

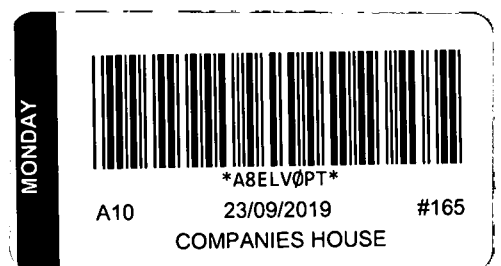
# Ctrack UK Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 07239604



# Ctrack UK Limited

## Company Information

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<b>Directors</b>	I J Holt S C Thomas
<b>Company secretary</b>	M E Leach (resigned 19 August 2019) J I Williams (appointed 19 August 2019)
<b>Registered number</b>	07239604
<b>Registered office</b>	Stockdale House Victoria Road Leeds England LS6 1PF
<b>Independent auditor</b>	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL
<b>Bankers</b>	Barclays Bank Plc United Kingdom House 180 Oxford Street London W1D 1EA

# Ctrack UK Limited

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# Ctrack UK Limited

## Strategic Report For the Year Ended 31 December 2018

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The Directors present their Strategic Report together with the audited financial statements for the year ended 31 December 2018.

### 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 £810,283 (2017 - £218,102) after a charge for amortisation of £162,073 (2017 - £269,785) and depreciation of £1,097,360 (2017 - £1,055,737).

The Company has continued to adjust its business model to increase the quantity of devices being supplied on a rental basis in order to increase the consistency of regular recurring revenue as well as the depreciation cost of capitalised equipment. The impact of this reflects through the EBITDA measure which is used as a key performance indicator by the company.

As previously outlined, Ctrack broadly operates through two legal entities, Ctrack Limited and Ctrack UK Limited, both subsidiaries of Ctrack Europe Holdings Ltd. Ctrack UK Limited was established in April 2010 on the acquisition of the trade and assets of an unrelated loss making entity, Minorplanet Limited, whose business model at the time meant that the acquired customer contracts would continue to be loss making for several years after acquisition with service costs being incurred in excess of the revenue generated. This period of losses ended in 2015 and the business is now delivering sustained and improving profitable trading.

Ctrack Limited and Ctrack UK Limited are subsidiaries within a wider global group that was acquired in October 2015 and is now headed by the US parent company Inseege Inc that is a listed company on the NASDAQ (INSG). Within the Inseege group the Ctrack business still reports through the Digicore Holdings Ltd structure in South Africa and so despite the change in ultimate parent we still have 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 is 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 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, rather than upfront revenue. Management continues to believe that this delivers a stronger sustainable business model albeit with a short term impact on revenue levels. As a result of this, 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 2018**

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### **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.

The Management of Ctrack continues to monitor the potential implications of Brexit, however as the company is not reliant on equipment supplies or labour availability from Europe it is believed that the risks associated with Brexit are manageable in the medium term with minimal impact. The Management have engaged with the company's Europe based service providers and believe that any Brexit disruption can be resolved through the renegotiation of contracts with such suppliers into their UK based subsidiaries or representatives and that as such services will not be interrupted. The short-term challenges associated with the possible 'no deal Brexit' are uncertain and continue to be monitored closely by Management.

### **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.

# Ctrack UK Limited

## Strategic Report (continued) For the Year Ended 31 December 2018

### 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:

	Year ended 31 December 2018 £	Year ended 31 December 2017 £	18 months ended 31 December 2016 - prorated to 12 mth £
Turnover	£7,308,468	£7,099,717	£6,932,717
Gross Profit	£6,138,469	£5,816,047	£5,047,459
Profit / Loss before Tax	£942,196	£237,358	(£90,234)
EBITDA	£2,367,142	£1,541,098	£1,580,689
Recurring Revenue Ratio	86.1%	80.0%	71.9%
Gross Profit %	84.0%	81.9%	72.8%
Overhead Expense Ratio	71.1%	78.6%	74.1%

These results reflect the achievement from the changing business model and demonstrates 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 13 September 2019 and signed on its behalf.

I J Holt  
Director



# Ctrack UK Limited

## Directors' Report For the Year Ended 31 December 2018

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The Directors present their report and the financial statements for the year ended 31 December 2018.

### Results and dividends

The profit for the year, after taxation, amounted to £810,283 (2017 - £218,102).

The Directors do not recommend the payment of a final dividend.

### Directors

The Directors who served during the year were:

I J Holt  
S C Thomas

### Matters covered in the strategic report

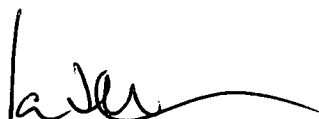
Disclosures required under S416(4) of the Companies Act 2006 are commented upon in the Strategic Report as the Directors consider them to be of strategic importance to the Company.

### 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.

This report was approved by the board on *13 September 2019* and signed on its behalf.



**I J Holt**  
Director

# **Ctrack UK Limited**

## **Directors' Responsibilities Statement For the Year Ended 31 December 2018**

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

Company law requires the Directors to prepare 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 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

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### Opinion

We have audited the financial statements of Ctrack UK Limited ("the Company") for the year ended 31 December 2018 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 2018 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)**

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### **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)

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### 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.

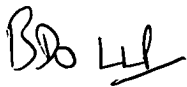
### Auditor's responsibilities for the audit of the financial statements

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

13/9/19

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 2018

	Note	2018 £	As restated 2017 £
Turnover	4	5,976,056	5,839,874
Cost of sales		(820,325)	(971,171)
<b>Gross profit</b>		<b>5,155,731</b>	<b>4,868,703</b>
Administrative expenses		(4,346,787)	(4,650,601)
<b>Operating profit</b>	5	<b>808,944</b>	<b>218,102</b>
Interest receivable and similar income	9	1,805	-
Interest payable and expenses	10	(466)	-
<b>Profit before tax</b>		<b>810,283</b>	<b>218,102</b>
Tax on profit	11	-	-
<b>Profit for the financial year</b>		<b>810,283</b>	<b>218,102</b>

There was no other comprehensive income for 2018 (2017 - £Nil).

The notes on pages 12 to 27 form part of these financial statements.

**Ctrack UK Limited**  
Company number: 07239604

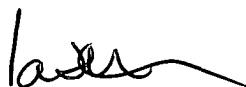
**Statement of Financial Position**  
As at 31 December 2018

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Intangible assets	12	247,079	303,608
Tangible assets	13	2,008,524	1,962,654
		<u>2,255,603</u>	<u>2,266,262</u>
<b>Current assets</b>			
Stocks	14	629,336	483,127
Debtors	15	3,521,764	2,784,155
Cash at bank and in hand		383,553	106,184
		<u>4,534,653</u>	<u>3,373,466</u>
Creditors: amounts falling due within one year	16	(6,546,119)	(6,289,480)
<b>Net current liabilities</b>		<b>(2,011,466)</b>	<b>(2,916,014)</b>
<b>Net assets/(liabilities)</b>		<b><u>244,137</u></b>	<b><u>(649,752)</u></b>
<b>Capital and reserves</b>			
Called up share capital	18	100	100
Capital reserve	19	3,000,000	3,000,000
Profit and loss account	19	(2,755,963)	(3,649,852)
<b>Equity/(deficit) attributable to owners of the parent company</b>		<b><u>244,137</u></b>	<b><u>(649,752)</u></b>

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

13 September 2019

I J Holt  
Director



The notes on pages 12 to 27 form part of these financial statements.

# Ctrack UK Limited

## Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital £	Capital reserve £	Profit and loss account £	Total equity £
<b>At 1 January 2017</b>	100	3,000,000	(3,905,010)	(904,910)
<b>Comprehensive income for the year</b>				
Profit for the year (restated - see note 21)	-	-	218,102	218,102
<b>Total comprehensive income for the year</b>	-	-	218,102	218,102
<b>Contributions by and distributions to owners</b>				
Capital contribution - Share based payments	-	-	37,056	37,056
<b>Total transactions with owners</b>	-	-	37,056	37,056
<b>At 1 January 2018</b>	100	3,000,000	(3,649,852)	(649,752)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	810,283	810,283
<b>Total comprehensive income for the year</b>	-	-	810,283	810,283
<b>Contributions by and distributions to owners</b>				
Capital contribution - Share based payments	-	-	83,606	83,606
<b>Total transactions with owners</b>	-	-	83,606	83,606
<b>At 31 December 2018</b>	<b>100</b>	<b>3,000,000</b>	<b>(2,755,963)</b>	<b>244,137</b>

The notes on pages 12 to 27 form part of these financial statements.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 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 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 accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- 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 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 2018 and these financial statements may be obtained from 9605 Scranton Road, San Diego, California, 92121, United States of America.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.3 Adoption of new and revised standards

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018 although these have not had a material impact on the company as will be described under the relevant note. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 that have had a material impact on the company.

#### 2.4 Going concern

The Company had net assets of £244,137 at 31 December 2018 (2017 - net liabilities of £649,752). The Directors consider the Company to be a going concern based on forecasted performance. This view is strengthened by a letter of support given by the holding company, Digicore Holdings Limited in which the Company commits to provide sufficient funds to ensure that the company can meet its liabilities as they fall due for the foreseeable future being at least 12 months from the date of the audit report.

#### 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.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 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

#### 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.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.8 Tangible fixed assets (continued)

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:

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.

#### 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.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 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 two 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.

##### 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.

#### 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.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 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.

#### 2.16 Operating leases: the Company as lessor

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 leased asset is diminished.

Initial direct costs incurred by lessors in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

#### 2.17 Operating leases: the Company as lessee

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### 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.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

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### 2. Accounting policies (continued)

#### 2.19 Interest income

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

#### 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:

- The fair value of technology related intangible assets have been estimated by considering the costs of developing such assets as evidenced by group experience of developing similar assets internally.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 4. Revenue

An analysis of revenue by category:

	2018 £	2017 £
Provision of Telematics units and Services	5,428,541	4,779,551
Outright sale of Telematic units	216,882	634,812
Deinstallation and Reinstallation of Telematics units	330,633	425,511
	5,976,056	5,839,874

### Assets and liabilities related to contracts with customers

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

	2018 £	2017 £
Current contract liabilities relating to deposits from customers and deferred income	855,358	437,470
	855,358	437,470

There are no assets arising from contracts with customers.

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

	2018 £	2017 £
Revenue recognised that was included in the contract liability balance at the beginning of the year	408,464	165,363
	408,464	165,363

### 5. Operating profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	1,097,360	1,055,737
Amortisation of intangible assets	162,073	269,785
Exchange differences	(6,776)	(5,215)
Bad debts written off	(8,185)	55,761
Defined contribution pension cost	90,506	63,133
Operating lease payments	215,260	223,474
Cost of stocks recognised as an expense	620,938	919,412
	620,938	919,412

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2018 £	2017 £
Fees for the audit of the Company	43,680	45,650
Fees for taxation services	6,350	3,000
	<u>43,680</u>	<u>45,650</u>

### 7. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	2,836,025	2,346,762
Social security costs	366,839	255,897
Cost of defined contribution scheme	90,506	63,133
	<u>3,293,370</u>	<u>2,665,792</u>

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

	2018 No.	2017 No.
Administration	8	7
Production and sales	69	67
	<u>77</u>	<u>74</u>

### 8. Directors' remuneration

There was no directors' remuneration in the current or prior year.

Directors' remuneration is paid by Ctrack Europe Holdings Limited, a fellow group undertaking.

During the year, 2 directors 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 2018

### 9. Interest receivable

	2018 £	2017 £
Bank interest receivable	1,805	-
	1,805	-
	1,805	-

### 10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	466	-
	466	-
	466	-

### 11. Taxation

	2018 £	2017 £
Current tax on profits for the year	-	-
	-	-
<b>Total deferred tax</b>	-	-
	-	-
<b>Taxation on profit on ordinary activities</b>	-	-

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	As restated 2017 £
Profit on ordinary activities before tax	810,283	218,102
	810,283	218,102
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	153,954	41,985
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,099	1,074
Non taxable share based payments	15,885	7,133
Adjustment re deferred tax asset on losses	(170,938)	(50,192)
	-	-
<b>Total tax charge for the year</b>	-	-

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 11. Taxation (continued)

#### 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 2018 has been calculated based on the rates substantively enacted at the date of the Standard of Financial Position.

A deferred tax asset of £586,241 (2017: £794,017) in respect of losses totalling £3,448,478 (2017: £4,670,668) 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 £154,796 (2017: £88,788) has not been recognised.

### 12. Intangible assets

	Research & Development £	Purchased Intangible Customer Related £	Total £
<b>Cost</b>			
At 1 January 2018	434,065	2,360,000	2,794,065
Additions - internal	105,544	-	105,544
	539,609	2,360,000	2,899,609
At 31 December 2018			
<b>Amortisation</b>			
At 1 January 2018	189,193	2,301,264	2,490,457
Charge for the year	103,337	58,736	162,073
	292,530	2,360,000	2,652,530
At 31 December 2018			
<b>Net book value</b>			
At 31 December 2018	247,079	-	247,079
At 31 December 2017	244,872	58,736	303,608

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 13. Tangible fixed assets

	Ctrack Lease Units £	Furniture and Fittings £	Office equipment £	Total £
<b>Cost</b>				
At 1 January 2018	3,419,395	85,887	243,821	3,749,103
Additions	1,041,863	-	101,367	1,143,230
Disposals	(878,462)	(84,753)	(33,453)	(996,668)
At 31 December 2018	3,582,796	1,134	311,735	3,895,665
<b>Depreciation</b>				
At 1 January 2018	1,486,516	84,630	215,303	1,786,449
Charge for the year on owned assets	1,060,648	8,922	27,790	1,097,360
Disposals	(878,462)	(84,753)	(33,453)	(996,668)
At 31 December 2018	1,668,702	8,799	209,640	1,887,141
<b>Net book value</b>				
At 31 December 2018	1,914,094	(7,665)	102,095	2,008,524
At 31 December 2017	1,932,879	1,257	28,518	1,962,654

### 14. Stocks

	2018 £	2017 £
Work in progress	-	6,337
Finished goods and goods for resale	629,336	476,790
	629,336	483,127

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 15. Debtors

	2018 £	2017 £
<b>Due after more than one year</b>		
Deferred tax asset	657,791	657,791
	<u>657,791</u>	<u>657,791</u>
<b>Due within one year</b>		
Trade debtors	840,845	844,678
Amounts owed by group undertakings	1,848,767	1,118,248
Other debtors	34,587	7,310
Prepayments and accrued income	139,774	156,128
	<u>3,521,764</u>	<u>2,784,155</u>

Amounts owed by group undertakings are repayable on demand.

### 16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Bank overdrafts	-	44,654
Trade creditors	280,208	218,862
Amounts owed to group undertakings	4,597,765	4,429,186
Other taxation and social security	306,198	354,536
Other creditors	14,452	87,258
Accruals and deferred income	492,139	717,514
Contract liabilities	855,357	437,470
	<u>6,546,119</u>	<u>6,289,480</u>

Amounts owed to group undertakings are repayable on demand.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 17. Deferred taxation

	2018 £	2017 £
At beginning of year	657,791	657,791
<b>At end of year</b>	<b>657,791</b>	<b>657,791</b>

The deferred tax asset is made up as follows:

	2018 £	2017 £
Tax losses carried forward	657,791	657,791

### 18. Share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	100	100

### 19. 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 2018

### 20. 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](http://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 2018 was US\$ 3.11 (2017 – US\$ 1.63).

The weighted average remaining contractual lives of the options below were 8.62 years (2017 – 8.04 years). At the end of the year these outstanding stock options had the following ranges of exercise prices:

	2018 Number	2017 Number
Exercise price - US\$0.00 (RSUs)	2,500	42,500
Exercise price - US\$0.80	40,369	87,475
Exercise price - US\$1.11	74,000	84,000
Exercise price - US\$1.44	-	4,100
Exercise price - US\$1.57	-	16,401
Exercise price - US\$1.63	20,502	41,004
Exercise price - US\$1.85	92,000	104,000
Exercise price - US\$3.53	110,000	-

### 21. Prior year adjustment

The profit for the year ended 31 December 2017 has been reduced by £37,056 from that previously stated to reflect a share based payment cost missed in error. The corresponding profit and loss account reserves entry of £37,056 for the capital contribution has also been adjusted. There is no impact on the total assets/liabilities as at 31 December 2017. Details of the share options are given in note 20.

# Ctrack UK Limited

## Notes to the Financial Statements For the Year Ended 31 December 2018

### 22. Operating lease receivable commitments

At 31 December 2018 the Company had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	3,991,693	4,138,621
Later than 1 year and not later than 5 years	4,743,626	4,912,574
	<u>8,735,319</u>	<u>9,051,195</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 £90,506 (2017 - £63,133). Contributions totalling £9,750 (2017 - £15,420) were payable to the fund at the reporting date and are included in creditors.

### 24. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	178,425	210,700
Later than 1 year and not later than 5 years	314,887	136,200
	<u>493,312</u>	<u>346,900</u>

### 25. 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.