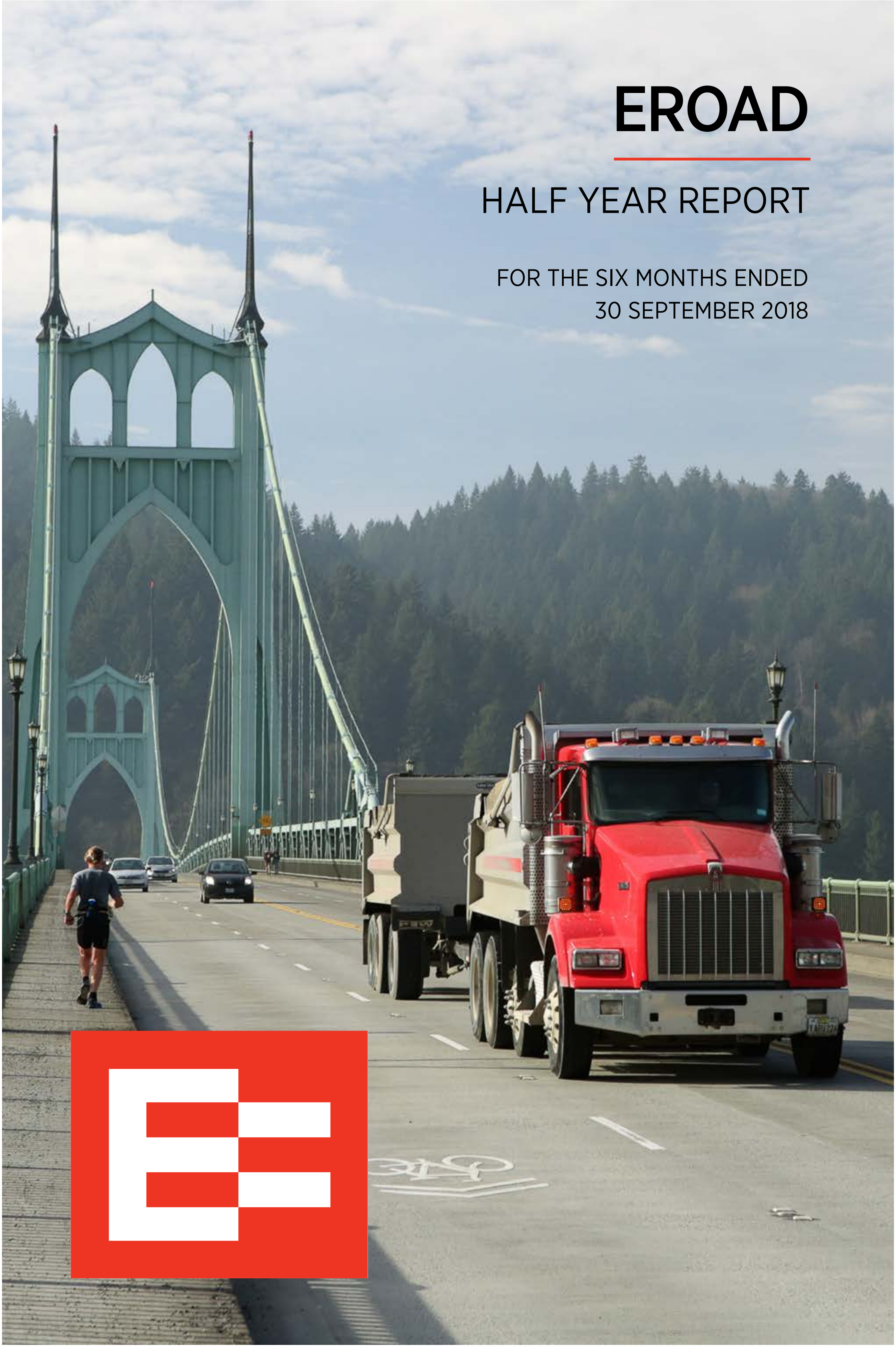
EROAD

HALF YEAR REPORT

FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2018



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Motorways
LFW405
Hogan

EROAD at a Glance

EROAD was established in 2000 to develop an electronic solution to modernize New Zealand's paper-based Road User Charges (RUC) system. EROAD now helps its customers meet their ever-increasing regulatory and fleet management requirements with an easy to use system.

EROAD's services include road charging and tax compliance, health and safety improvement, and fuel, fleet, vehicle management and asset tracking solutions. These services benefit our customers, as well as communities and the wider public, through encouraging safer driving practices, and providing valuable data analytics about our road networks to help improve the planning, maintenance and management of our roads.

In the last year EROAD's platform has supported journeys of more than 3.2 billion kilometres travelled by trucks and light vehicles in New Zealand, Australia and the United States of America. EROAD collects more than 80% of heavy vehicle RUC collected electronically in NZ, around $0.5 billion annually.

EROAD introduced the first electronic Weight Mile Tax (WMT) service in the USA in 2014, and the first independently-verified, comprehensive Electronic Logging Device (ELD) service in 2017.

EROAD has built a well-established business in New Zealand that is now a vital part of the transport ecosystem. The company is investing to expand its business in New Zealand, Australia and North America to pursue significant growth opportunities. EROAD continues to deliver intuitive solutions to serve our communities and help our customers, government agencies and stakeholders succeed. We work closely with customers and government agencies to understand both customer needs and regulatory frameworks to ensure our solutions are mutually-beneficial for all parties. We believe every community deserves the peace of mind of safe roads, and efficient and sustainable road transportation. That is why we develop easy to use, accurate, and reliable solutions that solve complex transportation problems.

Summary of the Six Months*

- Continued solid growth in New Zealand and relaunch in Australia
- Contracts signed with new and existing enterprise customers. Existing enterprise customers are installing units in additional vehicles within their fleets, providing a steady pipeline for second-half year in New Zealand
- EROAD wins Exporter of the Year to the USA in the $1 million to $10 million category at the American Chamber of Commerce in New Zealand AmCham DHL Express Success & Innovation Awards
- New service launched for civil contracting and construction sector, enabling easy tracking for powered and non-powered equipment and assets
- EROAD wins EY Debt Deal of the Year at the INFINZ 2018 industry awards for its $48 million multi-option credit facility with BNZ to support customer leasing of in-vehicle units
- Graham Stuart appointed chair of EROAD board of directors (former chair Michael Bushby remains on EROAD board)
- Senior leadership team was enhanced and expanded. Chief Marketing Officer Genevieve Tearle joined the business in September 2018, and Chief Financial Officer Alex Ball and the General Manager of Human Resources Mike Sweet were both appointed, commencing January 2019. In the US, a number of key appointments have been made to deepen marketing, sales and finance capability and complete our full North American leadership team.
- EROAD adopts new accounting standards, including NZ IFRS 15 and early adoption of NZ IFRS 16, which represents a significant change in the way the company recognises revenue and costs relating to contracts with its customers.

Units on Depot

86,240

up over 30 Sept 2017 by

+45%

Revenue

$28.5m

up over same period last year by

+46%

Customer Retention Rate

98%

Future Contracted Income (FCI)

$115m

up over 30 September 2017 by

+40%

Net Loss before tax

$(3.6)m

* As a result of adoption of new accounting standards, comparative numbers have been restated for GAAP and Non-GAAP measures. All comparative numbers referred to in this report and comparative growth rates refer to restated balances. Refer to note 2 of the financial statements.

CEO's Report

This year is about investing in the business to build a platform that scales for the next stage of growth. We have invested in leadership, talent, systems and processes. Towards the end of the previous financial year, we raised capital to enable us to reinvest for future growth, and we have made considerable progress towards this goal.

At the same time, we have continued to grow solidly, off a larger customer base following last year's record growth, which is encouraging. However, we've learned a lot from a year of rapid growth, and this is guiding our reinvestment to sustain future growth at scale.

Total Contracted Units on EROAD's platform at 30 September 2018 were 86,240, a gain of 45% on the same period last year, supporting revenue growth of 46%. Our EBITDA margin for the period is 22%, compared to 17.5% a year ago. Our loss of $3.6 million before tax for the half-year compares to $4.2 million for the same period last year. We faced higher costs in the six months as we built our leadership team at a Group level and in the US, we laid the groundwork for our Australian expansion and we commenced the upgrade of our business systems. We also incurred one-off professional fees to support our due diligence on an inorganic opportunity.

Although US growth rates have moderated from last year's high levels, the medium and long-term trends and opportunities for regulatory telematics in our markets remain positive. EROAD is well-positioned to leverage its R&D investment that has delivered a market-leading platform. The regulatory environment, as well as commercial drivers, are moving increasingly to electronic systems. Set against this backdrop, EROAD is well-placed to help its customers navigate ever more complex compliance, record-keeping and other auditable tasks as well as operate more efficiently.

EROAD's Future Contracted Income rose 40% on the comparative balance last year to $115 million, reflecting continued customer growth and our high customer retention rate of 98%. We anticipated more uneven growth this year, reflecting longer sales cycles with enterprise customers in New Zealand, and the US ELD market moving into a new phase following the initial December 2017 mandate deadline. Revenue rose 46% to $28.5 million and operating expenses were up 38% to $22.3 million. We expect a continued elevated level of expenditure through the second half as we continue to spend according to strategic and capital raise plans.

NEW ZEALAND/AUSTRALIA MARKET

Total Contracted Units in New Zealand and Australia grew to 65,285 at 30 September 2018, a growth rate of 31% since 30 September 2017.

New and existing enterprise customers continued to acquire additional units as they equip more of their vehicles with EROAD's technology. In addition, almost half of all contracted units under customer leases that were renewed in the six months were upgraded to Ehubo2 units, enabling the provision of additional services to customers, including health and safety services. Our new orders mean we begin the second half of the year with a steady pipeline as well as encouraging future prospects.

During the six months we also re-launched in the Australian market and we began hiring for specialised sales capability to expand our footprint within this market. We see an opportunity to further leverage our platform in Australia, beyond the current organic growth of our trans-Tasman customers. Australia's health and safety compliance regime (including chain of responsibility rules) has similar dynamics to New Zealand and moves towards other regulatory services, such as fringe benefit tax, fuel tax credits and electronic work diaries, are gaining momentum. Further out, interest in road user charging is increasing. We are doing this in a cost-effective manner by leveraging the capabilities and resources in the New Zealand business.

NORTH AMERICAN MARKET

For the six months to end of September 2018, growth in unit sales in North America moderated from last year's very high levels. Although Total Contracted Units in NA grew to 20,955 units, up 115% since 30 September 2017, sales in the last six months, though continuing at higher levels than pre-ELD, fell short of expectations. NA units increased by 36% (annualized) in the six months to 30 September 2018. The 3,198 units added were 12% below the comparative six months last year. EBITDA for our US business was -$0.4m. While disappointing, this was driven by a relatively flat period in the ELD market after the scramble for sales ahead of the December 2017 deadline. Our goal is profitable growth in US matching the position we have achieved in the New Zealand business, as we continue to track towards positive operating cash flows in our US business

EROAD's North American growth opportunities remain exciting, as the market continues to move towards a growing role for regulatory telematics. We have established a scalable platform for growth in North America and now have the people, products and increasingly the ability to win target customers. We have a comprehensive local leadership team in place, with deep US telematics experience, to drive scale.

During the six months, we commenced our strategic refresh in North America, which was completed in October 2018. This confirmed that we are on the right track, but brought additional focus to how we prioritise our efforts to market segments where our capabilities are well matched, and which offer higher returns on investment.

EROAD is releasing hours of service rulesets for specific product verticals and US states where we believe we have a competitive advantage. For example, since releasing our ruleset for the oilfields sector, in September 2018, we have attracted new business in that industry. The ELD market has moved from its pre-mandate deadline 'scramble' into a more continuous improvement phase. Interestingly, a number of customers who were reluctant purchasers of ELDs (as it was a requirement mandated by federal law) have now realised the wider benefits of EROAD's platform. Since September 2017, over 60% of units have been upgraded by customers, who are now enjoying the benefits of managing commercial services and regulatory compliance on an easy-to-use, single platform. We will also be keeping a keen eye on targeted opportunities arising from fleets with Automatic On-Board Recording Devices (AOBRDs) who were given an additional two years 'grandfather rights' until December 2019, to comply with the ELD mandate new paragraph.

One of the challenges we face in the USA with the expansion of the ELD market is that this has attracted the attention of non-practicing patent entities (NPPE). EROAD has been approached by one such company who claims that EROAD infringes a number of its patents. We strongly assert that we do not infringe the patents and have informed this NPPE that we will seek our attorney fees from them in the event we succeeded in any potential litigation, although no infringement action has been filed. Unfortunately, dealing with issues like this is part of the risk of doing business in the USA. We are implementing our plans to combat this issue, which will carry some cost in legal services.

BUILDING A PLATFORM FOR GROWTH AND STRENGTHENING OUR TEAM

We're pleased with the progress we've made, since our capital raise ($21.5 million in late FY18), to invest for our next phase of growth. We have started to deploy the capital raised, including upgrading customer support systems to maintain high service levels as well as providing working capital for inventory growth.

We deployed around $5 million to replace non-bank lender funding to simplify EROAD's funding structure and operational activities. Finally, we are using around $12.5 million to develop and expand disruptive product offerings, and to build a digital ecosystem to better collect and analyse transport data.

We've also refreshed our governance roles and senior leadership team to help us with the next part of our journey. We're delighted that Graham Stuart accepted an invitation to chair EROAD's board of directors, and equally pleased that departing chair Michael Bushby stays on, lending his continued expertise, including a deep understanding of the Australian environment. The EROAD team is grateful to Michael for his guidance, dedication and leadership over the last six years.

Graham offers a range of strategic and financial skills, which will hold us in good stead for achieving our long-term strategy and to assist us in growing shareholder value.

At an executive level, we farewelled CFO Jason Dale. Jason played a key role in EROAD's investment in back office systems as well as our recent capital raise, and we appreciate the skills and expertise he brought to the business. Thanks also to Rebecca McKaskell and Sara Goessi who led our human resources and communications teams respectively for many years, and whose contributions to the business since its early days are appreciated. We're delighted to welcome our new Chief Marketing Officer Genevieve Tearle to the company. Chief Financial Officer Alex Ball and General Manager Human Resources Mike Sweet will both join us in January 2019.

CHANGE IN ACCOUNTING TREATMENT

EROAD has elected to early adopt the new lease standard NZ IFRS 16 in conjunction with the new revenue standard NZ IFRS 15 which was effective from 1 April 2018. Under the existing lease standard NZ IAS 17, many of EROAD's customer contracts meet the definition of a lease and, therefore, lease accounting as a lessor was applied. These same contracts do not meet the definition of a lease under NZ IFRS 16. The contracts, therefore, are accounted for as service contracts under IFRS 15.

This represents a significant change in the way the company recognises revenue and costs relating to its contracts with customers. Most significantly, the company no longer recognises upfront revenues for outright sales, installation services, sale of accessories or finance leases. EROAD now recognises these revenue streams evenly over the contract term, typically over 3 years. Other impacts from adopting the new accounting standards include a reduction in the capitalisation of costs associated with establishing the customer contracts.

None of this changes the underlying performance of the business but has the benefit of producing financial numbers that even more closely reflect true operating cash flows in the business, as hardware related revenue decreases gradually over time and EROAD more closely resembles a SaaS subscription business.

Results presented for this half year, as well as comparative numbers for the last financial year and last half year, have been restated to reflect these changes. This change is discussed more fully in our Financial Review and Financial Statements section of this half year report.

OUTLOOK FOR FULL YEAR 2019

EROAD expects steady growth to continue through the second half of the year while we continue to spend according to strategic and capital raise plans. A solid pipeline for installation of new units already contracted, and ongoing upgrades to Ehubo2 units, points to continued growth in New Zealand. We anticipate additional costs in Australia as we build our in-market sales capability, such investment is likely to run ahead of revenue in the near to medium term. In North America, we expect growth to continue to be lumpy as we target specific verticals and geographies. We, however, are confident that we are well-equipped for our next stage of growth as transport fleets start to more fully understand the benefits of our premium offering in helping them both meet regulatory compliance at lower cost, as well as improving the efficiency of their operations.

While operating expenses will remain at an elevated level as we re-equip the business for its next phase of growth, we are confident our revenue growth will remain solid and that we are building not only a world-best global platform for regulatory telematics but also the systems and channels to better-leverage this investment.

Steven Newman

Steven Newman, CEO

Financial Review

Financial Review

ADOPTION OF NEW ACCOUNTING STANDARDS

The adoption of NZ IFRS 15 Revenue from Contracts with Customers and NZ IFRS 16 Leases has had a significant impact on the way the Group recognises revenue and related costs for its contracts with its customers. Due to a change in the definition of a lease under NZ IFRS 16, the Group together with specialist advice has concluded that its contracts no longer meet the definition of a lease due to the change in determining the extent of control the Group maintains over the assets whilst they are in customers possession. This means that all revenue relating to contracts with customers will be accounted for under NZ IFRS 15.

The impact of adoption of both standards has resulted in recognition of revenue and related costs more evenly over the contract period. This has had a significant impact on the restatement of our comparative numbers with the reversal of revenue and costs for a significant number of units that had previously been reported as finance leases. In addition, as a result of contracts no longer meeting the definition of a lease, initial direct costs of obtaining the lease contract which were previously capitalised under NZ IAS 17, have been reassessed under NZ IFRS 15 and its definition of incremental costs in obtaining specific contracts with customers.

The Group has applied both NZ IFRS 15 and NZ IFRS 16, with restatement of comparative information. For the six months to 30 September 2017 this resulted in a reduction to revenue of $1.3m and increased loss before tax of $0.4m. It is noted that the impact on the second half of FY18 was more significant due to the higher volume of units added in the second half and high number of units accounted for previously as finance leases.

All comparative numbers referenced below are restated numbers.

FINANCIAL PERFORMANCE

Revenue

Operating revenues of $28.5m for the six months to 30 September 2018 were 46% higher than the comparative period last year. Total Contracted Units increased by 45% on the comparative period last year to 86,240.

Our Australian and New Zealand segment contributed revenues of $21.7m, an increase of 32% on the comparative period last year. Total Contracted Units grew 31% on the comparative period to 65,285 at 30 September 2018. Both revenue and unit growth compared to 30 September 2017, reflect the strong growth in the second half of FY18.

Whilst growth in enterprise fleets has slowed compared to the second half of FY18, which was bolstered by some significant deals, volume in the six months to 30 September 2018 continued to be solid.

The North American segment contributed revenues of $6.8m an increase of 144% on the comparative period last year. Total Contracted Units grew to 20,955 at 30 September 2018 an increase of 115% on the comparative period. Both the revenue and unit growth compared to 30 September 2017 reflect the strong growth in the second half of FY18 and revenue has also been impacted by a stronger USD.

Expenses

Operating expenses of $22.3m for the six months to 30 September 2018 were 38% higher than the comparative period. Operating expenses were impacted by costs incurred by the Group acting on strategic initiatives signaled in the FY18 equity raise and other key strategic initiatives, including evaluation of an inorganic growth opportunity which did not proceed. In addition, there was a higher level of R&D costs expensed with higher levels of research and maintenance activities.

Depreciation costs have increased by 28% on the comparative period to $3.1m driven primarily by the growth in Hardware Assets.

Amortisation of Intangible Assets has increased by 16% on the comparative period last year due to higher average values of released development spend subject to amortisation.

Amortisation of costs to acquire customers and contract costs are 34% higher than the comparative period. Under the previous lease standard these costs were capitalised within leased assets and included within Depreciation.

Finance Income and Finance Expenses

Net finance costs of $1.3m are 64% higher than the comparative period last year, primarly a result of higher interest expenses driven by higher levels of borrowings due to the facilities established to assist with funding of our long-term contracts, in addition to higher interest costs as a result of adopting NZ IFRS 15 & 16.

FINANCIAL POSITION & CASH FLOW

Property, Plant & Equipment

Additions to Property, Plant and Equipment amounted to $6.4m for the 6 months to 30 September 2018. $5.3m of these additions relate to additions to hardware assets and hardware assets under construction.

Intangible Assets

During the period a further $3.7m was invested into Development and Software assets, down slightly from $4.2m in the comparative 6-month period. With a higher level of costs being expensed relating to research and maintenance activities. Areas of focus have been continued build out of ELD rulesets, products to support Australian market entry, new asset tracker and platform scalability work.

Cash flows & funding

Cash increased by $0.4m during the six months to 30 September 2018.

Operating cash flows of $7.1m are up from $0.7m in the comparative period. Operating cash flows in the comparative period were suppressed by adverse working capital movements, some of which reversed and contributed to operating cash flows in the current period.

Cash outflows from investing activities were $13.6m for the six-month period, an increase of 18% on the comparative period with higher investment in hardware assets and costs to acquire and contract costs, partly offset by lower investment in intangible assets.

Cash flows from financing activities were $7.0m down from $9.8m in the comparative period due to repayments made on debt facilities.

Net tangible assets per share at 30 September 2018 were $0.36 compared to $0.10 at 30 September 2017.

DIVIDEND

Consistent with its Dividend Policy, EROAD does not intend to pay an interim dividend for the period ended 30 September 2018.

Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

EROAD LIMITED

STATEMENT OF CONDENSED CONSOLIDATED COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		GROUP	
		30 September 2018	30 September 2017
		Unaudited	Unaudited & Restated*
	Notes	$	$
Revenue	3	**28,549,202**	19,569,839
Expenses	4	**(22,348,431)**	(16,149,631)
Earnings before interest, taxation, depreciation and amortisation		**6,200,771**	3,420,208
Depreciation of Property, Plant & Equipment	9	**(3,148,463)**	(2,461,734)
Amortisation of Intangible Assets	10	**(3,078,276)**	(2,655,749)
Amortisation of contract fulfilment and contract acquisition costs		**(2,264,118)**	(1,689,880)
Earnings before interest and taxation		**(2,290,086)**	(3,387,155)
Finance income		**36,343**	5,584
Finance expense		**(1,315,226)**	(801,050)
Net financing costs		**(1,278,883)**	(795,466)
Profit/(loss) before tax		**(3,568,969)**	(4,182,621)
Income tax (expense)/benefit	12	**159,055**	320,372
Profit/(loss) after tax for the year attributable to the shareholders		**(3,409,914)**	(3,862,249)
Other comprehensive income		**(494,379)**	(80,808)
Total comprehensive income/(loss) for the year		**(3,904,293)**	(3,943,057)
Earnings per share - Basic (cents)		(5.10)	(6.44)
Earnings per share - Diluted (cents)		(5.04)	(6.44)

** Refer to note 2*

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

EROAD LIMITED
STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

		GROUP		
		30 September 2018	30 September 2017	31 March 2018
		Unaudited	Unaudited & Restated*	Restated*
	Notes	$	$	$
CURRENT ASSETS				
Cash and cash equivalents	8	**22,271,713**	829,706	21,870,415
Restricted Bank Account		**11,577,642**	10,239,849	9,498,071
Trade and other receivables		**12,115,821**	8,567,963	13,419,427
Contract fulfilment costs		**2,324,544**	1,852,940	2,140,135
Contract acquisition costs		**2,002,401**	1,192,343	1,448,655
Current tax receivable		**7,954**	18,502	21,456
Total Current Assets		**50,300,075**	22,701,303	48,398,159
NON-CURRENT ASSETS				
Property, plant and equipment	9	**27,049,482**	20,495,809	23,848,227
Intangible assets	10	**30,555,544**	30,271,828	29,901,469
Contract fulfilment costs		**2,455,680**	1,942,901	2,204,472
Contract acquisition costs		**1,903,684**	1,092,216	1,635,487
Deferred tax assets		**7,287,060**	4,463,945	6,607,411
Total Non-Current Assets		**69,251,450**	58,266,699	64,197,066
TOTAL ASSETS		**119,551,525**	80,968,002	112,595,225
CURRENT LIABILITIES				
Overdrafts	8	**-**	940,393	-
Borrowings	14	**33,227,344**	16,920,268	10,574,689
Trade payables and accruals		**5,786,093**	3,989,344	4,859,124
Payables to NZTA & ODOT		**11,410,389**	10,215,935	9,439,139
Current tax payable		**-**	18,743	85,245
Contract liabilities	11	**6,375,398**	4,795,346	6,534,101
Lease liabilities		**642,644**	772,182	801,024
Employee entitlements		**1,388,571**	1,187,028	1,147,462
Total Current Liabilities		**58,830,439**	38,839,239	33,440,784
NON-CURRENT LIABILITIES				
Borrowings		-	-	15,908,670
Contract liabilities	11	**4,143,418**	3,952,365	3,639,851
Lease liabilities		**1,633,167**	1,682,726	1,264,690
Deferred tax liabilities		**356,131**	111,438	244,433
Total Non-Current Liabilities		**6,132,716**	5,746,529	21,057,644
TOTAL LIABILITIES		**64,963,155**	44,585,768	54,498,428
NET ASSETS		**54,588,370**	36,382,234	58,096,797
EQUITY				
Share capital	7	**80,612,729**	59,467,161	80,326,438
Translation reserve		**(1,029,019)**	(421,942)	(534,640)
Retained earnings		**(24,995,340)**	(22,662,985)	(21,695,001)
TOTAL SHAREHOLDERS' EQUITY		**54,588,370**	36,382,234	58,096,797

** Refer to note 2*

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

Chairman, 26 November 2018

Executive Director, 26 November 2018

EROAD LIMITED

STATEMENT OF CONDENSED CONSOLIDATED CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

GROUP	Notes	Share Capital $	Retained Earnings $	Translation Reserve $	Total $
Balance as at 1 April 2017 as originally presented - Audited		58,965,367	(13,066,244)	(343,389)	45,555,734
Adjustment on initial application of NZ IFRS 15,16 & 9 (net of tax)	2	-	(5,792,674)	2,255	(5,790,419)
Balance as at 1 April 2017 (restated)*		**58,965,367**	**(18,858,918)**	**(341,134)**	**39,765,315**
Loss after tax for the period (restated)		-	(3,862,249)	-	(3,862,249)
Other comprehensive income		-	-	(80,808)	(80,808)
Total comprehensive loss for the period - net of tax		**-**	**(3,862,249)**	**(80,808)**	**(3,943,057)**
Equity settled share-based payments		37,818	58,182	-	96,000
Share capital issued	7	463,976	-	-	463,976
Balance as at 30 September 2017 - Unaudited (restated)		**59,467,161**	**(22,662,985)**	**(421,942)**	**36,382,234**
Balance as at 1 April 2018 as originally presented - Audited		**80,326,438**	**(12,625,692)**	**(540,182)**	**67,160,564**
Adjustment on initial application of NZ IFRS 15,16 & 9 (net of tax)	2	-	(9,069,309)	5,542	(9,063,767)
Balance as at 1 April 2018 (restated)*		**80,326,438**	**(21,695,001)**	**(534,640)**	**58,096,797**
Loss after tax for the period		**-**	**(3,409,914)**	**-**	**(3,409,914)**
Other comprehensive income		**-**	**-**	**(494,379)**	**(494,379)**
Total comprehesive loss for period - net of tax		**-**	**(3,409,914)**	**(494,379)**	**(3,904,293)**
Equity settled share-based payments		**94,424**	**109,575**	**-**	**203,999**
Share capital issued	7	**191,867**	**-**	**-**	**191,867**
Balance as at 30 September 2018 - Unaudited		**80,612,729**	**(24,995,340)**	**(1,029,019)**	**54,588,370**

*Refer to note 2

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

EROAD LIMITED

STATEMENT OF CONDENSED CONSOLIDATED CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

		GROUP	
		30 September 2018	30 September 2017
	Notes	Unaudited $	Unaudited & Restated* $
Cash flows from operating activities			
Cash received from customers		**30,197,672**	18,229,810
Payments to suppliers and employees		**(21,770,892)**	(17,119,902)
Interest received		**11,152**	5,834
Interest paid		**(1,315,226)**	(760,163)
Tax received/(paid)		**(71,743)**	362,153
Net cash inflow from operating activities	13	**7,050,963**	717,732
Cash flows from investing activities			
Payments for investment in property, plant & equipment		**(6,349,718)**	(4,973,593)
Payments for investment in intangible assets		**(3,732,351)**	(4,264,800)
Payments for investment in contract fulfilment costs		**(1,753,301)**	(1,500,443)
Payments for investment in contract acquisition costs		**(1,768,377)**	(812,204)
Net cash outflow from investing activities		**(13,603,747)**	(11,551,040)
Cash flows from financing activities			
Receipts from bank loans		**12,375,373**	10,833,014
Repayments of bank loans		**(5,631,388)**	(691,834)
Repayments of lease liability		**210,097**	(353,045)
Net cash outflow from financing activities		**6,954,082**	9,788,135
Net increase/(decrease) in cash held		**401,298**	(1,045,173)
Cash at beginning of the financial period		**21,870,415**	934,486
Closing cash and cash equivalents (net of overdraft)		**22,271,713**	(110,687)

**Refer to note 2*

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

NOTE 1 • SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

The condensed consolidated financial statements of EROAD Limited (EROAD), together with its subsidiaries (the "Group"), as at and for the six months ended 30 September 2018, have been prepared in accordance with the New Zealand equivalent to International Accounting Standard 34: "Interim Financial Reporting" (NZ IAS 34), and Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and should be read in conjunction with the financial statements as at and for the year ended 31 March 2018. The Group is a profit oriented entity.

EROAD Limited (the "Company") is a company domiciled in New Zealand, is registered under the Companies Act 1993 and listed on the NZX Main Board. The Company is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Group is involved in providing electronic on-board units and software as a service to the transportation industry.

"The condensed consolidated financial statements for the Group are for the period ended 30 September 2018. The financial statements were authorised for issue by the directors on 26 November 2018 and are unaudited. References in these financial statements to "$" are in New Zealand dollars.

Other than the effect of new accounting standards adopted during the period as disclosed below and in Note 2, the condensed consolidated financial statements have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in EROAD's annual report for the year ended 31 March 2018.

Where presentation has changed in the current period comparative amounts have been restated to align with the current year's presentation.

There is no seasonality or cyclicality influences on the results of the Group.

The following significant group accounting policies have been adjusted as a result of the adoption of new accounting standards disclosed in Note 2.

(a) Use of estimates and judgements

The Group provides a right to use its hardware assets as part of its contracts with customers. Determining whether the contract contains a lease as per the definition of NZ IFRS 16, is a significant judgement requiring consideration as to whether the customer has the right to direct the use of the hardware asset. Historically the company assessed EROAD's customers as having physical control of the EROAD unit and therefore a right to use an asset. Under NZ IFRS 16 the company has determined that EROAD's customers don't have the right to direct the use of EROAD's asset because EROAD continues to have the right and ability to change how the unit operates during the customer's contractual term. The Group determined that customers do not have the right to control the use of its hardware assets and therefore the arrangement does not contain a lease. Therefore the contracts have been accounted for as a services contract under NZ IFRS 15.

The contracts with customers include promises to provide multiple products and services. Determining whether the products and services are considered distinct performance obligations that should be accounted for separately versus together requires significant judgement. The Group provides significant integration services of its hardware assets and installation services when integrating its software and therefore has accounted for these services as one performance obligation.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS

This note discloses the new accounting policies that have been applied from 1 April 2018, where they have changed from those applied in prior periods. The Group has adopted NZ IFRS 15 Revenue from Contracts with Customers, NZ IFRS 16 Leases and NZ IFRS 9 Financial Instruments, with application from 1 April 2018. This note explains the impact of the adoption of NZ IFRS 15, NZ IFRS 16 and NZ IFRS 9 on the Group's financial statements.

In adopting the above new standards, the Group has applied the following:
A. NZ IFRS 15 – In the current year, the Group has applied NZ IFRS 15 from its effective date. The date of initial application of NZ IFRS 15 for the Group is 1 April 2018. The group has applied NZ IFRS 15 using retrospective approach with practical expedients and restatement of comparative information.

B. NZ IFRS 16 – In the current year, the Group has applied NZ IFRS 16 in advance of its effective date. The date of initial application of NZ IFRS 16 for the Group is 1 April 2018. The group has applied NZ IFRS 16 using the full retrospective approach, with restatement of comparative information.

C. NZ IFRS 9 – The Group has applied NZ IFRS 9 modified retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

The effect of initially applying these standards is mainly attributed to:

- Reversing previous sales and associated cost of sales of all contracts deemed "finance leases" under the old lease standard;
- Deferral of the recognition of revenue relating to eHubo hardware sales, installations and accessories;
- Expensing of costs capitalised for contract establishment costs under the old lease standard;
- Recognition of right to use assets and associated liabilities where EROAD is the lessee; and
- Minimal impact arising from application of the Group's expected credit loss model.

The decision was made to early adopt NZ IFRS 16, as while under the existing Leases standard NZ IAS 17, many of EROAD's customer contracts met the definition of a lease and lease accounting as a lessor was applied, these same contracts do not meet the definition of a lease under NZ IFRS 16 and would therefore be accounted for as service contracts under IFRS 15. Without early adoption of IFRS 16 EROAD would effectively be restating revenue again for the year ended 31 March 2020 on adoption of the new lease standard. The Board believes that in early adopting the new lease standard the potential confusion created around EROAD's revenues is eliminated and this method will provide more relevant and understandable information for the user of the financial statements.

(A) Revenue

Under NZ IFRS 16, a customer contract contains a lease based on whether the customer has the right to direct the use of an asset, in this case being the EROAD eHubo or Tubo (the unit). This differs from the definition under NZ IAS 17 which defines a lease as an agreement providing the customer the right to use an asset. Historically the company determined that EROAD's customers had physical control of the EROAD unit and therefore a right to use an asset and consequently a lease. Under NZ IFRS 16, the focus is on the right to direct the use of the asset and the company has determined that EROAD's customers do not have that right as EROAD continues to have the right and ability to change how the unit operates during the customer's contractual term. These contracts therefore no longer meet the definition of a lease and are accounted for as service contracts under NZ IFRS 15.

NZ IFRS 15 replaces NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts. The standard applies to all revenue arising from contracts with customers unless those contracts are within the scope of another standard. The standard is based on a five-step model to account for revenue arising from contracts with customers. Under NZ IFRS 15, revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also specifies the accounting for incremental costs of obtaining a contract with a customer and for the costs incurred to fulfil a contract with a customer if those cost are not within the scope of another standard.

Application of the new lease definition represents a change in the way the company recognises revenue and costs relating to its contracts with customers. The company no longer recognises revenues at the point of dispatch to the customer from contracts for outright sales of an EROAD units, installation services, sale of accessories or entering finance leases. EROAD now recognises these revenue streams over the contract term, typically 3 years. Other impacts from adopting the new accounting standards include a reduction in the capitalisation of costs associated with establishing the customer contracts.

The following new revenue accounting policies have been adopted:

Software as a service revenue

The Group generates revenue through the sale of hardware assets, rental of hardware assets, installation of hardware assets and provision of software services as part of contracts with customers as part of a bundled package. These hardware units enable customers to access the software platform offered by the Group. The transaction involving hardware and accessories do not convey a distinct good or service. The sale does not transfer control to the customer as the Group provides a significant service of integrating the software service to produce a combined output. The sale of the hardware, accessories and software service are referred to as Software as a Service (SaaS) revenue, which is recognised over time as the customer simultaneously receives and consumes the benefits of the service. The Group concluded that the customer is expected to benefit from the services evenly over the period of delivery being the contract period and as a result would recognise revenue on a straight line basis of the contract period.

The Group has applied a policy of capitalising only costs that are incremental in obtaining contracts with customers.

The timing of revenue recognition may differ from the timing of invoicing to customers and the receipt of consideration. A contract liability is recognised where consideration is received in advance of the completion of associated performance obligations. A contract asset is recognised where performance obligations are completed in advance of receiving consideration and invoicing the customer.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

Installation

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

(B) Leases

The Group separates the components of a contract into the lease and non-lease component and classifies the lease component as a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For all leases where EROAD is the lessee; except short-term leases and leases of low value assets (based on the nature of the asset and its value), the Group:

a) recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of comprehensive income; and

c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under NZ IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

The right-of-use assets are tested for impairment in accordance with NZ IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts on operating leases. For short term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by NZ IFRS 16.

(C) Financial Instruments

The Group classifies its financial assets as being measured at amortised cost. At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

The Group assesses on a forward-looking basis, the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. In assessing whether there has been a significant increase in credit risk, the Group considers both forward looking and financial history of counterparts to assess the probability of default or likelihood that full settlement is received.

For trade receivables, the Group applies the simplified approach permitted by NZ IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due. The expected credit loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation. This is based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Trade Receivables

The Group's trade receivables are subject to NZ IFRS 9's expected credit loss model. The Group has applied the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. To measure expected credit losses, trade receivables have been grouped and reviewed on the basis of the number of days past due. The expected credit loss allowance has been calculated by considering the impact of the following characteristics:

- The Baseline characteristic considers the age of each invoice and applies an increasing expected credit loss estimate as the trade receivable ages.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

- The Aging and Write offs characteristics consider the history of write off related to the specific customer and the relative size of aged debt to current debt. If the trade receivable aged over 180 days makes up more than 50% of the total trade receivable for a specific customer, further provision for expected credit loss is added.
- The Country, Customer and Market characteristics consider the relative risk related to the country and/or region within which the customer resides and makes an assessment of the financial strength of the customer and the market position that the Group has achieved within that market.

This note discloses the new accounting policies that have been applied from 1 April 2018, where they have changed from those applied in prior periods. The Group has adopted NZ IFRS 15 Revenue from Contracts with Customers, NZ IFRS 16 Leases and NZ IFRS 9 Financial Instruments, with application from 1 April 2018. This note explains the impact of the adoption of NZ IFRS 15, NZ IFRS 16 and NZ IFRS 9 on the Group's financial statements.

As a result of the changes in the entity's accounting policies, prior year financial statements are restated to reflect these changes. The adjustments from the adoption of NZ IFRS 15 and NZ IFRS 16 have been explained in Note 2(a) and Note 2(b) respectively. The tables below detail the adjustments recognised for each individual line item.

STATEMENT OF CONDENSED CONSOLIDATED COMPREHENSIVE INCOME AS AT 30 SEPTEMBER 2017	As originally presented					Restated
Unaudited	$	2(a)(i) $	2(a)(ii) $	2(b)(i) $	2(b)(ii) $	$
Revenue	20,905,733	(404,052)	(289,215)	(642,627)	-	19,569,839
Expenses	(16,940,596)	848,719	-	(490,134)	432,380	(16,149,631)
Earnings before interest, taxation, depreciation and amortisation	3,965,137	444,667	(289,215)	(1,132,761)	432,380	3,420,208
Depreciation of Property, Plant & Equipment	(4,638,052)	(355,402)	-	2,861,386	(329,666)	(2,461,734)
Amortisation of Intangible Assets	(2,655,749)	-	-	-	-	(2,655,749)
Amortisation of contract fulfillment and contract aquisition costs	-	-	-	(1,689,880)	-	(1,689,880)
Earnings before interest and taxation	(3,328,664)	89,265	(289,215)	38,745	102,714	(3,387,155)
Finance income	44,732	-	-	(39,148)	-	5,584
Finance expense	(482,327)	(41,872)	(74,145)	(123,607)	(79,099)	(801,050)
Net financing costs	(437,595)	(41,872)	(74,145)	(162,755)	(79,099)	(795,466)
Profit/(loss) before tax	(3,766,259)	47,393	(363,360)	(124,010)	23,615	(4,182,621)
Income tax (expense)/benefit	149,750	8,986	100,132	69,137	(7,633)	320,372
Profit/(loss) from continuing operations	(3,616,509)	56,379	(263,228)	(54,873)	15,982	(3,862,249)
Other comprehensive income	(80,808)	-	-	-	-	(80,808)
Total comprehensive income/(loss) for the year	(3,697,317)	56,379	(263,228)	(54,873)	15,982	(3,943,057)
Earnings per share - Basic (cents)	(6.03)	0.09	(0.44)	(0.09)	0.03	(6.44)
Earnings per share - Diluted (cents)	(6.03)	0.09	(0.44)	(0.09)	0.03	(6.44)

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION AS AT 30 SEPTEMBER 2017	As originally presented					Restated
		2(a)(i)	2(a)(ii)	2(b)(i)	2(b)(ii)	
Unaudited	$	$	$	$	$	$
CURRENT ASSETS						
Cash and cash equivalents	829,706	-	-	-	-	829,706
Restricted Bank Account	10,239,849	-	-	-	-	10,239,849
Trade and other receivables	8,567,963	-	-	-	-	8,567,963
Contract fulfillment costs	-	-	-	1,852,940	-	1,852,940
Contract aquisition costs	-	-	-	1,192,343	-	1,192,343
Finance lease receivable	776,654	-	-	(776,654)	-	-
Current tax receivable	18,502	-	-	-	-	18,502
Total Current Assets	20,432,674	-	-	2,268,629	-	22,701,303
NON-CURRENT ASSETS						
Property, plant and equipment	26,092,420	1,277,086	-	(8,700,966)	1,827,269	20,495,809
Intangible assets	30,271,828	-	-	-	-	30,271,828
Contract fulfillment costs	-	-	-	1,942,901	-	1,942,901
Contract aquisition costs	-	-	-	1,092,216	-	1,092,216
Finance lease receivable	1,434,196	-	-	(1,434,196)	-	-
Deferred tax assets	2,084,612	228,429	746,987	1,348,710	55,207	4,463,945
Total Non-Current Assets	59,883,056	1,505,515	746,987	(5,751,335)	1,882,476	58,266,699
TOTAL ASSETS	80,315,730	1,505,515	746,987	(3,482,706)	1,882,476	80,968,002
CURRENT LIABILITIES						
Overdrafts	940,393	-	-	-	-	940,393
Borrowings	16,920,268	-	-	-	-	16,920,268
Trade payables and accruals	4,345,231	-	-	1	(355,888)	3,989,344
Payables to NZTA & ODOT	10,215,935	-	-	-	-	10,215,935
Current tax payable	18,743	-	-	-	-	18,743
Contract liabilities	-	3,404,717	1,390,629	-	-	4,795,346
Deferred revenue	2,520,429	(2,520,429)	-	-	-	-
Lease liabilities	-	-	-	-	772,182	772,182
Employee entitlements	1,187,028	-	-	-	-	1,187,028
Total Current Liabilities	36,148,027	884,288	1,390,629	1	416,294	38,839,239
NON-CURRENT LIABILITIES						
Contract liabilities	-	2,625,171	1,327,194	-	-	3,952,365
Deferred revenue	1,749,310	(1,749,310)	-	-	-	-
Lease liabilities	-	-	-	-	1,682,726	1,682,726
Deferred tax liabilities	-	68,320	(10,708)	-	53,826	111,438
Total Non-Current Liabilities	1,749,310	944,181	1,316,486	-	1,736,552	5,746,529
TOTAL LIABILITIES	37,897,337	1,828,469	2,707,115	1	2,152,846	44,585,768
NET ASSETS	42,418,393	(322,954)	(1,960,128)	(3,482,707)	(270,370)	36,382,234
EQUITY						
Share capital	59,467,161	-	-	-	-	59,467,161
Translation reserve	(424,197)	7,779	-	(5,526)	2	(421,942)
Retained earnings	(16,624,571)	(330,733)	(1,960,128)	(3,477,181)	(270,372)	(22,662,985)
TOTAL SHAREHOLDERS' EQUITY	42,418,393	(322,954)	(1,960,128)	(3,482,707)	(270,370)	36,382,234

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

GROUP	As at 1 April 2018	As at 1 April 2017
	$	$
Retained earnings as originally presented	(12,625,692)	(13,066,244)
Sale of hardware and accessories (Note 2(a)(i))	(669,333)	(386,805)
Sale of installation services (Note 2(a)(ii))	(2,518,770)	(1,693,899)
Impact of the new definition of a lease (Note 2(b)(i))	(5,621,780)	(3,403,698)
Impact on lessee accounting (Note 2(b)(ii))	(259,426)	(308,272)
Opening retained earnings	(21,695,001)	(18,858,918)

STATEMENT OF CONDENSED CONSOLIDATED CASH FLOWS AS AT 30 SEPTEMBER 2017	As originally presented					Restated
		2(a)(i)	2(a)(ii)	2(b)(i)	2(b)(ii)	
Unaudited	$	$	$	$	$	$
Cash flows from operating activities						
Cash received from customers	17,951,288	41,872	74,145	162,505	-	18,229,810
Payments to suppliers and employees	(17,871,747)	810,086	-	(490,385)	432,144	(17,119,902)
Interest received	44,732	-	-	(38,898)	-	5,834
Interest paid	(441,444)	(41,872)	(74,145)	(123,603)	(79,099)	(760,163)
Tax received	362,153	-	-	-	-	362,153
Net cash inflow from operating activities	**44,982**	**810,086**	**-**	**(490,381)**	**353,045**	**717,732**
Cash flows from investing activities						
Payments for investment in property, plant & equipment	(6,966,535)	(810,086)	-	2,803,028	-	(4,973,593)
Payments for investment in intangible assets	(4,264,800)	-	-	-	-	(4,264,800)
Payments for investment in contract fulfillment costs	-	-	-	(1,500,443)	-	(1,500,443)
Payments for investment in contract acquisition costs	-	-	-	(812,204)	-	(812,204)
Net cash outflow from investing activities	**(11,231,335)**	**(810,086)**	**-**	**490,381**	**-**	**(11,551,040)**
Cash flows from financing activities						
Receipts from bank loans	10,833,014	-	-	-	-	10,833,014
Repayments of bank loans	(691,834)	-	-	-	-	(691,834)
Repayments of lease liability	-	-	-	-	(353,045)	(353,045)
Net cash outflow from financing activities	**10,141,180**	**-**	**-**	**-**	**(353,045)**	**9,788,135**
Net increase/(decrease) in cash held	**(1,045,173)**	**-**	**-**	**-**	**-**	**(1,045,173)**
Cash at beginning of the financial period	934,486	-	-	-	-	934,486
Closing cash and cash equivalents (net of overdrafts)	**(110,687)**	**-**	**-**	**-**	**-**	**(110,687)**

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

The Group notes that the transition adjustments above differ from the estimated impact of NZ IFRS 15 disclosed in our annual report for the year ended 31 March 2018. At the time of reporting the Group did not anticipate early adoption of NZ IFRS 16 nor the significant impact of doing so. This is the first set of Group's financials statements where NZ IFRS 9, 15 and 16 has been applied. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements for the year ended 31 March 2019 with the following estimated impacts on comparatives for key lines of the Statement of Comprehensive Income and Statement of Financial Position:

	As originally presented	Adoption of NZ IFRS 9, 15 & 16	Restated
	31 March 18		**31 March 18**
Statement of Comprehensive Income			
Revenue	51,523,757	(7,245,500)	44,278,257
Earnings before interest, taxation, depreciation and amortisation	15,009,973	(3,953,162)	11,056,811
Earnings before interest and taxation	(530,378)	(3,041,722)	(3,572,100)
Profit/(loss) before tax	(1,544,204)	(3,827,091)	(5,371,295)
Profit/(loss) from continuing operations	209,616	(3,275,557)	(3,065,941)
Statement of Financial Position			
Total Current Assets	46,625,816	1,772,343	48,398,159
Total Non-Current Assets	66,539,591	(2,342,525)	64,197,066
Total Assets	**113,165,407**	**(570,182)**	**112,595,225**
Total Current Liabilities	28,695,890	4,744,894	33,440,784
Total Non-Current Liabilities	17,308,953	3,748,691	21,057,644
Total Liabilities	**46,004,843**	**8,493,585**	**54,498,428**
Total Shareholders Equity	**67,160,564**	**(9,063,767)**	**58,096,797**

Note 2(a) NZ IFRS 15 Revenue from Contracts with Customers

The Group no longer classifies its customer contracts as lease contracts having early adopted the new determination of a lease under NZ IFRS 16. All customer contracts are now accounted for under NZ IFRS 15 as service contracts. Refer to Note 1 for judgements made.

2(a)(i) Sale of hardware and accessories

The Group reversed the revenue received for the sale of hardware and accessories, increasing the deferred revenue balance with a corresponding adjustment to revenue and retained earnings. In addition to this, hardware assets previously de-recognised as part of a sale have been recognised as property, plant and equipment, with a corresponding adjustment being made to depreciation, accumulated depreciation and retained earnings. The hardware assets recognised are measured at cost and depreciated based on their estimated useful economic lives. The impact of the adjustments for each financial statement line item affected is stated above in Note 2.

2(a)(ii) Sale of installation services

Following the adoption of NZ IFRS 15, installation revenue previously recognised has been allocated to a contract liability (deferred revenue) where the contracts have been determined to not yet be complete at the period end, with a corresponding adjustment being made to revenue and retained earnings. The corresponding contract costs associated to the installation of hardware units is concluded to be a cost of fulfilling the contract and has been capitalised as a contract asset by adjusting expenses and retained earnings. The costs of fulfilling the contract are amortised based on the expected useful life of the contract asset. The impact of the adjustments for each financial statement line item affected is stated above in Note 2.

Note 2(b) NZ IFRS 16 Leases

NZ IFRS 16 replaces NZ IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard identifies a lease within a contract if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In addition to this, the standard specifically requires for the separating of components of a contract into the lease and non-lease components.

NOTE 2 • IMPACT OF INITIAL APPLICATION OF NEW NZ IFRS (CONTINUED)

In the current year, the Group has applied NZ IFRS 16 in advance of its effective date. The date of initial application of NZ IFRS 16 for the Group is 1 April 2018. The group has applied NZ IFRS 16 using the full retrospective approach, with restatement of comparative information. The Directors are of the view that early adopting the NZ IFRS 16 at the same time as NZ IFRS 15 is the most appropriate approach, given that the majority of EROAD's contracts have been classified as leases under NZ IAS 17. The change in the definition to the right to direct the use and control as the EROAD hardware has a significant impact on the new NZ IFRS 15 revenue recognition and therefore the Directors decided to adopt the new revenue and lease standards concurrently.

2(b)(i) Impact of the new definition of a lease as a lessor

Prior to the adoption of NZ IFRS 16, the Group accounted for the rental of hardware units to customers as either operating or finance leases based on an assessment of whether substantially all the risks and rewards of ownership had been transferred to the customer. Contracts deemed to be a finance lease were accounted for by derecognising the sold hardware asset and recognising a sale at the inception of the contract.

As a result of the change in definition of leases within the standard, these contracts are now accounted for under NZ IFRS 15.As a result of the contracts no longer meeting the definition of a lease, initial direct costs of obtaining the lease contract which were previously capitalised under NZ IAS 17, have been reassessed under NZ IFRS 15. Applying NZ IFRS 15, the Group has reassessed historical capitalised amounts based on the new definitions within NZ IFRS 15. The Group has capitalised the costs that are incremental in obtaining contracts with customers in accordance with NZ IFRS 15. The Group performed a reallocation of revenue and expenses based on the change in accounting policy, the impact of the adjustments for each financial statement line item affected is stated above at Note 2. The impact of restating previously recognised finance leases has had a significant impact on the restatement of comparative numbers. The impact of the adjustments for each financial statement line item affected is stated above in Note 2.

2(b)(ii) Impact on lessee accounting

Former Operating Leases as a lessee

Under NZ IFRS 16 the Group has now recognised right-of-use asset and lease liability in the consolidated statement of financial position initially measured at the present value of future lease payments. The Group has also recognised depreciation of the right-of-use asset and interest on lease liabilities in the consolidated statement of comprehensive income. Payments made are separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities) in the consolidated statement of cash flows. The impact of the adjustments for each financial statement line item affected is stated above in Note 2.

Note 2(c) NZ IFRS 9 Financial Instruments

NZ IFRS 9, as it relates to the Group, replaces the provisions of NZ IAS 39 that relate to the recognition, classification, measurement and impairment of financial assets. The adoption of NZ IFRS 9 from 1 April 2018 resulted in changes in accounting policies however has not resulted in material changes to amounts recognised in the consolidated financial statements.

Classification and measurement

NZ IFRS 9 impacts the following classifications of financial assets:

- Cash
- Trade and other receivables

There was no change in the fair value of the financial assets as a result of the reclassification.

NOTE 3 • REVENUE

	GROUP	
	30 September 2018	30 September 2017
	Unaudited	Unaudited & Restated
	$	$
Revenue from contracts with Customers		
Software as a Service (SaaS) revenue	**27,115,905**	18,128,672
Transaction fee revenue	**1,174,600**	902,340
Other income		
Grant revenue	**-**	325,284
Other revenue	**258,697**	213,543
Total Revenues	**28,549,202**	19,569,839

NOTE 3 • REVENUE (CONTINUED)

Set out above is the disaggregation of the Group's revenue from contracts with customers. The disaggregation reflects how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Specifically, software as a service (SaaS) revenue represents revenue earned from customer contracts for the sale or rental of hardware, installation services and provision of software services. Transaction fee revenue relates to the collection of Road User Charges (RUC) fees. Refer to Note 1 for the accounting policy.

Transaction price allocated to the remaining performance obligations

The below table represents the revenue allocated to performance obligations that are unsatisfied or partially unsatisfied at the period end. The revenue amounts yet to be recognised under non-cancellable contract agreements at 30 September are expected to be recognised by EROAD based on the time bands disclosed below.

	GROUP	
	30 September 2018	30 September 2017
	Unaudited	Unaudited & Restated
	$	$
Software as a Service (SaaS) revenue		
Not later than one year	**54,542,990**	38,132,069
Later than one year not later than five years	**60,597,029**	43,888,799
Later than five years	**-**	-
Total price allocated to remaining performance obligations	**115,140,019**	82,020,868

The Group reports the Non-GAAP measure, Future Contracted Income. To align with the change in accounting policies, the definition of Future Contracted Income has been amended to include all contracted software as a Service (SaaS) revenues to be recognised in future periods. The disclosure above aligns with the Future Contracted Income reported by the Group.

NOTE 4 • EXPENSES

		GROUP	
		30 September 2018	30 September 2017
		Unaudited	Unaudited & Restated
	Note	**$**	$
Personnel expenses	6	**10,382,493**	8,735,563
Administrative and other operating expenses		**8,106,496**	4,659,682
SaaS platform costs		**3,482,177**	2,347,087
Directors fees		**174,000**	136,520
Auditor's remuneration - KPMG		**131,500**	101,750
Tax compliance services - KPMG		**43,205**	72,853
Tax advisory services - KPMG		**28,560**	41,176
Corporate Finance - KPMG*		**-**	55,000
Total Expenses		**22,348,431**	16,149,631

During the six months the costs expensed in Research and Development was $2,276,184 (30 September 2017: $1,626,420).

* Gross Corporate Finance fees were $172,714 of which $117,714 was capitalised. These fees were for support provided in relation to the establishment of new debt facilities during the half year ended 30 September 2017.

NOTE 5 • SEGMENTAL NOTE

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

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

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

Reportable segment information

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

	Corporate & Development		**North America**		**Australia & New Zealand**	
	30 September 2018	30 September 2017	**30 September 2018**	30 September 2017	**30 September 2018**	30 September 2017
	Unaudited **$**	Unaudited & Restated $	Unaudited **$**	Unaudited & Restated $	Unaudited **$**	Unaudited & Restated $
Revenue						
Software as a Service (SaaS) revenue	**-**	-	**6,810,756**	2,786,568	**20,305,149**	15,342,104
Transaction fee revenue	**-**	-	**-**	-	**1,174,600**	902,340
Other revenue [1]	**6,019,421**	11,589,382	**100,756**	57,006	**173,301**	141,815
	6,019,421	11,589,382	**6,911,512**	2,843,574	**21,653,050**	16,386,259
Earnings Before Interest, Taxation, Depreciation & Amortisation	**(7,011,824)**	(812,341)	**(386,666)**	(2,296,161)	**13,478,378**	10,112,548
Total assets	**66,378,622**	56,008,808	**20,368,067**	9,937,583	**38,137,459**	30,724,112
Depreciation of Property, Plant & Equipment	**(364,757)**	(517,254)	**(1,473,836)**	(507,820)	**(1,847,592)**	(1,591,858)
Amortisation of Intangible Assets	**(3,078,276)**	(2,655,749)	**-**	-	**-**	-
Amortisation of Contract and Customer Acquisition Assets	**-**	-	**(498,028)**	(246,535)	**(1,766,090)**	(1,443,345)

[1] Revenue from Corporate & Development Markets includes R&D Grant Income of $325,284 in 2017.

NOTE 5 • SEGMENTAL NOTE (CONTINUED)

Reconciliation of information on reportable segments

	30 September 2018 Unaudited $	30 September 2017 Unaudited & Restated $
Revenue		
Total revenue for reportable segments	**34,583,983**	30,819,215
Elimination of inter-segment revenue	**(6,034,781)**	(11,249,376)
Consolidated revenue	**28,549,202**	19,569,839
EBITDA		
Total EBITDA for reportable segments	**6,079,888**	7,004,046
Elimination of inter-segment EBITDA	**120,883**	(3,583,838)
Consolidated EBITDA	**6,200,771**	3,420,208
Depreciation		
Total depreciation for reportable segments	**(3,686,185)**	(2,616,932)
Elimination of inter-segment profit	**537,722**	155,198
Consolidated Depreciation	**(3,148,463)**	(2,461,734)
Total assets		
Total assets for reportable segments	**124,884,148**	96,670,503
Elimination of inter-segment balances	**(5,332,623)**	(15,702,501)
Consolidated total assets	**119,551,525**	80,968,002

Allocation of Development Assets

Included within Total Assets are Development Assets of $28,011,628 at 30 September 2018 (30 September 2017: $27,177,895) for internal reporting purposes these are allocated to the Corporate & Development segment based on the ownership of intellectual property. The amortisation for these assets are also presented in the Corporate & Development segment.

For certain other purposes, the Development Asset is allocated to the operating segments that the Development Asset relates to, or if the Development Asset is developed for use globally across all operating companies the asset is allocated to segments based on the proportionate share of the Group's Contracted Units. At 30 September 2018 there was $17,392,723 (30 September 2017: $16,873,215) of global Development Assets that have been allocated across segments based on the Contracted Units.

	GROUP	
	30 September 2018	30 September 2017
	Unaudited $	Unaudited $
Development Assets allocated to North America	**13,263,070**	12,006,250
Development Assets allocated to Australia & New Zealand	**14,748,558**	15,171,645
Total Development Assets	**28,011,628**	27,177,895

NOTE 6 • PERSONNEL EXPENSES

	GROUP	
	30 September 2018	30 September 2017
	Unaudited **$**	Unaudited & Restated **$**
Employment expenses - excluding capitalised customer acquisition costs	**12,158,009**	11,913,422
Salaries and wages capitalised	**(1,775,516)**	(3,177,859)
	10,382,493	8,735,563

NOTE 7 • PAID UP CAPITAL

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

GROUP	**Number of ordinary shares**	**Issue price $**	**Issued Capital $**
At 31 March 2017 (audited)	60,245,660		58,965,367
Issue of shares to staff under LTI schemes	490,000	$2.15	1,053,500
Held in trust as treasury stock			(1,053,500)
Vested under LTS scheme			37,818
Shares issued to employees for 2017 bonus	281,351	$1.65	463,976
At 30 September 2017 (unaudited)	61,017,011		59,467,161
Vested under LTI scheme			31,223
Shares issued in December 2017 Equity Placement	5,099,247	$3.04	15,501,711
Shares issued in March 2018 Share Purchase Plan	1,973,673	$3.04	6,000,000
Costs of raising capital			(673,657)
At 31 March 2018 (audited)	**68,089,931**		**80,326,438**
Vested under LTS scheme			**34,425**
Issue of shares to staff under LTI schemes	**116,705**	**$3.89**	**453,982**
Held in trust as treasury stock			**(453,982)**
Shares issued to employees for 2018 bonus	**18,136**	**$3.31**	**59,999**
Shares issued to employees for 2018 bonus	**54,000**	**$3.55**	**191,867**
At 30 September 2018 (unaudited)	**68,278,772**		**80,612,729**

At 30 September 2018 there was 68,278,772 authorised and issued ordinary shares (30 September 2017: 61,017,011). 972,484 shares are held in trust for employees in relation to the long-term incentive and service plan and are accounted for as treasury stock (30 September 2017: 893,440).

The calculation of both basic and diluted earnings per share at 30 September 2018 was based on the profit attributable to ordinary shareholders of ($3,409,914) (30 September 2017: ($3,862,249)). The weighted number of ordinary shares was 66,880,441 (30 September 2017: 59,982,002) for basic earnings per share, and 67,718,296 for diluted earnings per share (30 September 2017: 60,001,111).

Other components of equity include:

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

NOTE 8 • CASH AND CASH EQUIVALENTS (NET OF OVERDRAFTS)

	GROUP		
	30 September 2018	30 September 2017	31 March 2018
	Unaudited	Unaudited	Audited
	$	$	$
Cash and bank	**22,271,713**	829,706	21,870,415
Overdraft	**-**	(940,393)	-
	22,271,713	(110,687)	21,870,415

NOTE 9 • PROPERTY, PLANT AND EQUIPMENT

GROUP	**Right of Use Assets**	**Hardware Assets**	**Plant and equipment**	**Leasehold improvements**	**Motor vehicles**	**Office equipment**	**Computers**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 31 March 2018								
Opening net book amount as originally presented - Audited	-	21,718,976	128,198	579,147	414,148	438,158	485,310	23,763,937
Adjustment on application of NZ IFRS 15 & NZ IFRS 16	2,171,904	(7,990,481)	-	(36)	-	-	-	(5,818,613)
Opening net book amount - restated	2,171,904	13,728,495	128,198	579,111	414,148	438,158	485,310	17,945,324
Additions	-	10,840,240	158,808	-	166,935	81,657	51,028	11,298,668
Disposals	-	-	-	-	(42,170)	-	(3,205)	(45,375)
Depreciation charge	(649,520)	(3,775,467)	(69,011)	(132,901)	(165,270)	(202,180)	(367,042)	(5,361,391)
Depreciation recovered	-	-	-	-	34,633	-	623	35,256
Effect of movement in exchange rates	(18,522)	2,884	-	(5,726)	-	(2,112)	(779)	(24,255)
Closing net book amount - restated	**1,503,862**	**20,796,152**	**217,995**	**440,484**	**408,276**	**315,523**	**165,935**	**23,848,227**
Cost	4,119,234	31,721,956	506,729	1,096,375	930,918	1,013,773	2,570,002	41,958,987
Accumulated depreciation	(2,615,372)	(10,925,804)	(288,734)	(655,891)	(522,642)	(698,250)	(2,404,067)	(18,110,760)
Net book amount - restated	**1,503,862**	**20,796,152**	**217,995**	**440,484**	**408,276**	**315,523**	**165,935**	**23,848,227**

NOTE 9 • PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP	Right of Use Assets $	Hardware Assets $	Plant and equipment $	Leasehold improvements $	Motor vehicles $	Office equipment $	Computers $	Total $
Six months ended 30 September 2017 - Unaudited								
Opening net book amount as originally presented - Audited	-	21,718,976	128,198	579,147	414,148	438,158	485,310	23,763,937
Adjustment on application of NZ IFRS 15 & NZ IFRS 16	2,171,904	(7,990,481)	-	(36)	-	-	-	(5,818,613)
Opening net book amount - restated	2,171,904	13,728,495	128,198	579,111	414,148	438,158	485,310	17,945,324
Additions	-	4,724,391	117,365	-	97,218	58,793	50,444	5,048,211
Disposals	-	-	-	-	(26,083)	-	(3,690)	(29,773)
Depreciation charge	(329,653)	(1,594,965)	(32,175)	(65,755)	(82,231)	(106,595)	(250,360)	(2,461,734)
Depreciation recovered	-	-	-	-	18,546	-	866	19,412
Effect of movement in exchange rates	(14,933)	(1,622)	-	(5,477)	-	(2,409)	(1,190)	(25,631)
Closing net book amount - restated	**1,827,318**	**16,856,299**	**213,388**	**507,879**	**421,598**	**387,947**	**281,380**	**20,495,809**
Cost	4,123,420	25,620,786	465,287	1,097,936	877,287	991,780	2,569,437	35,745,933
Accumulated depreciation	(2,296,102)	(8,764,487)	(251,899)	(590,057)	(455,689)	(603,833)	(2,288,057)	(15,250,124)
Net book amount - restated	**1,827,318**	**16,856,299**	**213,388**	**507,879**	**421,598**	**387,947**	**281,380**	**20,495,809**

GROUP	Right of Use Assets $	Hardware Assets $	Plant and equipment $	Leasehold improvements $	Motor vehicles $	Office equipment $	Computers $	Total $
Six months ended 30 September 2018 - Unaudited								
Opening net book amount as originally presented - Audited	-	26,789,392	217,995	440,547	408,276	315,523	165,935	28,337,668
Adjustment on application of NZ IFRS 15 & NZ IFRS 16	1,503,862	(5,993,240)	-	(63)	-	-	-	(4,489,441)
Opening net book amount - restated	1,503,862	20,796,152	217,995	440,484	408,276	315,523	165,935	23,848,227
Additions	504,121	5,303,432	137,369	167,683	101,039	64,712	125,718	6,404,074
Disposals	-	-	-	(8,394)	(132,376)	-	-	(140,770)
Depreciation charge	(353,102)	(2,428,695)	(43,602)	(76,916)	(83,443)	(73,051)	(89,654)	(3,148,463)
Depreciation recovered	-	-	-	3,172	95,953	-	-	99,125
Effect of movement in exchange rates	83,265	(138,100)	-	29,682	-	10,250	2,192	(12,711)
Closing net book amount - restated	**1,738,146**	**23,532,789**	**311,762**	**555,711**	**389,449**	**317,434**	**204,191**	**27,049,482**
Cost	4,758,561	36,981,667	644,098	1,306,082	899,582	1,107,656	2,712,420	48,410,066
Accumulated depreciation	(3,020,415)	(13,448,878)	(332,336)	(750,371)	(510,133)	(790,222)	(2,508,229)	(21,360,584)
Net book amount - restated	**1,738,146**	**23,532,789**	**311,762**	**555,711**	**389,449**	**317,434**	**204,191**	**27,049,482**

Included in the hardware assets is equipment under construction of $7,226,917 (31 March 2018: $4,630,977 September 2017: $5,361,963).

NOTE 10 • INTANGIBLE ASSETS

GROUP	Patents	Trade Marks	Development	Software	Total
	$	$	$	$	$
Year ended 31 March 2018 - Audited					
Opening net book amount	14,651	32,576	26,197,426	2,418,124	28,662,777
Additions	-	-	5,309,736	1,523,347	6,833,083
Disposals	-	-	-	-	-
Amortisation charge	(350)	-	(4,654,532)	(939,509)	(5,594,391)
Closing net book amount	**14,301**	**32,576**	**26,852,630**	**3,001,962**	**29,901,469**
Cost	17,800	32,576	37,995,348	5,530,206	43,575,930
Accumulated amortisation	(3,499)	-	(11,142,718)	(2,528,244)	(13,674,461)
Net book amount	**14,301**	**32,576**	**26,852,630**	**3,001,962**	**29,901,469**

GROUP	Patents	Trade Marks	Development	Software	Total
	$	$	$	$	$
Six months ended 30 September 2017 - Unaudited					
Opening net book amount	14,651	32,576	26,197,426	2,418,124	28,662,777
Additions	-	-	3,204,069	1,060,731	4,264,800
Disposals	-	-	-	-	-
Amortisation charge	(175)	-	(2,223,600)	(431,974)	(2,655,749)
Closing net book amount	**14,476**	**32,576**	**27,177,895**	**3,046,881**	**30,271,828**
Cost	17,800	32,576	35,889,683	5,067,590	41,007,649
Accumulated amortisation	(3,324)	-	(8,711,788)	(2,020,709)	(10,735,821)
Net book amount	**14,476**	**32,576**	**27,177,895**	**3,046,881**	**30,271,828**

GROUP	Patents	Trade Marks	Development	Software	Total
	$	$	$	$	$
Six months ended 30 September 2018 - Unaudited					
Opening net book amount	14,301	32,576	26,852,630	3,001,962	29,901,469
Additions	-	-	3,720,588	11,763	3,732,351
Amortisation charge	(1,592)	-	(2,561,590)	(515,094)	(3,078,276)
Closing net book amount	**12,709**	**32,576**	**28,011,628**	**2,498,631**	**30,555,544**
Cost	17,800	32,576	41,715,937	5,541,968	47,308,281
Accumulated amortisation	(5,091)	-	(13,704,309)	(3,043,337)	(16,752,737)
Net book amount	**12,709**	**32,576**	**28,011,628**	**2,498,631**	**30,555,544**

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

NOTE 11 • CONTRACT LIABILITIES

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

	GROUP		
	30 September 2018	30 September 2017	31 March 2018
	Unaudited $	Unaudited & Restated $	Restated $
Opening balance	**10,173,952**	8,068,907	8,068,907
Amounts deferred during the period	**3,126,866**	3,468,198	7,770,427
Amount recognised in the Statement of Comprehensive Income	**(2,782,002)**	(2,789,394)	(5,665,382)
Closing balance	**10,518,816**	8,747,711	10,173,952

At 30 September 2018, $6,375,398 is expected to be recognised in the Statement of Comprehensive Income in the next twelve months and has therefore been classified as a current on the balance sheet (31 March 2018: $6,534,101, 30 September 2017: $4,795,346).

NOTE 12 • INCOME TAX EXPENSE

	GROUP	
	30 September 2018	30 September 2017
	Unaudited $	Unaudited & Restated $
(a) Reconciliation of effective tax rate		
Profit/(Loss) before income tax	**(3,568,969)**	(4,182,621)
Income tax using the Company's domestic tax rate of 28%	**(999,311)**	(1,171,134)
Non-deductible expense/(non-assessable income)	**464,474**	4,205
Temporary differences		
Losses and timing differences (recognised)/not recognised	**256,698**	830,942
Effect of different tax rates	**119,084**	15,615
Income tax expense/(benefit)	**(159,055)**	(320,372)

NOTE 13 • RECONCILIATION OF CASH FLOWS

	GROUP	
	30 September 2018	30 September 2017
	Unaudited **$**	Unaudited & Restated $
Reconciliation of operating cash flows with reported profit/(loss) after tax:		
Profit/(loss) after tax for the six month period attributable to the shareholders	**(3,409,914)**	(3,862,249)
Add/(less) non-cash items		
Tax asset recognised	**(567,951)**	(329,885)
Depreciation and amortisation	**8,490,857**	6,807,363
Other non-cash expenses/(income)	**(98,513)**	14,510
	7,824,393	6,491,988
Add/(less) movements in other working capital items:		
Decrease/(increase) in trade and other receivables	**1,303,606**	(2,017,399)
Decrease/(increase) in current tax receivables	**13,502**	343,410
Decrease/(increase) in current tax payables	**(85,245)**	18,743
Increase/(decrease) in contract liabilities	**344,864**	677,541
Increase /(decrease) in trade payables, interest payable and accruals	**1,059,757**	(934,302)
	2,636,484	(1,912,007)
Net cash from operating activities	**7,050,963**	717,732

NOTE 14 • BORROWINGS

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

$9,450,000 Term Loan Facility A – to restructure existing term facilities. The Term Loan has a term of 16 months from the December refinance date, with the facility having a maturity date of 1 April 2019. The interest rate is variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 30 month repayment profile.

$8,247,910 (NZD) Term Loan Facility E – used to restructure previous amounts drawn under the Committed Cash Advance Facility up to the refinance date in December 2017. The Term Loan has a term of 16 months from the December refinance date, with the facility having a maturity date of 1 April 2019. The interest rate is variable based on the 3-month BKBM bid plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$3,000,328 (USD) Term Loan Facility E – used to restructure previous amounts drawn under the Committed Cash Advance Facility up to the refinance date in December 2017. The Term Loan has a term of 16 months from the December refinance date, with the facility having a maturity date of 1 April 2019. The interest rate is variable based on the 3-month US LIBOR plus a margin of 3.10%. Principal and interest payments are made quarterly in line with a 33 month repayment profile.

$21,000,000 Committed Cash Advance Facility – to finance the up-front costs in connection with securing Future Contracted Income. The Committed Cash Advance Facility has a 16 month term from the December refinance date, with the facility having a maturity date of 1 April 2019. Structurally the facility is paid down and redrawn (revolving credit) each time the Company presents a certificate outlining the Group's growth in new Future Contracted Income on a monthly basis. For drawings in New Zealand Dollars of a 1-month duration, the interest rate is the 1-month BKBM plus margin of 2.50%. For drawings in USD of a 1-month duration, the interest rate is the 1 month US LIBOR plus a margin of 2.50%. In addition to a 1.50% line fee on the total facility limit, payable quarterly in advance.
$5,150,000 Overdraft Facilities – for general working capital purposes. This is an on demand facility with the interest rate based on the Market Connect Overdraft Prime Rate plus a margin of 1%.

NOTE 14 • BORROWINGS (CONTINUED)

EROAD's operating covenants to support the above facilities include Loan to Total FCI Ratio, Interest Cover Ratio, Total Assets (Obligators) to Total Assets (Group) ratio, and an umbrella limit on the aggregate of all facilities being below $35,000,000. EROAD was compliant with all covenants during the period and at 30 September 2018.

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

On 11 October 2018, the Group has entered into an amended and restated the Multi-Option Credit Facility Agreement with the Bank of New Zealand with an increased facility limit and longer maturity date through to 31 October 2020. As this facility had not been signed at 30 September 2018, all lending under the facilities outlined above have been presented as current as at 30 September 2018.

At the balance date the Group has a working capital deficit of $8.5 million due to current borrowings of $33 million that have been subsequently renewed in the normal course of business on 11 October 2018. The financial statements have been prepared on the going concern basis as Directors believe there will be sufficient cash flows generated from operations to meet the Group's obligations as they fall due according to the terms of the new facilities.

Terms and debt repayment schedule

	Nominal Interest	**Year of Maturity**	**30 Sept 2018 Face Value**	**30 Sept 2018 Carrying amount**	30 Sept 2017 Face Value	30 Sept 2017 Carrying Amount	31 Mar 2018 Face Value	31 Mar 2018 Carrying Amount
			Unaudited **$**	Unaudited **$**	Unaudited $	Unaudited $	Audited $	Audited $
Term Loans - NZ $ denominated	5.14%	2019	**13,213,664**	**13,213,664**	10,629,418	10,629,418	16,873,678	16,873,678
Term Loans - US $ denominated	5.44%	2019	**3,759,172**	**3,759,172**	-	-	4,201,574	4,201,574
NZ Growth - Committed Cash Advance Facility	4.23%	2019	**11,806,373**	**11,806,373**	4,791,018	4,791,018	3,584,623	3,584,623
US Growth - Committed Cash Advance Facility	4.37%	2019	**4,562,831**	**4,562,831**	1,750,048	1,750,048	2,057,788	2,057,788
Capitalised borrowing costs			**-**	**(114,696)**	-	(250,216)	-	(234,304)
			33,342,040	**33,227,344**	17,170,484	16,920,268	26,717,663	26,483,359

EROAD Limited also has an on demand overdraft facility of $5,000,000 of which no amount was drawn at 30 September 2018 (31 March 2018: Nil; 30 September 2017: $940,393).

NOTE 15 • RELATED PARTY TRANSACTIONS

Related party transactions are consistent in nature with those reported at 31 March 2018.

NOTE 16 • CAPITAL COMMITMENTS

The capital expenditure commitments are in line with those at 31 March 2018.

NOTE 17 • CONTINGENT LIABILITIES

During the six months to 30 September 2018, the Group has been approached by a third party who asserts that EROAD infringes a number of its patents. From our internal review of the patent claims asserted by the other party, the Group believes there are grounds in support for why we do not infringe their patents and also strong grounds that the patents would likely be considered invalid if EROAD was to challenge them. The Group strongly asserts that we do not infringe the patents and have informed the other party that we would seek our attorney fees from them in the event we succeeded in any potential litigation.

As we firmly believe that we have not infringed any patents no amounts have been provided for in relation to this claim. The Group may incur some legal costs in defending this claim over the next twelve months.

NOTE 18 • EVENTS SUBSEQUENT TO BALANCE DATE

Other than the renewal of debt facilities (see note 14), there are no reportable events subsequent to balance date (30 September 2017: Nil, 31 March 2018: Nil).

Independent Review Report

To the shareholders of EROAD Limited

Report on the condensed consolidated financial statements

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of EROAD Limited (the company) and its subsidiaries (the Group) on pages 11 to 33 do not:

i. present fairly in all material respects the Group's financial position as at 30 September 2018 and its financial performance and cash flows for the 6 month period ended on that date; and

ii. comply with NZ IAS 34 Interim Financial Reporting.

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

- the condensed consolidated statement of financial position as at 30 September 2018;
- the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the 6 month period then ended; and
- notes, including a summary of significant Group accounting policies and other explanatory information.

Basis for conclusion

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

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

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

Use of this Independent Review Report

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

KPMG

Responsibilities of the Directors for the condensed consolidated financial statements

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

- the preparation and fair presentation of the condensed consolidated financial statements in accordance with NZ IAS 34 Interim Financial Reporting;
- implementing necessary internal control to enable the preparation of an condensed consolidated financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the condensed consolidated financial statements

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

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

This description forms part of our Independent Review Report.

KPMG

KPMG
Auckland

26 November 2018

"Looking after our people as well as our customers is at the heart of how we operate.

EROAD's second-generation driver support, vehicle monitoring and other health and safety services are an important part of this."

ALAN PEARSON, *CEO*
TIL LOGISTICS

Directory

EROAD

EROAD Limited
260 Oteha Valley Road
Albany, Auckland 0632

REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

LEGAL ADVISERS TO EROAD

Chapman Tripp
Level 35, ANZ Centre
23-29 Albert Street, Auckland 1010

AUDITOR

KPMG
KPMG Centre
18 Viaduct Harbour Avenue, Auckland 1010

Non GAAP Measures

UNITS ON DEPOT

The number of EROAD devices installed in vehicles and subject to a service contract with a customer.

UNITS PENDING INSTALLATION

The number of EROAD devices subject to a service contract with a customer but not yet installed.

TOTAL CONTRACTED UNITS (TCU)

TCU is made up of Units on Depot plus Units Pending Installation.

FUTURE CONTRACTED INCOME (FCI)

Contracted Software as a Service (SaaS) income that will be recognised as revenue in future periods.

EBITDA MARGIN

Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) divided by revenue.

RETENTION RATE

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

ANNUALISED HEAVY TRANSPORT RUC

The New Zealand Road User Charges for vehicles over 3,500kg purchased through EROAD for the month, multiplied by 12.

eroad.com