with a commercial services offering, appealing to commercial transport fleets that require a highly available and secure platform.

The Offer will provide capital to support EROAD's strategy to identify and develop new markets and products. EROAD's vision is to become the international leader in the provision of road user charging and compliance services to the global heavy transport sector.



Customers – meet their RUC obligations and manage their fleet through Depot – saving time and money

Drivers – eliminate paperwork, ensure compliance and communicate with Depot

Transport Agencies – lower cost of collection and enjoy improved compliance by EROAD customers

4.0

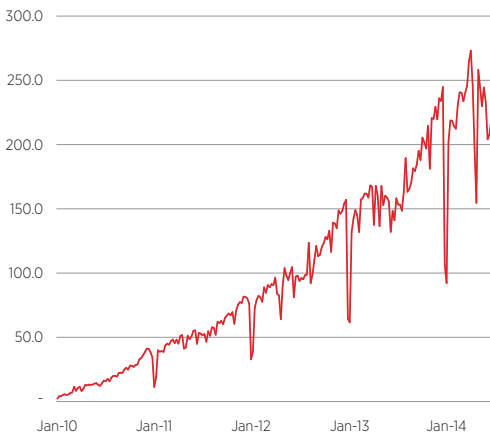
INVESTMENT HIGHLIGHTS

1

New Zealand industry leader

- Established and strong business in New Zealand based on innovative product offering, reputation for service delivery, enthusiastic customer base and attractive brand
- Proven track record of significant growth in customer numbers and annual revenues
- Trusted party to industry and government as the largest electronic RUC agent in New Zealand collecting 22% of Heavy Vehicle RUC
- Our solution provides regulatory, compliance and commercial services on one secure platform to lower overall costs and improve our customers' return on investment
- Significant growth potential exists in the New Zealand market from increased customer uptake and new service offerings

ANNUALISED RUC COLLECTION RATE (\$ MILLION)¹²



Note: variations reflect industry seasonality and public holidays.

2

Substantial opportunities in North America

- EROAD has established an American beachhead in Oregon, where 306,000 Heavy Vehicles are registered for WMT, six times the size of the comparable New Zealand RUC market. We expect our market share in Oregon for Heavy Vehicles to be 4.1% by 31 March 2016
- We are the only provider to meet the technical specification and approvals required to address the WMT opportunity
- Solution complexity, high security and performance requirements and agency approvals create considerable development risk and long lead times to market entry for potential competitors
- From Oregon there is a logical pathway to deliver services to meet wider North American compliance opportunities including International Fuel Tax Agreement (IFTA) and International Registration Plan (IRP) reporting and electronic logbooks (ELBs) – a combined addressable market in excess of 10 million vehicles

OREGON ► NORTHWEST ► NORTH AMERICA



¹² Calculated as EROAD's weekly RUC collections multiplied by 52.

EROAD'S OREGON BEACHHEAD PROVIDES THE LAUNCHING PAD FOR EXPANSION INTO NORTH AMERICA

3

A solution to global road funding and heavy vehicle compliance issues

- Rapidly rising freight volumes and widespread funding shortfalls have combined to create an international movement towards electronic road user charges to supplement or replace traditional fuel excise taxes
- EROAD’s system enables and supports the modernisation of paper-based charging and compliance regimes
- Implementation of the EROAD system is cost effective and low risk for transport agencies seeking solutions, while cost savings and efficiency gains are enjoyed by customers
- With our established business in New Zealand, and expansion into North America, we are well positioned to pursue other international markets

4


Ability to execute our growth strategy

- EROAD’s platform is internationally scalable, using cloud infrastructure, a global cellular data network and web-based applications
- We employ best in class R&D, security and quality management processes aligned with International Organization for Standardization (ISO) and other international standards
- Our team are experts in their field, experienced in technology, security, the transport industry and public policy engagement
- We have a highly qualified board of directors that has demonstrated an ability to lead and support a high growth company


2014  Finalist and Highly Commended for the Energy Efficiency Conservation Authority Transport Award

2013  Finalist, Cisco Emerging Company of the Year category, NZ Hi-Tech Awards

 Ranked 68th in Deloitte Technology Fast 500 Asia Pacific program

 Ranked New Zealand’s ninth fastest growing company in Deloitte Fast50

2012  Ranked 10th in Deloitte Technology Fast 500 Asia Pacific program

 Ranked fifth on the New Zealand Green 50 list

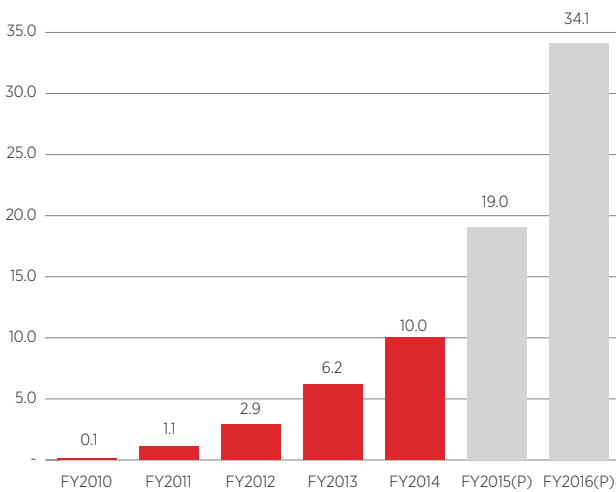
2010  Awarded Most Innovative Hardware Product, NZ Hi-Tech Awards
Awarded Most Innovative Service Product, NZ Hi-Tech Awards

5

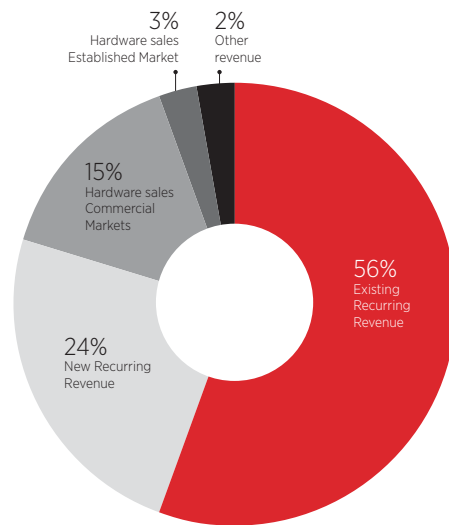
Attractive business model

- Significant growth in customer numbers and revenue is forecast to continue
- A majority of revenue is stable, recurring and with attractive margins
- Our diversified client base helps insulate EROAD from earnings volatility stemming from sector instability and the wider business cycle
- Positive operating cash flows since FY2011
- Our provision of hardware, software, and services solutions in one complete package promotes customer retention through a better user experience

REVENUE (\$ MILLION)



REVENUE COMPOSITION FY2015(P)



EROAD’s innovative technology provides the opportunity to create a new utility business to revolutionise the provision and management of roading infrastructure.

You can find out more about EROAD’s business and the risks that could affect its performance in *Section 6: About EROAD* and *Section 7: What are my Risks?*

5.0

INDUSTRY
OVERVIEW

5.0 INDUSTRY OVERVIEW

EROAD provides an electronic system for managing and paying road user charges (RUC in New Zealand and WMT in Oregon). EROAD also provides a number of regulatory and commercial services to support driver compliance and fleet efficiency. New Zealand RUC and Oregon WMT are explained below together with an overview of key international trends in road funding and heavy vehicle compliance which are relevant to EROAD's business model and future expansion opportunities.

NEW ZEALAND RUC

RUC applies to all Heavy Vehicles and all other diesel vehicles. Approximately \$1.4 billion of RUC is collected annually, with \$950 million from 120,000 powered Heavy Vehicles and 35,000 unpowered Heavy Vehicles. The balance comes from 514,000 light diesel vehicles. RUC is charged based on the distance travelled, the class of vehicle and its weight.

RUC is a significant operating cost for Heavy Vehicles and generally is one of the largest costs for fleet operators. For example, a standard Class 14 truck towing a Class 43 trailer would typically incur around \$70,000 of RUC annually.¹⁵

RUC has traditionally been collected by 'bricks and mortar' agencies such as NZ Post, the Automobile Association and Vehicle Testing New Zealand. EROAD has been a pioneer in shaping New Zealand regulatory reform to allow for efficient and cost-effective electronic solutions for RUC collection.

OREGON WMT

Oregon was the first United States jurisdiction to implement a direct distance-based road user charging system using WMT. WMT applies to Heavy Vehicles that operate on public roads according to a combination of the number of axles and/or the combined weight of the vehicle and the number of miles driven. There are 306,000 Heavy Vehicles in Oregon registered for WMT.

Similar WMT regimes operate in the states of New York, Kentucky and New Mexico, with an estimated 500,000 vehicles registered for WMT in New York, and 50,000 in each of Kentucky and New Mexico.

KEY INDUSTRY TRENDS

Global freight transport by road

Globally, freight transport by road is forecast to continue to increase significantly. In the United States, the world's largest commercial road transport market, the volume of road freight is expected to double between 2000 and 2035 from 11 to 22 billion tonnes per annum. European freight transport volumes are forecast to rise by 83% from 2005 to 2030. In New Zealand, tonnage of road freight is expected to double between 2005 and 2020 from 100 to 200 million tonnes per annum.

As increasing numbers of trucks move larger volumes of freight, significant pressure is put on existing transport infrastructure. Transport authorities are increasingly facing problems with funding the maintenance and expansion of road and highway infrastructure, as well as improving road safety and reducing environmental impacts.

Traditional road funding in decline

Fuel excise taxes and vehicle registration fees remain the most widespread means by which roads are funded. However, these traditional funding methods are being increasingly undermined by:

- Increasing vehicle fuel economy;
- Poor ability to link fuel use with road damage, congestion and environmental costs;
- Increased availability and adoption of electric, hybrid and gas powered vehicles;
- Policy targets to reduce dependence on fossil fuels;
- Revenue volatility from rapidly fluctuating oil prices; and
- Policy targets to promote sustainable transport.

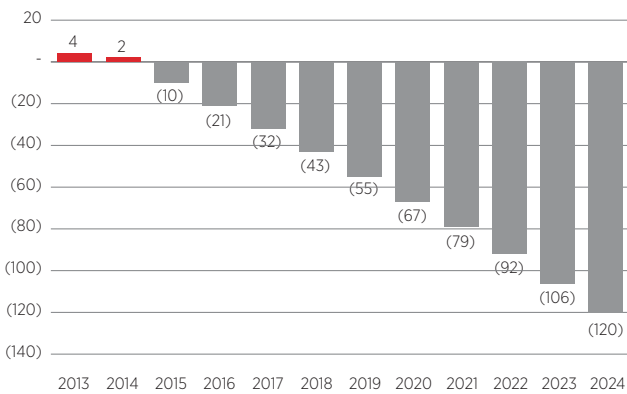
¹⁵ Further information about RUC is available in the NZTA RUC Handbook 2014.

5.0 INDUSTRY OVERVIEW

United States infrastructure challenges

The condition of existing transportation infrastructure is continuing to deteriorate. Recent developments, such as the rapid increase in hydraulic fracking techniques employed in oil and gas production, are putting further significant pressure on roads. The United States faces a growing funding shortfall for surface transportation infrastructure. The United States Federal Congressional Budget Office found in its June 2014 report that the Highway Trust Fund¹⁴ could not support spending at the current rate because revenues from excise taxes are expected to grow very little. As indicated below, by 2024, cumulative shortfalls are estimated to total about \$120 billion. Since 2008, shortfalls totalling \$54 billion have been covered by top-ups to the fund from the United States federal government.

UNITED STATES HIGHWAY TRUST FUND FORECAST SHORTFALL (US\$ BILLION)



Source: Congressional Budget Office: *The Status of the Highway Trust Fund and Options for Financing Highway Spending*, June 2014.

Alternative methods of vehicle charging

Many jurisdictions have implemented road user charges and congestion based tolling for vehicles as a means of overcoming revenue shortfalls and improving community and environmental outcomes. Traditional tolling projects are also being supplemented by a move to distance-based road user charging for heavy vehicles.

A number of countries have implemented distance-based road user charging for commercial trucks, including Germany, Switzerland, Austria, the Czech Republic and Slovakia. In addition, an increasing number of countries (including France, Belgium, Poland, Russia, the Netherlands, Hungary, Sweden and Denmark) have undertaken planning and consultation for the possible introduction of electronic tolling schemes for heavy vehicles.

European tolling schemes typically employ a consortium of separate companies to undertake design, development, construction, systems integration, customer service, back office systems, hardware and roadside equipment, and enforcement systems. The consortia model is very high cost, requiring multiple companies to provide an integrated tolling solution. The primary product is the collection of tolls on behalf of the government agency in a single source and mandatory arrangement.

GAO ADVOCATES ROAD USER CHARGING FOR THE UNITED STATES

A 2013 report by the United States Government Accountability Office (GAO) to the Congressional Subcommittee on Transportation, Housing and Urban Development recommended that the United States consider implementing a pilot programme to test the viability of road user fees for commercial trucks and electric vehicles.

The report noted that a federal pilot programme would provide the opportunity to assess balancing trucking industry concerns regarding administrative burden and compliance costs with the goal of ensuring that federal fees cover the costs of users' road use. The United States has no federal distance-based road user charging system, relying primarily on fuel taxes for its Highway Trust Fund, which have not increased since 1993.

New Zealand's electronic road user charging system was a focus of the report. The report found that New Zealand has demonstrated that variable rate, distance-based user fees for commercial trucks can generate substantial revenues linked to road damage costs.

¹⁴ The Highway Trust Fund is the primary source of federal funding for highways and other transport infrastructure in the United States.

5.0 INDUSTRY OVERVIEW

Heavy vehicle compliance

As communities continue to demand safer roads, regulatory authorities have responded by increasing oversight of the heavy vehicle industry, recognising that driver error, fatigue and speed are critical factors in most accidents. Enforcement is being transformed by the same advances in technology and management as general transport operations, using vehicle positioning systems, weigh-in-motion systems and on-board monitoring systems.

The global movement towards lower cost, transparent electronic compliance and record keeping has created significant opportunities to utilise innovative technological measures to improve commercial road transport safety and efficiency. Specific measures include:

- Electronic logbooks (ELBs) to support driver hours regulations;
- Use of information technology to support better driver behaviour; and
- Use of technology based accreditation and safety ratings schemes to encourage the application of safety management systems.

Similarly, governments, regulators and transport agencies are implementing significant programmes to modernise motor vehicle databases, with a view to lowering costs and better supporting service delivery and enforcement.

6.0

ABOUT EROAD

6.1 STRATEGY

EROAD's vision is to become the global leader in heavy vehicle road user charging, compliance and commercial services. EROAD has six strategies to achieve this vision:

1. Grow existing markets in New Zealand, Oregon and Australia;
2. Expand Oregon operations into the Northwest of the United States and wider North American market;
3. Identify, foster and develop new international opportunities;
4. Consider accelerating entry into new markets through acquisitions;
5. Further develop commercial services to support and accelerate core product offerings; and
6. Research and validate new product markets and supporting business models.

HOW WE IMPLEMENT OUR STRATEGY

There are five key stages of opportunity preceding our entry into a new jurisdictional market or provision of new services over the existing platform. Once an opportunity is validated, EROAD defines the market in three different stages. These are Development, then Commercial and then Established. New Zealand is an Established Market for EROAD. Oregon and Australia are Commercial Markets for EROAD. Further information about the characteristics of each market is set out in *Section 8.1: Introduction to EROAD's Financial Information*.

THE EROAD ADVANTAGE

The compliance, tolling and commercial services industries are complex, requiring us to build and maintain relationships with a wide range of industry, agency and political stakeholders, as well as customers. EROAD enjoys a high international profile, and is seen as a credible and trusted expert in compliance, tolling, Ecommerce and security.

EROAD has built a strong brand based on quality design as well as customer endorsements, advertising and alliances and partnerships. EROAD's trusted party status amongst regulators and customers is underpinned by the quality of our management, system performance and product and process security.

EROAD's web services platform achieves 99.9% availability. EROAD employs best-of-breed technology to protect its information systems, which are aligned with ISO and United States federal government standards.

STAGE OF OPPORTUNITY



STAGE OF MARKET



EROAD'S VISION IS TO
BECOME THE INTERNATIONAL
LEADER IN THE PROVISION
OF ROAD USER CHARGING
AND COMPLIANCE SERVICES
TO THE GLOBAL HEAVY
TRANSPORT SECTOR.



6.2 HISTORY

2000 – 2007

- Economist Brian Michie founds EROAD
- R&D begins, led by CTO Bruce Wilson, on a solution that will modernise New Zealand's paper-based road-user charging system
- EROAD electronic distance recorder obtains New Zealand patent

2008

Field trials of Ehubo, EROAD's electronic distance recorder

2010

- NZTA and MOT approve Ehubo (for trucks) and Tubo (for trailers)
- EROAD wins Most Innovative Hardware Product and Most Innovative Service Product at the NZ Hi-Tech Awards
- EROAD solution ranks as top performer in Swedish electronic RUC trials



2007

- CEO Steven Newman joins the company and EROAD begins commercialising its vision to become a global GPS tolling provider
- Commercial Director Peter Batcheler joins the company

2009

- EROAD launches a network-wide GPS/cellular-based road charging system – a world first
- EROAD implements the first electronic RUC service in New Zealand

2012

- EROAD releases EZfuel – a module that provides fleet and vehicle fuel consumption, exceptions, cost and emission-related information
- EROAD undertakes the first commercial pilot in the USA of a GPS/cellular-based road charging platform
- EROAD ranks 10th on Deloitte Technology Fast 500 Asia Pacific 2012
- EROAD collects \$100 million of RUC

2014

- EROAD launches commercial service in Oregon
- EROAD opens office in Australia
- EROAD reaches profitability
- EROAD releases Electronic Logbook – a tool for managing hours of service, approved by the NZTA



2011

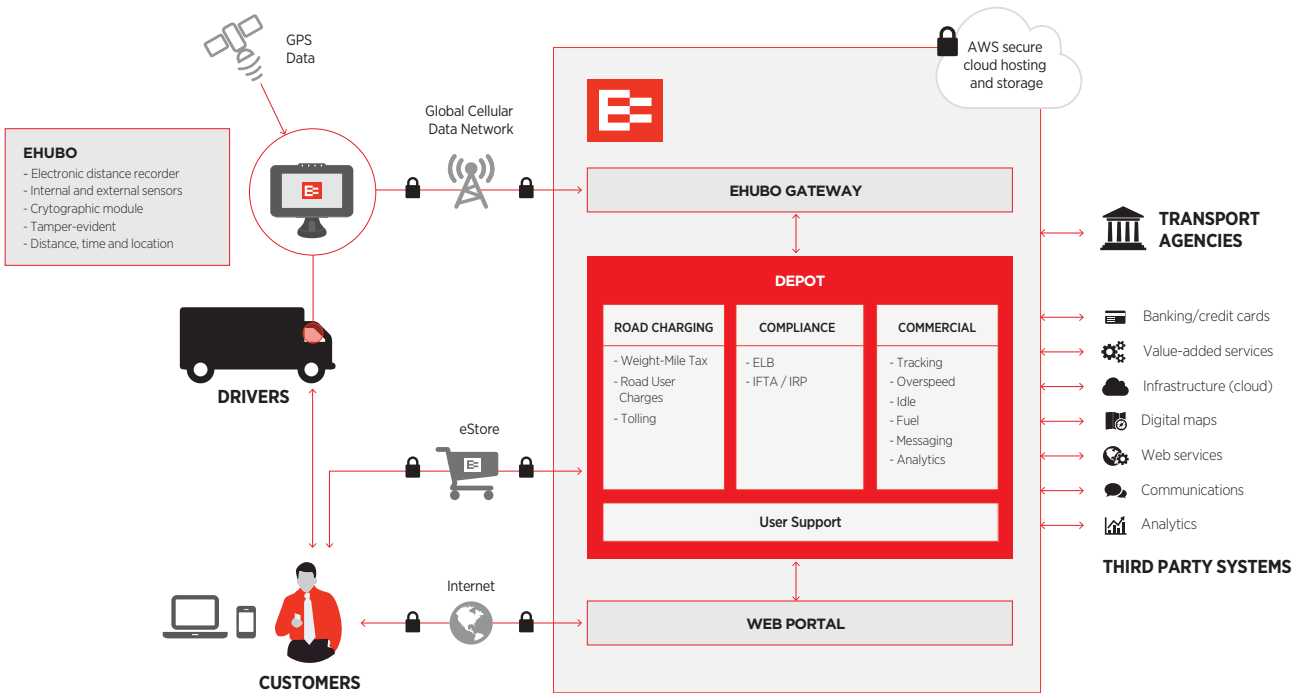
- EROAD releases Driver ID – a unit that automatically reads the barcode on a driver's licence and assigns that driver to a vehicle
- EROAD releases Elocate – a robust tracking device for light vehicles and assets
- EROAD releases Service Module – a tool for proactively managing the maintenance and repair of vehicle fleets
- EROAD implements the first mobile RUC application – for RUC management and purchase using any web-enabled mobile device

2013

- EROAD electronic weight-mile tax solution receives independent unqualified opinion from Oregon Secretary of State Audits Division
- EROAD is a finalist in the Cisco Emerging Company of the Year category, NZ Hi-Tech Awards
- EROAD ranks 9th on Deloitte Fast 50
- EROAD ranks 68th on Deloitte Technology Fast 500 Asia Pacific 2013
- EROAD reaches 100 employees

6.3 TECHNOLOGY PLATFORM

EROAD operates an end-to-end technology platform, which is designed to be highly scalable and capable of being deployed internationally, with minimal increase in fixed costs.



ELECTRONIC DISTANCE RECORDER (EHUBO)

A core element of EROAD’s system is its electronic distance recorder, the Ehubo, which sits within the vehicle and records, stores and continuously transmits encrypted data via the cellular network. EROAD’s Ehubo replaces traditional mechanical hubodometers, which are often inaccurate, and are prone to tampering, fraud and damage. The Ehubo captures distance, location, route and a variety of additional operational data from the vehicle. EROAD’s Ehubo is specifically designed to be tamper-evident, operate at a wide range of temperatures and consume very little energy.

The Ehubo measures distance travelled with a high degree of accuracy, using a combination of internal and external sensors including the vehicle’s odometer pulse, GPS satellites and accelerometers.

In addition to the Ehubo electronic distance recorder, EROAD manufactures a number of related hardware products, designed to common specifications:

Tubo

An electronic distance recorder for Heavy Vehicle trailers (which comes with its own backup power supply)

EhuboLITE

An electronic distance recorder for RUC Class 1 vehicles (i.e. light diesel vehicles)

Elocate

A robust vehicle tracking device for petrol vehicles

Driver ID

An electronic driver ID reader using New Zealand Driver Licences or company ID cards

EROAD HARDWARE

GEN 1



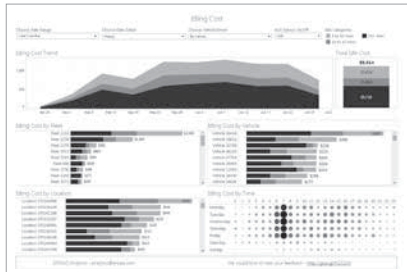
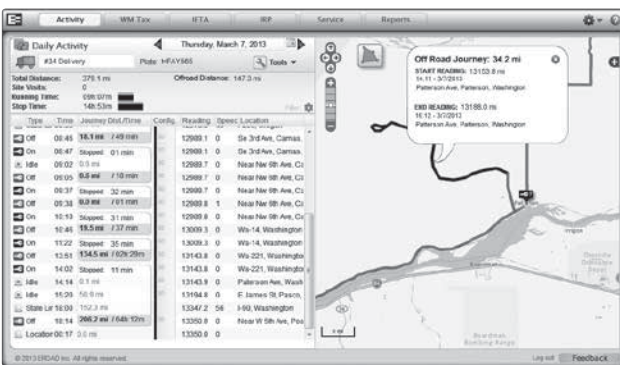
GEN 2



6.0 ABOUT EROAD

WEB SERVICES (DEPOT)

Vehicle information received from the Ehubo is processed by EROAD's application server and made available to users via a secure website, called Depot, from which the information can be viewed, saved and exported or downloaded. Depot provides customers with a user friendly application to pay and manage their RUC and engage with EROAD's additional fleet management and commercial services (discussed further in *Section 6.4: EROAD Services*).



PAYMENT GATEWAY

New Zealand customers can use EROAD's secure, bank-grade payment gateway to pay their RUC. In addition, the payment gateway supports customers' automatic payment of RUC using the AutoRUC service. This option is selected by most customers for its convenience, efficiency and certainty. In Oregon, EROAD will shortly implement a payment gateway to support customers' WMT payment obligations.

REGULATORY INTERFACE

In both New Zealand and Oregon, EROAD has met strict technical and security requirements to enable integration with the respective transport agencies. This enables EROAD to complete transactions on behalf of customers.

ESTORE

EROAD's eStore provides a convenient and low cost sales mechanism for customers and dealers to purchase Ehubos and sign up for subscription plans online. In the United States, all sales are conducted through the eStore. Over time, EROAD expects to move its New Zealand sales to the eStore.

SUPPORTING SCALABILITY OF OUR PLATFORM

Using the following providers, EROAD is able to support a significant increase in the number of Units on Depot.

AMAZON WEB SERVICES (AWS)

The benefits of partnering with AWS include:

- AWS global infrastructure;
- 99.9% service availability;
- Low cost environments for staging and testing; and
- High security.

VODAFONE GLOBAL DATA SERVICES PLATFORM (GDSP)

The GDSP platform enables EROAD to deploy its services over 500 mobile networks. EROAD uses an eSIM in Ehubos that can be activated anywhere in the world for a fixed data price, removing the need to establish additional data carrier relationships as EROAD expands into new markets.

MAPS

HERE provides digital mapping and road data and is a global leader in the mapping and location intelligence business, supporting 196 countries. HERE maps can be found in four out of five in-car navigation systems in North America and Europe.

DATA VISUALISATION

EROAD's analytics are built using best-of-breed Tableau Software for data visualisation. Tableau Software helps users to see and understand data and is used by more than 17,000 organisations globally.

6.4 EROAD SERVICES

EROAD offers electronic road charging, compliance and commercial services in its key markets.

ELECTRONIC ROAD CHARGING SERVICES

In New Zealand:

- Accurately calculate RUC information;
- Track on-road and off-road locations against RUC licences to automatically generate off-road refund documentation;
- Allow operators to view the tax status of vehicles online using a secure internet connection;
- Support the purchase of RUC online through a secure payment gateway and NZTA interface;
- Allow automatic RUC purchasing when a licence nears expiry, through the AutoRUC feature; and
- Automatically send RUC licence information to the vehicle for display as an approved electronic licence.

In the United States:

- Accurately calculate Oregon WMT information;
- Track taxable, exempt and out-of-state miles;
- Allow operators to view the tax status of vehicles online using a secure internet connection;
- Meet the record keeping requirements of the relevant Oregon Administrative Rules;
- Generate vehicle trip records outlining: (i) the beginning and ending odometer and location readings; (ii) the vehicle configuration; (iii) the route travelled; and (iv) the taxable, exempt and out-of-state miles; and
- Support the payment of WMT online through a secure payment gateway and ODOT interface.

COMPLIANCE SERVICES

In New Zealand and the United States, EROAD offers further services to simplify record keeping for regulatory compliance. EROAD's compliance services reduce administration costs associated with complex manual and paper-based systems and support improved safety outcomes.

EROAD's compliance services:

- Support IFTA and IRP record keeping and reporting;
- Alert operators when a vehicle's warrant of fitness or registration requires renewal;
- Provide an electronic record of Hours of Service (work diary) via an ELB;
- Enable operators to create Virtual Speed Cameras to warn drivers when they enter an operator defined restricted speed zone; and
- Provide a record of which driver was recorded as driving a vehicle based on time and location.

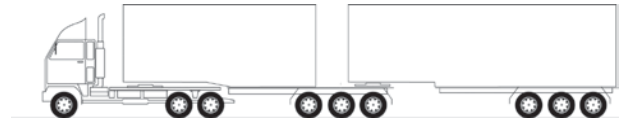
6.0 ABOUT EROAD

COMMERCIAL SERVICES

In New Zealand, the United States and Australia, EROAD offers a range of value-added commercial services to improve fleet management and performance. These include:

- Advanced, secure fleet tracking;
- Vehicle event reporting, including ignition on/off, engine idling, and vehicle speed;
- A service module to support proactive management, maintenance and repair of vehicle fleets;
- A fuel management module (EZfuel);
- A driver and vehicle messaging service (EZmessage);
- An analytics product to help fleet owners get detailed insights into their fleets; and
- Supporting vehicle service and maintenance records.

EROAD's platform has been specifically designed to allow integration with third party providers to provide additional commercial services. As such, EROAD is able to align and partner with providers who operate in specialised areas, such as cold chain logistics and monitoring, workflow management and manifest services.



DRIVER
BEHAVIOUR



DRIVER
HOURS



MESSAGING



EHUBO® RUC
VEHICLE TRACKING



FUEL



COOL
CHAIN



TYRES



TRAILERS



VEHICLE
INSPECTION



VEHICLE
SERVICING



JOB SCHEDULING
AND TRACKING



INSURANCE

DESIGN, PRODUCT DEVELOPMENT, MANUFACTURING AND OPERATIONS

A key to EROAD's success is its core competency and ongoing investment in design, product development, manufacturing and scalable operations to maintain its technical leadership and competitive commercial advantage.

EROAD designs its Ehubos and software at its Auckland headquarters. All R&D and product development is done in-house to support EROAD's integrated, end-to-end solution, as well as to remain cost competitive.

Hardware components for EROAD's Ehubos are sourced internationally and we use contract manufacturers to produce and populate circuit boards. Final assembly and testing of Ehubos takes place in EROAD's purpose-built facility in Auckland. EROAD uses an automated production test system to ensure Units meet strict quality standards prior to shipping.

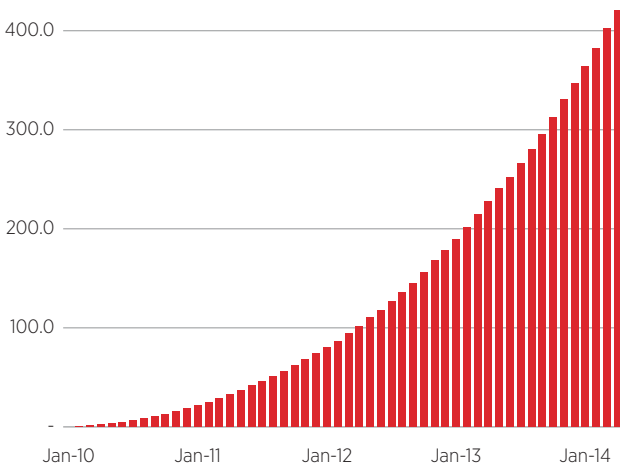
EROAD uses best-in-class software to enable business scalability and support global operations, including finance and sales and customer relationship management support.

6.5 MARKETS AND OPPORTUNITIES

NEW ZEALAND

EROAD had Units in 12,941 vehicles as at 31 March 2014. There are an estimated 155,000 Heavy Vehicles in New Zealand. EROAD has achieved a significant share of total RUC collections at the expense of traditional agencies since 2010. Today, EROAD collects 22% of all Heavy Vehicle RUC and is the largest electronic RUC agent, with an annual collection rate of over \$219 million. In addition to its core Heavy Vehicle offering, EROAD offers services for light vehicles to manage and purchase RUC online. There are an estimated 514,000 light diesel vehicles in New Zealand.

AGGREGATE RUC COLLECTED (\$ MILLION)



Customers

Our customers come first. An integral part of our business is the creation of long-lasting customer partnerships. Customer involvement is a key success factor in the development and extension of EROAD's products and services. EROAD has an industry reputation for providing products and services that work reliably and add value for customers, and as an innovator and thought leader.

In New Zealand, EROAD has a diversified base of more than 1,600 customers, including many leading heavy transport operators and owner-drivers.

We promote EROAD through customer case studies, word of mouth endorsements, as well as trade media focused on the heavy transport industry. In addition, EROAD staff regularly present at industry tradeshow and conferences. An important marketing tool is our 'RUC Star' campaign, which uses customer case studies and endorsements to showcase our products and services. To date, EROAD's headquarters have on display 88 customer RUC Stars.



MOVE LOGISTICS - BIG DATA RUC STAR

"Being able to track the location of our fleet and auto-purchase our RUC while we're out and about has been great. However, the biggest gain and ultimate goal for us is the data we are capturing.

Already, we have significantly reduced our truck idle times and speeding events and we are just scratching the surface. A lot of the data we capture will be used in our pending Driver Recognition Programme."

David Snell

IT Manager, MOVE Logistics



INTERGROUP - HIGH PRESSURE RUC STAR

"The main reason we switched to EROAD was to buy RUC and its AutoRUC has really helped with compliance and cash flow. We weren't expecting all the other benefits though, and the more we use the system, the more we get out of it.

We rely on the Service Module now to increase the frequency of our services and the fleet summary reports are increasingly invaluable as our fleet expands.

We are also looking forward to the future developments the EROAD team are working on and the cost and efficiency benefits they will surely bring us."

Sean Morgan

Fleet and Equipment Manager, Intergroup

6.0 ABOUT EROAD



MONDIALE – ALL EMBRACING RUC STAR

“EROAD’s reporting has been very beneficial for us. It’s a good behavioural feedback tool, helping our drivers to be even better operators. It’s helped with speed awareness especially around reduced speed zones and it’s cut idling time - with the aim of not only reducing unnecessary fuel burning but also engine wear and tear.

Off-road RUC claims are much simpler and more accurate than the manual process, as is buying RUC using the Auto RUC function.

We’re also finding geofences valuable for managing truck time spent at different sites - assisting with planning and reducing potential wasted time on site due to factors like peak hour congestion.

It’s not just one thing, though. The EROAD system is a complete package for us.”

Robert Zijp

Transport Manager, Mondiale Freight Services

Growth path

Significant growth remains for EROAD to increase its market share in New Zealand. This growth will come from both new and existing customers. For example, EROAD has a number of customers with large fleets who are undertaking intra year programmes to outfit their entire fleet with EROAD Units. This pattern of adoption reflects the positive early experiences of existing customers and their capital replacement cycles.

EROAD also considers that ELBs present a significant further opportunity in New Zealand. EROAD’s ELB has recently received approval from NZTA as an alternative means of recording driver hours of service. Other products, such as the EZfuel service, which allows operators to view and manage fuel consumption, help EROAD customers make savings and increase their return on investment.

Together with additional services, including data analytics and driver behaviour, EROAD’s products are expected to deliver revenue and support the forecast growth in both customer numbers and Units on Depot.

Competitive analysis

Solution complexity, high security and performance requirements, and agency approvals create considerable development risk and long lead times to market for potential competitors. EROAD’s market leading position in New Zealand is underpinned by our:

- Advanced technology platform;
- Attractive sales proposition;
- Ability to meet demanding regulatory requirements; and
- Position as a trusted party to commercial operators and agencies.

In the New Zealand electronic RUC market, EROAD has only one competitor, that arrived into the market three years after EROAD launched.

6.0 ABOUT EROAD

NORTH AMERICA

In 2011, ODOT invited EROAD to undertake a field pilot in association with the Oregon Trucking Associations (OTA) with a view to providing an electronic alternative to Oregon's existing paper based WMT regime for Heavy Vehicles. WMT regimes operate in the states of New York, Kentucky and New Mexico, with an estimated 500,000 vehicles registered for WMT in New York, and 50,000 in each of Kentucky and New Mexico. Oregon was the logical North American opportunity for EROAD to pursue because:

- It is a significant transit state and a pioneer in transport innovation in the United States;
- It has 306,000 Heavy Vehicles registered for WMT. This is over six times the size of the comparable New Zealand market; and
- Its WMT regime is broadly similar to New Zealand's RUC regime.

Following the success of the pilot, EROAD launched its electronic WMT service in April 2014. The North American business is based on the new Gen II Ehubo, which is designed to support a wide range of regulatory and commercial services for the North American market.

OREGON SECRETARY OF STATE AUDIT

The EROAD solution received an independent unqualified opinion by the Oregon Secretary of State Audit Division. The purpose of the comprehensive performance audit was to provide motor carriers and ODOT with an independent assessment of the EROAD electronic WMT solution.

The audit concluded that the EROAD technology platform reduced the burden of record keeping by helping motor carriers prepare and submit WMT reports. The main findings were:

1. EROAD's electronic distance recorder and web-based services platform accurately and reliably captured and calculated Oregon WMT information from commercial motor carriers;
2. The system provided a secure and stable environment for transmitting, processing and storing motor carrier WMT information;
3. System-generated reports contained all required WMT data elements, sufficiently captured motor carrier operations and applied correct tax rates;
4. EROAD data, reports and records were more reliable and accurate than the paper-based records compiled and filed by carriers; and
5. An automated system for capturing and preparing WMT reports could simplify motor carrier report monitoring, reduce costs of manual data entry and decrease accidental non-compliance with the state's WMT requirements.

6.0 ABOUT EROAD

Customers

A number of Oregon fleets associated with OTA have become early adopters of EROAD's WMT solution. As in New Zealand, EROAD is using customer endorsements and a marketing alliance with OTA to promote EROAD's WMT services.

GLOSTONE ALLIANCE

United States trucking solutions firm Glostone Trucking Solutions has become an EROAD dealer. Glostone is an Oregon-based business with trucking clients throughout North America that it assists with regulatory compliance, accounting and filing. Under the arrangement Glostone will market the EROAD solution to its existing customer base comprising more than 2,000 commercial carriers.

President of Glostone Trucking Solutions Dave Gray commented: "I am extremely impressed with the accuracy, reliability and ease of use of the EROAD in-cab technology system. We prepare road use taxes for hundreds of carriers and work with data generated from a number of other on-board systems. EROAD is the only system independently tested and approved by the State of Oregon for tracking distance and weight group configurations used in the payment of its Oregon WMT. I would recommend the EROAD WMT solution to any carrier requiring accurate distance data for tax reporting and record keeping as part of their in-cab technology solution."

Growth path

EROAD's successful launch of the first electronic WMT service in Oregon is the key milestone required to market the EROAD solution to the wider North American commercial transport market. EROAD's strategic plan is to expand into other WMT states and pursue wider opportunities to provide services supporting IFTA and IRP reporting together with ELBs.

The Offer will provide capital to enable EROAD to pursue these opportunities. A decision to accelerate these market opportunities within the PFI period could add costs in advance of revenue.

INTERNATIONAL FUEL TAX AGREEMENT (IFTA)

Interstate fleet operators in North America are required to file quarterly IFTA reports matching distance travelled with fuel purchased. IFTA returns are currently mandatory for an estimated 2.9 million vehicles. IFTA reporting requires accurate and auditable travel location and distance recording and a record of the location where fuel has been purchased.

EROAD's North American product suite includes electronic IFTA record keeping based upon its WMT approval and distance and location measurement capabilities.

ELECTRONIC LOGBOOKS (ELBS)

Most countries (including New Zealand, the United States and Australia) regulate when and how long commercial motor vehicle operators may drive. Drivers generally need to keep a logbook to ensure compliance with regulations. Given the increased transparency, accountability and lower incidence of fraud and error associated with electronic systems, many countries are encouraging the adoption of ELB systems. ELBs are scheduled to become mandatory throughout the United States in 2017. This represents an addressable market of 4.5 million heavy vehicles.

EROAD's secure technology platform, certified hardware and New Zealand approved ELB product means it is well placed to become a leading ELB provider in North America.

INTERNATIONAL REGISTRATION PLAN (IRP)

Interstate fleet operators in North America are required to register under IRP and file annual returns in relation to distance and location. IRP returns are mandatory for an estimated 2.3 million vehicles. Like IFTA, the current reporting and filing process is paper based.

EROAD is well placed to provide the first automated electronic IRP service given its WMT approval and existing distance measurement and location tracking capability.

6.0 ABOUT EROAD

Competitive analysis

There are currently no technology vendors who offer an electronic WMT solution in North America, giving EROAD a first mover advantage in Oregon. As in New Zealand, solution complexity, high security and performance requirements and agency approvals create considerable development risk and long lead times to market for potential competitors.

The market for general commercial fleet tracking is serviced by a number of North American companies including OmniTRACS, Rand McNally, XRS Corp (Xata), PeopleNet, JJ Keller and Verizon Networkfleet. While there are a number of fleet management providers, EROAD believes it is well positioned to take advantage of the growing compliance and regulatory market in North America, on the basis that we:

- Are the only technology vendor with two international electronic road user charging reference sites;
- Have a hardware and system architecture which meets the highest performance, financial and evidential standards;
- Have achieved trusted party status on behalf of clients and regulators, including ODOT, the OTA and the Oregon Secretary of State;
- Meet United States Federal Information and Processing Standards and GAO audit and security guidelines;
- Are not burdened by a legacy technology platform;
- Provide an ELB application that has already been approved in New Zealand;
- Offer electronic distance recorders that support all commercial vehicle types and ages; and
- Have built a single platform to support WMT, IFTA, IRP, ELBs and commercial services.

AUSTRALIA

There are an estimated 700,000 Heavy Vehicles and 2.6 million light commercial vehicles in Australia. To date, EROAD has sold over 500 Units in Australia and has established a Melbourne based sales office. Sales have been driven by:

- Fleets requiring a highly available and secure fleet management system; and
- Support from trans-Tasman customers who have already realised the benefits of EROAD's value-added commercial services in New Zealand.

Growth path

EROAD's Australian business is well placed to take advantage of demand for secure fleet management systems, an appetite for progressive road funding models, including RUC for Heavy Vehicles, and anticipated regulatory changes. Australia is currently investigating the introduction of ELBs as a replacement for paper-based record keeping. EROAD is well placed to address the potential ELB market in Australia.

OTHER OPPORTUNITIES

EROAD has received requests for proposals from a number of countries in Europe, Asia, Africa and South America that are exploring network-wide electronic road tolling. A number of specific opportunities have been identified by EROAD and are currently being investigated.

Road charging in Sweden and Denmark

In 2010, EROAD participated in the Swedish ARENA research project to develop a future-oriented RUC system and create an international research test site to demonstrate transport technology solutions. The ARENA project involved research and an extensive field pilot to develop a heavy vehicle distance-based charging system with multiple service providers.

The EROAD solution was the top performer in both the field trials and a blind test track, achieving 99.6% worst-case charging accuracy. EROAD's solution bettered results achieved by all of the European technology companies participating in the pilot.

The Danish government undertook planning to introduce a Lorry Road Pricing scheme to ensure that trucks pay for their wear and tear on the Danish roads and their impact on the environment. The scheme encompassed all heavy vehicles over 12 tonnes and would be levied on the basis of a price per km driven, depending on the vehicle's number of axles and taxation class. EROAD participated in the Danish selection process by invitation based on its performance in the 2010 Sweden electronic road charging pilot.

6.0 ABOUT EROAD

The Swedish and Danish heavy vehicle schemes are still under consideration. The ARENA pilot independently verified that EROAD's technology is fully interoperable and can be readily implemented in any jurisdiction.

European Electronic Tolling Service (EETS)

Under directive, the European Union is targeting interoperability of electronic toll systems. The directive sets out the technical requirements for carrying out electronic toll transactions and, in theory, will enable road users to easily pay tolls throughout the EU with one subscription contract with one service provider and a single electronic distance recorder.

EROAD's research and discussions with European stakeholders and potential partners suggest that the EU directive will eventually lead to significant commercial opportunities for heavy vehicle tolling companies. The anticipated technical requirements are advantageous to EROAD's competitive position.

Transport statistics

Widespread adoption of mobile and electronic distance recorders generates significant transport statistics that have the potential to substantially improve the management of transport networks and the planning and evaluation of proposed transportation investment projects.

EROAD has a number of clients who use our aggregated transport statistics in projects relating to congestion, road design and freight-related infrastructure. Consistent with best practice privacy standards, our aggregated transport statistics are anonymised to maintain customer confidentiality.

6.6 BOARD, EXECUTIVE MANAGEMENT TEAM AND CORPORATE GOVERNANCE

BOARD OF DIRECTORS

EROAD has established a strong board of directors with the balance of skills and experience to best position EROAD to realise its significant growth opportunities.

MICHAEL BUSHBY

Chairman

Michael is General Manager of the Leighton Contractors Infrastructure Services business. Leighton Contractors is the largest private motorway and tunnel operations and maintenance provider in Australia and undertakes road network management across Australia and in New Zealand. He was previously Chief Executive of the New South Wales Roads and Traffic Authority. Michael joined the EROAD board in May 2012 and was appointed chair shortly thereafter.

TONY GIBSON

Independent Director

Tony Gibson is the Chief Executive of Ports of Auckland and one of New Zealand's most experienced transport professionals, with 30 years in shipping and logistics. He has worked in various senior management roles in Africa, Asia and Europe. In 2008 the Minister of Transport appointed him to the Road User Review Group. Tony joined EROAD's board in October 2009.

SEAN KEANE

Independent Director

Sean is the founder and Managing Director of Triple T Consulting, a financial market commentary and advisory company. Sean's career spans 27 years in the financial markets, in a variety of senior roles in London, Wellington, Sydney, Singapore and Tokyo. Most recently he was Managing Director of Interest Rate Trading and Funding for Credit Suisse. Sean is a non-executive Director of First NZ Capital. He was appointed to EROAD's board in February 2013.

CANDACE KINSER

Independent Director

Candace is an experienced director, CEO and technology entrepreneur. She has Masters level qualifications in international business and management. She is currently the CEO of the New Zealand Technology Industry Association (NZTech) and a director of McCashin's Brewery. She was Chief Executive of successful Kiwi scientific software company Biomatters through its start-up and development. Biomatters won the NZ Hi-Tech Emerging Company of the Year in 2012. Candace is an Advisory Board Member of the University of Waikato's Cyber Security Lab, and a New Zealand Chapter Director of the Cloud Security Alliance. Candace joined the board in May 2014.

STEVEN NEWMAN

Executive Director/CEO

Steven brings a wealth of experience to EROAD after a long and successful association with Navman, which he co-founded. In his roles as COO and CEO, Steven helped establish Navman as a leading international brand within the Marine Electronics, Fleet Tracking, Precision GPS Modules and Consumer Car Navigation sectors, with annual sales in excess of NZ\$500 million. Steven has been CEO and a member of the EROAD board since 2007.

6.0 ABOUT EROAD

EXECUTIVE MANAGEMENT TEAM

EROAD's executive management team has the capability to manage existing growth and respond to further expansion as necessary.

STEVEN NEWMAN

Executive Director/CEO

(See previous page)

BRIAN MICHIE

Founder, Senior Vice President

Brian has overall responsibility for strategy and international market development, communications and stakeholder relationships. Brian founded EROAD in 2000. He is an economist with extensive experience in the infrastructure, government and technology sectors.

PETER BATCHELER

Commercial Director

Peter oversees EROAD's commercial activity, with particular focus on New Zealand and Australia. He was previously Managing Director of Steelbro and CEO of Gough Transport Group, New Zealand's leading supplier of parts and equipment to the heavy vehicle industry.

BRUCE WILSON

Chief Technology Officer

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

MARK SIMPSON

Finance Director

Mark is responsible for EROAD's financial management and legal affairs. His 25 years' experience as a finance professional includes roles as CFO and CEO of publicly listed organisations in New Zealand and consulting through KPMG.

JARRED CLAYTON

Engineering Manager

Jarred oversees technical delivery to customers through his management of EROAD's engineering teams. Jarred has a wealth of experience from engineering in the telecommunications industry and consulting on architecture and agile development. He has a strong architectural background and is well versed in what it takes to build teams, solutions and processes to deliver a high quality, scalable, market leading Software as a Service solution.

HAMISH SANSOM

Product and Portfolio Manager

Hamish is responsible for EROAD's product portfolio and Professional Services team, which supports EROAD's large enterprise customers. Hamish joined EROAD after a 22 year career at Vodafone within its Engineering and Product Marketing divisions.

SARAH FARMILOE

Operations Manager

Sarah oversees EROAD's operational processes. She has extensive experience in quality assurance, operations management and business analysis. She has worked in a range of industries at companies including Fisher & Paykel Appliances, Navman, Fonterra and Villa Maria Estate.

CRAIG TURNER

Programme Manager

Craig is responsible for EROAD's Project Management Office (PMO) and leads the development of our project management practices. Craig has many years' experience, successfully delivering a broad range of complex programmes and projects as well as establishing PMOs and frameworks in a variety of technology and engineering organisations internationally.

REBECCA MCKASKELL

Human Resources Manager

Rebecca leads EROAD's recruitment and people support functions. She has a strong knowledge of the New Zealand and global recruitment markets based on extensive experience in both in-house recruitment and recruitment consultancy in New Zealand and the UK. Rebecca has previously worked with Fisher & Paykel Appliances, Fonterra, Telecom and BNZ.

ANDY THACKWRAY

Strategy and Market Development Manager

Andy supports the identification and development of local and international business opportunities at EROAD, with a focus on the management of legal, commercial and stakeholder environments. Before joining EROAD he held a variety of senior roles at NZTA, including Tolling Manager and National Operations Manager for Road User Charges.

SARA GOESSI

Communications Manager

Sara's background is in technology and business media. Before joining EROAD she worked in media relations for New Zealand high-tech companies and she has extensive experience as a technology journalist and editor.

6.0 ABOUT EROAD

CORPORATE GOVERNANCE

The board has ultimate responsibility for the strategic direction of EROAD and to ensure that EROAD is properly managed to protect and enhance the interests of its Shareholders.

The board meets formally ten times a year.

Board Committees

The board has formally constituted a Finance, Risk and Audit Committee and a Remuneration, Talent and Nomination Committee.

Finance, Risk and Audit Committee

The Finance, Risk and Audit Committee oversees the financial reporting process to ensure the integrity of financial reporting, that Directors and senior management are provided with high quality financial and non-financial information and that appropriate internal controls and procedures are established and maintained. The Finance, Risk and Audit Committee also works with the independent auditor.

The members of the Finance, Risk and Audit Committee are Sean Keane (Chair), Tony Gibson and Steven Newman.

Remuneration, Talent and Nomination Committee

The Remuneration, Talent and Nomination Committee is responsible for ensuring EROAD has a sound remuneration policy framework, that there is an appropriate environment and framework for the assessment of management talent and potential, reviewing succession planning and reviewing composition of the board.

The members of the Remuneration, Talent and Nomination Committee are Michael Bushby (Chair), Tony Gibson, Steven Newman and Sean Keane.

Director Remuneration and Interests

The fees for Non-Executive Directors of EROAD have been fixed as a total pool of \$300,000 per annum. Individual Directors' fees vary depending on the duties of the Directors, including for committee work, with current fees as follows:

DIRECTOR	FEES
Michael Bushby (Chair)	\$77,000
Tony Gibson	\$49,000
Sean Keane	\$49,000
Candace Kinser	\$49,000

Sean Keane is entitled to additional director fees of up to \$15,000 to remunerate him for additional work required in preparation for the Offer. Candace Kinser is entitled to additional director fees of up to \$5,000 to remunerate her for additional work required in preparation for the Offer.

The Directors are also entitled to be reimbursed for all reasonable travel, accommodation and other costs incurred by them in connection with their attendance at board or Shareholder meetings or otherwise in connection with EROAD business.

Directors may apply for Shares under the Preference Pool Offer and under the Broker Firm Offer in the same manner as other Applicants. To the extent that any Directors acquire Shares, those acquisitions must be disclosed to the market as required by law.

Loans to independent Directors

In order to further align Director and Shareholder interests, EROAD has provided loans to its independent Directors to enable each of them to subscribe for Shares having an issue price of \$70,000 at the Final Price. The Shares are expected to be issued on the Allotment Date.

The loan is secured (security to be granted upon reasonable request from EROAD), interest free and repayable upon the earlier of two years from the drawdown date or the date on which a Director ceases to hold any Shares. The loan may only be used for the purpose of acquiring Shares to be issued to Directors pursuant to the terms of a letter of offer. The loan may be repaid at any time without penalty.

6.0 ABOUT EROAD

Directors' shareholdings

Shareholdings of the Directors as at the date of this Prospectus (which does not include the Shares that will be issued to independent Directors with the proceeds of the loans described above or any other Shares acquired by Directors under the Offer) are set out in the table below:

DIRECTOR	SHARES HELD AS REGISTERED HOLDER AND BENEFICIAL OWNER	SHARES IN WHICH DIRECTOR HAS A BENEFICIAL INTEREST	TOTAL
Michael Bushby (Chair)	-	29,000	29,000
Tony Gibson	111,387	-	111,387
Sean Keane	-	121,400	121,400
Candace Kinser	-	3,000	3,000
Steven Newman	-	3,506,651 ¹⁵	3,506,651

Employees and remuneration

EROAD has approximately 115 staff across three countries, the majority of whom are located at its Auckland headquarters. In FY2013, EROAD added 55 roles with an additional 16 roles added since April 2014. Recruitment of skilled staff remains a core focus as the business continues to grow rapidly. A CFO is being sought and EROAD expects to conclude its appointment process shortly after the conclusion of the Offer.

Retention of high performing staff is a key focus for EROAD, with invited staff eligible for performance bonuses and the recently established long-term incentive employee share scheme. A large number of the team are existing Shareholders of EROAD.

Performance bonuses

In addition to a fixed base salary, nominated employees are eligible for the EROAD Performance Plan, which is a bonus based on performance against delivery on strategic initiatives, financial and non-financial key performance indicators of both the individual and the Group. The scheme is discretionary and is reviewed by the board annually.

Long-term incentive employee share scheme

EROAD established a long-term incentive employee share scheme in April 2014, which the board may invite employees, typically members of the executive management team, to participate in on an annual basis. Under the scheme, an employee who is invited to participate will be offered an interest-free loan by EROAD, which must be used to acquire Shares in EROAD. The amount of the loan will be determined at the board's discretion, having regard to factors that include EROAD's financial performance and the participant's own performance against key performance indicators, but will typically be twice the bonus awarded under the EROAD Performance Plan.

A participant will only be able to dispose of his or her scheme Shares (except in very limited circumstances such as the event of a takeover) if he or she remains in employment with EROAD for a period of three years from the date of the grant and certain performance tests are met. These performance tests include the enterprise value of EROAD doubling over the three years from the date of the grant. During this restrictive period, a participant's scheme Shares will be held in the name of the trustees appointed under the terms of the scheme.

At the end of the restrictive period, EROAD will pay the participant a performance bonus which will be applied in repayment of the loan, although the participant will be required to repay any balance on the loan. EROAD may require repayment of the balance of a participant's loan, after payment of any performance bonus, if the relevant participant leaves EROAD's employment or in very limited circumstances such as the event of a takeover.

Dividend Policy

The Directors intend that EROAD maintains a dividend paying policy. Dividend payments will be made as trading and investment conditions permit at the discretion of the board and subject to satisfaction of the solvency requirements of the Companies Act.

The Directors do not anticipate the payment of dividends during the PFI period as Directors expect that surplus funds will be retained in order to capitalise on immediate and future market growth opportunities.

¹⁵ Including the 11,180 Shares Steven Newman may be entitled to under the long-term incentive employee share scheme described in this Prospectus.

7.0

WHAT ARE
MY RISKS?

7.0 WHAT ARE MY RISKS?

Any investment in the share market has risks associated with it, and this investment is no exception. Risks specific to EROAD, and other general market risks, are set out in this section. These risks, if they were to occur, could materially adversely affect EROAD's financial position or performance through loss of assets, reduced revenue, increased costs, loss of customers and suppliers, damage to reputation or a combination of these factors. These could reduce or eliminate the value of your Shares or the returns on them.

You should consider such risk factors together with the other information in this Prospectus.

The risk factors set out below are not the only ones EROAD faces. There may be additional risk factors of which EROAD is currently unaware, or that EROAD currently deems immaterial but which may subsequently become key risk factors for EROAD.

7.1 PRINCIPAL RISKS

The principal risks that may have an impact on EROAD's business or financial results, and which could reduce or eliminate the value of your Shares or the returns on them are set out below (in no particular order). A full description of these risks and other material risks to which you should have regard in considering whether to invest in EROAD is set out below in *Section 7.2: Specific Risks*.

- Expansion into North America and other jurisdictions;
- Managing rapid growth;
- Deterioration of competitive position;
- Operating performance;
- Legal and regulatory environment;
- Evolution of technology;
- Reliance on Information Technology and Communications (ITC) systems;
- Key personnel;
- Relationships with suppliers, contractors and other third parties;
- Customer retention;
- Security, privacy and data management;
- Intellectual property infringement; and
- Intellectual property protection.

7.2 SPECIFIC RISKS

Set out below is a description of the specific risks that could adversely affect EROAD. This description forms the basis for the assessment of the principal risks outlined above and it provides information about each of those risks.

Importantly, this description is not restricted to the principal risks set out above. It outlines other material risks to which you should have regard in considering whether to invest in EROAD. The risks below are not set out in any particular order of priority.

EXPANSION INTO NORTH AMERICA AND OTHER JURISDICTIONS

EROAD believes its expansion into Oregon, and into other jurisdictions, represents a significant risk to the business. EROAD began commercial operations in Oregon in April 2014 after a successful pilot period, and whilst initial indications have been positive, take-up of EROAD's products and services could be materially lower than we expect. Failure to achieve a meaningful market position in Oregon may also adversely affect EROAD's ability to successfully expand into other jurisdictions.

Key factors that may have an impact on the success of EROAD's expansion include:

- EROAD's ability to operate within different legal regulatory frameworks;
- EROAD's ability to form relationships with new regulatory agencies and bodies, especially since EROAD's business model (i.e. collecting WMT and/or RUC) depends on the existence of such relationships;
- The ease with which EROAD's technology platform can be adapted to meet differing regulatory demands and requirements;
- Level of customer interest and acceptance;
- The ability of EROAD to manage potentially significant costs associated with entering new jurisdictions and markets; and
- The competitive landscape of the new jurisdictions.

Operating in new markets also requires considerable management attention and financial investment. A lack of success in EROAD's international expansion efforts could adversely affect the overall business.

7.0 WHAT ARE MY RISKS?

MANAGING RAPID GROWTH

Successfully managing the rapid growth that EROAD expects presents specific risks. These include:

- A major failure of EROAD's technology or systems resulting from an inability to operate on a significantly larger scale;
- Inability to maintain internal and administrative controls as EROAD expands; and
- A failure to attract the additional staff necessary to implement plans and develop the business, especially because many of the roles EROAD may require to be filled are highly specialised.

DETERIORATION OF COMPETITIVE POSITION

It is possible that EROAD will come under greater competitive pressure in the future due to changes in market conditions or as a result of the arrival of new competitors. Servicing the road transport industry may attract competition, possibly from major technology companies with greater resources. Potential competitors may operate from a lower cost base, offer lower prices, enjoy greater economies of scale or have distribution advantages. This could adversely affect EROAD's ability to expand, reduce demand for EROAD's products and constrain or reduce EROAD's market share.

OPERATING PERFORMANCE

EROAD operates within a strict regulatory framework, providing high-trust, critical services (including tax collection) on behalf of regulators and road charging agencies. An operational failure, including a disruption to EROAD's system or a failure of its technology, could have an adverse impact on EROAD's business. If authorities lose confidence in EROAD as a result of an operational failure or a technological defect or delay, there is a risk that EROAD will lose its 'trusted party status' and/or approval to operate. EROAD's ability to form trusting relationships with new authorities in markets in which it plans to operate may also be adversely affected as a result of such a failure.

LEGAL AND REGULATORY ENVIRONMENT

EROAD believes the legal and regulatory environment in which it currently operates (principally in New Zealand and Oregon) is stable. Nevertheless, an unfavourable regulatory change in any of the markets in which EROAD operates represents a risk to its business model. EROAD's technology platform has been specifically developed to meet the accuracy and security standards (which are currently very high) required to offer services such as tax collection. If authorities were to relax rules and standards around the collection of WMT or RUC, such that other companies without EROAD's product quality and intellectual property

could implement a solution to do so, EROAD's position may be negatively affected. If authorities abandoned or significantly reduced WMT or RUC this would also have an adverse effect on EROAD. There is also a risk that the market for electronic road user charging may not develop as quickly or on the scale that EROAD has predicted, such that its proposed growth path is no longer feasible. Such risks may also arise in jurisdictions into which EROAD plans to expand.

EVOLUTION OF TECHNOLOGY

The market in which EROAD operates is characterised by rapidly evolving technology, due in part to the global movement towards electronic systems to handle the administrative aspects of the heavy transport industry. A failure to effectively implement or adapt to new technology could affect EROAD's position as a leader in the industry. EROAD must also constantly respond to the technological advances offered by its competitors. If new technology is developed by a third party that surpasses EROAD's solution, or if EROAD is unable to expand its technological capabilities and service offerings as rapidly as its competitors, EROAD's business could be adversely affected. Furthermore, while EROAD necessarily invests in R&D, there is a risk that such expenditure may not result in meaningful revenue or value creation, particularly if EROAD's technology does not align with changing regulatory requirements and standards.

RELIANCE ON INFORMATION TECHNOLOGY AND COMMUNICATIONS (ITC) SYSTEMS

EROAD's business relies to a large extent on ITC systems. In particular, EROAD's technology platform relies on GPS to accurately locate and record vehicle movements, cellular networks for Ehubos to communicate information to EROAD's Depot platform, the payment gateway, and the Internet and cloud services. A disruption to, or failure of, one or more of these systems could adversely affect EROAD and/or its customers.

KEY PERSONNEL

EROAD's success depends, in part, on its executive management team and other key personnel. The complex regulatory and technological environment in which EROAD operates means that loss of key personnel is a significant risk to the business. EROAD would face significant time and cost to replace specialist skills and knowledge, which could have an impact on the performance of the business. It is possible that labour market constraints, changes in immigration rules and policies, changes to education systems or employment laws in the markets in which EROAD operates, or other unforeseen factors affecting the recruitment of new staff, could constrain EROAD's ability to grow.

7.0 WHAT ARE MY RISKS?

RELATIONSHIPS WITH SUPPLIERS, CONTRACTORS AND OTHER THIRD PARTIES

EROAD relies upon a number of third parties to deliver its products and services. These include suppliers of components that make up EROAD's Ehubos, alliance partners with whom it delivers integrated services, as well as network service and cloud infrastructure providers. If any of these third parties were to fail, or any key third party relationships were to cease, EROAD's ability to deliver its services or develop its business could be adversely affected.

CUSTOMER RETENTION

In New Zealand, other than those customers who purchase Ehubos outright, EROAD's customers sign rental and service plans, usually for 36 months. Currently, EROAD's re-sign rate for customers renewing existing agreements is 99%. In the United States, customers buy their Ehubos and their service contracts are on a month by month basis, so customers may choose to end their relationship with EROAD at any time. A change in market conditions, a loss of confidence among customers or a decline in the performance of the business may result in a decline in EROAD's re-sign rate. In that case, EROAD's revenues may decline, materially affecting the financial performance of the business.

SECURITY, PRIVACY AND DATA MANAGEMENT

EROAD electronically receives, processes, stores and transmits data and sensitive information about its customers, including vehicle location data and bank account information. This data is necessarily transmitted to and used by EROAD's customers, as well as government agencies such as NZTA. A security breach, system defect or service disruption resulting in an inadvertent transmission of data represents a key risk to EROAD's business. In the context of the growing concern about the collection and use of private data, an actual or perceived mishandling of sensitive customer data could significantly damage EROAD's reputation, result in a loss of trust in EROAD and materially adversely affect the business.

INTELLECTUAL PROPERTY INFRINGEMENT

If a third party were to claim that EROAD has infringed its intellectual property, EROAD could incur substantial costs and the claim could divert resources from core business functions. EROAD could also be required to:

- Withdraw or redesign infringing products or services;
- Make potentially substantial payments for legal fees, costs or damages; or
- Obtain a license to sell or use the relevant technology.

Undertaking these actions could be costly, time-consuming and distracting to EROAD, having a material adverse effect on the business.

INTELLECTUAL PROPERTY PROTECTION

There is a risk that EROAD's intellectual property could be circumvented or infringed by third parties. For example:

- If another company were to develop a solution that, while similar, did not infringe EROAD's intellectual property, EROAD's competitive position may be harmed; or
- EROAD may be forced to enforce or defend its intellectual property rights (possibly through litigation) with no assurance of success. The enforcement costs may be high, EROAD may be unsuccessful or, even if EROAD were successful, the remedy may not be adequate compensation for the harm done to EROAD's business.

CONFIDENCE IN ECOMMERCE AND THE INTERNET

EROAD's growth is predicated upon growing global acceptance of, and confidence in, electronic and Internet-based solutions. A loss of confidence in the Internet or Software as a Service as a means of conducting business, or a move away from the use of Ecommerce or 'the Cloud' by businesses, could adversely affect EROAD's business.

LEGAL ACTION

EROAD may from time to time be subject to legal action arising in the ordinary course of its business or otherwise. Such action may arise out of commercial disputes with regulators, roading authorities, customers or competitors. The tax collection and compliance aspects of EROAD's business expose it to enhanced regulatory scrutiny and significant fines and penalties if a breach or failure were to occur. Any action against EROAD is likely to have an adverse effect on EROAD, both financially and from a reputational perspective.

CREDIT DEFAULT

EROAD's customers could default on payment obligations. While EROAD can withhold service and, in some instances, repossess Ehubos, enforcing contractual obligations can impose additional costs on the business, including in international markets with less familiar legal frameworks.

EXPOSURE FROM ACQUISITIONS

EROAD may acquire other businesses, technologies, services and/or products in the future, including in international markets. Such acquisitions may expose EROAD to risks arising from a failure to successfully identify the right businesses, a failure to value the acquisition appropriately and an inability to acquire and integrate, or make effective use of, acquired assets. An unsuccessful acquisition could result in unforeseen costs or liabilities or damage to EROAD's reputation.

7.0 WHAT ARE MY RISKS?

HEALTH AND SAFETY

EROAD's services may, in the future, contribute to the ways in which transport operators manage their health and safety risk (for example through the electronic recording of driver hours to ensure drivers take sufficient breaks in line with legal obligations to do so). If, as a result of the failure of an EROAD product or service, an event resulted in loss, injury or death, EROAD may be exposed to unforeseen costs, legal proceedings and/or reputational damage.

RETAINED SHAREHOLDING

Steven Newman will continue to hold a significant indirect shareholding in EROAD after the Offer. This means that he may be able to influence the composition of the board, the appointment of new executive management team members and the potential outcome of matters submitted to a Shareholder vote. The sale of Shares in the future by Steven Newman could adversely affect the market price of the Shares.

7.3 GENERAL INVESTMENT RISKS

Set out below is a description of the general investment risks that may affect your investment, should you decide to invest in EROAD.

These risks are not particular to an investment in EROAD, but are applicable to investments in shares generally and should be considered by you when making your investment decision. The risks below are not set out in any particular order of priority.

ECONOMIC RISK

Like any other investment, returns from the Shares are influenced by levels of economic activity and uncertainty. For example, a contraction in the New Zealand or global economy may affect our performance by reducing demand for our products and services and/or affecting our costs.

TAXATION RISK

A change to the existing rate of company income tax, or other amendments to tax law or practice in New Zealand and overseas may affect returns on the Shares. A change to tax law applying to you personally could affect your individual returns.

GENERAL MARKET RISK

Prior to this Offer, there has been no public market for the Shares. There can be no assurance that an active trading market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the NZX Main Board at any time. This may increase the volatility of the market price of

the Shares. It may also affect the prevailing market price at which a person or entity is able to sell their Shares. Future issues of Shares may dilute your interest in EROAD and affect the trading price of Shares.

Factors such as changes in the New Zealand or international regulatory environment, New Zealand and international equity and debt markets, NZD and foreign currency movements, and the New Zealand and global economies could cause the market price of the Shares to fluctuate after the Offer.

The market prices of stocks have historically been variable, including in response to changes in capital markets or the economy.

7.4 CONSEQUENCES OF INSOLVENCY

In the event of the insolvency of EROAD, you will not be liable to pay any money to any person. All creditors (secured and unsecured) of EROAD will rank ahead of your claim as a Shareholder, if the company is liquidated. After all such creditors have been paid, any remaining assets will be available for distribution among all Shareholders who rank equally. Any distribution made on liquidation of EROAD may be less than the amount of your investment or you may not receive any amount.

8.0

FINANCIAL
INFORMATION

8.0 FINANCIAL INFORMATION

This section contains both historical financial information and prospective financial information for EROAD, including important assumptions that have been made in preparing the PFI. Included in this section are:

- 8.1 Introduction to EROAD's financial information;
- 8.2 Overview of financial information;
- 8.3 Analysis of historical and forecast financial performance;
- 8.4 Prospective Financial Information;
- 8.5 Investigating Accountant's Report; and
- 8.6 Independent Auditor's Report.

This section should be read in conjunction with:

- *Appendix 1: Summary Historical Financial Information* (for the five years ending 31 March 2014); and
- *Appendix 2: Audited Financial Statements* (for the 12 months ending 31 March 2014).

The financial information is presented in New Zealand dollars and is rounded to the nearest thousand (unless stated otherwise), which may result in some discrepancies between the sum of components and totals within tables, and also in certain percentage calculations.

References to EROAD in this section refer to EROAD Limited and its wholly owned subsidiaries:

- EROAD (New Zealand) Limited;
- EROAD Financial Services Limited;
- EROAD Inc; and
- EROAD Australia Pty Limited.

If you do not understand the information in this section, we recommend you consult a financial adviser.

8.1 INTRODUCTION TO EROAD’S FINANCIAL INFORMATION

Certain information included in this section (including EBIT before non-operating costs and Annualised Recurring Revenue) is non-GAAP information. An explanation of the non-GAAP measures employed by EROAD is detailed in *Section 8.2: Overview of Financial Information*.

REVENUE SOURCES

EROAD derives its revenues from three sources.

Recurring Revenue

Recurring Revenue is generated from all customers through monthly charges for services and, in the case of New Zealand and Australia, rental of hardware. In New Zealand and Australia, the majority of EROAD’s contracts have a 36 month term. By contrast, in Oregon, service contracts are on a month by month basis. In New Zealand EROAD also charges transaction fees each time a customer purchases RUC from NZTA through EROAD’s platform.

Hardware sales

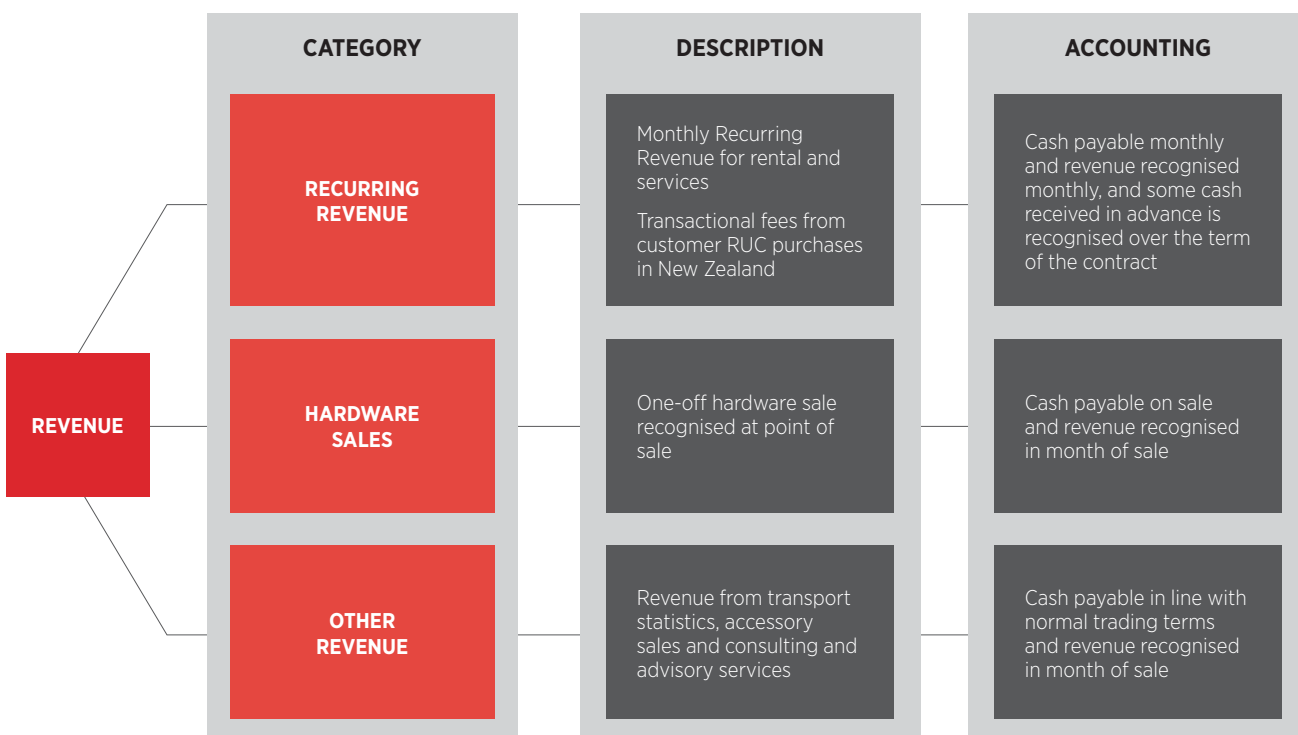
Hardware sales revenue is generated from the sale of EROAD’s Ehubos to customers.

Other revenue

Other revenue is earned from three sources:

- *Transport Statistics*: EROAD provides aggregated transport statistics on both an ongoing contractual and one-off basis;
- *Accessory Sales*: EROAD provides a small range of accessories (such as 15-point automotive plugs) to its customers; and
- *Consulting and Advisory Services*: EROAD provides consulting and advisory services to the heavy transport industry and related agencies.

The revenue recognition associated with each source differs in some cases from the cash flows. Set out below is a summary of the treatment of EROAD’s various revenue sources.



8.0 FINANCIAL INFORMATION

SEGMENTAL REPORTING

EROAD reports selected financial information on a segmental basis, depending on the stage of its development in each market:

- *Development Market*: the market opportunity has been validated;
- *Commercial Market*: the market has been entered and trading has commenced; and
- *Established Market*: a sustainable business has been established in the market.

Segments disclosed in this section of the Prospectus reflect the management structure, reporting and monitoring of segments anticipated in the PFI period, which differ from the segments reported historically.

In the PFI period, EROAD classifies New Zealand as an Established Market, with Oregon and Australia classified as Commercial Markets having been recently entered. Using this segmental classification, the New Zealand market was classified as a Commercial Market for the first time in February 2010, and as an Established Market in 2012.

SEGMENTAL EBIT BEFORE NON-OPERATING COSTS (\$ THOUSAND)

	FY2015(P)	FY2016(P)
Development markets	(895)	(951)
Commercial markets	(900)	1,215
Established markets	2,421	6,115
EBIT before non-operating costs	626	6,379
Less non-operating costs	(2,010)	-
Earnings before interest and tax	(1,384)	6,379

Note: Non-operating costs are one-off costs of listing associated with the Offer.

MAIN DRIVERS OF EROAD'S FINANCIAL PERFORMANCE

There are many factors that affect EROAD's financial performance. The following factors can have a significant impact on EROAD's financial performance, but do not represent an exhaustive list of all relevant factors. This section should be read in conjunction with *Section 7: What are my Risks?*

New customers and customer uptake

EROAD's ability to attract new customers, and to encourage existing customers to retain and/or increase their uptake of EROAD's products and services, is a key revenue driver. Customer retention and new customer attraction is dependent on EROAD's continued ability to deliver a high quality service to both new and existing customers.

Recurring Revenue

EROAD's Recurring Revenue can be predicted with a high degree of certainty, given the long-term nature of many of EROAD's contracts and EROAD's historically high Retention Rate¹⁶ in excess of 99%. EROAD's high Retention Rate, long-term contracts and strong customer relationships provide good visibility and a high quality of revenue from existing customers. Of total revenue expected in FY2015(P), over 50% is Recurring Revenue from EROAD's existing base of installed Units as at 31 March 2014.

Recurring Revenue typically increases in line with increases in Units on Depot. While in Oregon customers are not required to enter into long-term contracts, EROAD expects Retention Rates similar to those experienced in New Zealand.

New market identification and establishment

EROAD's ability to successfully identify and establish new markets is a requirement for the continuation of its rapid growth in the longer term. These new market opportunities currently include IFTA, IRP and ELBs in North America, as discussed earlier in this Prospectus. Revenue associated with these new market opportunities has not been included within the PFI. A decision to accelerate these market opportunities within the PFI period would likely add sales and market development costs in advance of revenue.

Staff costs

The delivery of EROAD's services requires personnel for business development, R&D, sales and ongoing customer support. Over 50% of EROAD's cash expenditure in the PFI period is staff costs. EROAD has experienced very low staff turnover (5.6%), which is attributed to the dynamic and exciting work environment. This, combined with the depth of the executive management

¹⁶ Retention Rate is the number of Units installed at the beginning of the period and retained on Depot at the end of the period as a percentage of the number of Units on Depot at the beginning of that period.

8.0 FINANCIAL INFORMATION

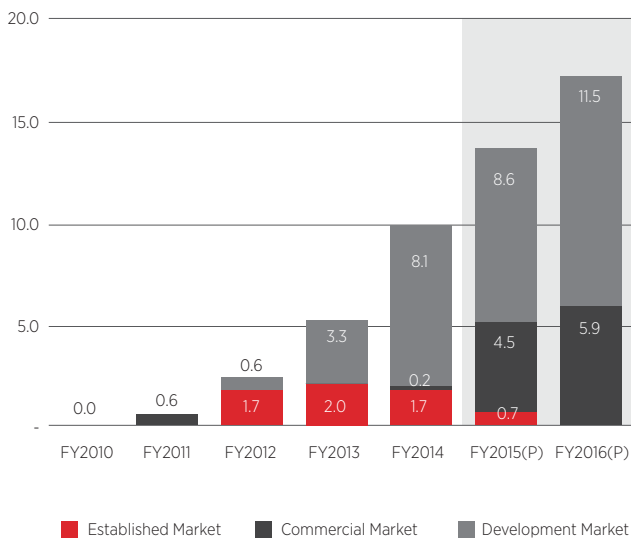
team, provides EROAD with a relatively clear picture of the costs associated with its existing staff.

The cost of new staff to support R&D is forecast based on known requirements and planned new areas for expansion. All additional R&D planned to occur in the PFI period is expected to generate revenue beyond the PFI period. This is consistent with EROAD's historical experience, with R&D expenditure typically generating revenues beginning 2-3 years into the future.

R&D

R&D is a key capability of EROAD and essential to ensuring EROAD can capitalise on the opportunities available to the business. Development costs are capitalised until each development is deployed into the market. The graph below illustrates the value of EROAD's Capitalised Development Assets by market segment and illustrates the evolution of the markets through each stage. Once a market becomes a Commercial Market the Development Asset is amortised over the forecast future number of Units to which that Development relates.

CAPITALISED DEVELOPMENT ASSETS (\$ MILLION)



8.2 OVERVIEW OF FINANCIAL INFORMATION

This section includes selected historical financial information and prospective financial information, operating metrics and a description of the non-GAAP financial information used in this Prospectus. This is provided as an introductory overview, in addition to the disclosure of financial information required under the Securities Regulations.

There are two different types of financial information presented in this Prospectus:

- **Statutory historical financial information** as reported in EROAD's audited financial statements; and
- **Statutory prospective financial information** which includes forecast financial performance presented under NZ GAAP.

OVERVIEW OF INCOME STATEMENT

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015(P)	FY2016(P)
Year ended 31 March	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	101	1,102	2,860	6,209	9,964	19,027	34,098
<i>Growth (annual)</i>	-	994.0%	159.5%	117.1%	60.5%	91.0%	79.2%
Expenses	(2,526)	(2,451)	(2,633)	(4,427)	(5,935)	(14,040)	(21,413)
Earnings before interest, taxation, depreciation, amortisation and non-operating costs	(2,425)	(1,349)	228	1,782	4,029	4,986	12,685
Depreciation	(79)	(332)	(766)	(1,684)	(2,320)	(2,784)	(3,024)
Amortisation	(21)	(78)	(193)	(353)	(648)	(1,576)	(3,282)
EBIT before non-operating costs	(2,526)	(1,760)	(731)	(255)	1,062	626	6,379
Non-operating costs	-	-	-	-	-	(2,010)	-
Earnings before interest and tax	(2,526)	(1,760)	(731)	(255)	1,062	(1,384)	6,379
Finance income	5	12	25	56	80	875	1,327
Finance expense	(159)	(96)	(45)	(98)	(122)	(111)	-
Net financing costs	(154)	(84)	(21)	(43)	(42)	764	1,327
Profit/(loss) before tax expense	(2,679)	(1,843)	(752)	(298)	1,020	(620)	7,706
Income tax benefit/(expense)	-	-	-	-	1,922	(400)	(2,200)
Profit/(loss) after tax for the year	(2,679)	(1,843)	(752)	(298)	2,942	(1,020)	5,506

Note: Expenses in FY2015(P) and FY2016(P) include ongoing costs of EROAD being listed of \$585,000 and \$541,000 respectively.

8.0 FINANCIAL INFORMATION

EXPLANATIONS OF NON-GAAP FINANCIAL INFORMATION

EROAD's financial statements in *Appendix 2: Audited Financial Statements* have been prepared in accordance with NZ GAAP and comply with NZ IFRS. The financial statements in FY2010, FY2011, FY2012, FY2013 and FY2014 have been audited.

In order to assist readers of EROAD's financial statements to better understand EROAD's financial performance, EROAD uses two non-GAAP financial measures, being:

- EBIT before non-operating costs; and
- Annualised Recurring Revenue.

Additionally EROAD uses two non-financial measures:

- Units on Depot; and
- Retention Rate.

Since these measures are not defined by NZ GAAP, NZ IFRS, or any other body of accounting standards, EROAD's calculation of these measures may differ from similarly titled measures presented by other companies. These measures are intended to supplement the NZ GAAP measures presented in EROAD's financial information, they should not be considered in isolation and are not substitutes for those measures.

EROAD's non-GAAP measures are defined as follows:

EBIT before non-operating costs

EBIT before non-operating costs is earnings before non-operating costs, interest and tax. EBIT before non-operating costs is a non-GAAP financial measure presented to enable potential investors to consider EROAD's historical and prospective profitability before non-operating costs. EBIT before non-operating costs is a non-GAAP profit measure that is equal to "profit before non-operating costs, financing and tax".

Non-operating costs for the purpose of this financial information are the \$2.0 million of expensed listing costs incurred in FY2015(P) in relation to the Offer.

Annualised Recurring Revenue

Annualised Recurring Revenue is calculated by multiplying total monthly Recurring Revenue recognised or expected to be recognised in the month of March by 12. Recurring Revenue is defined to be the revenue EROAD expects to receive in future months from existing Units on Depot from monthly charging of services, monthly hardware rentals and current monthly rates of transaction fees.

It excludes all revenue from the outright sale of Ehubos and other non-recurring revenue. In New Zealand nearly all historical and prospective recurring monthly customer charges (except transactional fees) are subject to a 36 month

contract. In Oregon, prospective recurring monthly charges are calculated on the same basis, on the assumption that the customer contracts will continue to roll over month-on-month in line with the historical Retention Rate in New Zealand.

EROAD's non-financial measures are defined as follows:

Units on Depot

Units on Depot is the number of EROAD devices installed in vehicles and subject to a service contract with a customer. EROAD management uses this measure to track growth and performance in each market EROAD enters.

Retention Rate

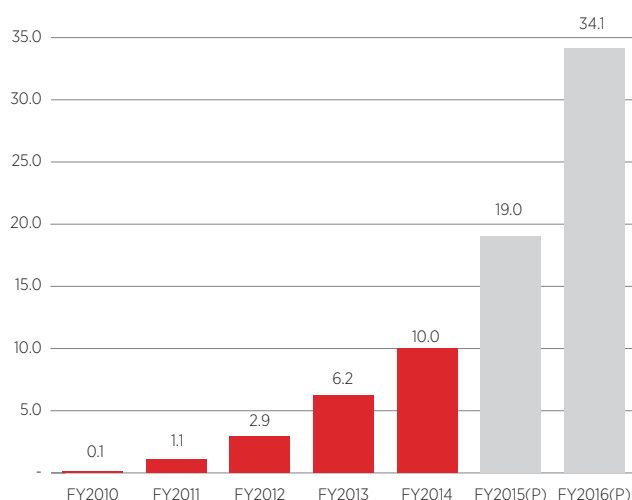
Retention Rate is the number of Units installed at the beginning of the period and retained on Depot at the end of the period as a percentage of the number of Units on Depot at the beginning of that period, where a Unit ceases to be on Depot if:

- The contract is terminated; and
- The Unit is returned to EROAD.

EXPLANATIONS OF TRENDS IN FINANCIAL PERFORMANCE

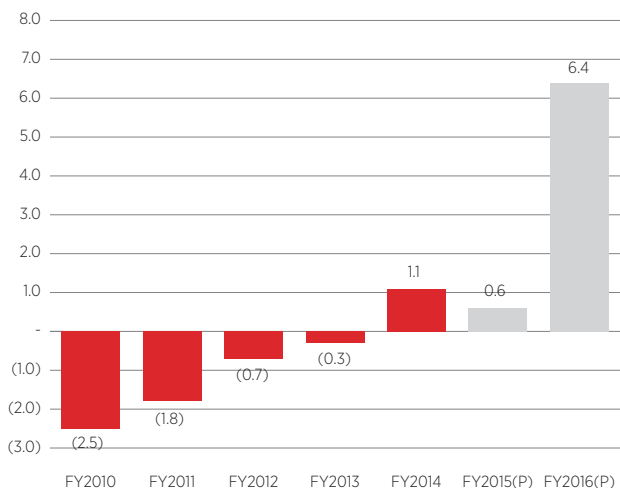
The figures below summarise the movements in revenue, EBIT before non-operating costs, Net Profit, Annualised Recurring Revenue, Units on Depot and Retention Rate for the seven years ending 31 March 2016.

REVENUE (\$ MILLION)



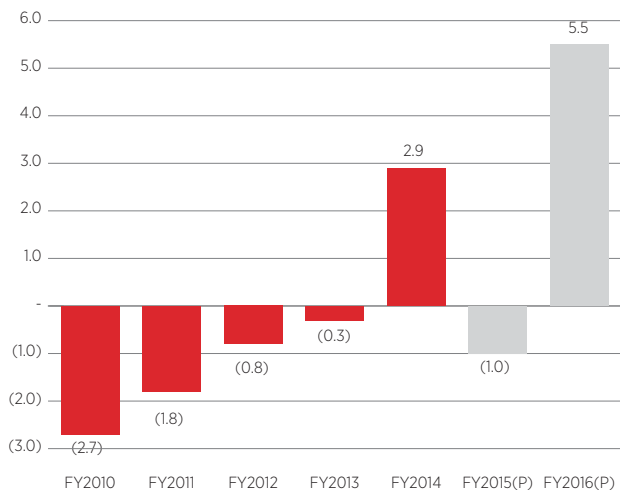
8.0 FINANCIAL INFORMATION

EBIT BEFORE NON-OPERATING COSTS (\$ MILLION)



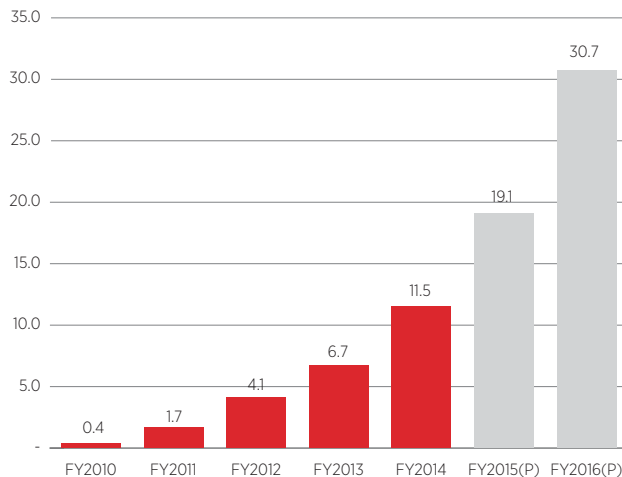
EBIT before non-operating costs in FY2015(P) and FY2016(P) includes additional ongoing costs of being listed of \$585,000 and \$541,000 respectively.

NET PROFIT (\$ MILLION)

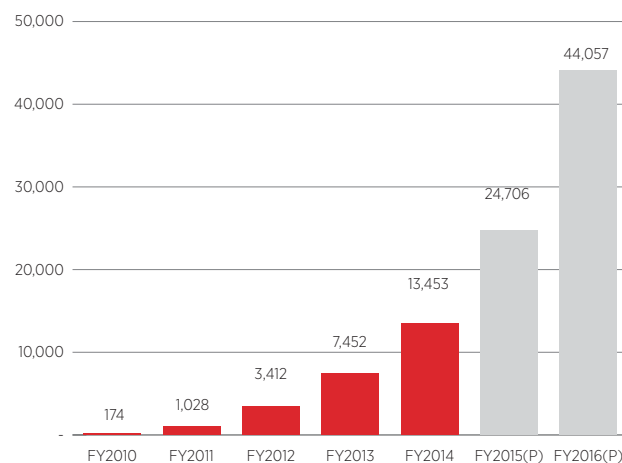


FY2015(P) Net Profit includes non-operating costs of \$2.0 million, and FY2015(P) and FY2016(P) Net Profit include additional ongoing costs of being listed of \$585,000 and \$541,000 respectively.

ANNUALISED RECURRING REVENUE (\$ MILLION)



UNITS ON DEPOT



RETENTION RATE¹⁷

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015(P)	FY2016(P)
Retention Rate	100.0%	100.0%	100.0%	99.5%	99.3%	98.2%	96.5%

¹⁷ As EROAD's New Zealand customers typically enter 36 month rental and service agreements, EROAD's first customer contracts were only able to be cancelled or renewed from FY2013, therefore the annual Retention Rate for FY2010 to FY2012 was 100%.

8.0 FINANCIAL INFORMATION

8.3 ANALYSIS OF HISTORICAL AND FORECAST FINANCIAL PERFORMANCE

Set out below is an overview of EROAD's year-on-year financial performance from FY2010 to FY2016(P). A more detailed discussion of the assumptions underlying the PFI can be found in *Section 8.4: Prospective Financial Information*.

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015(P)	FY2016(P)
Revenue (\$'000)	101	1,102	2,860	6,209	9,964	19,027	34,098
EBIT before non-operating costs (\$'000)	(2,526)	(1,760)	(731)	(255)	1,062	626	6,379
Units on Depot - 31 March	174	1,028	3,412	7,452	13,453	24,706	44,057
Number of customers - 31 March	102	405	776	1,142	1,606	n/a	n/a
Average Units per customer - 31 March	1.7	2.5	4.4	6.5	8.1	n/a	n/a
Number of staff - 31 March	16	21	34	66	102	145	160
- <i>In Market Delivery</i>	4	6	13	23	35	48	63
- <i>Corporate</i>	4	6	9	14	26	27	27
- <i>R & D</i>	8	9	12	29	41	70	70
RUC/Tax Filed (\$million)	2	27	64	118	191	n/a	n/a
Net cash inflow/(outflow) from operating activities (\$'000)	(1,278)	446	3,129	6,517	8,707	2,462	13,379

ANALYSIS BY YEAR

FY2010

In FY2010, EROAD recorded revenue of \$0.1 million reflecting twelve months of trading but with only the final month of the year occurring post NZTA approval.

Research activities undertaken during the year focused on:

- Unit reliability, functionality and accuracy;
- Regulatory compliance and approval for the product;
- Software functionality; and
- Infrastructural security and reliability.

EROAD's operating cash flows were negative due to the significant spend on research activities and limited sales. Prior to obtaining NZTA approval, all research costs were expensed. EROAD employed a total of 16 employees at the end of the financial year.

From February 2010, EROAD considered New Zealand a Commercial Market for segmentation purposes.

FY2011

In FY2011, the first full year of trading following NZTA approval, EROAD achieved revenues of \$1.1 million. While EROAD developed its brand, customers typically committed to only a small number of trial Units rather than fitting out their entire fleets. R&D activities (the Development Assets of which now meet the definition under NZ IFRS to be capitalised) focused on:

- Development of EROAD's core Depot platform; and
- Development of the Turbo electronic distance recorder for trailers.

Operating cash flows were positive for the first time. All rented Units were externally financed, with upfront and ongoing cash payments received by EROAD from the external financier over the rental term.

EROAD grew the number of Units on Depot from 174 to 1,028, achieving an annual growth rate of 491%. RUC collected in the year totalled \$27 million representing a growth rate of over 1,026%. By year end, EROAD employed a total of 21 employees.

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FY2012

In FY2012, EROAD grew revenue by 160% to \$2.9 million as its presence in the New Zealand market grew significantly. Average Units per customer increased significantly, rising from 2.5 at the beginning of the period to 4.4 by the end of the period.

Development activities for the year focused on creating a range of commercial services to complement EROAD's core electronic RUC offering, including:

- Fuel management;
- Elocate for petrol and asset tracking;
- EhuboLITE for light diesel vehicles;
- Driver ID;
- Vehicle service application; and
- Geofence functionality.

The costs associated with these developments were capitalised into Development Assets in the statement of financial position.

EROAD's operating cash flows were again positive as the majority of Unit rentals were externally financed. A small number of Unit rentals were self-financed for the first time. Self-financed Units were funded through both operating cash flows and an external bank facility.

During the year, Units on Depot grew from 1,028 to 3,412 Units (an annual growth rate of 231%), with EROAD securing its first large customer order of over 500 Units.

RUC collected during the year totalled \$64 million representing an annual growth rate of over 141%, while staff numbers increased by 13 to 34, in order to meet the sales demand in New Zealand, and to increase the R&D team to pursue opportunities in the new Development Markets of Australia and Oregon.

In FY2012 New Zealand became an Established Market for segmentation purposes.

FY2013

In FY2013 EROAD grew revenue by 117% to \$6.2 million, driven by larger fleet owners electing to convert from their existing fleet management providers to EROAD. Customers continued to increase the number of Units deployed in their fleets which, together with the capturing of larger fleets, increased the average Units per customer from 4.4 to 6.5.

Development activities for the year focused primarily on:

- The Gen II Ehubo;
- Features required to address the requirements of Oregon WMT;
- Cloud infrastructure and cloud based operational software;
- Tailored solutions to address vertical opportunities in the transport market; and
- Mobile applications.

EROAD's operating cash flows were positive \$6.5 million with these cash flows used to fund further investment in the manufacture of Units for rental, as well as capitalised development costs.

RUC collected in the year grew to \$118 million (a growth rate of 85%). Over the year EROAD nearly doubled the number of employees to 66 to meet the growing demand in New Zealand and to increase development of the Gen II product.

FY2014

In FY2014, EROAD grew revenue by 60% to \$10 million driven by continued conversion of larger fleet owners to EROAD. With over 13,000 Units on Depot delivering monthly Recurring Revenue, without a corresponding increase in costs, positive EBIT before non-operating costs from the New Zealand market was delivered for the first time.

In FY2014, EROAD also secured its 10,000th Unit on Depot and ended the year with over 1,600 customers. In the last quarter the Australian market became a Commercial Market for segmentation purposes with an existing EROAD New Zealand customer encouraging EROAD to supply their fleet in Australia.

Development activities undertaken in the year were primarily focused on developments for the Oregon and North American markets, including:

- Gen II Units;
- Functionality required to address the Oregon WMT opportunity;
- IFTA and IRP reporting functionality, for Oregon and North America;

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- ELBs;
- Cloud infrastructure;
- Federal and State approvals; and
- Enablers for rapid scalability.

EROAD's operating cash flows grew to \$8.7 million. Again, all operating cash flows were used to fund investment in rented Units and capitalised development.

EROAD continued to deliver growth in the number of Units on Depot from 7,452 to 13,453 (with 512 of these Units being in Australia), achieving an overall annual growth rate of 80%. RUC collected in the year totalled \$191 million representing a growth rate of over 62%.

EROAD increased the number of employees by 36 to a total of 102 in the year in order to meet sales demand in New Zealand, establish an office in Oregon and pursue additional R&D needed to take advantage of the Oregon and wider North American opportunity.

FY2015(P)

In FY2015(P), revenue is forecast to increase by 91% to \$19 million driven by continuing sales growth in New Zealand and early sales in the Commercial Markets of Australia and Oregon.

The New Zealand market is expected to remain an Established Market for EROAD, delivering growth of Units on Depot of 6,796 or 52%.

Development activities undertaken in the year will be primarily focused on North American-driven initiatives, including:

- Oregon WMT;
- IFTA and IRP reporting; and
- ELBs.

EROAD's operating cash flows are forecast to remain positive at \$2.5 million, although they are affected by the build in staff numbers in Oregon and non-operating costs related to the Offer.

A portion of the funds raised through the Offer will be used to repay the bank financing used by EROAD to fund rental Units.

Units are forecast to continue to grow with the number of Units on Depot increasing from 13,453 to 24,706 (an overall annual growth rate of 84%), with 1,500 Units of this growth occurring in Australia, 2,957 Units in Oregon, and 6,796 Units in New Zealand. At the end of FY2015(P) there are forecast to be 2,012 Units on Depot in Australia, 2,957 Units on Depot in Oregon and 19,737 Units on Depot in New Zealand.

Employee numbers are forecast to increase by 43 in FY2015(P), to meet the expected sales demand in Oregon in FY2016(P) and to increase the size of the R&D team to exploit further North American opportunities.

As at 30 June 2014, there were 15,091 Units on Depot in New Zealand, 166 Units on Depot in Oregon and 528 Units on Depot in Australia. This is in line with the PFI.

FY2016(P)

In FY2016(P), revenue is forecast to increase by 79% to \$34.1 million driven by continuing sales growth in New Zealand and Australia together with significant growth in the Oregon market.

Units on Depot are forecast to increase from 24,706 to 44,057 (an overall annual growth rate of 78%). At the end of FY2016(P) there are forecast to be 4,512 Units on Depot in Australia, 12,440 Units on Depot in Oregon and 27,105 Units on Depot in New Zealand.

Oregon and Australia are forecast to remain Commercial Markets, with the Oregon market forecast to grow more rapidly than Australia.

Development activities forecast to be undertaken in FY2016(P) are primarily focused on future products and markets that are not assumed to generate revenues in the PFI period.

EROAD's operating cash flows are forecast to grow significantly to \$13.4 million, driven by Unit volumes and the benefits of scale. Investment in rented Units and capitalised development can be funded predominantly from operating cash flows.

In FY2016(P), EROAD expects to increase employee numbers by 15, driven by the need to meet the expected sales demand in Oregon.

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OVERVIEW OF NET PROFIT

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015(P)	FY2016(P)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NET PROFIT	(2,679)	(1,843)	(752)	(298)	2,942	(1,020)	5,506

Intra year movements in Net Profit are influenced by EBIT before non-operating costs performance as discussed above, one-off items, as well as both interest and tax. A brief commentary on each year is set out below:

- The FY2010 Net Loss of \$2.7 million was affected by costs associated with R&D, prior to gaining approval from NZTA in February 2010. All R&D costs were required to be expensed prior to the approval date;
- The FY2011 Net Loss of \$1.8 million was affected by the cost of research and marketing activities required for commercialisation in New Zealand;
- In FY2012, the Net Loss reduced by 59% to \$0.8 million as EROAD gained a foothold in the New Zealand market. Additional costs were incurred as activity ramped up to take advantage of commercial opportunities;
- FY2013 saw the Net Loss reduce by 63% to \$0.3 million as profits generated in New Zealand partially offset investment in new Commercial Markets;
- FY2014 saw EROAD return a Net Profit of \$2.9 million, in part attributed to the treatment of Deferred Taxation and generating profit from the Established Market in New Zealand;
- In FY2015(P), EROAD is forecast to deliver a Net Loss of \$1.0 million. The Net Loss includes \$2.0 million of one-off non-operating listing costs and \$0.6 million in relation to ongoing listed company costs; and
- In FY2016(P), Net Profit is forecast to increase to \$5.5 million driven by growth in the Oregon market. The Net Profit includes \$0.5 million of ongoing listed company costs.

8.4 PROSPECTIVE FINANCIAL INFORMATION

The PFI in this section relates to EROAD as a consolidated entity and reflects the performance of all EROAD subsidiaries. It includes:

- The basis of preparation of the PFI, including the material accounting policies applied;
- A description of the general and specific assumptions that underpin the PFI;
- A prospective statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows, as required by clause 11(1)(c) of Schedule 1 of the Securities Regulations; and
- An analysis of the sensitivity of the PFI to changes in specific key assumptions.

BASIS OF PREPARATION

The PFI has been prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements as required by the Securities Regulations.

The PFI, including the assumptions underlying it, has been prepared by management and approved by the board. It is based on the Directors' assessment of events and conditions existing at the date of this Prospectus and the accounting policies and assumptions set out under the headings "General Assumptions" and "Specific Assumptions" below. The Directors have given due care and attention to the preparation of the PFI, including the underlying assumptions. These assumptions should be read in conjunction with the other information in this Prospectus (including, in particular, the information in *Section 7: What are my Risks?*).

Prospective financial information by its nature involves risks and uncertainties, many of which are beyond the control of EROAD. The board believes that the PFI has been prepared with due care and attention, and consider the assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. Actual results are likely to vary from the information presented. Results may not occur as expected, and the variations may be material. Accordingly, neither the Directors nor any other person can provide any assurance that the PFI will be achieved and investors are cautioned not to place undue reliance on the PFI.

The Directors are responsible for and have authorised for issue the PFI on 17 July 2014 for use in this Prospectus. The PFI covers the periods of:

- 1 April 2014 to 31 March 2015 (FY2015(P)); and
- 1 April 2015 to 31 March 2016 (FY2016(P)).

The Directors confirm that, for the months of April, May and June 2014, EROAD's actual results were in line with the PFI for those months.

There is no present intention to update the PFI or to publish PFI in the future. EROAD will report actual financial results against the PFI in accordance with NZ GAAP in the financial statements for the periods ending 31 March 2015 and 31 March 2016 under Regulation 44 of the Securities Regulations.

The PFI includes items considered non-GAAP financial information, including profit measures other than Net Profit.

Non-GAAP measures presented in this Prospectus are explained in *Section 8.2: Overview of Financial Information*. Where non-GAAP financial information is reported there is a reference to further information to assist you to understand this information.

ACCOUNTING POLICIES

EROAD's accounting policies will remain consistent throughout the PFI period. It is also assumed there will be no material change in NZ GAAP during the PFI period. EROAD's existing accounting policies are set out in the historical financial statements for the year ended 31 March 2014 included in *Appendix 2: Audited Financial Statements*.

GENERAL ASSUMPTIONS

The following general assumptions have been made in preparing the PFI:

- *Markets operated in:* EROAD will only operate in New Zealand, Australia and Oregon in the PFI period. While opportunities to enter other markets may arise, particularly in North America, these have not been included in the PFI.
- *Economic environment:* there will be no material change in the general economic environments in which EROAD operates or sells its services.
- *Political, legislative and regulatory environment:* there will be no material change to the political, legal or regulatory environments in which EROAD operates or sells its services.
- *Competitive environment:* there will be no material change to the competitive dynamics of the markets in which EROAD operates, including any material change in competitor activity. No new entrants will materially change the competitive environment. The nature and extent of competition in any Commercial Markets which EROAD

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enters will be comparable to that currently exhibited in its existing Established Market.

- *Industry conditions:* there will be no material change in the general industry structure in which EROAD operates, its relationships with third parties or conditions in respect of the markets for employees and staff in which it operates.
- *Taxation:* there will be no material change to the income tax, excise tax, sales tax, RUC, WMT, IFTA or goods and services tax regime in any country or state where EROAD operates, including no change to the corporate tax rates in those countries.
- *Management of EROAD:* no Directors or key personnel will leave EROAD and management resources will be sufficient for EROAD’s requirements.
- *Operating environment:* there will be no material costs incurred through either industrial or contractual disputes.
- *Disruption to operations:* there will be no material disruption to operations, including through natural disasters, fires or explosions or quality issues, product recall requirements or through normal hazards associated with EROAD’s activities (including disruptions to or affecting any of EROAD’s key customers).
- *Key customers / suppliers and distribution channels:* there will be no unanticipated loss of key customers or suppliers.

SPECIFIC ASSUMPTIONS

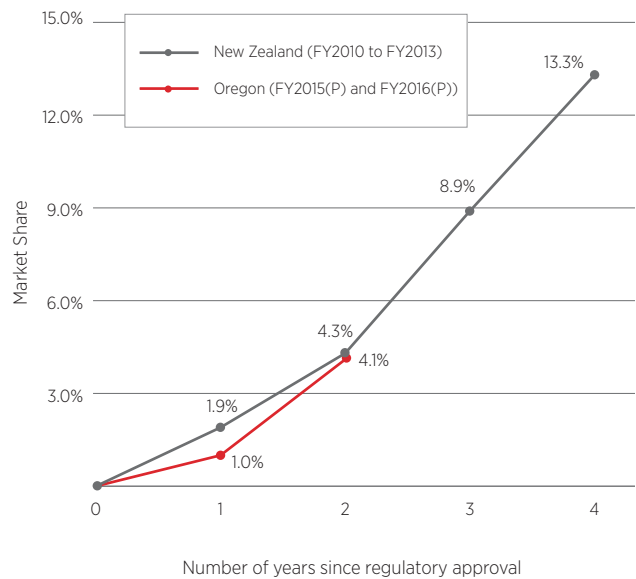
The following specific assumptions have been made in preparing the PFI:

Revenue

Revenue is expected to increase by 91% in FY2015(P) to \$19.1 million and by 79% in FY2016(P) to \$34.1 million, driven by continuing demand for EROAD’s services in New Zealand, its Established Market, and strong growing demand for its services in its Commercial Markets, most significantly Oregon.

In Oregon revenue growth is expected to come from both Unit sales and monthly service fees. Oregon’s Unit growth is forecast to follow the New Zealand historical sales track record in relation to market share as illustrated below.

EROAD NEW ZEALAND AND OREGON MARKET SHARE COMPARISON (HEAVY VEHICLES OVER 12 TONNES)



As noted previously no revenue is forecast to be earned during the PFI period from markets outside of New Zealand, Australia and Oregon.

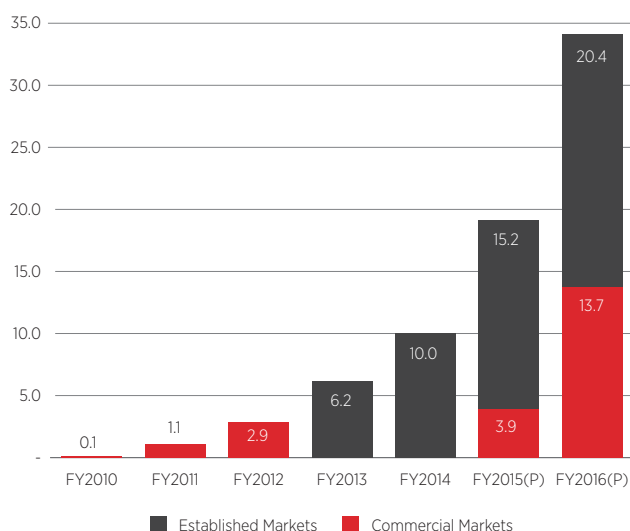
EROAD’s revenue is underpinned by significant Recurring Revenue from its existing customers, the majority of whom have 36 month rental terms. In addition, EROAD also receives transactional revenue in the New Zealand market.

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Revenue by Market (Commercial and Established)

As EROAD continues to grow in New Zealand, and as Oregon and Australia transition from Development to Commercial Markets, revenue is expected to increase significantly.

REVENUE BY MARKET (\$ MILLION)



New Zealand

New Zealand is EROAD's only Established Market in the PFI period. Given the market leading position EROAD has established in New Zealand, its customer base and number of Units on Depot are expected to continue to grow over the PFI period.

EROAD has a number of large customers (fleets over 200) who are undertaking intra year programmes to transfer their entire fleet to EROAD. These programmes give EROAD visibility over a portion of forecast revenue in both FY2015(P) and FY2016(P). By the end of FY2016(P), EROAD is forecast to have grown the number of Units on Depot from 12,941 as at 31 March 2014 to 27,105 as at 31 March 2016, or 17% of the forecast total New Zealand Heavy Vehicle population (of 160,000 vehicles).

Additional services, including data analytics, driver behaviour and ELBs, are expected to support forecast growth in both customers and Units on Depot. These revenue streams are treated as 'Other Revenue' in this Prospectus.

Between 2010 and 2014, EROAD experienced a compound annual revenue growth rate of 215%. This compares to a compound annual growth rate from 2014 to 2016(P) of 43%, reflecting New Zealand moving from an Established Market towards maturity.

Oregon

Oregon is classified as a Commercial Market in the PFI period. Following the success of the Oregon pilot, and having gained ODOT approval, EROAD commercially launched in April 2014 focused on the Oregon WMT opportunity, with its Gen II product.

EROAD has formed relationships with a number of large fleet owners, many of which participated in the ODOT trial. These relationships underpin EROAD's early sales forecast in Oregon, and are forecast to drive further growth and expansion in the Oregon market. In FY2014, EROAD began talks with United States trucking services company Glostone Trucking Solutions. An agreement, finalised in June 2014, establishes Glostone as an EROAD dealer in the United States and Canada, which is expected to drive sales in FY2015(P).

EROAD's progress in Oregon to date can be compared to EROAD's early progress in New Zealand (i.e. when the New Zealand market was considered to be a Commercial Market). In 2011, EROAD achieved an average of 1.7 Units per customer in New Zealand. To date, an average of 17 Units per customer has been achieved in the Oregon market, consistent with the larger fleet sizes of Oregon customers. EROAD currently offers a number of solutions to its Oregon customers, including electronic WMT and IFTA record keeping, as well as a suite of commercial services. In FY2015(P) a number of further enhancements to EROAD's service offering are expected to be introduced. These are collectively expected to support customer uptake and drive forecast revenue in FY2016(P).

The number of Units on Depot is forecast to rise from nil to 2,957 in FY2015(P). Accordingly, EROAD's market share is forecast to reach 1.01% of the Oregon WMT market in FY2015(P). This figure compares to the 1.91% equivalent market share achieved in New Zealand in its first year (post regulatory approval).

In FY2016(P), EROAD is forecasting significant growth in both customer numbers and Units on Depot. Growth is expected to be driven by increased awareness and appreciation of EROAD's products, as experienced in New Zealand. Services offered in Oregon in FY2016(P) are expected to include electronic WMT, IFTA record keeping and reporting, IRP record keeping and reporting, as well as commercial services. Sales of 9,820 Units are expected, taking the total Units on Depot to 12,440 (after forecast churn). This represents an estimated 4.1% of the total current Heavy Vehicle WMT market in Oregon (of 306,000 vehicles). By comparison, within two years of entering the New Zealand market, EROAD had achieved an equivalent market share of 4.3%.

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Additional services to be offered to customers, including data analytics, Virtual Speed Camera and ELBs, are forecast to deliver new Recurring Revenue. Renewal rates have been forecast at 95% per annum (i.e. churn has been forecast at 5%). This renewal rate is lower than that experienced in the New Zealand market to date, on the basis that contractual terms in Oregon are shorter than those in New Zealand.

FY2016(P) revenue growth in Oregon is forecast to be 290% over FY2015(P), which is broadly consistent with the growth rate EROAD experienced in New Zealand at a similar stage. No revenue is forecast to come from other United States jurisdictions with WMT systems or from wider North America for IFTA and IRP services that will be available in Oregon in the PFI period.

Australia

Australia is classified as a Commercial Market in the PFI period. Historically, Australian sales have been to large existing New Zealand customers with Australian fleets.

In FY2015(P) and FY2016(P) in Australia, the two primary drivers of revenue are expected to be:

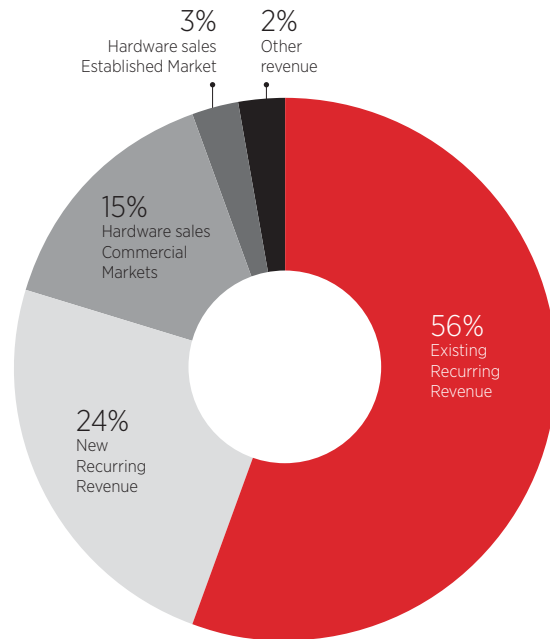
- A modest investment in the local sales team, and
- Continued support for existing New Zealand customers with Australian fleets.

Forecast revenue is made up of Unit sales and Recurring Revenue from rentals and services. Approximately 60% of Units are sold in Australia, with 40% rented. The number of Units on Depot is forecast to rise from 512 at the end of FY2014 to 2,012 by the end of FY2015(P) and 4,512 by the end of FY2016(P). EROAD has forecast 152% revenue growth in FY2016(P) in Australia. This growth is slower than experienced in New Zealand historically and slower than forecast in Oregon at the same stage, given the different regulatory environment in Australia (there is currently no road user charging regime in Australia).

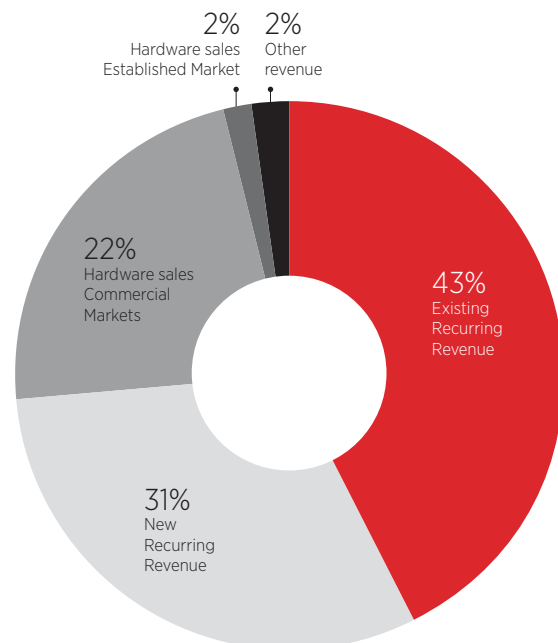
Revenue composition

The following graphs illustrate the breakdown of EROAD’s revenue for FY2015(P) and FY2016(P).

EROAD REVENUE COMPOSITION FY2015(P)



EROAD REVENUE COMPOSITION FY2016(P)¹⁸



¹⁸ Existing revenue in FY2016(P) includes new revenue forecast to be won in FY2015(P).

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Approximately 56% of total revenue forecast in FY2015(P) is recurring as at 31 March 2014. Approximately 43% of total revenue forecast for FY2016(P) is expected to be recurring as at 31 March 2015. This inter-year percentage reduction in existing Recurring Revenue is driven by:

- The relative growth achieved in FY2016(P) in New Zealand and Oregon; and
- The increase in sale of Units (i.e. “Hardware Sales”) in Oregon.

Recurring Revenue

In New Zealand and Australia, Recurring Revenue is generated from all customers through monthly charges for services and rental of Ehubos. In New Zealand and Australia, the majority of EROAD’s contracts have a 36 month term. By contrast, in Oregon, service contracts are on a month by month basis. Monthly charges in Oregon are typically fixed for the period of the contract.

In New Zealand, transaction fees are charged each time a customer purchases RUC from NZTA through EROAD’s platform. Customers typically purchase RUC twice a month. For FY2015(P) and FY2016(P), transaction fees are forecast to be earned on the same basis as they have been historically.

Hardware Sales

In Oregon, Hardware Sales are forecast to be the primary source of EROAD’s revenue in the PFI period. By contrast, in New Zealand the majority of EROAD’s revenue is expected to come from customers renting EROAD’s Ehubos (only a small percentage of New Zealand revenue is forecast to come from outright sales). When Ehubos are sold, customers pay for its initial installation, as required, in addition to paying for the Ehubo itself.

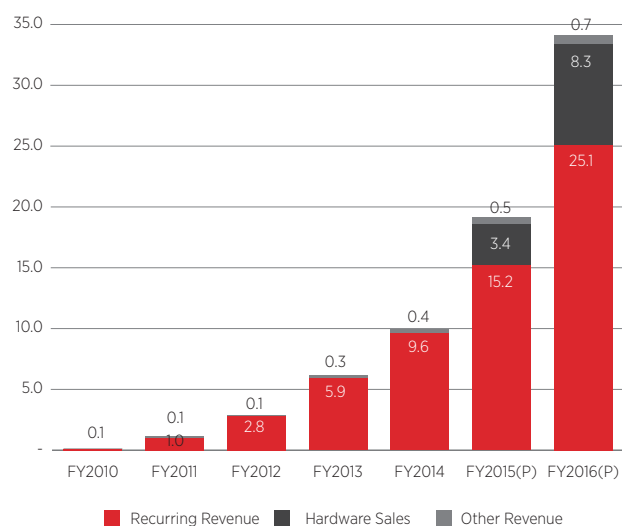
Other Revenue

Other Revenue is earned from the following three sources:

- *Transport statistics:* EROAD provides aggregated transport statistics on both an ongoing contractual and one-off basis;
- *Accessories:* EROAD provides a small range of accessories (such as 15-point automotive plugs) to its customers; and
- *Consulting and advisory services:* EROAD provides consulting and advisory services to the heavy transport industry and related agencies.

Other Revenue from the above sources is forecast to increase in line with Unit sales over FY2015(P) and FY2016(P).

REVENUE COMPOSITION (\$ MILLION)



8.0 FINANCIAL INFORMATION

Expenses composition

EROAD's forecast total expenses are summarised below:

EROAD EXPENSE COMPOSITION

	FY2014	FY2015(P)	FY2016(P)
	\$'000	\$'000	\$'000
Staff costs	3,385	8,207	10,861
Direct costs	974	3,246	7,557
Sales and market development	814	1,238	1,629
Admin and other costs	761	764	826
Listed costs	-	585	541
Total expenses	5,935	14,040	21,413

Staff costs

Staff costs include all remuneration and all other associated employment costs, excluding those staff costs that are capitalised as part of capitalised development activities. Staff costs include salaries and bonuses, benefits, payroll taxes and Directors' fees. Forecast staff costs are based on the current salaries and remuneration terms of EROAD's existing staff and account for inflation-based increases. Salaries for new staff are forecast at comparable rates to existing staff salaries.

Staff costs are the single largest cost (making up over 50% of total expenses). The total number of staff, including R&D staff, is forecast to rise during FY2015(P) and FY2016(P). Forecast growth in staff numbers will allow EROAD to continue to service its existing customer base, sign new customers and, more broadly, continue to develop services and markets beyond the PFI period.

The table below shows staff numbers at year end for both historic and PFI periods:

EROAD STAFF NUMBERS

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015(P)	FY2016(P)
Total Staff	16	21	34	66	102	145	160
In Market Delivery	4	6	13	23	35	48	63
Corporate	4	6	9	14	26	27	27
R & D	8	9	12	29	41	70	70

Direct costs

Direct costs are primarily made up of:

- Hardware costs for Units sold;
- Communication, mapping and hosting costs related to the provision of EROAD services; and
- Transaction charges relating to RUC transactions.

These costs are forecast to grow in proportion to growth in Units on Depot. Depreciation of rented Units is included in Depreciation rather than as a direct cost.

Sales and market development costs

Sales expenses include direct costs (such as motor vehicles and communication), as well as indirect costs such as marketing and advertising. Sales costs are forecast to increase, to support forecast sales growth in New Zealand, Australia and Oregon. Market development costs include stakeholder development, exhibitions and branding, and are incurred as EROAD explores other potential opportunities in North America and other markets.

There are a variety of opportunities in markets which are not assumed to become Commercial Markets in the PFI period, including IFTA, IRP and ELBs in North America. A decision to accelerate these market opportunities within the PFI period would likely add sales and market development costs in advance of revenue.

Administration and other costs

Administration and other costs include occupancy, insurance, communication, audit and professional fees, incurred in the ordinary course of business. These costs are forecast based on EROAD's current costs and consideration of EROAD's forecast growth in staff and sales.

Listed costs

Listed costs represent the additional costs that are expected to be incurred as a result of operating as a publically listed company. They include additional directors' fees, share registry costs, interim and annual report production, additional professional adviser fees and associated market communication costs.

8.0 FINANCIAL INFORMATION

Development Assets and amortisation

All development expenditure that meets the definition contained in NZ IAS 38 is capitalised in the year incurred. These costs generally relate to the development of new products or services. Each year capitalised Development Assets are evaluated, to determine the likelihood of commercialisation. The asset is written off if it is not expected to lead to a commercial product. No capitalised Development Assets are expected to be written off within the PFI period. All R&D expenditure which does not meet the definition contained in NZ IAS 38 is expensed in the year it is incurred.

As new products and services are released into a market, associated capitalised development costs are amortised (based on expected Unit sales and the useful life of the product or service). The table below sets out a summary of capitalised Development Assets over the PFI period:

	FY2014	FY2015(P)	FY2016(P)
	\$'000	\$'000	\$'000
Opening Balance	5,319	9,974	13,769
Capitalised Development	5,303	5,370	6,936
Amortisation charge	(648)	(1,576)	(3,282)
Closing Balance	9,974	13,769	17,423

Depreciation

All fixed assets, including Units rented to customers in New Zealand and Australia, are depreciated. Based on an assessment of the useful/economic lives of the assets, depreciation rates in the PFI period have been applied as follows:

ASSET	DEPRECIATION RATE (STRAIGHT LINE)
Leasehold improvements	12% to 30%
Plant and machinery	9.6% to 30%
Computer and office equipment	24% to 60%
Rented equipment (units)	20% (reflects assumed useful life)

Finance income and expenses

The FY2015(P) interest expense relates to EROAD's external debt facility used to fund rented Units. A portion of the funds raised as part of the Offer will be used to repay the outstanding bank debt facility, and as such no interest expense is forecast for the remainder of the PFI period following the Offer.

Interest income in FY2015(P) and FY2016(P) arises from two sources:

- Interest income received from cash collected from RUC transactions; and
- Interest income forecast to be received on the balance of the funds raised through the Offer that have not been specifically allocated in the PFI period.

Taxation

EROAD expects to be profitable at an EBIT before non-operating cost level in FY2015(P) and FY2016(P). Tax has been calculated based on current corporate tax rates of the relevant countries in which profit is expected to be derived. Tax losses and deferred tax benefits are available to EROAD during the PFI period to offset against taxable profits arising in New Zealand.

Dividends

EROAD is not forecasting to pay dividends during the PFI period.

Working capital

Working capital requirements over the PFI period will be affected as follows:

- *Trade and other receivables*: trade and other receivables balances are forecast to move in line with revenue over the PFI period, with the majority of trade debtors forecast to pay in the month following invoice.
- *Inventory*: In FY2015(P) and FY2016(P) the majority of inventory is forecast to comprise: (i) components for the manufacture of Gen II Units; and (ii) finished Units for the Oregon market where all Units are expected to be sold. No inventory has been held historically as all Units have been rented rather than sold (and therefore included within fixed assets). Over the PFI period, EROAD is forecast to build stock levels of some of the more critical Gen II components that have long lead times, to ensure it is able to meet unanticipated additional demand (outside of demand included in the PFI).
- *Trade payables and accruals*: prospective trade payables and accruals have been forecast based on historically observed supplier payment terms, which are not anticipated to change significantly over the PFI period.

8.0 FINANCIAL INFORMATION

- *Deferred income*: deferred income represents the current portion of payments received in advance for rented Units, from customers who rent their Units through an external financier. Over the PFI period it is assumed deferred income will continue as some customers will continue to utilise the external financier. All deferred income is recognised as revenue in the statement of comprehensive income over the period of the rental contract.
- *Payable to NZTA*: in New Zealand EROAD collects RUC on behalf of NZTA. The balance payable to NZTA can vary significantly depending on the day of the week on which the accounting period ends. For the PFI period it is assumed the balance will remain constant with the amount reported at 31 March 2014, of approximately \$6 million.
- *Employee entitlements*: the liability for employees' compensation for future leave has been accrued based on forecast entitlements by person and the expected pattern of use.

Capital expenditure

EROAD incurs three types of capital expenditure:

- *Traditional capital expenditure*: on leasehold improvements, office equipment, furniture computers and motor vehicles. EROAD is not a capital intensive business. EROAD undertook a one-off office fit-out, as well as vehicle and IT updates, in FY2013 and FY2014. The PFI includes traditional capital expenditure of approximately \$260,000 and \$273,000 for FY2015(P) and FY2016(P) respectively.
- *Operating capital expenditure*: on EROAD Units rented to customers. EROAD rents the majority of Units to customers in New Zealand (and to a lesser extent, customers in Australia). EROAD's operating capital expenditure over the past five years has focused on: (i) the continued addition of new customers to EROAD's Depot platform; and (ii) investment in new Units.

The assembly and installation of new Units has to date been the major source of capital expenditure for EROAD. During the PFI period, EROAD expects to continue to rent the majority of Units to customers in New Zealand and Australia. The PFI includes operating capital expenditure on rented Units of approximately \$2.6 million for FY2015(P) and \$3.1 million for FY2016(P). This operating capital expenditure is expected to be funded by a portion of the funds raised through this Offer.

- *Development capitalised*: discussed earlier in this section under the heading "Development Assets and amortisation".

Rental Units

Rental Units are included as part of fixed assets.

Set out below is a summary of the movements in rental Units over the PFI period:

EROAD RENTAL UNITS

	FY2014	FY2015(P)	FY2016(P)
	\$'000	\$'000	\$'000
Opening Balance	4,261	5,271	5,380
Units assembled and capitalised	2,662	2,596	3,056
Depreciation charge	(1,653)	(2,488)	(2,721)
Closing Balance	5,271	5,380	5,714
New rental Units excluding renewals	6,053	6,690	7,865

Note: Units assembled and capitalised excludes equipment under construction to be rented

Deferred income

Deferred income represents payments received in advance on rented Units that are financed externally. All deferred income is recognised as revenue in the statement of comprehensive income over the period of the rental contract. As EROAD intends to self-finance a greater proportion of rental Units, total deferred income is expected to reduce over the PFI period.

The payment received (per Unit) in the PFI period is approximately \$800 (which is lower than in historical years).

Set out below is a summary of the movement of total Deferred Income (both current and non-current) over the PFI period:

EROAD DEFERRED INCOME

	FY2014	FY2015(P)	FY2016(P)
	\$'000	\$'000	\$'000
Opening Balance	6,784	8,503	7,291
Cash received	6,043	4,254	5,280
Deferred income released	(4,323)	(5,467)	(5,347)
Closing Balance	8,503	7,291	7,224

8.0 FINANCIAL INFORMATION

Share issues and Offer costs

It is assumed that EROAD will receive gross proceeds of \$40.0 million from the Offer of new Shares. EROAD will pay an estimated \$2.6 million in costs directly attributable to the Offer of new Shares. These costs include NZX listing fees, brokerage costs for new Shares, share registry costs, legal fees, accounting fees, advisory fees, advertising costs, Prospectus and Investment Statement design, and printing and postage costs.

Costs relating to the sale of existing Shares and EROAD's listing are not considered costs of an equity instrument as no equity instrument is issued, and consequently these costs are recognised as an expense in the statement of comprehensive income when incurred. Costs related to the issue of new share capital are recognised directly in equity as a reduction of the Share proceeds received. Of the estimated \$2.6 million referred to above, \$0.6 million will be accounted for as a reduction in equity and \$2.0 million will be expensed to the income statement (as a non-operating cost) in accordance with this accounting policy.

Consistent with prior years, after FY2014 year end, EROAD invited staff, Directors and close business associates to purchase Shares. Using a valuation methodology consistent with prior years, EROAD raised \$1.65 million through the issue of Shares to those staff, Directors and close business associates. Those Shares were fully paid up in cash on the date of issue at a value of \$12.68 per Share (on a pre Share split basis), implying an equity value of EROAD post issue of \$129.02 million.

In anticipation of the Offer, EROAD has granted an interest free loan to each of its independent Directors of \$70,000 (with total loans to Directors of \$280,000). Those loans will be used by the independent Directors to acquire Shares at the Final Price concurrently with the allotment of Shares under the Offer.

Exchange rates

EROAD receives a proportion of its revenue in Australian Dollars (AUD), and a proportion of its revenue in United States Dollars (USD). USD makes the largest foreign exchange contribution to EROAD's revenue. An element of natural hedging exists through EROAD's in-country sales costs, as well as hardware component costs that are denominated in USD.

The forecasted foreign currency amounts included in the PFI period have been converted at the following rates:

FOREIGN CURRENCY	NZ\$
AUD	0.90
USD	0.80

The rates are broadly consistent with average forecast spot exchange rates reported by a selection of external institutions.

8.0 FINANCIAL INFORMATION

PROSPECTIVE FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

	FY2015(P)	FY2016(P)
YEAR ENDED 31 MARCH	\$'000	\$'000
Revenue	19,027	34,098
Expenses	(14,040)	(21,413)
Earnings before interest, taxation, depreciation, amortisation and non-operating costs	4,986	12,685
Depreciation	(2,784)	(3,024)
Amortisation	(1,576)	(3,282)
EBIT before non-operating costs	626	6,379
Non-operating costs	(2,010)	-
Operating profit/(loss) before financing costs	(1,384)	6,379
Finance income	875	1,327
Finance expense	(111)	-
Net financing costs	764	1,327
Profit/(loss) before tax expense	(620)	7,706
Income tax (expense)/benefit	(400)	(2,200)
Profit/(loss) from continuing operations	(1,020)	5,506
Other comprehensive income	-	-
Total comprehensive income/(loss) for the period	(1,020)	5,506

8.0 FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

	FY2015(P)	FY2016(P)
AS AT 31 MARCH	\$'000	\$'000
CURRENT ASSETS		
Cash and cash equivalents	40,274	42,642
Trade and other receivables	1,267	2,180
Inventory	1,507	2,252
Loans to Directors (to acquire Shares)	-	280
Total Current Assets	43,049	47,354
NON-CURRENT ASSETS		
Property, plant and equipment	8,983	9,288
Intangible assets	13,769	17,423
Deferred tax assets	1,587	-
Loans to Directors (to acquire Shares)	280	-
Total Non-Current Assets	24,619	26,711
TOTAL ASSETS	67,666	74,065
CURRENT LIABILITIES		
Trade payables and accruals	1,289	1,819
Payable to NZTA	6,600	6,600
Deferred revenue	5,347	5,206
Employee entitlements	599	649
Total Current Liabilities	13,835	14,274
NON-CURRENT LIABILITIES		
Deferred revenue	1,944	2,018
Deferred tax liabilities	-	379
Total Non-Current Liabilities	1,944	2,397
TOTAL LIABILITIES	15,779	16,671
NET ASSETS	51,888	57,394
EQUITY		
Share capital	58,831	58,831
Retained earnings	(6,943)	(1,437)
TOTAL SHAREHOLDERS' EQUITY	51,888	57,394

8.0 FINANCIAL INFORMATION

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	RETAINED EARNINGS	TOTAL
	\$'000	\$'000	\$'000
Balance at 1 April 2014	17,472	(5,923)	11,549
Profit/(loss) after tax for the period	-	(1,020)	(1,020)
Total comprehensive income/(loss) for the period, net of tax	-	(1,020)	(1,020)
Share capital issued	41,359	-	41,359
Balance at 31 March 2015	58,831	(6,943)	51,888
Balance as at 1 April 2015	58,831	(6,943)	51,888
Profit/(loss) after tax for the period	-	5,506	5,506
Total comprehensive Income for the period, net of tax	-	5,506	5,506
Share capital issued	-	-	-
Balance at 31 March 2016	58,831	(1,437)	57,394

8.0 FINANCIAL INFORMATION

STATEMENT OF CASH FLOWS

	FY2015(P)	FY2016(P)
YEAR ENDED 31 MARCH	\$'000	\$'000
Cash flows from operating activities		
Cash received from customers	17,766	33,119
Payments to suppliers and employees (including \$2.0 million of one-off listing costs)	(16,004)	(20,833)
Net interest received	764	1,327
Net tax paid	(65)	(234)
Net cash inflow from operating activities	2,462	13,379
Cash flows from investing activities		
Payments for purchase of property, plant & equipment	(3,951)	(4,074)
Payments for purchase of intangible assets	(5,370)	(6,936)
Net cash outflow from investing activities	(9,321)	(11,011)
Cash flows from financing activities		
New shares issued	41,359	-
Loans to Directors (to acquire Shares)	(280)	-
Payment of bank loan	(3,101)	-
Net cash outflow from financing activities	37,978	-
Net increase/(decrease) in cash held	31,118	2,368
Cash at beginning of the financial period	9,156	40,274
Closing cash and cash equivalents (net of overdrafts)	40,274	42,642

Note: Payments to suppliers and employees is shown after the net movement in the NZTA clearing account.

8.0 FINANCIAL INFORMATION

SENSITIVITY ANALYSIS

Given the inherent uncertainty of prospective financial information, it is possible for actual results to vary materially from those set out in the PFI.

The sensitivity analysis below is provided to assist you in assessing the potential effects of variations in certain key assumptions (defined as those most likely to materially affect EROAD's financial results). The sensitivities presented for each assumption are not intended to be indicative or predictive of the possible range of outcomes. Rather, they are set out to allow potential investors to gain an understanding of the sensitivity of EROAD's PFI to changes in key assumptions.

Care should be taken in interpreting the information set out below. Changes to each variable are considered in isolation of possible movements in other variables in each period, which may not occur in reality. Movements in one variable may have

an offsetting or compounding effect on other variables, the impact of which is not reflected in the PFI or the sensitivity analysis presented here. In addition, it is possible that more than one variable may change at any point in time, giving rise to cumulative effects, which are not reflected in the PFI or the sensitivity analysis.

Two key assumptions that are considered to have a significant potential impact on the prospective financial performance of EROAD are:

- Sales volumes; and
- Sales prices

The table below shows the estimated impact of a pro-rata change in sales volumes and sales prices, assuming no change in the product or service and market mix. The impact shown below is cumulative for the PFI period and therefore the sensitivity for FY2016(P) includes the consequences of the 10% increase / decrease from FY2015(P).

SENSITIVITY ANALYSIS

SENSITIVITY	INCREASE / DECREASE	MEASURE	FY2015(P)	POSITIVE / NEGATIVE IMPACT FY2015(P)	FY2016(P)	POSITIVE / NEGATIVE IMPACT FY2016(P)
			\$'000	\$'000	\$'000	\$'000
Sales Volumes	10%	Revenue	19,027	783	34,098	2,383
		EBIT before non-operating costs	626	411	6,379	1,285
		Net Profit	(1,020)	300	5,506	953
		Annualised Recurring Revenue	19,068	817	30,746	2,132
Sales Prices	10%	Revenue	19,027	796	34,098	2,507
		EBIT before non-operating costs	626	796	6,379	2,507
		Net Profit	(1,020)	577	5,506	1,842
		Annualised Recurring Revenue	19,068	893	30,746	2,396

The above sensitivities do not take into account any mitigating measures that EROAD may take. In the case of a reduction in sales volumes or prices EROAD would endeavour to increase other revenue streams and manage relevant costs.

8.0 FINANCIAL INFORMATION

Overview of the effect of foreign exchange

EROAD's earnings are exposed to global foreign exchange rates. In particular, an increasing proportion of EROAD's revenue is denominated in USD due to the forecast growth in Oregon. While growth is also forecast in Australia, the potential impact of fluctuations in the NZD/AUD exchange rate is not as significant as the potential impact of fluctuations in the NZD/USD exchange rate. An element of natural hedging exists through EROAD's in-country sales costs as well as hardware component costs that are denominated in USD.

Movements in the value of the NZD against the USD could affect EROAD's NZD financial results. It is estimated that a decrease in the NZD to USD cross rate from \$0.80 (assumed in FY2015(P) and FY2016(P)) to \$0.75 would result in a reduction of \$130,000 in prospective EBIT before non-operating costs in FY2015(P) and an increase of \$30,000 in prospective EBIT before non-operating costs in FY2016(P).

8.5 INVESTIGATING
ACCOUNTANT'S REPORT



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The Directors
EROAD Limited
260 Oteha Valley Road
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Auckland 0632

18 July 2014

Dear Directors

Investigating Accountant's limited assurance Report on the Prospective Financial Information

This report has been prepared by KPMG in accordance with the terms of our engagement letter dated 1 May 2014 at the request of the Directors for inclusion in the Prospectus to be dated on or about 18 July 2014 ("Prospectus").

References to defined words and other terminology used in this report have the same meaning as in the Prospectus.

Directors responsibilities

The Directors are responsible for the preparation and presentation of the Prospective Financial Information, including the assumptions based on best information that are reasonable and supportable (as defined in FRS-42 *Prospective Financial Information* issued by the New Zealand Institute of Chartered Accountants), on which the Prospective Financial Information is based.

KPMG responsibilities

Our responsibility is to perform a limited assurance engagement as described below and to express a conclusion based on the results of our work.

We have conducted our work in accordance with International Standard on Assurance Engagements (New Zealand) 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial information* issued by the External Reporting Board.

Our procedures consisted primarily of enquiry, discussion, comparison and other such analytical review procedures we considered necessary so as to provide limited assurance as to whether anything has come to our attention that causes us to believe that the assumptions set in *Section 8.4: Prospective Financial Information* of the Prospectus do not provide, in all material respects, a reasonable and supportable basis (as defined in FRS-42), based on our understanding, for the Prospective Financial Information, or that the forecasts are unreasonable.

The procedures selected depend on our understanding of the Prospective Financial Information, EROAD's business plan, identified key assumptions, and our consideration of areas where material misstatements are likely to arise.

Other than as mentioned above, the scope of this engagement has not extended to performing any procedures by way of audit, review or verification of the underlying records or other sources from which the amounts included in the Prospective Financial Information were extracted. Limited assurance is less than reasonable assurance.

Our conclusion

Based on our limited assurance procedures on the Prospective Financial Information and the Directors' assumptions, which is not an audit, nothing has come to our attention that causes us to believe that the Directors' assumptions set out in *Section 8.4: Prospective Financial Information* of the Prospectus, which are subject to the risks set out in *Section 7: What are my Risks?* of the Prospectus, do not provide, in all material respects, a reasonable and supportable basis (as defined in FRS 42) for the Prospective Financial Information, or that the forecasts are unreasonable.

Actual results during the forecast period may vary materially from the Prospective Financial Information, as it is often the case that some events and circumstances do not occur as expected, or are not anticipated. We do not confirm, guarantee or express an opinion as to whether the actual results will approximate those forecast because assumptions regarding future events, by their nature, are not capable of independent substantiation.

We completed the procedures on 18 July 2014 and our findings are reported as at that date.

Restriction on use of our report

This report is made solely to the Directors for inclusion in the Prospectus. To the fullest extent permitted by law and subject to section 61 of the Securities Act we do not accept or assume responsibility to anyone other than the Directors for the conclusions that we have formed.

We disclaim any assumption of responsibility for reliance on this report or the amounts included in the Prospective Financial Information for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the Prospectus not specifically mentioned in this report.

Independence or disclosure of interest

KPMG does not have any interest in the outcome of the Offer other than the preparation of this Report and participation in due diligence in connection with the Prospectus, for which normal professional fees are being received and our role as Auditor and tax advisor to EROAD. We have no relationship with or interest in EROAD other than our capacities described above.

KPMG has given and has not, before delivery of a copy of the Prospectus for registration in accordance with section 41 of the Securities Act, withdrawn its written consent to the distribution of the Prospectus with this report included in the form and context in which it is included.

Yours sincerely



KPMG



INDEPENDENT AUDITOR'S REPORT

To the Directors of EROAD Limited

As auditor of EROAD Limited ("the company") and the group, comprising the company and its subsidiaries, we have prepared this report pursuant to clause 28 of Schedule 1 of the Securities Regulations 2009 for inclusion in the prospectus dated 18 July 2014.

Report on the company and group financial statements

We have audited the financial statements of the company and the group for the year ending 31 March 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 18 June 2014, which is included on pages 103 to 123 of this prospectus. The financial statements do not reflect the effects of events that occurred subsequent to the date of the report on those financial statements.

Report on the summary financial statements

The summary financial statements on pages 93 to 96 are derived from the audited financial statements of EROAD Limited and the consolidated financial statements of the group for the years ended 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014. We expressed an unmodified opinion on those financial statements in our audit reports for each of those years. The summary financial statements do not reflect the effects of events that occurred subsequent to the date of the report on those financial statements.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of EROAD Limited and the group.

Directors' responsibility for the summary financial statements

The directors are responsible for preparing a summary of the audited financial statements of the company and the group for the years ended 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014 in accordance with clause 9 of Schedule 1 of the Securities Regulations 2009.

Auditor's responsibility for the summary financial statements

Our responsibility is to express an opinion on the summary company and group financial statements based on our procedures, which were conducted in accordance with *International Standards on Auditing (New Zealand) 810* and *International Standards on Auditing 810 Engagements to Report on Summary Financial Statements*.

Opinion on the summary financial statements

In our opinion, the amounts set out in the summary company and group financial statements on pages 93 to 96 of this prospectus, derived from the audited financial statements of the company and the group for the years ended 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014, as required by clause 9 of Schedule 1 of the Securities Regulations 2009:

- are consistent, in all material respects, with those financial statements; and
- have been correctly taken from the audited financial statements of the company and the group for the years ended 31 March 2010, 31 March 2011, 31 March 2012, 31 March 2013 and 31 March 2014.

Report on the prospective financial information

Directors' responsibility for the prospective financial information

The directors are responsible for the preparation and presentation of prospective financial information for the years ended 31 March 2015 and 31 March 2016, including the assumptions on which the prospective financial information is based, in accordance with the requirements of clauses 11(1)(c), 11(2) and 11(3) of Schedule 1 of the Securities Regulations 2009.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of the prospective financial information that is free from material misstatement, whether due to fraud or error. It also includes selecting the assumptions and policies upon which it is based, making judgements and estimates that are reasonable in the circumstances, and maintaining adequate records in relation to the prospective financial information.

Auditor's responsibility for the prospective financial information

Our responsibility is to examine the prospective financial information and express a reasonable assurance opinion on whether the prospective financial information, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made or adopted by the company and the group, as set out on pages 53 to 67 of this prospectus, and is presented on a basis consistent with the accounting policies normally adopted by the company and the group.

Our engagement will be conducted in accordance with International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board of New Zealand. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the company's prospective financial information has been properly compiled in all material respects, on the footing of the assumptions made or adopted by the company, as set out on pages 53 to 61 and 66 to 67 of the Prospectus and is presented on a basis consistent with the accounting policies normally adopted by the company.

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the prospective financial information for the company, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the prospective financial information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the company's internal control over the preparation and presentation of the prospective financial information.

Prospective financial information relates to events and actions that have not yet occurred and may not occur. It is likely that actual results will vary from those forecast. Accordingly, we are not in a position to express an opinion as to whether the results shown in the prospective financial information will be achieved.

Opinion on the prospective financial information

In our opinion, the prospective financial information, so far as the accounting policies and calculations are concerned, has been properly compiled on the footing of the assumptions made or adopted by the company and the group, as set out on pages 53 to 67 of this prospectus, and is presented on a basis consistent with the accounting policies normally adopted by the company and the group. We do not express any opinion as to whether the results shown in the prospective financial information will be achieved.

Other matters

Independence

Our firm has also provided other services to the company and group in relation to audit, corporate finance, taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditors of the company and group. The firm has no other relationship with, or interest in, the company and group.

Responsibility for updating

We have no responsibility to update our opinion on the historical financial statements for events and circumstances occurring after the date of our audit report on those financial statements.


We have no responsibility to update our opinion on the prospective financial information for events and circumstances occurring after the date of this report.

Restriction on use

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 28 of Schedule 1 of the Securities Regulations 2009. We disclaim any assumption of responsibility for reliance on this report or the amounts included in the financial statements, the summary financial statements, or the prospective financial information for any purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Auditor's consent

In accordance with regulation 18(1)(c)(ii) of the Securities Regulations 2009, we hereby give our consent to the inclusion of this report in the prospectus in the form in which it appears. We also confirm that we have not, before delivery of this prospectus, withdrawn our consent to the issue thereof.



18 July 2014
Auckland

9.0

TERMS OF
THE OFFER

9.1 DETAILS OF THE OFFER

THE OFFER

The Offer is an offer of ordinary shares in EROAD, comprising both existing Shares held by the Selling Shareholders which will be acquired by the Offeror and offered under the Offer and new Shares to be issued and offered by EROAD under the Offer. The Shares will be offered at the Final Price to members of the public in New Zealand and to selected NZX Firms and Institutional Investors in New Zealand, Australia and certain other jurisdictions.

Structure of the Offer

The Offer comprises:

- The Broker Firm Offer which is available only to New Zealand resident clients of NZX Firms who have received an allocation from that NZX Firm;
- The Preference Pool Offer which is available only to eligible New Zealand resident EROAD employees, EROAD customers and existing EROAD Shareholders and which is expected to be \$5.0 million worth of Shares as determined by EROAD, representing 2.2% to 2.8% of the Shares on issue in EROAD following the Share split based on the Indicative Price Range; and
- The Institutional Offer, which is an invitation to bid for Shares made to selected NZX Firms and Institutional Investors in New Zealand, Australia and certain other jurisdictions.

There is no general public offer under which you may subscribe for Shares. Therefore members of the public who are not eligible to participate in the Preference Pool Offer and who wish to subscribe for Shares must do so through an NZX Firm with an allocation of Shares.

Size of the Offer

The Offer comprises:

- An offer by EROAD of up to \$40 million of new Shares (being between 10.5 million to 13.3 million Shares based on the Indicative Price Range); and
- An offer by the Offeror of 2.4 million to 2.5 million existing Shares to be acquired by the Offeror from the Selling Shareholders (following the share split described under the heading "Shareholding Structure" below based on the Indicative Price Range and based on the Selling Shareholders offering 517,500 Shares (prior to the Share split) under the Offer) which is 5.1% of the Shares on issue as at the date of this Prospectus.

Based on there being \$40 million of new Shares issued and the Selling Shareholders selling down 517,500 Shares (prior to the Share split) at either end of the Indicative Price Range the

expected gross proceeds from the Offer will be \$47.1 million to \$49.5 million.

The Selling Shareholders have offered to sell up to 517,500 Shares (prior to the Share split), however, Applications will be first applied to the offer of new Shares by EROAD and, prior to the bookbuild opening, the Selling Shareholders may agree with EROAD to offer a lesser number of Shares under the Offer.

Purpose of the Offer and use of proceeds

The purpose of the Offer and intended use of proceeds is to:

- Achieve an NZX Main Board listing, which will increase transparency and credibility with stakeholders in markets, and enhance EROAD's profile with customers;
- Provide capital to accelerate EROAD's ability to identify and exploit new opportunities in accordance with its strategy set out in *Section 6.1: Strategy*;
- Repay the bank financing used by EROAD to fund rental Units, being approximately \$3 million; and
- Enable the Selling Shareholders to sell a portion of their Shares (comprising 5.1% of the Shares on issue at the date of this Prospectus).

Pricing of the Offer

An Indicative Price Range of \$3.00 to \$3.80 per Share has been set for the Offer. The Final Price will be determined by EROAD in consultation with First NZ Capital following the conclusion of a "bookbuild" process. A bookbuild is the term used to refer to the process of collating demand for shares at various prices from institutional investors, including NZX Firms, who bid for shares. The information collated in the bookbuild is then used to assist with the determination of the pricing and allocation of shares. NZX Firms bid into the bookbuild in order to obtain a firm allocation which they can then offer to their New Zealand resident clients.

The Final Price is expected to be announced following the bookbuild on or about 29 July 2014 and will be available at www.eroadshares.co.nz.

In determining the Final Price, consideration may be given to the following factors:

- The level of demand for Shares in the bookbuild at various prices;
- The desire for a successful and consistent aftermarket for the Shares; and
- Any other factors that EROAD considers relevant.

9.0 TERMS OF THE OFFER

The Final Price will not necessarily be the highest price at which Shares could be sold under the Offer and may be within, above or below the Indicative Price Range.

Discretion regarding the Offer

EROAD reserves the right to withdraw the Offer, or any part of it, at any time before the allotment of Shares. If the Offer, or any part of it, does not proceed, all relevant Application amounts will be refunded (without interest) no later than five Business Days after the announcement of the decision to withdraw the Offer or any part of it.

EROAD also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for. EROAD also reserves the right to alter the dates of the bookbuild.

EROAD reserves the right to refuse any Application or to accept an Application in part only, without providing a reason. If EROAD refuses an Application or accepts an Application in part, the relevant Application amount will be refunded no later than five Business Days after the Allotment Date. No interest will be paid on any Application amount that is refunded.

Refunds will be paid in the manner in which you elect any future dividend payments to be made.

SHAREHOLDING STRUCTURE

EROAD Shares are currently owned by approximately 140 Shareholders. Steven Newman is the largest Shareholder with an indirect interest in 34.5% of the Shares, held by NMC Trustees Limited as trustee of the NMC Investment Trust.¹⁹

Following the determination of the Final Price, but before the allotment of Shares under the Offer, EROAD will undertake a share split of the 10,175,246 existing Shares on issue such that upon listing EROAD will have 60 million Shares on issue (subject to rounding only). The ratio of the Share split will depend on the Final Price, but based on the lower and upper values of the Indicative Price Range this will be between a 4.5771 to 4.8549 to 1 Share split.

Indicative ownership structure

The ownership structure of EROAD prior to the Offer, and the indicative ownership structure upon completion of the Offer, is illustrated in the table below:

Shareholder	% of existing Shares owned ¹⁹	Maximum % of existing shareholding to be sold	% of Shares held on completion of the Offer ¹⁹
Steven Newman	34.5%	0.0%	26.7% to 28.3%
Other Directors	2.6%	0.0%	2.2% to 2.3%
Other EROAD executives, staff and associates	21.2%	23.9%	12.0% to 12.8%
Other existing EROAD Shareholders	41.7%	0.0%	33.0% to 35.0%
Applicants under the Offer	N/A	N/A	21.7% to 26.2%

Selling Shareholders

The Selling Shareholders have offered to sell up to 517,500 Shares (prior to the Share split) to the Offeror at the Final Price which will then be sold under the Offer. Prior to the bookbuild opening, the Selling Shareholders may agree with EROAD to offer a lesser number of Shares under the Offer. Applications will be first applied to the offer of new Shares by EROAD and accordingly the number of Shares sold by the Selling Shareholders will also depend on the level of demand for Shares under the Offer. Should there be insufficient demand for all of the Shares the Selling Shareholders have offered to sell, the Offeror will acquire Shares from the Selling Shareholders at the Final Price on a pro rata basis.

Escrow arrangements

Each of the Directors, members of the executive management team and the staff and close business associates of EROAD who were issued Shares on 15 June 2014 (together, the Escrowed Shareholders) have entered into escrow arrangements with EROAD in respect of the following Shares (the Escrowed Shares):

- For each Escrowed Shareholder that is also a Selling Shareholder, the Shares held by that Escrowed Shareholder upon the listing of EROAD less any Shares offered for sale by the Escrowed Shareholder under the Offer;
- For each Escrowed Shareholder that acquired Shares on 15 June 2014 as a staff member or close business associate of EROAD, the Shares acquired by that Escrowed Shareholder on 15 June 2014; and

¹⁹ Including any entitlement to Shares under the long-term incentive employee share scheme described in Section 6.6: Board, Executive Management Team and Corporate Governance of this Prospectus.

9.0 TERMS OF THE OFFER

- For each other Escrowed Shareholder, the Shares held by that Escrowed Shareholder upon the listing of EROAD.

Under these arrangements, each Escrowed Shareholder has agreed not to sell or otherwise dispose of or do or omit to do anything which could have the effect of transferring effective ownership or control of any Escrowed Shares until the first Business Day after EROAD's preliminary announcement has been released to the market in respect of its financial results for the year ended 31 March 2016 except as follows:

- An Escrowed Shareholder may sell or otherwise transfer 10% of the Escrowed Shares held by that Escrowed Shareholder from the first Business Day after EROAD's preliminary announcement has been released to the market in respect of its financial results for the year ended 31 March 2015;
- An Escrowed Shareholder may sell or otherwise transfer 20% (i.e. an additional 10%) of the Escrowed Shares held by that Escrowed Shareholder from the first Business Day after EROAD's preliminary announcement has been released to the market in respect of its financial results for the half year ended 30 September 2015; and
- An Escrowed Shareholder may sell or otherwise transfer any of the Escrowed Shares held by that Escrowed Shareholder:
 - › With the approval of the Directors who are not "interested" in the decision (as that term is defined in the Companies Act), EROAD and NZX;
 - › To an "affiliate" of the Escrowed Shareholder (being a person owned or controlled by, or under common ownership or control with, the Escrowed Shareholder and in relation to a family trust includes any beneficiary of that trust), provided that such affiliate has agreed to be bound by the escrow terms; or
 - › In connection with a takeover offer made in respect of the Shares under the Takeovers Code or similar scheme of arrangement.

These restrictions do not apply, and therefore no approval is needed, for an Escrowed Shareholder to grant a security interest in favour of a bona fide lender to that Escrowed Shareholder.

9.0 TERMS OF THE OFFER

BROKER FIRM OFFER AND PREFERENCE POOL OFFER

	BROKER FIRM OFFER	PREFERENCE POOL OFFER
Who can apply?	The Broker Firm Offer is open to New Zealand resident clients of NZX Firms who have received an allocation. You should contact your broker to determine whether they may allocate Shares to you under the Broker Firm Offer. There is no public pool under which you may subscribe for Shares.	The Preference Pool Offer is open to eligible New Zealand resident EROAD employees, EROAD customers and existing EROAD Shareholders as at the Preference Pool Offer Opening Date. You should contact EROAD to determine whether you are eligible to apply in the Preference Pool Offer.
How much will you pay?	You will pay the Final Price per Share allotted to you. No brokerage, commission or stamp duty is payable by you on subscribing for Shares under the Offer. See "Preliminary and Issue Expenses" in <i>Section 9.3: Statutory Information</i> for details of the brokerage payable to NZX Firms or brokers.	
How do you apply?	Complete the Broker Firm Offer Application Form accompanying the Investment Statement. Please contact your broker if you require further instructions.	Online at www.eroadshares.co.nz in accordance with the instructions sent to you. There is no paper based Application Form for you to apply on in the Preference Pool Offer. You will need to enter your employee/customer/shareholder number as advised to you in the online Application Form.
How many Shares can you apply for?	NZX Firms will determine the number of Shares their New Zealand resident clients may apply for. However, the minimum Application amount is 1,000 Shares.	The minimum Application amount is 500 Shares, and thereafter in multiples of 100. There is no maximum Application amount but EROAD may limit the size of the Preference Pool Offer.
How do you pay for your Shares?	You should make payments in accordance with the directions of the NZX Firm from whom you received an allocation. Further information about how to pay is set out in the Investment Statement.	You must pay for your Shares by direct debit. Further information about how to pay will be detailed in the application instructions sent to you and at www.eroadshares.co.nz .
When do you need to apply?	The Broker Firm Offer opens at 9.00am on 30 July 2014. You should send your completed Application Form together with payment for your Shares to your NZX Firm in time to enable forwarding to the Registrar by 5.00pm on 12 August 2014.	The Preference Pool Offer opens at 9.00am on 30 July 2014. You should complete your online Application Form and make payment for your Shares by 5.00pm on 6 August 2014.
How to obtain a copy of the Investment Statement	Please contact your broker for instructions. You may also obtain a copy of the Investment Statement by: <ul style="list-style-type: none">• Downloading a copy at www.eroadshares.co.nz; or• Requesting a copy from the Registrar, Computershare Investor Services Limited by calling (09) 488 8777. While you may obtain a copy of the Investment Statement as set out above, your Application will not be accepted under the Broker Firm Offer if it is not lodged through your NZX Firm.	You can obtain a copy of the Investment Statement by: <ul style="list-style-type: none">• Downloading a copy at www.eroadshares.co.nz; or• Requesting a copy from the Registrar, Computershare Investor Services Limited by calling (09) 488 8777.

9.0 TERMS OF THE OFFER

INSTITUTIONAL OFFER

The Institutional Offer will be conducted through the bookbuild. First NZ Capital will invite selected Institutional Investors along with NZX Firms to bid for Shares in the bookbuild process to be undertaken by First NZ Capital on 28 and 29 July 2014 (unless EROAD alters the dates of the bookbuild).

Full details of how to participate, including bidding instructions, will be provided by First NZ Capital to invited Institutional Investors and NZX Firms in due course. Participants can bid into the book only through the Sole Lead Manager. Participants may bid for Shares at specific prices and may bid within, above or below the Indicative Price Range. All successful participants will pay the Final Price for each Share allocated to them.

ALLOCATIONS, ALLOTMENTS AND LISTING

Allocations

The allocation of Shares between the Institutional Offer, the Broker Firm Offer and the Preference Pool Offer will be determined by EROAD in consultation with First NZ Capital.

If the value of Applications received under the Preference Pool Offer is greater than the value of Shares available under the Preference Pool Offer (as determined by EROAD), Applications will be scaled back in such manner as EROAD may determine. Applicants in the Preference Pool Offer should contact the Registrar to find out if their Application was successful.

In the event that demand for Shares in the Preference Pool Offer does not meet the quantity reserved for Preference Pool Offer Applicants, the residual Shares may be reallocated at the discretion of EROAD to NZX Firms and Institutional Investors who bid for Shares in the bookbuild.

The allocation of Shares among Institutional Investors and NZX Firms will be determined by EROAD in consultation with First NZ Capital. EROAD will have absolute discretion regarding the basis of allocation of Shares among Institutional Investors and NZX Firms. There is no assurance that any Institutional Investor or NZX Firm will be allocated any Shares, or the number of Shares for which it has bid. The allocation policy will be outlined in the bidding instructions, which will be provided to invited Institutional Investors and NZX Firms by First NZ Capital in due course.

Allocations by NZX Firms to their New Zealand resident clients will be determined by those NZX Firms. It will be a matter for the NZX Firms to ensure that their New Zealand resident clients who have received an allocation from them receive their Shares. Broker Firm Offer Applicants should contact the NZX Firm from whom they received their allocation to find out if their Application was successful.

Allotments

Any New Zealand resident with a CSN will have their Shares allotted under their CSN, if the CSN was provided on the Application Form.

Broker Firm Offer Applicants who do not have a CSN will be allocated a CSN at the time of Application. The CSN will be advised at the time the allotment of Shares is confirmed and the associated Authorisation Code (FIN) will be sent as a separate communication on 13 August 2014. Preference Pool Offer Applicants who do not have a CSN will be advised of their CSN and FIN prior to the allotment of Shares.

Shares allocated under the Offer are expected to be allotted on 15 August 2014.

Holding statements are expected to be sent to all successful Applicants on 15 August 2014. No person accepts any liability should any person attempt to sell or otherwise deal with the Shares before a statement confirming allotment is received.

WHAT YOU NEED TO DO TO SELL YOUR SHARES

If you wish to sell your Shares on the NZX Main Board, after confirming your allocation, you must contact an NZX Firm and have a CSN and FIN. Opening a new broker account can take a number of days depending on the NZX Firm's new client procedures. If you do not have a CSN, you will:

- Be assigned one when you set up an account with an NZX Firm; or
- Receive one from the Registrar.

If you do not have a FIN, it is expected that you will be sent one as a separate communication by the Registrar. If you have a broker and have not received a FIN by the date you want to trade your Shares, your broker can obtain one, but may pass the cost for doing so on to you.

9.0 TERMS OF THE OFFER

Listing and quotation on NZX

Application has been made to NZX for permission to list EROAD and to quote the Shares on the NZX Main Board and all the requirements of NZX relating thereto that can be complied with on or before the date of this Prospectus have been duly complied with. However, NZX accepts no responsibility for any statement in this Prospectus. The NZX Main Board is a registered market operated by NZX, which is a registered exchange, regulated under the Securities Markets Act 1988.

Initial quotation of the Shares on the NZX Main Board is expected to occur under the stock code 'ERD' on 15 August 2014.

SELLING RESTRICTIONS

The Offer is being made to eligible persons under the Preference Pool Offer, New Zealand resident clients of NZX Firms who receive a firm allocation of Shares and to selected NZX Firms and Institutional Investors in New Zealand, Australia and certain other jurisdictions. No person may offer, sell (including resell) or deliver or invite any other person to so offer, sell (including resell) or deliver any Shares or distribute any documents (including this Prospectus) to any person outside New Zealand, except in accordance with all of the legal requirements of the relevant jurisdiction.

Unless otherwise agreed with the Issuers, any person or entity subscribing for Shares in the Offer will, by virtue of such subscription, be deemed to represent that he, she or it is not in a jurisdiction that does not permit the making of an offer or invitation of the kind contained in this Prospectus and is not acting for the account or benefit of a person within such a jurisdiction. In particular, any person who receives the Offer in Australia represents and warrants to the Issuers and the Sole Lead Manager that they are a person who falls within an exemption from disclosure to investors provided by the Australian Corporations Act 2001 (Cth) (Corporations Act), including a "sophisticated investor" within the meaning of section 708(8) of the Corporations Act, a "professional investor" within the meaning of section 708(11) of the Corporations Act or a "wholesale client" within the meaning of section 761G of the Corporations Act. Any offer of Shares received in Australia is void to the extent that it needs disclosure to investors under the Corporations Act.

No person accepts any liability or responsibility to determine whether a person is able to participate in the Offer.

Australian resident investors

This document is not a prospectus, product disclosure document or other type of disclosure document required to be lodged with the Australian Securities and Investments Commission (ASIC) under Chapter 6D or Chapter 7 of the

Corporations Act and it has not been, and will not be, lodged with ASIC. Accordingly, this document does not contain the information which would be contained in a prospectus, product disclosure document or other type of disclosure document prepared under the Corporations Act, and does not purport to contain all of the information that may be necessary or desirable to enable a potential investor to properly evaluate and consider an investment in the interests in EROAD.

Any person to whom Shares are issued or sold without disclosure or pursuant to an exemption from the disclosure requirements provided by the Corporations Act must not, within 12 months after the issue or sale, offer those Shares for sale in Australia unless that offer is itself made pursuant to a disclosure document under Part 6D.2 or Chapter 7 of the Corporations Act or is itself made in reliance on an exemption from the disclosure requirements provided by the Corporations Act. Shares sold on-market through NZX will not constitute an offer of those Shares for sale in Australia.

9.2 NEW ZEALAND TAXATION IMPLICATIONS

In this section, “you” refers to the person who acquires the Shares.

Tax will affect your return from the Shares.

The following comments are of a general nature. They are based on the law at the date of this Prospectus and do not deal with your specific circumstances.

You should seek your own tax advice in relation to your Shares.

NEW ZEALAND TAX IMPLICATIONS FOR NEW ZEALAND TAX RESIDENT SHAREHOLDERS

The following is a summary of the New Zealand tax implications of investing in the Shares if you are a resident for New Zealand tax purposes.

You will be a New Zealand tax resident if you are a natural person and you have:

- A permanent place of abode in New Zealand; or
- Been present in New Zealand for more than 183 days in a 12 month period, and not subsequently absent from New Zealand for more than 325 days in a 12 month period.

A company is tax resident in New Zealand if it is incorporated in New Zealand, has its head office or centre of management in New Zealand, or if its directors exercise control of the company in New Zealand.

Generally Shares held by a trustee will be treated as held by a New Zealand resident for withholding tax purposes if the trustee is New Zealand resident.

If you are also a tax resident in another country, the following summary applying to New Zealand residents may not apply to you, and you should seek further tax advice.

Distributions you receive from EROAD

Distributions you receive from EROAD will generally be taxable dividends for New Zealand tax purposes. Some distributions you receive from EROAD may not be taxable dividends (for example, non-taxable bonus issues and certain returns of capital).

New Zealand operates an imputation regime under which income tax paid by EROAD gives rise to credits, known as imputation credits, which may be attached to dividends it pays. Imputation credits attached to dividends may be used by New Zealand tax resident Shareholders to offset their tax liability in respect of the dividends. The maximum ratio at which EROAD can attach imputation credits to dividends is 28:72 (that is, \$28 of imputation credits to \$72 of cash dividend).

EROAD will generally be required to deduct resident withholding tax (RWT) from dividends it pays to you. Currently, the rate of RWT on dividends is 33%, less the amount of imputation credits attached to the dividend. Accordingly, where imputation credits are attached to dividends at the maximum permitted ratio (that is, the dividends are fully imputed), RWT equal to 5% of the gross dividend (that is, cash plus imputation credits) will be deducted. Where dividends are partially imputed, the amount of RWT deducted will be greater than 5% of the gross dividend. You will be entitled to a credit against your income tax liability for the amount of RWT deducted. EROAD will not deduct RWT from dividends you receive if you hold a current RWT exemption certificate and have provided a copy of that certificate to EROAD before the dividend is paid to you.

Filing an income tax return

If you are not otherwise required to file an income tax return, receiving dividends from EROAD will not change that generally. If you are on a tax rate of less than 33% you may be able to reduce your other tax liabilities, or receive a refund of some or all of the RWT deducted from dividends paid to you, by filing a tax return.

If you file a tax return, you must include in your taxable income not only the cash dividend you receive, but also the imputation credits attached to, and RWT deducted from, your EROAD dividend. The total amount included in your taxable income is referred to as the gross dividend. You will be able to use attached imputation credits and a credit for RWT deducted to satisfy (or partially satisfy) your tax liability on the gross dividend. If the attached imputation credits and RWT deducted exceed the amount of tax on the gross dividend, your tax liability on other income you earn may be reduced as a result of receiving the EROAD dividend.

Tax on sale or disposal of Shares

Although New Zealand does not have a general capital gains tax, there are instances where you will be subject to New Zealand tax on gains you make on the sale or disposal of your Shares or be allowed a deduction for any loss you make. You must consider your individual circumstances to determine whether any gain on the sale or disposal of your Shares will be taxable (or loss deductible).

9.0 TERMS OF THE OFFER

Generally, you will be subject to tax on any gain (or allowed to deduct any loss) arising from the sale or disposal of your Shares if you:

- Are in the business of dealing in shares;
- Acquire your Shares as part of a profit-making undertaking or scheme; or
- Acquire your Shares with the dominant purpose of selling them.

Your taxable gain (or tax-deductible loss) will be the difference between the cost of your Shares and the amount received for their sale or disposal. If you have a taxable gain, you will likely be required to include that gain in a tax return for the tax year in which the sale occurs. You will need to pay any tax owing in respect of that gain at your marginal tax rate.

NO STAMP DUTY OR GST

New Zealand does not have stamp duty. New Zealand GST should not apply to your investment in the Shares.

NON-RESIDENT SHAREHOLDERS

The above tax summary applies to New Zealand tax residents only. You should obtain specific tax advice regarding the tax implications of acquiring Shares if you are a tax resident in a country other than New Zealand.

9.3 STATUTORY INFORMATION

The information in this section is included in accordance with the requirements of Schedule 1 to the Securities Regulations.

1. MAIN TERMS OF THE OFFER

The issuer of the new Shares is EROAD Limited. Its registered office is set out in the *Directory*.

The securities being offered are fully paid ordinary shares in EROAD, comprising both existing Shares held by the Selling Shareholders which will be acquired by the Offeror and offered under this Offer and new Shares to be issued and offered by EROAD. The Shares will be offered at the Final Price to members of the public in New Zealand and to selected NZX Firms and Institutional Investors in New Zealand, Australia and certain other jurisdictions.

The maximum number of Shares being offered under the Offer is 15,701,911, based on a Final Price of \$3.00 per Share, being the bottom of the Indicative Price Range.

The consideration to be paid for each Share allotted on the Allotment Date is the Final Price.

An Indicative Price Range of \$3.00 to \$3.80 per Share has been set by EROAD, however, EROAD, in its sole discretion may set the Final Price within, above or below this range. Information about how the Final Price will be determined is set out under the heading "Determination of the Final Price" in *Section 9.1: Details of the Offer*. The Final Price is expected to be announced following the bookbuild on 29 July 2014.

Each Share gives the holder a right to:

- Attend and vote at a meeting of Shareholders, including the right to cast one vote per Share on a poll on any resolution, such as a resolution to:
 - › Appoint or remove a Director or auditor;
 - › Adopt, revoke or alter the Constitution;
 - › Approve a major transaction (as that term is defined in the Companies Act);
 - › Approve the amalgamation of EROAD under section 221 of the Companies Act; or
 - › Place EROAD in liquidation;
- Receive an equal share in any distribution, including dividends, if any, authorised by the board and declared and paid by EROAD in respect of that Share;
- Receive an equal share with other Shareholders in the distribution of surplus assets in any liquidation of EROAD;
- Be sent certain information, including notices of meeting and company reports sent to Shareholders generally; and

- Exercise the other rights conferred upon a Shareholder by the Companies Act and the Constitution.

A Shareholder's ability to exercise these rights is subject to restrictions contained in the Constitution and the Listing Rules.

2. NAME AND ADDRESS OF OFFEROR

The offeror of the existing Shares held by the Selling Shareholders is EROAD Offeror Limited. Its registered office is 260 Oteha Valley Road, Albany, Auckland 0632.

EROAD has received \$17,471,988 in total in respect of the original allotment of the ordinary shares of EROAD issued prior to the date of this Prospectus.

3. DETAILS OF INCORPORATION OF THE ISSUER

EROAD was incorporated in New Zealand on 17 May 2000 under the Companies Act 1993. Its registration number is 1036814.

You can inspect the public file relating to EROAD maintained by the Companies Office of the Ministry of Business, Innovation and Employment on its website at www.business.govt.nz/companies.

4. PRINCIPAL SUBSIDIARIES OF THE ISSUER

The principal subsidiary of EROAD Limited is EROAD Financial Services Limited, which is wholly-owned by EROAD.

5. NAMES, ADDRESSES AND OTHER INFORMATION

Directors

EROAD Limited's Directors, and their principal place of residence as at the date of this Prospectus, are Michael Bushby (Sydney, Australia), Anthony Gibson (Auckland), Sean Keane (Auckland), Candace Nicole Kinser (Auckland) and Steven Newman (Auckland).

You can contact the Directors at EROAD's registered office as set out in the *Directory*.

Steven Newman is the CEO of EROAD.

Registrar

EROAD's share registrar is Computershare Investor Services Limited. Its contact address is set out in the *Directory*.

Auditor

EROAD's auditor is KPMG. Its contact address is set out in the *Directory*.

Advisers

The names and addresses of the solicitors and other professional advisers to EROAD who have been involved in the preparation of this Prospectus are set out in the *Directory*.

9.0 TERMS OF THE OFFER

Experts

KPMG, Chartered Accountants, has given and not withdrawn its consent, before the delivery of this Prospectus for registration under section 41 of the Securities Act, to the distribution of this Prospectus with the inclusion of the Investigating Accountant's Report in this Prospectus in the form and context in which it is included. The registered address of KPMG is set out in the *Directory*. To the best of KPMG's knowledge, neither KPMG nor any director, officer or employee of it, is or is intended to be, a Director, officer or employee of EROAD or the Offeror. However, KPMG has provided, and may in the future provide, professional advisory services to EROAD.

6. RESTRICTIONS ON DIRECTORS' POWERS

The Constitution incorporates by reference the requirements of the Listing Rules and the Constitution requires EROAD to comply with the Listing Rules for so long as the Shares are quoted on the NZX Main Board. The principal restrictions on the powers of the board imposed by the Constitution (including the requirements of the Listing Rules incorporated into the Constitution) are that the board may not allow or cause EROAD to:

- Issue or acquire any equity securities except in accordance with the provisions of the Companies Act, the Constitution and the Listing Rules;
- Give financial assistance for the purpose of, or in connection with, the acquisition of equity securities issued or to be issued by EROAD, except in limited circumstances and in accordance with the provisions of the Companies Act, the Constitution and the Listing Rules;
- Enter into any transaction or series of linked or related transactions to acquire, sell, lease, exchange or otherwise dispose of (otherwise than by way of charge) assets of EROAD which would change the essential nature of the business of the Group, or in respect of which the gross value is in excess of 50% of the average market capitalisation of EROAD, without the prior approval of an ordinary resolution of Shareholders; and
- Enter into certain material transactions with related parties if that related party is, or is likely to become, a direct or indirect party to the material transaction without the prior approval of an ordinary resolution of Shareholders.

In addition, a Director may not vote on any matter in which he or she is interested, unless permitted by the Companies Act and the Listing Rules, where he or she has complied with the relevant provisions.

The Companies Act contains a number of other provisions that could have the effect, in certain circumstances, of imposing restrictions on the powers of the board. For example, Directors cannot allow EROAD to:

- Enter into any major transaction (as that term is defined in the Companies Act) without the prior approval of a special resolution of Shareholders; or
- Take any action which affects the rights attaching to the Shares without the prior approval of a special resolution of each interest group (as that term is defined in the Companies Act).

These provisions apply to any company registered under the Companies Act.

7. SUBSTANTIAL EQUITY SECURITY HOLDERS OF ISSUER

The following table sets out the names of the 10 largest registered holdings of equity securities as at the date of this Prospectus:

SHAREHOLDER	NUMBER OF SHARES (BEFORE SHARE SPLIT)	%
NMC Trustees Limited	3,495,471	34.35%
Brian Edward Michie	719,661	7.07%
SW Trust Services (Twelve) Limited	614,945	6.04%
David Jarrett as trustee for the Windspirit Trust	570,000	5.60%
Keegan Alexander Trustee Company Limited	499,125	4.91%
Bruce Wilson, Stephanie Wilson and SW Trust Services (Thirteen) Limited	260,531	2.56%
Andrew Bowker	207,801	2.04%
Seel Nominees Limited	205,500	2.02%
Brendon Thomas as trustee for the Express Trust	200,000	1.97%
Janet Rowan as trustee for the Janet Rowan No 1 Trust	192,801	1.89%

None of the persons named above guarantee, or undertake any liability in respect of, the Shares. The number of Shares presented is prior to the proposed Share split.

9.0 TERMS OF THE OFFER

The following persons have relevant interests in 5% or more of the Shares of EROAD as at the date of this Prospectus:

RELEVANT INTEREST HOLDER	NO. OF SHARES (PRE SHARE SPLIT)	NATURE OF RELEVANT INTEREST(S)	CONSIDERATION AND OTHER TERMS OF ACQUISITION
NMC Trustees Limited	3,495,471	Registered holder and trustee of NMC Investment Trust with power to control dealings and voting of Shares	The Shares were acquired over a period of time since October 2007 through share issues and purchases for a net aggregate consideration of \$2,471,866
Steven Newman	3,506,651	Holder of 20% or more of the shares in NMC Trustees Limited and power to control dealings and voting of Shares held by NMC Trustees Limited Power to acquire 11,180 Shares held on his behalf pursuant to the long-term incentive employee share scheme	As for NMC Trustees Limited above The Shares were issued pursuant to the long-term incentive employee share scheme for aggregate consideration of \$141,762.40
Brian Edward Michie	729,314	Registered holder and beneficial owner of 719,661 Shares Power to acquire 9,653 Shares held on his behalf pursuant to the long-term incentive employee share scheme	The Shares were acquired over a period of time since October 2007 through share issues and purchases for a net aggregate consideration of \$1,000,745 The Shares were issued pursuant to the long-term incentive employee share scheme for aggregate consideration of \$122,400.40
SW Trust Services (Twelve) Limited	614,945	Registered holder and trustee of the PG & P Batcheler Family Trust with power to control dealings and voting of Shares	The Shares were acquired in March 2014 from Peter Batcheler for aggregate consideration of \$7,797,502.60
Peter Batcheler	622,130	Power to control dealings and voting of Shares held by SW Trust Services (Twelve) Limited Power to acquire 7,185 Shares held on his behalf pursuant to the long-term incentive employee share scheme	As for SW Trust Services (Twelve) Limited above The Shares were issued pursuant to the long-term incentive employee share scheme for aggregate consideration of \$91,105.80
David Jarrett as trustee of the Windspirit Trust	570,000	Registered holder and trustee of Windspirit Trust with power to control dealings and voting of Shares	The Shares were acquired over a period of time since August 2008 through share issues and purchases for a net aggregate consideration of \$425,200

8. DESCRIPTION OF ACTIVITIES OF ISSUING GROUP

The principal activities of the Group carried out in the previous five years are developing and implementing an electronic system for calculating, managing and paying road charges and other commercial value-added services.

The principal assets of the Group are property, plant and equipment (primarily electronic distance recorders leased to customers) and intangible assets associated with R&D. EROAD owns or leases these assets. Some of the assets are subject to obligations in favour of another person that modify or restrict Group's ability to deal with them, including in relation to the security granted as part of its financing arrangements with BNZ.

9. SUMMARY FINANCIAL STATEMENTS

Summary financial statements for each of the five consecutive accounting periods preceding FY2014 are set out in *Appendix 1: Summary Historical Financial Information*.

10. PROSPECTS AND FORECASTS

Section 6: About EROAD describes the Group generally, together with any material information that may be relevant to its trading prospects. The Group's trading prospects are described more particularly in *Section 8.4: Prospective Financial Information*.

Any special trade factors and risks which could materially affect the prospects of the Group and which are not likely to be known or anticipated by the general public are set out in *Section 7: What are my Risks?*

9.0 TERMS OF THE OFFER

11. PROVISIONS RELATING TO INITIAL FLOTATIONS AND MINIMUM SUBSCRIPTIONS

The plans of the Directors in respect of the Group during the 12 month period commencing on the date of this Prospectus are to continue to implement its strategy as described in this Prospectus.

The sources of finance required for these plans will be funds received from the issue of new Shares pursuant to the Offer, EROAD's operating cash flows, existing debt facilities, working capital and other financial accommodation considered prudent and appropriate by the Group during that 12 month period.

Notwithstanding the plans of the Directors, the proceeds of the Offer may be applied towards any other purpose.

Prospective statements of financial position, prospective statements of financial performance and prospective statements of cash flows for FY2015(P) and FY2016(P) are set out in *Section 8.4: Prospective Financial Information*.

There is no minimum amount that, in the opinion of the Directors, must be raised by the issue of Shares under the Offer for the purpose of section 37(2) of the Securities Act.

12. ACQUISITION OF BUSINESS OR SUBSIDIARY

Not applicable.

13. SECURITIES PAID UP OTHERWISE THAN IN CASH

Not applicable.

14. OPTIONS TO SUBSCRIBE FOR SECURITIES OF ISSUING GROUP

Not applicable.

15. APPOINTMENT AND REMOVAL OF DIRECTORS

EROAD is or will be party to a listing agreement with NZX (a registered exchange) and the method by which Directors may be appointed to or removed from, or otherwise vacate, office is the same as that contained in the Listing Rules. No person (other than the Shareholders of EROAD in a general meeting or the Directors acting as a board to fill a casual vacancy) has the right to appoint any Director.

Each Director has the power to appoint any person (other than another Director) as an alternate director, who may be any person not disqualified under the Companies Act from holding the position of a director of a company and who is approved by a majority of the other Directors. Such alternate directors may vote in the election of other Directors of EROAD, but only in their capacity as a member of the board, acting to fill a casual vacancy.

16. INTERESTED PERSONS

EROAD has granted indemnities, to the fullest extent permitted by the Companies Act and the Securities Act,

in favour of each of its Directors. EROAD also maintains insurance for its Directors and officers to the extent permitted by the Companies Act and the Securities Act.

Each Director is entitled, without limit, to be paid for all reasonable travelling, accommodation and other expenses incurred in the course of performing duties or exercising powers as a Director.

Steven Newman is the CEO of EROAD and receives remuneration for services performed in that role. The remuneration he receives from EROAD for these services is limited to such an amount as may be agreed by the board. Steven Newman has an indirect interest in 3,495,471 Shares held by NMC Trustees Limited as trustee of the NMC Investment Trust and 11,180 Shares to which he may be entitled under the terms of the long-term incentive employee share scheme described in *Section 6.6: Board, Executive Management Team and Corporate Governance*.

Michael Bushby is General Manager of the Leighton Contractors Infrastructure Services business, which is party to a Heads of Agreement with EROAD in relation to strategic roading infrastructure projects in Australia.

Sean Keane is a non-executive director of First NZ Capital, the Sole Lead Manager to the Offer. First NZ Capital will be paid fees in connection with the Offer as set out under the heading "Preliminary and Issue Expenses" in this section. Sean will not personally receive any additional payment, bonus or other remuneration from First NZ Capital as a result of the Offer.

Certain Shareholders are employees of the Group and receive remuneration for services performed in their capacity as employees. The remuneration such employees receive from the Group is limited to such an amount as may be agreed by the Group.

Information about the Shares held by Directors is set out in *Section 6.6: Board, Executive Management Team and Corporate Governance*. An overview of the shareholdings in EROAD, both prior to and following the Offer, are set out under the heading "Indicative ownership structure" in *Section 9.1: Details of the Offer*.

17. MATERIAL CONTRACTS

The Group has entered into the following material contracts in the previous two years:

Restricted Security Agreements

Each of the Directors and members of the executive management team have entered into restricted security agreements with EROAD dated 17 July 2014 which restrict the ability of those persons to sell or otherwise dispose of their Escrowed Shares for specified periods. Details in respect of these agreements are set out under the heading "Escrow Arrangements" in *Section 9.1: Details of the Offer*.

9.0 TERMS OF THE OFFER

Agreement for Sale and Purchase of Shares

EROAD, the Offeror and the Selling Shareholders have entered into an agreement for sale and purchase of Shares in EROAD dated 17 July 2014, under which the Offeror agrees to purchase certain Shares from the Selling Shareholders. The purchase will take place on or about the Allotment Date at the Final Price, and is being undertaken for the purpose of offering these Shares under the Offer.

18. PENDING PROCEEDINGS

Not applicable.

19. PRELIMINARY AND ISSUE EXPENSES

Issue expenses (including brokerage and commission fees, management fees, share registry expenses, legal fees, accounting fees, advertising costs, printing costs and postage and courier costs) relating to the Offer are estimated to amount to an aggregate of \$2.6 million, assuming \$40 million is raised under the Offer. EROAD will pay all costs associated with the Offer except the rate of brokerage commission payable to NZX Firms under the Offer shall be borne by the Selling Shareholders in respect of Shares they sell under the Offer.

The Sole Lead Manager will be paid fees in connection with the Offer of:

- A fixed fee of NZ\$750,000; and
- Up to 2.25% of the gross proceeds of the Offer.

From its fees, the Sole Lead Manager will pay firm allocation commissions of 0.5% and retail brokerage of 1.0% on retail applications bearing brokers' stamps pursuant to a firm allocation under the Broker Firm Offer.

20. RESTRICTIONS ON ISSUING GROUP

Under EROAD's bank financing arrangements with Bank of New Zealand (BNZ), it may not pay distributions outside of the Group without the prior written consent of BNZ. However, EROAD intends to repay the bank financing to which these restrictions relate using approximately \$3 million of the funds raised through this Offer. As a result, EROAD expects that these restrictions will be removed shortly after the Allotment Date.

In addition, EROAD is subject to general company law restrictions (such as satisfaction of the solvency test under the Companies Act) in relation to the payment of dividends, which operate as fetters on the ability to make distributions.

21. OTHER TERMS OF OFFER AND SECURITIES

All of the terms of the Offer, and all the terms of the Shares, are set out in this Prospectus, other than any terms implied by law or any terms set out in a document that has been registered with a public official, is available for public inspection and is referred to in this Prospectus.

22-23. FINANCIAL STATEMENTS

The financial statements prepared and audited as if they were to be registered under the Financial Reporting Act 1993 for the Group for FY2014 are set out in *Appendix 2: Audited Financial Statements*.

24. ADDITIONAL INTERIM FINANCIAL STATEMENTS

Not applicable.

25. PLACES OF INSPECTION OF DOCUMENTS

You may inspect (without charge) during the period of the Offer, during normal business hours, the Constitution, copies of the material contracts referred to above under the heading "Material Contracts" and copies of the financial statements referred to above under the heading "Financial Statements" at EROAD's registered office as set out in the *Directory*. You may also inspect copies of these documents at any time on the Companies Office website at www.business.govt.nz/companies.

26. OTHER MATERIAL MATTERS

There are no other material matters relating to the Offer, other than those set out in this Prospectus, the financial statements or in contracts entered into in the ordinary course of business of a member of the Group.

27. DIRECTORS' STATEMENT

The Directors, after due enquiry by them, are of the opinion that none of the following have materially and adversely changed during the period between 31 March 2014 and the date of registration of this Prospectus:

- the trading or profitability of the Group;
- the value of the Group's assets; or
- the ability of the Group to pay its liabilities due within the next 12 months.

28. AUDITOR'S REPORT

The Auditor's report required by clause 28 of Schedule 1 to the Securities Regulations is set out in *Section 8.6: Independent Auditor's Report*. The Auditor's report does not contain the information required by clauses 28(1)(d) to (f) as such information is contained in the auditor's report dated 18 June 2014 in respect of EROAD's financial statements for FY2014 (a copy is contained in *Appendix 2: Audited Financial Statements*). KPMG and its partners are registered under the Auditor Regulation Act 2011 under reference number AUD168. There are no restrictions or limitations on KPMG's registration.

SIGNATURES REQUIRED BY THE SECURITIES ACT

The copy of this Prospectus delivered for registration to the Registrar of Financial Service Providers has been signed by or on behalf of each director of EROAD and the Offeror.

GLOSSARY

GLOSSARY

Allotment Date	The date on which Shares are allotted to successful Applicants, which is expected to be 15 August 2014, unless varied by the Issuers
Amazon Web Services (AWS)	EROAD's global Software as a Service partner, Amazon Web Services offers a broad set of global computation, storage, database, analytics, application and deployment services
Annualised Recurring Revenue	Calculated by multiplying total monthly Recurring Revenue recognised or expected to be recognised in the month of March by 12
Applicant	Any person named as an applicant on an Application Form
Application	An application to subscribe for Shares offered pursuant to the Investment Statement and this Prospectus made on the Application Form and accompanied by the application amount
Application Form	An application form attached to, or accompanying, the Investment Statement
Auditor	KPMG
Broker Firm Offer	The offer of Shares under the Investment Statement and this Prospectus to New Zealand resident clients of NZX Firms who have received an allocation
Business Day	A day on which the NZX Main Board is open for trading
Companies Act	Companies Act 1993
Constitution	The constitution of EROAD, as amended from time to time
CSN	Common Shareholder Number
Depot	EROAD's web-based platform that allows customers to manage (and pay) their RUC and fleet management services
Director	A director of EROAD
EBIT before non-operating costs	Earnings before non-operating costs, interest and tax
Ehubo	EROAD's electronic distance recorder which replaces mechanical hubodometers. ® Ehubo is a trade mark registered in New Zealand.
Electronic Logbook (ELB)	A substitute for a paper-based logbook, to ensure compliance with Hours of Service regulations. Hours of Service regulations place limits on when and how long commercial motor vehicle drivers may drive to ensure drivers have sufficient time to rest before getting behind the wheel
EROAD	EROAD Limited, and where the context permits, includes its subsidiaries. EROAD is a trade mark registered in New Zealand
EZfuel	EROAD's fuel module that allows operators to view and proactively manage fuel consumption across their vehicle and asset fleets. EZfuel combines fuel card transactions with vehicle and distance and location information generated by EROAD's Ehubos to measure fuel performance and identify trends and exceptions. ® EZfuel is a trade mark registered in New Zealand
EZmessage	EROAD's message module that enables operators to stay connected with their fleet using any smart phone or tablet device. EZmessage provides the functionality to send or receive messages from the office to field staff 24/7 with the same web portal used for managing vehicle and compliance obligations. ® EZmessage is a trade mark registered in New Zealand
Final Price	The price per Share at which the Shares will be allotted, expected to be determined on or about 29 July 2014

GLOSSARY

FY	Financial year. If followed by (P) this indicates prospective information
Global Positioning System (GPS)	Global positioning system refers to a constellation of satellites providing signals transmitting positioning and timing data
Government Accountability Office (GAO)	An independent, nonpartisan agency that works for Congress. GAO investigates how the federal government spends taxpayer dollars
Group	EROAD and each of its subsidiaries
Heavy Vehicle	A truck, or a truck and trailer, weighing over: <ul style="list-style-type: none">• 3.5 tonnes in New Zealand (required to pay RUC);• 12 tonnes in Oregon (required to pay WMT); or• 4.5 tonnes in Australia
Indicative Price Range	\$3.00 to \$3.80 per Share
Institutional Investors	Investors to whom the Sole Lead Manager determines an offer or invitation of securities may be made without the need for a lodged prospectus (or other formality, other than a formality with which the Issuers are willing to comply), including in New Zealand persons to whom offers or invitations can be made without the need for a registered prospectus under the Securities Act
Institutional Offer	The invitation to selected NZX Firms and Institutional Investors in New Zealand, Australia and certain other jurisdictions
International Fuel Tax Agreement (IFTA)	A cooperative agreement between all states (excluding Alaska and Hawaii) of the United States, and the Canadian provinces, designed to make it simpler for inter-jurisdictional carriers to report and pay fuel excise taxes, requiring only one fuel licence to operate across multiple jurisdictions
International Registration Plan (IRP)	An agreement between all states (excluding Alaska, Hawaii and Washington D.C.) of the United States, and the Canadian provinces, for the registration of inter-jurisdictional vehicles. Registration fees are paid to a fleet's base jurisdiction, which then distributes them to other jurisdictions based on the miles travelled in each member jurisdiction
Investment Statement	The investment statement in respect of the Offer
Issuers	EROAD and the Offeror
Listing Rules	The listing rules applying to the NZX Main Board as amended from time to time
Ministry of Transport (MOT)	The New Zealand government's principal transport policy adviser to the Minister and Associate Minister of Transport
Net Profit	Net profit after tax
New Zealand Transport Agency (NZTA)	A government entity, whose role is to provide a link between government policy making and the operation of the sector. NZTA aims to achieve better use of existing transport capacity, more efficient freight and a resilient and secure transport network
NZ GAAP or GAAP	New Zealand Generally Accepted Accounting Practice
NZ IFRS	New Zealand equivalents to International Financial Reporting Standards
NZX	NZX Limited
NZX Firm	An entity designated as an NZX Firm under the Participant Rules of NZX

GLOSSARY

NZX Main Board	The main board equity security market, operated by NZX
Offer	The offer of Shares pursuant to the Investment Statement and this Prospectus
Offeror	EROAD Offeror Limited
Oregon Department of Transportation (ODOT)	A department of the state government of Oregon, responsible for managing the state's transportation systems
Oregon Trucking Associations (OTA)	Serves as a conduit between Oregon's trucking industry and the public, government and regulatory agencies and other groups
PFI	Prospective financial information for FY2015(P) and FY2016(P)
Preference Pool Offer	The Offer which is available only to eligible New Zealand resident EROAD employees, EROAD customers and existing EROAD Shareholders and which is expected to be \$5.0 million worth of Shares as determined by EROAD
Preference Pool Offer Opening Date	The first day on which Applications will be accepted under the Preference Pool Offer, being 30 July 2014, unless varied by the Issuers
Prospectus	This document
Recurring Revenue	The revenue EROAD expects to receive in future months from existing Units on Depot from monthly charging of services, monthly hardware rentals and current monthly rates of transaction fees
Registrar	Computershare Investor Services Limited
Retention Rate	Retention Rate is the number of Units installed at the beginning of the period and retained on Depot at the end of the period as a percentage of the number of Units on Depot at the beginning of that period
Road User Charges (RUC)	In New Zealand, RUC is applicable to Heavy Vehicles and all vehicles powered by a fuel not taxed at source (i.e. diesel). The charges are paid into a fund called the National Land Transport Fund, which is controlled by NZTA, and go towards the cost of repairing the roads
Securities Act	Securities Act 1978
Securities Regulations	Securities Regulations 2009
Selling Shareholders	Brian Michie, Peter Batcheler, Bruce Wilson and Jarred Clayton (or their nominee that holds Shares)
Share	A fully paid ordinary share in EROAD
Shareholder	A holder of one or more Shares in EROAD
Sole Lead Manager or First NZ Capital	First NZ Capital Securities Limited
Tubo	The trailer version of the Ehubo
Unit	An EROAD device
Units on Depot	The number of EROAD devices installed in vehicles and subject to a service contract with a customer
Weight-Mile Tax (WMT)	A mileage-based tax imposed on vehicles according to a combination of the number of axles and/or combined weight of the vehicle and the number of miles driven

APPENDIX 1

SUMMARY HISTORICAL FINANCIAL INFORMATION

APPENDIX 1: SUMMARY HISTORICAL FINANCIAL INFORMATION

The summary consolidated financial statements for EROAD Limited and its subsidiaries, as required by clause 9 of Schedule 1 of the Securities Regulations, are set out below. The summary financial statements present trading results for the financial periods ended 31 March 2010 to 31 March 2014.

BASIS OF PREPARATION

The summary financial statements are presented in New Zealand dollars and are rounded to the nearest dollar, which may result in some discrepancies between the sum of components and totals within tables.

The summary financial statements comply with FRS-43 Summary Financial Statements, subject to the exemption in clause 9(4) of Schedule 1 of the Securities Regulations, whereby the summary financial statements are not required to include:

- A comparison of, and explanations for major variances between, prospective and historical financial statements;
- Information about events occurring after the balance date of a period; and
- Comparative information for any period before the earliest period presented in the summary financial statements.

The summary financial statements reflect the current presentation requirements of FRS-43: Summary Financial Statements (as amended by the consequential amendments of NZ IAS 1 Presentation of Financial Statements – Presentation of items of Other Comprehensive Income).

The summary financial statements have been authorised for issue by a resolution of the Directors dated 17 July 2014. The board of EROAD authorised the issue of the full financial statements on the following dates:

- Year ended 31 March 2014: 17 June 2014
- Year ended 31 March 2013: 2 August 2013
- Year ended 31 March 2012: 24 July 2012
- Year ended 31 March 2011: 25 June 2011
- Year ended 31 March 2010: 1 September 2010

The summary financial statements have been extracted from EROAD's full audited financial statements and unqualified audit opinions were received for each of those financial statements. Summary financial statements cannot be expected to provide as complete an understanding as that provided by full financial statements.

The financial statements for the year ended 31 March 2014, including comparatives for the year ended 31 March 2013, have been audited by KPMG. The audit opinion was unqualified. The audited financial statements for the year ended 31 March 2014 are provided in *Appendix 2: Audited Financial Statements*. You can obtain copies of EROAD's 2010 to 2013 annual financial statements and related audit reports from EROAD. The full financial statements for each annual period shown in the summary financial statements have been prepared in accordance with NZ GAAP. The full financial statements comply with NZ IFRS as appropriate for profit oriented entities.

EROAD LIMITED AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 March 2010	For the year ended 31 March 2011	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2014
In New Zealand dollars	\$'000	\$'000	\$'000	\$'000	\$'000
Continuing operations					
Revenue	101	1,102	2,860	6,209	9,964
Expenses	(2,526)	(2,451)	(2,633)	(4,427)	(5,935)
Earnings before interest, taxation, depreciation and amortisation	(2,425)	(1,349)	228	1,782	4,029
Depreciation	(79)	(332)	(766)	(1,684)	(2,320)
Amortisation	(21)	(78)	(193)	(353)	(648)
Earnings before interest and taxation	(2,526)	(1,760)	(731)	(255)	1,062
Finance income	5	12	25	56	80
Finance expense	(159)	(96)	(45)	(98)	(122)
Net financing costs	(154)	(84)	(21)	(43)	(42)
Profit/(loss) before tax expense	(2,679)	(1,843)	(752)	(298)	1,020
Income tax benefit	-	-	-	-	1,922
Profit/(loss) from continuing operations	(2,679)	(1,843)	(752)	(298)	2,942
Profit/(loss) after tax for the year	(2,679)	(1,843)	(752)	(298)	2,942
Total comprehensive income/(loss) for the year	(2,679)	(1,843)	(752)	(298)	2,942

APPENDIX 1 SUMMARY HISTORICAL FINANCIAL INFORMATION

EROAD LIMITED AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION

	As at 31 March 2010	As at 31 March 2011	As at 31 March 2012	As at 31 March 2013	As at 31 March 2014
In New Zealand dollars	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS					
Cash and cash equivalents	188	734	1,893	3,448	9,156
Trade and other receivables	40	199	345	636	1,219
Inventory	-	-	-	-	412
Total Current Assets	228	933	2,238	4,084	10,787
NON-CURRENT ASSETS					
Property, plant and equipment	773	1,942	2,987	5,409	8,912
Intangible assets	80	666	2,308	5,319	9,974
Deferred tax assets	-	-	-	-	1,922
Total Non-Current Assets	853	2,608	5,295	10,728	20,808
TOTAL ASSETS	1,081	3,541	7,533	14,812	31,595
CURRENT LIABILITIES					
Bank overdraft	-	346	670	270	3,101
Trade payables and accruals	598	1,088	767	1,049	1,263
Payable to NZTA	-	-	1,847	3,090	6,629
Loan from director/shareholder	868	-	300	500	-
Convertible notes	780	-	-	-	-
Deferred revenue	158	851	1,821	2,924	4,632
Employee entitlements	-	-	-	307	549
Total Current Liabilities	2,403	2,285	5,404	8,140	16,175
NON-CURRENT LIABILITIES					
Borrowings	-	-	300	1,220	-
Deferred revenue	267	1,155	1,727	3,860	3,871
Total Non-Current Liabilities	267	1,155	2,027	5,080	3,871
TOTAL LIABILITIES	2,670	3,440	7,431	13,220	20,046
NET ASSETS	(1,588)	101	102	1,592	11,549
EQUITY					
Share capital	4,383	7,915	8,669	10,457	17,472
Retained earnings	(5,971)	(7,815)	(8,567)	(8,865)	(5,923)
TOTAL SHAREHOLDERS' EQUITY	(1,588)	101	102	1,592	11,549

EROAD LIMITED AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total equity
In New Zealand dollars	\$'000	\$'000	\$'000
Balance at 1 April 2009	4,383	(3,292)	1,091
Total comprehensive income for the period			
Loss for the period	-	(2,679)	(2,679)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(2,679)	(2,679)
Transactions with owners, recorded directly in equity			
Capital Issued	-	-	-
Balance at 31 March 2010	4,383	(5,971)	(1,588)
Balance at 1 April 2010	4,383	(5,971)	(1,588)
Total comprehensive income for the period			
Profit for the period	-	(1,843)	(1,843)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(1,843)	(1,843)
Transactions with owners, recorded directly in equity			
Capital Issued	3,533	-	3,533
Balance at 31 March 2011	7,915	(7,815)	101
Balance at 1 April 2011	7,915	(7,815)	101
Total comprehensive income for the period			
Loss for the period	-	(752)	(752)
Total comprehensive income for the period	-	(752)	(752)
Transactions with owners, recorded directly in equity			
Capital Issued	753	-	753
Balance at 31 March 2012	8,669	(8,567)	102
Balance at 1 April 2012	8,669	(8,567)	102
Total comprehensive income for the period			
Profit for the period	-	(298)	(298)
Total comprehensive income for the period	-	(298)	(298)
Transactions with owners, recorded directly in equity			
Capital Issued	1,788	-	1,788
Balance at 31 March 2013	10,457	(8,865)	1,592
Balance at 1 April 2013	10,457	(8,865)	1,592
Total comprehensive income for the period			
Profit for the period	-	2,942	2,942
Total comprehensive income for the period	-	2,942	2,942
Transactions with owners, recorded directly in equity			
Capital Issued	7,015	-	7,015
Balance at 31 March 2014	17,472	(5,923)	11,549

EROAD LIMITED AND SUBSIDIARIES

STATEMENT OF CASH FLOWS

	For the year ended 31 March 2010	For the year ended 31 March 2011	For the year ended 31 March 2012	For the year ended 31 March 2013	For the year ended 31 March 2014
In New Zealand dollars	\$'000	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Cash received from customers	845	2,525	4,256	9,154	11,211
Payments to suppliers and employees	(1,970)	(1,995)	(1,107)	(2,594)	(2,462)
Net interest received/ (paid)	(154)	(84)	(21)	(43)	(42)
Net cash inflow from operating activities	(1,278)	446	3,129	6,517	8,707
Cash flows from investing activities					
Payments for purchase of property, plant & equipment	(586)	(1,488)	(1,811)	(4,106)	(5,822)
Payments for purchase of intangible assets	(69)	(643)	(1,835)	(3,364)	(5,303)
Proceeds from disposal of property, plant, equipment	-	-	-	-	-
Net cash outflow from investing activities	(655)	(2,131)	(3,647)	(7,470)	(11,125)
Cash flows from financing activities					
Loan from bank	-	346	623	521	1,611
Loan from /(repayment) shareholders	1,460	(1,648)	300	200	(500)
New shares issued	-	3,533	753	1,788	7,015
Net cash outflow from financing activities	1,460	2,231	1,677	2,509	8,125
Net increase/(decrease) in cash held	(474)	546	1,159	1,555	5,709
Cash at beginning of the financial period	662	188	734	1,893	3,448
Closing cash and cash equivalents (net of overdrafts)	188	734	1,893	3,448	9,156

APPENDIX 2

AUDITED FINANCIAL STATEMENTS

EROAD LIMITED
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FOR THE PERIOD ENDED 31 MARCH 2014

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COMPANY DIRECTORY

Nature of Business: The business of the Company is a software as a service provider using an electronic distance recorder to the Heavy Transport industry. There have been no changes in the main activities of the Company during the year.

Registered Office: Level 3, 260 Oteha Valley Road
Albany
Auckland

Postal Address: P. O. Box 305394
Triton Plaza
North Shore
Auckland 0757

Incorporation Number: 1036814

Directors: Michael Bushby
Sean Keane
Anthony Gibson
Steven Newman
Candace Kinser (appointed 1 May 2014)
Brian Michie (retired 16 October 2013)

Solicitors: Power Law
Kensington Swan

Auditors: KPMG
Auckland

Bankers: Bank of New Zealand



Independent auditor's report

To the shareholders of EROAD Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of EROAD Limited ("the company") and the group, comprising the company and its subsidiaries, on pages 103 to 123. The financial statements comprise the statements of financial position as at 31 March 2014, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company and group in relation to tax services and valuation and accounting services. Subject to certain restrictions, partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.



Opinion

In our opinion the financial statements on pages 103 to 123:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company and the group as at 31 March 2014 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by EROAD Limited as far as appears from our examination of those records.

KPMG.

18 June 2014
KPMG Auckland

**EROAD LIMITED
DIRECTORS' RESPONSIBILITY STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2014**

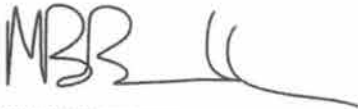
In the opinion of the directors of EROAD Limited, the financial statements and notes, on pages 6 to 26, comply with New Zealand Generally Accepted Accounting Practice and give a true and fair view of the financial position of the company as at 31 March 2014 and the results of operations and cash flows for the period ended on that date, and have been prepared using the appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of the company and facilitate compliance of the financial statements with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide reasonable assurance as to the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of EROAD Limited for the period ended 31 March 2014.

For and on behalf of the Board of Directors:



.....
Director

17-JUN-2014
.....

Date



.....
Director

17-JUN-2014
.....

Date

EROAD LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Group		Parent	
		31 March 2014 \$	31 March 2013 \$	31 March 2014 \$	31 March 2013 \$
Continuing operations					
Revenue		9,963,884	6,208,918	9,963,884	6,208,918
Expenses	2	(5,934,749)	(4,427,184)	(5,889,782)	(4,366,594)
Earnings before interest, taxation, depreciation and amortisation		4,029,135	1,781,734	4,074,102	1,842,324
Depreciation	11	(2,319,711)	(1,683,999)	(2,319,711)	(1,683,999)
Amortisation	12	(647,834)	(352,934)	(647,834)	(352,934)
Earnings before interest and taxation		1,061,590	(255,199)	1,106,557	(194,609)
Finance income	5	80,070	55,601	80,070	55,601
Finance expense	5	(121,884)	(98,367)	(164,441)	(154,576)
Net financing costs		(41,814)	(42,766)	(84,371)	(98,975)
Profit/(loss) before tax expense		1,019,776	(297,965)	1,022,186	(293,584)
Income tax benefit	6	1,921,754	-	1,921,754	-
Profit/(loss) from continuing operations		2,941,530	(297,965)	2,943,940	(293,584)
Profit/(loss) after tax for the year		2,941,530	(297,965)	2,943,940	(293,584)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the year		2,941,530	(297,965)	2,943,940	(293,584)
Earnings per share (cents)	8	30.5	(3.3)		

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



EROAD LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Notes	Group		Parent	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	9	9,155,825	3,448,248	9,106,518	3,429,922
Trade and other receivables	10	1,219,196	635,691	1,216,980	703,201
Inventory		411,723	-	411,723	-
Intercompany receivables	22	-	-	80,315	-
Total Current Assets		10,786,744	4,083,939	10,815,536	4,133,123
NON-CURRENT ASSETS					
Property, plant and equipment	11	8,911,755	5,409,084	8,911,755	5,409,084
Intangible assets	12	9,974,274	5,319,208	9,974,274	5,319,208
Investment in subsidiaries	22	-	-	100,000	-
Deferred tax assets	7	1,921,753	-	1,921,753	-
Total Non-Current Assets		20,807,782	10,728,292	20,907,783	10,728,292
TOTAL ASSETS		31,594,526	14,812,231	31,723,319	14,861,415
CURRENT LIABILITIES					
Bank loan	14	3,101,274	270,040	-	270,040
Trade payables and accruals	13	1,262,824	1,048,790	1,162,830	1,041,861
Payable to NZTA		6,629,209	3,090,253	6,629,209	3,090,253
Loan from director/shareholder		-	500,000	-	-
Intercompany payable	22	-	-	3,329,864	1,778,332
Deferred revenue	16	4,632,303	2,923,754	4,632,303	2,923,754
Employee entitlements		549,054	307,082	549,060	307,082
Total Current Liabilities		16,174,663	8,139,920	16,303,266	9,411,322
NON-CURRENT LIABILITIES					
Borrowings	14	-	1,220,000	-	-
Deferred revenue	16	3,871,162	3,859,970	3,871,162	3,859,970
Total Non-Current Liabilities		3,871,162	5,079,970	3,871,162	3,859,970
TOTAL LIABILITIES		20,045,826	13,219,890	20,174,428	13,271,292
NET ASSETS		11,548,700	1,592,341	11,548,892	1,590,123
EQUITY					
Share capital	8	17,471,968	10,457,138	17,471,968	10,457,138
Retained earnings		(5,923,267)	(8,864,797)	(5,923,075)	(8,867,015)
TOTAL SHAREHOLDERS' EQUITY		11,548,700	1,592,341	11,548,894	1,590,123



Director

17-JUN-2014

Date



Director

17-JUN-2014

Date

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

EROAD LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

Group		Share Capital	Retained Earnings	Total
	Notes	\$	\$	\$
Balance at 1 April 2012		8,668,723	(8,566,832)	101,891
Loss after tax for the period		-	(297,965)	(297,965)
Other comprehensive income		-	-	-
Total comprehensive loss for the period, net of tax		-	(297,965)	(297,965)
Share capital issued	8	1,788,415		1,788,415
Balance at 31 March 2013		10,457,138	(8,864,797)	1,592,341
Balance as at 1 April 2013		10,457,138	(8,864,797)	1,592,341
Profit after tax for the period		-	2,941,530	2,941,530
Other comprehensive income		-	-	-
		-	2,941,530	2,941,530
Share capital issued	8	7,014,830		7,014,830
Balance at 31 March 2014		17,471,968	(5,923,267)	11,548,700

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



EROAD LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

Parent		Share Capital	Retained Earnings	Total
	Notes	\$	\$	\$
Balance at 1 April 2012		8,668,723	(8,573,431)	95,292
Loss after tax for the period		-	(293,584)	(293,584)
Other comprehensive income		-	-	-
Total comprehensive loss for the period, net of tax		-	(293,584)	(293,584)
Share capital issued	8	1,788,415		1,788,415
Balance at 31 March 2013		10,457,138	(8,867,015)	1,590,123
Balance as at 1 April 2013		10,457,138	(8,867,015)	1,590,123
Profit after tax for the period		-	2,943,940	2,943,940
Other comprehensive income		-	-	-
Total comprehensive income for the period, net of tax		-	2,943,940	2,943,940
Share capital issued	8	7,014,830		7,014,830
Balance at 31 March 2014		17,471,968	(5,923,075)	11,548,894

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

EROAD Limited
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 March 2014

	Notes	Group		Parent	
		31 Mar 2014	31 March 2013	31 Mar 2014	31 March 2013
		\$	\$	\$	\$
Cash flows from operating activities					
Cash received from customers		11,210,798	9,153,910	11,169,846	9,153,910
Payments to suppliers and employees		(2,462,190)	(2,594,415)	(2,399,601)	(2,594,415)
Net interest received/ (paid)		(41,814)	(42,766)	(84,371)	(61,093)
Net cash inflow from operating activities	21	8,706,794	6,516,729	8,685,874	6,498,402
Cash flows from investing activities					
Payments for purchase of property, plant & equipment		(5,822,382)	(4,106,075)	(5,822,382)	(4,106,075)
Payments for purchase of intangible assets		(5,302,900)	(3,364,221)	(5,302,900)	(3,364,221)
Investment in subsidiary		-	-	(100,000)	-
Net cash outflow from investing activities		(11,125,282)	(7,470,296)	(11,225,283)	(7,470,296)
Cash flows from financing activities					
Loan from / (repayment) bank		1,611,233	520,507	(270,040)	(399,493)
Loan from /(repayment) shareholders		(500,000)	200,000	-	-
New shares issued		7,014,829	1,788,415	7,014,830	1,788,415
Advance from (to) subsidiary		-	-	1,371,217	1,120,000
Other borrowings		-	-	100,000	-
Net cash outflow from financing activities		8,126,062	2,508,922	8,216,007	2,508,922
Net increase/(decrease) in cash held		5,707,576	1,555,355	5,676,598	1,537,028
Cash at beginning of the financial period		3,448,249	1,892,894	3,429,922	1,892,894
Closing cash and cash equivalents (net of overdrafts)		9,155,825	3,448,249	9,106,520	3,429,922

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



EROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014

Note 1 Summary of significant accounting policies

EROAD Limited (the "Parent") is a company domiciled in New Zealand and registered under the Companies Act 1993 and is a reporting entity for the purposes of the Financial Reporting Act 1993. Financial statements for EROAD Limited and consolidated financial statements are presented. The consolidated financial statements comprise EROAD Limited and its subsidiaries (the "Group"). The Group is involved in the providing electronic on-board units and software as a service to the heavy vehicle industry.

The financial statements for the Parent and Group are for the period ended 31 March 2014. The financial statements were authorised for issue by the directors on 7 June, 2014.

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

(a) Basis of preparation

Statement of compliance with IFRS

The financial statements comprise the following: statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows, and accounting policies and notes to the statements contained on pages 15 to 26.

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS"). The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

Basis of measurement

The financial statements are prepared on the historical cost basis.

Going concern

The financial statements have been prepared using the going concern assumption.

Presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar (\$). The functional currency is New Zealand Dollars (NZD).

Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period are included in the following notes:

- Note 7 Utilisation of tax losses
- Note 11 Property, Plant and Equipment
- Note 12 Intangible assets

(b) Basis of Consolidation

The Group financial statements consolidate the financial statements of subsidiaries using the purchase method of accounting. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost in the balance sheet of the Parent.

All material transactions between subsidiaries or between the Parent and subsidiaries are eliminated on consolidation.

(c) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. Control is power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Note 1 Summary of significant accounting policies (continued)

(d) Revenue

Hardware

Under the relevant sale and purchase and service agreements relating to the provision of the Company's hardware products the Company in substance retains the significant risks and rewards of ownership. Therefore the hardware assets are carried on the balance sheet and revenue relating to the hardware is accounted for as an operating lease and recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

Service Fee Revenue

Revenue from services rendered is recognised in the Statement of Comprehensive Income in proportion to the stage of completion.

Transaction Fees

When the Company 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 Company.

(e) Net Finance Cost

Net finance costs comprise of interest payable and receivable recognised using the effective interest rate method, foreign exchange gains and losses and fair value movements on derivative financial instruments.

(f) Taxation

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

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

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

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.

Previously the Taxes Payable method of accounting for deferred taxes had been applied (because EROAD is a private company). The change to full tax effect accounting has had no impact on amounts previously disclosed.

(g) Financial Instruments

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign currency fluctuations on sales receipts. In accordance with its treasury policies, the Company does not hold or issue derivative financial instruments for trading purposes. Therefore, derivatives are accounted for as trading instruments and the associated gain or loss is recognised immediately in profit or loss.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, all derivative financial instruments are stated at fair value on the balance sheet. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Non-derivative financial instruments

The Group initially recognises loans and receivables, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets and liabilities into the following categories: loans and receivables and other liabilities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and amounts owing from subsidiaries.

Cash and cash equivalents

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

Other liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, trade and other payables and amounts owing to subsidiaries.

Note 1 Summary of significant accounting policies (continued)

(h) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair values of financial instruments that are not traded in an active market are determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. Fair values reflect the credit risk of the financial instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

The carrying value less impairment provision of trade receivables is assumed to approximate its fair value due to its short term nature. The fair value of non current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

(i) Property, Plant and Equipment

Owned assets

Items of plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes the purchase consideration, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Where an item of plant and equipment is disposed of, the gain or loss recognised in the statement of comprehensive income is calculated as the difference between the net sales price and the carrying amount of the asset.

Subsequent costs

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

Depreciation

Depreciation begins when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. The following rates have been

Leasehold improvements	12 - 30%	Straight line
Leased assets	20 - 33%	Straight line
Plant and machinery	9.6 - 30%	Straight line
Computer/Office equipment	36 - 60%	Straight line
Motor vehicles	20 - 30%	Straight line

(j) Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position. Payments made under operating leases are recognised in the statement of comprehensive income on a basis representative of the pattern of benefits expected to be derived from the leased asset.

(k) Intangible assets

Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the profit or loss 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 profit or loss when incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Other intangible assets

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

Subsequent expenditure

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

Amortisation

Amortisation is recognised in the Statement of Comprehensive Income on a per unit basis at a rate expected to amortise the intangible asset over the estimated useful life of intangible asset. The estimated useful lives for the current and comparative periods are as follows:

- Patents	10-20 years
- Capitalised development costs	5-7 years

Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see "Impairment of assets" below). Cost of goodwill for acquisitions prior to 1 April 2006 is the amortised balance under previous NZ GAAP as at that date. For the purpose of impairment testing, the Group is deemed to be one cash generating unit. As a result, impairment of goodwill is assessed against the performance of the Group as a whole.

(l) Inventories

Inventories are valued at the lower of cost or net realisable value. Costs are based on actual costs, applying the first in first out principle, and include expenditure incurred in acquiring the inventories and bringing them to the existing condition and location. In the case of manufactured inventories, cost includes direct materials and labour only.

(m) Foreign Currencies

Foreign currency transactions are converted at the New Zealand dollar rate of exchange ruling at the date of the transaction.

At balance date, foreign currency monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the statement of comprehensive income.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether the foreign currency movements are in a net gain or net loss position.

(n) Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

Note 1 Summary of significant accounting policies (continued)

(o) Employee Entitlements

A provision for employee entitlements is recognised for benefits earned by employees but not yet received at balance date. Employee benefits include salaries, wages, short term bonuses and annual leave. Where payment is expected to be within twelve months of balance date, the provision is the estimated amount expected to be paid. Where payment is expected to be longer term, the liability is determined using the projected unit credit method and is presented as an "other long-term" benefit.

(p) Impairment of assets

The carrying amounts of the Company's assets other than inventories are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the assets recoverable amount is estimated.

If the estimated recoverable amount of an asset is less than its carrying amount, an impairment test is undertaken to reduce the carrying amount of assets to the estimated recoverable amount and an impairment loss is recognised in the income statement.

Estimated recoverable amount receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at their original effective interest rate. Receivables with a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the

(q) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(r) Government grant

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

(s) Segment reporting

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise income tax.

(t) New standards and interpretations not yet adopted.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after a January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the group.

EROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014

Note 2 Expenses

	Note	Group		Parent	
		2014 \$	2013 \$	2014 \$	2013 \$
Personel expenses		3,385,253	1,817,829	3,385,253	1,817,829
Purchase of materials		1,257,390	863,329	1,257,390	863,329
Auditor's remuneration - KPMG		95,000	78,229	95,000	78,229
Tax services - KPMG		26,000	41,555	26,000	41,555
Auditors remuneration for valuation and accounting advice - KPMG		45,149	54,078	45,149	54,078
Operating lease expense	15	459,132	185,000	459,132	185,000
Directors fees		105,000	60,933	105,000	60,933

During the year the costs expensed in Research and Development was \$1,325,578 (2013: 526,559).

Note 3 Segmental note

The group has two reportable 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:

- Commercialised market are those markets where the group has established a market presence and is commercially viable
- Developing markets are markets where preparation for commercialisation has commenced (including technology developments, approvals (if required)).

	Note	Commercialised Market		Developing Market	
		2014 \$	2013 \$	2014 \$	2013 \$
Revenue		9,963,884	6,208,918	-	-
Net Profit Before Taxation		1,064,174	(297,965)	(44,397)	-
Total Assets		23,632,531	11,583,361	7,961,995	3,228,870

All revenues, assets and major customers for 2013 and 2014 resided from New Zealand.

Note 4 Personnel expenses

Group and Parent	2014 \$	2013 \$
Salaries and wages	7,236,271	4,049,887
Annual leave	121,281	157,808
Performance bonus	504,000	361,121
Salaries and wages capitalised	(4,476,299)	(2,750,987)
	3,385,253	1,817,829

Note 5 Net financing costs

	Group		Parent	
	2014 \$	2013 \$	2014 \$	2013 \$
Finance income				
Interest income	80,070	55,601	80,070	55,601
	80,070	55,601	80,070	55,601
Finance expenses				
Interest expense	(116,588)	(87,366)	(3,646)	(13,196)
Interest expense - intercompany		-	(158,264)	(130,379)
Foreign exchange losses	(5,296)	(11,001)	(2,531)	(11,001)
	(121,884)	(98,367)	(164,441)	(154,576)
Net financing costs	(41,814)	(42,766)	(84,371)	(98,975)



EROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014

Note 6 Income tax expense

	Group 2014	2013	Parent 2014	2013
	\$	\$	\$	\$
(a) Reconciliation of effective tax rate				
Profit/(Loss) before income tax	1,019,776	(297,965)	1,022,186	(293,584)
Income tax using the Company's domestic tax rate of 28%	285,537	(297,965)	286,212	(293,584)
Non-deductible expense/(non-assessable income)	1,429	9,804	1,429	-
Temporary differences				
Losses and timing differences (recognised)/not recognised	(2,208,721)	288,161	(2,209,395)	293,584
Income tax expense/(benefit)	(1,921,754)	-	(1,921,754)	-
(b) Current tax expense				
Current period	103,655	-	103,655	-
	103,655	-	103,655	-
(c) Deferred tax (benefit)/expense				
Current period	(2,025,409)	-	(2,025,409)	-
	(2,025,409)	-	(2,025,409)	-

Note 7 Deferred tax assets / (liabilities)

	Group 2014	2013	Parent 2014	2013
	\$	\$	\$	\$
Recognised deferred tax assets and liabilities				
Deferred tax assets and (liabilities) are attributable to the following:				
Tax loss carry forward	56,599	-	56,599	-
Development deferred expenditure	837,170	-	837,170	-
Provisions and accruals	122,893	-	122,893	-
Revenue recognition	905,092	-	905,092	-
Total deferred tax asset/(liability)	1,921,754	-	1,921,754	-

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

Movement in temporary differences during the period:

Group	Balance 31-Mar-14	Recognised in profit or loss	provided in from prior periods	Balance 31-Mar-13	Recognised in profit or loss	Balance 01 April 2012
	\$	\$	\$	\$	\$	\$
Tax loss carry forward	56,599	56,599	-	-	-	-
Development deferred expenditure	837,170	837,170	-	-	-	-
Provisions and accruals	122,893	122,893	-	-	-	-
Revenue recognition	905,092	905,092	-	-	-	-
Total	1,921,754	1,921,754	-	-	-	-
Parent	Balance 31-Mar-14	Recognised in profit or loss	provided in from prior periods	Balance 31-Mar-13	Recognised in profit or loss	Balance 01 April 2012
	\$	\$	\$	\$	\$	\$
Tax loss carry forward	56,599	56,599	-	-	-	-
Development deferred expenditure	837,170	837,170	-	-	-	-
Provisions and accruals	122,893	122,893	-	-	-	-
Revenue recognition	905,092	905,092	-	-	-	-
Total	1,921,754	1,921,754	-	-	-	-

The New Zealand tax group consist of Eroad Limited, Eroad (New Zealand Limited and Eroad Financial Services Limited. Losses incurred within this group are transferred freely within the group with no compensation being recognised. Deferred tax assets have been recognised in respect of these items because there is virtual certainty that future taxable profit will be available against which the Group can utilise the benefits there from.



EROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014

Note 8 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 and Parent	Number of ordinary shares	Issue price \$	Issued Capital \$
At 31 March 2012	8,767,522		8,668,723
Issued in connection with:			
Employee Share Purchase Scheme B	245,223	\$1.55	380,096
Issue of shares to staff	22,413	\$6.69	149,943
Pre-emptive Rights taken up by Current Shareholders	157,377	\$8.00	1,259,016
Cost relating to raising capital			(640)
At 31 March 2013	9,192,535		10,457,138
Issue of shares to staff	23,841	\$8.00	190,728
Issue of shares to current shareholders and new shareholders	600,479	\$8.00	4,803,832
Issue of shares to The Miromutu Trust	180,000	\$11.90	2,142,000
Cost relating to raising capital			(121,730)
	9,996,855		17,471,968

The calculation of basic earnings per share at 31 March 2014 was based on the profit attributable to ordinary shareholders of \$2,942,530 (2013 (297,965)) and a weighted number of ordinary shares of 9,660,775 (2013 9,020,708).

Note 9 Cash and cash equivalents

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash and bank	2,520,955	328,205	2,471,648	309,879
Restricted bank account	6,634,869	3,120,043	6,634,869	3,120,043
	9,155,825	3,448,248	9,106,519	3,429,922

The restricted bank relates to Road Users tax collected from clients due for payment to the local government agency.

Note 10 Trade and other receivables

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Trade debtors	887,681	414,849	885,465	482,360
Provision for doubtful debts	-	-	-	-
	887,681	414,849	885,465	482,360
Prepayments	331,514	220,841	331,514	220,841
	1,219,195	635,690	1,216,979	703,201

(a) Credit risk

The aging of the Company's trade receivables at the reporting date was as follows:

Group	Allowance for doubtful debts		Allowance for doubtful debts	
	Gross 2014	2014	Gross 2013	2013
	\$000	\$000	\$000	\$000
Not past due	762,121	-	342,493	-
Past due 1-30 days	47,765	-	35,524	-
Past due 31-60 days	31,452	-	9,106	-
Past due over 61 days	46,343	-	27,726	-
	887,681	-	414,849	-
Parent	Allowance for doubtful debts		Allowance for doubtful debts	
	Gross 2014	2014	Gross 2013	2013
	\$000	\$000	\$000	\$000
Not past due	762,121	-	410,004	-
Past due 1-30 days	47,765	-	35,524	-
Past due 31-60 days	31,452	-	9,106	-
Past due over 61 days	46,343	-	27,726	-
	887,681	-	482,360	-

EROAD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2014

Note 11 Property, plant and equipment

Group and Parent	Leased equipment	Plant and equipment	Leasehold improvements	Motor vehicles	Office equipment	Computers	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended 31 March 2013							
Opening net book amount	2,550,277	82,398	136,010	58,622	48,679	111,022	2,987,008
Additions	3,097,202	-	79,012	176,327	73,211	680,323	4,106,075
Disposals	-	-	-	-	-	-	-
Depreciation charge	(1,386,249)	(21,973)	(36,248)	(25,241)	(19,721)	(194,567)	(1,683,999)
Closing net book amount	4,261,230	60,425	178,774	209,708	102,169	596,778	5,409,084
Cost	6,487,291	157,950	241,598	240,723	151,298	1,029,547	8,308,407
Accumulated depreciation	(2,226,061)	(97,525)	(62,824)	(31,015)	(49,129)	(432,769)	(2,899,323)
Net book amount	4,261,230	60,425	178,774	209,708	102,169	596,778	5,409,084

Group and Parent	Leased equipment	Plant and equipment	Leasehold improvements	Motor vehicles	Office equipment	Computers	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended 31 March 2014							
Opening net book amount	4,261,230	60,425	178,774	209,708	102,169	596,778	5,409,084
Additions	4,629,191	8,079	203,875	248,491	158,356	646,057	5,894,049
Disposals	-	-	-	(71,667)	-	-	(71,667)
Depreciation charge	(1,652,619)	(17,519)	(204,222)	(66,726)	(37,705)	(340,920)	(2,319,711)
Closing net book amount	7,237,802	50,985	178,427	319,806	222,820	901,915	8,911,755
Cost	11,116,483	166,028	445,473	409,121	309,854	1,675,319	14,122,078
Accumulated depreciation	(3,878,681)	(115,043)	(267,046)	(89,315)	(86,834)	(773,404)	(5,210,323)
Net book amount	7,237,802	50,985	178,427	319,806	222,820	901,915	8,911,755

Included in the Leased equipment is equipment under construction to be leased of \$1,966,813 (2013: 1,266,248)

Note 12 Intangible Assets

Group and Parent	Patents	Trade Marks	Development	Software	Total
	\$	\$	\$	\$	\$
Year ended 31 March 2013					
Opening net book amount	16,750	32,576	2,257,082	1,504	2,307,922
Additions	-	-	3,364,220	-	3,364,220
Disposals	-	-	-	-	-
Depreciation charge	(350)	-	(352,056)	(528)	(352,934)
Closing net book amount	16,400	32,576	5,269,256	976	5,319,208
Cost	17,800	32,576	5,866,952	25,761	5,943,089
Accumulated depreciation	(1,400)	-	(597,696)	(24,785)	(623,881)
Net book amount	16,400	32,576	5,269,256	976	5,319,208
Group					
	Patents	Trade Marks	Development	Software	Total
	\$	\$	\$	\$	\$
Year ended 31 March 2014					
Opening net book amount	16,400	32,576	5,269,256	976	5,319,208
Additions	-	-	3,999,045	1,303,855	5,302,900
Disposals	-	-	-	-	-
Depreciation charge	(700)	-	(602,853)	(44,281)	(647,834)
Closing net book amount	15,700	32,576	8,665,448	1,260,550	9,974,274
Cost	17,800	32,576	9,865,997	1,329,616	11,245,989
Accumulated depreciation	(2,100)	-	(1,200,543)	(69,072)	(1,271,715)
Net book amount	15,700	32,576	8,665,454	1,260,544	9,974,274



EROAD LIMITED
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Note 13 Trade payables and accruals

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Trade creditors	436,698	379,485	436,698	379,485
Sundry accruals	826,126	669,305	726,129	662,376
	\$1,262,824	1,048,790	1,162,827	1,041,861

Note 14 Borrowings

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Current borrowings				
Secured bank loan	3,101,274	270,040	0	270,040
	3,101,274	270,040	0	270,040

Non-current borrowings

Secured bank loan	0	1,220,000	0	0
	\$0	1,220,000	0	0

Eroad Financial Services has a \$5,000,000 facility of which \$3,101,274 has been drawn at 31 March 2014 (2013: \$1,220,000). The interest rate is variable and is currently at 6.6%. The facility is supported by the value of Eroad leases with certain clients (as defined in the banking agreement). The parent also has an overdraft of a \$1,000,000 facility of which nil has been drawn at 31 March 2014 (2013: \$270,040). The interest rate is variable and is currently at 6.5%. The facility is to allow for the working capital requirements of the business and is on call. These facilities mature on 31 July 2014, however the Bank of New Zealand have extended these facilities to 31 July 2016 post balance date.

Eroad operating covenants to support these facilities including interest cover, inventory security, equity ratios, lease receivables ratios. Eroad is compliant with all covenants at 31 March 2014.

Terms and debt repayment schedule

Group	Nominal Interest	Year of Maturity	2014	2014	2013	2013
			Face Value	Carrying amount	Face Value	Carrying Amount
			\$	\$	\$	\$
Secured bank loan	6.5%	2014	3,101,274	3,101,274	1,220,000	1,220,000
			3,101,274	3,101,274	1,220,000	1,220,000

EROAD LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2014

Note 15 Operating Lease Commitments

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Non-cancellable operating lease commitments due:				
Not later than one year	423,795	423,795	423,795	423,795
Later than one year not later than five years	1,777,423	1,895,180	1,777,423	1,895,180
Later than five years	-	141,265	-	141,265
	<u>2,201,218</u>	<u>2,260,240</u>	<u>2,201,218</u>	<u>2,260,240</u>
Operating lease expense recognised	459,132	185,000	459,132	185,000

The Group leases premises. Operating leases held over properties give the Group the right to renew the lease subject to redetermination of the lease rental by the lessor. The lease for the head office expires on 10 July 2019 and has a current annual rental of \$354,795.

Note 16 Deferred Revenue

The Company has a dealer agreement with Equipment Finance Limited (EFL), a wholly-owned subsidiary of Fisher & Paykel Finance Limited. Under the terms of the dealer agreement, EFL enter into a lease agreement with the Company's customers (where agreed by all parties) and EFL make an upfront payment for the use of the Company's hardware products. Under the revenue recognition policy for hardware income it is deemed that the Company in substance retains the significant risks and rewards of ownership of the hardware assets. Revenue relating to hardware is therefore accounted for as operating leases and recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease, and any amounts received in advance are included in liabilities. Under the terms of the Dealer agreement, the Company would be liable to repay EFL in the event the customer operating lease was cancelled prior to the end of the agreed term.

	Group		Company	
	2014	2013	2014	2013
	\$	\$	\$	\$
Opening balance	6,783,724	3,547,876	6,783,724	3,547,876
Amounts deferred during the period	6,043,191	6,784,336	6,043,191	6,784,336
Amount recognised in the Statement of Comprehensive Income	(4,323,449)	(3,548,488)	(4,323,449)	(3,548,488)
	<u>8,503,466</u>	<u>6,783,724</u>	<u>8,503,466</u>	<u>6,783,724</u>

At 31 March 2014, \$4,632,303 (2013: \$2,923,754) is expected to be recognised in the Statement of Comprehensive Income in the next financial period and has therefore been classified as a current on the balance sheet.



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Note 17 Financial risk management

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

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

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

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

The Group holds the following financial instruments:

Group	2014		2013	
	\$	\$	\$	\$
	Loans and receivables	Other amortised	Loans and receivables	Other amortised
Financial assets				
Cash and cash equivalents	9,155,825	-	3,448,248	-
Trade and other receivables	887,681	-	414,849	-
	10,043,506	-	3,863,097	-
Financial liabilities				
Bank overdraft	-	-	-	270,040
Borrowings	-	3,101,274	-	1,720,000
Trade and other payables	-	8,441,093	-	4,446,126
	-	11,542,367	-	6,436,166
Parent				
	2014		2013	
	\$	\$	\$	\$
	Loans and receivables	Other amortised cost	Loans and receivables	Other amortised cost
Financial assets				
Amount owing from subsidiary	-	-	-	-
	-	-	-	-
Financial liabilities				
Bank overdraft	-	-	-	270,040
Borrowings	-	-	-	-
Trade and other payables	-	8,341,097	-	4,439,196
Amount owing to subsidiary	-	3,329,864	-	1,778,332
	-	11,670,961	-	6,487,568

(a) Credit risk

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

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

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

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

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

Refer to note 10 for an aging profile for the Group's trade receivables at reporting date.



EROAD LIMITED
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Note 17 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 [x] days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Maturities of financial liabilities

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

Group 2014	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows contractual	Carrying amount of liabilities amount liabilities
	\$	\$	\$	\$	\$
Non-derivative financial liabilities					
Bank overdraft	-	-	-	-	-
Trade and other payables	8,441,093	-	-	8,441,093	8,441,093
Borrowings	3,140,137	-	-	3,140,137	3,101,274
	11,581,230	-	-	11,581,230	11,542,367
<hr/>					
Group 2013	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
	\$	\$	\$	\$	\$
Non-derivative financial liabilities					
Bank overdraft	270,040	-	-	270,040	270,040
Trade and other payables	4,446,126	-	-	4,446,126	4,446,126
Borrowings	500,000	1,250,904	-	1,825,074	1,720,000
Derivative financial assets/(liabilities)					
Forward exchange contracts	-	-	-	-	-
	5,216,166	1,250,904	0	6,541,240	6,436,166
<hr/>					
Parent 2014	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows contractual	Carrying amount of liabilities amount liabilities
	\$	\$	\$	\$	\$
Bank overdraft	-	-	-	-	-
Borrowings	-	-	-	-	-
Trade and other payables	8,341,099	-	-	8,341,099	8,341,099
Amount owing to subsidiary	3,490,655	-	-	3,490,655	3,329,864
	11,831,754	-	-	11,831,754	11,670,963
<hr/>					
Parent 2013	1 year or less	Over 1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount of liabilities
	\$	\$	\$	\$	\$
Bank overdraft	270,040	-	-	270,040	270,040
Borrowings	-	-	-	-	-
Trade and other payables	4,439,196	-	-	4,439,196	4,439,196
Amount owing to subsidiary	1,908,711	-	-	1,908,711	1,778,332
	6,617,947	-	-	6,617,947	6,487,568

(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.



EROAD LIMITED
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Note 17 Financial risk management (continued)

Foreign currency risk

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

	2014	2013
	\$	\$
AUD 1	0.94	N/A
USD 1	0.86	N/A

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

2014	AUD	USD
	\$	\$
Cash and cash equivalents	0	323,130
2013	AUD	USD
	\$	\$
Cash and cash equivalents	-	-

Interest rate risk

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

Group	2014		2013	
	%	Carrying amount \$	%	Carrying amount \$
Bank overdraft	6.5%	-	6.5%	270,040
Shareholder loan	-	-	8.5%	500,000
Secured bank loan	6.5%	3,101,274	6.5%	1,220,000
Net exposure to interest rate risk		3,101,274		1,990,040
Parent	2014		2013	
	%	Carrying amount \$	%	Carrying amount \$
Bank overdraft	-	-	6.5%	270,040
Net exposure to interest rate risk		-		270,040



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FOR THE PERIOD ENDED 31 MARCH 2014

Note 17 Financial risk management (continued)

Summarised sensitivity analysis

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

Group 2014	Foreign currency risk ⁽¹⁾				Interest rate risk ⁽²⁾			
	-10%		+10%		-100bps		+100bps	
	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Cash and cash equivalents	(27,789)	(27,789)	27,789	27,789	(91,558)	(91,558)	91,558	91,558
Borrowings	-	-	-	-	31,013	31,013	(31,013)	(31,013)
Total increase/ (decrease)	(27,789)	(27,789)	27,789	27,789	(60,545)	(60,545)	60,545	60,545

Group 2013	Foreign currency risk ⁽¹⁾				Interest rate risk ⁽²⁾			
	-10%		+10%		-100bps		+100bps	
	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Cash and cash equivalents	-	-	-	-	(34,482)	(34,482)	34,482	34,482
Bank overdraft	-	-	-	-	2,700	2,700	(2,700)	(2,700)
Borrowings	-	-	-	-	17,200	17,200	(17,200)	(17,200)
Total increase/ (decrease)	-	-	-	-	(14,582)	(14,582)	14,582	14,582

Parent 2014	Foreign currency risk ⁽¹⁾				Interest rate risk ⁽²⁾			
	-10%		+10%		-100bps		+100bps	
	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Bank overdraft	-	-	-	-	-	-	-	-
Amount owing to subsidiary	-	-	-	-	33,299	33,299	(33,299)	(33,299)
Total increase/ (decrease)	-	-	-	-	33,299	33,299	(33,299)	(33,299)

Parent 2013	Foreign currency risk ⁽¹⁾				Interest rate risk ⁽²⁾			
	-10%		+10%		-100bps		+100bps	
	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$	Profit \$	Equity \$
Bank overdraft	-	-	-	-	2,700	2,700	(2,700)	(2,700)
Amount owing to subsidiary	-	-	-	-	17,783	17,783	(17,783)	(17,783)
Total increase/ (decrease)	-	-	-	-	20,483	20,483	(20,483)	(20,483)

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

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

(d) Capital management

The Group's target is to maintain a strong capital base so as to sustain future development of the business. The primary capital management measures assessed by the Board are the return on capital employed and the debt to capital ratio.

The Board monitors the return on capital employed, which the Group defines as reported EBIT (Earnings Before Interest and Tax) divided by capital employed. The Group's target is to achieve a return on capital in excess of xx% over a rolling 12 month period. [Example only - Populate for capital management policies relevant for Actronic]

(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.

Foreign exchange contracts carried at fair value are considered to be valued at Level 2, which means inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).



EROAD LIMITED
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Note 18 Capital Commitments

The capital expenditure commitments as at 31 March 2014 are \$Nil. (2013: \$Nil).

Note 19 Contingent Liabilities

There are no contingent liabilities (2013: nil)

Note 20 Events subsequent to Balance Date

There are no other events subsequent to balance date which have not already been taken up in the accounts (2013: Nil).

Note 21 Reconciliation of Cash flows

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
<i>Reconciliation of operating cash flows with reported profit/(loss) after tax:</i>				
Comprehensive Income/ (loss) for the period	2,941,530	(297,965)	2,943,940	(293,584)
Add/(less) non-cash items				
Other non-cash expenses/(income)	(3,502,193)	(2,759,597)	(3,490,995)	(2,782,305)
Tax asset recognised	(1,921,753)	-	(1,921,753)	-
Depreciation	2,967,545	2,036,933	2,967,545	2,036,933
	(2,456,401)	(722,664)	(2,445,203)	(745,372)
Add/(less) movements in other working capital items:				
Decrease/(increase) in debtors	(583,505)	(290,857)	(513,779)	(290,857)
Decrease /(increase) in inventory	(411,723)	-	(411,723)	-
Increase/(decrease) in deferred income	6,043,190	6,784,337	6,031,998	6,784,337
Increase /(decrease) in trade payables and accruals	3,173,704	1,043,879	3,080,641	1,043,879
	8,221,666	7,537,359	8,187,137	7,537,359
Net cash from operating activities	8,706,795	6,516,729	8,685,874	6,498,402



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Note 22 Related party transactions

During the period, the following transactions took place between the Parent and related parties:

2014				\$	\$	\$	\$	\$
	Principal Activities	Country of incorporation	Nature of Relationship	Sales	Purchases	Management Fees	Debtors	Payables
Eroad Financial Services Ltd	Financing activities with in group	New Zealand	Subsidiary	-	158,263	-	-	3,329,864
Eroad (New Zealand) Ltd	Non Trading	New Zealand	Subsidiary	-	-	-	-	-
Eroad (Australia) Pty Limited	Non Trading	Australia	Subsidiary	-	-	-	-	-
Eroad Inc	Non Trading	USA	Subsidiary	-	-	-	80,315	-
				-	158,263	-	80,315	3,329,864

2013				\$	\$	\$	\$	\$
	Principal Activities	Country of incorporation	Nature of Relationship	Sales	Purchases	Management Fees	Debtors	Payables
Eroad Financial Services Ltd	Financing	New Zealand	Subsidiary	-	130,379	-	-	1,778,332
Eroad (New Zealand) Ltd	Non Trading	New Zealand	Subsidiary	-	-	-	-	-
Eroad (Australia) Pty Limited	Non Trading	Australia	Subsidiary	-	-	-	-	-
Eroad Inc	Non Trading	USA	Subsidiary	-	-	-	-	-
NMC Investment Trust			Related Party	-	-	-	-	500,000
				-	130,379	-	-	2,278,332

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash on demand. None of the balances is secured.

The subsidiaries of the Company are:

Company	Country of Incorporation	Interest %	Principal activity
Eroad Financial Services Ltd	New Zealand	100	Financing activities within the Group
Eroad (New Zealand) Ltd	New Zealand	100	Non Trading
Eroad (Australia) Pty Limited	Australia	100	Non Trading
Eroad Inc	United States of America	100	Non Trading

Note 23 Key management personnel disclosures

Key management personnel compensation comprised:

	2014	2013
	\$	\$
Short-term employee benefits	2,048,848	1,705,521

(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. These purchases are on the same terms and conditions as those entered into by other Group employees or customers and are trivial or domestic in nature.

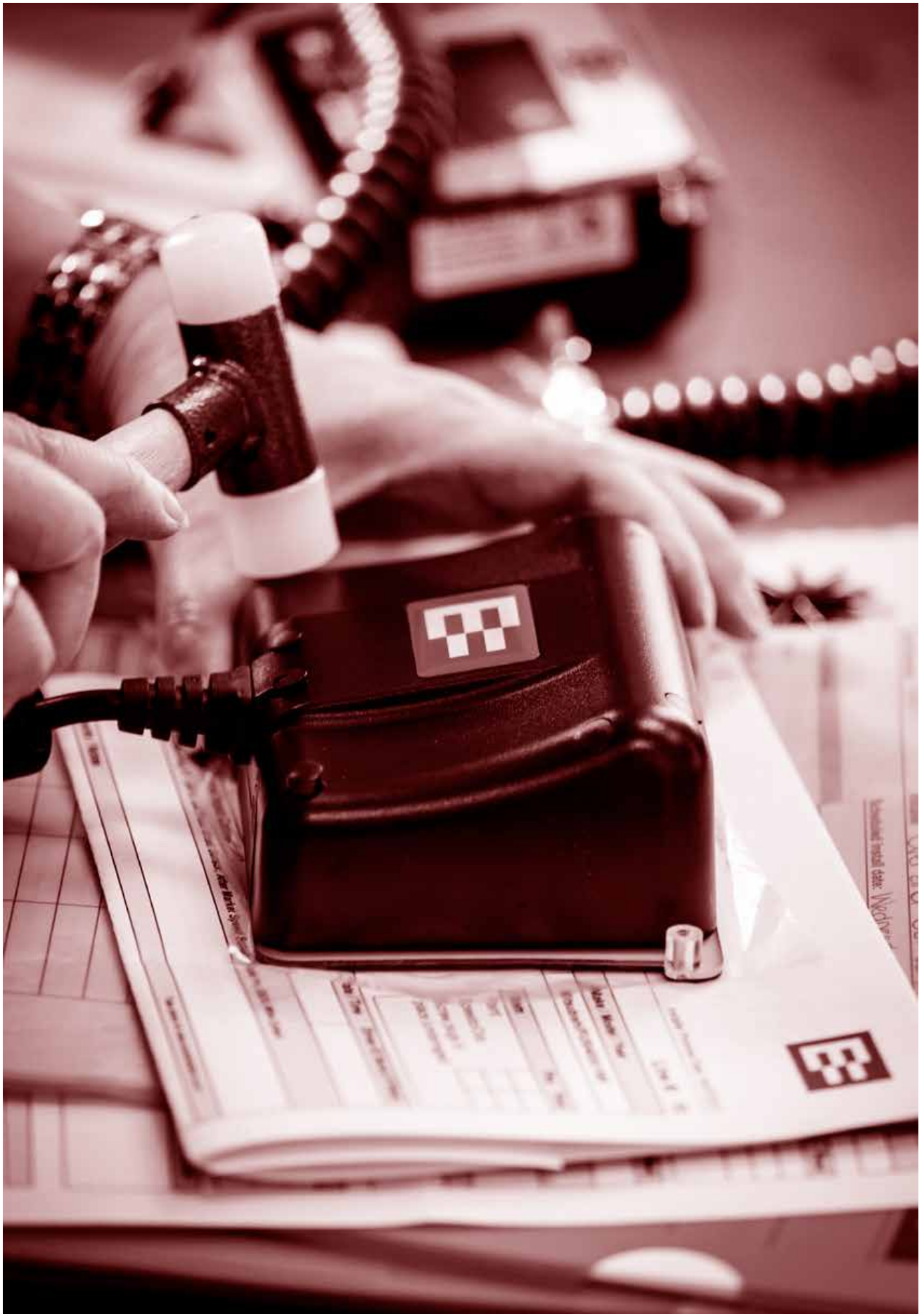
(c) Remuneration of Non-executive Directors

	Directors Fees
Michael Bushby	40,000
Anthony Gibson	28,000
Sean Kean	37,000

(d) Remuneration of Executive directors

			2014	2013
			\$	\$
Executive Directors	Salary and bonus	Total remuneration	596,753	884,172







DIRECTORY

EROAD

EROAD Limited

260 Oteha Valley Road
Albany, Auckland 0632

REGISTRAR

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Services Limited**

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LEGAL ADVISERS TO EROAD

Chapman Tripp

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23-29 Albert Street, Auckland 1010

AUDITOR AND INVESTIGATING ACCOUNTANT

KPMG

KPMG Centre
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SOLE LEAD MANAGER

First NZ Capital Securities Limited

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CO-MANAGER

Deutsche Craigs Limited

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48 Shortland Street, Auckland 1010

EROAD PROSPECTUS
INITIAL PUBLIC OFFERING OF
ORDINARY SHARES IN EROAD LIMITED

