

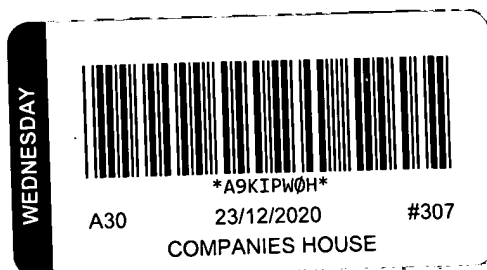
Ctrack UK Limited

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 07239604



Ctrack UK Limited

Company Information

Directors	I J Holt S C Thomas
Company secretary	J I Williams
Registered number	07239604
Registered office	Stockdale House Victoria Road Leeds England LS6 1PF
Independent auditor	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	Barclays Bank Plc United Kingdom House 180 Oxford Street London W1D 1EA

Ctrack UK Limited

Contents

	Page
Strategic Report	1 - 3
Directors' Report	4
Directors' Responsibilities Statement	5
Independent Auditor's Report	6 - 8
Statement of Comprehensive Income	9
Statement of Financial Position	10
Statement of Changes in Equity	11
Notes to the Financial Statements	12 - 35

Ctrack UK Limited

Strategic Report For the Year Ended 31 December 2019

The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2019.

Business review

The Company's principal activity is the supply and support of telematics systems to companies and organisations in the UK.

Profit for the year, after taxation, was £407,797 (2018 - £810,283) after a charge for amortisation of £91,706 (2018 - £162,073) and depreciation of £1,230,861 (2018 - £1,097,360).

In the UK, Ctrack broadly operates through two legal entities, Ctrack Limited and Ctrack UK Limited, both direct subsidiaries of Ctrack Europe Holdings Ltd. Ctrack Limited and Ctrack UK Limited are subsidiaries within a wider global group that is headed by the US parent company Inseego Inc that is a listed company on the NASDAQ (INSG). Within the Inseego group the Ctrack business still reports through the Digicore Holdings Ltd structure in South Africa and we maintain close links with the Digicore South African business. The relationship of the subsidiaries in the group is a close one with hardware and software developments and the growth within geographic markets being supported within and across the group structure.

The strategy of the management of Ctrack Limited and Ctrack UK Limited continues to be to operate in a way which both protects and also maximises the benefits for the trading entities as well as their customers and other stakeholders by utilising the expertise and efficiency of common resources to service the separate businesses. Management of the Ctrack business in the UK remain keenly focused on developing new business opportunities by delivering market leading solutions that recognise the unique needs of our target markets, on renewing customer contracts on competitive terms and on controlling the level of overhead costs. The effect of this approach has been an increasing level of new business contracted in a way which generates a higher level of ongoing recurring revenues for the UK business. Management continues to believe that this delivers a stronger sustainable business model. As a result of this operating model, in monitoring the performance of the UK business, the management consider the combined ratios of Ctrack Limited and Ctrack UK Limited to be of particular relevance.

Ctrack UK Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Principal risks and uncertainties

The principal risks affecting the company arise from the level of competition and product pricing in the vehicle telematics space and as a technology product the speed of development of the product and its capabilities. Competition continues to be extremely tough across the full spectrum of the market, however Ctrack has an excellent reputation, strong cash generation and with numerous blue chip reference customers, Ctrack has demonstrated that it is well placed to be successful in this competitive environment in terms of both price and product capability. This is achieved by working closely with both existing customers and prospective customers to understand their requirements and how these can be best served in order to deliver a positive return on their investment into vehicle telematics. As a product which has the capability to easily pay for itself it has relevance in both a buoyant as well as a more difficult economic climate.

The stockholding risk in this rapidly moving technology business is minimised by delivering new functionality through software development rather than through redesign of hardware. As the product hardware is purchased from within the DigiCore group it is possible to minimise local stockholding levels to minimise risk of holding obsolete stock and at the same time older models of hardware can still be utilised by customers who wish to maintain product consistency within their vehicle fleets.

Covid-19

The priority of Ctrack Management is the welfare of its employees, whilst maintaining a service to meet Customer needs. Ctrack Management had been monitoring the developing Covid 19 situation across the World from the start of 2020 and as such, at the commencement of the lockdowns across Europe, plans were already in place to enable office based employees to work from home in order to maintain the Ctrack solution for its Customers. Whilst the start of lockdown saw a significant reduction in demand for new telematics unit deployments or for field based service visits, this level of reduction was relatively short lived and levels of demand started to recover from May onwards.

Ctrack has a large and diverse Customer base across Europe covering a broad range of business segments. This has helped the Ctrack European businesses during the pandemic as any risk has been spread and it is also true that many Ctrack Customers operate as key workers and as such their activities, and the associated Ctrack revenues, have continued as normal during the pandemic.

Whilst there is an undoubted risk posed by Covid 19 on the wider European economy, which would be expected to have some impact on Ctrack customers, the Management have undertaken a prudent forecasting exercise and believe that the spread of the Ctrack Customer base will cushion any impact on the Ctrack business. Ctrack continues to be cash generative and, rather than having to consider cost saving measures, have been able to continue to invest in growth opportunities in the wider UK telematics market which should ensure that profitable trading continues into 2020.

The directors have prepared cashflow forecasts for a period of at least twelve months following the date on which these financial statements have been approved and it has not or is not expected to require external financial support to continue to meet financial obligations as and when they fall due.

The directors did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the company's ability to continue as a going concern.

Ctrack UK Limited

Strategic Report (continued) For the Year Ended 31 December 2019

Foreign Currency Risk

The product hardware is purchased from a South African based fellow subsidiary of DigiCore Holdings Ltd. In order to minimise the foreign currency risk these transactions are priced in US \$, however, as this is an intergroup transaction this can lead to exchange gains or losses in the UK entities although these are offset at group level as it is effectively hedged internally within the Group.

Brexit Planning

Although the Ctrack European businesses work closely with each other they trade in country on a standalone basis. All subsidiaries in Europe work closely with other parts of the Inseego Group in South Africa and the United States for system development and product supply with Group product manufacture taking place in South Africa and the Far East. The European Customer facing platform is hosted currently within the UK but plans are already in place to enable hosting in both the UK and Mainland Europe to ensure we continue to meet the future needs in relation to Customer data security. As such there is little to no reliance in Europe across European jurisdictions and the Management of Ctrack consider there to be no significant business risk associated with Brexit although this will be kept under review as the separation progresses.

Financial key performance indicators

The key performance indicators utilised by management for the combined UK business in Ctrack Limited and Ctrack UK Limited are set out below. This information is an aggregation of the two companies and therefore does not represent the figures as set out in these financial statements.

	Year ended 31 December 2019 £	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Turnover	£7,547,378	£7,308,468	£7,099,717
Gross Profit	£6,281,795	£6,138,469	£5,816,047
Profit / Loss before Tax	£578,285	£941,476	£237,358
EBITDA	£1,731,142	£2,367,142	£1,541,098
Recurring Revenue Ratio	93.1%	86.1%	80.0%
Gross Profit %	83.2%	84.0%	81.9%
Overhead Expense Ratio	75.6%	71.1%	78.6%

These results reflect the positive underlying business performance and therefore these indicators have been chosen as it is felt that the EBITDA and underlying level of recurring revenue, which has grown in both percentage and real terms, is a better reflection of progress made in growing the overall UK business.

This report was approved by the board on 16 December 2020 and signed on its behalf.


I J Holt
Director

Ctrack UK Limited

Directors' Report For the Year Ended 31 December 2019

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year, after taxation, amounted to £407,797 (2018 - £810,283).

The Directors do not recommend the payment of a final dividend (2018 - £Nil).

Directors

The Directors who served during the year were:

I J Holt
S C Thomas

Matters covered in the strategic report

Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report as the Directors consider them to be of strategic importance to the Company.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

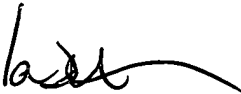
- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Events after the reporting period

Since the year end the Covid-19 pandemic has occurred. Further information is disclosed in the Strategic Report and the effects on going concern can be found in note 2.1.

There have been no other significant events affecting the company since the year end.

This report was approved by the board on 16 DECEMBER 2020 and signed on its behalf.



I J Holt
Director

Ctrack UK Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2019

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these audited financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Ctrack UK Limited

Independent Auditor's Report to the Members of Ctrack UK Limited

Opinion

We have audited the financial statements of Ctrack UK Limited ("the Company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Ctrack UK Limited

Independent Auditor's Report to the Members of Ctrack UK Limited (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Director's Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ctrack UK Limited

Independent Auditor's Report to the Members of Ctrack UK Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

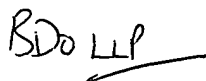
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Leeds
United Kingdom
17 December 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Ctrack UK Limited

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	6,144,272	5,976,056
Cost of sales		(980,508)	(820,325)
Gross profit		5,163,764	5,155,731
Administrative expenses		(4,755,189)	(4,346,787)
Operating profit	5	408,575	808,944
Interest receivable and similar income	9	-	1,805
Interest payable and expenses	10	(778)	(466)
Profit before tax		407,797	810,283
Tax on profit	11	-	-
Profit for the financial year		407,797	810,283

There was no other comprehensive income for 2019 (2018:£NIL).

The notes on pages 12 to 35 form part of these financial statements.

Ctrack UK Limited
Registered number:07239604

Statement of Financial Position
As at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	155,373	247,079
Tangible assets	13	2,121,342	2,008,524
		<u>2,276,715</u>	<u>2,255,603</u>
Current assets			
Stocks	14	641,973	629,336
Debtors	15	5,382,699	3,521,764
Cash at bank and in hand		1,012	383,553
		<u>6,025,684</u>	<u>4,534,653</u>
Creditors: amounts falling due within one year	16	(7,596,593)	(6,546,119)
Net current liabilities		(1,570,909)	(2,011,466)
Creditors: amounts falling due after more than one year	17	(53,872)	-
		<u>651,934</u>	<u>244,137</u>
Net assets		<u>651,934</u>	<u>244,137</u>
Capital and reserves			
Called up share capital	19	100	100
Capital reserve	20	3,000,000	3,000,000
Profit and loss account	20	(2,348,166)	(2,755,963)
Shareholders' funds		<u>651,934</u>	<u>244,137</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

16 DECEMBER 2020



I J Holt
Director

The notes on pages 12 to 35 form part of these financial statements.

Ctrack UK Limited

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital £	Capital reserve £	Profit and loss account £	Total equity £
At 1 January 2018	100	3,000,000	(3,649,852)	(649,752)
Comprehensive income for the year				
Profit for the year	-	-	810,283	810,283
Total comprehensive income for the year	-	-	810,283	810,283
Capital contribution - Share based payments	-	-	83,606	83,606
Total transactions with owners	-	-	83,606	83,606
At 1 January 2019	100	3,000,000	(2,755,963)	244,137
Comprehensive income for the year				
Profit for the year	-	-	407,797	407,797
Total comprehensive income for the year	-	-	407,797	407,797
Capital contribution - Share based payments	-	-	135,408	135,408
Return of capital contribution - Share based payments	-	-	(135,408)	(135,408)
Total transactions with owners	-	-	-	-
At 31 December 2019	100	3,000,000	(2,348,166)	651,934

The notes on pages 12 to 35 form part of these financial statements.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Ctrack UK Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the company's operations and its principal activities is disclosed in the Strategic Report.

2. Accounting policies

2.1 Going concern

The impact of Covid-19 on the Company and the wider group it is part of is detailed in the "Covid-19" section of the Strategic Report. Despite the risks arising from the pandemic the directors believe that the business will remain profitable and cash generative. The Directors have undertaken a prudent forecasting exercise for the European business looking ahead more than 12 months and foresee no issues in meeting liabilities as they fall due.

The Directors have therefore prepared the financial statements on a going concern basis. The directors did not consider there to be any material uncertainty relating to events or conditions that individually or collectively may cast significant doubt on the company's ability to continue as a going concern.

2.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The presentational currency used is sterling and amounts have been rounded to the nearest pound.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities, and in total
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

This information is included in the consolidated financial statements of Inseego Corp. as at 31 December 2019 and these financial statements may be obtained from 9605 Scranton Road, San Diego, California, 92121, United States of America.

2.4 Adoption of new and revised standards

New standards, interpretations and amendments effective from 1 January 2019

New standards impacting the Company that will be adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Company's accounting policies are:

- IFRS 16 Leases (IFRS 16); and
- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

Details of the impact these two standards have had are given in note 24. Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Company as they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods or services supplied, stated net of discounts and value added sales taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the goods or services have been supplied to the customer such that they are available for their use. The company's key activities are described in detail below.

Outright Sale of Telematics Units

The company occasionally sells telematics units to customers to replace devices that customers have lost or damaged. These are accounted for as sales at the time of delivery to the customer.

Provision of Telematics units and Services as a single performance obligation

The company provides telematics solutions to customers on a single performance obligation basis whereby the customers pay for an entire solution including licenses, hosting, communication and any hardware necessary to deliver the service they require. The majority of such contracts are invoiced on a monthly basis in arrears for a fixed term and revenue is recognised as it is invoiced although occasionally customers will pay advanced monthly amounts at contract inception but in these instances the amounts concerned are deferred and recognised over the contract life. All costs associated with the acquisition of these contracts and the delivery of the solution are capitalised and depreciated over the contract life. As a single performance obligation under which the customer does not acquire ownership of the telematics hardware Management do not believe that IFRS 15 has a material impact on the basis of accounting used.

Deinstallation and Reinstallation of Telematics units

The company provides such services on an ad hoc basis as customers purchase or replace vehicles within their fleet. As such the revenue earned is recognised as the services are undertaken.

2.6 Intangible assets - Development

Research and Development costs are accounted for in accordance with IAS 38 - Intangibles. Expenditures on research or the research phase of an internal project are recognised as an expense when incurred. The intangible asset arising from the development phase of an internal project are recognised if, and only if the following conditions apply:

- it is technically feasible to complete the asset for use by the Company
 - the Company has the intention of completing the asset for either use or resale
 - the Company has the ability to either use or sell the asset
 - it is possible to estimate how the asset will generate income
 - the Company has adequate financial, technical and other resources to develop and use the asset; and
- the expenditure incurred to develop the asset is measurable.

If no intangible asset can be recognised based on the above, then development costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

Amortisation has been calculated on the straight line method and aims to write down the cost, less estimated residual value, of assets over their expected useful lives, using the following period:

- Intangible Asset - Development 5 years

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.7 Intangible assets - Acquired

Purchased intangible assets are stated at cost or valuation, net of amortisation and any provision for impairment. Amortisation has been calculated on the straight line method and aims to write down the cost, less estimated residual value, of assets over their expected useful lives, using the following periods:

- Intangible Asset - Customer Related 6-8 years
- Intangible Asset - Technology Related 4 years
- Intangible Asset - Other 5 years

Residual values, remaining useful lives and amortisation methods are reviewed annually and adjusted if appropriate.

2.8 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Right-of-use vehicles	- over the term of the lease
Fixtures and fittings	- 3 years
Office equipment	- 3 years
Lease units	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.9 Stocks

Stock is stated at the lower of cost and net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Cost is based on the cost of purchase on a first in first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.10 Debtors

Trade and other receivables are amounts due from customers for goods supplied and services performed in the ordinary course of business. All such debts are due for collection within 12 months or less and so are classed as current assets. These short term debtors are measured at transaction price, less any impairment. In considering impairment the company applies a specific provision based on an account review to balances over £10,000 and to the debts of customers entering a liquidation procedure; smaller balances are assessed using a provision matrix as permitted as a practical expedient under IFRS 9. Management believe that this approach ensures that debtors reflected in the accounts reflect a value that is appropriate under the requirements of the accounting standard.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.12 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial asset

The company has three types of financial assets:

- Trade Receivables which are discussed in more detail in paragraph 2.10.
- Intercompany loans which are non interest bearing and which are accounted for at the value and currency of the original transaction which gave rise to the loan.
- Cash which is discussed in more detail in paragraph 2.11

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Statement of Financial Position.

2.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.14 Foreign currency translation

The financial statements of the Company are presented in pounds sterling. Transactions in foreign currencies are recorded using the rate of exchange prevailing at the date of the transaction. At each statement of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Statement of Comprehensive Income for the period.

2.15 Share based payments

Where equity settled stock options are awarded by the ultimate parent company, Inseego Corp, to employees of this company the fair value of the options at the date of grant is charged to profit or loss over the vesting period with a corresponding entry in retained earnings. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

The fair value is measured at grant date using the Black-Scholes option pricing model and is recognised as an expense over the period the employees become unconditionally entitled to the options/units. The amount recognised as an expense is adjusted to reflect the actual number of options/units expected to vest.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.16 Leases: the Company as the lessee

Identifying Leases

The Company accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- There is an identified asset;
- The Company obtains substantially all the economic benefits from use of the asset; and
- The Company has the right to direct use of the asset.

The Company considers whether the supplier has substantive substitution rights. If the supplier does have those rights, the contract is not identified as giving rise to a lease.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, the Company considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable IFRSs rather than IFRS 16.

Recognition and measurement

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate of 9% on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Company if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease (because, for example, it reassesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy
- in all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Company to use an identified asset and require services to be provided to the Company by the lessor, the Company has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.17 Leases: the Company as the lessor

IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. For operating leases, costs, including depreciation, incurred in earning the lease income are recognised as an expense. Lease income (excluding receipts for services provided such as insurance and maintenance) is recognised on a straight line basis over the term of the lease even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in which use benefit derived from the underlying asset is diminished.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income. The respective leased assets are included in the Statement of Financial Position based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.18 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.19 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The Directors have considered the nature of agreements with customers that provide for the leasing of telematic units and have concluded that these agreements do not result in substantially all the risks and rewards of ownership being transferred to the customers and that they are, in substance, operating leases which provide customers with telematics solutions as a single performance obligation.

Key sources of estimation uncertainty include:

- IFRS 16 Leases - The rate implicit on the lease cannot be reasonably determined therefore the ultimate parent company's incremental borrowing rate is used in the lease calculations.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Revenue

An analysis of turnover by class of business is as follows:

	2019 £	2018 £
Provision of Telematics units and Services	5,701,424	5,428,541
Outright sale of Telematic units	65,625	216,882
Deinstallation and Reinstallation of Telematics units	377,223	330,633
	<u>6,144,272</u>	<u>5,976,056</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	6,144,272	5,976,056
	<u>6,144,272</u>	<u>5,976,056</u>

Assets and liabilities related to contracts with customers

The company has recognised the following liabilities related to contracts with customers.

	2019 £	2018 £
Current contract liabilities relating to deposits from customers and deferred income	968,718	855,357
	<u>968,718</u>	<u>855,357</u>

There are no assets arising from contracts with customers.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Revenue (continued)

The following table shows how much of the revenue recognised in the current reporting year relates to carried forward contract liabilities.

	2019 £	2018 £
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u>559,178</u>	<u>408,464</u>

5. Operating profit

The operating profit/(loss) is stated after charging/(crediting):

	2019 £	2018 £
Depreciation of tangible fixed assets	1,230,861	1,097,360
Amortisation of intangible assets	91,706	162,073
Exchange differences	3,101	(6,776)
Bad debts written off	75,765	(8,185)
Cost of stocks recognised as an expense	<u>726,058</u>	<u>620,938</u>

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>48,000</u>	<u>43,680</u>
Fees payable to the Company's auditor and its associates in respect of:		
Accountancy services	9,100	8,840
Taxation compliance services	6,350	6,350
	<u>15,450</u>	<u>15,190</u>

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

7. Employees

Staff costs, including Directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	3,372,900	2,836,025
Social security costs	386,997	366,839
Cost of defined contribution scheme	151,758	90,506
	<u>3,911,655</u>	<u>3,293,370</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2019 No.	2018 No.
Administration	7	8
Production and sales	72	69
	<u>79</u>	<u>77</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	136,549	-
Company contributions to defined contribution pension schemes	8,693	-
	<u>145,242</u>	<u>-</u>

During the year retirement benefits were accruing to 1 Directors (2018 - NIL) in respect of defined contribution pension schemes.

In the prior year, Directors' remuneration was paid by Ctrack Europe Holdings Limited, a fellow group undertaking.

During the year, 1 (2018 - 2) director exercised share options that had been issued by the ultimate parent company.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Interest receivable

	2019 £	2018 £
Bank interest receivable	-	1,805

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	778	466

11. Taxation

	2019 £	2018 £
Current tax on profits for the year	-	-
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	As restated 2018 £
Profit on ordinary activities before tax	407,797	810,283
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	77,481	153,954
Effects of:		
Expenses not deductible for tax purposes	463	1,099
Non taxable share based payments	25,728	15,885
Adjustment re deferred tax asset on losses	(103,672)	(170,938)
Total tax charge for the year	-	-

Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the Company's future tax charge accordingly. The deferred tax asset at 31 December 2019 has been calculated based on the rates substantively enacted at the date of the Statement of Financial Position.

A deferred tax asset of £509,821 (2018 - £586,241) in respect of losses totalling £2,998,949 (2018 - £3,448,478) has not been recognised as it is not considered more probable than not that sufficient profits will be available against which they could be release. In addition and in respect of capital allowance, a deferred tax asset of £152,240 (2018 - £154,796) has not been recognised.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Intangible assets

	Development £	Purchased Intangibles Customer Related £	Total £
Cost			
At 1 January 2019	539,609	2,360,000	2,899,609
At 31 December 2019	539,609	2,360,000	2,899,609
Amortisation			
At 1 January 2019	292,530	2,360,000	2,652,530
Charge for the year	91,706	-	91,706
At 31 December 2019	384,236	2,360,000	2,744,236
Net book value			
At 31 December 2019	155,373	-	155,373
At 31 December 2018	247,079	-	247,079

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

13. Tangible fixed assets

	Ctrack Lease Units £	Office equipment and furniture & fittings £	Right-of-use vehicles £	Total £
Cost				
At 1 January 2019	3,582,796	312,869	-	3,895,665
Effect of adoption of IFRS 16 (see note 24)	-	-	11,610	11,610
At 1 January 2019 (adjusted balance)	3,582,796	312,869	11,610	3,907,275
Additions	1,147,941	60,047	124,082	1,332,070
Disposals	(836,344)	(10,466)	(4,102)	(850,912)
At 31 December 2019	3,894,393	362,450	131,590	4,388,433
Depreciation				
At 1 January 2019	1,668,702	218,439	-	1,887,141
Charge for the year on owned assets	1,132,853	70,203	27,806	1,230,862
Disposals	(836,344)	(10,466)	(4,102)	(850,912)
At 31 December 2019	1,965,211	278,176	23,704	2,267,091
Net book value				
At 31 December 2019	1,929,182	84,274	107,886	2,121,342
At 31 December 2018	1,914,094	94,430	-	2,008,524

14. Stocks

	2019 £	2018 £
Finished goods and goods for resale	641,973	629,336
	<u>641,973</u>	<u>629,336</u>

Stocks are stated after provisions for impairment of £55,174 (2018 - £124,709).

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

15. Debtors

	2019 £	2018 £
Due after more than one year		
Deferred tax asset	657,791	657,791
	657,791	657,791
Due within one year		
Trade debtors	929,101	840,845
Amounts owed by group undertakings	3,682,787	1,848,767
Other debtors	12	34,587
Prepayments and accrued income	113,008	139,774
	5,382,699	3,521,764

Amounts owed by group undertakings are interest free and repayable on demand.

16. Creditors: Amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	144,789	-
Trade creditors	397,094	280,208
Amounts owed to group undertakings	5,228,896	4,597,765
Other taxation and social security	260,897	306,198
Other creditors	68,188	14,452
Accruals and deferred income	473,291	492,139
Lease liabilities	54,720	-
Contract liabilities	968,718	855,357
	7,596,593	6,546,119

Amounts owed to group undertakings are interest free and repayable on demand.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

17. Creditors: Amounts falling due after more than one year

	2019 £	2018 £
Lease liabilities	53,872	-
	53,872	-
	53,872	-

18. Deferred taxation

	2019 £	2018 £
At beginning of year	657,791	657,791
At end of year	657,791	657,791
	657,791	657,791

During the year an amount of £103,672 was utilised. An amount of £103,672 was also recognised.

The deferred tax asset is made up as follows:

	2019 £	2018 £
Tax losses carried forward	657,791	657,791
	657,791	657,791
	657,791	657,791

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
100 (2018 - 100) Ordinary shares of £1.00 each	100	100
	100	100
	100	100

The shares have attached to them full voting, dividend and capital distribution rights.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

20. Reserves

The Company's reserves are made up of the following:

Share capital

Called up share capital reserve represents the nominal value of the shares issued.

Capital reserve

Capital reserve represents the capitalisation of the loan made available to the company at the time of acquisition.

Profit and loss account

Profit and loss represents cumulative profits or losses net of dividends paid and other adjustments.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

21. Share based payments

Certain employees of the company are selected to participate in stock options and restricted stock unit equity-settled share based remuneration schemes which are operated by the company's ultimate parent company Inseego Corp (NASDAQ: INSG) under the terms of the Inseego Corp 2018 Omnibus Incentive Compensation Plan (superseding the 2009 Omnibus Incentive Compensation Plan).

Stock options expire 10 years from grant date and vest over service periods ranging from one to four years. The option price is usually not less than the market value per share on the date of grant. However, an Incentive Stock Option may be granted with an exercise price lower than the market value per share on the date of the grant if the Incentive Stock Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424 of the US Internal Revenue Code of 1986 or if the Award is designated as a "Section 409A Award" and has either a fixed exercise date or a fixed delivery date.

Restricted Stock Units (RSUs) give the participants the right to receive shares in Inseego Corp for no consideration. Restricted Stock Units vest over various service periods ranging from immediate vesting through to four years from the grant date. All grants of Inseego Corp options under all plans must be approved by the Board of Directors of Inseego Corp. Further details on the Stock Options and Restricted Stock Units are available in the Inseego Corp annual report available at www.inseego.com whilst a copy of the Compensation Plan is available on the US Securities and Exchange Commission website as an exhibit at

<https://www.sec.gov/Archives/edgar/data/1022652/000102265218000039/insg20180713ex101inseegoco.htm>.

The weighted average share price of Inseego Corp during the year ended 31 December 2019 was US\$ 5.26 (2018 – US\$ 3.11).

The weighted average remaining contractual lives of the options below were 8.23 years (2018 – 8.62 years). At the end of the year these outstanding stock options had the following ranges of exercise prices:

	2019 Number	2018 Number
Exercise price - US\$0.00 (RSUs)	-	2,500
Exercise price - US\$0.80	32,595	40,369
Exercise price - US\$1.11	64,000	74,000
Exercise price - US\$1.63	20,502	20,502
Exercise price - US\$1.85	70,904	92,000
Exercise price - US\$3.53	103,125	110,000
Exercise price - US\$4.57	50,000	-
Exercise price - US\$4.78	26,250	-
Exercise price - US\$5.73	20,000	-
Exercise price - US\$7.00	45,000	-

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

22. Operating lease receivable commitments

At 31 December 2019 the Company had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2019 £	2018 £
Less than one year	4,763,271	3,991,693
One to two years	5,152,230	4,743,626
	<u>9,915,501</u>	<u>8,735,319</u>

23. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £151,758 (2018 - £90,506). Contributions totalling £31,869 (2018 - £9,750) were payable to the fund at the reporting date and are included in creditors.

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

24. Effect of changes in accounting policies

The Company adopted IFRS 16 and IFRIC 23 with a transition date of 1 January 2019. The Company has chosen not to restate comparatives on adoption of both standards, and therefore, the revised requirements are not reflected in the prior year financial statements. Rather, these changes have been processed at the date of initial application (i.e. 1 January 2019) and recognised in the opening equity balances. Details of the impact these two standards have had are given below. Other new and amended standards and Interpretations issued by the IASB did not impact the company as they are either not relevant to the company's activities or require accounting which is consistent with the company's current accounting policies.

IFRIC 23

This standard has no material impact on the company.

IFRS 16 Leases

Effective 1 January 2019, IFRS 16 has replaced IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The company does not have significant leasing activities acting as a lessor.

Transition Method and Practical Expedients Utilised

The Company adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative figures. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases. However, the company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

The weighted average incremental borrowing rate applied to lease liabilities in the statement of financial position at the date of initial application was 9%.

Operating lease commitments at 31 December 2018 were £13,407. Discounting using the lessee's incremental borrowing rate of at the date of initial application was £1,798. Total lease commitments recognised on 1 January 2019 were £11,610. Right of use asset recognised on 1 January 2019 were £11,610.

25. Contingent liabilities

The Company is party to a cross guarantee in relation to the bank borrowings of a fellow subsidiary, which at 31 December 2019 amounted to £Nil (2018 - £Nil).

Ctrack UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2019

26. Related party transactions

The Company has taken advantage of the exemption under FRS 101 not to disclose transactions entered into with wholly owned subsidiary undertakings within the Group.

27. Controlling party

The immediate parent company of Ctrack UK Limited is Ctrack Europe Holdings Limited, a UK incorporated company.

The ultimate controlling party of the Company is Inseego Corp., a company registered in the United States, by virtue of its shareholding. Consolidated accounts are available from its registered office, 9605 Scranton Road, San Diego, California, 92121, United States of America.

28. Events after the reporting period

Since the year end the Covid-19 pandemic has occurred. Further information is disclosed in the Strategic Report and the effects on going concern can be found in note 2.1.

There have been no other significant events affecting the company since the year end.